

Lietuvos oro uostai VĮ

COMPANY'S AUDITED FINANCIAL STATEMENTS FOR THE YEAR
2021,
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL
REPORTING STANDARDS,
AS ADOPTED BY THE EUROPEAN UNION,

29/04/2022 No 8F -

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Independent Auditor's Report

To the Owners of Lietuvos oro uostai VĮ

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lietuvos oro uostai VĮ ("the Company"). The Company's financial statements comprise:

- the statement of financial position as at 31 December 2021,
- the statement of profit or loss and other comprehensive income for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of 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 ("IFRS").

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 (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, 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.

Other matter

Our opinion on the 31 December 2020 financial statements dated 27 April 2021 was qualified. As at the date of transition to IFRS, the Company recognized items of property, plant and equipment including land at their transition-date fair value under the deemed cost exemption. We noted, however, that land as at 31 December 2020 and as at 31 December 2019, which was acquired prior to the transition date, was not stated at its transition date fair value and instead, was stated at cost that, in our view, did not meet the relevant cost definition of IAS 16 Property, plant and equipment. In addition, the Company carried buildings which were acquired either through the merger in 2014 or acquired in the period between 2010 and 2019 as capital contributions from the owner and recognized at amounts declared in the capital increase resolutions of the Government. However documentary evidence in support of the cost of these buildings at initial recognition was not provided to us. As disclosed in Note 24, the Company has performed retrospective valuation of the land and buildings and restated its 31 December 2020 financial statements and recorded adjustments to acquisition costs, depreciation and impairment charge where relevant as well as related income tax effects.



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.

Recoverability of property, plant and equipment

We refer to the financial statements:

The carrying amount of property, plant and equipment as at 31 December 2021: EUR 199 876 thousand (31 December 2020: EUR 175 718 thousand).

Significant accounting policies – “2.5 Property, plant and equipment”, “2.6 Non-financial assets impairment”, “2.20 Use of estimates and judgments”, and Note 4 “Property, plant and equipment”.

The key audit matter	How the matter was addressed in our audit
<p>The carrying amount of property, plant and equipment in the financial statements as at 31 December 2021: EUR 199 876 thousand; total impairment reversal recognized as at 31 December 2021: EUR 625 thousand.</p> <p>Under IFRS requirements, Company at each reporting date is required to assess, whether impairment indicators or indications for the reversal of impairment losses recognised in prior periods exists and if they exists, an impairment test is required.</p> <p>The determination of recoverable amounts of the asset or cash generating unit is a process that requires management to make a number of significant judgements, including those in respect of future operating cash flows, growth rates and discount rates. The projected operating cash flows from the Company’s activities are influenced primarily by assumptions concerning sales volumes. These projections are exposed to significant variability due to inherent uncertain market conditions. Accordingly, this area required our increased attention in the audit and as such was identified by us to be our key audit matter.</p>	<p>Our audit procedures performed, where applicable, included, among others:</p> <ul style="list-style-type: none"> • considering the appropriateness of the value-in-use model (“impairment model”) applied for estimation of recoverable amount, against the relevant requirements of the financial reporting standards; • evaluating the appropriateness of allocation of assets to cash generating units based on our understanding of the Company’s operations and business units; • evaluating the quality of the Company’s forecasting by comparing historical projections with actual outcomes, and also tracing the forecast cash flows in the impairment model to Management Board approved forecasts; • using our knowledge of the Company, its past performance, business and customers, and our industry experience, challenging significant forecast cash flow and growth assumptions. As part of the procedure we: <ul style="list-style-type: none"> ○ challenged the discount rate used by reference to publicly available market data, adjusted by risk factors specific to the Company and its industry, ○ assessed reasonableness of the assumptions relating to sales volumes and profit margins to historical results and to industry forecasts, ○ checked forecasted growth rates to the ones generally observed in air



	<p>transportation industry;</p> <ul style="list-style-type: none">• assessing the integrity of the impairment model, including the accuracy of the underlying calculation formulas.• considering sensitivity of the impairment model to changes in key assumptions, such as forecast growth rates and discount rates to identify the assumptions at higher risk of bias or inconsistency in application;• considering the adequacy of the Company's disclosures in respect of impairment testing.
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Other Information

The other information comprises the information included in the Company's annual activity 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.

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 activity report for the financial year for which the financial statements are prepared is consistent with the financial statements and whether annual activity report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

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

It is also our responsibility check whether the information on ongoing social and environmental activities has been provided within the annual management report. If we identify that ongoing social and environmental activities 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 of the financial statements that give a true and fair view 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 decision of the owner we were appointed in January 2020 for the first time to audit the Company's financial statements. Our appointment to audit the Company's financial statements is renewed each second year, and the total uninterrupted period of engagement is 3 years.

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the additional report presented to the Company and its Audit Committee together with this independent auditor's report.

We confirm that in light of our knowledge and belief, services provided to the Company are consistent with the requirements of the law and regulations and do not comprise 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 provided translation service.

On behalf of KPMG Baltics, UAB

Domantas Dabulis
Partner
Certified Auditor

Vilnius, the Republic of Lithuania
29 April 2022

Statement of financial position

	Notes	31 December 2021	31 December 2020 (adjusted)	1 January 2020 (adjusted)
ASSETS				
Non-current assets				
Intangible assets				
		1 317 523	330 673	536 552
		44 301	104 491	183 344
		1 361 824	435 164	719 896
Property, plant and equipment				
		51 024 440	50 767 890	51 024 440
		126 759 610	96 691 284	85 441 892
		10 836 798	4 674 368	3 642 129
		5 018 112	5 674 818	3 549 153
		3 314 321	14 642 906	16 789 001
		2 922 454	3 266 777	2 848 279
		199 875 735	175 718 043	163 294 894
		7 147 200	5 534 538	2 925 923
		38 543	118 141	-
		2 342 477	2 391 271	1 643 834
		210 765 779	184 197 157	168 584 547
Current assets				
		558 433	363 533	317 567
		4 676 332	2 514 572	5 733 421
		54 237	77 962	564 065
		29 811	11 290	9 121
		-	-	470 521
		439 514	589 265	148 520
		15 080 710	10 011 015	18 049 994
		20 839 037	13 567 637	25 293 209
Total assets		231 604 816	197 764 794	193 877 756

The accompanying notes are an integral part of these financial statements. Adjustments to the previous periods are disclosed in Note 24.

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2021

(all amounts are in EUR unless otherwise stated)

Statement of financial position (continued)

	Notes	31 December 2021	31 December 2020 (adjusted)	1 January 2020 (adjusted)
EQUITY AND LIABILITIES				
Equity				
Capital of the company's owner	11	27 035 165	26 467 420	26 439 934
Capital corresponding to assets which can only be state-owned according to laws	11	93 276 021	93 276 021	93 276 021
Reserves	12	1 904 421	1 703 861	942 358
Legal reserve		1 904 421	1 666 509	919 478
Other reserves		-	37 352	22 880
Retained earnings (losses)	12	5 552 078	6 455 490	11 869 751
Profit (loss) of the reporting year		(702 851)	(4 652 758)	13 998 160
Profit (loss) brought forward		6 254 929	11 108 248	(2 128 409)
Total equity		127 767 685	127 902 792	132 528 064
Amounts payable after one year and non-current liabilities				
Grants related to assets	13	53 563 820	34 823 096	36 241 102
Grants to compensate expenses	13	158 065	-	-
Non-current borrowings	15	35 214 987	21 418 479	12 591 141
Amounts payable and non-current liabilities	16	59 008	181 251	3 925
Prepayments received		-	-	-
Deferred tax liability		-	-	-
Non-current liabilities to employees	14	98 591	90 279	115 326
Total amounts payable after one year and non-current liabilities		89 094 471	56 513 105	48 951 494
Amounts payable within one year and current liabilities				
Current portion of non-current borrowings	15	2 604 356	2 074 014	408 859
Trade payables	17	5 440 242	3 385 591	3 700 393
Prepayments received	17	140 439	2 090 555	180 826
Corporate income tax liability		-	-	-
Employment related liabilities	14, 17	2 350 040	1 424 903	2 257 637
Other current debtors	7, 17	4 207 583	4 373 834	5 850 483
Total amounts payable within one year and current liabilities		14 742 660	13 348 897	12 398 198
Total equity and liabilities		231 604 816	197 764 794	193 877 756

The accompanying notes are an integral part of these financial statements. Adjustments to the previous periods are disclosed in Note 24.

Chief Executive Officer

Director of Finance Department

Head of Accounting Department

Marius Gelžinis

Indrė Kunigėlytė

Audronė Lučiūnaitė

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2021

(all amounts are in EUR unless otherwise stated)

Statement of profit or loss and other comprehensive income

	Notes	2021	2020 (adjusted)
Income from aviation activities	18	18 737 228	13 174 506
Income from non-aviation activities	18	10 245 039	9 542 419
Total income		28 982 267	22 716 925
Other income		152 530	20 895
Depreciation and amortisation	19	(8 491 795)	(7 245 003)
Asset impairment costs/reversal	19	624 849	(642 134)
Employee benefits and related social security costs	19	(11 586 117)	(11 213 473)
Maintenance, repairs of non-current assets and utilities (Impairment)/reversal of impairment losses on amounts receivable and trade debtors	19	(5 222 912)	(4 164 105)
Taxes other than income tax	19	721 622	(269 467)
Other expenses	19	(1 186 379)	(1 289 819)
		(4 583 563)	(3 268 412)
Profit/(Loss) from operations		(589 498)	(5 354 593)
Income from financing and investing activities		4 167	11 762
Expenses from financing and investing activities	19	(68 726)	(58 343)
Profit (loss) before tax		(654 057)	(5 401 174)
Corporate income tax	20	(48 794)	748 416
Net profit/(loss)		(702 851)	(4 652 758)
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		(702 851)	(4 652 758)

The accompanying notes are an integral part of these financial statements. Adjustments to the previous periods are disclosed in Note 24.

Chief Executive Officer

Marius Gelžinis

Director of Finance Department

Indrė Kunigėlytė

Head of Accounting Department

Audronė Lučiūnaitė

Statement of changes in equity as at 31 December 2021

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) (adjusted)	Total (adjusted)	
	Balance as at 31 December 2019 (adjusted)	26 439 934	93 276 021	919 478	22 880	15 288 950	135 947 263
	Correction of error	-	-	-	-	(3 419 199)	(3 419 199)
	Balance as at 1 January 2020 (adjusted)	26 439 934	93 276 021	919 478	22 880	11 869 751	132 528 064
	Net profit (loss) for the year (adjusted)	-	-	-	-	(4 652 758)	(4 652 758)
	Other comprehensive income	-	-	-	-	-	-
	Total comprehensive income (adjusted)	-	-	-	-	(4 652 758)	(4 652 758)
	Profit contribution payable to the state budget	-	-	-	-	-	-
11	Increase in capital	27 486	-	-	-	-	27 486
	Transfers between reserves	-	-	747 031	14 472	(761 503)	-
	Changes related to the decisions of the company's owner	27 486	-	747 031	14 472	(761 503)	27 486
	Balance as at 31 December 2020 (adjusted)	26 467 420	93 276 021	1 666 509	37 352	6 455 490	127 902 792
	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)
11	Increase in capital	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

The accompanying notes are an integral part of these financial statements. Adjustments to the previous periods are disclosed in Note 24.

Chief Executive Officer

Director of Finance Department

Head of Accounting Department

Marius Gelžinis

Indrė Kunigėlytė

Audronė Lučiūnaitė

Statement of cash flows

	Notes	2021	2020 (adjusted)
Cash flows from operating activities			
Net profit (loss)		(702 851)	(4 652 758)
Adjustments:			
Income tax expense		48 794	(748 416)
Depreciation and amortisation	3, 4, 5	11 774 197	10 438 477
Decrease (increase) in asset value	3, 4, 5	(624 849)	642 134
Amortisation of grants and subsidies	13	(3 282 402)	(3 193 474)
Elimination of results of disposal and write-off of property, plant and equipment		361 151	298 764
Elimination of results of financing and investing activities		64 559	46 581
Elimination of other non-cash items		(391 389)	1 838 409
Changes in working capital:			
(Increase) decrease in inventories	6	(135 622)	(53 120)
Decrease (increase) in trade receivables	8	(1 440 139)	3 025 769
Decrease (increase) in other receivables		23 725	486 103
(Increase) decrease in prepayments		(18 521)	(2 169)
(Increase) decrease in other current assets		149 751	(28 407)
Increase (decrease) in received prepayments		(1 950 116)	575 358
Increase (decrease) in trade debtors	17	(1 410 004)	(314 802)
Increase (decrease) in non-current and current liabilities to employees	14	588 679	(857 781)
Increase (decrease) in other amounts payable and non-current liabilities		-	297 433
Increase (decrease) in other amounts payable and current liabilities		401 495	(1 476 649)
Paid income tax		-	(504 651)
Interest paid		(35 048)	(52 357)
Net cash from operating activities		3 421 410	5 764 444
Cash flows from investing activities			
(Acquisitions) of property, plant and equipment and intangible assets	3, 4, 5	(34 899 556)	(25 969 292)
Disposals of property, plant and equipment and intangible assets	3, 4, 5	152 533	12 239
Interest received		4 167	11 108
Other investing activities		-	-
Net cash flows from investing activities		(34 742 856)	(25 945 945)
Cash flows from financing activities			
Loans received		16 621 812	11 000 000
Loans (repaid)		(2 316 212)	(541 667)
Payment of lease liabilities		(95 649)	(85 947)
Profit contribution payable to the state budget		(1)	-
Grants received	13	22 181 191	1 775 468
Increase (reduction) of authorised capital		-	-
Other increases (decreases) in cash flows from financing activities		-	(5 332)
Net cash flows from financing activities		36 391 141	12 142 522
Net increase (decrease) in cash flows		5 069 695	(8 038 979)
Effect of currency exchange fluctuations		-	-
Cash and cash equivalents at the beginning of the period		10 011 015	18 049 994
Cash and cash equivalents at the end of the period	10	15 080 710	10 011 015

The accompanying notes are an integral part of these financial statements. Reconciliation of net debt is presented in Note 10. Adjustments to the previous periods are disclosed in Note 24.

Chief Executive Officer

Marius Gelžinis

Director of Finance Department

Indrė Kunigėlytė

Head of Accounting Department

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.

The capital of the Company's owner comprised EUR 27,035,165 as at 31 December 2021 (EUR 26,467,420 as at 31 December 2020).

As at 31 December 2021, the number of the Company's employees was 518, including 355 employees of VNO and administration, 102 of KUN and 61 PLQ branches (31 December 2020, the number of employees at three branches was 552).

The Company's financial statements for 2021 were audited by KPMG Baltics, UAB, company code 111494971, registered address Lviso g. 101, Vilnius, Lithuania.

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

Management signed these financial statements on 29 April 2022. The owner has a legal right either to approve or reject them and request 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 2021 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 2021 have been prepared in accordance with 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 2021. 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

The new standards effective as of 1 January 2021 had no significant effect on the Company's financial statements.

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

New Standards, amendments to Standards and new Interpretations effective as of 1 January 2021 are presented below. The adopted guidelines did not have an impact on preparation of the Company's financial statements for 2021:

- *COVID-19-Related Rent Concessions (Amendment to IFRS 16)*;
- *Interest rate benchmark reform – Phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7)*.

These amendments to effective standards did not have a material impact in the Company's financial statements.

Amendments to effective standards which are approved by the IASB and adopted by the EU but not yet effective

Amendments to effective standards which are approved by the IASB and adopted by the EU but not yet effective as at the reporting date are presented below:

- **Amendments to IFRS 4 Insurance Contracts – Extension of the temporary exemption from the application of IFRS 9**, adopted by the EU on 16 December 2020 (the amendment has extended the temporary exemption from the application of IFRS 9 from the annual periods beginning on 1 January 2021 to the annual periods beginning on or after 1 January 2023).

These amendments to standards will have no material effect on the Company's financial statements.

New standards and amendments to effective standards approved by the IASB but not yet adopted by the EU

Currently IFRS adopted by the EU do not significantly differ from provisions approved by the International Accounting Standards Board (IASB), except for the new standards and amendments to effective standards the application of which was not yet approved by the EU in 2021 (the effective date of all the below-listed IFRS is the date of issue by the IASB):

- **IFRS 17 Insurance Contracts**, including amendments to IFRS 17 (applicable for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current** (applicable for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use** (applicable for annual periods beginning on or after 1 January 2022).
- **Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction** (applicable for annual periods beginning on or after 1 January 2023).
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract** (applicable for annual periods beginning on or after 1 January 2022).
- **Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework (Amendments to IFRS 3)** (applicable for annual periods beginning on or after 1 January 2022).
- **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** (effective date was deferred for an indefinite period until the completion of equity method research).
- **Annual Improvements to IFRS Standards 2018-2020, based on annual IFRS improvement project** (IFRS 1, IFRS 9, IAS 16 and IAS 41) seeking, in particular, to remove inconsistencies and clarify terms (amendments to IFRS 1, IFRS 9 and IAS 41 are applicable for annual periods beginning on or after 1 January 2022. Amendments to IFRS 16 only relate to an illustrative example; therefore, the effective date is not yet indicated).

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 method 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.

As of 1 January 2010, the Company made a transition to IFRS. Upon transition to IFRS, the Company selected certain items of property, plant and equipment to be measured at fair values and those values were used as deemed cost as at transition date. Before the reorganisation in June 2014, Kauno aerouostas VĮ and Tarptautinis Palangos oro uostas VĮ made a transition to IFRS and measured certain items of property, plant and equipment at fair values and those values were also used as deemed cost as at transition date.

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

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

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 at holding 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 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 amortised cost using the effective interest rate 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 not appointed to factoring, are not discounted and are measured at nominal value.

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 and 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 exceed 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 is used by the Company 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:

- 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 10% of not overdue debts. Legal entities do not settle:

- 1.46% of not overdue debts,
- 4.11% of debts overdue for 1-30 days,
- 12.93% of debts overdue for 31-60 days,
- 29.20% of debts overdue for 61-90 days,
- 50.47% of debts overdue for 91-365 days,
- 90.81% 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 having high long-term borrowing rating issued by foreign rating agencies. The banks' ratings are presented in Note 10. Considering the high ratings of banks creditworthiness, the Company considers the probability of the bank's bankruptcy to be zero.

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 (loss) 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 under operating expenses and cost of sales.

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 % on taxable income.

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 in Lithuania.

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 be enforced and the obligations to be enforced, and a party of which is a customer. A customer is the party that has contracted with

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 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.

Revenue is recognised when it is probable that the Company will receive economic benefits embodied in the transaction and when an amount of revenue can be reliably estimated. Sales are recognised net of VAT and rebates 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.

In 2020 and 2021, the Company had no contract assets. 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 rebates 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 64% of all Company's income, the major part of which comprises fees for using airport services (58% 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:

Lietuvos oro uostai VĮ, company code 120864074, Rodūnios kelias 10A, Vilnius, Lithuania
COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2021
(all amounts are in EUR unless otherwise stated)

- 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);
- 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/EC 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 guaranties 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 programmes:

- The Network Incentive Scheme of Lietuvos oro uostai VĮ is applicable to airlines operating flights from at least two airports managed by Lietuvos oro uostai VĮ and that transport the number of passengers set out in the programme. The discount is applied for charges paid during the period. The discount is applicable to the following airport charges: departing passenger charge, aircraft landing charge, security charge. The size of the discount depends on the number of airports where the airline operated flights and the number of passengers transported.
- The Incentive Scheme for airlines in Vilnius airport is applied for the promotion of new routes as well as route development. I.e. if the total number of passengers on that route demonstrates at least 5% increase in the respective year. The Scheme is applied only to those airlines operating the respective route which demonstrated at least 5% increase in the number of passengers on that route in the current year. For eligible airlines, 90% of the departing passenger charge paid for an increased number of passengers is repaid.
- The Incentive Scheme for airlines in Palanga airport is applied for promotion of new routes and development of passenger flows.
- The Incentive Scheme for air carriers in Kaunas airport is applicable based on the number of passengers transported by airline group or tour operator.
- The Incentive Scheme for route growth is applied at Vilnius airport and Palanga airport. Under this Scheme, the discount is applied for passenger departure fee, by comparing the number of passengers carried by the airlines in the previous month with the number of passengers carried by the airlines in the respective month of 2019.

The Company recognises a contract liability when airlines fulfill the requirements of loyalty programmes.

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 provide for a fixed charge; however, part of the contracts also provide for 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 guaranties 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.

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 is 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 2021 and 2020, 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. The right-of-use assets are presented in the statement of financial position under other non-current assets.

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. They are included into profit or loss, item of Other expenses.

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, depreciation 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 IFRS 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.

Determination of value of non-current assets

The management has carried out a retrospective valuation of assets and adjusted the values of non-current assets, recognizing the result of change in value in retained earnings of the previous periods. More details of the retrospective valuation of assets and calculations is presented in Note 24.

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. More details of the booked provisions of the loyalty programme are presented in Note 7.

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 accounts for pension accruals to employees so that it can pay a termination payment to retired employees in accordance with legislation. At the end of each financial year, the Company's management assesses key actuarial assumptions applicable to non-current employee benefits. More details on ratios used in calculations of pension accruals are disclosed in Notes 2.13 and 14.

Impairment of receivables

The Company does not monitor changes in the credit risk level during the life of the instrument and estimates the expected credit loss in the horizon up to maturity of the instrument. In particular, for the insolvency event, the Company recognises when the client has not satisfied the obligation after 90 days from the due receivables date. For the purpose of estimating the expected credit loss, the Company uses a provision matrix estimated on the basis of historical levels of repayment and recoveries from receivables from contractors. The Company includes information about the future and potential COVID-19 impact in the parameters used in the expected loss estimation model, through the management adjustment of the basic insolvency probability parameters. The expected credit loss is calculated when the receivable is recognised in the statement of financial position and is updated on each subsequent day ending the reporting period, depending on the number of overdue days of the receivable. Recognition and reversal of expected impairment of trade and other receivables for main receivables are accounted for under income (expenses) from operations, losses (reversal of losses) due to impairment of financial instruments, and interest on late payments are accounted for under income (expenses) from financing activities, losses (reversal of losses) due to impairment of financial instruments.

Going concern assumption

Considering the impact of COVID-19, the Company's planned main cash flows, although lower as compared with the pre-pandemic period, remain positive; therefore, the Company will be able to continue as a going concern and make necessary payments. The management assessed the impact of the war in Ukraine on the volumes of activity, according to various calculations the loss of revenue due to non-operated flights to Ukraine will be compensated additionally by the revenue from other flight routes, therefore, the management does not see any risk to the going concern. More details on going concern are provided in Note 25.

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 economic best 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.

For assets and liabilities which are repeatedly recognised in the financial statements, the Company, when reassessing the allocation, decided on whether the amounts were transferred between hierarchy levels (Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale). Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

As at 31 December 2021 and 2020, the carrying amount of the Company's financial assets and liabilities approximates their fair values, level 3 methodology.

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.

3. Intangible assets

	Software	Other assets	Total
Acquisition cost:			
Balance as at 31 December 2019	1 796 586	574 648	2 371 234
Additions	7 498	-	7 498
Disposed and written-off assets	(11 928)	-	(11 928)
Reclassifications	-	-	-
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
Amortisation and impairment losses:			
Balance as at 31 December 2019	1 260 034	391 304	1 651 338
Amortisation for the year	213 375	78 853	292 228
Impairment of assets (adjusted)	-	-	-
Disposed and written-off assets	-	-	-
Reclassifications	(11 926)	-	(11 926)
Balance as at 31 December 2020 (adjusted)	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
Net book value as at 31 December 2019	536 552	183 344	719 896
Net book value as at 31 December 2020 (adjusted)	330 673	104 491	435 164
Net book value as at 31 December 2021	1 317 523	44 301	1 361 824

The Company has no internally generated intangible assets. Amortisation expenses of intangible assets are accounted for under depreciation and amortisation expenses in profit or loss.

The Company performed the calculation of the recoverable amount of non-current assets and did not determine impairment in any of its cash generating units. More details on the determination of impairment are presented in Note 4.

A part of the Company's intangible assets with acquisition cost equal to EUR 1 094 830 as at 31 December 2021 (EUR 1 496 175 as at 31 December 2020) was fully amortised but still in use.

4. Property, plant and equipment

	Land (adjusted)	Constructions and buildings (adjusted)	Machinery and plant	Vehicles	Construction in progress	Other property, plant and equipment	Total
Acquisition cost:							
Balance as at 31 December 2019 (adjusted)	51 024 440	197 265 589	28 745 380	13 136 697	16 789 001	7 760 723	314 721 830
Additions	-	174 556	20 717	2 747 492	22 665 549	533 316	26 141 630
Disposed and written- off assets	-	(320 911)	(111 421)	(91 875)	(215 940)	(416 958)	(1 157 105)
Reclassifications	-	17 980 632	1 735 643	-	(24 595 704)	975 006	(3 904 423)
Balance as at 31 December 2020 (adjusted)	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 31 December 2021	51 024 440	251 740 492	34 473 875	15 122 219	3 314 321	8 515 001	364 190 348
Accumulated depreciation and impairment:							
Balance as at 31 December 2019 (adjusted)	-	111 823 697	25 103 251	9 587 544	-	4 912 444	151 426 936
Depreciation for the year	-	6 427 047	713 635	620 030	-	1 089 728	8 850 440
Impairment of assets	256 550	385 584	-	-	-	-	642 134
Disposed and written- off assets	-	(227 746)	(100 935)	(90 078)	-	(416 862)	(835 621)
Reclassifications	-	-	-	-	-	-	-
Balance as at 31 December 2020 (adjusted)	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
Net book value as at 31 December 2019 (adjusted)	51 024 440	85 441 892	3 642 129	3 549 153	16 789 001	2 848 279	163 294 894
Net book value as at 31 December 2020 (adjusted)	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

As at 31 December 2020, the right-of-use assets were accounted for by the Company under other tangible assets; adjustments were made in 2021 and these assets were reclassified to the group of Vehicles. In 2021, the expired lease agreements were written off for the amount of EUR 97 350. Recognised acquisition cost amounted to EUR 359 303 as at 31 December 2021 (31 December 2020: EUR 456 653) and depreciation to EUR 176 951 (31 December 2020: EUR 154 003). The book value of the right-of-use assets amounted to EUR 182 352 (31 December 2020: EUR 302 650).

During 2021, the Company wrote off and liquidated unused assets with the acquisition cost of EUR 4 545 337. During 2020, the Company wrote off and liquidated unused assets with the acquisition cost of EUR 1 008 699. The book value of written off assets was included in other expenses in profit or loss.

Adjustments of correction of error, related to the retrospective valuation of assets, are disclosed in Note 24.

As at 31 December 2020 the impairment of EUR 6 923 786 in total was accounted for, whereof impairment of intangible assets amounted to EUR 2 844, intangible assets – EUR 6 846 184, and investment property – EUR 74 758. Due to the correction of error, which is disclosed in more detail in Note 24, the impairment booked in 2020 was also adjusted. After the correction of error the total amount of impairment was EUR 642 thousand.

Lietuvos oro uostai VĮ, company code 120864074, Rodūnios kelias 10A, Vilnius, Lithuania
COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2021
(all amounts are in EUR unless otherwise stated)

When preparing the financial statements for the year 2021, 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	134 234 323	27 335 092	106 899 231	315 543 693
Kaunas	34 144 403	11 046 685	23 097 718	32 791 572
Palanga	36 691 712	14 784 970	21 906 742	32 033 167
Total	205 070 438	53 166 747	151 903 691	380 368 432

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 forecasted for the period of 2022-2032.
2. The forecasted growth of revenue in different years is on average 15% (in all cash-generating units).
3. Cash flows beyond the ten-year period were extrapolated using 2% growth rate.
4. Considering the fact that in 2021 the Company's revenue was significantly better than expected but costs remained at similar levels, in the Company's view, during the period of 2025-2032 costs should not increase significantly for growth of the Company; therefore it applied a 2% growth rate for remuneration and other costs. The Company has adequate capacities to increase revenue; therefore, costs should increase in line with inflation rates.
5. Planned EBITDA margin is from 26% in 2022 to 40% in 2032. Based on the data and forecasts of international aviation organizations IATA and ACI Europe, international passenger flows are expected to go back to the pre-pandemic level in 2023-2024.
6. Discount rate of 6.95% was applied when discounting the forecasted cash flows. The discount rate was calculated based on the weighted average capital costs (WACC) method. This method considers both borrowed and own capital of the Company. Equity costs show the return that the investors expect from the investments into capital of a respective company. Costs of borrowed capital represent interest for which a company could borrow funds.

The test of recoverable amount showed that the recoverable amount of assets is not lower than the assets' carrying amount in any of the branches. Accordingly, the impairment was reversed for the amount of EUR 625 thousand.

Sensitivity analyses of each cash-generating unit to recoverable amount are presented below:

Based on changes in terminal value and discount rate:

Vilnius (EUR thousand)		Discount rate		
		5.96%	6.96%	7.96%
Terminal value	3%	574 923	388 601	278 840
	2%	437 429	315 544	235 273
	1%	355 302	266 390	204 181

Kaunas (EUR thousand)		Discount rate		
		5.96%	6.96%	7.96%
Terminal value	3%	53 374	37 242	27 923
	2%	43 659	32 792	25 792
	1%	37 965	29 879	24 358

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2020

(all amounts are in EUR unless otherwise stated)

Palanga (EUR thousand)		Discount rate		
		5.96%	6.96%	7.96%
Terminal value	3%	55 471	39 020	29 325
	2%	42 611	32 003	25 062
	1%	34 940	27 345	22 025

Based on changes in revenue forecasts, when terminal value and discount rate are held constant:

Vilnius (EUR thousand)		Discount rate	
		6.95%	
Revenue deviation from forecasts	-10%	273 669	
	-5%	294 682	
	-	315 544	
	+5%	336 429	
	+10%	357 334	

Kaunas (EUR thousand)		Discount rate	
		6.95%	
Revenue deviation from forecasts	-10%	23 239	
	-5%	28 044	
	-	32 792	
	+5%	37 464	
	+10%	42 116	

Palanga (EUR thousand)		Discount rate	
		6.95%	
Revenue deviation from forecasts	-10%	27 873	
	-5%	29 956	
	-	32 033	
	+5%	34 091	
	+10%	36 135	

A part of the Company's property, plant and equipment with acquisition cost equal to EUR 44 053 035 as at 31 December 2020 (EUR 50 671 321 as at 31 December 2020) was fully depreciated but still in use, including investment property of EUR 1 233 124. Depreciation costs were stated in the statement of comprehensive income.

During 2021, the Company transferred depreciated assets under the Resolutio of the Government of the Republic of Lithuania with the book value of EUR 3 million, and showed a decrease in the shareholder's capital in this amount (see Note 11).

In 2021, the Company booked received free-of-charge assets, i.e. pipelines from lessees, the value of all assets received free-of-charge at the time of take-over was EUR 17 900. In 2020, the Company received from the lessees free-of-charge assets for EUR 31 800, which were put into operation in 2020. As the assets were transferred free-of-charge and the

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2021

(all amounts are in EUR unless otherwise stated)

Company does not have and will not have in the future liabilities related to the receipt of these assets, these assets were carried under income from non-aviation activities in profit or loss.

In 2021, 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 15 340. The assets were carried under income from non-aviation activities in profit or loss.

The Company had no pledged property, plant and equipment as at 31 December 2021 and 2020.

5. Investment property

Acquisition cost:

Balance as at 31 December 2019 (adjusted)	8 067 201
Additions	-
Disposed and written-off assets	-
Reclassifications	3 904 424
Balance as at 31 December 2020 (adjusted)	11 971 625
Additions	-
Disposed and written-off assets	-
Reclassifications	2 036 104
Balance as at 31 December 2021	14 007 729
Accumulated depreciation and impairment:	
Balance as at 31 December 2019 (adjusted)	5 141 278
Depreciation for the year	1 295 809
Impairment of assets (adjusted)	-
Disposed and written-off assets	-
Reclassifications	-
Balance as at 31 December 2020 (adjusted)	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
Net book value as at 31 December 2019 (adjusted)	2 925 923
Net book value as at 31 December 2020 (adjusted)	5 534 538
Net book value as at 31 December 2021	7 147 200

Lease income on investment property amounted to EUR 7 937 thousand in 2021 (2020: EUR 7 597 thousand).

The investment property of Lietuvos oro uostai VĮ comprises airport buildings, equipment and premises intended for operating activities and used for leases. Airports is a unique business field with no analogues in the country's market; therefore, the reliable regular estimate of the fair value of investment property is impracticable. The Company applies the exemption in IAS 40 and measures the value of investment property applying the cost method. The cost method is applied when clear evidence exists that an entity is operating in atypical market conditions, assets lease conditions are significantly different from the lease conditions of the country's buildings and no comparable assets exist. In addition, this business field does not involve many transactions, quoted market prices are outdated and no reliable methods exist for the measurement of 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

	2021	2020
Materials and spare parts	498 269	400 897
Fuel and other oil products	97 807	66 996
Food products	7 966	527
Write-down of inventories	(45 609)	(104 887)
	558 433	363 533

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 2021, the Company used and wrote off inventories in the amount of EUR 880 561 (2020: EUR 485 981). Write-down of inventories is carried under other costs in profit or loss.

7. Contract assets and liabilities

	2021	2020
Trade receivables (Note 8)	4 676 332	2 514 572
Contract assets	530 479	-
Contract liabilities (Note 17)	(2 342 522)	(1 943 746)

The Company has no contract assets, except for not received lease income described further, as all services (except for lease) are recognised at a point in time upon provision of the service.

Contract liabilities comprise deposits received from customers for the Company's services and accruals related to loyalty programme regarding promotion of new routes and carriage of additional cargo. In 2021 contract liability comprised: received deposits of EUR 1 196 425 (in 2020: 1 223 245) and loyalty programme accruals of EUR 1 146 097 (in 2020: EUR 720 501).

During 2021, in total EUR 2 119 723 contract liabilities were recognised as reduction of income from aviation activities (2020: EUR 4 865 617).

As a result of announcement of COVID-19 related quarantine, the Company did not receive lease income from lessees during the quarantine period from 16 March to the end of May in 2020. In addition, arrangements were signed with lessees reducing lease payments by 80%. Not received lease income due to consequences of COVID-19 related quarantine amounted to EUR 3 364 289 in 2020. The amount of concession was recognised over the entire term of lease agreements. During 2021 the booked amount reducing the lease revenue, i.e. EUR 412 338 (in 2020: EUR 2 833 810), accordingly during the next year will reduce the lease revenue by EUR 79 599, and in the period from one to five years – by EUR 38 542.

8. Trade receivables

	2021	2020
Trade receivables	10 892 956	9 452 817
Impairment by expected credit losses	(6 216 624)	(6 938 245)
Total	4 676 332	2 514 572

The risk was evaluated considering the ageing of debts and the expected losses of customer groups. The impairment of these amounts is reflected in profit or loss.

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(all amounts are in EUR unless otherwise stated)

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 2020	1 304 150	767 800	81 285	98 717	262 620	2 514 572
31 December 2021	3 317 965	1 187 786	106 365	6 186	58 030	4 676 332

9. Other amounts receivable

Other amounts receivable comprised the following:

	2021	2020
Budget debt to the company	54 237	77 962
Employee debts and accountable persons	-	-
	54 237	77 962

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	
31 December 2020	77 962	-	-	-	77 962
31 December 2021	54 237	-	-	-	54 237

Impairment of other amounts receivable is assessed based on expected credit loss. In 2021 and 2020, no expected credit losses were recognised for other amounts receivable. The carrying amount of other amounts receivable approximates their fair value due to their fast realisation period.

10. Cash and cash equivalents

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

	2021	2020
Cash at bank	15 057 271	9 895 793
Cash in hand	6 440	7 512
EVP payments	16 999	107 710
	15 080 710	10 011 015

As at 31 December 2021 and 2020, the fair value of cash and cash equivalents approximates their carrying amount.

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

Bank	Moody's	Standard & Poor's
Citadele bankas	Baa2	-
Luminor Bank AB	Baa1	-
AB SEB Bankas	Aa3	A+
Swedbank, AB	Aa3	A+

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(all amounts are in EUR unless otherwise stated)

11. Capital**Capital of the company's owner**

	2021	2020
Balance as at 1 January	26 467 420	26 439 934
Movement of capital during 2020:		
- Assets taken over from VĮ Oro navigacija based on Resolution No 369 of 8 April 2020 of the Government of the Republic of Lithuania	-	37 969
- Assets transferred based on Resolution No 1003 of 2 October 2019 of the Government of the Republic of Lithuania	-	(10 483)
Movement of capital during 2021		
- Resolution No 110 of 10 February 2021 of the Government of the Republic of Lithuania On the Increase of the Capital of Owners of State Enterprise Lietuvos Oro Uostai	567 748	-
- Assets transferred based on Resolution No 162 of 17 March 2021 of the Government of the Republic of Lithuania	(3)	-
Balance as at 31 December	27 035 165	26 467 420

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

	2021	2020
	93 276 021	93 276 021
	93 276 021	93 276 021

12. Reserves

Reserves comprised the following:

	2021	2020
Legal reserve	1 904 421	1 666 509
Other reserves:		37 352
- Reserves intended for social, cultural and similar purposes	-	37 352
- Reserves for investments	-	-
	1 904 421	1 703 861

By Order No 3-505 of 26 October 2021 of the Minister of Transport and Communications of the Republic of Lithuania, 5%, i.e. EUR 237 912 was transferred to the legal reserve when distributing the profit for 2020. As at 31 December 2021, the legal reserve is not fully formed.

Profit contribution

The profit contribution of state enterprises is paid in accordance with the Law on State and Municipal Enterprises. In 2021, the Company paid a profit contribution of EUR 1. In 2020, the Company did not pay the profit contribution.

13. Grants**Grants related to assets**

Information on the Company's grants related to assets:

	2021	2020
Balance at 1 January	34 823 096	36 241 102
EU fund grants	11 891 027	1 775 468
Grants from the state budget	10 132 099	-
Amortisation	(3 282 402)	(3 193 474)
Balance at 31 December	53 563 820	34 823 096

COMPANY'S FINANCIAL STATEMENTS FOR THE YEAR 2021

(all amounts are in EUR unless otherwise stated)

Grants based on their carrying amounts as at 31 December 2021 comprise the grants specified below implementing the EU structural support projects related to modernisation of airport infrastructure, implementation of environmental measures, restoration of platforms and runways as well as development of passenger terminals. A part of grants was received implementing other projects funded from external sources.

The major part of grants, EUR 9 567 860, was received in 2017/2018, implementing the project *Reconstruction of Runway and Signal Lighting System in Vilnius Airport to Improve Flight Safety Conditions*. In 2021, grants of the EU funds of EUR 11 891 027 and grants from the state budget of EUR 10 132 099 were received. The grants are related to reconstruction of the platform and tracks of Palanga airport, reconstruction of the northern platform and runways, implementation of the information system of operation management, modernization of the perimeter video system of Vilnius airport.

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 2021 is presented below:

	Period of receipt	Grants received	Accumulated depreciation	Carrying amount
Reconstruction of runway and signal lighting system of Vilnius airport	2017-2018, 2021	9 818 307	3 543 645	6 274 662
Modernisation of Vilnius airport noise monitoring system	2019	254 597	202 631	51 966
Construction of taxiway and platform in Kaunas airport	2015	1 937 864	968 932	968 932
Reconstruction of the fence at Vilnius international airport	2013-2014, 2021	1 307 289	721 690	585 599
Reconstruction of garage into a fire rescue station	2013-2014	1 560 128	555 764	1 004 364
Expansion of passenger terminal of International Kaunas airport (building)	Until 30/06/2014	13 030 531	4 625 228	8 405 303
Modernisation of Kaunas airport aerodrome (runway)	Until 30/06/2014	2 975 427	1 953 303	1 022 124
Reconstruction of Vilnius airport terminal (building)	Until 30/06/2014	3 615 339	813 451	2 801 888
Reconstruction of platform coating of Vilnius International Airport	Until 30/06/2014, 2021	8 607 644	4 052 066	4 555 578
Construction of northern platform at Vilnius airport	2018-2022	2 279 247	-	2 279 247
Construction of runway track F at Vilnius airport	Until 30/06/2014, 2018-2022	3 917 800	515 026	3 402 774
Reconstruction of runway track Z at Vilnius airport	2020-2021	2 252 820	12 231	2 240 589
Wastewater management system of Vilnius airport	2021	1 316 496	-	1 316 496
Reconstruction of runway track B of Vilnius airport	2021	1 064 076	-	1 064 076
Reconstruction of runway, taxiway and platform	2021	8 883 351	29 403	8 853 948
Other grants	Until 30/06/2014	18 984 061	10 247 787	8 736 274
Total		81 804 977	28 241 157	53 563 820

Income-related grants

Information on the Company's income-related grants:

	2021	2020
Balance at 1 January	-	-
Grants to cover expenses (LSA)	37 000	37 000
Grants to cover expenses (route development)	792 991	400 000
Grants to cover expenses (acquisition of equipment)	-	1 703 244
Grants to compensate remuneration expenses due to down-time (COVID)	20 318	2 193 305
Grants to cover expenses (COVID)	-	73 650
Grants to cover expenses (ALIGHT)	164 921	-
Reversal of grant expenses	(857 165)	(2 703 955)
Transferred to liabilities	-	(1 703 244)
Balance at 31 December	158 065	-

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(all amounts are in EUR unless otherwise stated)

During 2021, the Company received income-related grants in the amount of EUR 829 991 (2020: EUR 437 000) from the state budget under the programme *Monitoring of Civil Aviation Activities and Ensuring Flight Safety and Security*. Measures implemented under the mentioned programme:

- servicing of very important persons: EUR 37 000 was used to compensate related expenses.
- promotion of new routes, increase of number of passenger from/to Lithuanian airports: EUR 792 991 was used.

During 2021 the Company used the amount of EUR 6 856 of the received EU grant amounting to EUR 164 921 under the project 'ALIGHT' of the EU Framework Programme for research and Innovation 'Horizon 2020'; the Company plans to use the remaining amount of the grant of EUR 158 065 until the year 2024.

In addition, the Company received subsidies of EUR 20 318 for compensation of remuneration due to down-time incurred during COVID-19 related quarantine; the incurred costs were reduced by the amounts of these subsidies.

14. Employee benefit liabilities

Liabilities related to employment relations comprised the following:

	2021	2020
Pension accruals	88 025	84 352
Non-current	76 440	67 440
Current	11 585	16 912
Accruals for jubilee payments	27 235	31 845
Non-current	22 151	22 839
Current	5 084	9 006
Bonus accruals	432 846	-
Accrual for termination benefits	-	85 400
Payable remuneration	462 886	7 814
Payable personal income tax contributions	178 934	1 437
Payable social security contributions	247 593	309 513
Payable remuneration	-	-
Vacation accruals	1 011 112	994 821
	2 448 631	1 515 182

In 2021, non-current liabilities related to remuneration amounted to EUR 98 591 (2020: EUR 90 279). Current liabilities related to remuneration amounted to EUR 2 350 040 (2020: EUR 1 424 903). Expenses related to accounting of these liabilities are included in the Company's employee benefit expenses in profit or loss.

Pension accruals were calculated based on the following ratios:

	2021	2020
Discount rate, %	0,16	0,16
Employee turnover rate, %	19,89	18,23
Anticipated annual salary increase, %	3	6

15. Loans

Bank loans granted to the Company:

	2021	2020
Non-current loans	35 214 987	21 418 479
- Loan from Nordic Investment bank	35 214 987	21 418 479
Current portion of non-current loans	2 604 356	2 074 014
- Loan from Nordic Investment bank	2 604 356	2 074 014
Total loans:	37 819 343	23 492 493

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(all amounts are in EUR unless otherwise stated)

Loan maturities:

	<u>2021</u>	<u>2020</u>
Within 1 year	2 604 356	2 074 014
From 1 to 5 years	10 195 784	8 159 420
After 5 years	25 019 203	13 259 059
Total:	<u>37 819 343</u>	<u>23 492 493</u>

As at 31 December 2021, the Company fully utilised the first loan received from Nordic Investment Bank, i.e. during the financial year it took the remaining portion of the loan amounting to EUR 5 600 000, accordingly it repaid EUR 2 294 401 during 2021. Also, during 2021 it took in addition EUR 11 000 000 of the new loan the repayment whereof will start from August 2023. During 2021 the Company used the overdraft loan in SEB bankas – EUR 11 747 which it repaid, and it had received a credit of EUR 10 065 under the programme of renovation of multi-apartment buildings, which was also repaid in full in the end of the financial year.

Information on the loans received as at 31 December 2021 and 2020 is presented below:

<u>Loan issuer</u>	<u>Loan issue date</u>	<u>Maturity</u>	<u>Interest rate</u>
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 used the loan of the first agreement amounting to EUR 29.6 million. The repayment of the first loan from Nordic Investment bank started in 2020, until the end of this financial year the amount of EUR 2 836 068 was repaid. The balance due as at the end of the year amounted to EUR 26 764.

The loan agreement sets financial covenants with which the Company is committed to comply:

- equity ratio above 40%;
- net debt to EBITDA ratio shall not exceed 12.5:1.

In 2021 and 2020, the Company complied with the set covenants.

During 2020, interest of EUR 50 452 (2020: EUR 50 634) was calculated. Interest is accounted for under expenses from financing and investing activities in profit or loss.

In 2020, the Company signed a new agreement with Nordic Investment Bank for the loan of EUR 70 million. As at 31 December 2021, the Company used EUR 11 000 000. The loan agreement sets financial covenants with which the Company is committed to comply:

- equity ratio above 40%;
- net debt to EBITDA ratio shall not exceed 7.5:1 as at the end of 2021.

In 2021 and 2020 the Company complied with the specified covenants.

EBITDA is calculated as the net pre-taxation profits of the Company for a financial year and adjusted by adding back net interest payable, taking no account of any exceptional or extraordinary items, adding back depreciation and amortisation, including impairment losses; and taking no account of any revaluation of an asset or any loss or gain over book value, arising on the disposal of an asset during that financial year.

In addition, in October 2021 the Company extended the credit limit (overdraft) agreement of EUR 5 million concluded with SEB bankas in October 2020 (no financial covenants are set in the agreement). The agreement is valid until October 2022, 3 month EURIBOR+fixed margin interest applies. As at 31 December 2021, the Company used EUR 11 747, it was fully repaid in the end of the financial year.

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Movement of borrowings during the year:

	Borrowings
Net debt as at 1 January 2020	(13 000 000)
Loans received	(11 000 000)
Loans repaid	541 667
Loan interest (liability)	(34 160)
Net debt as at 31 December 2020	(23 492 493)
Loans received	(16 621 812)
Loans repaid	2 316 212
Loan interest (liability)	(21 250)
Net debt as at 31 December 2021	(37 819 343)

16. Leases

Operating lease agreements are accounted for as finance leases based on the requirements of IFRS 16. Right to lease 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 2021 is 3.74% (2020: 3.74%). Lease liabilities consisted of:

	2021	2020
Non-current liabilities	59 008	181 251
Current liabilities	122 243	118 176
	181 251	299 427

The majority of lease agreements will expire in 2023. Amounts payable within one year amount to EUR 122 243, payable from one to two years – EUR 59 008.

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 lease right.

Operating lease expenses recognised in profit or loss:

	2021	2020
Short-term car leases	126 799	117 357
Leases of other assets (low-value assets)	-	14 694
Interest related to right-of-use assets	7 293	5 739
	134 092	137 790

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:

	2021	2020
Within one year	2 606 489	2 123 476
One to five years	2 958 944	5 223 608
After five years	101 200	-
	5 666 633	7 347 084

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Income under operating lease agreements are recognised directly as lease income over the entire lease term and are accounted for in profit or loss.

17. Current liabilities

	2021	2020
Current year debt to credit institutions	2 604 356	2 074 014
Trade payables	5 440 242	3 385 591
Prepayments received	140 439	2 090 555
Corporate income tax liabilities	-	-
Employment related liabilities:	2 350 040	1 424 903
Pension accruals	11 585	16 912
Accruals for jubilee payments	5 084	9 006
Bonus accruals	432 846	-
Accruals for termination benefits	-	85 400
Payable remuneration	462 886	7 814
Payable personal income tax contributions	178 934	1 437
Payable social security contributions	247 593	309 513
Payable remuneration	-	-
Vacation accruals	1 011 112	994 821
Contract liabilities	2 342 522	1 943 746
Other taxes payable to the state budget	12 750	21 444
Amounts received from the state budget to increase capital	1 703 244	2 270 992
Operating lease commitments	122 243	118 176
Other amounts payable	26 824	19 476
	14 742 660	13 348 897

18. Income

Income from aviation activities

	2021				2020			
	VNO	KUN	PLQ	Total:	VNO	KUN	PLQ	Total:
Fees	13 231 940	3 004 969	861 599	17 098 508	8 802 858	2 245 469	872 556	11 920 883
Income from central infrastructure	945 177	41 698	72 372	1 059 247	681 857	67 574	101 699	851 130
Other aviation income	393 635	129 364	56 474	579 473	219 243	135 816	47 434	402 493
Total:	14 570 752	3 176 031	990 445	18 737 228	9 703 958	2 448 859	1 021 689	13 174 506

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

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Income from non-aviation activities

	2021				2020			
	VNO	KUN	PLQ	Total:	VNO	KUN	PLQ	Total:
Lease income on investment property	6 031 202	1 612 736	293 433	7 937 371	6 547 060	881 718	168 144	7 596 922
Marketing services	212 570	15 074	7 801	235 445	214 306	39 067	17 278	270 651
Car parking services	278 426	423 179	87 481	789 086	256 839	239 420	89 460	585 719
Fast track	72 407	-	-	72 407	38 863	-	-	38 863
Business lounge services	272 123	-	-	272 123	227 098	-	-	227 098
Event organisation services	59 217	7 610	30	66 857	38 707	2 646	-	41 353
Production of permits	58 283	21 524	2 394	82 201	39 827	16 562	766	57 155
Transportation services	35 683	18 010	4 712	58 405	22 159	13 773	200	36 132
Training services	46 451	13 518	2 183	62 152	26 103	11 096	1 094	38 293
Income from loyalty programme	15 906	-	-	15 906	9 637	-	-	9 637
Other income from non-aviation activities	290 617	232 744	67 665	591 026	205 699	177 305	143 576	526 580
Delinquency	59 258	1 046	1 756	62 060	10 783	1 472	101 761	114 016
Total:	7 432 143	2 345 441	467 455	10 245 039	7 637 081	1 383 059	522 279	9 542 419

Lease income is recognised proportionally over the entire lease term. Not received lease income due to consequences of COVID-19 related quarantine amounted to EUR 3 364 289 in 2020. The amount of granted concession was recognised over the entire term of lease agreements. During 2021 the recognized amount of concessions was EUR 412 338. It will reduce lease income by EUR 79 599 in the next year and by EUR 38 542 during the period from one to five years. All other income is recognised only after the service has been provided.

Gain on asset transfer included into other income amounted to EUR 152 530 in 2021 (EUR 20 895 in 2020).

19. Expenses

The Company's expenses comprised the following:

	2021	2020 (adjusted)
Depreciation and amortisation	8 491 795	7 245 003
Asset impairment costs (reversal)	(624 849)	642 134
Employee benefits and related social security costs	11 586 117	11 213 473
Remuneration	10 864 259	10 857 185
Bonuses	432 846	1 979
Vacation accruals, pension expenses	19 680	19 460
Social security costs	197 402	249 191
Other expenses related to remuneration	71 930	85 658
Maintenance, repairs of non-current assets and utilities	5 222 912	4 164 105
Asset repair and maintenance costs	3 122 316	2 327 479
Leased assets	20 477	14 694
Utilities	1 964 150	1 762 982
Environmental expenses	115 969	58 950
Taxes other than income tax	1 186 379	1 289 819
Civil aviation fee costs	497 971	620 000
VAT expenses	75 299	31 374
Environmental protection tax expenses	21 178	39 944
State property tax expenses	529 348	528 799
Other taxes, fees	62 583	69 702
(Impairment)/reversal of impairment losses on amounts receivable and trade debtors	(721 622)	269 467
Other expenses	4 583 563	3 268 412
Maintenance of transport	557 679	286 985
Transport lease	149 894	117 357
Business trip expenses	67 351	32 763
Personnel-related expenses	380 379	311 000
Communications	98 284	161 686
Stationary supplies and services	9 516	10 550
Insurance expenses	233 636	282 649
Other expenses not attributed to any item	3 086 824	2 065 422
Finance costs	68 726	58 343
Interest expenses	59 624	56 373
Other finance costs	9 102	1 970
Total:	29 793 021	28 150 756

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Classification of expenses based on branches:

	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

	2020 (adjusted)				Total:
	VNO	KUN	PLQ	LOU	
Remuneration	5 303 080	1 626 076	889 445	3 060 023	10 878 624
Social security costs	117 616	37 718	20 851	73 006	249 191
Business trip expenses	531	2 380	3 270	26 582	32 763
Other personnel expenses	135 807	72 313	40 333	148 204	396 657
Asset maintenance expenses	1 653 388	498 161	209 362	253 077	2 613 988
Asset lease expenses	58 676	20 692	10 134	42 549	132 051
Depreciation of assets (adjusted)	4 507 756	1 758 221	719 094	259 932	7 245 003
Asset impairment costs (adjusted)	-	-	642 134	-	642 134
Utilities and communications	1 439 392	345 098	91 776	48 402	1 924 668
Operations	397 732	104 437	12 857	-	515 026
Taxes and fees	858 418	222 424	133 165	75 812	1 289 819
Insurance expenses	20 543	7 523	3 759	250 824	282 649
Acquisition of low-value assets	218 515	65 998	29 566	65 126	379 205
Other finance costs	813	804	351	1	1 969
Interest expenses	53 113	1 869	1 246	145	56 373
(Impairment)/reversal of impairment losses on amounts receivable and trade debtors	(160)	-	-	269 627	269 467
Other expenses	515 998	93 264	69 688	562 219	1 241 169
Total:	15 281 218	4 856 978	2 877 031	5 135 529	28 150 756

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 2021 include interest of EUR 9 172 (2020: EUR 6 705) for operating lease, which is accounted for as right-of-use assets, EUR 6 705 in 2020.

Other expenses include write-offs of construction in progress for expenses which were not used for creation of non-current assets. During 2021, the amount written off comprised EUR 217 936 (2020: EUR 215 940).

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(all amounts are in EUR unless otherwise stated)

20. Corporate income tax

Components of the income tax expense (income):

	2021	2020 (adjusted)
Current income tax expense	-	-
Adjustments of income tax for the previous year	-	(979)
Change in deferred income tax	48 794	(747 437)
Income tax (benefit) expenses recognised in profit or loss	48 794	(748 416)

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:

	2021	2020 (adjusted)
Profit before taxation	(654 057)	(5 401 174)
Income tax rate of 15%	(98 109)	(810 176)
Non-deductible expenses	178 296	236 391
Non-taxable income (-)	(13 672)	(38 400)
Utilisation of tax losses for which no deferred tax asset was generated previously	-	(55 680)
Accrual of lease income concession	(17 721)	(79 572)
Adjustments of income tax for the previous year	-	(979)
Corporate income tax	48 794	(748 416)

Deferred tax consists of the following:

	Statement of financial position		Statement of comprehensive income	
	2021	2020 (adjusted)	2021	2020 (adjusted)
Impairment allowance for trade receivables	932 493	1 040 737	(108 244)	40 420
Write-down of inventories	6 841	15 733	(8 892)	1 072
Impairment of assets	598 062	697 098	(99 036)	205 975
Tax losses carried forward	770 071	527 891	242 180	415 627
Accrued lease income concession	17 721	79 572	(61 851)	79 572
Deferred social security of employees	2 638	57	2 581	(189)
Pension, jubilee, bonus accruals	14 651	30 183	(15 532)	4 960
Total deferred income tax:	2 342 477	2 391 271	(48 794)	747 437
Deferred tax income (expenses)	-	-	(48 794)	747 437
Deferred tax assets (liabilities)	2 342 477	2 391 271	-	-

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

21. Financial risk management**Credit risk**

In 2021, aviation charges account for 64% of the Company's income (2020: 54%). The concentration of partners who pay charges is rather large.

As at 31 December 2021, receivables from 12 main Company's customers accounted for approximately 65% (31 December 2020: approximately 87%) of all the Company's trade receivables. If 1% of receivables were irrecoverable, the Company would incur additional costs of EUR 62 166.

Expected credit losses formed for receivables as at 31 December 2021 are disclosed in Note 8. The information on the banks creditworthiness is disclosed in Note 10.

The table below shows the probability of losses related to trade receivables considering future factors:

	2021		2020	
	Loss probability	Recognised losses	Loss probability	Recognised losses
Not overdue	1,46%	49 160	0,77%	9 454
Overdue for 1–30 days	4,11%	50 910	2,01%	15 749
Overdue for 31–60 days	12,93%	15 795	6,63%	5 772
Overdue for 61–90 days	29,20%	2 551	17,06%	20 306
Overdue for 91–365 days	50,47%	51 802	34,28%	134 909
Overdue for more than 365 days	90,81%	6 046 406	95,45%	6 752 055
Total		6 216 624		6 938 245

Movement of recognized losses during the year:

	2021	2020
In the beginning of the year	6 938 245	6 668 778
Recognized	-	269 467
Restated	(721 621)	-
Total in the end of the year	6 216 624	6 938 245

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.

Exposure to interest rate risk

All of the Company's loans are subject to variable interest rate related to EURIBOR, which raises the Company's exposure to interest rate risk. As at 31 December 2021 and 31 December 2020, the Company had no financial derivatives to hedge interest rate risk. If EURIBOR increased/decreased up to 1%, the Company's interest expenses would increase or decrease by EUR 377 639.

Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments in accordance with its strategic plans. The Company's liquidity ratio (total current assets / total amounts payable within one year and total current liabilities) and quick ratio (total current assets – inventories) / total amounts payable within one year and total current liabilities) as at 31 December 2021 were 1.41 and 1.38, respectively (31 December 2020: 1.02 and 0.99, respectively).

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(all amounts are in EUR unless otherwise stated)

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2021 and 2020 based on contractual 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	-	-	2 632 124	14 030 235	21 642 590	38 304 949
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	2 668 354	14 089 922	21 642 590	43 885 558
Interest bearing loans and borrowings	-	-	2 074 014	8 284 412	13 323 528	23 681 954
Trade payables	-	3 385 591	-	-	-	3 385 591
Debts under asset lease agreements	-	29 728	88 356	191 083	-	309 167
Other current liabilities	-	19 476	-	-	-	19 476
Balance as at 31 December 2020	-	3 434 795	2 162 370	8 475 495	13 323 528	27 396 188

Foreign currency exchange risk

In 2021 and 2020, the Company's monetary assets and liabilities are denominated in euro, except for a few transactions in other currencies; therefore, the Company is not exposed to significant foreign currency exchange risk.

Management of financial assets and liabilities

The following methods and assumptions are used to measure each class of financial assets and liabilities not carried at fair value:

- The carrying amount of other receivables, other financial assets, cash and cash equivalents, trade payables and other current payables is close to their fair value due to their quick realisation period (level 3);
- The fair value of non-current loans is measured on the basis of the market price or interest rate of the same or similar loan effective at the time to the loans of the same maturity. The carrying amount of non-current loans with variable interest rates approximates their fair values (level 3).

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's management has not set a specific target debt to equity ratio.

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 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.

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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.

	2021	2020 (adjusted)
Total assets	231 607 062	197 764 794
Amounts payable and liabilities	50 273 312	35 038 906
Debt ratio (%)	22	18

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 2021 and other payments amounted to EUR 407 912 (31 December 2020: EUR 872 441). As at 31 December 2021, no loans, guarantees or asset transfers were granted to the Company's management.

In 2021, remuneration to board members amounted to EUR 86 533 (2020: EUR 58 855). Remuneration to audit committee members amounted to EUR 14 588 in 2021 (2020: EUR 14 650).

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 Transport and Communications of the Republic of Lithuania.

Transactions with companies and agencies under regulation of the Ministry of Transport 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 Transport and Communications of the Republic of Lithuania	206	-	2 953	134
Total:	36 823	19 875	366 516	593 905

Transactions with companies and agencies under regulation of the Ministry of Transport and Communications of the Republic of Lithuania in 2020:

	Amounts receivable	Amounts payable	Sales	Purchases
Oro navigacija, VĮ	35 532	15 645	337 929	82 293
Transporto kompetencijų agentūra VŠĮ	303	16 676	7 896	644 264
Other companies and agencies under regulation of the Ministry of Transport and Communications of the Republic of Lithuania	-	80	1 992	2 092
Total:	35 835	32 401	347 817	728 649

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23. Contingencies

The Company has not issued any guaranties to third parties.

No full-scope tax audits were carried out by the tax authorities at the Company during the period starting 1 January 2014 and ending 31 December 2021. According to effective tax legislation, the tax authorities may at any time perform investigation of the Company's accounting registers and records for the period of five years preceding the accounting tax period, as well as calculate additional tax liabilities and penalties. The Management of the Company is not aware of any circumstances which would cause calculation of additional tax liabilities.

Legal disputes

In 2021, the Company is involved in the following court cases as a creditor:

- *Company 1* bankruptcy case. Based on the information submitted by the bankruptcy administrator, the bankruptcy administrator is submitting requests to the court to extend the term of completion of the company's liquidation procedure considering the fact that currently the case regarding indemnification based on the company's lawsuit against the defenders has not been completed. The hearing of this case will probably take time, as it was started in 2018, and the decision of the first instance was adopted only in 2016. The decision of the first instance was appealed; therefore, it did not come into effect. The company's ability to satisfy the requirements of the creditors and the extent to which it will do so depends on the next decision of the court.
- *Company 2* bankruptcy case. Currently, the process of the sale of the company's assets is ongoing. In the first meeting of creditors, the creditors approved three stages of asset sale; currently, stage 2 is in progress; therefore, up to this date the amount of income received from the sale of assets has not been calculated. The next meeting of creditors will probably be convened after the third stage of asset sale. In October 2018, the company's management, considering potential insolvency of the Company, took actions to reduce indebtedness. It applied to the Transport Competence Agency regarding the restrictions of the client's activities until part of the debt is covered. In November 2018, the Company covered debts for the amount of EUR 1 008 400. After the announcement of the Company's bankruptcy, on 26 February 2019, Lietuvos oro uostai VĮ submitted a lien to the bankruptcy administrator for the amount of EUR 475 501.

As at the date of the financial statements, the outcome of the above-listed cases is uncertain; therefore, it is currently impossible to reliably estimate the amounts to be recovered. As at 31 December 2021 and 2020, full impairment was recognised for amounts receivable.

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:

	2021	2020
Contracts to be implemented within one year	5 998 640	20 230 368
Contracts to be implemented from one to five years	8 742	6 797 379
Contracts to be implemented after five years	-	-
Total	6 085 882	27 027 747

24. Correction of errors

In 2021 the Company carried out retrospective valuation of assets for the previous periods in order to adjust an error since when incorporating Palanga and Kaunas airports on 30 June 2014 not all constructions and buildings were accounted for at fair values under the deemed cost exemption of the transition date, according to IFRS requirements. Also, the retrospective valuation was performed for several constructions acquired in 2018, the acquisition cost whereof was not determined correctly when recognized initially.

As a result of these errors the Company measured land, constructions and buildings retrospectively. The valuation was carried out by external experts UAB Marlekxa. Land, constructions and buildings were measured using two methods: comparative

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method, when the asset under valuation is compared to analogous or similar assets the prices of transactions whereof are known, and expenses (costs) method, when the assumption is applied to the asset under valuation that the price which would be paid by a buyer for the asset in the market would not be higher than the price of acquisition, production, restoration, rebuilding (equipping) of analogous asset.

Differences of retrospective valuation of assets accounted for are significant, therefore, accordingly, the comparatives of 2020 were adjusted. The specified following adjustments were made: adjustments of non-current assets by individual groups, recalculated deferred tax asset and the result of the previous year.

Accordingly, due to the adjusted values of assets the recoverability of the assets was recalculated according to cash generating units as at 31 December 2020 and the impairment of assets of Palanga airport of EUR 6 924 thousand booked in 2020 was adjusted accordingly. The impairment was reduced to EUR 642 thousand. The adjustment was made in the statement of comprehensive income for 2020. Accordingly, the deferred tax as well as the result of 2020 were adjusted.

The statements of financial position before and after adjustments as at 1 January 2020 are presented below.

Statement of financial position

	1 January 2020	Adjustments	1 January 2020 (adjusted)
ASSETS			
Total non-current intangible assets	719 896	-	719 896
Land	53 777 373	(2 752 933)	51 024 440
Constructions and buildings	86 737 018	(1 295 126)	85 441 892
Machinery and plant	3 642 129	-	3 642 129
Vehicles	3 549 153	-	3 549 153
Construction in progress	16 789 001	-	16 789 001
Other property, plant and equipment	2 848 279	-	2 848 279
Investment property	2 900 451	25 472	2 925 923
Other assets	-	-	-
Deferred tax asset	1 040 446	603 388	1 643 834
Total non-current assets	172 003 746	(3 419 199)	168 584 547
Total current assets	25 293 209	-	25 293 209
Total assets	197 296 955	(3 419 199)	193 877 756

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(all amounts are in EUR unless otherwise stated)

	1 January 2020	Adjustments	1 January 2020 (adjusted)
EQUITY AND LIABILITIES			
Equity			
Capital of the company's owner	26 439 934	-	26 439 934
Capital corresponding to assets which can only be state-owned according to laws	93 276 021	-	93 276 021
Reserves	942 358	-	942 358
Retained earnings (losses)	15 288 950	(3 419 199)	11 869 751
Profit (loss) of the reporting year	13 998 160		13 998 160
Profit (loss) brought forward	1 290 790	(3 419 199)	(2 128 409)
Total equity	135 947 263	(3 419 199)	132 528 064
Total amounts payable after one year and liabilities	48 951 494	-	48 951 494
Total amounts payable within one year and liabilities	12 398 198	-	12 398 198
Total equity and liabilities	197 296 955	(3 419 199)	193 877 756

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The statements of financial position, comprehensive income and cash flows before and after adjustments as at 31 December 2020 are presented below.

Statement of financial position

	31 December 2020	Adjustments	31 December 2020 (adjusted)
ASSETS			
Total non-current intangible assets	432 320	2 844	435 164
Land	48 787 601	1 980 289	50 767 890
Constructions and buildings	97 076 082	(384 798)	96 691 284
Machinery and plant	4 551 007	123 361	4 674 368
Vehicles	5 324 212	350 606	5 674 818
Construction in progress	14 642 906	-	14 642 906
Other property, plant and equipment	3 185 461	81 316	3 266 777
Investment property	5 446 493	88 045	5 534 538
Other assets	118 141	-	118 141
Deferred tax asset	2 898 339	(507 068)	2 391 271
Total non-current assets	182 462 562	1 734 595	184 197 157
Total current assets	13 567 637	-	13 567 637
Total assets	196 030 199	1 734 595	197 764 794

	31 December 2020	Adjustments	31 December 2020 (adjusted)
EQUITY AND LIABILITIES			
Equity			
Capital of the company's owner	26 467 420	-	26 467 420
Capital corresponding to assets which can only be state-owned according to laws	93 276 021	-	93 276 021
Reserves	1 703 861	-	1 703 861
Retained earnings (losses)	4 720 895	1 734 595	6 455 490
Profit (loss) of the reporting year	(9 806 552)	5 153 794	(4 652 758)
Profit (loss) brought forward	14 527 447	(3 419 199)	11 108 248
Total equity	126 168 197	1 734 595	127 902 792
Amounts payable after one year and non-current liabilities	56 513 105	-	56 513 105
Amounts payable within one year and current liabilities	13 348 897	-	13 348 897
Total amounts payable within one year and current liabilities	69 862 002	-	69 862 002
Total equity and liabilities	196 030 199	1 734 595	197 764 794

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Statement of profit or loss and other comprehensive income

	2020	Adjustments	2020 (adjusted)
Income from aviation activities	13 174 506	-	13 174 506
Income from non-aviation activities	9 542 419		9 542 419
Total income	22 716 925	-	22 716 925
Other income	20 895	-	20 895
Depreciation and amortisation	(7 227 601)	(17 402)	(7 245 003)
Asset impairment costs	(6 923 786)	6 281 652	(642 134)
Employee benefits and related social security costs	(11 213 473)	-	(11 213 473)
Maintenance, repairs of non-current assets and utilities	(4 164 105)	-	(4 164 105)
(Impairment)/reversal of impairment losses on amounts receivable and trade debtors	(193 081)	(76 386)	(269 467)
Taxes other than income tax	(1 289 819)	-	(1 289 819)
Other expenses	(3 344 798)	76 386	(3 268 412)
Profit/(Loss) from operations	(11 618 843)	6 264 250	(5 354 593)
Income from financing and investing activities	11 762	-	11 762
Expenses from financing and investing activities	(58 343)	-	(58 343)
Profit (loss) before tax	(11 665 424)	6 264 250	(5 401 174)
Corporate income tax	1 858 872	(1 110 456)	748 416
Net profit/(loss)	(9 806 552)	5 153 794	(4 652 758)
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	(9 806 552)	5 153 794	(4 652 758)

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Statement of cash flows

	2020	Adjustments	2020 (adjusted)
Cash flows from operating activities			
Net profit (loss)	(9 806 552)	5 153 794	(4 652 758)
Adjustments:			
Income tax expense	(1 858 872)	1 110 456	(748 416)
Depreciation and amortisation	10 421 075	17 402	10 438 477
Decrease (increase) in asset value	6 923 786	(6 281 652)	642 134
Amortisation of grants and subsidies	(3 193 474)	-	(3 193 474)
Elimination of results of disposal and write-off of property, plant and equipment	298 764	-	298 764
Elimination of results of financing and investing activities	46 581	-	46 581
Elimination of other non-cash items	1 838 409	-	1 838 409
Changes in working capital:			
(Increase) decrease in inventories	(53 120)	-	(53 120)
Decrease (increase) in trade receivables	3 025 769	-	3 025 769
Decrease (increase) in other receivables	486 103	-	486 103
(Increase) decrease in prepayments	(2 169)	-	(2 169)
Increase (decrease) in received prepayments	575 358	-	575 358
(Increase) decrease in other current assets	(28 407)	-	(28 407)
Increase (decrease) in trade debtors	(314 802)	-	(314 802)
Increase (decrease) in non-current and current liabilities to employees	(857 781)	-	(857 781)
Increase (decrease) in other amounts payable and non-current liabilities	297 433	-	297 433
Increase (decrease) in other amounts payable and current liabilities	(1 476 649)	-	(1 476 649)
Paid income tax	(504 651)	-	(504 651)
Interest paid	(52 357)	-	(52 357)
Net cash from operating activities	5 764 444	-	5 764 444
Cash flows from investing activities			
Net cash flows from investing activities	(25 945 945)	-	(25 945 945)
Cash flows from financing activities			
Net cash flows from financing activities	12 142 522	-	12 142 522
Net increase (decrease) in cash flows	(8 038 979)	-	(8 038 979)
Effect of currency exchange fluctuations	-	-	-
Cash and cash equivalents at the beginning of the period	18 049 994	-	18 049 994
Cash and cash equivalents at the end of the period	10 011 015	-	10 011 015

25. Going concern

In 2021 VĮ Lietuvos oro uostai ("the Company") incurred net loss of EUR 703 thousand, as the pandemic continued, it had the biggest impact on the negative result due to the decreased flow of passengers. This crisis hit not only the Lithuanian airports but also the entire industry of aviation throughout the world. However, if compared to the flow of passengers in 2020, it increased by 37% in 2021.

As at 31 December 2021, the Company's current assets amounted to EUR 20.8 million and were higher by 40% than the Company's current liabilities which amounted to EUR 14.74 million. The major part of the Company's current assets (72%), same as in 2020, comprised cash balances. The major part of current liabilities comprised trade creditors, contractual liabilities and current portion of borrowings. Despite negative factors caused by the global pandemic to the aviation sector, such as travel restrictions, the Company generated EUR 3.4 million (2020: EUR 5.7 million) cash flows from operating activities.

Based on the data and forecasts of international aviation industry organizations IATA and ACI Europe, international passenger flows are expected to go back to the pre-pandemic level in 2023-2025. After the crisis, airlines will need to optimize costs, i.e. to reassess the potential of each route.

Despite the fact that activity was still conducted in lower volumes in 2021, the Company managed to generate positive cash flows from operating activities. The measures of previous periods to maintain the current long-term partners proved themselves to be right and allowed ensuring loyalty and steady cash flows.

Looking to 2022, the Company set additional promotion mechanism of aviation partners to mitigate the adverse effects in case of pessimistic scenario, in order to apply the following assumptions in 2022;

- Annual passenger flows of 4.2 million,
- The number of routes will recover up to 92.

VĮ Lietuvos oro uostai, as a Company managing much infrastructure, constantly incurs large fixed costs related to infrastructure maintenance. In 2021, the Company adhered to strict control of operating costs, however in 2022, as remuneration, energy costs, criticality of infrastructure maintenance are increasing, it will have to increase costs in order to ensure high-quality and effective pace of recovery. It is planned to increase the number of employees in order to provide services to an increasing number of flights and review the remuneration policy. Also, as the markets prices are going up, the Company projects that costs of infrastructure maintenance will grow, however the carried out cost control allows ensuring the positive cash flow from operating activity.

Seeking to maintain stable financial flows in 2021 VĮ Lietuvos oro uostai signed an extension of the overdraft agreement with SEB bankas until 2 October 2022. In management's view this credit limit should allow balancing the Company's cash flows and maintain adequate working capital if needed.

Considering the impact of COVID-19 on the Company's operations, its budgeted cash flows for 2021 and 2022 still remain positive, although significantly lower than before the pandemic.

In addition, as at 31 December the Company carried cash of EUR 15 million and had access to unused available bank overdraft facilities of EUR 5 million (overdraft facility – see note 15) and EUR 59 million (investment loan – see note 15).

It should be noted that before COVID-19 pandemic, the Company had prepared a long-term plan of investments and ensured partial funding by signing the funding agreement with *Nordic Investment Bank*. However, responding to the continued pandemic situation, still large uncertainty about the future and seeking to stabilise financial flows, the Company reviewed planned infrastructure maintenance and development projects and related financial debt liabilities and decided to postpone a larger part of them to future periods. And yet, having secured the funding from the European Union and the state budget, the major infrastructure projects in aerodromes of Vilnius and Palanga airports were successfully completed.

The Company's management believes that renewal of the remaining major projects and preparation for growth will be possible in 2022-2024, having secured additional funding and with further successful growth of passenger flows.

Based on the above management concluded that the Company would generate sufficient cash flows to enable to continue as a going concern and did not identify significant uncertainties regarding business continuity.

26. Subsequent events

On 24 February 2022, when the Russian Federation recognized the independence of separatist 'republics' of Donetsk and Luhansk and invaded Ukraine, the military conflict escalated and expanded to other regions of the country. It is likely that the military conflict will have a negative impact on the political and business environment in Ukraine, as well as the ability of a number of economic entities to continue as a going concern. As at the date of these financial statements the situation in Ukraine is highly volatile and largely uncertain.

Taking into consideration the current main activity indicators of the Company and the activity in other markets, the Company's management is not of the opinion that the situation described in the previous subparagraph will have a direct and rapid, and significant adverse effect on the Company, its financial position and performance. The management assessed the impact of the war in Ukraine on the volumes of activity: according to various calculations the loss of income which accounts for 1% of total income due to not operated flights to Ukraine will be compensated additionally from the income of other destinations, therefore the management does not see any risk to business continuity. However, the management cannot rule out a possibility that the uncertainty in the market will affect other markets or that it will have an adverse effect on the economic environment where the Company operates and thereby will have an adverse effect on the Company, its financial position and performance in the medium and long terms.

In addition to the above-mentioned, there were no events which would have effect on these financial statements or are not disclosed in the annual activity report for the year ended 31 December 2021.

Chief Executive Officer

Marius Gelžinis

Director of Finance Department

Indrė Kunigėlytė

Head of Accounting Department

Audronė Lučiūnaitė

Vilniaus oro uostas



State enterprise Lithuanian airports

ANNUAL ACTIVITY REPORT FOR THE YEAR 2021

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Vilnius, 2022



Marius Gelžinis, General Director of Lithuanian Airports

It would be trite to say that 2021 was a difficult period. We started the year surrounded by travel restrictions, additional traveler screening requirements - in the first half of 2021, air traffic was still feeling the strong, negative impact of the pandemic. The good news is that we have used that period to prepare for a period of recovery, and we face 2022 strengthened and resilient to the challenges.

Looking at the second half of 2021, we can already call it the start of the recovery of aviation: most European countries have successfully implemented mass vaccinations, a unified regulatory framework and the use of the EU's digital COVID certificates. We have seen an increase in supply and demand compared to the first year of the pandemic. Both the aviation sector as a whole and passengers have adapted to the new reality of global change.

We expect 2022 to be a major and positive turning point, and as restrictions continue to loosen, we will be able to restore more than 80-90% of the flight and passenger volumes we saw before the pandemic.

Looking at the speed and trends of recovery, we would like to stress out that last year Lithuanian airports were among the leaders in the European context - we were one of the most active airports in the recovery. This is the result of the work of the professional team we have managed to assemble and maintain. I am grateful to each and every one of them for their contribution and hard work, which allows us to move forward consistently.

We have also seen a recovery in financial terms. In 2021, we have largely managed to control costs and achieve a significant improvement in revenue performance. Revenues from both aviation and non-aviation activities grew, with a strong financial recovery starting in the third quarter of the year.

Major infrastructure projects have been completed. In September, the reconstruction project of Palanga Airport that took 45 days was officially completed, during this reconstruction, the runway and taxiway were renovated, the aircraft apron was reconstructed, and the engineering and lighting systems were renewed.

We are proud to have completed the largest infrastructure reconstruction project in the country's aviation history - the renovation of Vilnius Airport aerodrome. During the three-year reconstruction, new aircraft taxiways were upgraded and installed, pavements were modified and widened to allow larger aircraft to taxi, and environmentally friendly solutions were introduced. The project was completed on time and without disrupting the normal operations of the airport: a great achievement and a testament to professionalism.

Environmental solutions were largely targeted during the implementation of these projects. Tackling climate change is an important objective for the aviation sector. That's why last year we joined the European Airports "Net Zero" initiative, which aims to achieve zero carbon dioxide (CO₂) emissions by 2050 at the latest. All three Lithuanian air gates will try to minimize the amount of electricity consumed for heating, cooling and lighting as much as possible, as well as economy of fuel consumption of ground vehicles and auxiliary equipment.

The coming years will be no less intense in terms of infrastructure development. We have already launched a public tender for the construction of a new departures terminal at Vilnius Airport, which we hope will be successfully completed and we will be able to sign a contract works agreement in Q2 2022.

However, our employees have been and will continue to be our constant strategic focus. During this stressful period, we have made every effort to maintain our existing team and to look for opportunities to grow our talents. Working in a fast-paced environment, we have once again seen that our team is made up of true professionals who are dedicated to their work and people. This has been confirmed by the engagement survey, the results of which are approaching pre-pandemic levels.

I firmly believe that aviation always brings together special, one-of-a-kind people. Thank you to everyone who has contributed to making 2021 a productive and successful year.



Eglė Čiužaitė, Chairman of the Board of Lithuanian Airports

The whole country looked forward to 2021 with optimism and hope that we will finally contain the pandemic. We hoped that by focusing on priority activities, we would be able to return to normal life. Therefore, in this context, at Lithuanian Airports, we have set ourselves a key objective - to ensure the financial sustainability of the organization and the continuity of operations in a challenging period.

In the first half of the year, we felt the impact of the pandemic on aviation, and predictions of what the year would be like were constantly changing. We couldn't be sure of what tomorrow would bring, so the planning horizon was very short and we had to react quickly. Most of the lessons had already been learnt, so in a climate of uncertainty, we were able to move steadily towards the implementation of our goals.

We already know that we have managed to optimize operating costs while maintaining high standards of operational quality and ensuring the continuity of airport operations. Our priorities remained with aviation safety and security and we have made every effort to ensure this in the planning stages.

At the same time, we have been carrying out investment, operational and expansion projects that were important for the Company. We have completed the strategically important reconstruction of Palanga Airport and the largest airfield reconstruction project in the history of aviation of the country - the reconstruction of the Vilnius Airport aerodrome. These are key projects for 2021, which we have been able to implement together with a team of airports professionals.

At the end of 2021, we resumed the international tendering process for the contract works for the new departures terminal at Vilnius Airport. We have given high priority to finding and securing financing options and alternatives for this project.

In 2021, we focused on what Lithuanian aviation will look like in a decade's time. Together with the Ministry of Transport and Communications, we have been working on a long-term strategy for the organization, and have put forward our proposals and concrete actions to improve the future prospects of aviation as a whole.

Last year, we started intensive preparations for the transformation from a state-owned Company to a joint-stock Company. Following a decision by the Parliament (Seimas) of the Republic of Lithuania, it was agreed that we would aim to have all the change work completed by the middle of 2022. This restructuring will allow us to manage our assets more efficiently and attract new investments. We will also be able to ensure more

efficient business development, reduce administrative burdens, and put good governance practices into practice in our day-to-day operations.

We enter 2022 ready for the recovery, with ambitious goals for the organization and clear ways to achieve them.

We will consistently strive for a growing balance between revenues and operating costs. We will focus on boosting passenger growth and expanding our route network. At the same time, we will focus on analyzing and developing new or less developed activities in the organization.

In the coming year, we will strengthen our sustainability practices. We will strive to meet the commitments we have made to reduce CO2 emissions from airport operations to zero by 2030.

At the same time, we will improve the sustainability of the organization and shall strive to make internal processes more efficient. We will try to achieve these goals by expanding our cooperation with other participants in the aviation ecosystem.

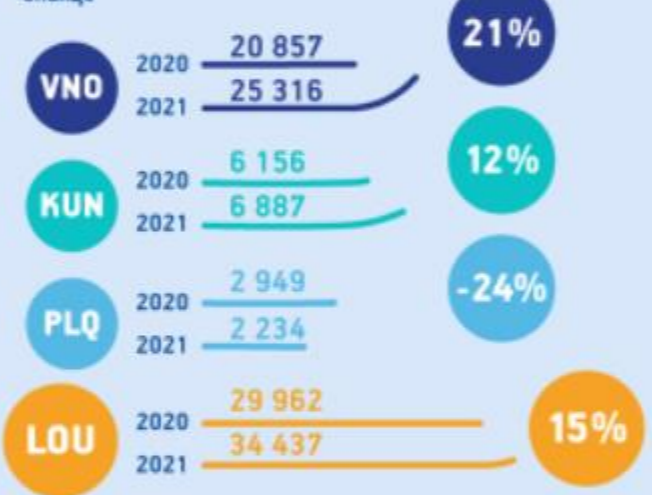
The year 2022 will inevitably bring change and a period of rapid recovery. We are ready for this and we believe that with the commitment of our employees and partners we will be able to achieve all the goals we have set.

LOU 2021 AVIATION STATISTICS OVERVIEW

PASSENGERS, M



FLIGHTS



CARGO, K, T



SEATS OFFERED, M



* - Airlines operating scheduled flights excluding low-cost carriers
** - Ryanair, Wizz Air, Norwegian Air Shuttle

AVERAGE LOAD FACTOR



* - Airlines operating scheduled flights excluding low-cost carriers
** - Ryanair, Wizz Air, Norwegian Air Shuttle

NUMBER OF ROUTES



TOP 10 COUNTRIES BY PASSENGERS

COUNTRIES	PASSENGER SHARE
1. UNITED KINGDOM	14%
2. GERMANY	9%
3. NORWAY	7%
4. DENMARK	6%
5. UKRAINE	5%
6. ITALY	5%
7. IRELAND	5%
8. POLAND	4%
9. LATVIA	3%
10. SPAIN	3%

TOP 10 DESTINATIONS BY PASSENGERS

DESTINATIONS	PASSENGER SHARE
1. London LTN	7%
2. Frankfurt FRA	5%
3. Copenhagen CPH	5%
4. Dublin DUB	4%
5. Oslo OSL	4%
6. Warsaw WAW	4%
7. London STN	3%
8. Riga RIX	3%
9. Kyiv KBP	3%
10. Istanbul IST	2%

TOP 10 AIRLINES BY PASSENGERS

RYANAIR	37%	SCANDINAVIAN AIRLINES	3%
WIZZ AIR	15%	TURKISH AIRLINES	2%
AIR BALTIC	9%	NORWEGIAN AIR SHUTTLE	2%
LUFTHANSA	5%	UKRAINE INTERNATIONAL AIRLINES	1%
LOT POLISH AIRLINES	4%	BELAVIA	1%

* the number of flights in 2021 is provided excluding the number of flights performed by general aviation

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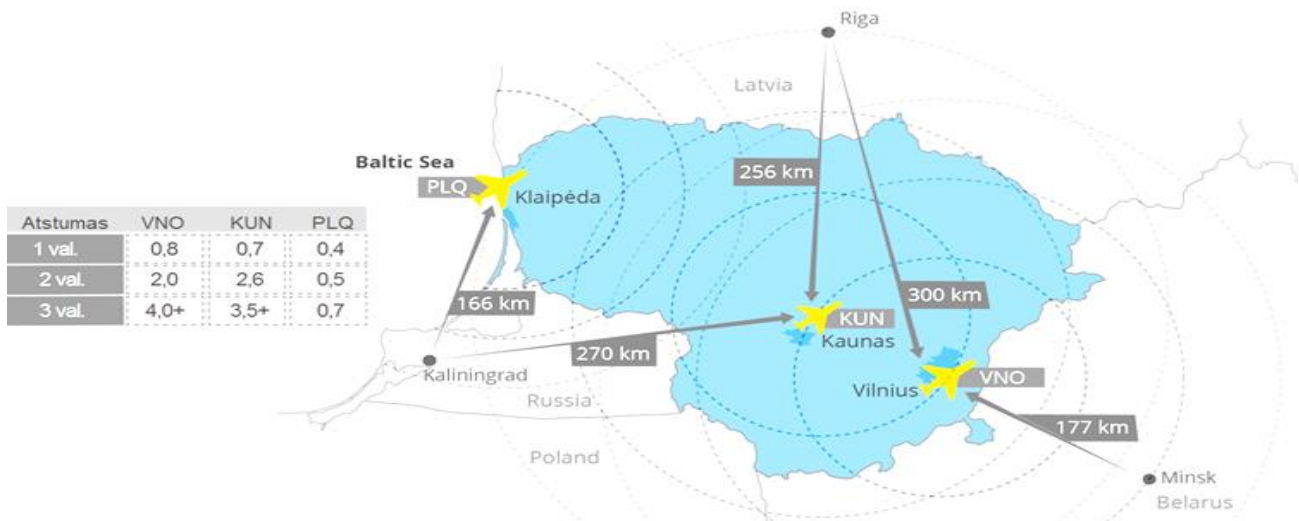
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1. Operational strategy and objectives

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".

Lithuanian airport network and its coverage area (including the time during which passengers can reach airports):



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	Dainius Čiuplys (until 14 January 2022)
Number of employees	325
Length of runway	2 515 m
Maximum passenger terminal capacity	3,5 million
2021 key performance indicators	Number of passengers served - 1,9 million. Number of flights - 25,3 thousand. The amount of cargo - 15,3 thousand. t. Income from aviation activities - 14,4 mln. Eur Non-aviation income - 7,9 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) Land lease, etc.
Carriers	A total of 13 carriers operating scheduled flights. Maximum number of passengers carried: 1. Ryanair 2. Wizz Air 3. AirBaltic 4. Lufthansa 5. LOT Polish Airlines
Directions	Total — 58 directions. Most popular: 1. Frankfurt 2. Warsaw 3. Oslo 4. London Luton

	5. Kiev
<u>Kaunas Airport (KUN)</u>	
Address	Oro uosto st. 4, Karmėlava
Director	Dainius Čiuplys (until 14 January 2022)
Number of employees	119
Length of runway	3 250 m
Maximum passenger terminal capacity	1 million
2021 key performance indicators	Number of passengers served - 0,5 million. Number of flights - 6,9 thousand. The amount of cargo - 5,1 thousand. t. Income from aviation activities - 3,2 mln. Eur Non-aviation income - 2,4 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 — 30 directions. Most popular: <ol style="list-style-type: none"> 1. London Luton 2. Copenhagen 3. Dublin 4. London Stansted 5. Alicante

<u>Palanga Airport (PLQ)</u>	
Address	Liepojos highway 1, Palanga
Director	Dainius Čiuplys (until 14 January 2022)
Number of employees	65
Length of runway	2 300 m
Maximum passenger terminal capacity	0,3 million
2021 key performance indicators	Number of passengers served - 0,09 million. Number of flights - 2,2 thousand. The amount of cargo - 93 t. Income from aviation activities - 0,9 mln. Eur Non-aviation income - 0,5 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: <ol style="list-style-type: none"> 1. SAS 2. Ryanair 3. Norwegian 4. AirBaltic 5. Wizz Air
Directions	A total of 6 directions. Most popular: <ol style="list-style-type: none"> 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			Events	
Ground handling companies			Exhibitions	
MRO companies			Social Networks	
Transport competences agency	Efficient aircraft management	Geographical location (coverage area includes residents of other countries)	Online Inquiries	Traditional airlines
PI "Investuok Lietuvoje"	Environmental control			Charter airlines
Government of the Republic of Lithuania	Coordination of aircraft maintenance	Fast passenger service	Sales channels	Companies operating cargo flights
Ministry of Transport and Communications of the Republic of Lithuania	Resources	Wide geography of flights	Direct Sales (B2B) Indirect Sales (B2C)	Passengers
Public Security Service (PBS), State Border Guard Service (SBGS), Customs	Infrastructure	Competitive rates of fees and infrastructure charges		
Lithuanian Transport Safety Administration	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:

- the attractiveness of Lithuania as a direction has increased, satisfying the expectations of incoming tourists/entrepreneurs.
- attractive to market leaders and enabling mutually beneficial business models;
- an updated airport infrastructure with a clear funding model to ensure a sustainable return;
- internationally recognized competences to ensure effective operation and development of airports;
- 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
		2021	2021	
Airport loyal passenger (<i>NPS Promoters</i>) indicator	Percent.	57	64	General director Director of Operations and infrastructure department
Number of passengers	Mln.	2.7	2.47	General director Head of Aviation services section
EBITDA margin	Percent.	2	24	General director Director of Finance and administration department
Employee involvement	Percent.	60	60	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 VNO infrastructure is not adapted to the passenger flow of the year 2019 and does not meet the minimum passenger experience indicators, which will be critical for the recovery and expansion of Lithuania's accessibility map by attracting new airlines and new destinations and maintaining passenger growth opportunities. It is also necessary to upgrade the baggage transportation and screening systems that do not physically fit on the premises of the current terminal as security requirements become more stringent. The implementation of this program also takes into account the expectation of the Ministry of Transport and Communications that airports must provide capacity suitable to service all passenger and cargo flows up to 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 2020-2021, 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.

Another strategic project of the Company is the reconstruction of the PLQ runway and apron according to the state of physical wear. It was implemented in 2021.

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;
- aviation security equipment upgrade projects at all branches;
- 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);
- Development of KUN MRO infrastructure;
- Construction of multifunctional buildings in KUN and VNO;
- the Company's special transport upgrade program;
- LOU's long-term *master plan*;
- Reconstruction of VNO T2-T3 terminals;
- Reconstruction of KUN terminal and replacement of necessary technologies;
- 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. approves the Company's annual asset acquisition and borrowing plans, annual income and cost estimates;
- VII. approves the set of annual financial statements of the Company and the distribution of profit (loss);
- VIII. select a certified auditor or audit firm to audit the Company's set of annual financial statements;
- IX. makes a decision to reorganize the Company;
- X. makes a decision to reorganize the Company, except for the cases established by law;
- XI. makes decisions to liquidate the Company and cancel the liquidation of the Company;
- XII. 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 2020, 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", from 2021-02-23 Chairperson of the Audit committee; member of the Board of the PI "Jaunimo linija", business consultant, from 2022-02-21 Business development manager of UAB "Saulės grąža".	<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,	Vilnius University, Master of Laws; University of Bern, Switzerland, Master of Laws; Copenhagen Business School, Ethics of Business Negotiation, Industrial PhD.

Management	Name surname	Education
	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", Member of the Board of UAB "Swiss Real Estate"	
	Saulius Kerza, a dependent member of the Board, Director of Budget and Investment Department of the Ministry of Transport and Communications of the Republic of Lithuania; Member of the Board of Klaipėda State Seaport Authority; Member of the Board of AB "Lietuvos Paštas" (Lithuanian post service).	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"; Honorary Chairman of VO "Gelbėkit vaikus" (Save the children).	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)
General director	Marius Gelžinis	Master of Public administration, Mykolas Riomeris University, 2007 Master's degree in business management, ISM and BI Executive Master's studies, 2020
Director of Finance and administration department	Laura Joffe (until 2021.08.23)	Master of Economics, Kaunas University of Technology, 2003. Master's degree in business management, ISM and BI Executive Master's studies, 2020
Operations and infrastructure department	Dainius Čiuplys	Doctoral studies at the Department of Computer engineering, Chalmers University of Technology. VLSI Research Group, 2004 Bachelor of Electrical Engineering, Kaunas University of Technology, 2000
Head of Aviation services section	Aurimas Stikliūnas	Master of Management and Business administration, Vilnius Gediminas Technical University, 2011
Director of the department of Commerce	Justinas Stepšys	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

Management	Name surname	Education
		Bachelor of Management and business administration, Vilnius University, 2003
Head of Law, personnel and administration section	Gražina Noreikė	Master of Business law, Mykolas Romeris University, 2014
Head of Communication section	Marius Zelenius	Bachelor of Landscape management, Klaipeda University, 2002

* Until 2021-02-05 the Chairman of the Board was Arijandas Šliupas - independent member of the Board, member of the Board of Kaunas FEZ management Company; aviation business consultant. Education - *Master of Science* in Management and Business Administration - ISM University of Management and Economics Master of Science in Transport Economics and Logistics - Vilnius Gediminas Technical University
Graduated from "Baltic Institute of Corporate Governance" Company management program Eglė Čiužaitė was elected as Chairman of the Board since 2021-02-25.

*** Member of the Board since 2021-10-26

**** Member of the Board since 2021-03-16

Organizational structure of Lithuanian airports has changed significantly since 1 January 2021 (ANNEX 2)

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;
- 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 publishing a 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 own capital, considers draft public procurement documents submitted by the Head of Company;
- approves the Company's asset pledge transactions;
- makes decisions regarding the establishment of the Company's branches and termination of their activities;
- performs other functions assigned to the competence of the Board by the Law on State and Municipal Enterprises of the Republic of Lithuania and the Articles of Association of the Company.

Meetings held: 11 meetings of the Board took place in 2021.

2.1.1. Key issues considered

Presentation of the progress of the Company's recovery plan 2021-2022; Review of the implementation of the Company's investment projects; Presentation of the Company's 2021 objectives by the top management; Presentation of the action plan in line with the Company's 2019-2020 targets. Presentation of the report on the assessment of the SMC Good Governance Index; Presentation of the information on the implementation of the recommendations of the Company audit committee, independent audit, internal audit and inspections by external bodies for 2020; Presentation of the Board's self-assessment; Election of the Chairman of the Board; Review of the Company's performance and financial indicators; Presentation of the performance and financial results for 2020; Presentation of the report on the implementation of the changes in the Company's organizational structure and the retention of critical competencies / management interchangeability - the current situation and the required solutions; Presentation of the progress of the implementation of the requirements for the protection of personal data in the Company; Review of the policy on related party transactions; Presentation of the internal audit activity report for 2020; Review of the Company's performance and financial indicators; Discussion of the Annual procurement plan; Review of measures to improve cybersecurity; Presentation of the Company's interest management policy; Inclusion of the results of the asset impairment test in the financial statements; Presentation of the Company's 2020 annual performance and financial results. Independent audit report; Recommendations for the Company recovery plan; Amendments to the Audit committee regulations; Additional incentive package for employees; Review of activities to be outsourced to external suppliers; Long-term Company environmental strategy; Flight promotion, fee harmonization process; review of Aviation security at VNO; Presentation of the Efficiency program: implemented process culture and risk management; Plan for the transformation of the Company into a joint-stock Company; 2021 Presentation of the Company's performance and financial results; Presentation of the Audit committee's activity report for 2021; Status of recommendations from internal audit and external assurance providers; Discussion on the Company's vision for 2030; Presentation of the outlook for aviation and non-aviation revenues; Presentation of the status of the Company's remuneration system (remuneration and variable remuneration principles) and the action plan for 2022; Discussion on the Company's budget and performance indicators for 2022; Presentation of the Company's indicators to the Governance coordination center (hereinafter - GCC); Presentation of the Company's performance and financial results; Status of the risk management program and risk ranking; Consideration of the Company's 2022-2025 strategic business plan; Consideration of the Company's 2022 budget and performance indicators; Consideration of the

Company's 2022 budget; Consideration of the Company's 2022-2025 strategic business plan; Discussion on the topic of the Company's 2020-2021 GCC good governance index assessment report; The Board's 2022 activity plan presentation.

Summarized 2021 timeframe:

- When the Board started its work already during the COVID-19 pandemic period, the main attention was paid to ensuring the financial stability of the Company, in order to maximally manage both fixed and variable operating costs of the Company.
- In addition, the Company's investment portfolio was constantly reviewed and re-prioritized, various investment financing options and funding sources were analyzed.
- When planning the Company's activities in 2022, one of the main objectives is to balance the annual operating costs and investments according to the forecast income, by modeling the scenarios for the restoration of the Company's activities for the next period.
- Having assessed the level of maturity of the Company's risk management in the Company, the Board has identified the development of risk management system as a priority and will continue to actively contribute to the improvement of this field in 2022.
- 11 meetings of the Board were held and 3 additional resolutions were adopted on issues relevant to the Company within the competence of the Board without convening meetings.

The main long-term priorities of the Board discussed in 2020:

- A clear operating model of the LTOU and an assessment system based on complex objectives: financial, competitiveness, development of aviation and non-aviation activities, implementation of sustainable investments, balanced financing, process automation, environmental/CSR, innovation implementation objectives.
- The benchmarking model is based on the LTOU performance assessment and alignment of ambitious long-term goals with the owner's expectations (determination of the current position and target (in the period 2021-2024) in the group of compared airports according to a specific set of monitored indicators).
- LTOU's position on the long-term airport development strategy (new airport vs. airport network) has been purified, based on objective complex indicators, clear implementation conditions and deadlines.
- Flexible and efficient adaptation of the Company's organizational structure to long-term goals, cascading of ambitious strategic goals throughout the organization.
- Systematic risk management, strengthening internal control and applying good management practices to achieve the highest standards in all evaluation categories (transparency, collegial bodies, strategic planning and implementation).
- Effective and comprehensive preparation of the Company for transformation into a joint stock Company by July 2022.

In order to improve the organization of the Board's work, key actions and proposals are currently being implemented in 2021:

- Founder: implement the change of status of the State Enterprise to a joint stock Company and form a full composition Board of the Company.
- Board:

- Review the strategic planning process and agree with the Company on the consistent inclusion of the Board in strategic planning.
- Strengthen the Company's systematic approach to risk management and create a complex risk management system.
- When the Board is in full composition, assess the need to formalize specific areas of mentoring of the Company for each member of the Board in accordance with the existing competencies of the Board members. In addition — form a matrix of competences of the Board.
- Improve the process of timeliness and quality of information presentation of the Board meeting materials, carry out the annual evaluation of the Company Manager and discuss with the manager.
- Agree periodic discussions with the shareholder's representatives regarding expectations and results of the Company.

2.1.2. Meeting attendance of Board members

Total attendance percentage of members in 2021 was 100 percent.

TABLE3. Attendance at meetings

No.	Date of the meeting	Number of members present	Attended	Did not attend	Total members	Attendance percentage
1.	February 1	4 members	Arijandas Šliupas Eglė Čiužaitė Tadas Vizgirda Saulius Kerza	-	4	100 %
2.	February 25	3 members	Eglė Čiužaitė Tadas Vizgirda Saulius Kerza	-	3	100 %
3.	March 25	4 members	Darius Makauskis Eglė Čiužaitė Tadas Vizgirda Saulius Kerza	-	4	100 %
4.	29 April	4 members	Darius Makauskis Eglė Čiužaitė Tadas Vizgirda Saulius Kerza	-	4	100 %
5.	May 27	4 members	Darius Makauskis Eglė Čiužaitė Tadas Vizgirda Saulius Kerza	-	4	100 %
6.	June 17	4 members	Darius Makauskis Eglė Čiužaitė Tadas Vizgirda Saulius Kerza	-	4	100 %
7.	July 15	4 members	Darius Makauskis Eglė Čiužaitė Tadas Vizgirda Saulius Kerza	-	4	100 %
8.	September 23	3 members	Darius Makauskis Eglė Čiužaitė Tadas Vizgirda Saulius Kerza	Saulius Kerza	4	75 %
9.	October 21	4 members	Darius Makauskis Eglė Čiužaitė Tadas Vizgirda Saulius Kerza	-	4	100 %

10.	November 18	5 members	Gediminas Almantas Darius Makauskis Eglė Čiužaitė Tadas Vizgirda Saulius Kerza	-	5	100 %
11.	December 16	5 members	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.

The remuneration accounted to members of the Board for their work during 2021 (including all taxes and contributions payable) — 86 533 Eur.

Name, Surname	Position	Period of service as a member of the Board in 2021	Estimated remuneration for work in 2021 including taxes
Eglė Čiužaitė	Member (Independent)	2021-01-01 - 2021-02-24	22593.71
Eglė Čiužaitė	Chairman (Independent)	2021-02-25 - 2021-12-31	
Saulius Kerza	Member (civil servant)	2021-01-01 - 2021-12-31	4850
Tadas Vizgirda	Member (Independent)	2021-01-01 - 2021-12-31	18508.58
Darius Makauskis	Member (Independent)	2021-03-16 - 2021-12-31	15474.35
Arijandas Šliūpas	Chairman (Independent)	2021-01-01 - 2021-02-25	2410.58
Gediminas Almantas	Member (Independent)	2021-10-27 - 2021-12-31	4665.63

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 - Bakienė, 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 Companies, financial management, internal audit services (UAB "Baltijos ekonomistas").	Master of Finance, Vilnius Gediminas Technical University; Bachelor of Business administration, Kaunas University of Technology. ACCA, QIAL, CIA, CRMA, CPA (non-active).
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 fulfillment, 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 the Company's internal quality control and risk management systems affecting the Company's financial statements;
- 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 2021, 15 meetings of the audit committee took place.

2.2.3. Key issues considered

Discussing the independent auditor's report; monitoring the progress and results of the valuation of fixed assets; assessing the performance of the Internal audit section, reviewing annual and long-term plans and activity reports, assessing the information contained in the internal audit reports; formulating interim annual objectives for the Head of the Internal audit section; updating the trust line policy; reviewing the action plan, in line with the GCC report, as well as the crisis management plan, and making recommendations to the Board; review of the policy on the procurement of services from external service providers; evaluation of the effectiveness of the risk assessment and management system and recommendations to the Board; evaluation of the implementation of recommendations from external and internal audit and external bodies; evaluation of the effectiveness of the anti-money laundering and anti-terrorist financing prevention system; recommendations for updating of the policies on private interests and related party transactions; evaluation of the cybersecurity system; evaluation of the critical activities related to business continuity assurance

2.2.4. Meeting attendance of Board members

Total attendance percentage of Audit committee members in 2021 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 21	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė Inga Kuktienė	-	3	100 %
2.	February 18	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 26	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė Inga Kuktienė	-	3	100 %
5.	8 April	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė Inga Kuktienė	-	3	100 %
6.	19 April	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė Inga Kuktienė	-	3	100 %
7.	21 April	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė Inga Kuktienė	-	3	100 %
8.	May 13	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė Inga Kuktienė	-	3	100 %
9.	June 3	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė Inga Kuktienė	-	3	100 %
10.	June 15	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė Inga Kuktienė	-	3	100 %
11.	July 8	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė Inga Kuktienė	-	3	100 %
12.	October 8	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė Inga Kuktienė	-	3	100 %
13.	November 5	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė Inga Kuktienė	-	3	100 %
14.	December 17	3 members	Laura Garbenčiūtė-Bakienė Aurelija Aukščionė Inga Kuktienė	-	3	100 %
15.	December 20	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 the payment of remuneration to the members of the Audit committee is established in 20 August 2018 Order of the Minister of Transport and Communications No. 3-420, approving the description of the procedure for determining the remuneration of the members of the boards and committees of joint-stock Companies whose state-owned shares are managed by the Ministry of Transport and Communications and state enterprises assigned to the regulatory area of the Ministry of Transport and Communications. According to p. 26 of the description, the hourly rate for the activities of a member of the committee and the chairman of the committee is EUR 40.

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 member of the Audit committee does not include the fees and taxes payable by the member of the Audit committee as a recipient of remuneration, which must be paid by the Company.

The time allocated by committee members shall be accounted for on an hourly basis by submitting quarterly reports to the chairman of the committee, providing information on the activities carried out by the committee member during the quarter in question and the number of hours devoted to those activities. The remuneration of the members of the Committee is paid within 20 business days after the end of the quarter.

The remuneration accounted to members of the Audit committee for their work during 2021 (including all taxes and contributions payable) — 14 588 Eur.

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

3.1. Update of the airport operations management information system

LOU Airports has moved to the testing and pilot operation of its new Airport Management System (AMS). The transition to the new system took place in March 2021. The new system for managing and executing airport operations is intended to ensure a unified, integrated and general solution through all branches of Lithuanian airports. AMS will allow to implement efficient use of Airside resources and real-time delivery of relevant information to passengers, airport partners and system users. Until now, AMACS (AODB) and CONRAC (FIDS) and VNO Traffic systems have been used in VNO, which duplicated each other's functions. The CONRAC solution was morally obsolete, often only monitors adapted to CONRAC software suffered from malfunctions AMACS did not meet the needs of the VNO Operations management group. There were high risks due to the reliability and security of the AMACS solution. KUN and PLQ used the flight information management information system CIU for operations management at airports. KUN and PLQ operations are planned and managed, and the accounting was carried out by EXCEL means.

3.2. Reconstruction of aprons and taxiways at Vilnius and Palanga airports

Lithuanian Airports, in the context of the Vilnius Airport Program and the aerodrome reconstruction projects 2021, has implemented the key actions planned for the period - construction works have been completed,

construction completion procedures have been carried out and asset registration procedures have been initiated:

- Reconstruction and expansion of the VNO northern apron
- Reconstruction of the VNO "F" taxiway including its widening and extension
- Reconstruction of existing taxiway "B"
- Installation of de-icing sites on VNO;
- Reconstruction of VNO taxiway "A";
- Runway and apron reconstruction at PLQ.

Implementation of projects and reconstruction works resulted in the following benefits:

- Safety of aircraft maneuverability is ensured: the number of man oeuvres required for the aircraft to reach the parking space on the apron from the runway will be decreased; the rolling time of landing/take-off aircraft will be reduced.
- Reducing air and noise pollution due to shorter rolling time to parking, which will reduce aircraft engine working time and noise, while reducing aircraft fuel consumption and emissions.
- Improved passenger experience due to shorter safer maneuvering of aircraft from landing to parking and taxiway runs for take-off.
- In the reconstructed areas, the service life of the pavement structure has been extended and the condition of the VNO and PLQ runways and taxiways has been improved.

3.3. Company efficiency program

The Business process and risk management section achieved the following objectives during 2021:

1. Review and update over 80% of existing processes (about 215 processes). The total number of LOU processes is 268.
2. A Risk management process, Risk management policy and methodology and a Risk action plan were developed, and risk identification, assessment and preventive measures for strategic objectives and processes have been performed.
3. Lean project implementation plan initiated and agreed from 2022
4. Kaizen ideas are now presented in Lounet (internal communication information system).
5. 45 Kaizen ideas were submitted, of which 36 (80%) were implemented. Staff members who implement the most useful ideas for improving performance are rewarded.
6. Baggage systems improvement initiative was implemented.
7. 5S projects have been initiated and are being developed in several LOU units.
8. Updated process management and Lean training materials for staff.
9. Staff trained on GDPR requirements.
10. A Data safety breach register has been established and two cases of breaches have been analyzed.
11. Documents related to the application and management of GDPR requirements at LOU have been prepared: Personal Data Protection Policy, Employee Personal data retention policy, Privacy notice, Personal data breach management procedure, Procedure for working with data processors, Procedure for controlling the use of electronic working tools by employees, Procedure for managing data subject inquiries, Procedure for assessing the impact on data protection, Procedure for organizing activity recordings, Rules on the management of video and audio data.

3.4. Transformation of a Company into a joint stock Company

In order to increase operational efficiency and taking into account the recommendations provided by the OECD for the transformation of state enterprises engaged in economic activities into Companies, LOU, together with the Ministry of Transport and Communications, has started the implementation of the project of transformation of LOU into an AB (Joint-stock Company) in 2017. According to the prepared action plan for transformation into a public limited Company, all actions are planned to be completed by the end of 2022. In order to implement an effective process of transforming LOU into AB, amendments to certain laws governing the management of airport assets (such as the Law on Aviation, the Law on the Framework of transport activities) were needed. The reorganization process is continued after the adoption of the relevant amendments to the laws by the Parliament.

IMPLEMENTATION OF THE PROCESS:	ACTIONS AFTER REDEVELOPMENT:
<ul style="list-style-type: none">▪ Adoption of laws necessary to implement the redevelopment of the LOU;▪ Asset valuation;▪ Adoption of the Lithuania's Government decision on the investment of state assets in the joint-stock Company;▪ Adoption of the decision of the Ministry of Transport and Communications to transform LOU into a joint-stock Company;▪ Public announcement of the decision to restructure and the procedure for registration of a new legal form.	<ul style="list-style-type: none">▪ Changing the provisions of LOU branches;▪ Other legal and organizational actions.

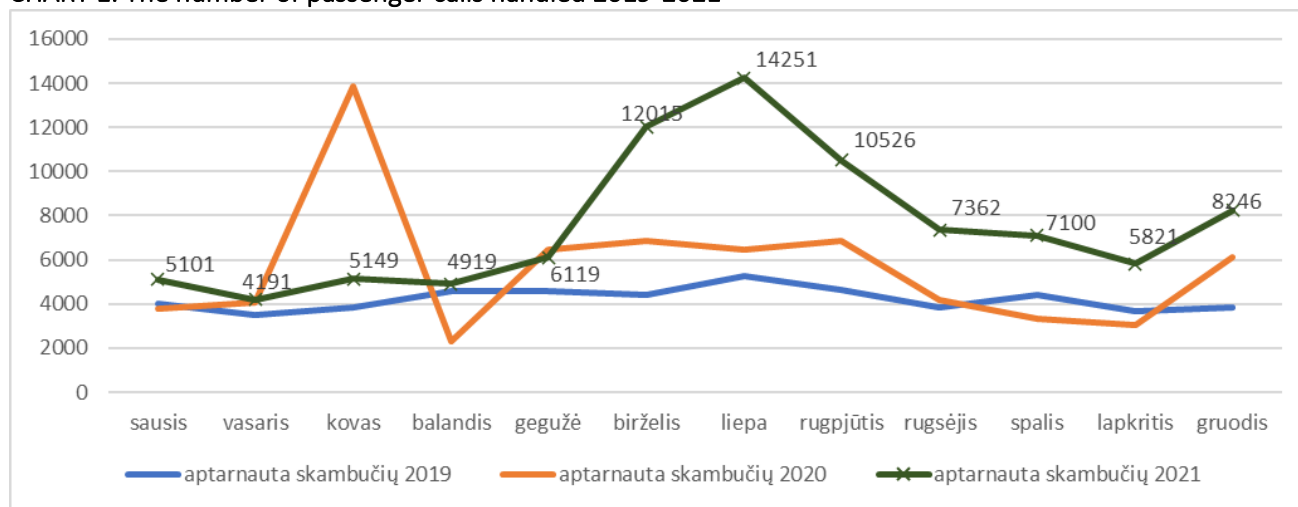
3.5. Improving the passenger experience

In 2021, passenger experience management focused on ensuring a seamless passenger journey that has changed as a result of the impact of the pandemic. With the recovery of flights, from spring 2021 onwards, the volume of enquiries about travel requirements has increased significantly. Therefore, the challenge remained to manage the increased and still growing activity of the Contact center that started in the year 2020. The pandemic and the travel restrictions it has caused have also driven traffic to airport websites - around 4% of visitors viewed the information on COVID test points at airports, while around 7% of the total traffic were visitors who visited the specialized website on travel requirements for foreign countries and Lithuania, which was created by the airport staff and is constantly updated.

To ensure a smooth passenger journey, COVID test points will be added to Vilnius, Kaunas and Palanga airports in early 2021. Passenger flows are regulated with the help of additional staff, and safe travelling measures are introduced, such as signs, audible announcements, upgrading of contactless hand sanitization stations, and regular cleaning and disinfection of frequently touched surfaces.

In 2021, all airports have had a unified air traffic control system installed, with new flight information displays for passengers.

CHART 1. The number of passenger calls handled 2019-2021



Passengers welcomed the efforts of Lithuanian airports to ensure smooth and safe travel. At the end of 2021, the results of passenger loyalty research (NPS — *Net Promoter Score*) exceeded expectations. To summaries the results of the NPS surveys conducted in June and December 2021, 64% of outbound travelers gave a positive rating of 9 and 10 for their travel recommendations for Vilnius, Kaunas and Palanga airports.

The dynamics of loyal passengers of Vilnius, Kaunas and Palanga airports and strong supporters of NPS (9-10) over several years is presented:

CHART 2. Vilnius Airport loyal passenger volume and NPS Indicator, 2014-2021

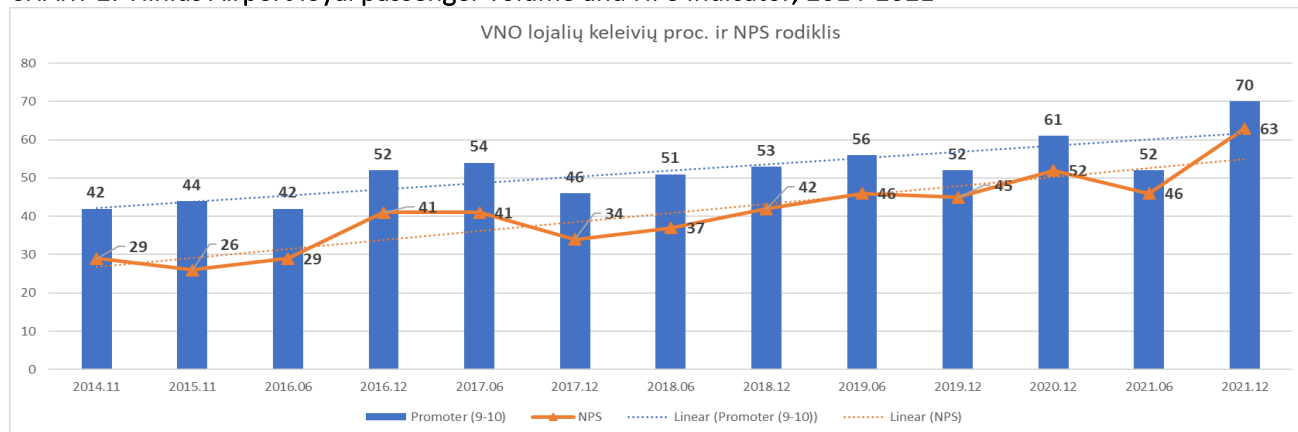


CHART 3. Kaunas Airport loyal passenger volume and NPS Indicator, 2014-2021

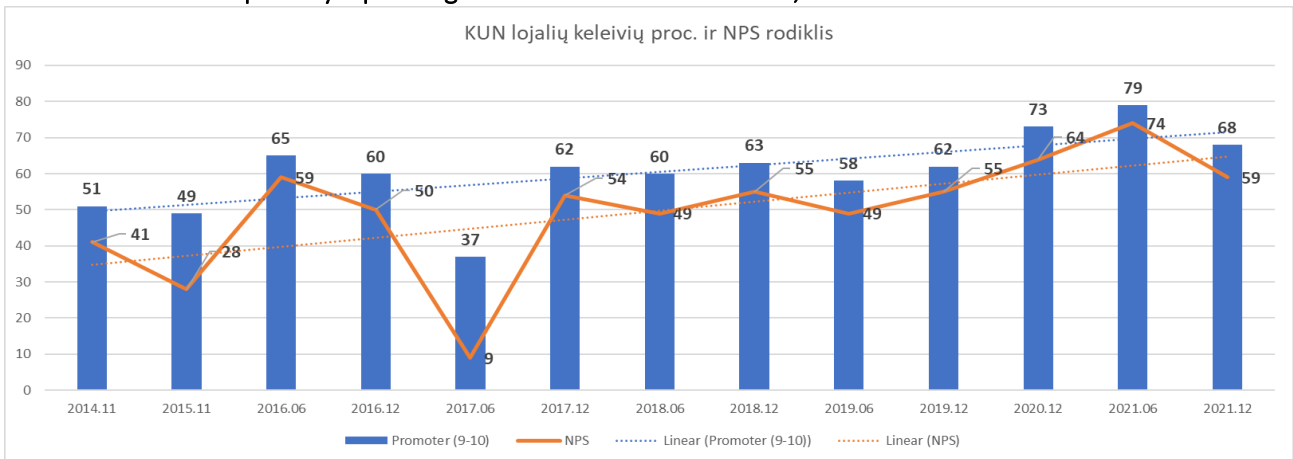
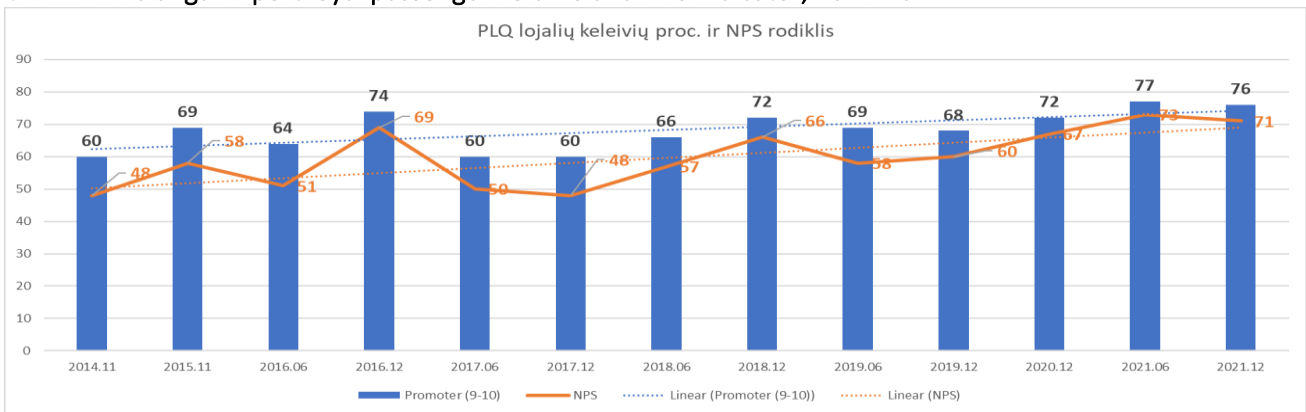


CHART 4. Palanga Airport loyal passenger volume and NPS Indicator, 2014-2021



4. Solution of asset management issues

4.1. Real estate management

The real estate managed by SE Lithuanian Airports includes land plots, buildings of various purposes, administrative premises, engineering structures and networks, and other assets of various purposes, which have been entrusted by the State according to the right of entrustment for management, maintenance and operation. Currently, Lithuanian Airports owns 413 real estate objects under the right of trust, 10 of which are land plots. In 2021, 42 old real estate objects were registered in the Real Estate Register and Cadaster in VNO and KUN, 51 real estate objects were deregistered, which have been demolished, and new projects are being carried out in part of their territory.

Almost 80% of the real estate held according to entrustment right is either used for direct operations, such as passenger and aircraft handling, or reserved for future development. The remainder is leased or made available on a rent-free basis to institutions linked to the direct activities. SE Lithuanian airports has provided the use of premises for the activities specified in legal acts to the territorial customs offices of Vilnius, Kaunas and Klaipėda, the State Border Guard Service under the Ministry of the Interior and the Public Security Service under the Ministry of the Interior on a fiduciary basis (right of entrustment). The free use of land is granted to the Lithuanian Hydrometeorological Service. In 2021, after the expiry of the free-of-charge loan agreements

of some of the borrowers, SE Lithuanian airport coordinated the granting of new free-of-charge loans and the signing of corresponding agreements.

In 2021, a resolution of the Government of the Republic of Lithuania was initiated to transfer to the ownership of Vilnius City Municipality the immovable assets owned by the State and currently held in trust by the State Enterprise Lithuanian Airports (water supply, storm water drainage, heat supply networks, pedestrian paths, etc.), other tangible fixed assets (traffic light system, lighting poles and luminaires, etc.) and short-term tangible assets (road signs, pedestrian and cyclist traffic lights, etc.) shall be managed, used and disposed of by the right of trust.

4.2. Moveable assets management

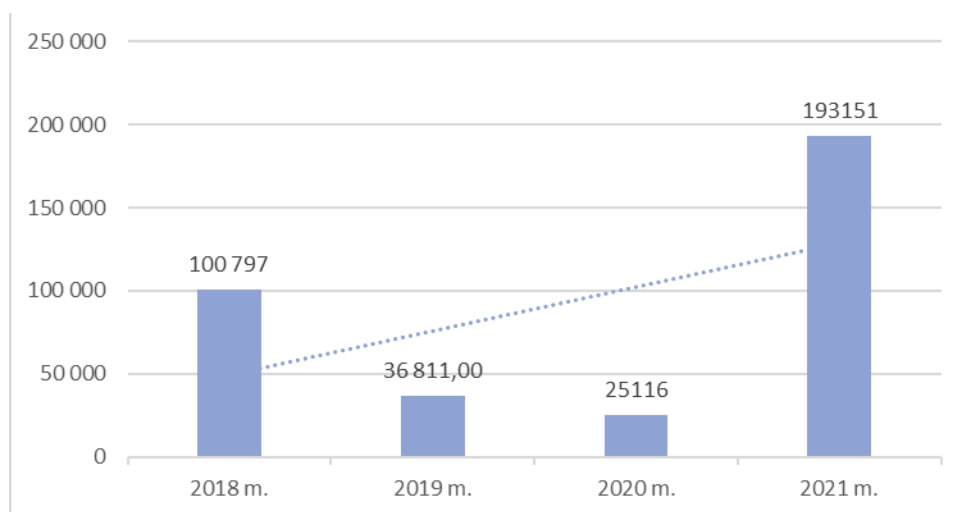
In 2021, 7 public auctions for the sale of movable assets of SE Lithuanian Airports took place, 5 of which were organized by e-auctions on the Auction management portal e-varzytines.lt administered by the State Enterprise Center of Registers. 2 auctions were held directly at KUN. The testing of e-auctions in 2021 has shown that really answered their purpose. A record number of bidders (a whole 324 participants in the first auction) was welcomed to the auction.

TABLE 8. 2021 proceeds from the sale of movable assets

Auction location	Date	Airport	Number of participants	Suggested pcs.	Sold pcs.	Income received, incl. VAT
Electronic	2021.02.03	VNO, KUN, PLQ	324	12	11	124,652.00
Electronic	2021.04.29	VNO, KUN, PLQ	44	40	36	21 320,00
Electronic	2021.06.14	VNO, KUN, PLQ	132	101	66	10 766,00
Electronic	2021.08.20	VNO, KUN, PLQ	13	35	33	5 140,00
Direct	2021.08.20	VNO, KUN, PLQ	4	21	4	16 500,00
Direct	2021.08.26	VNO, KUN, PLQ	3	17	7	573.00
Electronic	2021.09.21	VNO, KUN, PLQ	23	9	4	14 200,00
Total				235	161	193,151.00

In 2021, the proceeds from the sale of movable assets no longer needed or used by VNO, KUN, PLQ exceeded the total proceeds from all public auctions held up to that point in the 3 year period.

CHART 5. Proceeds from auctioning of movable assets 2018-2021 EUR



Unnecessary and unused movable items (cars and trucks, special purpose vehicles, various equipment, etc.) were sold at auctions at VNO, KUN, PLQ.

After the failure to sell part of the movable assets in public auctions, while valuing its good condition and importance for the history of Lithuanian aviation, SE Lithuanian airports initiated the transfer of part of the assets in 2020 to the Lithuanian aviation museum in order to ensure efficient and rational use of the state assets. By the 17 March 2021, Resolution No. 162 of the Government of the Republic of Lithuania "On the Transfer of State Fixed and Short-Term Tangible Assets to the Lithuanian Aviation Museum under the Right of Entrustment", 12 movable items were transferred to the Lithuanian Aviation Museum.

5. Overview of aviation services

5.1. 2021 world aviation overview

Although the pandemic has not gone away, a recovery in supply and demand was recorded in 2021 compared to the first year of the pandemic. Both the aviation sector as a whole and passengers have adapted to the new global reality. A faster recovery in Europe and Lithuania was seen in the second half of 2021, when most countries applied a unified regulatory framework and used EU digital COVID certificates. The recovery has also been fueled by restrictions on transatlantic markets, which have led to a recovery in European holiday and VFR traffic. According to "ACI Europe", an organization of airports, while passenger traffic at European airports remained 59% lower than in 2019, a 37% increase was recorded in 2021 compared to the first year of the pandemic. Meanwhile, the world has seen a slightly smaller drop in demand than in Europe, with a 49% drop in global passenger traffic in 2021 compared to the level of passengers carried in 2019. The growth in global passenger traffic has been driven by an increase in domestic demand.

5.2. 2022 aviation forecasts in the world

With the prevailing uncertainty affected by the COVID-19 pandemic, air flow forecasts are constantly changing in 2021. According to the "IATA" (International Air Transport Association) baseline forecast, global demand in 2022 is expected to reach 61% of the demand in 2019. Domestic demand is projected to recover faster, at 93% of its pre-pandemic level. International demand will be more moderate due to the prevailing constraints,

reaching 44% of pre-pandemic levels. Worldwide airport traffic forecasts show that the North American region will see the fastest growth due to strong growth in domestic demand. The region is projected to recover just over 80% of its 2019 level. "IATA" forecasts a full recovery around 2023-2024.

In terms of aviation forecasts in Europe, the recovery forecast by "ACI Europe" (Airport Council International), the association of airports, is slightly more moderate than the one provided by "IATA". Full recovery is not expected before 2025. The recovery forecast for 2022 below is in line with the market situation. The table below shows that passenger traffic in the first and second quarters is likely to remain relatively low, but a stronger recovery is expected in the second half of 2022. Whether air traffic will recover in the spring depends on the pace at which the lifting of travel restrictions due to "Omicron" strain can be expected. Overall, in 2022, the average loss of passenger traffic at European airports is expected to be 32% (in the baseline scenario). Similar forecasts are provided by "Eurocontrol", the European air navigation organization, which forecasts in its January 2022 report that around 70-90% of 2019 supply levels will be restored in 2022.

TABLE 9. Aviation flow forecast 2022

ACI	Monthly passenger traffic forecast for 2022			
	Q1	Q2	Q3	Q4
Optimistic scenario	-33 %	-23 %	-15 %	-11 %
Base scenario	-42 %	-35 %	-28 %	-26 %
Pessimistic scenario	-50 %	-42 %	-34 %	-34 %

Most of the international aviation industry organizations surveyed unanimously agree that the continents of Europe and the Middle East have the longest recovery phase ahead of them, and a unified regulatory framework across the continent is a critical indicator to contain the virus. After the crisis, airlines will have to improve cost efficiency by reassessing the potential of each route.

The recorded drop in fuel prices at the end of April 2020 (around USD 0.41 per gallon) has allowed airlines to operate flights at lower costs. However, following the recovery of flights, prices started to rise rapidly (almost 3.5 times) already in July 2020. Fuel prices were similar at the start of 2021 - around USD 1.42 per gallon - and have been rising throughout the year. Fuel prices are likely to continue to rise as vaccination rates and traveler confidence increase, reaching around USD 2.47 per gallon in 2022.

5.3. Results of Lithuanian airports

TABLE 10. Distribution of TOP 10 carriers in LOU in 2021

Airline	Market share
Ryanair	37 %
Wizz Air Hungary	15 %
AIR BALTIC CORPORATION S.A.	9 %
Lufthansa	5 %
LOT Polish Airlines	4 %
SAS-Scandinavian Airlines	3 %
Turkish Airlines	2 %
Norwegian Air Shuttle	2 %
Ukraine International Airlines	1 %
Belavia	1 %

TABLE 11. The main directions of flights in LOU 2019.

Airport	Percentage of passengers
London LTN	7 %
Frankfurt FRA	5 %
Copenhagen CPH	5 %
Dublin DUB	4 %
Oslo OSL	4 %
Warsaw WAW	4 %
London STN	3 %
Riga RIX	3 %
Kiev KBP	3 %
Istanbul IST	2 %

5.3.1. Lithuanian airports

In 2021, the entire aviation sector has been adjusted and adapted to the new reality, with the priority in 2021 being to ensure safety requirements at each of the branches, to adapt appropriate marketing tools and to adapt the incentive programs to focus more on the strategy of increasing demand and frequencies. This adaptation allowed demand to grow in the second half of the year, which alone accounted for more than 80% of the total annual traffic. The year-on-year recovery in passenger numbers in retrospect compared to 2019 was 38% and was 13 percentage points above the European average. This has allowed Lithuanian airports to rank second among the Nordic airports in terms of recovery rate. At the end of the year, the recovery of demand levels at Lithuanian airports reached 60%, which means that the target set a year ago - to reach 50% of the average monthly demand level for 2019 at the end of the year - was exceeded. The recovery has been somewhat faster while taking the level of supply in account. Upward trends are observed across Europe, but Lithuanian airports exceeded the European average for supply recovery during almost all of 2021.

5.3.2. Vilnius Airport (VNO)

2023 The number of passengers at Vilnius Airport reached 1 899 thousand (+45% compared to 2020). The number of flights also grew, reaching 25,000 (+21% compared to 2020).

- 4 new destinations were opened in 2021 (Zakynthos ZTH - 2 weekly flights, Santorini JTR - 2 weekly flights, Birmingham BHX - 2 weekly flights, Reykjavik KEF - 1 weekly flight).
- 9 destinations have had their frequencies increased (Frankfurt, Warsaw, Riga, Istanbul, Brussels, Helsinki, Stockholm, Copenhagen, Athens)
- The average filling of conventional airlines was 48 percent, while low-cost airlines amounted to 63 percent.
- Freight transport flows grew by 6 percent.

5.3.3. Kaunas Airport (KUN)

2023 The number of passengers at Kaunas Airport reached 488 thousand (+32% compared to 2020). The number of flights also grew, reaching almost 7 thousand (+12% compared to 2020).

- The number of destinations at KUN grew at the highest rate of all three branches (+67% compared to 2020). Ryanair's opening of 10 new destinations will result in the carrier carrying 81% of KUN's total passenger traffic in 2021.
- In the year 2021, 10 new destinations were opened (Malaga AGP - 2 weekly flights, Manchester MAN - 2 weekly flights, Helsinki HEL - 3 weekly flights, Lviv LWO - 2 weekly flights, Stockholm ARN - 3 weekly flights, Liverpool LPL - 2 weekly flights, AAL Aalborg - 2 weekly flights, Madrid MAD - 2 weekly flights, Gothenburg GOT - 3 weekly flights, Budapest BUD - 2 weekly flights).
- The average load factor for low-cost airlines was 58%.

5.3.4. Palanga Airport

2023 The number of passengers at Kaunas Airport reached 488 thousand (+32% compared to 2020). The reconstruction of the runway also led to a decrease in the number of flights by 2,000 (-24% compared to 2020).

- No carriers lost in 2021
- In 2021, increased frequencies in 3 destinations (Oslo, Riga, Copenhagen).
- The average filling of conventional airlines was 33 percent, while low-cost airlines amounted to 60 percent.

5.4. Overview of surrounding markets

Below is the 2021 passenger number growth and comparison with the nearest airports:

- Lithuanian Airports, 2 472 thousand passengers (+37%);
- Riga Airport, 2 353 thousand passengers (+17%);
- Tallinn Airport, 1 301 thousand passengers (+51%);
- Warsaw Airport , 7 474 thousand passengers (+36%).

CHART 6. Growth in the number of passengers in the Baltic States in 2021, thous.

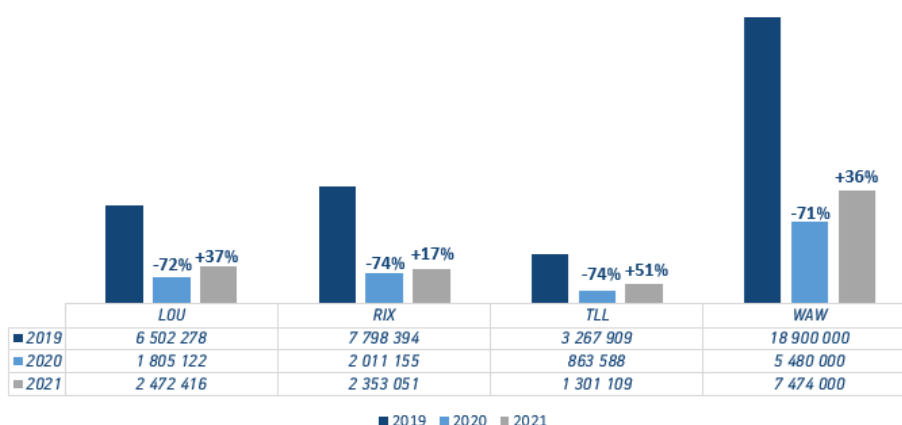


TABLE 12. Number of destinations and airlines at regional airports in 2021

	LOU	VNO	KUN	PLQ	RIX	TLL	WAW
Number of directions	94	58	30	6	103	43	140
Number of regular airlines	13	13	2	5	no data	12	no data

no data

TABLE 13. Comparative indicators with competing airports in 2020, thousand

Airport	Number of passengers	Number of flights	Quantity of cargo, tons
LOU	2 472	34	20
VNO	1 899	25	15
KUN	488	7	5
PLQ	86	2	0.09
RIX	2 353	39	28
TLL	1 301	23	11
WAW	7 474	98	105

no data

In 2021, Lithuanian airports (+37%) grew more than Riga (+17%) or Warsaw (+36%) airports. It is also worth noting that Lithuanian airports have surpassed Riga (RIX) and Tallinn (TLL) in terms of the number of passengers carried throughout 2021. It is also worth noting that in 2021, Lithuanian airports had the largest market share (40%) in the Baltic market (RIX 38%, TLL 22%) and are experiencing steady market growth. This shows that Lithuanian airports are strategically important, and the different requirements of the countries during the year slightly reduced transit traffic in Riga. The encouraging results at Lithuanian airports were also influenced by an increase in the number of destinations (94), both compared to 2020 (72) and to 2019 (92), which is considered a record year. Although Lithuanian airports do not have a national carrier, they are only 9 destinations short compared to Riga Airport. In terms of cargo dynamics, although Lithuanian airports handled less cargo than Riga or Warsaw airports, it is worth noting that Lithuanian airports are the only ones among the surrounding airports to have experienced a consistent increase in cargo traffic since 2019. A steady growth of 3-5% is expected in 2022.

5.5. The 2022 Lithuanian airports forecast

In the year 2022, the goals are:

- Encouraging the expansion of existing HUBs and attracting new ones in stakeholder priority markets;
- Updating and introducing new flight incentive packages for Lithuanian airports;
- Systematic cooperation between institutions to promote inward flow.

Due to the growth recorded in 2021, it is projected that in 2022 LOU's traffic will continue to grow to 4.2 million passengers (+63% compared to 2021), supply will reach 49,000 (+38% compared to 2021) and the number of routes will be close to 100. Recovering passenger flows by segment, respectively — emigrants, vacationers, business passengers. Although IATA, the organization that unites airlines, forecasts that cargo traffic will grow by as much as 13% in 2022, given the current trends, we predict that the volume of cargo transported by Lithuanian airports in tons will grow more moderately and will amount to around 3-5%. However, these forecasts can be adjusted due to demand-driven factors (self-isolation requirements, non-harmonized guidelines in the context of the European Union, travel restrictions, vaccination rates, uncertainty in the planning of supply, the spread of the different COVID-19 strains), which are complicated by to control. Joint decisions taken at European Union level, speed and uptake of COVID-19 vaccine become critical.

6. Overview of non-aviation services

LOU's non-aviation service offerings have returned to pre-pandemic 2019 levels during 2021. Returning passengers could once again find all the essentials in the terminals, such as Duty Free shopping, catering, business club services, baggage packing, car rental, currency exchange, etc. Of course, non-aviation revenues have not yet reached a record level of 2019, but the growth compared to 2020 has been significant. The LOU non-aviation commercial services package consists of the following activities:

- Rent of buildings and premises;
- Car parking;
- Business club (VNO only);
- VIP service (VNO only);
- Advertising services;
- Rent of land;
- Express passenger inspection (VNO only);
- Organization of events (filming, photo shoots);
- Loyalty program (VNO only).

In 2021, a large number of non-aviation partners operating in Lithuanian airports were still facing significant challenges related to the pandemic - operational restrictions, reduced passenger flows, staff shortages. This was also reflected in the LOU's non-aviation performance, with revenue growth of 10% in 2021 compared to 2020. LOU's non-aviation revenue amounted to EUR 10.4 million. LOU receives most of the income from the rental of buildings, premises and parking. The distribution of income by activity is detailed in the graph below.

CHART 7. Distribution of LOU non-aviation revenue 2019-2021

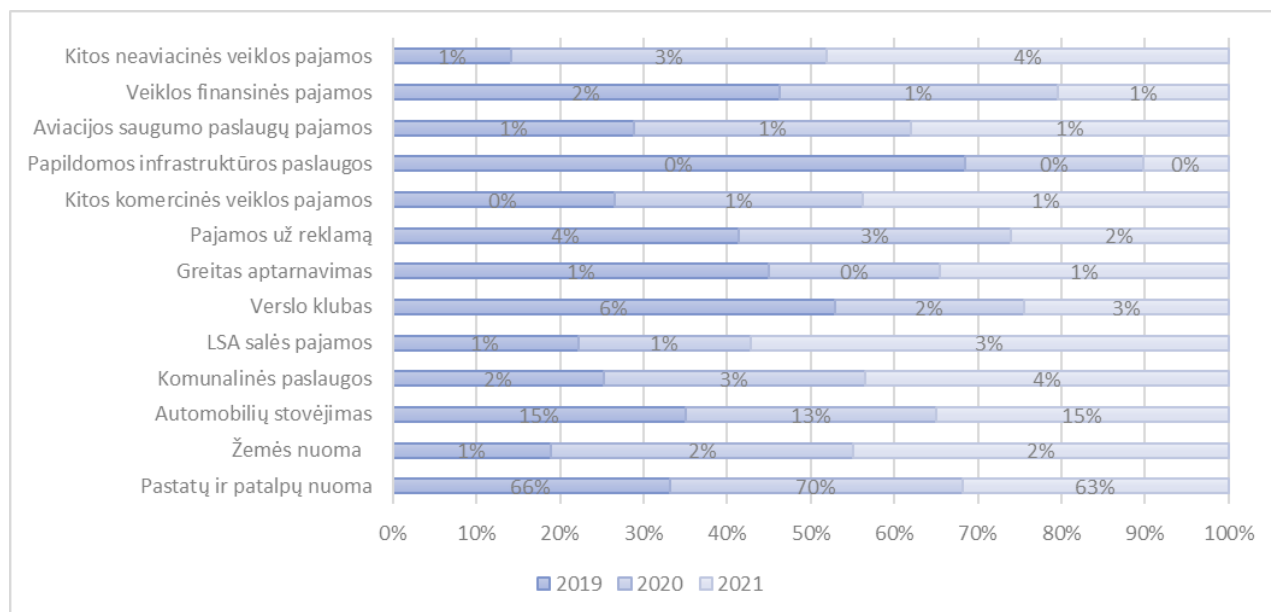


TABLE 14. Non-aviation revenue share in airport gross revenue for 2021

Airports (up to 10 million passengers) or regions thereof	Non-aviation income share in gross income, percent
Global average	39,9 %
LOU	36 %
<i>VNO</i>	42,62 %
<i>KUN</i>	36,48 %
<i>PLQ</i>	19,42%

Key projects implemented in 2021:

- All branches have Covid-19 passenger test centers, which not only provided the necessary passenger services but also generated a very significant share of non-aviation revenue.
- The development of the KUN MRO Service Center continued. A portion of the land equal to 7043 sq. m., prepared in 2020, was leased by auction to MRO Services and a land plot lease agreement was concluded with an international Company. At the end of 2021, the design of 2 MRO hangars for category C aircraft was started and construction will start in 2022. After the completion of this expansion phase, Kaunas Airport will continue to maintain its position as the largest MRO service center in the Baltics, capable of accommodating up to 12 category C aircraft for maintenance and repair at the same time.
- VNO and PLQ's aviation fuel storage and dispensing infrastructure has been leased for a period of 10 years through an international public tender to an experienced foreign operator, which will be obliged to operate, maintain and improve the infrastructure in accordance with the detailed requirements set out in the contract.
- VNO leases premises and establishes another catering outlet - "Beer garden" - through a public tender
- A new baggage storage and packing operator has been selected through a public tender and the service at Vilnius Airport has been upgraded. The service will be launched at Kaunas Airport in early 2022.
- Procedures to amend the VNO detailed plan are finalized. The technical design has been finalized, coordinated with all stakeholders and the construction of the DHL freight terminal. The expansion of the freight terminal is based on a land lease agreement signed in 2020.

7. Owner's capital and its changes

The Company owner's equity at the end of 2021 was EUR 27 035 165.

The capital corresponding to the assets that by law can only be owned by the State amounted to EUR 93 276 021 at the end of 2021.

Pursuant to Article 15 (9) of the Law on State and Municipal Enterprises of the Republic of Lithuania and taking into account Article 7 (1) of the Law on Management, Use and Disposal of the State and Municipal Assets of the Republic of Lithuania, as well as seeking that the State-owned shares of limited liability and closed joint-stock Companies to receive dividends, the Government of the Republic of Lithuania has adopted a ruling that the authorities exercising the rights and obligations of the State Enterprise Owner must ensure that the profits to be distributed from state enterprises to Lithuania would be used to pay-off a profit contribution fixed by the Law on State and Municipal Enterprises of the Republic of Lithuania to the State

budget of the Republic of Lithuania. The share of the profits allocated to dividends for a period shorter than the financial year must be at least 60% of the profits to be distributed by the Company.

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 %

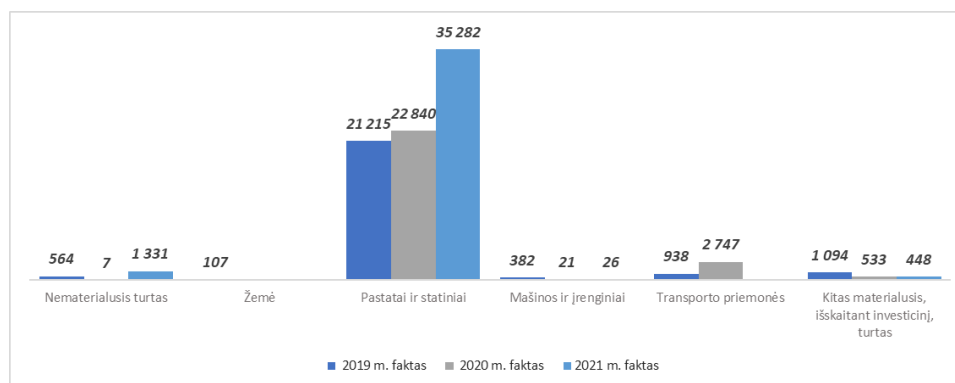
8. Company's investments, the largest ongoing and planned investment projects

8.1. Investments during the reporting period

Company's implemented projects and purchased fixed assets are intended to improve and expand the services provided by airports, modernize infrastructure, ensure flight safety and optimize operational processes.

LOU has invested EUR 37 073 thousand over 2021. (2020: EUR 26 149 thousand) euro). The breakdown of investments by type is shown in the graph below.

CHART 8. Breakdown of investments by type 2019-2021, thous. Eur



LOU's investments in the buildings and structures category during 2021 are mainly in the following categories: reconstruction of the Palanga runway (EUR 14.3 million). EUR 7.4 million) and the implementation of the Vilnius Program measures, including: reconstruction and extension of the Northern Platform (EUR 7.4 million); Reconstruction of the "F" taxiway (EUR 4.7 million); euro).

2023 LOU investments were implemented using not only the Company's funds, but also the state budget funds — 1 703 thousand EUR, , EU funds - EUR 11,9 thousand. .

Projects financed by EU funds:

- Reconstruction and extension of the northern platform;
- Reconstruction of taxiway "F", including its widening and lengthening;
- Construction of a new taxiway "Z";
- Reconstruction of existing taxiway "B"
- De-icing /Surface wastewater management system

8.2. Ongoing and planned projects

In the Company, projects are implemented in accordance with the following principles:

- The payback of investments is assessed in accordance with a cost-benefit analysis;
- Duration of recoverability of investments 7 to 12 years;
- The need to comply with air safety and aviation security requirements;
- Timely and adequate response to market developments and emerging opportunities;
- Aspiring to reduce negative impact on the environment, to save resources;
- Use of existing infrastructure for the development of commercial services;
- Further development of the Company's activities;
- Improving passenger experience and increasing satisfaction.

Company's started and currently implemented projects are carried out in order to ensure compliance with the Company's missions: to offer the *clients* a competitive network of directions, variety of services and careful service; to 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 assessment and project management policy sets out the basic principles to be followed in the selection and evaluation of investments in order to comply with the strategic action plan approved by the LOU Board. The table below shows the minimum financial criteria for an investment project that LOU is guided by when assessing 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 6.7 (after tax) *
NPV	Positive

* For the years 2020—2021 the target ROE (or, alternatively, the value of the indicator to be confirmed later by the Board of the Company).

LOU also carries out 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 possible 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 activities and synergies created with other activities, taking into account the expectations of the Ministry of Transport and Communications regarding the improvement of the investment environment and the usual practice in the real estate market, the return on

equity (ROE) is used for project evaluation (WACC determination) sizes are divided into the following categories:

1. Commercial-investment projects for the development of non-aviation services and the development of new services (except for "MRO" and freight handling activities) — 15 percent (ROE);
2. Commercial-investment projects for the development of "MRO" and cargo service activities — 6.7percent (ROE);
 - 2.1. When calculating the business plan, whenever land is leased, it is necessary to include the market value of the leased land (or part thereof) and the unreceived return on real estate development;
 - 2.2. When calculating the business plan when a building is leased, it is necessary to include the market value of the leased plot (or part of it).
3. All other investment projects — 15 percent (ROE), unless a reasoned decision on a lower indicator is taken by one of the management bodies of the Company, if the project under assessment is necessary to ensure business continuity and comply with the operating standards.

The LOU Investment Committee (hereinafter — IC) works with the aim of prudent and collegially managing the Company's assets, attracting the necessary competencies to make well-analyzed investment decisions, taking into account the Company's goals and strategy.

The LOU Investment Committee approves:

- i. Investments in assets (CAPEX) — when planned investments are sized more than 50 thousand Eur excluding VAT;
- ii. Purchase of assets — when the purchase amount is more than 100 thousand Eur excluding VAT;

Investment and operational projects shall be initiated in order 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 project initiation application and amendments confirm the following limitations: project budget, timing, results (volume) and benefits (both financial and non-financial positive effects on the Company's performance, planned for the implementation of the project).

The project end reports shall also be evaluated in the investment committee by identifying whether the project has been implemented within the approved project limitations. Monitoring of the benefits of completed projects is carried out individually for each project (the planned benefits approved by the CK in the initiation forms are compared with the actual benefits), assessing how smoothly the project was carried out and providing recommendations for the improvement of the Company's processes. In the context of the preparation 2022-2025 Strategic Plan, only part of the investments were considered and approved in accordance with the previously approved procedures, and therefore this activity report does not detail the expected benefits.

The main objectives of the planned investments are:

- Efficient exploitation of the existing infrastructure, focusing on improving the quality of service: replanning of passenger terminals, adapting them to the changing needs of passengers, installing additional taxiways that will provide more convenience for aircraft;
- Improvement of aviation security quality and service speed: introduction of a new baggage handling system with four levels of aviation security screening, purchase of newer generation passengers and their baggage screening equipment;
- Reducing operating costs of LOU: Introducing information technologies that will reduce labor demand in the future, monitor perimeter and aerodrome as a whole, speed up passenger registration, etc. ;
- Reducing the negative impact on the environment: VNO installs a treatment plant system, which will allow to handle the chemical launchers used in winter time, in order to maximally collect all waste water generated in the airport area;
- Taxiways shall be reconstructed at the airside in order to reduce airway noise and CO₂ emissions.
- In order to expand the supply of non-aviation services, improve efficiency and quality indicators of provided non-aviation services, reconstruct passenger terminals in all branches, expand commercial areas, etc. ;
- Investments are made in the upgrading of special machines and equipment, the introduction of new systems (FIDS, AODB), the upgrading of video systems, etc.

The planned investments planned for implementation at LOU in 2022-2025 are provided in the table below.

TABLE 17. Planned investments by LOU for 2022-2025, thous. Eur

Investments	2022 P	2023 P	2024 P	2025 P	Total 2022-2025
Projects financed by EU funds	3,616	510	0	0	4,126
Reconstruction of the northern apron	213	0	0	0	213
Reconstruction of the taxiway "F"	203	0	0	0	203
De-icing site /surface wastewater management system	3,200	510	0	0	3,710
Departure terminal T4	9,000	29,024	4,500	0	42,524
Installing AIS	3,379	0	0	0	3,379
Other necessary investments, including the acquisition of T4-related technologies (VNO, KUN, PLQ, LOU)	6,708	9,513	34,459	17,155	67,835
Total investments	22,703	39,047	38,959	17,155	117,864

9. Staff and salaries

2016 LOU has developed a Human Resources management strategy aimed at increasing employee engagement and loyalty in creating a positive working environment. To this end, the following long-term human resource management objectives 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 the creation and maintenance of the reserve of managerial and key positions for the organization;
2. Internal enterprise network (intranet) and other internal communication means promote greater employee activity and involvement in the Company's activities;
3. As of 2019, all staff are included in the new variable remuneration system. The Covid pandemic led to the suspension of the system in 2020. **In 2021, the scheme was reinstated and staff can again receive a variable remuneration for high quality performance;**
4. The image of the organization as a desirable employer is strengthened.

SE Lithuanian Airports have approved salary regulations, which define the principles of the Company's remuneration policy. The following principles shall be used in determining the 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 2021 - EUR 11504 thousand. , (2020: EUR 11 128 000). The salary fund I in 2021 is 3% higher than in 2020. The salary fund represents 40.5% of total corporate costs in 2021 and 54.7% of operating costs in 2020 (41% and 56% respectively).

TABLE 18. Salary sizes by position.

Category	2019 **		2020		2021	
	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	7 953	1	7 665	1	7 958
Director of the branch, department	8	6 187	8	6 322	4	6 446
Head of section, service, group	34	2 860	34	2 859	31	2 865
Senior specialist, Shift manager	60	1 679	59	1 834	64	1 839
Specialist, manager	148	1 766	145	1 826	147	1 848
Firefighter	79	1 116	78	1 178	81	1 142
Inspector, patrol	247	1 142	228	1 271	210	1 248
Other works:	78	1 078	73	1 159	70	1 156

* This includes the variable part calculated from the fixed part of the monthly salary. For the Director General of SE Lithuanian Airports set by the Order of the Minister of Transport and Communications of the Republic of Lithuania: in the first quarter of 2021 - 37.5%, in the second and third quarters - 35%, in the fourth quarter - 50%, in the first quarter of 2020 set to - 40%, in the second quarter - 50%, in the third and fourth quarter - 25%, variable part calculated from the fixed part of the monthly salary.), in 2019 - 50 percent for the first quarter, 40 percent starting from the second quarter, calculated from the fixed part of the monthly salary.

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

	2019 *		2020		2021	
	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	116	48 610	124	51 795	278	81 486
Variable part of salaries for the achieved performance results	501	561 989	438	138 014	318	171 590
Annual share of variable remuneration for employees for Company performance	733 774**		975 625		Was not paid	

** Variable remuneration was paid to all employees of the Companies for 2018 results in 2019 and for 2019 results in 2020, resulting in significant increases in the amounts paid in 2019 and 2020. The annual variable part remuneration for 2021 will be paid in 2022.

The number of staff members receiving remuneration for activities beyond their normal workload and for additional tasks is 55.4% higher in 2021 and the amount paid is 36.44% higher than in 2020. The number of

staff receiving variable pay for performance in 2021 is 27% lower and the amount paid is 20% higher than in 2020. The annual variable remuneration for 2021 will be calculated and assessed in April-May 2022.

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 taking into account the category of the state-managed Company. The remuneration coefficient set for the General director of SE Lithuanian Airports is 32.26. In 2021, the base salary (remuneration) for State politicians, judges, civil servants, civil servants and employees of State and municipal budget institutions was set at EUR 177.
- 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 2021.

The criteria for the variable part of remuneration of the General director for 2021, 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.

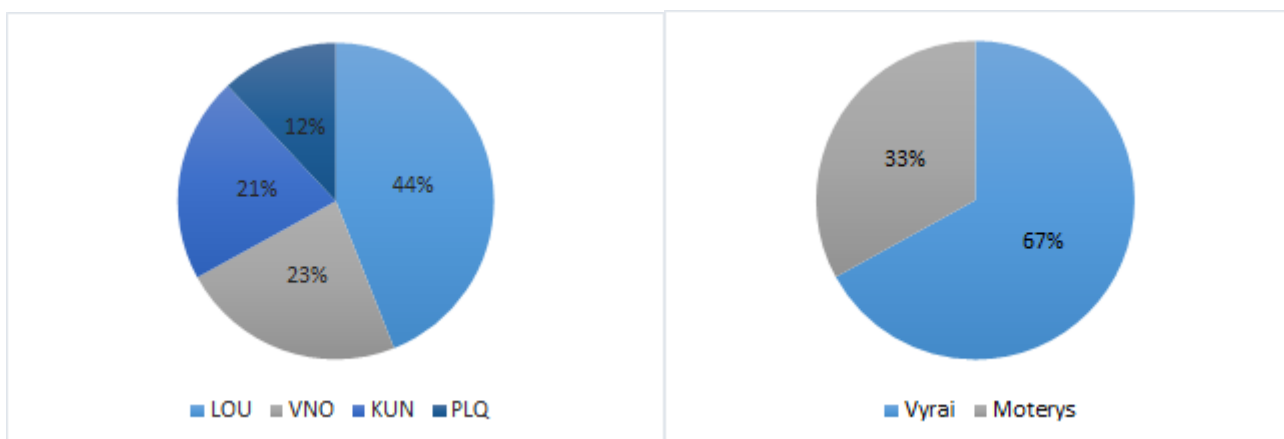
Indicators	I quarter			Quarter II*			Quarter III*			Quarter IV*		
	Size of the variable part of salary, %	Plan	Execution	Size of the variable part of salary, %	Plan	Execution	Size of the variable part of salary, %	Plan	Execution	Size of the variable part of salary, %	Plan	Execution
EBITDA margin,%	20	≥ -81,3	implemented	20	≥ -33,5	implemented	10	≥ -4,7	implemented	10	≥ 2	implemented
Number of passengers, thousand	15	≥ 228	not implemented	15	≥ 854	not implemented	-	-	-	-	-	-
Revenue, thous. Eur	15	≥ 3044	implemented	15	≥ 8303	implemented	20	≥ 15225	implemented	15	≥ 22132	implemented

Number of flight destinations, pcs.	-	-	-	-	-	-	80	80	impl eme nted	80	85	impl eme nted
To assess and submit to the Ministry of Transport and Communications the need for and coordinates of the land required for the development of KUN Airport, taking into account the prospective development of KUN and the interaction with the RB railway station/hub, pcs.	-	-	-	-	-	-	1	1	impl eme nted	-	-	-
Call for tenders for contract works for a new passenger arrival and departure terminal in VNO (T4), pcs.	-	-	-	-	-	-	-	-	-	1	1	impl eme nted
GCC good governance index	-	-	-	-	-	-	-	-	-	5	≥ A	impl eme nted

* The values of the indicators are indicated in a cumulative manner from the beginning of the year.

The number of actual employees (excluding those on parental leave) at SE Lithuanian Airports on 31 December 2021 was 492, which is a 6.82% decrease compared to the same period in 2020 (2020 - 528). In 2021, the average number of staff decreased by 15.45% to 520 (2020: 615).

CHART 9. Actual number of employees by Company structural divisions and Gender distribution in the year 2021.



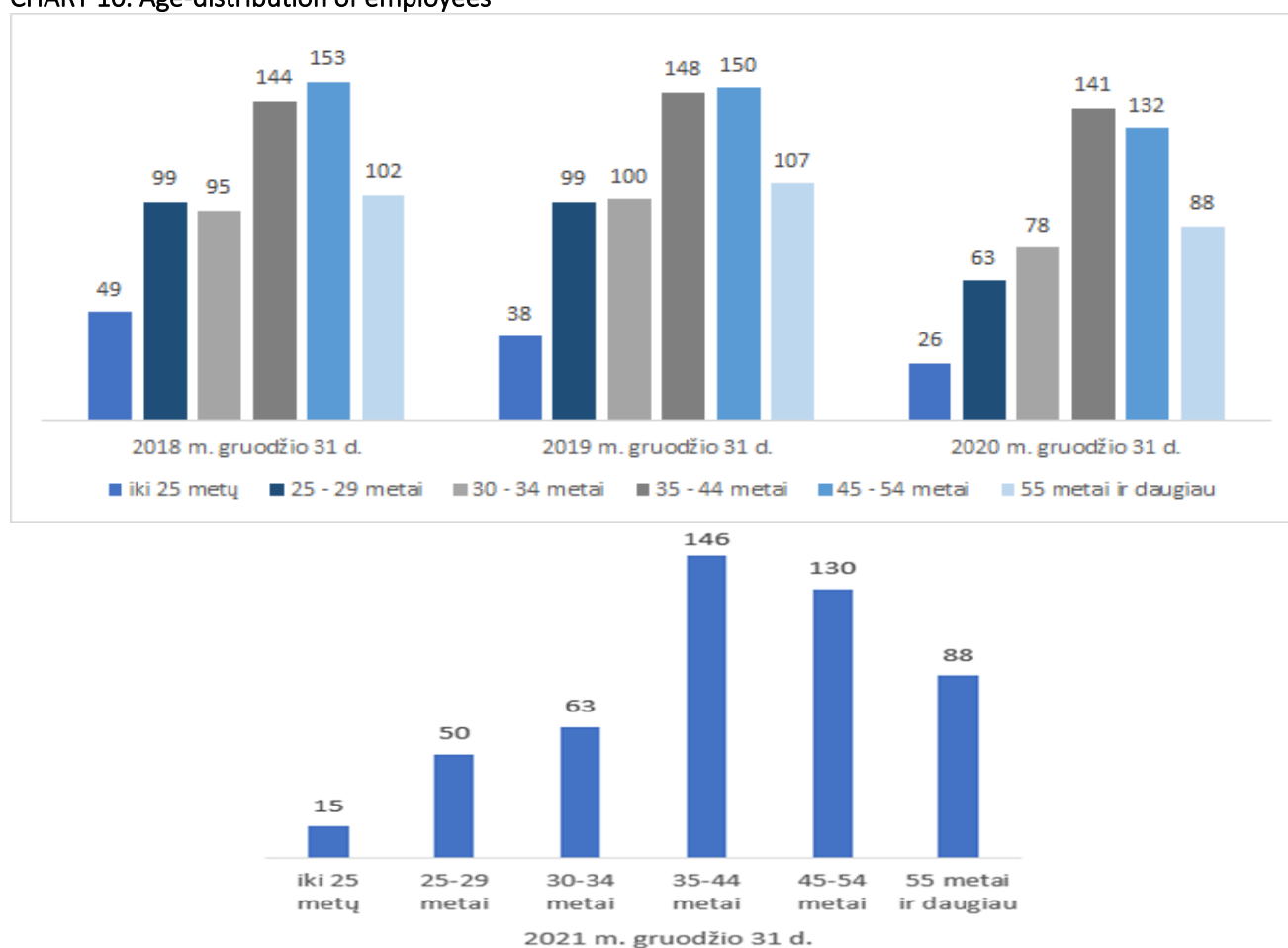
In 2021, the actual number of male employees decreased by 4.34% (from 346 to 331) and the actual number of female employees decreased by 11.54% (from 182 to 161), with a change of 1% in the distribution of actual employees at 31 December 2021 compared to the same period in 2019, with men accounting for 67% of the actual workforce, and 33% of the actual workforce.

TABLE 21. Comparison of the actual number of employees

Branch	At 31 December 2019	31 December 2020	31 December 2021
LOU	329	257	218
VNO	134	110	113
KUN	115	101	102
PLQ	64	60	59
Total in the Company	642	528	492

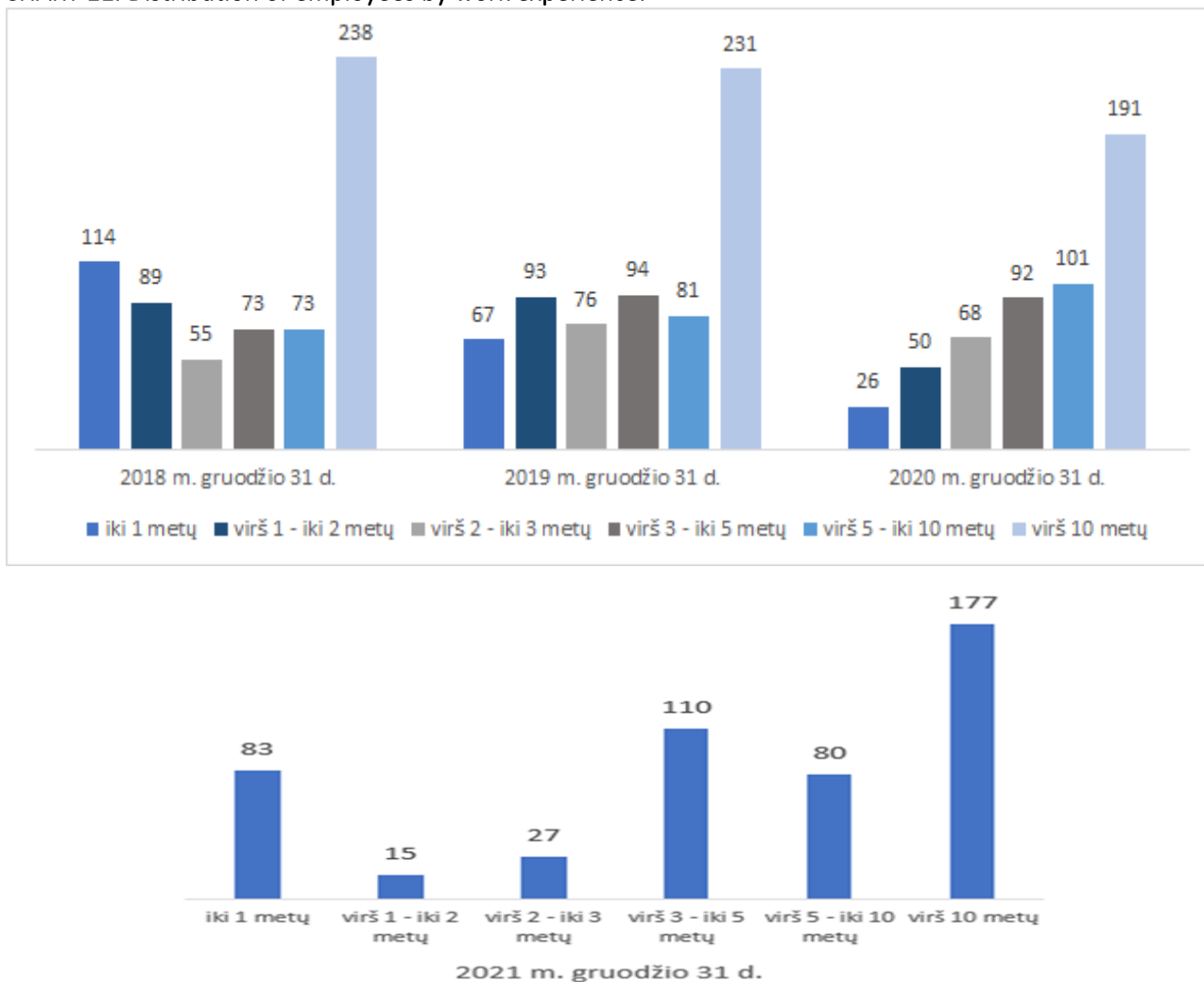
The majority of employees in the Company are 35-54 years old, while on 31 December 2021 the total part of employees in this age group was 56.1 percent (on 31 December 2020 — 51.7 percent). The number of employees in the 25-34 age group decreased the most, when comparing the data as of 31 December 2021 to the same period of 2020, their number decreased by 19,86 percent.

CHART 10. Age-distribution of employees



On 31 December 2021, 34.76% of employees are with more than 10 years of employment (36.2% in 2020), while those with less than 1 year of employment accounted for 16.87% (4.9% in 2020).

CHART 11. Distribution of employees by work experience.

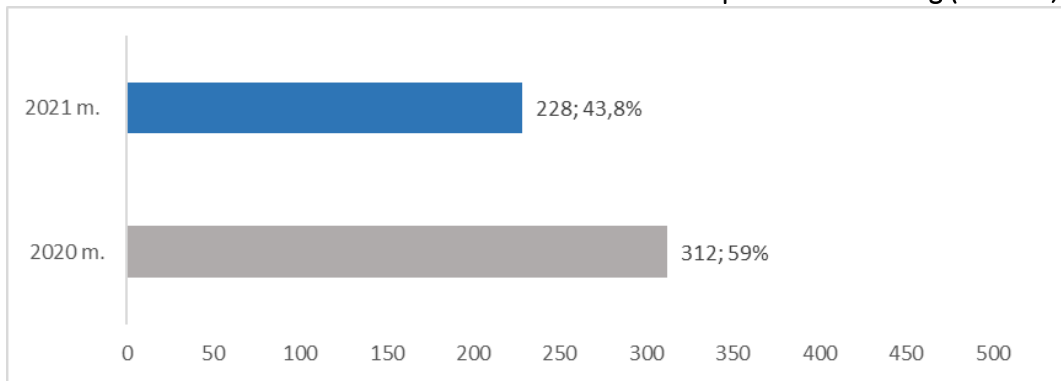


The SE Lithuanian Airports employee education policy is designed to ensure that the employees have the necessary knowledge and skills necessary to achieve the Company's goals. Taking into account the Company's strategic directions, the focus is on training in the following areas:

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

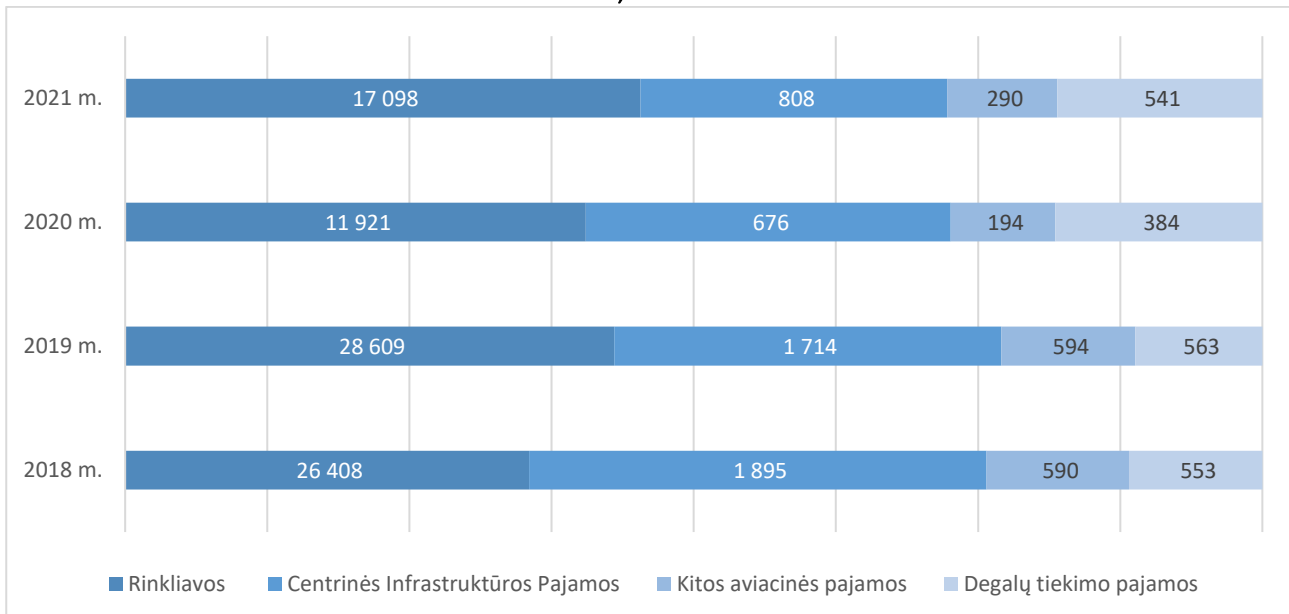


In 2021, the number of employees educated at least once in the course of training is 27% lower than in 2020. In total, in 2021, the number of employees trained at least once in the course of training was 228 (which is 43,8% of the average number of employees in that year), respectively, during 2020 — 472 employees (which is 59% of the average number of employees in that year)

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

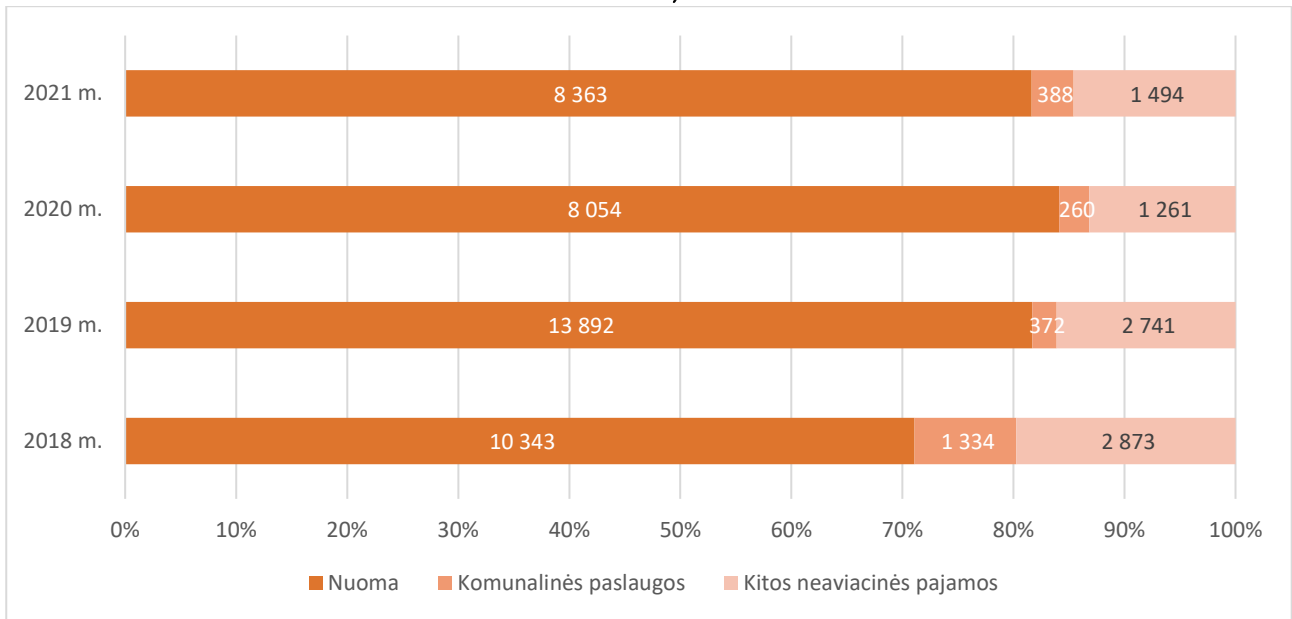
in 2021, especially in the second half of the year, there was a recovery of revenues compared to 2020.)

CHART 13. Evolution of aviation revenue 2019-2021, thous. Eur



In comparison with 2019, the structure of aviation revenues of SE Lithuanian Airports changed due to constraints imposed by the COVID-19 pandemic. In contrast to previous years, aircraft parking revenues increased significantly due to increased demand. In 2021, the SE Lithuanian airports has not changed the aviation charges at Lithuanian airports. Central infrastructure revenues are directly dependent on the flow of regular flights, and as a consequence, a drop in these revenues is observed in the first half of 2021 compared to the pre-pandemic period. In the beginning of 2021, the lower than forecast passenger numbers caused by the pandemic also had a negative impact on non-aviation revenues.

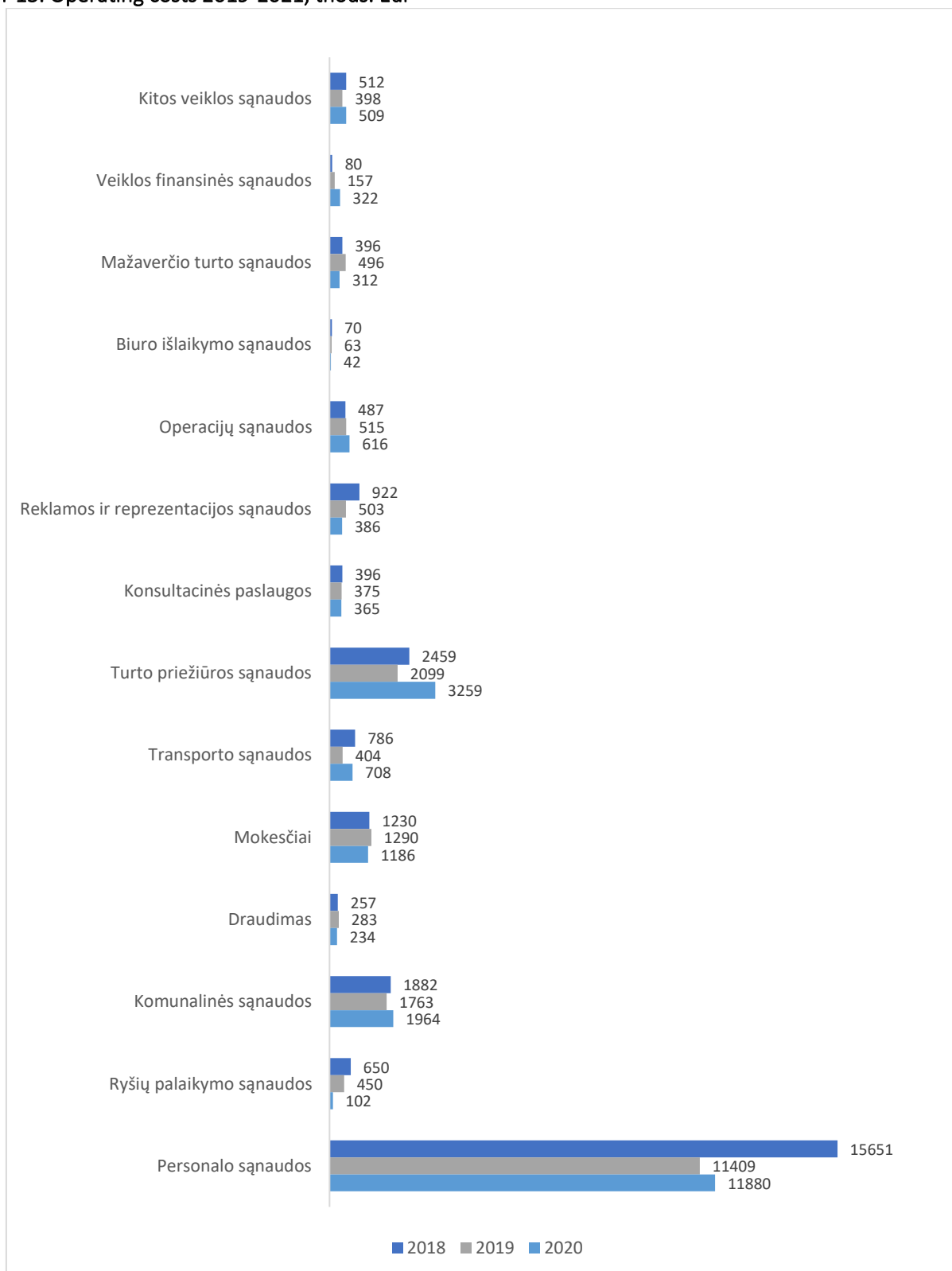
CHART 14. Evolution of non-aviation revenue 2018-2021, thous. Eur



SE Lithuanian Airports performs permanent budgetary control, which was still relevant in 2021 when the pandemic continued.

Detailed information on the distribution and change of individual cost groups during the period 2019-2021 shall be provided.

CHART 15. Operating costs 2019-2021, thous. Eur



1. Staff costs: compared to the previous year, the Company's staff costs should have been significantly reduced by 27% compared to 2019. This was due to staff management decisions (25 % of staff absenteeism and redundancies). However, the relative share of the Company's total operating costs remained similar to the previous year at 41% (2020 - 42%, 2019 - 47%, 2018 - 36%).

2. Energy and utilities: a steady increase in these costs is observed due to market price increases. Various energy-saving solutions are being sought, which will be relevant in future periods.
3. Assets maintenance: despite the fact that in 2021 the Company's activities were still limited, and the costs of maintaining the Company's assets were a similar proportion each year.
4. Taxes: The Company has almost no influence on the tax cost line. Only the State assets use tax increased by 24% in the total tax expense group due to higher assets values.
5. Advertising and representation costs: By 2021, all the variable operating costs of the Company were limited, including the advertising cost group.
6. Transport costs: transport costs in 2020 were 49% lower than in 2019, however, however, in 2021, with the growth in passenger traffic, transport costs gradually returned to their previous level.
7. Operational costs: in 2021, these costs increased compared to the previous year. It should be noted that the cost of servicing limited mobility, which represents 80 -90 percent of the costs of this group, is limited by contractual fixed obligations.
8. Consultancy services: Less money was spent on business consultancy, while the proportion of legal consultancy increased.
9. Cost of non-essential assets: this part of the cost consists of rental of assets (inventory), non-essential assets, and working clothes and uniforms. In 2020 this category increased by 25% due to increased demand for measures, but in 2021 it normalized and decreased compared to previous periods.
10. Office costs: in 2021, the cost of maintaining an office has been decreasing due to operational constraints and remote work.

10.1. Key financial indicators of the enterprise

The table below shows the main financial indicators of SE Lithuanian Airports and their changes over 3 years.

TABLE 22. Key financial indicators.

Indicator	Calculation	2019	2020	2021
Revenue, thous. Eur	Gross enterprise income, including financial and other operating income	48 486	22 219	29 139
Aviation income, thousand Eur	Total revenues related to aviation activities	31 480	13 175	18 737
Non-aviation and other operating income, thous. Eur	Total non-aviation and other activities-related revenues	17 006	9 045	10 402
Operational costs, thousand Eur	Costs related to the management, administration, organization of sales, etc.	25 779	20 167	21 885
Total costs, thous. Eur	Total Company costs, including depreciation, financial operating costs	32 570	28 092	29 724
EBITDA, thous. Eur	Profit before interest, taxes, depreciation and amortization	22 707	2 052	7 254
EBITDA margin, percent	Profit before interest, taxes, depreciation and amortization] / [income]	47 %	9 %	25 %
Net profit (loss) Eur	Net profit of the Company after tax	13 627	(4 652)	(702)
Profitability of operations, percent.	Operating Profit (EBIT)/Income	33 %	(103) %	(3,6) %
Net profitability, percent.	Company net profit after tax / income	28 %	(88) %	(3,93) %
Return on assets, percent.	Net profit (loss) after tax/ assets	6,91%	(10,48) %	(0,5) %
Liquidity, generation	Current (short-term) assets / Current (short-term) liabilities	1.98	0.96	1.41
Return on equity, percent.	Net profit (loss) after tax/ own equity	10,22 %	(15,51) %	(0,86) %
Asset turnover, generation	Sales revenue	0.25	0.12	0.13

Turnover of fixed assets, generation	Sales revenue / fixed assets		0.28	0.13	0.14
Debt to equity ratio	[Long-term financial debts + short-term financial debts]/[own equity]		0.10	0.20	30%
Own equity-to-assets ratio	Own equity /total assets		0.69	0.62	0.55
Debt to EBITDA ratio*	(Amounts payable and liabilities — cash and cash equivalents)/EBITDA		0.33	12.38	0.01
Profit tax, thousand Eur	Income tax		2 289	748	(48)
Dividends, EUR	Dividend amount accrued and paid		-	1	

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

** after reversal of assets impairment

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.

Lithuanian Airports have separated their activities in their accounting, including those related to assistance to disabled persons and persons with reduced mobility (hereinafter referred to as PRM). Accounting is separated by accounts: income and expenses from other activities' income and costs accounts. In 2020, VNO received EUR 214 355,23 for activities related to assistance to disabled persons and persons with reduced mobility.

In accordance with the approved 13 January 2017 order of the General director, No. 1R-9 SE Lithuanian airports, while operating in Vilnius, Kaunas and Palanga airports (hereinafter - "Airports") provide aviation and non-aviation services (hereinafter - "Service") and incur costs related to the provision and improvement of the Services. In order to distinguish the revenues and costs of services provided at Airports and their departments, the LOU Accounting system shall specify the Service, denoted by the operating code, as well as the structural unit, denoted by the division code. Each service must have a systematic, clear and transparent allocation of revenue and costs, which allows one to set the rates of the Airport Services, monitor the profitability of the Services, and improve the efficiency of the operations. Methods for attributing income and expenses to the Services:

Direct assignment — The allocation of a unit and an activity code is carried out by means of documents (invoices (SF), certificates of allocation and distribution of costs, etc.) sent to the Accounting department.

Indirect assignment — the allocation of indirect costs according to the "found link, i.e. the *cost drivers* between the Service and the costs while maintaining the principles of objectivity, causality, constancy and transparency.

This procedure provides for the principles of direct allocation of revenue and costs and the principles of indirect allocation of costs to the Services in accordance with ICAO's Policies on Charges for Airports and Air Navigation Services, Doc. No 9082) recommendations on the establishment of airport charges, including the principles of linking charges to costs.

Each service shall include direct and indirect costs:

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

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

TABLE 24. Revenue and costs of VNO for servicing reduced mobility and disabled passengers during 2021

Amount	PASSENGER_RMP	
	Before the allocation	After allocation
Net profit (loss)	(269 702,80)	(366 539,49)
Income	214,355.23	214,355.23
Sales revenue	214,355.23	214,355.23
Income from financial activities		
Costs	484,058.03	580,894.72
Operating costs	481,597.97	572,404.46
Personnel maintenance		64 429,90
Communications	12 835,83	14 452,19
Energy and utility services		2 171,85
Insurance		1 599,72
Taxes		3 040,06
Transport costs		3 731,58
Assets maintenance	475.48	5 871,94
Consultancy services		2 063,03
Advertising, representation and other commercial costs		1 048,53
Operation costs	468,286.08	468,286.08
Office costs		191.61
Cost of low value assets		1 352,01
Operating financial costs		1 752,39
Other costs	0.58	2 413,57
Depreciation	2 460,06	8 230,45
Financing and investing activities		259.80

We cannot identify the depreciation allocated for this activity, as mentioned above, the current allocation methodology of depreciation is allocating a part of the accounted assets depreciation to each activity generating income, if such assets are not allocated with a specific activity.

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 2021, RJA activities incurred a loss of EUR 366 539,49 as a result of a significant decrease in passenger traffic. 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 25. 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	102,600
Total area of the apron	m ²	365,700	229,950	70,194
Number of aircraft spaces	pcs.	54	24	15
Total area of passenger terminals	m ²	34 742	7 327	4710.62
Total area of administrative buildings	m ²	1 500	6 314	392
Number of maximum runway operations	operations/hour	26	18	12 4
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 120 units virtual and about 10 units of physical servers, about 100 units of network equipment and about 280 computerized workstations.

Taking into account the current infrastructure and technology situation at LOU, current technological market and development trends, changing passenger needs and habits, competitors' activities and requirements of airport regulators becoming stricter, LOU infrastructure and technology support and development may require significant investments in the future.

A program for reconstruction of VNO airport is planned currently. The current infrastructure is not adapted to the current passenger flow and does not meet the minimum passenger experience indicators, which are critical for the expansion of Lithuania's accessibility map by attracting new airlines and new destinations and maintaining passenger growth opportunities. It is also necessary to upgrade the baggage transportation and screening systems that do not fit on the premises of the current terminal as security requirements become more stringent. Table 28 below provides a comparison of the current situation at Vilnius Airport with the quality standard of the *International Air Transport Association* (IATA).

TABLE 26. 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)	1150	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

LOU, like any other organization, is faced with uncertain situations, and therefore targeted and pre-emptive (preventive) actions and responsible planning can ensure (influence) that adverse events and resulting risks are managed and have no or little negative impact on the organization, its strategic objectives and its ongoing processes. The LOU is aware that it must take all possible measures to ensure that the adverse consequences of risks do not exceed the set limits. In order to manage risks in a systematic way a Risk management process, Risk management policy and methodology and a Risk action plan were developed, and risk identification, assessment

and preventive measures for strategic objectives and processes have been performed. The purpose of the LOU Risk management policy is to outline the importance and responsibilities of risk management in order to ensure the achievement (implementation) of the strategic objectives and process outcomes. The policy applies to all employees and to the management and advisory bodies of the organization, in accordance with their respective areas of responsibility.

14. Significant events after the end of the financial year

14.1. Strategic objectives 2022-2025

The Strategic action plan for 2022-2025 was approved by the 25 January 2022 Order of the Minister of Transport and Communications. The strategic objectives to be pursued by the Company and the indicators to measure them have been identified:

Strategic directions	Strategic objectives	Indicators	Indicator units of measurement	Goal values				Responsible for implementation
				2022 P	2023 P	2024 P	2025 P	
The attractiveness of Lithuania as a direction has increased, satisfying the goals of incoming tourists/entrepreneurs.	Offer a competitive network of directions and a variety of services and careful, attentive servicing.	Number of directions	Pcs.	92	99	106	112	Head of Aviation services section
		ASQ	Percent.	4.00	4.1	4.12	4.13	Gen. Director, Director of Operations and infrastructure department
		Airport loyal passenger (NPS Promoters) indicator ²	Percent.	58	58	58	60	Gen. Director, Director of Operations and infrastructure department
An updated airport infrastructure with a clear funding model to ensure a sustainable return	Develop safe and efficient infrastructure	EBITDA margin	Percent.	≥26	≥31	≥36	≥42	Director of Finance and administration department
		EBITDA	Mln.	≥9	≥13	≥17	≥23	Director of Finance and administration department
		Timely execution of projects	Percent.	≥80	≥85	85	85	Director of Operations and

								infrastructure department
		Income	mln. Eur	38.49	44.86	49.16	56.46	Director of the Commercial department Aviation services section
		Financial debt to equity ratio	Coeff.	1-1,5	1-1,5	1-1,5	1-1,5	Director of Finance and administration department
		Total level of safe activity in ALoSP³	Percent.	≥91,6	≥93,6	≥95	≥95	Director of the Safety and security department
		Aviation security level AloseCP	Percent.	≥85,43	≥87,43	≥89	≥90	Director of the Safety and security department
Internationally recognized competences to ensure effective operation and development of airports	Act in unison and ambition in managing different partnerships.	Employee involvement index	Percent.	63	65	67	69	General director, Head of Law, personnel and administration department
		Ensuring staff skills⁵		≥97	≥100	≥100	≥100	Head of Law, personnel and administration department
Attractive to market leaders and enabling mutually beneficial business models;	Be open and impartial in creating an attractive environment for business	Affiliate satisfaction index ("Smooth collaboration is in place", 5-point scale 4 and 5 ratings)	Percent.	75	77	79	80	Director of the department of Commerce
		Aviation and non-aviation income derived from MRO and cargo service activities (Cargo)	mln. Eur	„MRO“ – 1,36 „Cargo“ – 1,77	„MRO“ – 1,33 „Cargo“ – 1,99	„MRO“ – 1,37 „Cargo“ – 2,00	„MRO“ – 1,40 „Cargo“ – 2,10	Director of the department of Commerce Aviation services section
		Number of passengers	Mln.	4.2	5.9	6.8	7.5	General director, Head of Aviation services dept.

Increased public support for airport development as the cornerstone engine of the economy	Be the wings of Lithuanian growth and prosperity	Assessment of CSR and sustainability report	Score	A+	A+	A+	A+	General director, Head of communications section
		Noise exposure ⁶	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

14.2. Influence of COVID-19 on business continuity

The global COVID-19 crisis, which began in early 2020, has shaken the entire aviation sector. In 2021, passenger traffic was still below expectations in the first half of the year, but in the second half of the year, as vaccinations picked up and passenger restrictions eased, the Company's revenues increased and caught up with the first half.

Taking into account the main challenges of the closest period, critical areas that need to be concentrated upon were evaluated to ensure the continuity of the Company's activities and to prepare for the period when the main external factors limiting travel will be eliminated. LOU has developed a business continuity plan, highlighting financial, operational and administrative priorities. The plan is intended to be implemented by the III quarter of 2022 .

In assessing the Company's activities in the context of COVID-19, 2019 is considered the reference year and the comparative year — the entire aviation sector seeks to return to this year's performance.

AVIATION ACTIVITY

2023 The COVID-19 pandemic has had a major impact on the aviation sector worldwide. IATA(*International Air Transport Association*) announces that passenger traffic is projected to decrease by 39% and that USD 11.6 billion in income will be lost in 2022. The total loss for the period 2020-2022 is expected to be below EUR 201 billion. USD

According to data and forecasts from international aviation industry organizations IATA and ACI Europe, the return of international passenger flows to the levels of 2019 is expected during the period of 2023-2025, depending on the continent. The outlook for global aviation is slightly more optimistic than for Europe. Airlines operating in LOU predict the return of passenger traffic to 2019 levels at the end of 2022. Aviation analysts predict that a real recovery of markets after this aviation crisis is possible only with the creation of the COVID-19 vaccine and the removal of the countries' self-isolation requirements and other travel restrictions, until

then recovery will be slow. In the end of the crisis, airlines will have to make costs efficient, i.e. to reassess the potential of each direction.

The LOU is also significantly affected by the COVID-19 virus in its operations. As a result of the consequences of the spread of the coronavirus, the Company has already lost the majority of its aviation revenue since mid-March 2020. The Company's aviation revenue is directly related to the number of flights operated and the number of passengers travelling by air. Based on the October 2021 forecasts, passenger traffic at the airports operated by the Company will be 35% lower in 2022 compared to 2019, and flight traffic will be 21% lower.

After lifting travel restrictions and starting to restore flights existent prior to the pandemic, flights from and to Lithuanian airports will not be a priority for many airlines: it is likely that low-cost airlines, in particular, will restore their flights to the most profitable destinations, while national airlines of other countries that have received national funding will first seek to ensure the availability of their countries by air transportation. In view of this, the main tasks are planned to restore aviation activity at Lithuanian airports and to return the volume of aviation activities to the 2019 level:

1. Strategic restoration of important directions, attraction of new directions, their development and maintenance. Improving the availability of Lithuania by air transport in order to ensure direct transport (flights) between Lithuania and the main financial and tourist centers in Europe. Formation of Lithuania's favorable investment, international trade and inbound tourism environment. In 2022 it is planned to reach at least 65% of passenger traffic, which was had in the year 2019;
2. Restoration of aviation revenue that would cover the Company's costs incurred due to constant costs and costs necessary for the performance of its operations. The growing number of flights and passengers will ensure greater demand for services from all civil aviation operators and, consequently, will increase the revenue receivable from these entities. It is planned to earn a total of EUR 22 million in 2022. This would represent 77% of the 2019 level of aviation revenue.
3. Additional funding, increase of flight promotion portfolio. Promotion programs and mechanisms already in place could be used to achieve this objective, and new mechanisms, as well as support from partners, will be adapted in line with the regulation of the Republic of Lithuania and the EU. Additional funding is vital to encourage airlines to open and develop strategically important directions. SE Lithuanian airports would develop and adapt these measures in cooperation with other stakeholders: "Invest Lithuania", "Keliauk Lietuvoje" (Travel in Lithuania), the Ministry of Transport and Communications of the Republic of Lithuania, the Ministry of Economy and Innovation of the Republic of Lithuania, "GO Vilnius", "Kaunas IN", Klaipėda Region Municipalities Association and other organizations.

Following the COVID-19 pandemic, the abolition of restrictions on the movement of persons by air transport at European level and the resumption of scheduled flights are likely to increase the demand for travel significantly. Therefore, taking into account the effects of coronavirus, rapid restoration of aviation activity and supply assurance would be an important investment in the country's economic recovery and development after COVID-19, since the aviation sector has a direct correlation and influence on the Lithuanian economy, especially in the areas foreign investment, tourism, production/export sectors and international business opportunities. According to the Airports Council International (ACI Europe), Lithuanian airports contribute 2.5 percent to Lithuanian GDP.

COST OPTIMIZATION

In the post-pandemic recovery period, it is particularly important to optimize costs. In order to ensure financial sustainability, the following actions will be taken:

- costs will be optimized to a minimum level, ensuring aviation security, maintaining the minimum quality of services provided and the functionality of airport operations until the summer season of 2022, when a larger recovery of airport operations is expected;
- the maximum reduction of variable costs.

POSITIVE EBITDA 2021

- 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)

In order to attract investors to Kaunas Airport, LOU intends to continue active sales activities of plots developed in 2020, adapted to the development of the aircraft repair industry in 2021-2024. Currently there are two free plots (MRO infrastructure development project implemented in 2020), in which two and three bay aircraft repair hangars 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 with regard to basic aircraft maintenance services, including maintenance and repair of aircraft fuselages, engines, chassis and components. The Company will continue to seek the development of MRO services and the creation of MRO cluster at Kaunas Airport.

The development of freight transport infrastructure is also planned at Vilnius and Kaunas airports, investors will be offered land plots that would allow air freight transport activities, ensuring convenient distribution of cargo by land transport. Negotiations with cargo airlines are also being conducted in order to increase the volume of cargoes carried through Lithuanian airports.

In order to develop freight activities, the possibility of promoting development and logistics Companies already developing at LOU airports will be additionally assessed. The added value of the LOU created by this partnership and compliance with regulatory legislation will be analyzed.

HUMAN RESOURCES

Maintaining the most important human resources:

- Assessment of the existing competences and their importance both for ensuring day-to-day operations and for the period of implementation of the recovery plan and for the follow-up of the LOU;
- the establishment of a list of critical competences will aim to ensure that these competences are preserved by developing substitutability and staff development plans;
- In order to increase operational efficiency, the possibility of transferring part of the functions currently performed by the Company to third parties will be assessed.

Maintaining and increasing employee engagement:

- maintain constant communication with employees about decisions taken and planned changes;
- great attention will be paid to maintaining employee motivation: opinion surveys will more often monitor employee well-being; events will be organized in a virtual environment to strengthen the sense of team; value-strengthening events shall be organized;

In order to empower employees, their participation in the management of the Company is strengthened: greater responsibilities are given in LOU's operational processes, budget management, and they are included in important decision-making.

In order to preserve critical competencies and optimize the costs of the Company, the structure of the Company has been changed since 1 January 2021. The new structure reduces the number of managers and staff and brings together different activities:

- The positions of Directors of Branches are terminated;
- Development department is terminated.
- The Operations and infrastructure department is established, concentrating the management of three airports, and the activities of the terminated Development department;
- The Finance department is terminated.
- A Finance and administration department is established, combining legal, personnel, administration, operational processes and risk management, communication, and activities of the terminated Finance department;
- The Department of Commerce brought together the Passenger experience management and the Service of Very Important Persons sections (VIP);
- The Safety and security departments combines separate sections of Kaunas and Palanga.

DIRECTIONS AND OBJECTIVES OF THE RECOVERY PLAN

The directions and objectives of the recovery plan shall be distinguished by stakeholders. They define where the Company's main attention is directed in order to restore the Company's activities. Identified directions and objectives are foreseen as priority for three aviation seasons (until October 2022)

TABLE 30. Objectives for the recovery period 2020-2022

	Clients	Colleagues	Partners		Shareholder
			AVIA	NEAVIA	
Directions	Infrastructure COVID-19 tests at the airport Communication	Communication Increasing engagement Key Competencies Restoring operations	Flight promotion Additional financing, increase of flight promotion portfolio Restoration and development of flights S21	Assessment of risks and opportunities Analysis of existing partners and search for new ones Preparation of aid measures	Securitization of financing Continuity of infrastructure development Securing the level of safety
Objectives	4,5 million Passengers Monthly number of passengers returns to 2019	Empowerment, engagement rate - 60% Preservation of Key competencies — 100%	22 million EUR Aviation income Restored frequency of flights corresponding to minimum needs with strategically	12 million Eur non-aviation income Assurance of strategic non-aviation partners (VNO+KUN+PLQ) <i>Duty Free > 1+1+1</i>	Targeted 5% EBITDA margin for 2022 Costs prior to recovery shall not exceed the approved level

			important hubs 100% of the criteria meet the security charter	Other outlets > 4+1+1 Feeding + vending machines > 3+3+2 Car rental > 7+7+7 Parking > 1	
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15. Sustainability

15.1.1. LTOU Sustainability Policy

LOU's position - its activities are guided by the Lithuanian Airports Sustainability policy and the Company's sustainability strategy (available on the Company's website).

Once the LOU's operational strategy up to the year 2030 has been approved, within Q3 and Q4 of the year 2021, the first work on the preparation of the new LOU Sustainability strategy was carried out. By the end of 2021, the following stages have been achieved:

- **Situation assessment**
 - Sustainability trends assessment
 - Best practices of foreign airports (Heathrow, Riga, Copenhagen, Tallinn airports and Companies operating airport groups: „Royal Schiphol group“, „Avinor“, „Swedavia“ and „Finavia“)
 - Expectations of LOU stakeholders
 - SWOT analysis of LOU sustainability drivers
- LOU's sustainability strategy directions

The following documents and data were used (analyzed) and evaluated in the preparation of the new LOU Sustainability strategy: the United Nations (UN) Sustainable Development Agenda 2030, the European Green Deal, the EU Taxonomy, the social responsibility reports of selected foreign airports and publicly available information, the Letter of Expectations (2020) of the Ministry of Transport and Communications of the Republic of Lithuania, the Company's 2018-2028 Environmental strategy, 2020 Social Responsibility Report, LTOU Strategic action plan 2021-2024, Good governance questionnaire by GCC, Employee engagement surveys, Customer NPS surveys, Partner NPS surveys, LOU staff qualitative interviews, community complaints. The aim of Lithuanian Airports to comply with the principles of sustainable development at the international level is also taken into account. That is, on 31 October 2016, an Airport sustainability declaration, 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 objective of this declaration is to strengthen the system of sustainable and resilient airports worldwide through cooperation, transparency, innovation and participation. It also means that in 2021, Lithuanian airports have joined the European Airports Initiative "Net Zero", committing to achieve zero carbon dioxide (CO2) emissions by 2050.

15.1.2. Good practices from abroad

Good practices of foreign airports were examined before assessing the Company's impact. The following have been chosen for analysis: "Heathrow", Riga, Copenhagen, Tallinn airports and Companies operating airport groups: „Royal Schiphol group“, „Avinor“, „Swedavia“ and „Finavia“. Riga and Tallinn airports are suitable for the analysis due to their regional proximity to LTOU and similar size. Copenhagen Airport was chosen because of its partnership with

LTOU in the "ALIGHT" sustainability project. "Heathrow" Airport and the "Schiphol Group" are included in the analysis as one of Europe's largest airports with particularly ambitious sustainability targets and have been leading the way for some time.

It is important to note that an analysis of best practices abroad reveals that sustainability strategies aim to set ambitious targets that motivate them to go beyond what is required by law or international regulations to achieve more in the areas of environment, diversity, human rights and other areas over a given period. This also applies in Lithuania.

The sustainability strategies of the airports analyzed focus on the **environmental dimension**.

Airports are also planning for increased passenger flows and development that meets their needs: infrastructure must be sustainable, accessible to people with disabilities, and connectivity is seen as a key economic driver. A clear strategic area is **economic empowerment** through the development of international business links and trade, in particular involving Small and mid-size enterprises (SMEs) and local businesses.

The friendly neighborhood practice also plays an important role, not only in the image of airports but also in the smoothness of future decisions: it seeks to directly involve local communities and to address one of the biggest nuisances affecting them - aircraft noise. Connections with communities are also strengthened through informal meetings, civic initiatives and staff volunteering in communities.

Sustainability strategies focus on the **well-being of employees**: a safe working environment, their physical and emotional health, career opportunities, as well as fostering diversity among employees

15.1.3. Analysis of LOU stakeholders' expectations

Stakeholders have been involved in the process of developing the Sustainability strategy not only to ensure that the direction of the strategy is more comprehensive, but also to maintain good relations with stakeholders and to avoid potential risks in the future when implementing the strategy. Stakeholder engagement is a good practice for developing sustainability activities, recommended by recognized international sustainability standards such as the Global Reporting Initiative (hereinafter - GAI), AA1000 Stakeholder Engagement Standard and guidelines from other international institutions.

Shareholder expectations

LTOU is a state-managed Company whose shareholder, exercising the rights and obligations of the owner of the Company, is the Ministry of Transport and Communications of the Republic of Lithuania (hereinafter - SUMIN). Source used to identify SUMIN's expectations as a stakeholder is the 2020 Letter of Expectations, approved for four years of operation. In the Letter of expectations, SUMIN identifies financial and non-financial expectations and sets out the following key performance objectives for LTOU: 1) Developing a safe and efficient airport infrastructure; 2) Improving accessibility by expanding the network of competitive routes and the diversity of services; 3) Improving the image of the country by creating an attractive business environment

Four areas have been identified, which show that SUMIN, as a shareholder of LTOU, places the highest priority on infrastructure, operational efficiency, improvement of the business environment, and strengthening the image of Lithuania and the Company. One expectation, which is specific to SUMIN is the change of legal form from a state enterprise to a joint-stock Company - is attributed to improving operational efficiency, as this is what the change of legal form aims to achieve.

Expectations of partners

LTOU's partners include entities established in the airport such as airport retailers, catering, car rental, transport ("Lietuvos geležinkeliai" (Lithuanian railways), Unipark, carriers, taxis), ground handling and other passenger service providers, airlines, land lease partners, regulators, municipalities, and route sponsors. In order to best identify the expectations of the partners, this group of stakeholders is broken down into aviation partners (airlines), non-aviation partners (catering, retail, lease (rental) service providers) and municipalities and public authorities operating at airports (customs, Lithuanian State Border Guard Service, police, etc.). In order to clarify their expectations, a survey of the partners' NPS surveys and in-depth interviews were conducted with staff working directly with a specific stakeholder.

Aviation partners. The most pronounced need of this group of partners is the fulfilment of commitments (providing the necessary means for smooth operations: the necessary infrastructure and services to handle the aircraft and the projected passenger flows). They are also concerned about clear communications. A specific expectation of this group is financial support, especially to promote new directions. This expectation has been particularly strengthened during the pandemic.

Non-aviation partners. Non-aviation partners are further subdivided into suppliers and partners that purchase services from the LTOU. The expectation of smooth operations, transparency, commitment and clear communication is prevalent among both suppliers and partners procuring services from the LTOU. Suppliers are ambivalent about green procurement, with some expecting the Company to do more green procurement and others wanting to delay it.

Institutional partners. The expectations of institutional partners are dominated by economic expectations, relating to operational efficiency and smoothness of processes, clear communication, cost savings and development. In the environmental field, they name expectations for sustainable development, sustainable operations and energy efficiency. Social expectations are dominated by ensuring safety, employee health and competence and an attractive employer image. The expectation of sustainable action runs through all three areas.

Employee expectations.

The LTOU periodically measures the Employee engagement Index. This information was used to identify the expectations of colleagues as a stakeholder. Employees' expectations are made up of two broad groups: economic and social. In the economic group, the main expectation is to operate efficiently. It includes cooperation with colleagues, effective information sharing, and trust from top management. Social expectations include: communication with colleagues, employer image, emotional health, skills development and career opportunities, meaning at work and fair pay. Expectations that staff would like to see more attention paid to include career opportunities, fair pay, motivation, and efficient operations (information sharing and cooperation).

Client expectations.

The main source of information for setting client expectations is the results of client surveys (NPS surveys). According to the clients' assessment, the general expectations of the clients of the three airports are met in terms of airport infrastructure (easy orientation, flight information screens, cleanliness, convenience of waiting areas, but insufficient range of catering and shopping services, smooth service at the checkpoints), quality of service (also smooth service at the checkpoints), and accessibility of the airport to the public transport network (except Palanga). Clients rate the smoothness of security and passport control checks quite highly. While customers are positive about the cleanliness of the premises, they lack information on sorting options. The areas that do not meet client expectations are the range and value for money of catering and retail services, public transport links (in Palanga) and parking services (in Vilnius).

Public expectations

As a stakeholder, the public is not homogeneous, with different experiences, incomes, interests and views. Overall trends show that the general public is very active in the use of air transport, with around 4.5 billion passengers travelling by air globally in 2019, and with the challenges of the coronavirus pandemic being overcome, the number is projected to grow significantly in the future. However, the growing discourse on climate change and stricter regulation of pollution is raising people's awareness of sustainability, and as a result, the public is increasingly focusing on sustainability in their choice of goods and services. International studies also show the growing public expectation for sustainability. Sustainable investing is rapidly gaining in popularity, sustainability is becoming a key aspect of choosing an employer, and the concept of sustainability is becoming broader, encompassing not only environmental issues, but also social and economic topics. Thus, it can be said that the public has a particularly strong expectation of sustainability, and this expectation, which also applies to airports, will only increase in the future.

In order to clarify the expectations of this stakeholder, community complaints, which reflect the expectations of a slightly smaller group, were also assessed. The most common complaint is aircraft noise.






A summary of the expectations of LOU stakeholders is presented in the table below.








Shareholder	Clients	Partners	Employees	Society
Effective activity	Quality of service	Smooth operation	Motivation	Noise reduction
Improving the business environment	Accessibility	Fulfilling commitments	Communication with colleagues	Open two-way communication
Infrastructure	Infrastructure to meet needs	Strengthening the skills of professionals	Meaning at work	Voluntary return
Improving the image of Lithuania and the Company	Security	Necessary infrastructure and services ensured	Employer image	Reliable information
		Financial support	Emotional health	Cooperation
		Transparency	Competence development and career opportunities	Reach of Company representatives
		Operational assistance and information	Fair remuneration	Value for the economy
		Open, proactive communication	Effective activity	
		Energy efficiency		
		Security		

Sustainable development
Employer image
Occupational health and competences
Financial support (avia partners)

15.1.4. LOU's sustainability strategy directions

The new LOU Sustainability strategy is structured around three strategic routes for sustainability (environmental, social, economic areas), consisting of fourteen closely interlinked sustainability aspects. Strategic sustainability directions are long-term priorities that help a Company to achieve its business strategy objectives and performance indicators in a sustainable way.

Relevant area	Sustainability aspects	UN Sustainable development goals, corresponding to sustainability aspects
Environmental protection	Reducing Greenhouse gas (GHG) emissions (including convenient sustainable surface transport, energy efficiency, green airports)	    
Environmental protection	Airports that are part of the circular economy	  
Environmental protection	Conservation of soil, water and the environment	  
Social area	Friendly neighborhood	 
Social area	Noise reduction	  
Social area	Clear and effective communication	 
Social area	Employee welfare	   

Social area	Fostering diversity	
Economic area	Convenient access to major transit airports	
Economic area	Developing sustainable procurement	
Economic area	Sustainable (infrastructure) development	
Economic area	Safety culture	
Economic area	Improving the client experience	
Economic area	Encouraging inbound passenger traffic	

The new LOU sustainability strategy is based on the Lithuanian Airports Operational strategy 2030 and the UN 2030 Agenda for Sustainable development standards, which provide for the most general sustainable development goals. The table below shows how the sustainability aspects are linked to the strategic indicators of the LOU's Operational strategy 2030.

	ENVIRONMENTAL			SOCIAL				ECONOMIC						
	GHG reduction	Circular economy	Soil, water, environment	Friendly neighborhood	Noise reduction	Clear and effective communication	Employee welfare	Fostering diversity	Connecting to transit airports	Developing sustainable procurement	Sustainable (infrastructure)	Safety culture	Improving the client experience	Encouraging inbound passenger traffic
CLIENTS														
ASQ						X						X	X	
Airport loyal passenger indicator, %						X						X	X	

Number of directions										X					
Share of inbound traffic															X
Connectivity										X					
SHAREHOLDER															
EBITDA margin (2020)															
ROE (2020)															
Airport capacity												X	X		
COLLEAGUES															
Employee involvement index								X	X						
EBITDA per employee (EUR thousand)															
PARTNERS															
NPS partner satisfaction							X								
Number of passengers															X
Revenue from MRO and freight															
Avia vs. Non-avia income ratio															
SOCIETY															
Assessment of the sustainability report	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Impact on GDP										X					X
Impact on CO2	X														
Noise impact				X	X										

Sustainability aspects are prioritized according to the impact of the LTOU in a given area, the expectations of stakeholders, the impact of the area on the LTOU's activities, the work already achieved in a given area, and the extent to which more can be done in the area than is legally required. Each aspect was rated on a scale where 1 is average significance and 10 is highly significant.

A visual representation of this prioritization is provided by the materiality matrix. A materiality assessment (materiality matrix) is a visual tool to help Companies identify opportunities, reduce risks, improve stakeholder engagement and ensure sustainability is integrated into business strategy. The LTOU materiality matrix is based on the Global Reporting Initiative's standard.

It is important to underline that all the sustainability directions on the materiality matrix are important, and a medium materiality does not mean that the LTOU will not make efforts to fulfil the efforts in this direction.



The document below outlines the Company's activities and projects in 2021. LOU's new sustainability strategy is planned to be detailed at tactical level in 2022.

The LOU's current approach to sustainability is based on the UN Sustainable Development Goals (hereinafter - SDG)



15.2. Environmental protection



(© UN)

15.2.1. Company policies in the field of environmental protection

2023 The first of the three - Vilnius airport declared its commitment to "control, reduce or compensate for negative environmental impacts and increase positive impacts" by drafting and adopting the environmental policy of Vilnius Airport. An even stronger commitment to sustainable development principles including Kaunas and Palanga airports was demonstrated by the LOU signing the Airport Sustainability Declaration on 16 October 2016, and by adopting the first LOU Environmental strategy in the light of the UN Sustainable development objectives in areas of good health, clean water and sanitation, affordable and clean energy, sustainable cities and communities, responsible consumption and production, combating climate change, the impact of forests, land and biodiversity.

The future of the LTOU lies with the 2019 European Green Deal (EGD), enshrined in the Paris Agreement, which sets a specific and ambitious goal of becoming the first climate-neutral continent by 2050. While discussing aviation specifically, the EU aims to reduce CO₂ emissions from aviation by 55% by 2030 and 60% by 2050. It also aims to ensure that aviation uses at least 5% sustainable aviation fuel (SAF) in 2030, rising to 63% by 2050 and 63% by 2021. LTOU has joined the European Airports Net Zero initiative, which includes 235 European airports committing to achieving zero carbon dioxide (CO₂) emissions by 2050 at the latest. 91 of them, including LTOU, are setting the bar even higher, with plans to reach this target by 2030.

While the environmental management of the LOU takes place mainly in accordance with its internal Environment strategy, the focus on the global objectives of the LOU has helped to align its objectives, instruments and indicators with those announced in 2019, and the ACI Sustainability strategy was updated in 2020. The LOU Environmental strategy covers 5 activities from the environmental (climate change, resources, water and biodiversity) and social (noise) impacts declared in the ACI "Sustainability strategy". In addition, the LOU Environment strategy identifies Community and communication and Environmental governance as separate topics, but does not include the topic of ambient air quality, which is of increasing importance.

Without a sustainable and balanced approach to the environment and the environmental impact of airport activities, it is impossible not only to develop airports, but also to support current activities. The main objective of airports is accessibility, the implementation of which leads to an increase in the number of flights and passengers, the development of infrastructure and even greater environmental consequences. Airports are a strategic and very visible object, the environmental aspects of which are regulated not only by the legislation of the Republic of Lithuania and the European Union, but also by the documents of the International Civil Aviation Organization, industry standards, while the activities of airports are monitored both by non-governmental organizations and society. In such circumstances, in order to be an environmentally conscious organization and to successfully carry out and expand its activities, the Company undertook to identify and strategically address environmental issues, while aiming to increase operational efficiency, save resources and improve image and relations with interested parties at the same time.

15.2.2. Indicators and results

The objectives of the LOU in the main topics of the ACI Sustainability strategy and the LOU Environmental strategy and an overview of their implementation in 2020 are presented in the table.

Environmental protection is a very wide area covering many aspects of airport operations, therefore, quite a lot of indicators are observed at Lithuanian airports. The main ones are presented in the table:

TABLE 32. Environmental indicators 2019-2021.

LOU Environmental KPI (corresponding to ACI Sustainability Strategy KPI's)	VNO			KUN			PLQ		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
CLIMATE CHANGE									
CO ₂ emissions (Scope 1 and Scope 2), t	6 987	1 061	To be adjusted	1 873	457	To be adjusted	512	111	To be adjusted
CO ₂ emissions (Scope 1 and 2) per passenger, kg CO 2/passenger	1.40	0.81	To be adjusted	1.61	1.24	To be adjusted	1.51	0.9	To be adjusted
% of green energy in total energy consumption	0	66 %	66 %	0	66 %	66 %	0	66 %	66 %
RESOURCES (WASTE)									
Formation of waste deposits, kg/passenger	0.072	1.79	0.12	0.306	4.38	0.58	0.148	1.24	0.42
Quantity of second-time used / recyclable waste in total flow,%	13	19.6	20.3	1.5	9.6	3.82	38	14.5	6.33
WATER									
Water consumption, m ³ /passenger	0.017	0.121	0.019	0.011	0.077	0.019	0.013	0.03	0.019
NOISE (AND QUALITY OF LIFE IN THE COMMUNITY)									
Number of people living in buildings entering the super normative noise zone	~414	0	~168	0	0		0	0	0
Area of super normative noise zones (day/night), km ²	1.23/5. 24	0.24/0.39	0.8/3.46	0.62/1. 23	0.46/1.12	0.51/1.21	0.51/1. 45	0.223/0.9 48	0.21/0.84
Number of complaints about noise	12	2	4	0	0	0	0	0	0

The table shows the indicators of resources (waste) and water in the list of monitored indicators so far only for dynamic monitoring and are not linked to targets to be achieved. In 2022 it is planned to develop a LOU Waste management strategy, which will link the indicators to the measures and the target result.

Due to the Covid-19 crisis, most of the 2020 indicators in the table are unrepresentative and should not be assessed. This is especially true for indicators linked to passenger numbers (waste generation kg/capita, water consumption m³/capita, kgCO₂/capita), as the drastic drop in passenger numbers has led to a significant increase in the values of the indicators. On the other hand, noise performance is directly related to the number of flights, which in turn reduces the number of noise hotspots and the number of buildings within them, as well as noise complaints. In 2021, compared to 2020, the number of flights has increased, resulting in larger areas of supra-normal noise. The 2021 figures for flights and passenger numbers should also be viewed critically, given the relatively low level of activity in the first half of the year.

One of the key indicators of climate change, the total CO₂ emissions, is not directly affected by the number of flights (since ACA level 1 and 2 does not include CO₂ emissions from aircraft), and is not affected by the number of passengers (since the maximum energy costs are required to maintain the airport infrastructure). This indicator decreased at all airports compared to 2018 and 2019, while the decrease in 2020 (around 84% VNO, 75% KUN and 78% PLQ compared to 2019) was due to the acquisition of guarantee of origin certificates confirming that the electricity used by LOU was produced from renewable energy sources. The 2021 results will be received at the end of March 2022.

TABLE 33. Other environmental results

Current situation:	Direction/Objective	Works performed in 2021
CLIMATE CHANGE		
<p>Participation in ACI Airport Carbon Accreditation program: VNO — Level 2 Reduction; KUN and PLQ — Level 1 Mapping</p>	<p>VNO: 2022 move to ACA Level 3 KUN and PLQ: Develop a CO₂ reduction plan and move to ACA Level 2 in 2022.</p> <p><i>Aviation General Axis: 0 CO₂ emissions from operations controlled by the airport (Scope 1 and 2 emissions) by 2050^[1].</i></p> <p><i>This objective is replicated by the EU Sustainable and Smart Mobility Strategy, released at the end of 2020, which is part of the European Green Deal^[2].</i></p>	<ul style="list-style-type: none"> - calculated CO₂ emissions for VNO, KUN and PLQ; - Implementation of the VNOCO₂ reduction plan: continuation of the program to replace lighting systems with LEDs; introduction of hybrid cars and the launch of a transport renewal program for all airports; operation of the solar power plant on the new LSA building, with the energy being used for LSA's needs; implementation of the building management system; - The reconstruction of the aprons of VNO and PLQ, electrified aircraft parking areas, eliminating diesel generators; - LED lights are installed on the taxiway of VNO and PLQ and on the runway of PLQ; - VNO extends taxiway F and adds runway Z. - The launch of certificates of origin for electricity, confirming that in 2021, the electricity consumed by VNO, KUN and PLQ was produced from renewable energy sources; - The VNO Stakeholder plan is under development, which aims to include the emissions of partners operating at the airport in the overall CO₂ accounting. - Energy efficiency audits of VNO, KUN and PLQ buildings and facilities were carried out and energy efficiency audits of facilities were launched
AMBIENT AIR QUALITY		
<p>In the airports environment and around airports, air quality is determined by the presence of pollutants such as NO_x, KD₁₀ and</p>	<p>Ambient air quality at airports should be measured and improved by reducing ambient air emissions from aircraft and airport operations (<i>European green deal</i>³).</p>	<p>Measurements of air pollution by NO_x, PM₁₀, PM_{2.5} and black carbon at VNO aerodrome</p>

<p>KD_{2,5}, which are also associated with airport activities. The concentrations of these pollutants are not observed at Vilnius, Kaunas and Palanga airports; data can be obtained from stationary city air quality stations, but they do not reflect the airport's contribution.</p>	
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RESOURCES (WASTE)		
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<p>Waste sorting/accounting/management and chemical substances and mixtures accountancy according to mandatory requirements of EU and LT legislation.</p>	<p>Develop waste management strategy for Lithuanian airports, taking into account the principle of circular economy</p> <p><i>The goal set by the ACI Airport Sustainability Strategy is the circular economy. By the year 2018, the EU launched a renewal of the circular economy legislation package. The Circular Economy Action Plan 2020 (Part 3 of the European Green Deal) underlines that the circular economy is a key condition for climate neutrality and that all economies must contribute to this sectors.</i></p>	<ul style="list-style-type: none"> - The order on the approval of the description of the procedures for accounting, sorting, temporary storage, labelling and transfer of waste to Companies handling them has been updated; - - Environmental audits of waste management at VNO, KUN and PLQ were performed; - A new procurement of waste management services for VNO, KUN and PLQ has been carried out, meeting the green procurement criteria; - Procurement of beverages in glass containers in the LSA Hall has been performed.
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WATER		
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<ul style="list-style-type: none"> - Environmental, hygienic and tax requirements for the extraction and supply of drinking water are met; - PLQ provides monitoring of groundwater in the territory of the fuel base; - Surface wastewater monitoring (VNO, KUN, PLQ). 	<p>The aim is to achieve a reduction in water consumption and assurance/improvement of water quality ¹ (including in water bodies), taking into account two aspects:</p> <ul style="list-style-type: none"> - the quality and quantity of drinking water consumed by workers and passengers; - the level of contamination of local water basins which may be exposed to sewage generated at airports, particularly during flushing. 	<ul style="list-style-type: none"> - VNO Aerodrome and apron are equipped with a surface water collection system and dedicated aircraft de-icing areas; - PLQ Aerodrome and apron are equipped with a surface water collection system; - Detailed eco-geological studies have been carried out at the VNO, KUN and PLQ fuel bases; -
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NOISE (AND QUALITY OF LIFE IN THE COMMUNITY)		
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<ul style="list-style-type: none"> - Airport noise is continuously measured at all airports and noise emission maps and reports are compiled annually; VNO updated Noise monitoring system; KUN and PLQ systems wear out, crash, and do not provide a reliable amount of data; - Residential and public buildings are included in the VNO over-limit night noise zone, which, according to the versions of the Aviation Act that came into force in 2020, will require LOU to compensate for the costs of the installation of noise-insulating measures. - VNO is currently implementing its Noise management plan (NMP) 	<p>Strive to minimize human exposure to super normative noise (<i>decreasing number of persons in zones with daily noise $L_d > 65$ dBA and night noise $L_n \geq 55$ dBA, and decreasing or not increasing the super normative noise zones</i>).</p> <p><i>ICAO document 9829 obliges all members of the organization to follow the provision, requiring to apply a balanced approach for aircraft noise management based on 4 guiding principles</i> [3]https://euc-word-edit.officeapps.live.com/we/wordeditorframe.aspx?ui=en%2DGB&rs=en%2DUS&wopisrc=https%3A%2F%2Ftuo.sharepoint.com%2Fsites%2FDirektoratas%2Fvti_bin%2Fwopi.ashx%2Ffiles%2F2266300379f842839637a1d1ec68be7a&wdlof=c78674934-2A3B-43A9-9469-4BBA2A1B5090&wdenabloraaming=1&mscc=1&hid=00000000-0000-0000-0000-000000000000&wdorigin=AuthPrompt&jsapi=1&jsapiver=v1&newsession=1&corrid=a6e03616-6210-42b5-b0a2-e9c4482b17d3&usid=a6e03616-6210-42b5-b0a2-e9c4482b17d3&sftc=1&mtf=1&instantedit=1&wopicomplete=1&wdredirection=Unified_SingleFlush&rct=Medium&ctp=LeastProtected -_ftn3.</p> <ul style="list-style-type: none"> - <i>Reduce aircraft noise at the site of formation;</i> - <i>Apply territorial planning;</i> - <i>Change the procedures of operations;</i> - <i>Limit the use of the noisiest aircraft.</i> <p><i>These principles are reflected in all relevant EU and LT legislation and are applicable in the noise management of the LOU.</i></p>	<ul style="list-style-type: none"> - Maps and report for 2020 and 2021 for the VNO, KUN and PLQ; - Reconstruction of the apron and taxiways has been completed, reducing aircraft ground noise and shortening noise exposure time; - The 2019 - 2020 VNO Noise management plan final report and the VNO Noise management plan for 2022 - 2024 have been prepared. - The procurement documents for the renewal of the noise monitoring systems at KUN and PLQ are launched.
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[1] On 16 May 2019 a Resolution has been adopted by the ACI EUROPE Council which commits airports to reduce CO₂ emissions to zero by 2050.

[2] **EUROPEAN GREEN DEAL** is the strive to become the first continent being climate neutral; it is an action plan aimed at: 1) promoting the efficient use of resources in the transition to a clean circular economy; 2) Restore biodiversity and reduce pollution. The transport sector's challenge is to reduce greenhouse gas emissions by up to 90% by 2050.

[3] <https://www.icao.int/environmental-protection/Pages/noise.aspx><https://www.icao.int/environmental-protection/Pages/noise.aspx>

Climate change. The Airport Carbon Accreditation program, developed and implemented by Airport Council International, helps airports achieve their sustainability goals. It is an inter-institutional and internationally recognized program. Vilnius Airport started participating in 2015, after adopting aCO₂ reduction policy and assessing the annual emissions from the airport's operations, known as Scope 1 and Scope 2 emissions. In 2019, Kaunas and Palanga airports joined the first level of the program. In 2019, Vilnius Airport set itself the target of reducingCO₂ emissions by 35% by 2021 compared to 2017, developed a CO₂ reduction plan and moved to the second level of the program. Due to the aviation crisis caused by Covid-19, the ACA Board took the decision not to assess 2020 emissions as unrepresentative, and the deadline for renewal of certificates was extended by one year. Currently, the preparation of CO₂ reduction plans for Kaunas and Palanga airports has started and it is planned that Kaunas and Palanga airports will reach the second level of the program in

2022, and Vilnius Airport will reach the third level. To this end, not only Scope 1 and Scope 2 emissions from VNO operations calculations have been started, but also CO₂ emissions outside the control of the airport (take-off and landing cycle emissions). A plan is also being developed to involve stakeholders - airlines, ground handling Companies, lessees - in CO₂ reduction initiatives. Kaunas and Palanga airports are expected to join the third level of the program in 2023. Successful implementation of CO₂ reduction plans at all airports is expected to maximize Scope 1 and Scope 2 reductions by 2030, with the remains of such emissions being compensated by investments in CO₂ remediation projects. This will help to achieve ACA level 3+ and make the airports CO₂ neutral. Airports' CO₂ reduction plans take into account the origin of emissions. One thing that all Lithuanian airports have in common is that the majority of CO₂ emissions are caused by electricity consumption - from 73% at Kaunas Airport to 82% at Vilnius Airport. The second largest source of CO₂ emissions is thermal energy, ranging from 10% at Vilnius Airport to 20% at Kaunas Airport, and the third is fuel consumption. There are two ways to reduce CO₂ emissions from electricity and heat consumption: reducing electricity and heat consumption and using energy from renewable sources. Lithuanian airports can save and efficiently use thermal energy through regular energy audits and smart building management systems, such as the one being implemented at Vilnius Airport. While measures such as replacing lighting systems, including airport lights, with LED technology save a significant amount of electricity, it is the use of electricity from renewable energy sources that has the biggest impact on reducing emissions. To this end, a solar power plant has been installed at Vilnius Airport's new VIP terminal, and from 2020, all airports will use "green" electricity certified by certificates of origin. Reducing transport fuel emissions is supported by the continuous renewal of the transport fleet, replacing old cars with new, more efficient ones, and electrification of transport and equipment, including the installation of electrified aircraft parking facilities. In 2022, the Vilnius Airport Aerodrome refurbishment project was completed, which included the installation of an underground electrical system to recharge aircraft equipment, replacing diesel generators. It also included the installation of energy-efficient LED lighting and an environmentally sustainable solution for surface water collection. The refurbishment work has resulted in the installation of new dedicated aircraft de-icing areas with a wastewater collection system, and the construction of an automated aircraft de-icing wastewater recycling plant is scheduled to start in 2022. Capturing and recycling de-icing fluid reduces CO₂ emissions by up to 50%. The reconstruction included the extension of Taxiway F and the addition of Taxiway Z. These changes will reduce aircraft taxi times to 2 minutes and reduce CO₂ and other emissions by 20%. This reconstruction project at Vilnius Airport includes the installation of around 1,000 new LED lights on the taxiways, which will save a fifth of the electricity consumed. Another major project was implemented at Palanga Airport in the summer of 2021 - the reconstruction of the runway, apron and taxiway, which included the installation of a surface water collection system, LED lights that will save about 20% of electricity, and specialized power supply units for aircraft, replacing mobile diesel generators. The environmentally friendly solutions introduced during the reconstruction of both Vilnius and Palanga airports will significantly contribute to the goal of zero CO₂ emissions.

Ambient air quality - a contract with the Science center of the State Research Institute for Physical and Technological Sciences for air pollution measurements at Vilnius Airport has been concluded. The procurement was carried out for all three airports, but only one part of the contract was tendered due to the limited availability of the services to be procured in other cities. Once a suitable measurement site was selected at the VNO apron, measurements of NO_x, PM₁₀, PM_{2.5} and black carbon air pollution were carried out continuously for three consecutive days. These pollutants are mainly associated with aircraft exhaust fumes and their exposure is highest in the immediate environment, i.e. at the aerodrome and apron. The results showed that none of the pollutants were above or even at the permissible limit values, but there was a dependence of pollution on the time of day, with the highest levels of pollution occurring at the time of day when traffic at the airport is at its highest. Such measurements are planned to be carried out annually to monitor changes and, where possible, measurements are also to be carried out at KUN and PLQ airports.

Waste. In order to increase ownership and involvement, in the year 2021, the waste management and accounting process was taken over from the environmental management Company and transferred to an

environmental project manager. This was done in preparation for the development of the Waste management strategy, which is scheduled for 2022. At the end of 2021, environmental audits were carried out for VNO, KUN and PLQ, with a particular focus on waste generation, storage and management. Based on the visual inspection and document analysis carried out during the audit, recommendations were made to correct the identified non-compliances. In 2021, a new procurement for waste management in VNO, KUN and PLQ was carried out, which was subject to green procurement criteria requiring the supplier to have an environmental management system in place. During the procurement process, the waste codes and estimated quantities included in the contracts were reviewed and revised to avoid the need for a new procurement due to insufficient contract volumes. In order to increase the amount of recycled waste in the overall waste stream, a procurement was carried out for the supply of beverages in glass containers at the LSA terminal, thus avoiding the generation of non-recyclable waste.

Water. As part of the reconstruction of VNO Aerodrome, surface water collection networks and 4 dedicated aircraft de-icing sites with a waste water collection system were installed. The aim of these improvements is to collect wastewater contaminated by de-icing substances and channel it to a wastewater treatment/recycling plant, which is planned to start construction in 2022. The wastewater treatment/processing plant has been designed to have the capacity to accept future KUN and PLQ surface effluents. Surface sewage networks were also upgraded/installed at PLQ as part of the runway reconstruction. In 2021, surface water monitoring was carried out at all airports, as it is done annually. The surveys were taken once a quarter and monitored the main parameters indicative of potential pollution (BOD7, petroleum products, etc.), but they did not exceed the permissible limit values at any airport. In order to assess the potential impact of the activities at the VNO, KUN and PLQ fuel depots on soil and groundwater, preliminary and detailed Eco geological studies have been carried out at KUN, PLQ and at VNO respectively. No contamination above the limit values has been detected at the KUN and PLQ fuel depots, but the situation will be continuously monitored through the monitoring of groundwater impacts. Contamination above the permissible limits has been detected in the VNO fuel depot area, but it is unlikely to be related to the fuel depot's activities in recent years, but rather to a remnant of the Soviet era. A remediation plan for the site is planned for 2022. The new lease agreements between VNO and PLQ included provisions to ensure that the lessee's activities comply with environmental legislation and that the level of contamination of the site will be the same or lower at the end of the lease term.

Noise. Aircraft make noise both in the air and on the ground. Depending on this, there are differences in the level of noise, the area exposed, the severity of the impact, and the measures that can be taken to prevent and/or reduce noise. The operations and procedures prior to take-off and landing (taxiway movement, use of APUs, engine testing, etc.) are controlled by the airport operator (Lithuanian Airports), and the routes for air traffic services are determined and air traffic is managed by the provider of air navigation services, SE "Oro navigacija" (Air navigation), while decisions on the application of noise reduction procedures in relation to aircraft operations can only be taken by the operators of the aircraft or by the crews of aircraft. To achieve this common goal, it is important to ensure that all these parties work together and apply noise management solutions in an integrated way. Based on the results of noise monitoring at airports and the annual noise dispersion maps, the noise problem is most acute at Vilnius Airport, which is close to the city center and has departure and arrival routes over densely populated areas. While in 2020 the drastic reduction in flights caused by the Covid-19 crisis had shrunk the supersonic noise zones to include zero populace, by 2021 the number of residents affected was already 168. As flight volumes continue to grow, noise will continue to be an issue at all airports, especially VNO. This led to the preparation of a Noise management plan for 2022-2024 in 2021. The illustration identifies the main 6 groups of noise management and/or reduction measures, while the VNO Noise management plan details the first 4 groups of noise mitigation measures, which relate to operational, technical and financial measures and require the involvement of the ON for implementation.



15.2.3. Key risks and their management

Environmental protection is not only a factor that can have a negative (rising taxes, impact on development) or a positive (image improvement through the CO₂ reduction program, EU support for environmental initiatives) impact in the activities of the LOU, but can also be defined as a risk factor, which may limit the Company's activities or impose financial penalties. The main environmental risks are given in the table:

TABLE 34. Environmental risks.

Environmental risk	Possible effects	Risk management measures
Infringements of environmental legislation (VNO, KUN, PLQ)	<ul style="list-style-type: none"> - Imposed penalties - Restriction of operation - Negative image 	Continuously monitor environmental compliance indicators and apply corrective measures if necessary Allocate sufficient resources to meet environmental requirements
Environmental topic priority change (VNO, KUN, PLQ)	<ul style="list-style-type: none"> - Only the minimum legally required compliance with environmental requirements is maintained, with no improvement in the situation - No resources (funds and people) are allocated, no action plans executed, the environmental strategy is not followed 	<ul style="list-style-type: none"> - Dissemination of environmental ideas within the organization based on examples of good practice at other airports - Agreements on deferral of the Environmental strategy and action plans terms
Limited financial resources for non-direct benefit projects (VNO, KUN, PLQ)	<ul style="list-style-type: none"> - Unfeasible projects and measures to improve the current environmental status (in particular the reduction of CO₂ emissions) 	<ul style="list-style-type: none"> - Consideration and evaluation of the possibilities of using EU funds to implement environmental measures - Environmental solutions are incorporated into ongoing development projects - Projections for possible payback or non-financial value creation
Limited human resources and/or their change (VNO, KUN, PLQ)	<ul style="list-style-type: none"> - Failure to initiate projects - Delays in reporting to controlling authorities 	<ul style="list-style-type: none"> - Assess the envisaged scope of the activities and allocate sufficient human resources to implement the activities;

	<ul style="list-style-type: none"> - Noise control process hangs - Know-how is lost — new people learn anew, risk of errors, lengthens work completion time - The continuity of strategy execution is lost 	<ul style="list-style-type: none"> - Involve the responsible staff of the departments directly concerned and assign them to carry out tasks and responsibilities corresponding to their field of work; - Promote the involvement of employees across the organization in the implementation of the environmental strategy
Risk of loss of information due to changes in human resources and/or the absence of a centralized storage system (VNO, KUN, PLQ)	<ul style="list-style-type: none"> - Time wasted on new information gathering - Delays in reporting to controlling authorities - Incomplete/inaccurate/distorted statistics data 	Media in a virtual space, where environmental information and copies of relevant documents are stored and accessible to responsible employees of the LOU branches
Failure to implement measures under the VNO Noise reduction action plan	<ul style="list-style-type: none"> - Non-decreasing or increasing over-the-norm noise zone and the number of people living in it - Dissatisfaction and complaints of the population - Increased funding to compensate for the installation of noise insulation measures - Airport operating restrictions such as night flight ban and loss of profit 	<ul style="list-style-type: none"> - Contract of cooperation on noise management issues signed with the State Enterprise Air Navigation (VĮ Oro navigacija) - Analysis of annual noise maps and application of corrective actions - Aircraft routes and Operations monitoring, correction of violations - Participating in Vilnius city territory planning procedures

15.2.4. Other initiatives in the field of environmental protection

Employees of the Company willingly contribute to the campaign “Darom” (Let's do it!).

The power of the buyer to the supplier. When choosing to participate in the procurement of the Company and in order to become a supplier of the Company, the participants are introduced with and must comply with the environmental regulations applied in the Company. The Company also contributes to social responsibility through “green” purchases.

2023 Copenhagen Airport has offered VNO to become a partner in the Horizon 2020 Smart airports project ALIGHT, together with other partners such as Rome Airport, the newly developed Warsaw Airport, IATA, SAS and others. After winning the tender, the financing contract was signed at the end of 2020 and work started. The aim of the project is to demonstrate how the airport infrastructure of the future should look like in order to reduce, and eventually eliminate, CO2 emissions during normal airport operations, through the solutions developed in this initiative, focusing on two work streams: the supply, integration and use of sustainable aviation fuels and the integration of the use of so-called smart energy at the airport. While Copenhagen Airport is called a leader in the project, the role of Vilnius Airport is equally important, so that the lessons learnt from the project can be applied in other regions with different climatic and economic conditions. The experience and knowledge gained during the project will not only enable the successful implementation of innovative solutions, but also the sharing of experience with other airports, with the most important goal being to ensure a smooth process of reducing CO2 emissions at Vilnius Airport, which can then be applied to Kaunas and Palanga airports.

15.3. Social and personnel issues



15.3.1. Company policies in social and personnel fields and their implementation

One of the main goals of the Company in this area is enshrined in the Company's Strategic action plan for 2020-2024 — being the most desired employer among the State Enterprises, living according to mission, vision and values. In order to achieve this objective and to fulfil the obligations of stakeholders, the following long-term objectives and directions for human resources management are envisaged:

- **(Stakeholder — Clients)** Discover employees that create value for customers and help them grow
- **(Stakeholder — Shareholder)** Develop efficient personnel management systems to achieve the best result
- **(Stakeholder — Colleagues)** Create a team that's fun to roll mountains together
- **(Stakeholder — Partners)** Creating a culture of caring community
- **(Stakeholder — Society)** Creating the welfare of employees so that they can create value for Lithuania

The Company's strategic activity plan also includes key indicators that help to achieve the strategic goal — high employee involvement and ambitious achievement of goals. Other indicators are also measured and actions taken to educate employees and encourage them to pursue internally careers. Organizational culture is being created that would allow attracting and retaining professional workers. Based on the goals of the Company, personal goals are formed each year for the Personnel section of the Company and individual employees.

In the implementation of the objectives set out in the strategic plan, the values of the Company are used, which have been purified on the basis of the Company's mission and obligations to interested parties and are described together with the employees:

Creativity

Trust

Good sense of ownership

15.3.2. Indicators and results

Employee engagement is one of the most important strategic indicators of this stakeholder group, which has been observed since 2015. The indicator evaluates the efforts of the Company in carrying out activities aimed at the creation of employee welfare. It is a questionnaire filled by employees, which assesses the opinion of employees about the Company's image, operational processes, managers, remuneration policy, cooperation, learning and development, and other areas.

This investigation shall be carried out with the help of an independent third party. The Company's strategic action plan for 2020-2023 provided that in 2021 the employee engagement rate should be higher than or

equal to 60 %. The goal was achieved. The result is an employee engagement rate of 60% (4% higher than in 2020).

TABLE 35. Employee involvement index

Indicators	Indicator units of measurement	Goal values							
		2017	2018	2019	2020	2021	2022	2023	2024
Employee involvement index	Percent.	41	43	63	56	60	63	65	67

More indicators related to employees are also constantly monitored. In 2021, 44% of Company employees increased qualifications (participated in training) 9 events were organized for the employees of the Company, which were dedicated to presenting the Company's activities and results, developing teams, sharing experience and innovations. Also during the year, events for individual teams were organized, employees can participate in initiatives related to improving client service, providing ideas, monitoring colleague work, etc. The Company encourages employees to improve and supports career aspirations — in the year 2021 is 5 percent of Company employees rejoiced their inner career.

Voluntary employee turnover rate is constantly monitored — it reached 17,31% in 2020. The reasons of employees for leaving the Company are also analyzed in order not to be related to organizational reasons (working environment, microclimate, competence of the manager, etc.).

15.3.3. Key risks

The main risks arising in the personnel field are related to:

- Increasing mobility of the labor market, i.e. employees change jobs more frequently, which can lead to a greater turnover (change) of employees of the Company, which would affect the performance of daily operations.
- There is a negative image of the public sector as an employer, which could lead to the unattractiveness of the Company as an employer and hinder the attraction of professional candidates.
- The protracted pandemic and its negative effects may affect employee motivation.

15.3.4. Other initiatives in the social and personnel fields

Single remuneration policy. The remuneration policy applied to employees of the Company is based on the principles of justice, universality, clarity and consistency. In the Company, the positions are divided into levels according to the knowledge, responsibility and problem solving skills required to perform the work. For all employees at the same post level, the remuneration rates shall be the same. Specific rewards are determined by comparing them with the situation of the labor market of the Republic of Lithuania.

Equal opportunities. In 2019, the Company joined the “Equal opportunities wings” standard and its achievements were evaluated by 2 wings. The Company takes care of existing employees so that, regardless of their marital status, gender, age and other differences or temporary challenges in their personal lives,

everyone has the opportunity to engage in work activities. The Company has a flexible work schedule and opportunities to work from home, additional holiday days are granted, financial support is granted at the right time, for example, at the birth of a child, reimbursement of children's camps is provided, as well as sanatoriums visits for children with disabilities.

Equal opportunities violations can be reported anonymously with the help of the self-control system: by filling out the form online, writing a letter by e-mail or by sending a traditional letter to the internal specialist responsible for examining such reports. The process shall ensure maximum confidentiality of the situation and of the rapporteur until the decision is taken.

Social projects. In the year 2021, the Company took part in the SOPA DUOday initiative, which helps people with disabilities to access the labor market, and provided personal job search advice to SOPA clients. Social and educational initiatives involve employees of the whole Company. The Company has joined the Equal opportunities Ombudsperson's social initiative "More Balance", which aims to assess and improve the work-life balance of employees within the organization.

Employees health and safety. Mandatory preventive medical examinations are organized in the Company. Employees working in outdoor conditions are subject to mandatory vaccination against tick-borne encephalitis. Also annually, vaccination against influenza is organized in the Company. The Company vaccinated 81 workers against influenza and 21 against tick-borne encephalitis. The number of influenza and tick-borne encephalitis vaccinations has decreased due to the COVID vaccination. All employees of the Company are insured by permanently valid accident insurance.

Accidents at work. There were 3 accidents or occupational sicknesses, as well as incidents (events) that cause health damage to workers in 2021.

Labor council. In June 2021, the Company organized the election of the work council. The election was attended by 69 percent of Company employees. After counting all the votes of the staff, the working council was composed of 7 candidates with the highest number of votes. Paulius Amanaitis was elected as chairman of the Labor Council, Andrius Bložė was elected as chairman after him resignation, Linas Saukaitis was elected as chairman after his resignation and is currently the chairman. A new cooperation with the employer agreement preparation has been launched. The Council is elected for three years.

Social partners. The Company has 4 trade unions: Vilnius International Airport Trade Union, SE Lithuanian Airports trade union, professional union IEVA, trade union of State and private enterprises employees, branch of SE Lithuanian Airports Palanga branch. Currently, the Company does not have a collective agreement with trade unions.

Additional benefits for employees. **During 2021, supplementary health insurance has been reinstated for all Company employees. Employees have the opportunity to choose the health insurance option that best suits their needs.**

Sports activities and other initiatives. The Company promotes a healthy lifestyles of employees, sports activities and caring for physical and mental health. Employees of the Company have the opportunity to use gyms installed in the premises of the Company at any time By organizing table tennis tournaments, brain ring competitions, participating in basketball tournaments, the Company provides employees with the necessary

tools, clothing, and establishes prizes for participants of the competition. The Company also organizes various events, such as annual conference, executive meetings with employees, Christmas event, team gatherings of individual departments and departments.

Lithuanian airports are proud of one of the internal initiatives called “Shadowing” — during which the Company encourages employees to have their own shadow for one day — to try out professions or works that they have not yet tried, to get acquainted with the activities and responsibilities of another colleague. This project has been going on for four years and helps the Company to deny myths, such as stereotypes about gender distribution in jobs, encourages colleagues to try new professions.

Attracting new employees. The Company organizes events and excursions for students in order to tell them about the activities of the Company and to encourage interest in the work there. Employees of the Company can also recommend new colleagues to vacant positions and, if these recommendations are successful, receive additional incentive. 39 recommendations were presented in 2020, 4 of which were successfully put to work.

15.4. Ensuring human rights



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15.4.1. Company policies in the field of human rights and their implementation

The issues of human rights assurance in the Company are most relevant when performing passenger security checks and ensuring the rights of disabled persons and passengers with reduced mobility. Fundamental human rights and freedoms are enshrined in the European Convention for the Protection of Human Rights and Fundamental Freedoms (hereinafter - ECHR), adopted in 1950. In implementing the provisions of the UN Convention on the Rights of Persons with Disabilities, adopted in 2006, Regulation (EC) No 1107/2006 of the European Parliament and of the Council, which requires disabled persons and persons with reduced mobility to travel by air to have similar opportunities as other citizens, the Company is has developed a technology for the provision of services to persons with reduced mobility, and quality standards for the services provided to persons with reduced mobility have been adopted separately at each airport.

Compliance with the provisions of Regulation (EC) 1107/2006 of the European Parliament and of the Council is controlled by the Civil Aviation Administration (since 2019 — the Lithuanian Transport Safety Administration), which carries out audits in the Company annually. For its part, the Company monitors whether the rights of disabled persons and persons with reduced mobility are violated. Monitoring is carried out by examining the complaints received by passengers and their numbers, qualitative requirements for the provision of the service, which are provided for in the relevant quality standards and receiving the assessment of passengers through surveys and direct interviews.

The airports of Vilnius, Kaunas and Palanga, implementing the requirements of aviation security procedures of the Republic of Lithuania and international legislation, are guided by airports Aviation Security Programs and the Company's Aviation Security Training Program approved on 27 February 2017. All airports have approved standards for the quality of assistance, approved technology for the interaction of services serving persons with reduced mobility.

2023 Lithuanian Airports, together with other Companies subordinated to the Ministry of Transport and Communications of the Republic of Lithuania and **organizations** uniting people with disabilities, signed a memorandum on the adaptation of transport infrastructure for people with individual needs and is participating in the process of developing an action plan and implementing the planned actions.

One such project, implemented in 2021, is a joint project with State Enterprise "Socialinis taksi" and UAB "Bolt" to improve the accessibility of Vilnius Airport for passengers with special needs. In cooperation with these organizations, practical training was organized for drivers of the Vilnius taxi line on how to serve passengers with special needs, and a space for special needs transport was set up and marked. It is planned to extend this type of service to Kaunas and Palanga airports to improve airport accessibility.

Much attention was also paid to the education of travelers with special needs - meetings and excursions were organized for members of the Lithuanian Community of People with Intellectual Disabilities "Viltis", explaining the assistance services and processes during air travel. An educational video on booking transport to and from the airport and alternatives has also been produced. Initiatives are planned to continue in 2022.

Lithuanian Diversity Charter is an initiative of the European Commission aimed at reducing discrimination and promoting diversity and equal opportunities in the workplace. Lithuania became the twenty-second country of the European Union where this initiative is launched, and the Company was one of the first to sign this document and become an ambassador.

Lithuanian airports are the gateway to the country where the most diverse travelers meet. The diversity and differences of people are very important for the Company. In order to make all travelers feel welcome and accepted, the Company strives to ensure that at all stages of passenger service, and especially during the inspection, the diversity and differences of people are respected, equal and non-discriminatory attitude is upheld and human rights are guaranteed. In pursuit of this goal, the Company organizes various activities to ensure respect for each religion, culture or customs. Information on the basic customs, religious objects and traditions of various religions is included in the training program for aviation security personnel at all airports.

In order to increase diversity and inclusion, the employees were presented with the Company's activities in the Lithuanian Diversity Charter, the main issues facing the promotion of diversity and the Company's immediate plans in this regard.

In order to find out the Company's level of Diversity and Inclusion (D&I), a survey was conducted between November 2021 and January 2022. Employees were surveyed and the Company's initiatives and involvement in the area of D&I were assessed according to the methodology developed by the Lithuanian Diversity Charter. 84 employees participated in an anonymous survey. Based on the results of the survey, a plan to improve diversity and inclusion in the Company is planned to be prepared in the first half of 2022 and implemented in the second half of the year.

15.4.2. Indicators and results

In order to ensure adequate service for disabled passengers and persons with reduced mobility, in accordance with the *ECAC Policy statement in the field of civil aviation facilitation*) No. 30 , Section 5, Part I and its corresponding annexes, the Company shall set at each airport the indicators of quality of service for persons with disabilities or persons with reduced mobility.

The following quality indicators are set at Vilnius Airport:

- departing passengers with reduced mobility who have purchased tickets in advance and informed of the need and nature of assistance and who arrived at the place of arrival/departure on time;
- the waiting time of the passenger with limited mobility at the arrival/departure points shall not exceed 5 minutes;
- all passengers with reduced mobility, without exception, must be embarked on board an aircraft unless this is not possible due to irresistible circumstances;
- departing passengers with reduced mobility who have not previously purchased tickets and who have notified the need and nature of assistance only from the point of arrival/departure;
- the waiting time of the passenger with limited (reduced) mobility at the arrival/departure points shall not exceed 10 minutes;
- arriving passengers with reduced mobility, where information on the need for assistance from the departing airport is obtained after the aircraft take-off (no later than 30 minutes before the aircraft landing at Vilnius Airport);
- the waiting time of the passenger with limited (reduced) mobility on board the aircraft shall not exceed 5 minutes after the disembarkation of other passengers;
- arriving passengers with reduced mobility, where information on the need for assistance from the airport of departure was not received in the event of the take-off and the need for assistance was only learned from the ground handling Company while the aircraft is in the aircraft parking lot;
- the waiting time of the passenger with limited (reduced) mobility on board the aircraft shall not exceed 5 minutes after the disembarkation of other passengers;

2019 The Company achieved the following results in the field of human rights:

- 6117 passengers with special needs were serviced at all three airports (Vilnius, Kaunas, Palanga).

TABLE 36. Key indicators.

	2014	2015	2016	2017	2018	2019	2020	2021
Total number of passengers with disabilities served (all three airports)	3 771	6 149	7 543	8 000	11 094	11 495	3 659	6 117
Number of passengers with special needs served at Vilnius Airport	3 084	5 017	6 064	6 138	8 325	7 996	2 346	3 689
Number of passengers with special needs served at Kaunas Airport	687	1 000	1 237	1 452	2 117	2 935	1 158	2 261

Number of passengers with special needs served at Palanga Airport		132	242	410	652	564	155	167
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199 employees participated in the training on the proper servicing of passengers with special needs and passed the knowledge tests in 2021 (213 in 2018; 345 in 2019, 678 in 2020).

15.4.3. Key risks

The main risks that may arise in the area of human rights include inadequate satisfaction, discrimination or bullying of passengers with special needs. In order to manage this risk, current and new employees receive periodic training on various disabilities and the proper servicing of passengers with such disabilities. In 2020, electronic training on this topic has been introduced, which has resulted in an even greater number of employees and partner participants, to ensure faster and more frequent dissemination of information.

The probability of damage to the wheelchair of the passenger and the cost of compensation for damages (prices for strollers can reach up to 10-15 thousand EUR) Eur), while a person using such a wheelchair would be limited in his/her possibilities of movement. In order to manage these risks, there is a need for clear responsibility of the airport and ground handling Companies providing services for persons with reduced mobility in the service of persons with reduced mobility and their equipment. Training for employees on the proper operation of equipment, risk warnings, post-training knowledge tests are also required. In the year 2020, Lithuanian airports have purchased 5 units of wheelchairs that can be used by passengers or used as substitutes in case of damage.

15.4.4. Other initiatives in the field of human rights

Cooperation with "Maisto bankas" (Food bank). In order to contribute to the initiative of reducing food waste, the Company has installed special containers. In them, passengers leave food that they cannot take with them on board the aircraft. Later, the collected food is not discarded, but donated to the Food Bank.

Airport access is accessible for disabled people and passengers with reduced mobility.

The power of the buyer to the supplier. Upon choosing to participate in the procurement organized by the Company and in order to become a supplier of the Company, the participants are introduced and must comply with the applicable procedures in the Company relating to safe working conditions, anti-corruption, etc. Purchase conditions require suppliers to ensure at least a minimum remuneration for employees. In cases where there is a suspicion of too low a bid price, the LOU shall take additional steps to ensure that the potential supplier provides a minimum remuneration for its employees and that the much lower price is not provided at the expense of employee remuneration.

15.5. Anti-corruption and bribery issues



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15.5.1. Company policies in the field of anti-corruption and bribery and their implementation

The Company advocates zero tolerance for corruption and encourages its business partners to do the same. The Code of Ethics of SE Lithuanian airports Employees stipulates that the Company promotes fair business policy without corruption and transparent communication with all business partners and institutions. The Code of Ethics of employees puts the general objectives of the Company above the personal ones and encourages employees of the Company to always prevent conflicts of interest, not to engage in activities contrary to the interests of the Company, and to avoid situations in which honesty of employees could be questioned.

In its activities, the Company is guided by the order of the Minister of Transport and Communications of the Republic of Lithuania approving the Ministry of Transport and Communications of the Republic of Lithuania and its regulatory area Companies, enterprises and institutions': Code of conduct for employees, Corruption resistance policy, Corruption prevention procedure description, Code of conduct for operating partners and Gift policy.

The Company, together with the ministry and organizations, shall participate in the preparation and implementation of the anti-corruption program in the transport sector and the plan of measures to implement this program for a period of at least two years. The anti-corruption program sets out the objectives, targets, monitoring, control, accountability, etc. for battling corruption. The program develops an effective, targeted and coherent system for the prevention of corruption and anti-corruption education in the transport sector. Implementation of the Program shall include a Plan setting out measures for the implementation of the fight against corruption, deadlines for its implementation, its executors and expected results. The Company implements the measures assigned to it in the Plan and periodically reports to the Ministry of Transport and Communications on the progress of the implementation plan of the Program implementation measures, their effectiveness, and problems related to the implementation of the measures.

The main policies of the Company in the field of anti-corruption and bribery are:

- The 24 February 2021 Order of the General director of the Company, approved the new wording of the description of the Company's corruption prevention policy (hereinafter — "Description"), which regulates the general provisions of corruption intolerance in the Company, the basic principles of corruption prevention policy, the measures applied by the Company to prevent corruption, as well as their coordination and control of their implementation.

The 15 October 2021 Order of the General director of the Company of No. 1R-156 approved the new wording of the Description of the procedure for implementing and ensuring the functioning of internal information channels for supplying violations information.

The Description applies to all employees of the Company, including persons performing internships, as well as persons representing the Company on other legal grounds. The principles of zero-tolerance of corruption are also communicated to operational partners. The corruption prevention policy in the Company is implemented in accordance with the principles of legality, binding, interaction, constancy, publicity, managers' personal example, employee involvement, intolerance to corruption and inevitability of responsibility. Every employee of the Company undertakes to comply with the provisions and principles of corruption prevention set out in the corruption non-tolerance provisions, to carry out corruption prevention measures within the scope of his competence, to avoid any violations of the law of a corrupt nature, and to carry out the functions entrusted to him in a fair and transparent manner. On 15 October 2021, a new version of the Description of the order of installation of internal information channels on violations and assurance of their functioning at the SE Lithuanian airports, as well as the Company website was introduced to a separate section - Protection of informants, and Company competent subjects were appointed correspondingly. The Company provides the opportunity to report a possible performed criminal offence, administrative misconduct or violation of labor duties, as well as a serious violation of mandatory norms of professional ethics or other violation of the law that threatens the public interest or violates it in several ways, whenever it is being prepared, in the process or completed at the Company: by e-mail pranesk@ltou.lt, by filling out the notification form published in the Intranet or in the section "Informants' protection" of the website www.ltou.lt, by mail or upon arrival at the Company. In 2021, 2 reports of possible wrongdoing were made, the information received was verified (one internal investigation was made) and preventive measures were taken to manage the risks. It should be noted that not only employees of the Company, but also other persons associated with or related to the Company (consulting, contract, internship, paid works, volunteering, etc.) have the opportunity to report possible violations in the Company. This opportunity is communicated on the internal intranet, during training and on the Company's website. The Company also encourages whistleblowing in regards of known crimes, emphasizing secure internal channels and ensuring confidentiality, the possibility to report anonymously and the possibility to reward whistleblowers for valuable information or compensate whistleblowers for any negative impact or possible consequences resulting from the report.

Other internal anti-corruption and anti-bribery legislation includes:

- The Description of the implementation procedure of the provisions of the Law on Harmonization of Public and Private Interests has been approved in the Company, which provides a list of posts declaring private interests, limitations for people working in the Company and declaring private interests, including declaring private interests, conflicts of interest management, procedures for dismissal or self-dismissal from preparing, discussing or accepting decisions. Periodic monitoring of data on declarations of private interests is being performed.
- The Company has been following zero gift tolerance policy for several years and informs its business partners about it. A zero-gift policy means that employees are not allowed to accept or give gifts, directly or indirectly, in the performance of their duties, except for exceptions provided for by law, and all gifts

received are recorded regardless of their value. The Company has adopted new processes for the management of the administration of gifts and for dealing with the receipt of undue remuneration.



- The Company has established processes for the management of transactions to be entered into, destruction of assets, and compliance of persons with national security interests and anti-corruption criteria, based on which it conducts screening procedures for investors, transactions and persons in order to ensure that facilities and assets and transactions of national security importance are protected from all risk factors that may threaten national security interests and to address the causes and conditions for the occurrence of such factors and in order to achieve the goals and objectives set out in the Law on Prevention of corruption.

15.5.2. Results and indicators

Each specific measure in the Anti-corruption action plan is assessed against the program implementation measure plan's determined expected results. In 2021, the following measures of the Anti-corruption programs Action plan were implemented, e.g.: identification and assessment of the likelihood of corruption, staff survey on tolerance to corruption, analysis and submission of information to the Ministry of Transport and Communications about the 2020 target year procurements and corruption prevention activities were publicized, a Corruption prevention training program was approved and targeted training sessions on corruption prevention topics were conducted for employees, anti-corruption education was periodically provided to all employees, internal control procedures for asset accounting were strengthened, the procedure for assigning persons responsible for assets was revised, the development of a process for accounting for construction in progress was initiated, the process of termination of employment relations was improved, project management processes were improved, etc.

The Company periodically reports to the Ministry of Transport and Communications on the implementation of the measures provided for in the Plan of measures for the implementation of the Anti-corruption program and monitors the following indicators:

TABLE 37. Key indicators of the corruption program.

Indicator	2019	2020	2021
Number of registered offenses due to conflict of interest situations, pcs.	3	4	3
Number of employees involved in targeted corruption prevention training*	125	121	178

Publicity of activities related to the prevention of corruption.	6	8	7
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** Periodically corruption prevention topics are being delivered: during meetings and discussions, publishing relevant information about the measures taken to prevent corruption on the intranet and providing access to the prepared methodological material.*

15.5.3. Key risks

The Company conducts an annual identification and assessment of the likelihood of corruption and periodically analyses the risks of corruption that may arise (the register is reviewed).

The purpose of this assessment is to identify risk factors (conditions, events or circumstances) affecting the activities of the Company, which may create prerequisites for the emergence of corruption, to identify areas of activity that have the most significant risk factors for corruption, and to propose prevention measures for the management or elimination of risk factors for corruption. The analysis and assessment of the likelihood of corruption shall include, in particular, a review of the list of approved areas of the Company's operations where the likelihood of corruption is most likely. This is followed by a review of the Company's processes and an assessment of each area of the Company's activities against the criteria set out in the Law on prevention of corruption. After carrying out the assessment of activities, the general list of risks of the Company is reviewed and additional potential risks of corruption in a particular field of activity are identified. Subsequently, areas of activities are selected for a detailed assessment and compared to the situation that should be based on assessment criteria (regulatory legislation determining the legal status, activity or performance of individual functions, other regulatory legal acts containing obligations both legal and general) and specific risk factors for corruption in that area of activity are identified, as well as preventive measures to manage them are proposed.

The assessment of the likelihood of corruption in 2021 was carried out in the areas of human resources administration and management of non-aviation services (management of lease contracts).

After the analysis, specific recommendations were made to strengthen internal control procedures, legal acts compliance control mechanism and ensure timely implementation of requirements set out in legal acts.

Often, corruption risks arise during the procurement process. For this reason, the Company has approved a list of the main possible risks of corruption during public procurement, and, after receiving information about possible risks in a particular procurement, preventive measures and actions are taken to control these risks. Employees of the Company are constantly encouraged to inform the responsible person about possible risks of corruption.

15.5.4. Other initiatives in the fight against corruption and bribery

In 2021, as in every year, an anonymous survey was carried out among the Company's employees on their tolerance for corruption. In 2021, employees were given the opportunity to complete anonymous surveys on paper as well as online. Summarizing the results, it was found that the SE Lithuanian airports is intolerant of corruption (99,9 percent of respondents said this). In the previous year, 97% of respondents indicated this, indicating an increase in intolerance of corruption. The Company's employees are also well aware of the Company's anti-corruption measures, and 97% of respondents surveyed knew how to report violations of the law within the Company, and the vast majority of respondents said that if they noticed corruption at work, they would report it to the persons responsible for corruption prevention within the Company.

In order to ensure fair competition, transparent and rational purchase of goods, works or services, and in order to ensure implementation of the provisions of the Law on Public Procurement of the Republic of Lithuania,

monitoring of the compliance with the provisions of the Law on Public procurement is carried out annually in the institutions under the management of the Minister of Transport and Communications, the supervision of procurement processes is strengthened, corruption risks factors supervision is carried out. For this reason, the Company annually monitors, analyses, summarizes and reports to the Ministry of Transport and Communications information on international, simplified and low-value procurement, including published and unpublished procurements, single-supplier procurements, failed procurements, and procurements with specific factors or circumstances. Data on suppliers, changes of contracts, procurement planning, application of cost-benefit analysis, prior market informing, publicity of procurement information, results of control implementation, etc.

In the internal network of the Company, employees are constantly informed about corruption prevention activities in the Company. In addition, in 2021 The Company has adopted a Corruption prevention training program and all new employees are required to undergo introductory corruption prevention training. Thereafter, training shall be provided periodically according to the nature of the post.

Interinstitutional cooperation. The Company develops inter-institutional cooperation and sharing of best practices in the field of corruption prevention, participates in discussions, seminars and other initiatives on the creation of a corruption-resistant environment with the Special Investigation Service, the General Prosecutor's Office, the Chief Official Ethics Commission, the Transparency Academy, Transparency International

16. Information on compliance with the provisions of Chapters II to III of the Transparency guidelines

Activity reports and financial statements are prepared by SE Lithuanian airports in accordance with the provisions of the Transparency guidelines Description approved by the 14 July 2010 Resolution of the Government of the Republic of Lithuania No. 1052 "On the approval of the Description of guidelines for ensuring transparency in the activities of State enterprises" (and subsequent amendments) (hereinafter - "Transparency guidelines") and the requirements set out in the Law on State and Municipal Enterprises. The Company's website (<http://www.ltou.lt>) and the websites of the Company's branches publish the mission, vision, values, strategic goals and objectives of the Company, information about the current number of employees, annual payroll fund, enterprises monthly salaries of managers and deputies, traffic and passenger statistics. The information contained in this activity report ensures compliance with all transparency guidelines specified in the 14 July 2010 Resolution No. 1052 of the Government of the Republic of Lithuania. Information on compliance with the provisions of Chapters II to III of the Transparency guidelines are presented in the table below.

TABLE 38. Summary of compliance with transparency guidelines.

	Point of the Guidelines on Transparency of State Enterprises (Description)	Execution	Notes
Section II. Disclosure of information related to state enterprises			
5. The following data and information must be published on the State enterprise's website:			
	5.1. – 5.14. Name; code and register in which data on the Company are collected and stored; headquarters (address); legal status in the case of restructuring, reorganization (indication of the way of reorganization), liquidation, bankruptcy or bankruptcy process of state enterprise; state representing institution name and link to the institution website; operation	+	All public information about the Company is published on the Company's website http://www.ltou.lt

	Point of the Guidelines on Transparency of State Enterprises (Description)	Execution	Notes
	objectives, vision and mission of the operation; structure; details of the head of enterprise; data of the chairman and members of the board, in the case of the constitution of the board according to articles of association; data of the chairman and members of the supervisory board in the case of the establishment of a supervisory board in accordance with the articles of associations; names of committees, details of their chairpersons and members, if committees are set up; sum of nominal values of state-owned shares (in Euros to the second decimal point) and share (percentage) of the authorized capital of a state enterprise; information on social responsibility initiatives and measures relevant to ongoing or planned investment projects.		
	6. For the sake of publicity regarding the professionalism of the members of management and supervisory bodies as well as members of the committees set up in state enterprises, the following details of the persons referred to in sub-points 5.8 to 5.11 of the Description shall be published: name, surname, date of commencement of current positions, other current managerial positions in other in legal entities, education, qualifications and professional experience. If a person referred to in sub-points 5.9 to 5.11 of the Description is elected or appointed as an independent member, this shall be added to his/her data.	+	All public information about the Company is published on the Company's website http://www.ltou.lt
5. The following data and information must be published on the State enterprise's website:			
	7.1 to 7.6. articles of association; letter from the representative authority of the State regarding the determination of the objectives and expectations of the State in a State enterprise; a strategy of activity or a summary thereof in cases where the business strategy contains confidential information or information which is considered commercial/industrial secrets; remuneration policy document, covering the determination of the remuneration of the head of a state enterprise and the remuneration of members of collegiate bodies and committees constituted in a state enterprise, as described in more detail in the Company governance code; State enterprise annual and interim reports, annual and interim activity reports and an interim report for a period of at least five years; sets of annual and interim financial statements for a period of at least five years and the conclusions of the auditor of the annual financial statements.	+	All public information about the Company is published on the Company's website http://www.ltou.lt
Section III. Preparation of sets of financial statements, reports and activity reports			
	14. State enterprises shall keep accounts in such a way as to ensure that financial statements are drawn up in accordance with international accounting standards.	+	Financial statements of the Company are prepared in accordance with international financial reporting standards.
	15. In addition to the annual financial statements set, the State enterprise prepares a 6-month interim financial statement set and the State	+	The Company prepares a set of annual financial statements and sets of interim financial statements for 3, 6, 9 and 12 months and publishes them on the Company's website http://www.ltou.lt

	Point of the Guidelines on Transparency of State Enterprises (Description)	Execution	Notes
	enterprise sets of interim financial statements for 3, 6 and 9 months.		
	16. A State enterprise classified as public-interest enterprises in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania, and in addition to the annual report, prepares an interim report of 6 months. The State enterprise, according to the Law on Audit of Financial Statements of the Republic of Lithuania, is classified as public-interest enterprise, in addition to the annual activity report, prepares an interim activity report for 6 months.	+	The Company prepares the annual activity report and the 6-month interim activity report and publishes them on the Company's website http://www.ltou.lt
	17. In addition to the content requirements laid down in the Law on Company Financial Reporting of the Republic of Lithuania or in the Law on State and Municipal Enterprises of the Republic of Lithuania, the following shall be included in the annual report of a state-managed Company or in the annual activity report of a state enterprise:		
	17.1. a brief description of the business model of the state enterprise;	+	Information on the business model of a State enterprise is provided in Section 1 "Operational strategy and objectives" and Section 2 "Company management structure, management bodies".
	17.2. information on significant events that occurred during and after the financial year (prior to the preparation of the annual report or the annual activity report) and which were of fundamental importance to the activities of the state-owned enterprise;	+	information on major events that are of fundamental importance to the activities of a State enterprise that occurred during and after the reporting period is contained in Section 3 "Major significant events for the activities of the Company during the reporting period" and Section 14 "Significant events after the financial year";
	17.3. results of implementation of the objectives set out in the strategy of activities of a state-owned enterprise;	+	information on the implementation of the objectives set out in the strategy of the activities of the State Company, the results are provided in Section 1 "Operational strategy and objectives".
	17.4. indicators of profitability, liquidity, asset turnover, debt;	+	Information on the indicators achieved by the enterprise can be found in Section 10 "Main results and financial indicators describing the Company's activities."
	17.5. fulfillment of special obligations;	-	The Company does not have special obligations.
	17.6. implementation of investment policy, implementation and planned investment projects and investments during the reporting year;	+	Information on investments during the reporting period, the largest projects carried out and planned are provided in Section 8 "Investments of the Company, largest investment projects carried out and planned".
	17.7. Implementation of the risk management policy applied in a State enterprise;	+	Information on the implementation of the risk management policy applied by the Company can be found in Section 13 "Risk factors and their management".
	17.8. implementation of dividend policy in state enterprises;	+	Information on the Company's dividend policy can be found in Section 7 "Owner's capital and its changes".
	17.9. Implementation of the salary policy;	+	The remuneration policy applied by the Company can be found in Section 9 "Staff and salaries".
	17.10. total annual salary fund, average monthly earnings according to current positions and/or divisions;	+	Information on the total annual salary fund and the average monthly fixed (allocated) remuneration by function group is provided in Section 9 "Staff and salaries".
	17.11. information on compliance with the provisions of Section II and III of the Description: indicate how they are implemented, what provisions are not complied with, and explain why.	+	Information on compliance with Chapters II and III of the Description shall be provided in Section 16 "Information on compliance with Chapters II and III of the Transparency guidelines".

Point of the Guidelines on Transparency of State Enterprises (Description)	Execution	Notes
18. State enterprises and state-managed Companies, which are not subject to the preparation of the Social responsibility report are recommended to provide information related to environmental, social and personnel, human rights assurance information and anti-corruption and bribery issues in the annual report or annual activity report, as appropriate	+	Information on ongoing social, environmental, personnel, human rights assurance and anti-bribery initiatives and policies can be found in Chapter 15, "Ongoing social and environmental initiatives".

Also, in order to increase transparency, SE Lithuanian airports publicize their performance results through various means of mass media. SE Lithuanian airports inform interested parties about the activities of their airport, cooperate with various organizations, publish their planned development projects. The airport shall also cooperate with the airport users' committee to which the performance, pricing policy, development projects and other relevant information is presented.

In 2019, SE Lithuanian airports took the initiative to organize an event in which suppliers were invited to participate, to whom the planned investments were presented, thus aiming not only to increase transparency but also to increase competition in public procurement.

17. Information on the completed audit of annual financial statements

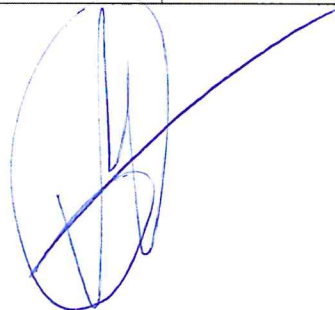
In accordance with the Law on State and Municipal Enterprises of the Republic of Lithuania, the Ministry of Transport and Communications of the Republic of Lithuania, selects a certified auditor or audit firm to perform the audit of the annual financial statements of the Company. UAB "KPMG Baltic" audits Lithuanian airports for the third year.

Information about other services rendered by UAB "KPMG Baltic": translation services.

TABLE 39. Data on the set of auditors and financial statements.

Entity carrying out the audit	UAB „KPMG Baltic“
Remuneration for conducting audit	65 000 Eur excl VAT
Link to the auditor's conclusion	http://www.ltou.lt/lt/lietuvos-oro-uostai/veikla/ataskaitos/
Link 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/

General director



Marius Gelžinis

Annex 1. Organizational management structure of the Company

