

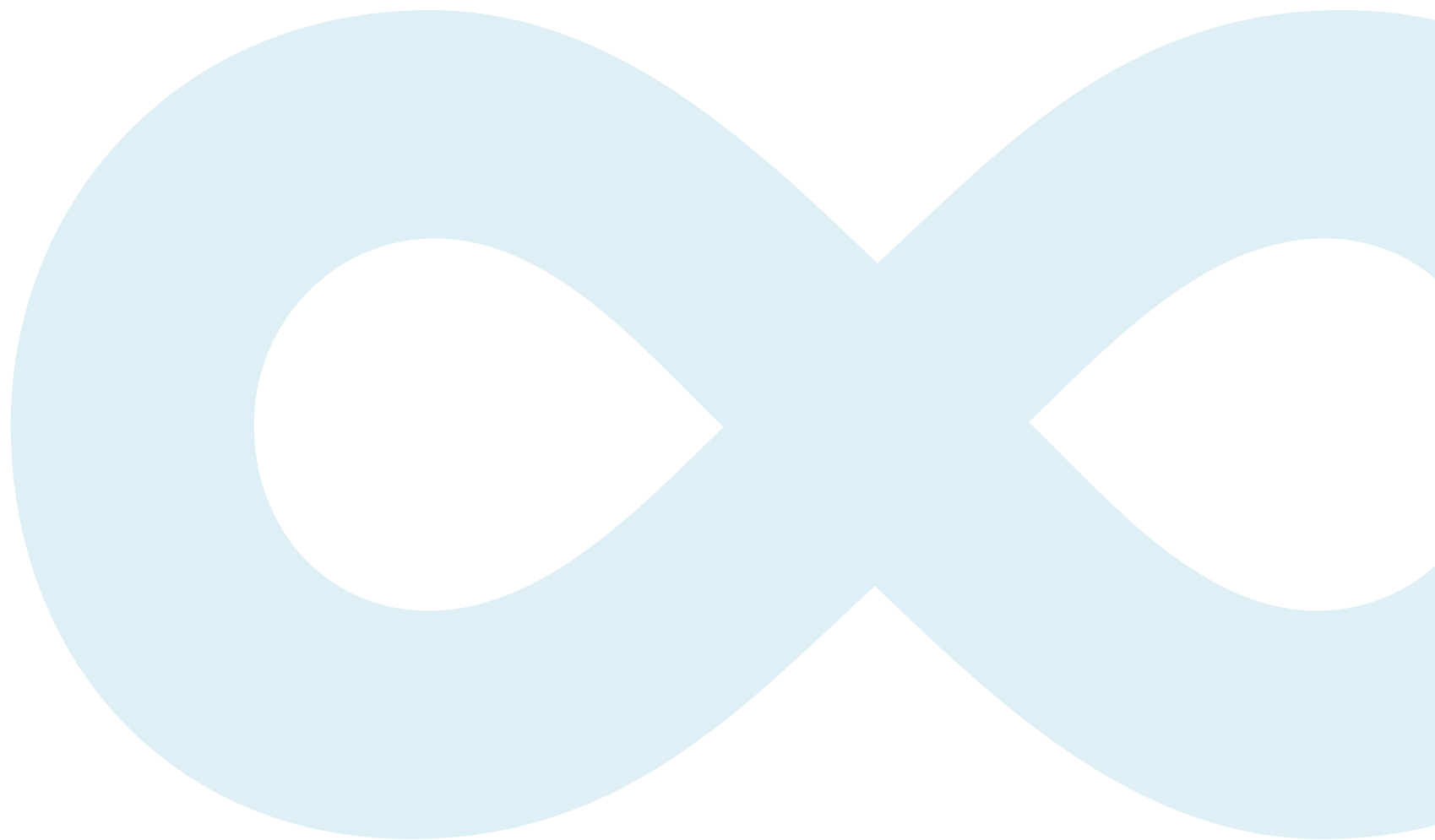


# 2021

## Consolidated Annual Report

including Social Responsibility Report and Consolidated and Separate Financial Statements prepared according to the International Financial Reporting Standards, as adopted by the European Union, presented together with the Independent Auditor's Report

terminas  
Gedimino pr. 7, Vilnius



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# CHAIRMAN'S FOREWORD

Another memorable year has passed – it was unusual for the whole world due to the ongoing pandemic. The year 2021 was exceptional for Lietuvos Paštas not only due to implementation of significant changes and continuation of strategic projects, but also due the challenges that it faced throughout the year. Nevertheless, Lietuvos Paštas was successfully pursuing its mission statement – A convenient way to send and receive. For everyone.

During 2021, the trends prevailing in the global postal market manifested a growing e-commerce volume of parcel traffic and a steadily declining volume of letter traffic. Similar trends were also evident in the activities of Lietuvos Paštas – over the last 7 years, the letter traffic has decreased 7 times, while the parcel traffic has increased 2.3 times. The changing trends were particularly observed during the pandemic, when e-commerce volume of parcel traffic increased severalfold. In recent years, parcel lockers have become the most popular way to send parcels in Lithuania - in 2021, the number of parcels travelling via LP EXPRESS parcel lockers was about 70% higher compared to 2020. Those trends together with the statistics of the postal market demonstrated the importance and necessity of changes implemented by Lietuvos Paštas during 2021.

Our transition to the centralized automated distribution of parcels and letters, which took place in spring, can be referred to as the largest transformation of Lietuvos Paštas over the entire period of Lithuania's independence. This large-scale change was a precondition for ensuring streamlined postal operations in line with the modern requirements. Even though the transition to automated processes took several months, we con-

sider the project to be successful. Currently, the possibilities of Lietuvos Paštas are much more extended – when operating at full capacity, smart devices can sort almost 20 thousand parcels in just one hour, while digitized processes allow us to offer a variety of solutions to the e-commerce market, which ensure not only prompt, but also high-quality delivery of parcels.

Over the past year, Lietuvos Paštas has also implemented a number of other strategic projects that contributed to the development of a modern post office: modernisation of post offices and logistics infrastructure, expansion of LP EXPRESS parcel lockers, introduction of new services for the customers, completion of process digitization, and increased investment in employee welfare. In 2021, a lot of attention was paid to sustainable development and sustainability – a number of firm steps were taken to make Lietuvos Paštas a role model for other local companies in this area.

Looking back at 2021, we also need to name the challenges that we faced. The abolishment of VAT exemption for low-value postal items from non-EU countries had a significant impact on our performance. It led to a significant decrease in parcel traffic, and accordingly, to lower revenue. In addition, we incurred unexpected expenses due to rapidly growing energy prices, transportation costs, rising salaries, additional investments in technological solutions, and increased cross-border settlement costs among the post offices worldwide.

Lietuvos Paštas has met the year 2022 with ambitious goals. As a new member has joined the Board with extensive experience in postal operations, international logistics management and development, Lietuvos



Paštas will further introduce changes and implement its strategic projects. All this will bring Lietuvos Paštas closer to the fulfilment of the vision of a modern postal service provider, and help it ensure smooth provision of services that meet the current needs of customers. It is important to note that we are committed to change in view of the challenges affecting our performance, the competitive environment, and the changing behaviour of the consumers – we are determined to investigate new areas of activities and opportunities.

Mindaugas Kyguolis  
Chairman of the Board

# CEO'S FOREWORD

The year 2021 marked a turning point for Lietuvos Paštas – it was a time of transformation and change. Moreover, it was accompanied by the pandemic. The challenges we faced last year have led to a really difficult time.

Having laid the foundations in 2020, we started 2021 by implementing the largest ever transformation in the history of Lietuvos Paštas – a full transition to a smart centralized distribution. This change was implemented under the quarantine conditions when the volume of parcel post traffic more than doubled compared to the corresponding period in 2020. Hundreds of processes were changed. They were intensively improved throughout the year, and still need improvement, but as we entered the year 2022, I can see that we are already good at working in a different way. An automated distribution process was a precondition for the streamlined postal operations in line with the modern requirements.

Soon after, in mid-2021, following the adoption of new regulations by the Council of the European Union (EU) and abolishment of the previous VAT exemptions, all parcels from third countries became subject to taxation and declaration requirements. This change was extremely significant for the entire international postal system, which required not only a lot of preparative work, but also continuous improvement of processes, cooperation with the post offices in other countries, as well as with the Customs of the Republic of Lithuania. However, this change was particularly important due to a sharp decline in parcel post traffic from non-EU countries, especially from the China Post, which has historically been the largest partner in our inbound post traffic. In July, compared to the same period in 2020, the inbound post traffic fell more than 4 times. It has not recovered to its previous level so far. This resulted not only in contraction of the scope of activities, but also in a significant decline in revenue.

The Company's performance was also seriously affected by the delayed changes in the pricing of the universal postal service, rapidly growing energy costs, transportation costs, rising salaries, investments in technological solutions, and increased cross-border settlement costs among the post offices worldwide.

Despite the challenges in 2021, we successfully implemented a number of other activities that allowed us to pursue changes and move closer towards providing modern services to customers. Given the growing popularity of e-commerce and LP EXPRESS parcel lockers, we invested in their development – 15 new parcel lockers were installed, and about 80 of the most popular parcel lockers were expanded. At the year end, there were in total 285 in Lithuania that were able to handle 44 thousand parcels at the same time. We have plans to double the number of parcel lockers by 2025. Another important ongoing project is the modernization of the Lithuanian postal network. During the year, our investments in this field totalled around EUR 800 thousand: based on a modern concept, 15 post offices were modernised, whereby 3 were expanded, and 4 postal centres were opened. As the needs of our customers change, and the volume of parcel traffic increases, we also keep investing in logistics infrastructure, more and more mailmen are provided with company's car. Moreover, there is a strong focus on digitization, e-commerce solutions, improvement of self-service, development of the Contact Centre, and enhancement of positive customer experiences.

In recent years, sustainable development and sustainability have become a subject of high priority. In 2021, we took firm steps in this area by joining the United Nations Global Compact, developing guidelines for a sustainable development strategy, setting clear indicators to mitigate our negative impact on environment, such as minimizing our greenhouse gas emissions, approving the code of ethics for suppliers, etc. We observe the principles of sustainable operations in our daily activities, starting from the expansion of parcel lockers as an environmentally friendly way of delivery and ending with various initiatives aimed at ensuring the well-being of employees and other stakeholders. In 2022, the subject of sustainability will gain higher importance – our goal is for Lietuvos Paštas to operate in a sustainable manner and become a role model for other organisations.

Lietuvos Paštas is entering the year 2022 with strong confidence and enhanced opportunities for offering hi-



gh-quality solutions to the e-commerce market. At the same time, however, the year was marked by significant losses in the global postal market and other challenges. The main mission statement of Lietuvos Paštas – *A convenient way to send and receive for everyone* – will be further pursued. The updated strategy for 2022-2024 sets clear priorities, there are plans to follow the strategic directions and to remain a strong player in the e-commerce parcel market. At the same time, we are ready to make the decisions about the actions that are not necessarily easy and convenient, i. e. re-orientation, careful prioritisation and enhancement of the basket of services, and focusing even more on the efficiency of operations of our network and logistics.

I thank everyone – customers, partners, employees – for being together, for their understanding and believing in Lietuvos Paštas in the face of important changes and challenges. Although 2021 was not an easy year, the lessons we have learned encourage us to work harder and to ensure high quality, convenient, and modern postal services for everyone.

Asta Sungailienė

Chief Executive Officer

# INDEPENDENT AUDITOR'S REPORT



# Independent auditor's report

To the shareholder of Lietuvos Paštas AB

## Report on the audit of the separate and consolidated financial statements

### Our opinion

In our opinion, the separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of Lietuvos Paštas AB (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2021, and of the Company's and of the Group's separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 14 April 2022.

### What we have audited

The Company's and the Group's separate and consolidated financial statements comprise:

- the consolidated and separate statement of financial position as at 31 December 2021;
- the consolidated and separate statement of comprehensive income for the year then ended;
- the consolidated and separate statement of cash flows for the year then ended;
- the consolidated and separate statement of changes in equity for the year then ended; and
- the notes to the separate and consolidated financial statements, which include significant accounting policies and other explanatory information.

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

### Independence

We are independent of the Company and the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the separate and consolidated financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law of the Republic of Lithuania on the Audit of Financial Statements.

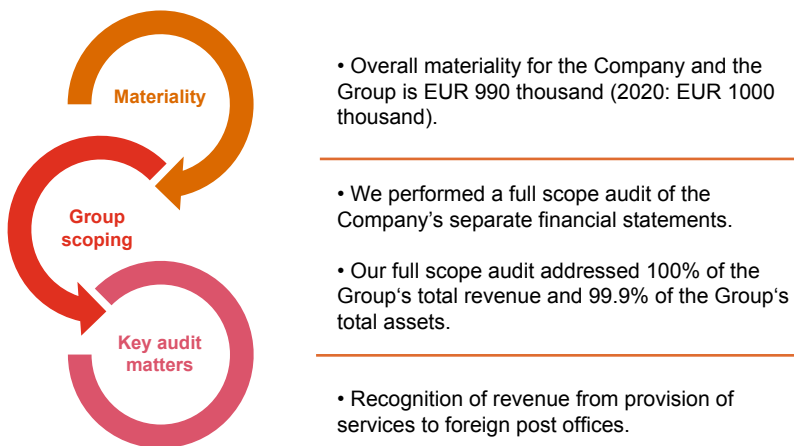
To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and the Group are in accordance with the applicable law and regulations in the Republic of Lithuania and that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014 considering the exemptions of Regulation (EU) No 537/2014 endorsed in the Law of the Republic of Lithuania on the Audit of Financial Statements.

The non-audit services that we have provided to the Company and the Group in the period from 1 January 2021 to 31 December 2021 are disclosed in section Overview of Operations subsection Auditors of the Annual Report.



## Our audit approach

### Overview



As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the separate and consolidated financial statements (together "the financial statements"). In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

#### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company and Group materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

<b>Overall Company and Group materiality</b>	EUR 990 thousand (2020: EUR 1,000 thousand).
<b>How we determined it</b>	1% of total revenue from contracts with customers.
<b>Rationale for the materiality benchmark applied</b>	We chose revenue as the benchmark because, in our view, it is a measure against which the users of the financial statements most often assess the Company's and the Group's performance, and it is a generally accepted benchmark. We chose to apply 1%, which is within the range of acceptable quantitative materiality thresholds.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above EUR 48 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.





### 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.

Key audit matter	How our audit addressed the key audit matter
<p><b>Recognition of revenue from provision of appropriateness. foreign post offices</b></p> <p>(see paragraph Revenue/expenses from provision of postal services to foreign post offices in section 2.6 Revenue recognition of note 2 Summary of significant accounting policies, note 3 Revenue from contracts with customers. Sales revenue, note 13 Trade receivables, note 14 Contract assets)</p> <p>The Company and the Group provide/purchase postal services to/from foreign post offices. Provision of these services is based on cross-border arrangements defining the rules for settlements and issuance of accounting documents for postal services.</p> <p>The Company and the Group estimate revenue based on the actual quantities of services rendered, and with reference to the latest known applicable service charges.</p> <p>There is a significant balance of revenue from provision of services to foreign post offices in the Company's separate and the Group's consolidated statement of financial position, amounting to EUR 12,327 thousand as at 31 December 2021 (31 December 2020: EUR 21,211 thousand). In the statement of financial position, the total balance of amounts receivable and contract assets arising from recognition of such revenue amounted to EUR 15,633 thousand as at</p>	<p>We analysed the Company's practice and the terms of contracts with customers, relating to recognition of revenue and, accordingly, recognition of contracts assets and trade receivables.</p> <p>We assessed the design and operating effectiveness of the system of controls over recognition and measurement of revenue from cross-border postal services, and assessed the operating effectiveness of the following controls:</p> <ul style="list-style-type: none"> <li>- controls over the accuracy of the quantities of postal services received;</li> <li>- controls over reconciliation of the sales quantities and service charges with the designated operators who received the services.</li> </ul> <p>In planning the tests of detail, we grouped revenue transactions for 2021 into the following types: immediately invoiced transactions; revenue recorded in current year, but not yet reconciled; invoices issued in current year and reconciled.</p> <p>We checked the cross-border revenue transactions from different types against the source documents – invoices issued (in case of recognised trade receivables) or supporting revenue calculations (in case of contract assets recognised), which applicable.</p> <p>In order to assess the accuracy of the management's estimates made in previous periods, we also compared the</p>

31 December 2021 (31 December 2020: EUR 23,103 thousand).

We focused on this area and other closely related areas as they involved management's assumptions and judgements.

total amount invoiced in 2021 for revenue recognised in previous periods with the respective amount of contract assets recognised as at 31 December 2020.

We assessed the disclosures in notes 3, 13 and 14 relating to revenue from foreign post offices, trade receivables and contract assets for completeness and appropriateness.

### How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group comprises a number of subsidiaries operating in Lithuania (see section General information in the notes of the financial statements). PwC carried out a full scope audit of the Company.

For other subsidiaries, the Group engagement team performed analytical procedures at the Group level in order to obtain sufficient appropriate audit evidence as a basis for our opinion on the Group's consolidated financial statements as a whole.

### Reporting on other information including the consolidated annual report

Management is responsible for the other information. The other information comprises the consolidated annual report, including the sustainable development report that forms an integral part of the consolidated annual report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the consolidated annual report.



In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

With respect to the consolidated annual report, we considered whether the consolidated annual report includes the disclosures required by the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings, the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the consolidated annual report for the financial year, for which the financial statements have been prepared, is consistent with the financial statements; and
- the consolidated annual report has been prepared in compliance with the requirements of the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings and the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

The Company and the Group presented the sustainable development report as a part of the consolidated annual report.

In addition, in light of the knowledge and understanding of the Company and the Group and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated annual report which we obtained prior to the date of this auditor's report. 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 and the Group'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 and the

Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group'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 and the Group'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 and the Group'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 and the Group 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 auditor's 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.

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## Report on other legal and regulatory requirements

### Appointment

We were first appointed as auditors of the Company and the Group on 27 August 2019 for a period of two years and our appointment was prolonged for one more year. The total period of uninterrupted engagement appointment is three years.

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On behalf of PricewaterhouseCoopers UAB

Rasa Radzevičienė

Partner

Auditor's Certificate No. 000377

Vilnius, Republic of Lithuania

14 April 2022

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

# MANAGEMENT

# GENERAL INFORMATION

## Reporting Period

The consolidated and separate financial statements of Lietuvos Paštas AB ("Lietuvos Paštas" or the "Company") for the year ended 31 December 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union.

The consolidated and separate annual report of Lietuvos Paštas has been prepared in accordance with the Lithuanian Government Resolution No. 1052 of 14 July 2010 Regarding approval of the guidelines for ensuring transparency of operations of state-owned enterprises, and designation of a coordinating authority.

### BASIC DETAILS OF LIETUVOS PAŠTAS

Company name	Lietuvos Paštas AB
Office address	J. Jasinskio g. 16, 03500 Vilnius
Telephone	+370 700 55 400
E-mail	info@post.lt
Website address	www.lietuvospastas.lt
Legal form	Public limited liability company (AB), a private legal entity with limited civil liability
Term of business	Indefinite
Company code	121215587
VAT payer's code	LT212155811
Manager of the Register of Legal Entities	State Enterprise Centre of Registers
Date of registration of the Articles of Association [the most recent version]	5 March 2019
Profile of activities	Postal, courier, financial, and other services

### SHARE CAPITAL:

# EUR 32 791 579

# 113 074 410

Ordinary registered shares  
constituting the share capital

# EUR 0,29

Nominal value per share

The Company's shares are intangible. They are recorded in the securities account managed by Šiaulių Bankas AB as from 21 December 2015.

# LIETUVOS PAŠTAS GROUP COMPANIES

As at 31 December 2021, Lietuvos Paštas group companies (the "LP Group") consisted of the parent company Lietuvos Paštas AB and its wholly-owned subsidiaries:

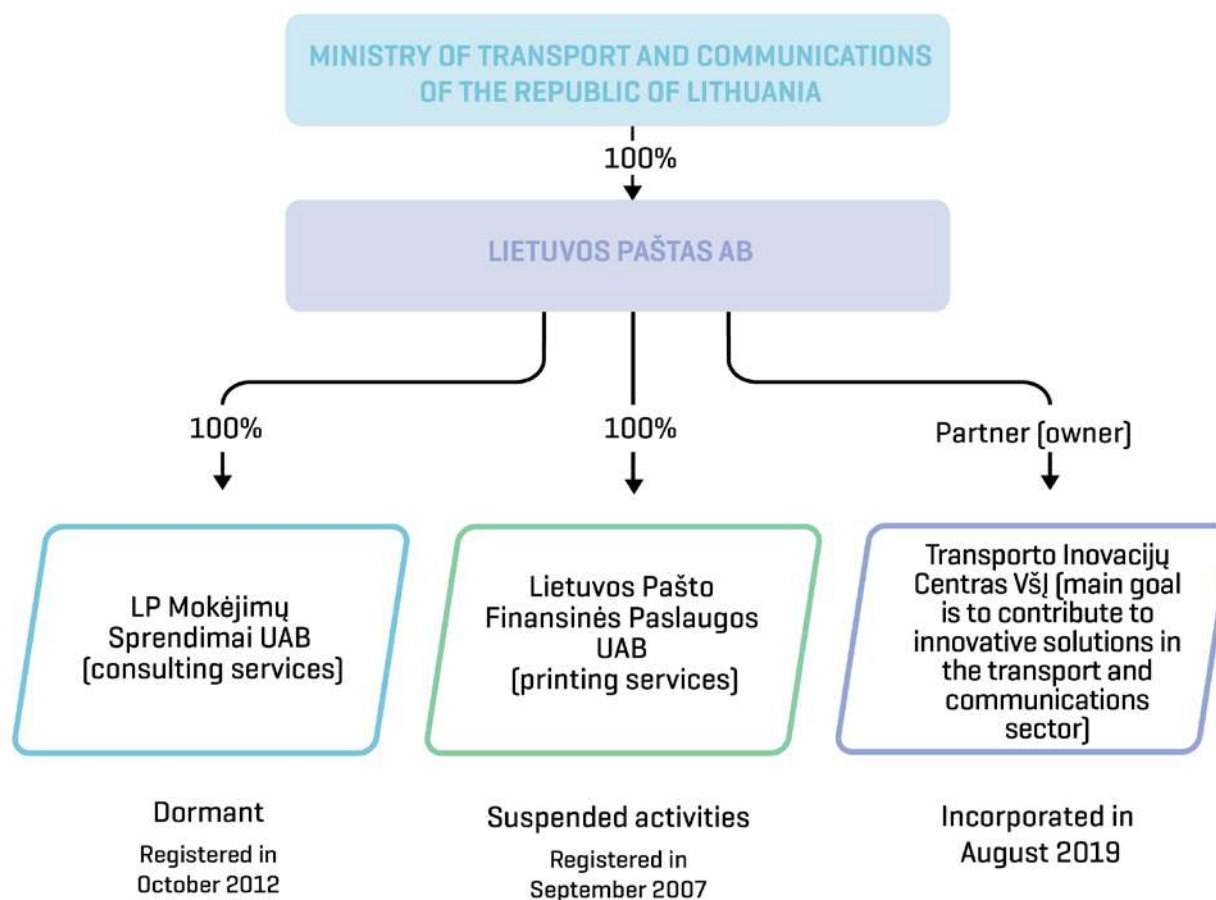
- Lietuvos pašto finansinės paslaugos UAB, the principal activity of which is printing services; currently, suspended activities.

- LP mokėjimų sprendimai UAB, the principal activity of which is consulting services; currently, suspended activities.

Transporto inovacijų centras VŠĮ, the main goals are to create opportunities for attracting, implementing and testing innovations in the transport sector infrastructure, to boost cooperation in the transport sector on innovation topics, to carry out market analysis and to form innovation investment proposals.

All the shares of the LP Group are owned by the state - the Republic of Lithuania. When exercising the rights granted by the shares held by the state in the Company, the state is represented by the Ministry of Transport and Communications of the Republic of Lithuania.

During 2021, the LP Group neither acquired nor disposed of its own shares, nor were any shares in other entities acquired or disposed of.



# MANAGEMENT OF LIETUVOS PAŠTAS

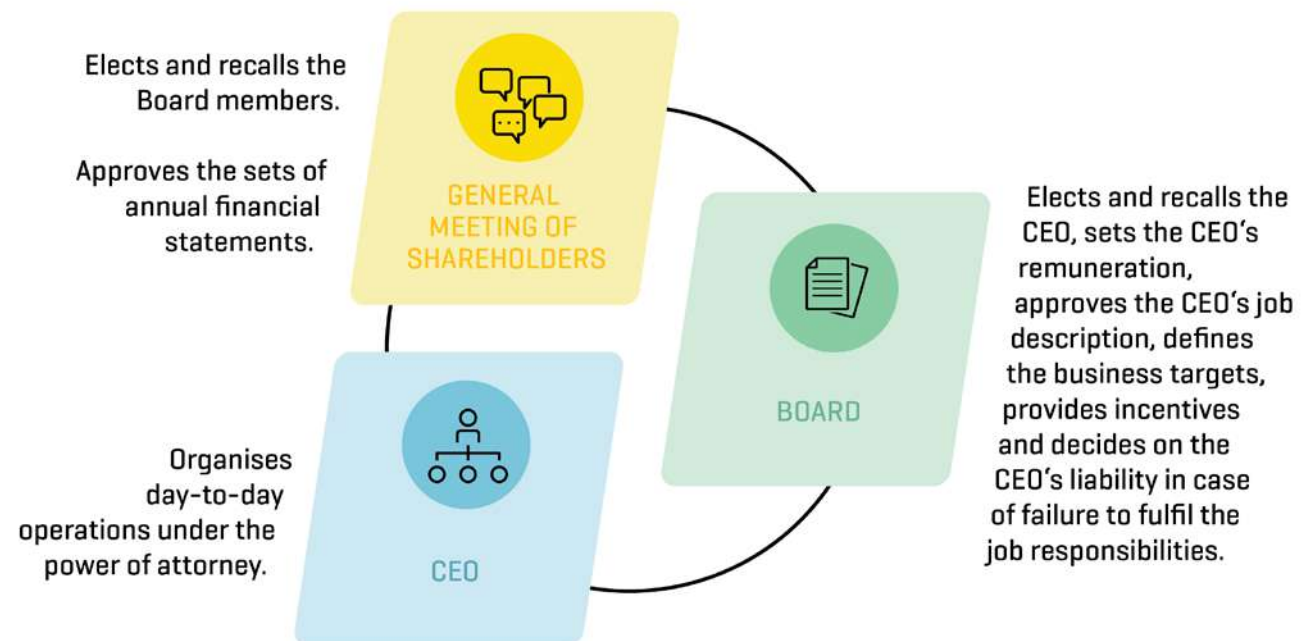
## Management bodies

Based on the Articles of Association of Lietuvos Paštas, the Company has the following management bodies: the General Meeting of Shareholders, the Board, and the CEO. The Supervisory Council has not been formed at the Company. The Company's Board fulfils the supervisory functions, as prescribed by law and the Company's Articles of Association.

The decisions made in writing by the Ministry of Transport and Communications of the Republic of Lithuania (as it exercises the property and non-property rights of the Republic of Lithuania as the shareholder of the Company) are treated as equivalent to the decisions passed by the General Meeting of Shareholders.

The Company's Board is a collegial body that has 5 (five) members. The majority of them should be independent members, as required under the legal acts of the Republic of Lithuania. The Board members are accountable to the General Meeting of Shareholders, which elects them for a tenure of four years. At least once a year, the Board carries out an assessment of its activities and needs analysis in accordance with the procedure established by legal acts. The Chairman of the Board is elected by the Board from among its independent members. The selection procedure of independent Board members is carried out via an external independent recruitment agency, and based on the matrix of competences.

The roles, powers and responsibilities of the General Meeting of Shareholders, the Board and the CEO are defined in the Articles of Association of Lietuvos Paštas AB registered on 27 June 2019 with the Register of Legal Entities, which are available to public on the Company's official website.



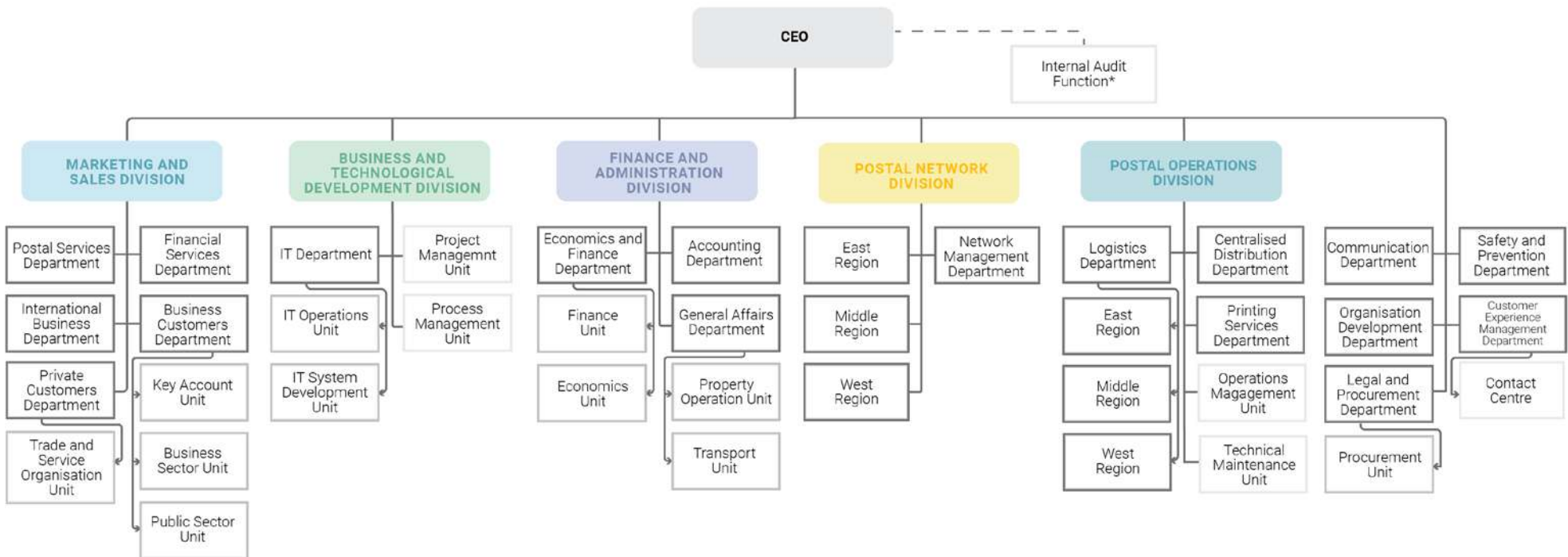


# THE COMPANY'S ORGANISATIONAL STRUCTURE

The Company's organisational structure is as follows: the CEO, 5 divisions (Marketing and Sales, Business and Technological Development, Finance and Administration, Postal Network, and Postal Operations) and

18 departments, whereof 5 (Legal and Procurement, Communication, Organisation Development, Safety and Prevention, and Customer Experience Management) are directly accountable to the CEO.

**APPROVED BY THE DECISION NO. 16-45 DATED 10 NOVEMBER 2021**



\* The Internal Audit Function reports directly to, and is accountable to, the Board of Lietuvos Paštas AB, but from the administrative perspective it is accountable to the CEO of Lietuvos Paštas AB.



# LIETUVOS PAŠTAS BOARD COMPOSITION

	<b>MINDAUGAS KYGUOLIS</b>	<b>SAULIUS KERZA</b>	<b>ALDITAS SAULIUS</b>	<b>ARNOLD SCHROVEN</b>
Job positions held at Lietuvos Paštas	Independent Board Member and Chairman of the Board	Board Member	Independent Board Member	Independent Board Member
Professional qualification / education	Master in Law and Economics, Master in Business Administration, Master in Law	Master in Law	Master in radio-physicist and master in international economic relations	Diploma in Mathematics, Diploma in Small Business Administration
Principal place of employment and job position	Mediator	Ministry of Transport and Communications of the Republic of Lithuania [code 188620589, registered office address: Gedimino pr. 17, Vilnius], Director of Budgeting and Investment Department		Schroven Consulting GmbH, Auf der Brüche 7, 58640 Iserlohn, Germany HRB 3547, Executive Director [and shareholder]
Executive positions held elsewhere	Public Consultant to the Mayor of Kaunas District Municipality.	State Enterprise Lithuanian Airports [code 120864074, registered office address: Rodūnios kel. 10A, Vilnius], Board Member	Investicijų ir Verslo Garantijos [INVEGA] [code 110084026, registered office address: Konstitucijos pr. 7, Vilnius] Chairman of the Board.	Night Star Express GmbH, Unna, Germany, Chairman of the Supervisory Board and Spezialwerte AG, Zweissweg 8, 59519 Möhnesee, Germany HRB 6275, Member of the Supervisory Board

\* The Board composition relevant at the reporting date. The Board composition had changed more than once during and after 2021, before the date of issue of the financial statements. The changes are described in more detail in the Annual Report.

# CHANGES IN THE BOARD COMPOSITION

## 09/03/2021

Tomas Jackevičius was recalled from the Board of Lietuvos Paštas by Order No. 3-134 of the Minister of Transport and Communications of the Republic of Lithuania Regarding the Board of Lietuvos Paštas AB.

## 10/01/2022

Arnold Schroven started his tenure at the Board of Lietuvos Paštas.

## 31/01/2022

Saulė Balčiūnienė was recalled from the Board of Lietuvos Paštas by Order No. 3-57 of the Minister of Transport and Communications of the Republic of Lithuania Regarding the Board of Lietuvos Paštas AB.

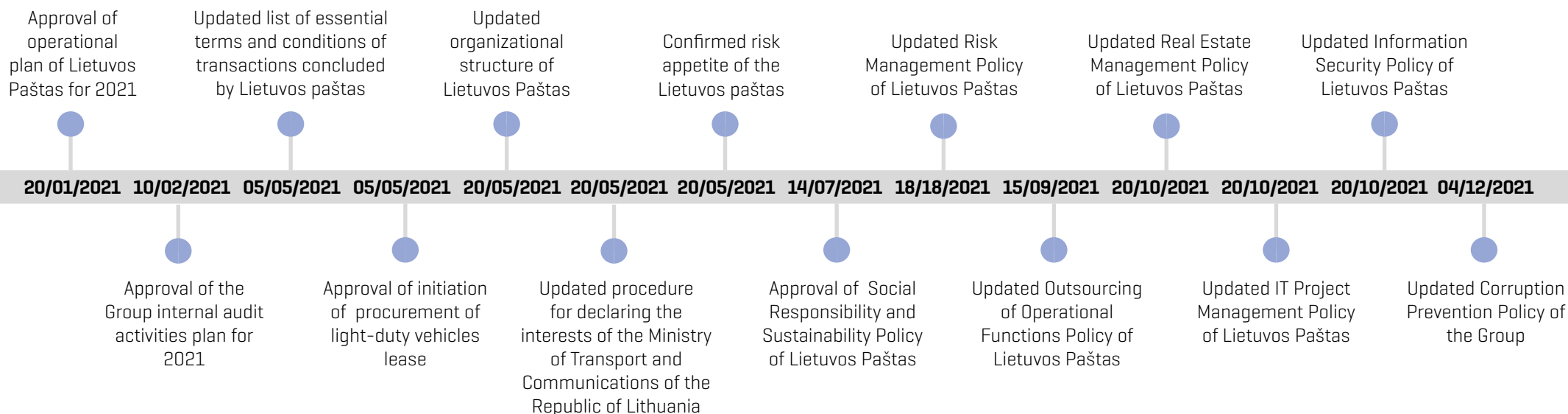


# LIETUVOS PAŠTAS BOARD ACTIVITIES

During 2021, the Board of Lietuvos Paštas had in total 19 meetings. During 2021, the Board of the Company passed in total 53 decisions that were officially approved and documented under the respective resolutions.



## The main issues addressed by the Company's Board:



# PRINCIPLES FOR DETERMINING REMUNERATION OF THE BOARD MEMBERS, AND PAYMENT

- The annual remuneration and the minimum number of work hours per year have been determined for the Board members of Lietuvos Paštas by the Order of the Minister of Transport and Communications of the Republic of Lithuania.

- The Board member and the Chairperson's annual remuneration, including all taxes, for the actually fulfilled functions at the Board shall not exceed 1/4 and 1/3, respectively, of the total annual remuneration of the Company's CEO.

- The Board member's remuneration shall be reduced if the Board member fails to attend the Board meetings, withdraws from handling the issues pertaining to conflicts of interests, does not express an opinion on agenda issues, does not vote thereon, does not fulfil the functions of the Board member, spends less work hours than contractually agreed with the Board member, or improperly fulfils the contract.

- The time necessary for the fulfilment of functions at the Board shall be recorded as a number of work hours, and shall be quarterly reported to the Chairperson of the Board.

- Remuneration shall be payable to the Board member on a quarterly basis, each payment representing not more than 1/4 of the contractually agreed annual remuneration with the Board member.

## REMUNERATION OF THE BOARD MEMBERS OF LIETUVOS PAŠTAS IN 2021

JOB POSITION, FULL NAME	REMUNERATION, EUR *
Chairperson of the Board Mindaugas Kyguolis	27 993,80
Board Member Tomas Jackevičius	4 665,63
Board Member Saulė Balčiūnienė	15 632,98
Board Member Alditas Saulius	18 662,52
<b>Total</b>	<b>66 957,93</b>

\* Remuneration presented before tax.



# MANAGEMENT TEAM

Concluded 13/04/2022.

	<b>ASTA SUNGAILIENĖ</b>	<b>JONAS SADAUSKAS</b>	<b>KASTYTIS VALANTINAS</b>	<b>GRETA JUODŽIUKYNIENĖ</b>	<b>RUSLANAS PROKOFJEVAS</b>
Job position	Chief Executive Officer since 23 February 2018*	Director of Postal Network Division since 8 October 2018	Director of Postal Operations Division since 4 April 2019	Director of Finance and Administration Division since 12 October 2020	Director of Business and Technology Development Division since 9 July 2021**
Professional qualification / education	Master in Business and Management	Master in Electronic Engineering and Master in Business Administration	Master in Management and Business Administration	PhD in Economics	Master of Human Resource Management

\* Executive positions held elsewhere by the CEO Asta Sungailienė: LP mokėjimų sprendimai UAB (code 302889099, registered office address J. Jasinskio g. 16, Vilnius), Director.

\*\* From 1 November 2020 to 14 May 2021, Vytautas Bitinas held the position of the Director of Business and Technology Development Division.

From 9th August 2018 until 31st December 2021, Norbert Žioba was the Director of the Marketing and Sales Department . From 2022 January 1 responsibilities were shared by the directors of the other departments.

# COMMITTEES

## Audit and Risk Management Committee (ARMC)

The composition of the Audit and Risk Management Committee [“the Committee”] and its operational rules were renewed by the resolution of the Board of Lietuvos Paštas passed on 18 August 2021.

The Committee is formed of least 3 members appointed for the maximum tenure of 4 years. The Committee member's continuous tenure can last no longer than two successive tenures. The Committee members are elected and recalled by the Board. The tenure at the Committee shall be related to and coincide with the tenure of the Board which appointed the Committee. The Committee consists of three independent members: at least 1 member shall be delegated by the resolution of the Board from the independent members of the Board; and at least 1 independent member from among the external candidates selected by public selection in accordance with the procedures established by the Board.

The main objectives of the Committee are to assist the Board with the monitoring of Lietuvos Paštas, the group and individual group companies in the following areas:

- Financial reporting process;
- Audit of financial statements;
- Auditor's independence and objectivity;
- Auditor's selection process;
- Effectiveness of internal audit function;
- Effectiveness of risk management;
- Compliance with internal and external regulations.

From 28 June 2019 to 15 July 2021, the Committee consisted of the following independent members: Karolis Brazas, Marius Lukoševičius and Justina Šiaudinytė. On 15 July 2021, the term of office of the Chair-

person of the Committee Justina Šiaudinytė expired. As from 18 August 2021, the Committee started its tenure with 3 independent members: Alditas Saulius, Marius Lukoševičius and Karolis Brazas.

	<b>ALDITAS SAULIUS</b>	<b>KAROLIS BRAZAS</b>	<b>MARIUS LUKOŠEVIČIUS</b>
	Chairman of the Committee	Independent member of the Committee	Independent member of the Committee
	18/08/2021 – present	28/06/2019 – present	28/06/2019 - present
Professional qualification / education	Master in radio-physicist and master in international economic relations	Bachelor in Management and Business Administration	Master of Economics
Other job positions	Investicijų ir verslo garantijos UAB, Chairperson of the Board Lietuvos Paštas, Board Member	Husqvarna Lietuva UAB, CFO for Baltics Duomenų logistikos centras UAB, CFAO Finansų ir korporatyvinio valdymo laboratorija MB, Director	Revolut Bank UAB, Senior Credit Manager



# PRINCIPLES FOR DETERMINING REMUNERATION OF THE COMMITTEE MEMBERS, AND PAYMENT

- The annual remuneration and the minimum number of work hours per year have been determined for the Committee members by the Order of the Minister of Transport and Communications of the Republic of Lithuania.

- The Committee member's and the Chairperson's annual remuneration, including all taxes, for the actually fulfilled functions at the Committee shall not exceed 1/15 and 4/45, respectively, of the total annual remuneration of the Company's CEO.

- The Committee member's remuneration shall be reduced if the Committee member fails to attend the Committee meetings, withdraws from handling the issues pertaining to conflicts of interests, does not express an opinion on agenda issues, does not vote thereon, does not fulfil the functions of a Committee member, spends less work hours than approved by the Order of the Lithuanian Minister of Transport and Communications, or improperly fulfils the Order.

- Remuneration shall be payable to the Committee members on a quarterly basis when the Chairperson of the Board approves the quarterly report on the performance of the Committee, each payment representing not more than 1/4 of the annual remuneration approved by the Order of the Lithuanian Minister of Transport and Communications, provided the time spent by the Committee member or by the Chairperson of the Committee represents not less than 1/4 of the time approved by the aforementioned Order.

## REMUNERATION OF COMMITTEE MEMBERS OF LIETUVOS PAŠTAS IN 2021

JOB POSITION, FULL NAME	REMUNERATION, EUR*
Chairperson of the Committee Justina Šiaudinytė (until 15 July 2021)	3 732,50
Chairperson of the Committee Alditas Saulius (from 18 August 2021)	3 110,41
Committee Member Karolis Brazas	4 976,64
Committee Member Marius Lukoševičius	4 976,64
<b>Total:</b>	16 796,19

\* Remuneration presented before tax



# ACTIVITIES OF THE COMMITTEE

The Committee organizes its activities by preparing an annual action plan with the future topics under question. During 2021, the Committee had in total 16 meetings attended by all members of the Committee. In 2021, the main activities of the Committee were focused on implementing the functions assigned in the following areas:

## FINANCIAL STATEMENTS AND EXTERNAL AUDITOR

- Review of external audit strategy.
- Discussion of external audit results, auditor's report on financial statements.
- Provision of recommendation to the Board regarding approval of financial statements.
  - Monitoring the implementation of external auditor's recommendations.

## INTERNAL AUDIT

- Provision of recommendation to the Board regarding approval of internal audit plans for 2021 and 2022.
- Discussion of internal audit reports.
  - Monitoring the implementation of internal audit recommendations.
- Review of internal audit methodology.
- Assessment of internal audit performance.

## RISK MANAGEMENT

- Monitoring of key risks, implementation of risk management plans, and compliance with risk tolerance thresholds.
- Review of risk management procedure and policy.
- Review of Anti-Corruption Policy.
- Monitoring the process of outsourcing.
- Monitoring of reports on the instances of corruption, money laundering, terrorist financing and bribery of foreign officers, and ongoing internal investigations.

## COMPLIANCE

- Monitoring of implementation of the project for ensuring compliance with external regulations.
- Discussion of compliance issues and litigations that may have significant impact on the financial statements.



# DIVIDEND POLICY

The parent company Lietuvos Paštas pays dividends under Resolution No. 20 of 14 January 1997 of the Lithuanian Government (revised version of Resolution No. 786, dated 11 August 2016), which sets out the principles for allocation of dividends per state-owned shares.

According to the Law on Companies of the Republic of Lithuania, the General Meeting of Shareholders shall not make the decision to allocate and pay dividends if least one of the following conditions is met:

1) The Company has outstanding obligations, which fell due before making the decision;

2) The amount of profit [loss] available for distribution for the financial reporting year is negative [loss is incurred];

3) The Company's equity is lower or would become lower after payment of dividends than the total sum of the Company's share capital, legal reserve, revaluation reserve and reserve for acquisition of own shares.

Under the Law on Companies, Lietuvos Paštas neither allocated nor paid out any dividends to its shareholders for the financial years 2019 and 2020, because the Company's equity was lower than the total sum of the Company's share capital, legal reserve and other reserves.

The decision of the General Meeting of Shareholders regarding the payment of dividends for the financial year 2021 is expected to be made after the approval of the audited financial statements for the respective financial year.



# INSTITUTION AND LEGAL ACTS REGULATING THE ACTIVITIES OF LIETUVOS PAŠTAS

## COMMUNICATIONS REGULATORY AUTHORITY

Law on Postal Services of the Republic of Lithuania and legal acts implementing it [regarding the obligation to provide UPS and provision of postal services]

## LITHUANIAN BANK

Law on Electronic Money and Electronic Money Institutions of the Republic of Lithuania, Payment Institutions of the Republic of Lithuania, Payment Law of the Republic of Lithuania and implementing legal acts [regarding the License of Electronic Money and Electronic Money Institutions]

## PUBLIC PROCUREMENT OFFICE

Law on Public Procurement of the Republic of Lithuania

## FOR THE LICENSE OF AN ELECTRONIC MONEY AND ELECTRONIC MONEY INSTITUTION

Law on Prevention of Money Laundering and Terrorist Financing and implementing legal acts [regarding Electronic Money and Electronic and Electronic Money Institution License]

## POLICE DEPARTMENT AND TERRITORIAL POLICE OFFICES

Law on Security of Person and Property of the Republic of Lithuania and legal acts implementing it, Law on Control of Weapons and Ammunition of Legal Entities and related legal acts [regarding the License for Security of Person and Property]

## FINANCIAL CRIME INVESTIGATION SERVICE

## STATE SECURITY DEPARTMENT

Order of State and Official Secrets and implementing legal acts [regarding the Supplier's Certificate of Security, i.e. transportation of secret parcels]

## COORDINATING COMMISSION FOR THE PROTECTION OF OBJECTS IMPORTANT FOR ENSURING NATIONAL SECURITY

Law of the Republic of Lithuania on the Protection of Objects Important for Ensuring National Security [regarding the existence of Lietuvos Paštas as an undertaking important for national security]

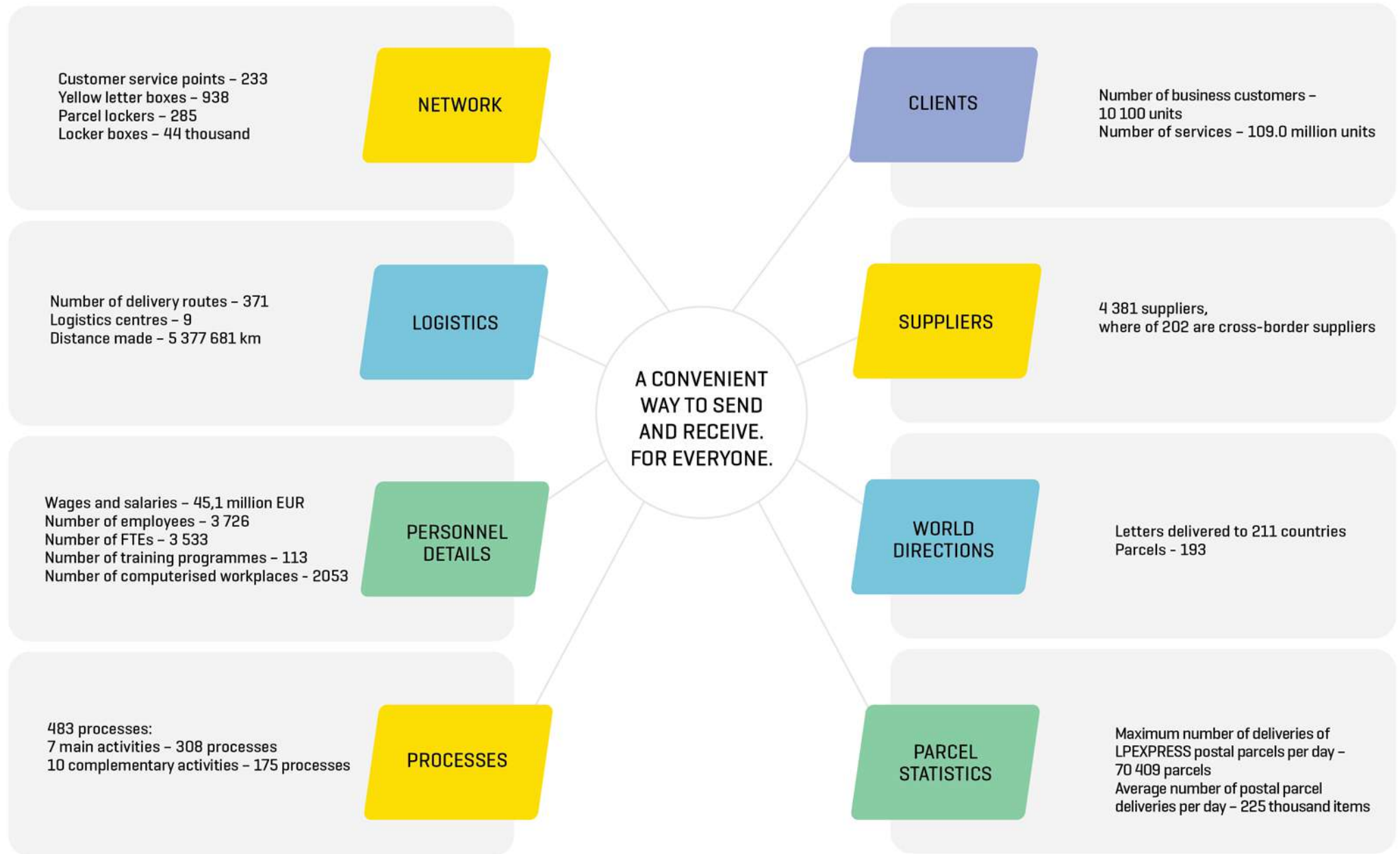
## NATIONAL CYBER SECURITY CENTRE

Law on Cyber Security of the Republic of Lithuania and legal acts implementing it [regarding the existence of Lietuvos Paštas as an undertaking important for cyber security]

## GOVERNMENT OF THE REPUBLIC OF LITHUANIA

To oblige the Public Limited Liability Company Lietuvos Paštas to provide the universal postal service in the entire territory of the Republic of Lithuania from 1 January 2020 until 31 December 2026. Resolution No. 467 of the Government of the Republic of Lithuania of 15 May 2019 "On the obligation to provide a universal postal service" [TAR, 17.05.2019, No. 2019-07911]

# EVENTS AND PERFORMANCE



# MAJOR EVENTS DURING THE REPORTING PERIOD

● Governance  
 ● Improvement of working conditions  
 ● Improvement of efficiency of operations  
 ● Changes in group structure  
 ● Activities at the time of pandemic  
 ● Services  
 ● Initiatives  
 ● Other

In preparation for full transition to an automated and centralised distribution process with effect from spring, new and higher skilled jobs were created, and reduction in the number of employees in the distribution sector was announced.



All mailmen at Lietuvos Paštas have modern means of work - the last remaining 200 mailmen were supplied with tablets.



Registered parcels of business customers were finally moved to Lietuvos Paštas self-service - many services are accessible online.



Tomas Jackevičius was recalled from the Board of Lietuvos Paštas.



**JANUARY** →

**FEBRUARY** →

**MARCH** →



Šiauliai Logistics Centre was moved to new premises, where centralised logistics and distribution activities will take place, and mailmen will be located.



The Company's anti-corruption program for 2021-2022 was elaborated.



The new Vilnius Logistics Centre switched to automated and centralised distribution.



Lietuvos Paštas joined the UN Global Compact.

# MAJOR EVENTS DURING THE REPORTING PERIOD

● Governance
 ● Improvement of working conditions
 ● Improvement of efficiency of operations
 ● Changes in group structure
 ● Activities at the time of pandemic
 ● Services
 ● Initiatives
 ● Other

The Code of Ethics and Conduct of Lietuvos Paštas was updated.

In the election of the best marketing campaigns Password 2021, the campaign of Lietuvos Paštas called The Independent won the first place in the category of the most effective low-budget image marketing campaigns.

Lietuvos Paštas, together with other institutions, signed a memorandum on a better adaptation of services to customers with individual needs.

A 3-year term of office of the Works Council expired, and elections to the new Works Council were initiated.

Taxation system for shipments from third countries changed - VAT exemption was abolished for low-value shipments (up to EUR 22) from third countries.

On July 15, the term of office of the Chairperson of the Committee Justina Šiaudinytė expired.

APRIL →

JUNE →

JULY →

In order to improve working conditions, Lietuvos Paštas increased employee salaries.

Lietuvos Paštas joined mentors at the Integrity Academy, and with expert insights and experience will contribute to the development of anti-corruption environment.

Expansion plan of parcel lockers was initiated - the network of parcel lockers of LP EXPRESS will be doubled by 2025.

Ruslanas Prokofjevas became the director of the Business and Technological Development Division.

# MAJOR EVENTS DURING THE REPORTING PERIOD

● Governance  
 ● Improvement of working conditions  
 ● Improvement of efficiency of operations  
 ● Changes in group structure  
 ● Activities at the time of pandemic  
 ● Services  
 ● Initiatives  
 ● Other

The option to print out self-service parcel stickers in post offices was introduced.

The new Works Council started its term of office.

To improve the service of customers with disabilities or other individual needs in post offices, the principles of customer service were reviewed and updated.

The CRA adopted a decision on the effective date for tariffs of universal postal services, the cost of which did not approximate the costs incurred by the Company in 2020, i.e. 1 January 2022.

**AUGUST →**

**SEPTEMBER →**

**OCTOBER →**

On August 18, Alditas Saulius, the member of the Board, was appointed as a new member and Chairman of the Committee.

Contribution to several initiatives related to the pandemic: the printing of the National Certificate was offered in post offices, and a mailperson accompanied by a nurse visited residents in several regions - seniors were offered to be vaccinated at home.

A new LP EXPRESS self-service functionality was introduced - an option to send postal items without registration.

# MAJOR EVENTS DURING THE REPORTING PERIOD

- Governance
- Improvement of working conditions
- Improvement of efficiency of operations
- Changes in group structure
- Activities at the time of pandemic
- Services
- Initiatives
- Other

For the first time, a procurement was initiated for the acquisition of health insurance for employees.

With the Christmas holiday season approaching, 60 most popular LP EXPRESS parcel lockers were expanded.

In cooperation with Sodra, Lietuvos Paštas delivered one-off payments to newly vaccinated seniors.

A contract was signed for procurement of over 300 new cars for mailmen.

A representative from the Safety and Prevention Department received acknowledgment at the Presidential Palace for the contribution to the activities of the Integrity Academy.



**NOVEMBER →**

**DECEMBER →**



Services started to be provided in Pandėlys town through an agent.



An option to send parcel locker parcels at post offices was introduced.



The Company was awarded at the competition "The Corporate Social Responsibility Awards 2020" organised by the Lithuanian Business Confederation.



The initiative Better was launched, during which managers were invited to listen to customer conversations and afterwards together with the Customer Experience Management Department to discuss in teams their experiences and opportunities to initiate the necessary changes.



Lithuanian Post received gratitude from the State Tax Inspectorate for cooperation



# MAJOR EVENTS AFTER THE REPORTING PERIOD

● Governance
 ● Improvement of working conditions
 ● Improvement of efficiency of operations
 ● Changes in group structure
 ● Activities at the time of pandemic
 ● Services
 ● Initiatives
 ● Other

Norbertas Žioba resigned from the position of the Director of the Marketing and Sales Division, and his functions were assigned to the heads of other divisions.

Arnold Schroven started his tenure at the Board.

The Code of Ethics of Lithuanian Postal Suppliers was approved.

## 2022

SAUSIS →

Cooperation agreement was signed on the opening of the former Kaunas Central Post Office for the events of the programme Kaunas - European Capital of Culture 2022.

Saulė Balčiūnienė resigned from the Board.

The collective agreement with the Trade Union of Lietuvos Paštas was extended for 2 years.

# KEY PERFORMANCE INDICATORS AND FINANCIAL RESULTS

INDICATORS	LP GROUP		COMPANY	
	2021	2020	2021	2020
Quantity of services rendered (thousands of units)	108 959	116 735	108 959	116 735
Quantity of UPS rendered (thousands of units)	11 608	15 817	11 608	15 817
<b>FINANCIAL RESULTS (EUR '000)</b>				
Revenue from operations	111 196	112 061	111 196	112 061
EBITDA	710	8 578	783	8 583
EBIT	- 6 648	1 968	- 6 578	1 970
Net profit/loss	- 6 445	1 583	- 6 375	1 585
Non-current assets	64 111	65 055	64 120	65 067
Current assets	60 050	49 829	59 970	49 676
Equity	27 251	33 696	27 180	33 555
Investments	6 242	17 908	6 242	17 908
<b>EMPLOYEES</b>				
Number of employees at the year end	3 728	4 270	3 726	4 268
Average relative number of employees, FTEs	3 534	3 924	3 533	3 923

# KEY PERFORMANCE INDICATORS AND FINANCIAL RESULTS

INDICATORS	LP GROUP		COMPANY	
	2021	2020	2021	2020
<b>PROFITABILITY RATIOS, %</b>				
Return on equity (ROE)	-23,7	4,7	-23,5	4,7
Return on assets (ROA)	-5,2	1,4	-5,1	1,4
EBITDA margin	0,6	7,7	0,7	7,7
EBIT margin	-6,0	1,8	-5,9	1,8
Net profit/loss margin	-5,8	1,4	-5,7	1,4
<b>FINANCIAL LEVERAGE AND LIQUIDITY RATIOS</b>				
Debt ratio	0,8	0,7	0,8	0,7
Equity to assets ratio	0,2	0,3	0,2	0,3
Current liquidity ratio	0,9	0,9	0,9	0,9
Net debt to EBITDA ratio	-13,0	0,5	-11,7	0,6
<b>ASSETS TURNOVER RATIOS</b>				
Non-current assets turnover ratio	1,5	1,6	1,5	1,5
Trade receivables turnover ratio	6,7	9,3	6,7	9,3

# CALCULATION OF INDICATORS

## Profitability ratios

EBITDA = profit before tax + interest expenses - interest income + depreciation + amortisation

EBIT = profit before tax + interest expenses - interest income

Return on equity (ROE) = net profit / equity

Return on assets (ROA) = net profit / assets

EBITDA margin = EBITDA / revenue from operations

EBIT margin = EBIT / revenue from operations

Net profit margin = net profit / revenue from operations

## Financial leverage and liquidity ratios

Debt ratio = liabilities / assets

Equity to assets ratio = equity / assets

Current liquidity ratio = current assets / current liabilities

Net debt to EBITDA ratio = (Financial debts - cash and cash equivalents) / EBITDA

## Assets turnover ratios

Non-current assets turnover ratio = sales revenue / non-current assets

Trade receivables turnover ratio = sales revenue / trade receivables

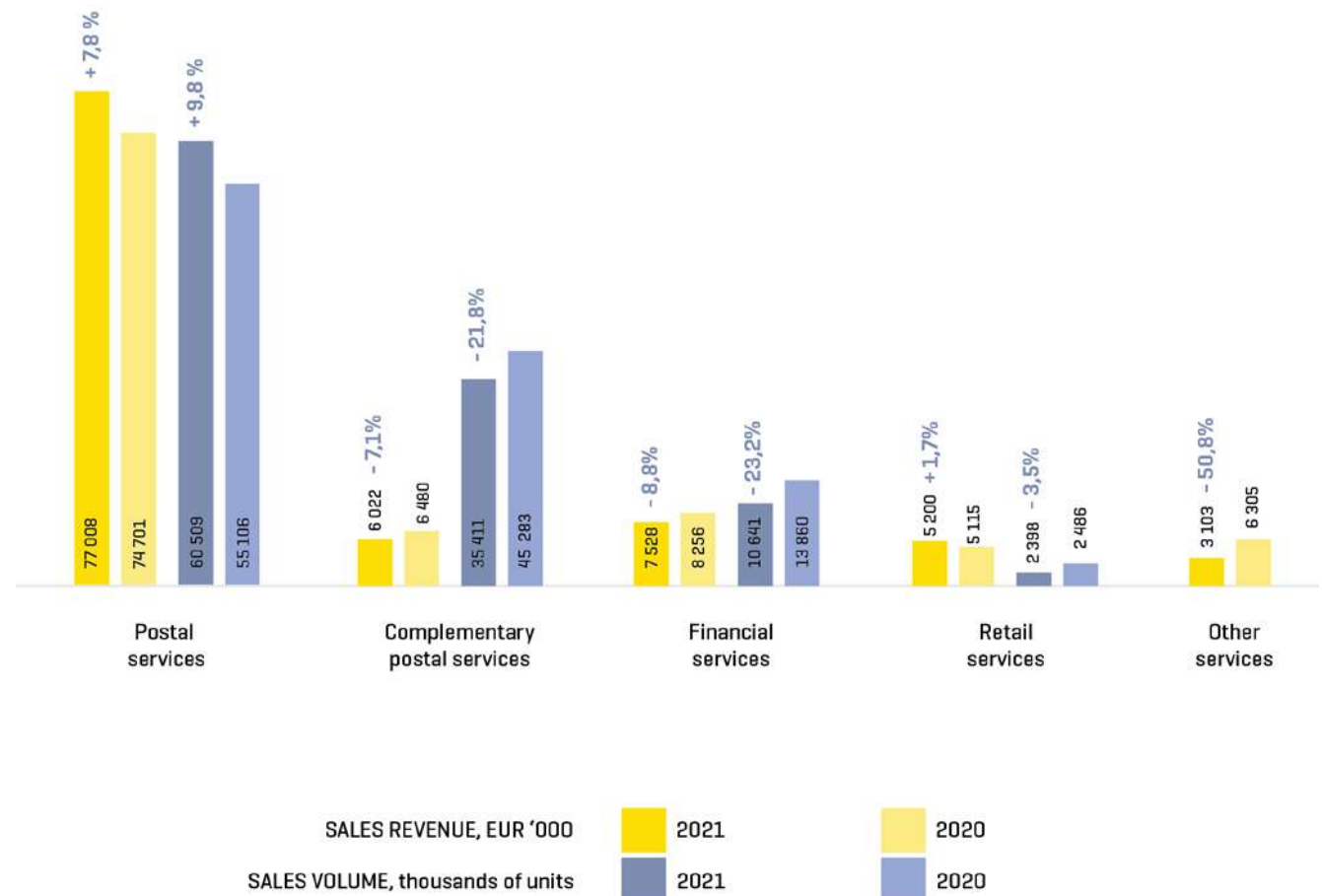


# REVENUE

In 2021, the LP Group's sales revenue decreased by EUR 1.6 million compared to 2020 and totalled EUR 99.2 million. The major portion of LP Group revenue is generated from provision of postal services. In 2021, revenue from postal services accounted for 78% of total sales revenue, i. e. EUR 2.3 million more compared to 2020. In 2021, in the same operating segment, increase in revenue was also noted in the following: revenue from ETOE activities increased by EUR 5.4 million, revenue from parcel locker traffic increased by EUR 3.4 million, and revenue from courier-delivered parcel traffic increased by EUR 1 million. Decrease in total sales revenue was largely caused by lower revenue from inbound parcel traffic and letter traffic, which decreased by EUR 5.2 million and EUR 1.5 million, respectively.

In all other operating segments (except for the retail services), revenue decreased in 2021 compared to 2020. Revenue from complementary postal services decreased by 7% mostly due to lower revenue from deliveries to subscribers. Revenue from financial services decreased by 9% partly due to lower revenue from credit intermediation, money transfers and delivery of retirement pensions. Decrease in revenue from other categories of services was mostly affected by 67% lower revenue from cross-border transit.

ETOE represents a business model of a postal operator, as defined by the Universal Postal Union, which allows the operator to establish and operate extra-territorial offices of exchange in countries other than the national territory of the postal operator.



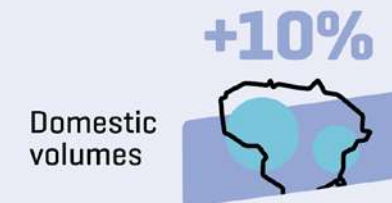
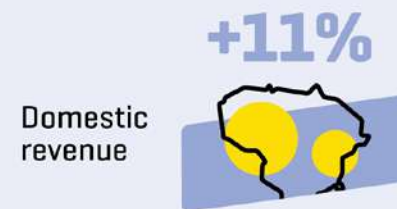
# REVENUE

## Company revenue by type

In 2021, Company's postal traffic in domestic market increased by 10% compared to 2020. The highest growth was noted in parcel locker and courier traffic, representing 67% and 9%, respectively.

Revenue from outbound postal traffic increased significantly due to higher ETOE traffic, which offset 3% decrease in outbound parcel traffic and 25% decrease in letter traffic.

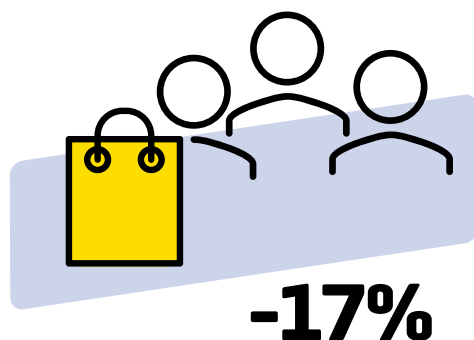
In 2021, annual volumes of inbound postal traffic decreased by 25% due to abolishment of VAT exemption for low-value postal items from outside the EU.



# REVENUE

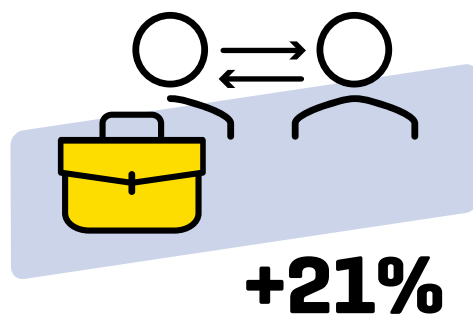
## Revenue from postal services by category of customers

### Revenue from private customers



In 2021, revenue from private customers decreased by 17% as compared to 2020. Such decrease was mostly caused by 29% lower revenue from inbound parcel traffic. A 13% decrease was also noted in revenue from outbound postal parcel traffic, as well as decrease in revenue from letter post traffic due to naturally shrinking market. Such decrease in revenue was partly offset by a 17% growth in revenue from domestic postal parcel traffic.

### Revenue from business customers



In 2021, revenue from business customers increased by 21% as compared to 2020. Revenue from parcel services increased by 19%: revenue from domestic traffic increased by 26%, and revenue from outbound traffic increased by 10%. In 2021, revenue from ETOE activities increased by 126%, whereas revenue from letter services decreased by 10% as compared to 2020.

## Distribution of revenue by category of customers

**38%**

Revenue from postal services to private customers

**62%**

Revenue from postal services to business customers

# EXPENSES

## OPERATING EXPENSES OF LP GROUP AND THE COMPANY, EUR'000

	LP GROUP			COMPANY		
	2021	2020	CHANGE, %	2021	2020	CHANGE, %
<b>Operating expenses</b>	<b>116 953</b>	<b>110 540</b>	<b>5,8%</b>	<b>116 883</b>	<b>110 538</b>	<b>5,8%</b>
Employee-related expenses	46 909	47 108	-0,4%	46 904	47 103	-0,4%
Expenses of cross-border post transportation and settlements with foreign post offices	32 362	29 513	9,7%	32 362	29 513	9,7%
Expenses of utility services	2 167	2 026	7,0%	2 167	2 026	7,0%
Lease of motor vehicles and related expenses	2 340	2 254	3,8%	2 340	2 254	3,8%
Expenses of consumables and raw materials	2 764	2 404	15,0%	2 764	2 404	15,0%
Property repair and maintenance	3 511	3 373	4,1%	3 511	3 373	4,1%
Depreciation and amortization of non-current assets	7 358	6 610	11,3%	7 361	6 613	11,3%
Cost of goods and services for resale	3 457	3 083	12,1%	3 457	3 083	12,1%
Taxes (other than income tax)	630	2 511	-74,9%	630	2 511	-74,9%
Communication expenses	917	921	-0,4%	917	921	-0,4%
Other expenses	14 470	10 736	34,8%	14 470	10 736	34,8%

In 2021, operating expenses of LP Group totalled EUR 117.2 million, i.e. increased by 6% compared to 2020.

In 2021, employee-related expenses amounted to EUR 46.9 million and accounted for a significant part of total operating expenses (40%). Compared to 2020, these expenses slightly decreased. Despite a higher minimum monthly wage set in the beginning of 2021, employee-related expenses remained unchanged as their growth was managed through the implementation of projects for improvement of operational efficiency.

In 2021, there was an increase in expenses of settlements with foreign post offices, which amounted to EUR 26.6 million. The increase was driven by substantial growth of ETOE traffic, as well as by the implementation of UPU changes in relation to the final settlements between the post offices. Expenses of cross-border post transportation decreased by 8% partly due to the resolved issues pertaining to disruptions in cross-border logistics that emerged in the beginning of pandemic in 2020, namely stabilisation of transportation costs.

In 2021, expenses of consumables and raw materials increased by 15% mostly due to higher fuel costs. Depreciation and amortization expenses of non-current assets also increased by 11% due to higher depreciation charges from lease contracts and due to maintenance of Vilnius Logistics Centre as well as its post distribution equipment.

Other expenses increased by 35% mostly due to higher expenses of courier services and maintenance of parcel lockers, which was caused by growth of postal parcel traffic.



# NET PROFIT, EBITDA AND EBIT

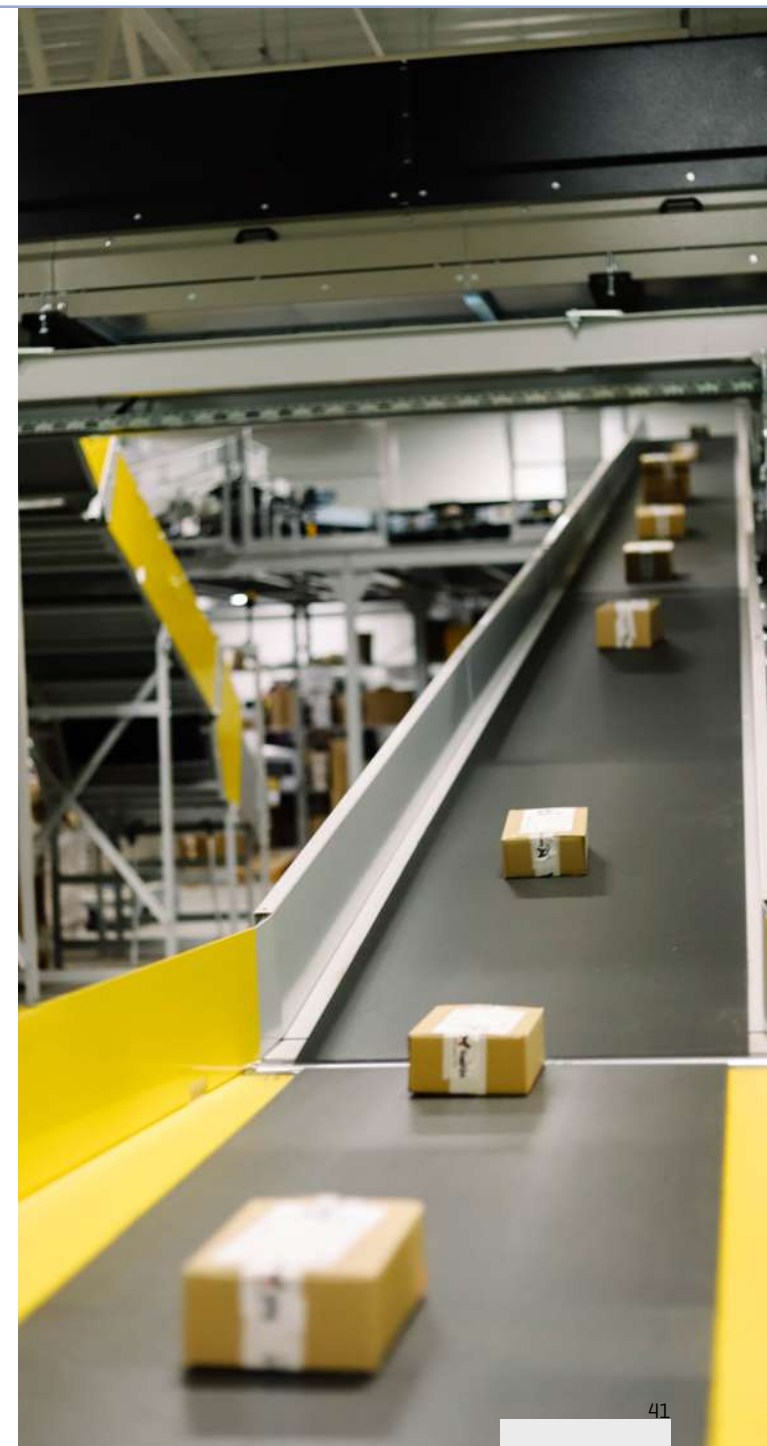
## CHANGES IN NET PROFIT, EBITDA AND EQUITY OF LP GROUP AND THE COMPANY, EUR'000

PERFORMANCE INDICATORS	LP GROUP			COMPANY		
	2021	2020	CHANGE, %	2021	2020	CHANGE, %
Net profit [loss]	- 6 445	1 583	-507%	- 6 375	1 585	-502%
EBITDA	710	8 578	-92%	783	8 583	-91%
EBIT	- 6 648	1 968	-438%	-6 578	1 970	-434%

Compared to profitable result in 2020, when LP Group earned net profit of EUR 1.6 million, in 2021 LP Group incurred net loss of EUR 6.4 million.

LP Group's net profit result was mostly affected by 6% higher operating expenses and 0.8% lower revenue.

In 2021, the LP Group's EBITDA (earnings before interest, taxes, depreciation and amortization) reached EUR 0.7 million, i.e. decreased by 92% compared to 2020. In 2021, the LP Group's equity decreased by 22% and amounted to EUR 26.3 million as at 31 December 2021. Such decrease was caused by losses incurred in the reporting period.



# INVESTMENTS

In 2021, the LP Group's investments property, plant and equipment and intangible assets totalled EUR 6.2 million, i.e. decreased by 65% compared to 2020.

## LP GROUP'S AND THE COMPANY'S INVESTMENTS IN PP&E AND INTANGIBLE ASSETS, EUR'000

PERFORMANCE INDICATORS	LP GROUP			COMPANY		
	2021	2020	CHANGE, %	2021	2020	CHANGE, %
Investments in PP&E and intangible assets	6 242	17 908	-65,1%	6 242	17 908	-65,1%
PP&E	4 886	16 886	-71,1%	4 886	16 886	-71,1%
Intangible assets	1 356	1 022	32,6%	1 356	1 022	32,6%

In 2021, investments in PP&E amounted to EUR 4.9 million, mostly representing investments of EUR 3.1 million in post distribution and other equipment for Vilnius Logistics Centre. In addition, throughout 2021 the Company continued with the expansion of parcel locker network and invested in total EUR 0.5 million in related equipment. EUR 0.8 million was invested in modernisation of the post offices and postal centres based on a new modern concept, whereby 3 postal centres were expanded, and 4 postal centres were opened.

In 2021, investments in intangible assets were mostly intended for the development of existing and new software, and for the development of new business management system.

## INVESTMENTS INTENDED FOR:

EUR  
**6.2**  
million

Total investment



**4 000**

New locker  
boxes



**22**

Modernised  
objects



EUR  
**3,1**  
million

Vilnius Logistics  
Centre distribution and  
other equipment



# FINANCING

Overdraft agreements were signed with OP Corporate Bank plc Lithuanian Branch to finance the working capital of LP Group. Lietuvos Paštas and Nordic Investment Bank (NIB) have signed a loan agreement to finance the Company's investment project in amount of EUR 17.5 million, which was withdrawn in full as at 31 December 2021. The financing has a designated purpose as it is intended for the construction of a new centralised Vilnius Distribution Centre (VDC), for logistic fleet renewal and acquisition of parcel lockers. The longest maturity term of financial debts is 7 years, with the last repayment date due in 2028.



# ANALYSIS OF OPERATIONS

# OVERVIEW OF OPERATIONS

## Research and development

Lietuvos Paštas actively carries out research and development activities in cooperation with the public enterprise Transporto Inovacijų Centras (TIC). This public enterprise was established together with Lietuvos Geležinkeliai AB and Kelių Priežiūra AB to promote innovations and to jointly carry out research and development activities. In 2020, TIC has brought out the problems relevant to Lietuvos Paštas and submitted 10 proposals on how to solve them. In addition, Lietuvos Paštas, together with TIC, have been developing new services and give the Company's employees the opportunity to contribute to the development of innovative ideas.

The Group undertakes long-term strategic planning, which helps define the areas that need expansion and investments. During 2025, important strategic projects will be continued in relation to the development of the Group's e-commerce solutions, process automation and digitization, improvement of service quality, as well as development of a motivating work environment. Several other areas of operations will be important as well, such as financial sustainability and mitigation of impact on climate change.



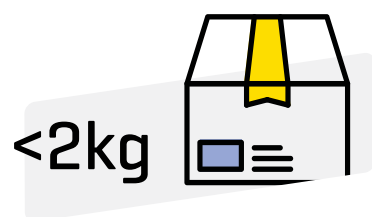
# LICENSED ACTIVITIES OF POSTAL SERVICES

The primary rights and duties of the users of postal services are defined in the Postal Law of the Republic of Lithuania, the Civil Code of the Republic of Lithuania, Law on Consumer Protection of the Republic of Lithuania, and the UPS Rules.

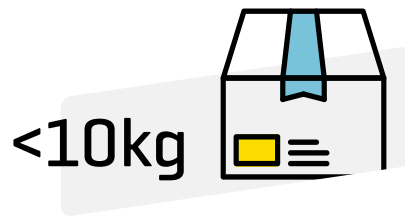
By Resolution No. 467 of 15 May 2019 of the Government of the Republic of Lithuania Regarding a designated provider of the universal postal service, Lietuvos Paštas

was designated to provide the universal postal service across the entire territory of the Republic of Lithuania during the period from 1 January 2020 to 31 December 2026.

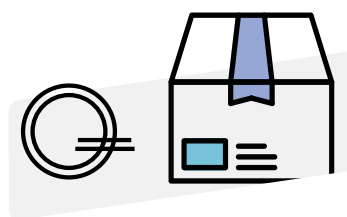
Under the Postal Law, the UPS provider is required to provide the following universal postal service across the territory of the Republic of Lithuania:



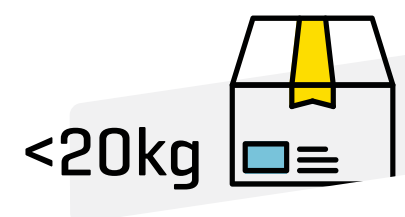
Clearance, sorting, transport and delivery of postal items up to 2 kg\*



Clearance, sorting, transport and delivery of parcels up to 10 kg\*



Clearance, sorting, transport and delivery of registered and insured postal items\*



Delivery of parcels up to 20 kg from other Member States.

\* covering domestic and international postal service.

Under the Postal Law, the UPS provider is committed to ensure uninterrupted provision of the universal postal service on equal terms and conditions for all users across the entire territory of the Republic of Lithuania for at least 5 business days a week, except for the cases of force majeure, and to ensure at least one clear-

ance and at least one delivery of postal items per business day from/to the place of residence or registered office of the addressee.

Lietuvos Paštas, under the obligation to the Government to provide UPS, must deliver periodicals to subscribers in rural areas.

The Communications Regulatory Authority (the CRA) approves the maximum tariffs in respect of each weight category of postal items. Based on the approved maximum UPS tariffs, the newly introduced tariffs for universal and other postal services are approved by the order of the CEO of Lietuvos Paštas.

# LICENCED ACTIVITIES OF ELECTRONIC MONEY INSTITUTION

The Company holds a licence of an electronic money institution since 29 November 2016. The licence allows to engage in the following licensed activities:

Money  
remittance

Distribution and  
redemption of  
electronic money

Provision of services  
allowing to make cash  
payments into payment  
accounts and to conduct  
all other transactions  
related to handling of  
payment accounts

Payment transactions,  
including transfer of  
funds from the payment  
account opened by the  
user of payment services  
with the institution of  
the provider of payment  
services or other provider  
of payments services:  
direct debit transfers,  
including one-off direct  
debit transfers, payment  
transactions using a  
payment card or a similar  
instrument, and/or credit  
transfers, including  
recurring transfers

Issuance of  
electronic  
money

Issuance and/  
or acceptance  
of payment  
instruments

Provision of services  
allowing to withdraw cash  
from payment accounts  
and to conduct all other  
transactions related to  
handling of payment  
accounts



# PUBLIC POSTAL NETWORK

The parent company Lietuvos Paštas is committed to maintain the postal network to ensure compliance with the requirements for locations of the UPS access points.

- in urban residential areas, the distance between a user's place of residence or a place of business to a stationary or non-stationary service point must not exceed 3 km in the straightest distance;

- rural residential areas served by one and the same eldership must have at least one stationary or non-stationary service point;

By the Order No. 3-624 of 15 October 2020 of the Minister of Transport and Communications (Regarding the amendment of the Order No. 3-46 of 25 January 2013 of the Minister of Transport and Communications Regarding the approval of public postal network characteristics of the UPS provider), the following was established:

- all stationary postal service points must be accessible to people with disabilities until 1 January 2027.

The newly approved postal network characteristics of the UPS provider were supplemented with a following provision:

- a rural residential area with more than 300 residents must have at least one mail-box for public use. In case a UPS provider in the territory of a rural residence ensures the provision of UPS in the agreed place of provision of the service, the mail-box for public use in that territory may be optional.

As at 31 December 2021, Lietuvos Paštas had a network of 605 UPS access points, which consisted of the following: 233 stationary post offices (164 in urban areas, 69 in rural areas), 5 postal subdivisions, 326 mobile mailman (MM) access points, 41 other UPS access points. The Group's financial services network PayPost consisted of 24 points.

## 233 stationary customer

- 164 in urban areas,
- 69 in rural areas

## 5 postal subdivisions

## 24 „PayPost“ points

As at 31 December 2021, Lietuvos Paštas operated a network of 285 parcel lockers. The total number of locker boxes in parcel lockers exceeded 44 thousand. Given the steadily growing demand for parcel lockers in 2021, 15 new parcel lockers were installed together

with the expansion of the existing 82 parcel lockers, and 17 were moved to more customer-friendly locations.

Aiming to increase the accessibility of postal services in rural areas, adapt to the changing demographic conditions (population decline in rural settlements) and to



effectively organize work processes, in 2021, 3 mobile mailman (MM) UPS access points were set up and 1 agent point was established to improve mail availability to customers in towns by providing postal services through partners.



# LOGISTICS

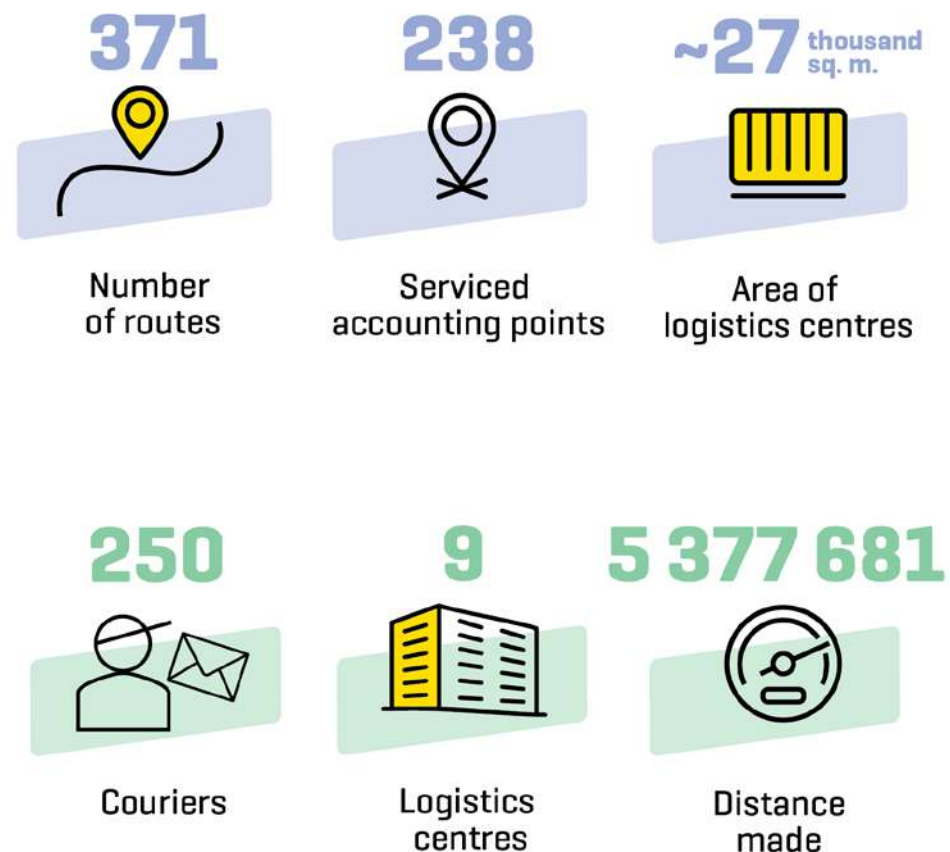
Logistics plays a large and very important role in the Company's activities, as its processes are directly related to many services provided to customers: collection, distribution, transportation and delivery of postal parcels. Logistics also ensures that the post offices are supplied with both materials and goods for retail trade.

The year 2021 was exceptional for the Company for the following reasons:

- Launching of an automated distribution system;
- Abolishment of VAT exemption for postal items from third countries, which resulted in a significantly lower inbound postal traffic from China;
- Fully imbalanced traffic in contrast to the seasonality typical for many years;
- Growth in demand for parcel locker services, which demanded additional resources and quick solutions.

It is important to mention that in 2021, the provision of services was resumed to the destinations that have been closed since the beginning of COVID-19 pandemic. In addition, transportation by air was resumed for the postal parcels that used to be transported by land due to the reduced number of flights during the pandemic. Those factors together with others have driven growth in outbound postal traffic.

Even though the volumes of closed transit traffic decreased as compared to the previous year, the closed transit service was further rendered by land to 35 countries across Europe and several countries in Central Asia.



# SERVICES, MARKETS, CUSTOMERS

Lietuvos Paštas carries out commercial activities and ensures the fulfilment of special obligations.

LP Group provides services to both residents and various companies and organisations, cooperates with foreign post offices and financial institutions. Lietuvos Paštas customers are divided into two segments: customers

who purchase services at post offices or parcel lockers (usually private customers), and customers who have concluded agreements with the company (usually business customers).

## COMMERCIAL ACTIVITIES



### SENDING OF ITEMS:

- sending and delivery of business postal items;



### SENDING OF INFORMATION:

- sending of business correspondence;



### FINANCIAL SERVICES



### OTHER SERVICES:

- retail;
- printing services;
- cross-border transit services;
- warehousing and logistics services;
- deliveries of periodicals to subscribers in urban areas;
- unaddressed and addressed direct mail.

## SERVICES PROVIDED

## SPECIAL OBLIGATIONS

### SENDING OF ITEMS:

- sending and delivery of the UPS postal items;



### SENDING OF INFORMATION:

- sending and delivery of the UPS correspondence;



### OTHER SERVICES:

- deliveries of periodicals to subscribers in rural residential areas.



# INFORMATION ON SPECIAL OBLIGATIONS

Pursuant to Order No. 4-1100 of 20 December 2013 of the Minister of National Economy Regarding designation of special obligations of state-owned enterprises and approval of recommendations for provision of information [revised version No. 4-270, dated 7 May 2018], the special obligations of the parent company Lietuvos Paštas are considered to cover provision of the universal postal service and delivery of periodicals to subscribers in rural residential areas.

The UPS tariffs must be based on the UPS costs; however, they must be affordable for all users of the postal services, transparent and non-discriminating. When the maximum UPS tariffs set by the Communications Regulatory Authority are lower than the UPS costs incurred, the difference between the costs and the UPS tariffs must be compensated for the UPS provider from the state budget funds in accordance with the procedure set by the Government. On 26 October 2021, the CRA approved the decision on new and existing tariffs below the 2020 cost level for the universal postal service [UPP] provided by Lietuvos Paštas in 2020, which were changed on 1 January 2022.

Delivery of periodicals to subscribers in rural residential areas is not considered as the universal postal service; however, the postal service provider designated by the Government to provide the universal postal service,

is required to deliver periodicals to subscribers in rural residential areas. In 2021, compensation from the state budget funds to the Company amounted to EUR 7.1 million for the losses incurred in H2 2020 and H1 2021.

Lietuvos Paštas, as the UPS provider, maintains its accounting records in accordance with the fundamental cost accounting principles and in line with the requirements of cost accounting system, as well as other requirements pertaining to cost accounting, including the requirement to carry out audits.

**The UPS price is affordable, transparent and non-discriminatory to all users of postal services.**

The fundamental cost accounting principles and the requirements of cost accounting system are set forth in the Rules of the UPS, which were amended on 1 January 2018.

Based on the amended Rules of Accounting for the UPS Provider's Costs, Lietuvos Paštas is required to apply the historical cost principle in its cost accounting system, i.e. to account for non-current assets used in its activi-

ties and the related expenses at the carrying amount of non-current assets without considering any impairment or increase in the value of non-current assets, and to record in cost accounting system the return on investment meeting the prudence criterion as a separate category of expenses and allocate it to the end-user services with reference to the amount of capital used in rendering the respective end-user service. In its cost accounting system, the Company is required to separate clearly each universal postal service and each service of delivery of periodicals to subscribers in rural residential areas from the rest of the services rendered by the service provider.

Based on the amended Rules of Calculating the UPS Losses, in its cost accounting system the Company is required to account for its income and expenses incurred in the course of rendering the services, as well as to provide their breakdown by geographical territory and by user, and to include the return on investment calculated in accordance with the requirements of the Rules of Accounting for the UPS Provider's Costs.

The Group does not provide a breakdown of financial information by function in the set of financial statements, balance sheet and income statement for 2021. Information on special obligations performed by the parent company Lietuvos Paštas is presented in a separate document to the Management Coordination Centre.

# DOMESTIC POSTAL SERVICE MARKET

In total 49 entities were operating (were effectively engaged in operations) in the domestic postal service market as at 31 December 2021 (the number has decreased by 2 entities since the end of Q4 2020).

The overall postal service market (in terms of revenue) increased by 2.4% from EUR 62.09 million in Q4 2020 to EUR 63.60 million in Q4 2021.

In the overall postal service market in terms of revenue generated in Q4 2021, the largest market share was taken by Lietuvos Paštas – 27.3%, DPD Lietuva UAB – 20.3% and Venipak Lietuva UAB – 10.7%.

In terms of revenue generated from postal items sent by means of non-universal postal service in Q4 2021, the market share of Lietuvos Paštas was 20.6%, DPD Lietuva UAB was 22.2%, Venipak Lietuva UAB – 11.6%.

Revenue generated from the provision of universal postal service decreased by 56.1% from EUR 11.19 million in Q4 2020 to EUR 4.92 million in Q4 2021. The quantity of the universal postal service decreased by 59.4% from EUR 5.39 million items in Q4 2020 to 2.19 million items in Q4 2021.

**27%****LIETUVOS PAŠTAS****20%****DPD****11%****VENIPAK**

# RISK MANAGEMENT

Risk management at Lietuvos Paštas is an integral part of the strategic planning and implementation of the strategy. Risk management is conducted with reference to the Risk Management Policy and other documents prepared based on the international risk management standard ISO 31000:2018, Risk management. Risk management activities are adapted each time the purpose or circumstances change. Risk management culture is developed through involvement of the Company's employees into risk assessment and search for risk management solutions.

Activities of the Risk Management Committee:  
18 meetings were held in 2021.

## Milestones reached:

- 04/2021** Update of the continuity plan of the new logistics centre, April 2021
- 05/2021** Approval of the risk appetite, May 2021
- 08/2021** Review and update of the Risk Management Policy, August 2021
- 04-11 /2021** Increase of the efficiency of risk management processes, April - November 2021



# DEFINITION OF RISK MANAGEMENT RESPONSIBILITIES (1/2)

## RISK OWNER (REPRESENTATIVE OF THE 1ST LINE OF DEFENCE):

- Contributes to the formation of risk management culture;
- Identifies, analyses and assesses the risks;
- Carries out risk management in day-to-day operations by implementing the controls set in the processes;
- Prepares the risk management plan and ensures its implementation;
- Provides information to the Risk Manager on the implementation of risk management plans.

## EMPLOYEES PERFORMING RISK MANAGEMENT, COMPLIANCE, DATA PROTECTION, CORRUPTION, FRAUD, AND OTHER PREVENTION FUNCTIONS:

- Draft, revise and update the Company's internal documents implementing the provisions of the Policy;
- Contribute to the formation of risk management culture, organizes trainings for risk owners;
- Provide advice, comments and recommendations.

## RISK MANAGER:

- Drafts, revises and updates the Company's Risk Management Policy and procedures;
- Develops, improves and coordinates the implementation of the risk management system;
- Contributes to the formation of risk management culture, organizes trainings for risk owners;
- Consolidates the risk register, coordinates risk management;
- Prepares information and risk management reports for the Risk Management Committee, the Board and the CEO;
- Provides advice, comments and recommendations.

## RISK MANAGEMENT COMMITTEE:

- Considers and makes proposals for Risk Management Policy and procedures;
- Ensures implementation of risk management, evaluates the effectiveness of the risk management system, makes proposals for changing and improving the risk management system;
- Contributes to the formation of risk management culture;
- Approves the Company's register of risks;
- Makes decisions on risk management, approves risk management plans and risk tolerance limits;
- Carries out monitoring of implementation of risk management plans and risk tolerance limits;
- Provides advice, comments and recommendations;
- Considers reports, approves the Company's annual report on risk management system performance



# DEFINITION OF RISK MANAGEMENT RESPONSIBILITIES (2/2)

## INTERNAL AUDIT:

- Independently evaluates efficiency and effectiveness of the Company's risk management system as a whole and individual measures thereof.

## CEO:

- Ensures the implementation of the Risk Management Policy in the Company's operations;
- Responsible for the operation of the risk management system in the Company;
- Approves risk management procedures;
- Shapes the Company's risk management culture, encourages the employees to manage risks and communicate about them in an open and fair manner;
- Once per year submits to the Board the report on performance of the risk management system approved by the Risk Management Committee.

## AUDIT AND RISK MANAGEMENT COMMITTEE UNDER THE BOARD:

- Considers and makes proposals for Risk Management Policy;
- Provides opinions, comments, suggestions for changes and improvements in the risk management system and culture;
- Considers risk management plans and reports;
- Annually monitors identification and assessment of risks;
- Provide advice, comments and recommendations.

## THE BOARD OF THE COMPANY:

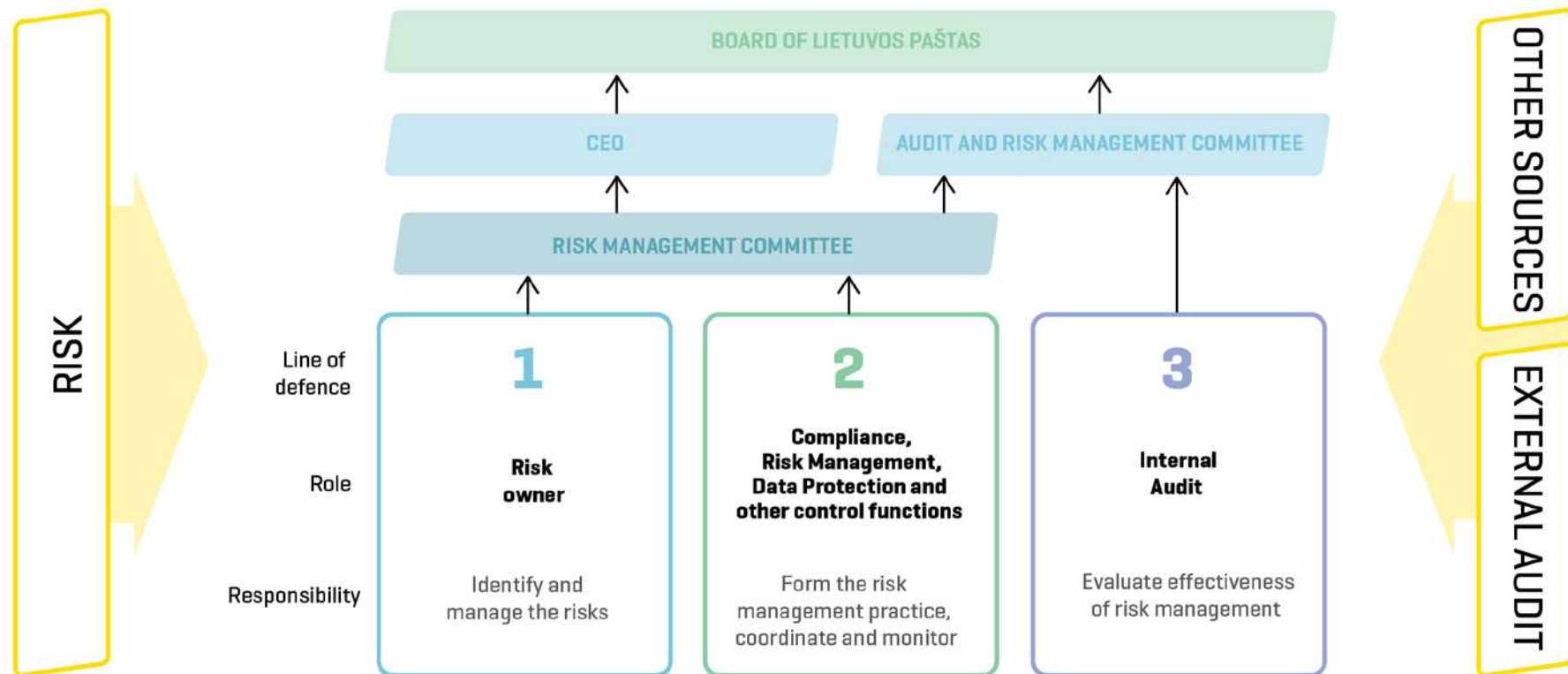
- Approves the Risk Management Policy;
- Makes suggestions on modification and improvement of the risk management system;
- Sets expectations for the risk management culture;
- Performs the established monitoring of the implementation of risk management plans exceeding the risk appetite;
- Considers reports, provides opinions, comments, suggestions for changes and improvements.

# THE SCHEME OF THE THREE LINES OF DEFENCE AT THE COMPANY

Employees are involved in the risk management processes based on their roles and responsibilities according to the principle of three lines of defence. The main decisions on the risk management matters are taken by the Risk Management Committee and the CEO. The Internal Audit and the Audit and Risk

Management Committee under the Board carry out monitoring of the risk management. By taking into account a well-balanced viewpoint in respect of operational risks, the Company cooperates with the regulatory authorities. Risk management covers context analysis, risk assessment, decisions behaviour

approach, elaboration of risk management plans, and monitoring of their implementation. These are continually performed activities - a regular update of the register of risks, assessment of risks during both continuing operations and implementation of changes or projects.





# MAJOR RISKS WITH THE HIGHEST POTENTIAL IMPACT, 2021

## LOSS OF MARKET SHARE DUE TO A SLOWER IMPLEMENTATION OF E-SOLUTIONS REQUIRED IN THE MARKET

- Implementation of market level IT / customer solutions;
- Improving customer experience via electronic interfaces;
- Development of trends and channels of "With Tracking" service

## SERVICE DISRUPTIONS DUE TO STAFF SHORTAGES

- Employee leasing;
- Additional work employment contracts with employees;
- Establishment of substitute positions;
- Remuneration review;
- IT staff search services

## DISRUPTION OF BUSINESS OPERATIONS DUE TO MALFUNCTION OF IT SYSTEMS

- IT monitoringo sistemos stebimų komponentų auditas ir modifikavimas;
- Kritinių incidentų valdymo tobulinimas;
- LP sistemų vystymo principai ir IT plėtros kelias;
- Pokyčių valdymo proceso atnaujinimas

## PROPERTY DAMAGE, EMPLOYEE OR CUSTOMER INJURY DUE TO PARCELS CONTAINING HAZARDOUS MATERIAL

- Staff training, measures to retain trained and skilled staff

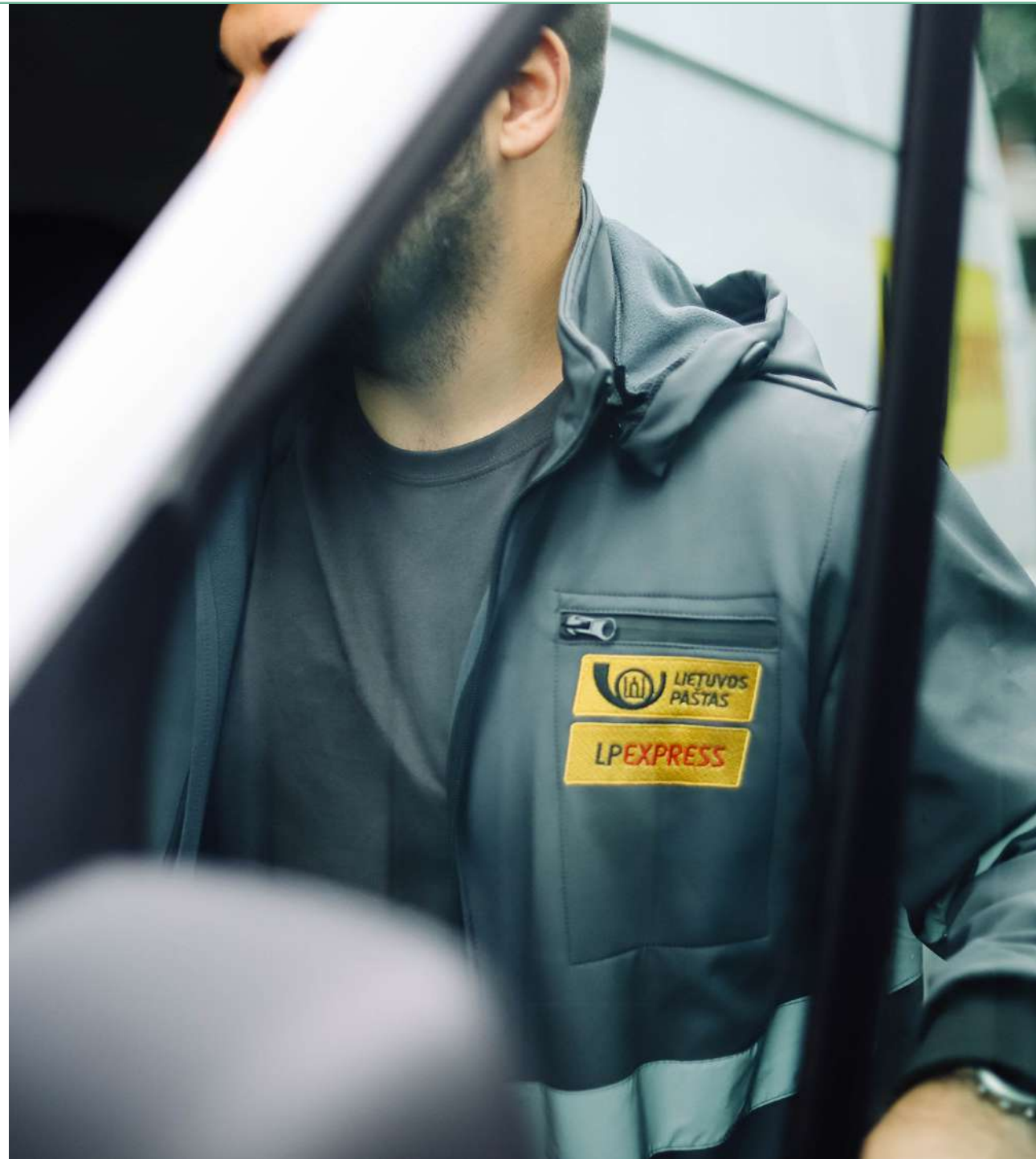
# AUDITORS

The audit of the financial statements for the year ended 31 December 2021 prepared according to IFRS (the International Financial Reporting Standards) as adopted by the European Union was carried out by audit firm PricewaterhouseCoopers UAB.

According to the agreement on the purchase of audit services signed between the Company and PricewaterhouseCoopers UAB on 9 September 2019, the fee for the audit services of the consolidated and separate financial statements for 2021, including the preparation of a report to the Bank of Lithuania, is equal to EUR 64.5 thousand (excl. VAT).

During 2021, the following non-audit services stipulated in the audit agreement were rendered for the total value of EUR 24.6 thousand:

- Translation of financial statements and annual report for 2021 - the audit fee was not specified separately in the audit agreement;
- Assurance services on reports provided to the Communications Regulatory Authority under ISAE 3000:
  - The service income and costs reports on delivery of periodicals to subscribers in rural areas for 2020;
  - Universal postal service reports for 2020;
  - The service income and costs reports on delivery of periodicals to subscribers in rural areas for H1 2020.



A large, light blue magnifying glass graphic is centered on the page. The handle of the magnifying glass is a trapezoidal shape pointing towards the bottom right. The lens is a large circle with a smaller, darker blue circle inside it, creating a concentric effect. The text "PLANS AND PROJECTIONS" is overlaid on the lens area.

# PLANS AND PROJECTIONS

# STRATEGIC GOALS AND THEIR IMPLEMENTATION

For implementation of the strategy of Lietuvos Paštas, the Shareholder's Letter of Expectations specifies the goals of operations, areas of focus and the purpose of

the Company's operations. The Letter also sets forth the principles of operation. The Shareholder's Letter of Expectations is available on the official website of

Lietuvos Paštas under the section Management. The Shareholder's Letter of Expectations sets forth the following areas of focus in the Company's operations:

## **ASSURANCE OF FUNCTIONS OF NATIONAL IMPORTANCE**

The Company is committed to ensure the provision of universal postal services and periodicals delivery services, as defined in the relevant legal acts and agreements with the Company.

## **SHAREHOLDER REWARDS**

The Company's average return on equity (ROE) is to be no less than the one set by the Government for state-owned enterprises.

## **TRANSPARENCY**

The Shareholder expects that the Company will have in place the most up-to-date corruption prevention and risk management measures, and that its public procurement procedures will be carried out in accordance with the provisions of the Lithuanian Law on Public Procurement. The Company will make sure that all information specified in the Guidelines for Ensuring Transparency of Operations of State-Owned Enterprises is made available to the public.

## **EFFICIENCY**

The Company is expected to ensure that its governance is efficient and meets the best governance practice in line with the governance improvement recommendations provided by a public institution Monitoring and Forecast Agency, and to strive that its rating in the annual report on evaluation of the SOE Good Governance Index is not lower than A. The Company is expected to rationalise its postal network by ensuring accessibility and quality of its services, cost reduction and customer satisfaction.

## **SOCIAL RESPONSIBILITY**

The Company is expected to ensure that the work pay and work environment of employees are fair and of market standard. The Company's Board and management are expected to maintain a continual and constructive dialogue with the representatives of its employees.

## **INNOVATION AND LEADERSHIP**

The Company is expected to seek for sustainable growth by assuring the services of public interest, and become an industry leader at the regional level. The Company is expected to make investments in new technologies and modern methods of operation.

# STRATEGY 2021-2024

The strategic planning and monitoring of Lietuvos Paštas are carried out in line with the recommendations of a public institution Monitoring and Forecast Agency, the internal policies and procedures, and based on the best practice. Elaboration of the strategy is to involve all the structural units of the Company, and the survey of stakeholders. The procedure for elaboration of the strategy is defined in the integrated strategic planning and monitoring policy, which is approved by Resolution No. 18-72 of 9 October 2019 of the Board of Lietuvos Paštas.

## STRATEGY - SUSTAINABLE GROWTH

Focus on growth of parcel revenue, driven by modernisation and greater convenience for customers.

# STRATEGIC AREAS OF FOCUS

The Group's updated strategy 2022-2024 defines the main areas of focus to be pursued until 2024, the strategic goals and indicators:



## MISSION

A convenient way to send and receive. For everyone.



## VISION

A modern and reliable postal service provider connecting Lithuania with the rest of the world.



## VALUES

We cooperate. We take responsibility. We change.



Increasing financial sustainability



Optimisation, automation and digitalisation of operations



Development of e-commerce solutions for customers



Mitigation of impact on climate change



Provision of quality postal services



Creation of a motivating working environment

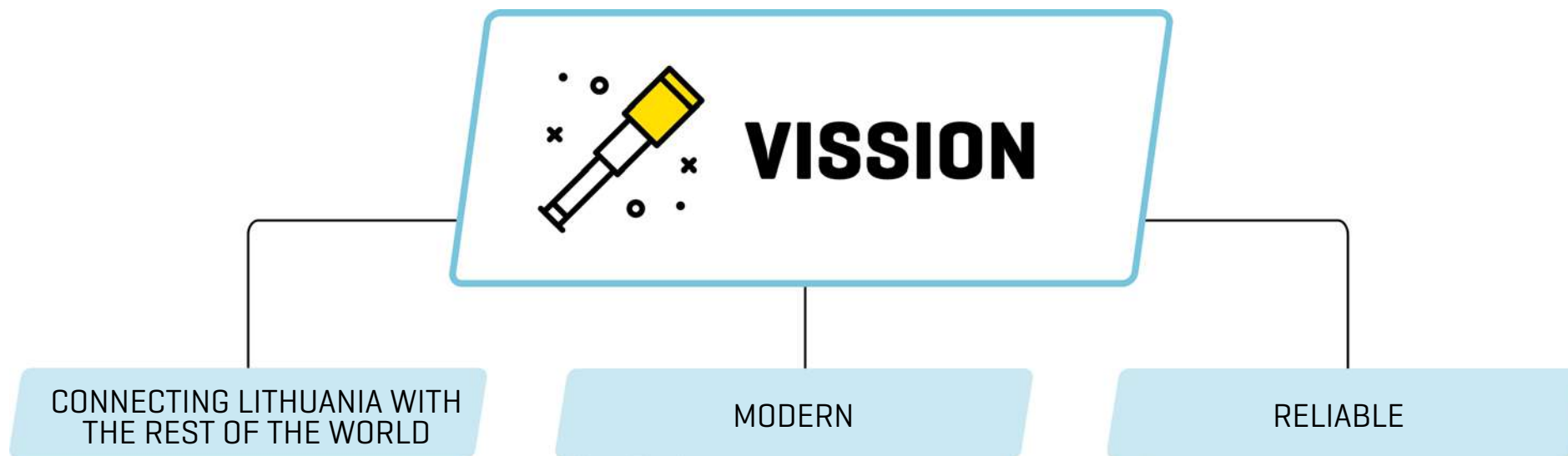
# STRATEGIC GOALS 2022-2024

<i>Item</i>	<i>Strategic area of focus</i>	<i>Goal</i>	<i>Goal indicator</i>
FINANCES	Increasing financial sustainability	Increasing the value created for the shareholder	Return on equity (ROE), %
		Management of debt in the capital structure	Financial debt to equity ratio, %
CUSTOMERS	Development of e-commerce solutions for customers	Increasing the market share of revenue from the delivery of parcels	Market share gain of parcel revenue, based on the previous year Q4 results, %
	Provision of quality postal services	Ensuring high customer satisfaction with services	NPS, % (customer satisfaction index)
PROCESSES	Digitalisation and automation of operations	Increasing operational efficiency	Sales revenue per FTE, EUR'000
	Climate change mitigation	Reduction of CO2 emissions	Reduced CO2 emissions, % (compared to 2020)
EMPLOYEES	Creation of a motivating work environment	Increasing employee engagement	Employee engagement, %

# OUR MISSION IN MORE DETAIL



# OUR VISION IN MORE DETAIL



## CONNECTING LITHUANIA WITH THE REST OF THE WORLD

These are the words representing the impact that Lietuvos Paštas has on society. They also demonstrate the intention of Lietuvos Paštas to adapt its services and solutions to the needs of global market rather than act merely as a local postal service provider.

## MODERN

For our customers this means that Lietuvos Paštas will seek to maintain an image of a modern postal service provider with its main processes and operations to be automated and streamlined as much as possible over the period of upcoming 5 years. For our employees this means that Lietuvos Paštas will seek to offer market standard work pay, modern and innovative means of work.

## RELIABLE

For our customers this means that Lietuvos Paštas seeks to fulfil its commitments and provide the services in line with customer expectations. For our employees this means that Lietuvos Paštas will seek to ensure safe and reliable working environment, accompanied with all social guarantees.



# OUR VALUES IN MORE DETAIL



# PROGRESS AGAINST ANNUAL GOALS 2021 (1/2)

ANNUAL GOAL	INDICATOR	PLANNED 2021	ACTUAL 2021	COMMENT
Achievement of target EBITDA margin	%	9,7	0,7	<p><b>The main drivers of positive impact:</b></p> <ol style="list-style-type: none"> <li>1. Growth of domestic parcel traffic – economy of scale driven by increasing quantities achieved;</li> <li>2. Growth of retail profitability;</li> <li>3. Increased revenue from ETOE activities;</li> <li>4. Higher income from real estate sales.</li> </ol> <p><b>The main drivers of negative impact:</b></p> <ol style="list-style-type: none"> <li>1. Following the abolishment of VAT exemption for low-value postal items from outside the EU, the inbound parcel traffic decreased more than planned;</li> <li>2. Decrease in revenue from Chinese train transit;</li> <li>3. Outbound parcel traffic lower than planned;</li> <li>4. Higher transportation costs and higher growth in prices for services, energy and goods in the market.</li> </ol>
Achievement of target UPS revenue	EUR million	32,7	24,8	<p><b>The main drivers of negative impact:</b></p> <ol style="list-style-type: none"> <li>1. Lower revenue from inbound traffic.</li> <li>2. Outbound and domestic parcels and letters traffic decreased.</li> </ol>
Achievement of target non-postal revenue	EUR million	13,7	12,7	<p><b>The main drivers of positive impact:</b></p> <ol style="list-style-type: none"> <li>1. Higher retail revenue.</li> </ol> <p><b>The main drivers of negative impact:</b></p> <ol style="list-style-type: none"> <li>1. Lower revenue from financial services, especially in the field of credit intermediation due to customer habit changes and optimisation of the PayPost network.</li> </ol>
Reduction of debt in the capital structure	Coefficient	<3,2	0,6	Reduction of debt in the capital structure is pursued in accordance with the goals set.

## PROGRESS AGAINST ANNUAL GOALS 2021 (2/2)

ANNUAL GOAL	INDICATOR	PLANNED 2021	ACTUAL 2021	COMMENT
Implementation of strategic projects to the intended extent	Qualitative	Yes / No	Yes	<p>1. Smart Distribution Program [SDP]:</p> <p>1.1 Optimised distribution process by automating it with the help of distribution equipment, ensuring efficient processing of growing parcel volumes;</p> <p>1.2 Optimised human resources;</p> <p>2. Development of parcel lockers network: 15 new parcel lockers, 82 parcel lockers expanded, 17 parcel lockers were moved to more customer-friendly locations. At the end of the year, we had 285 parcel lockers with more than 44 thousand locker boxes;</p> <p>3. Implementation of mandatory UPU and EU requirements [UPES]: the Company's systems and processes are prepared for full electronic declaration;</p> <p>4. Synergy between LP and LpExpress: the project is under review.</p>
Ensuring high customer satisfaction	NPS, % [customer satisfaction index]	49	37	At the beginning of 2021, we recorded unusually large volumes of parcels and at the same time switched to smart distribution. During the transition period, disrupted parcel distribution processes had a major impact on customer satisfaction scores.
Ensuring the quality of delivery of commercial parcels	%	95	95.9	Delivery is carried out according to the set goals.
Ensuring high employee engagement	Employee engagement survey, %	47	45	The goal was not achieved mainly due to changes in processes implemented within the organisation as a result of introduction of the Smart Distribution Program and the related reduction of the number of employees in 2021.

# PROGRESS AGAINST STRATEGIC GOALS 2021

STRATEGIC PRIORITY	GOAL	INDICATOR	PLANNED 2021	ACTUAL 2021
Increasing financial sustainability	Increasing the value created for the shareholder	Return on equity (ROE), %	4,4	-23,5
	Reduction of debt in the capital structure	Financial debt to equity ratio, %	77	60
Development of e-commerce solutions for customers	Improvement of e-commerce solutions for local customers	Parcel revenue from local customers, in EUR million	49	51
	Improvement of e-commerce solutions for foreign customers	Parcel revenue from foreign customers, in EUR million	28	24
Assuring of services of public interest	Increasing customer satisfaction with services	NPS, %	49	37
Digitalisation and automation of operations	Share of services provided by e-channels	%	55	72
Creation of a motivating work environment	Increasing employee engagement	Employee engagement, %	47	45

# INVESTMENT PROJECTS DURING 2021

## SMART DISTRIBUTION PROGRAM (SDP)

### GOAL:

to build a new Vilnius logistics center with automated distribution equipment and integrated information systems.

- **2021 March:** Smart distribution equipment was launched;
- **2021 3Q:** Distribution of parcel locker's parcels with V30 equipment for the whole Lithuania has started;
- **2021 4Q:** Distribution of parcels with V30 equipment has started;
- **2021 December:** The installation of ADS (automated distribution system) has been completed.

## DEVELOPMENT OF PARCEL LOCKERS NETWORK

### GOAL:

expansion of parcel locker network, so that as many customers as possible could conveniently send and receive parcels, and at the same time, expansion of the possibilities of Lietuvos Paštas to divert more postal items from post offices to parcel lockers.

- **Until 2021 July:** - 15 new parcel lockers were installed;
- **During 2021:** - 82 parcel lockers were expanded by additional columns;
- The number locker boxes has increased by 4,000 (including new parcel lockers and additional columns in existing parcel lockers).

## IMPLEMENTATION OF THE COMPANY'S COMPLIANCE WITH MANDATORY UPU AND EU REQUIREMENTS (UPES)

### GOAL:

compliance of the Company's operations with UPU and EU requirements.:  
 - exchange of parcel data in the ITMATT message format;  
 - the removal of the VAT exemption for all imported goods and the mandatory submission of electronic declarations;  
 - mandatory import control system for postal items ICS2.

- **2021 March:** The Company started to partially use the inbound control system for postal items (ICS2);
- **2021 June:** Preparation of systems and processes for the electronic declaration;
- **2021 July:** The Company started a mandatory submission of electronic declarations to the Customs of the Republic of Lithuania
- **2021 October:** The Company started working fully with ICS2 system;
- **2021 December:** Completion of stabilisation of systems and processes and initiation of project closure activities.

## MANAGEMENT SYSTEM UPDATE (MSU) PROJECT

### GOAL:

to implement a centralized business management system that would allow efficient management of key business processes.

- **2021 March:** Signing of service agreement with the installation maintenance service partner;
- **2021 April:** Initiation of selection of installers according to the qualification assessment system;
- **2021 May:** The installation maintenance partner performed update diagnostics for the management system;
- **2021 November:** Activation of the test environment for the planned management system.

# SUSTAINABLE DEVELOPMENT REPORT

# ABOUT THE REPORT

## Foreword by the Chief Executive Officer:

The year 2021 was an exceptional year for the Lietuvos Paštas – at the beginning of the year we distributed record numbers of parcels, switched to fully automated parcel sorting, implemented the changes required for smooth operation after the abolition of the VAT relief for low value parcels. Nevertheless, we have paid great attention to another, very important, direction of our activities, which is focused on the Company's impact on the environment, society, and employees – on sustainable development.

In 2021, we began to feel the growing interest of our customers in sustainable development, and especially in environmental protection. During the year, we took strong steps, which are extremely important for the organisation to start operating more sustainably – we interviewed our stakeholders, assessed the impact of the Company, and determined the main directions for sustainable development, set goals for 2025 and started implementing them.

It is clear that our business community and society are increasingly aware of the importance of sustainable development and are paying attention to this when choosing a supplier of goods or services. I am proud that Lietuvos Paštas is able to respond to customer needs and help our customers assess their impact on the environment. Moreover, I understand that we still have a lot of changes ahead of us. We are ambitious and I believe that 2022 will bring even more change to ensure a more sustainable performance.

This annual sustainable development report of Lietuvos Paštas (hereinafter – the Report) is published together with the Company's consolidated annual report and financial statements. The report is prepared in accordance with the Global Reporting Initiative (hereinafter – GRI) standards 2021. In addition, the report has been prepared in accordance with the requirements of the Republic of Lithuania Law on Consolidated Financial Statements and assessing the activities in the context of the Sustainable Development Goals and pursuant to the United Nations

(UN) Global Compact principles. The sustainable development report should be read in conjunction with the consolidated annual report of the Company, as some of the information relevant to the Report is published in the annual report in order to avoid duplication.

The information provided in the Report covers the period from 1 January 2021 until 31 December\*. The Company's latest Social Responsibility Report 2020 was released on 31 March 2021. This and pre-

vious Social Responsibility Reports are available on the Company's website. Data presented in previous years' reports remain relevant and have not been changed due to changes in calculation methodologies or new data. The Board, together with the sets of annual financial statements, reviews and approves the Sustainable Development Report.

If you have any questions regarding the Report or the Company's sustainability initiatives, please contact us by e-mail [darnumas@post.lt](mailto:darnumas@post.lt).

\* Excluding GHG emission estimates that are stated for 2020

# SUSTAINABLE DEVELOPMENT AT LIETUVOS PAŠTAS

Lietuvos Paštas has always had a responsible approach to its activities. At the end of 2020 it was decided to pay even more attention to sustainable development – a decision was made to make sustainable development one of its operational priorities. The Company stakeholders, i.e., shareholders, customers, partners and employees, care that the organisation acts responsibly and implements initiatives and projects aimed at creating added value for the society. Moreover, the Company operates in one of the most polluting sectors – transport – and therefore takes responsibility for its environmental impact. The Company strives to operate sustainably and wants to be among the companies that apply good practices in the field of sustainability and thus set an example for other organisations. For these reasons, in 2021, we focused on understanding stakeholder expectations, refining strategic directions for sustainable development, and setting goals.





## COMPANY'S PRINCIPLES OF SUSTAINABILITY

The Company adheres to 7 principles that are an integral and inseparable part of the business and contribute to sustainable development.

Accountability. The Company is accountable for its impact on society, economy and environment.

Transparency. The Company adheres to transparency in its decisions and activities that affect society and environment.

Ethical behaviour. The Company acts ethically, i.e. the Company's behaviour is based on the values of integrity, equality and honesty.

Respect for international standards of conduct. The Company adopts instructions from contracts and other international agreements applicable to social responsibility, while complying with all laws and other legislation in force in the Republic of Lithuania.

Respect for the law. The Company complies with all laws and other legislation in force in the Republic of Lithuania, informs the interested parties about the obligation to comply with and apply their requirements.

Respect for human rights. The Company respects human rights and recognizes both their importance and universality.

Respect for the interests of the interested parties. The Company respects, takes into account and responds to the interests of the interested parties.

## STAKEHOLDERS

An open and close relationship with stakeholders is essential to ensure that the sustainable development goals are met. Lietuvos Paštas strives for the Company's strategy and sustainable development

initiatives to be prepared taking into account the expectations and needs of stakeholders.

The Company considers those who are affected by it as stakeholders, as well as those who have an inte-

rest in the Company's activities or may exert direct or indirect influence themselves. In the context of sustainable development, the key stakeholders are the following:

	CUSTOMERS	NON-GOVERNMENTAL ORGANISATIONS	SUPPLIERS AND CONTRACTORS	EMPLOYEES	SHAREHOLDER	LOCAL COMMUNITIES AND SOCIETY
<b>Purpose of engagement</b>	Customers help to better understand their expectations and needs for sustainable services. The range of sustainable services is expanding in line with their opinion.	Cooperation with organisations operating in the field of sustainable development helps the Company to gain expert knowledge and insights, and to establish contacts with the target groups.	In carrying out its activities, the Company uses the services of different suppliers and contractors. In order to ensure sustainable operations, it is important that the Company's partners also operate in a sustainable manner.	The employee engagement ensures the success of sustainable development initiatives. The employees also have the opportunity to report issues and suggest initiatives related to sustainable development.	The Company strives to meet all shareholder expectations, including in the area of sustainable development.	It is important for the Company to understand the impact of operational changes on local communities, society and, where possible, to involve them in a dialogue.
<b>Ways of engagement</b>	The Company website and social networking accounts, newsletters, customer surveys and feedback forms.	The Company website and social networking accounts, direct communication and annual report.	The Company website, direct communication, supplier surveys and documents, e.g., code of ethics for suppliers.	Intranet and other internal communication channels, training, direct communication and feedback collection, Trust Line, a space to suggest ideas and report problems.	The Company website, annual report, direct communication and meetings.	The Company website and social networking accounts, and annual report.

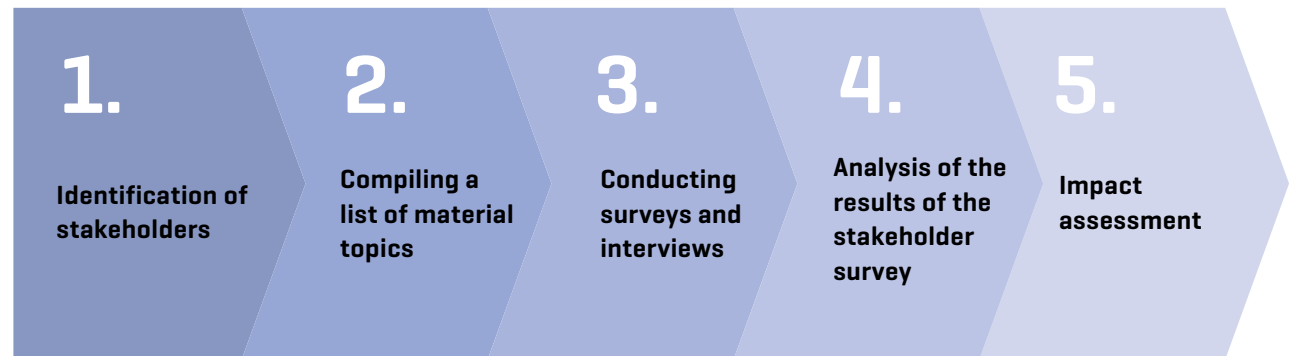
Other stakeholders: The Company management and the Board, trading partners, and media.

The stakeholders have been identified by compiling a detailed list of stakeholders. Then, with the help of management and other relevant employees, the

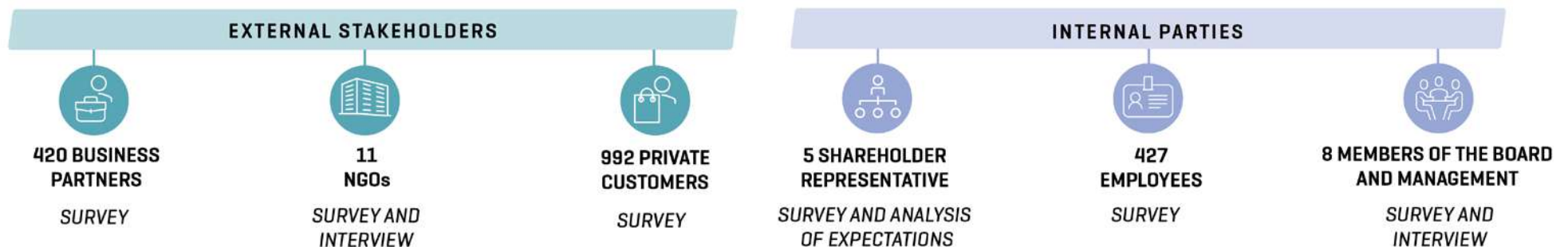
stakeholders are divided into very important and observable. The company has also defined each party's expectations and needs, risks and opportunities.

## MATERIALITY ASSESSMENT

It is important for the Company that its sustainable development directions and goals meet the needs of the society, customers and employees, therefore, the materiality assessment was performed prior to choosing the strategic directions of sustainable development and setting the goals. Its main purpose is to refine the areas of sustainability in postal activities that are most relevant to the Company's stakeholders and to assess the Company's impact on each area. Results of the assessment were used when preparing sustainable development guiltiness of the Company, set strategic directions and goals.



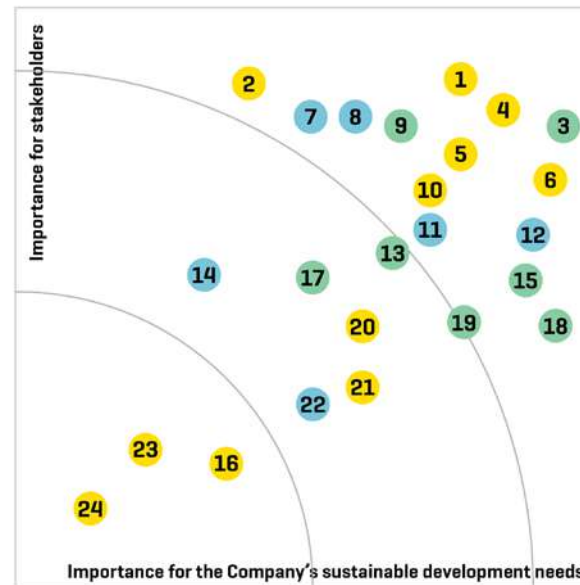
Stakeholders who participated in the materiality assessment, their survey methods and results:



During the analysis of the survey and interviews, a coefficient was assigned to each stakeholder group and the total significance of material topic was calculated. Then, during the workshops and strategic sessions, the Company's management conducted an impact assessment.

The impact was assessed according to whether it is positive or negative, short-term or long-term, the extent to which the Company can implement changes in each area and the significance of those changes for the environment, society, business partners, etc. The biggest impacts were considered to be those that the Company is already making [e.g., producing large amounts of GHG emissions] and those where the Company can make a significant positive change [e.g., currently only about half of post offices are adapted to customers with special needs]. The areas of minor impact are those in which the Company has no current (or no future) adverse effects or would have a negligible positive impact. For example, a safe working environment is one of the most important topics for stakeholders. Although the Company is one of the largest employers in Lithuania, the majority of employees work outside the Company's property, e.g., on the road. As a result, the Company can achieve relatively small changes by improving the safety of the working environment. The impact of the topic on the Company's operations and strategic goals was also taken into account. A materiality matrix was developed following the impact assessment.

### Lithuanian post materiality matrix:



**Very high materiality topics:**

- 1 Efficient personal data protection
- 2 Safe working environment
- 3 Development of electronic service
- 4 Fair pay
- 5 Equal rights of workers
- 6 Accessibility of services to persons with disability
- 7 Bribe prevention
- 8 Efficient use of natural resources
- 9 Responsible management of packaging
- 10 Protection of human rights
- 12 Sustainable supply chain
- 15 Sustainable goods and services
- 18 GHG emissions control and reduction

**High materiality topics:**

- 11 Fair competition
- 13 Sustainable materials in the company's activities
- 14 Cooperation with external partners for development of innovations
- 16 Lifelong learning
- 17 Control of quantity of emissions
- 18 Efficient energy consumption, AEI
- 20 Representation of employees in company management

**Medium materiality topics:**



















- 21 Education of customers and employees on ESG issues
- 22 Partnership, sharing experience with Lithuanian and foreign organisations
- 23 Civic duty
- 24 Employee volunteering

The Lietuvos Paštas Sustainability Guide has been prepared and strategic directions and goals have been established based on the results of the materiality assessment. A number of material topics that are interlinked have been collated, such as GHG control and reduction, energy efficiency and the deploy-

ment of renewable energy solutions were combined in one strategic direction – reducing the impact on climate change. All strategic directions of sustainable development of Lietuvos Paštas, which also form the basis of the Sustainable Development Report:

<b>ENVIRONMENTAL RESPONSIBILITY</b>		<b>SOCIAL RESPONSIBILITY</b>		<b>ECONOMIC RESPONSIBILITY</b>	
Reducing the impact on climate change	Sustainable services for our customers	Motivating work environment	Social inclusion	Sustainable supply chain	Digitisation
				Financial stability and resilience	

The table below sets out the main impacts on the most significant areas that the Company is making or will make in the future, with a stronger focus on significant areas through its direct activities.

	IMPACT ON THE ENVIRONMENT	IMPACT ON THE SOCIETY	IMPACT ON THE ECONOMY
<b>Reducing the impact on climate change</b>	 [-] The Company consumes a lot of fuel, which makes a significant contribution to GHG emissions.	 [-] The Company's emissions contribute to air pollution, which has a negative impact on the society.	 [+] To reduce its impact, the Company will invest in innovative technologies and products.
<b>Sustainable services for our customers</b>	 [+] The Company already offers a range of sustainable packaging that contributes to the circular economy and is more environmentally friendly. The aim is to further increase the supply of sustainable goods.	-	 [+] The Company's suppliers of goods are companies that develop environmentally friendly products.
<b>Motivating work environment</b>	-	 [+] Happier and healthier employees.	 [+] Motivated employees work more efficiently and productively, thus contributing to the success of the Company, and at the same time higher returns to the shareholder.
<b>Social inclusion</b>	-	 [+] People who live in remote areas or who have a disability are provided with a convenient access to products and services.	 [+] People who face labour market challenges are integrated into the labour market.
<b>Sustainable supply chain</b>	 [+] Suppliers are encouraged to use more environmentally friendly materials.	 [+] Cooperation is conducted only with suppliers who respect human rights and ensure appropriate working conditions.	 [+] Cooperation is conducted with honest and transparent suppliers.
<b>Digitisation</b>	 [+] Digitising and automating processes consume less resources.	 [-] Optimising performance often leads to staff reductions.	 [+] Investing in advanced and innovative technologies.
<b>Financial stability and resilience</b>	 Depending on the financial results, the Company's investments in solutions that help reduce the Company's impact on the environment either increase or decrease [+ or -].	 The Company's ability to allocate more funds to increase employee salaries and additional benefits depends on its financial results [+ or -].	 The financial results of the Company have a direct impact on the economy, as dividends are paid to the shareholder [the Ministry of Transport and Communications] when the Company operates profitably [+ or -].

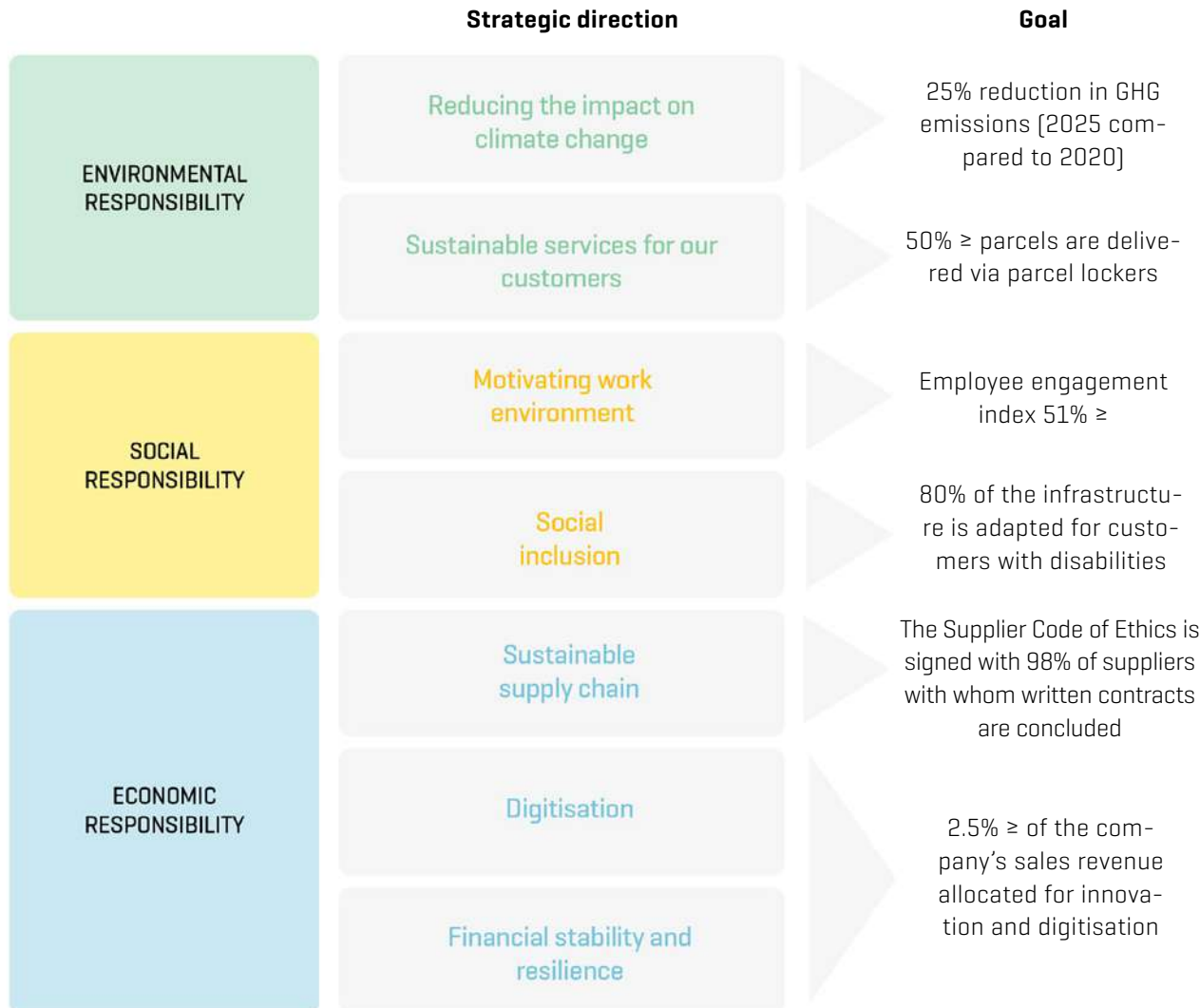
When performing the impact analysis, the Company did not identify any impacts that would or could be remedied. As a result, the Company focuses on reducing the negative impact, or if the impact cannot be

avoided (e.g., reducing the number of employees by optimising operations), ensuring that Lithuanian legislation is not violated, cooperating with stakeholders to reduce the negative impact, etc. Information

on material topics, impacts and related initiatives is presented to the Board as required. The Company does not have an impact management mechanism.

The Company's objectives for each significant area are outlined in the next section, management and initiatives to reduce negative or maximise positive impact are described in detail under each area.

## STRATEGIC DIRECTIONS AND GOALS



The directions and goals of sustainable development are set out in an internal document of the Sustainable Development Guidelines, which was presented and discussed with the Board. The Board shall also be provided, as appropriate but at least annually, with progress in implementing policies related to sustainable development and in achieving its objectives.

The Company's long-term strategy, sustainable development guidelines, day-to-day operations and corporate culture contribute to many of the United Nations Sustainable Development Goals, 5 of which are of particular importance to our stakeholders and most relevant to the Company's strategic sustainability directions.



## OPERATIONAL POLICIES AND COMMITMENTS

In carrying out its activities, Lietuvos Paštas follows operating policies, which set out requirements and principles for each area of sustainable development

or other activities. According to the Articles of Association of the Lietuvos Paštas, the policies are approved by the Board, which also decides on the scope of their

application. The policies apply to all structural unit of the Company. The Company has approved the following policies, which contribute to the implementation of the strategy and sustainable development goals.

### Sustainable Development Policy

The policy sets out the areas of sustainable development and the principles that would guide the creation and development of a sustainable business culture and practice for the Company. The policy is also committed to the goals set out in the United Nations Compact.

### Anti-Corruption Policy

The purpose of the policy is to ensure that the Company's activities and conduct comply with the highest standards of reliability, integrity, transparency, and business ethics acceptable to the public.

### Code of Ethics

The Code defines the values, principles, and professional and mutual ethical standards of the Company. Its content also reflects the obligation of the Lietuvos Paštas to comply with the conventions establishing human rights.

### Collective agreement

The collective agreement defines the remuneration system that was previously included in the Remuneration Policy. With the approval of the new Collective Agreement in 2020, the remuneration policy was abandoned to avoid duplication of content.

### Environmental Policy

[approved on 9 February 2022]

The environmental policy sets out the principles for reducing the Company's impact on the environment.

### Equal Opportunities Policy

[approved on 9 February 2022]

The policy sets out the principles for monitoring the implementation and enforcement of equal opportunities, and the main means of implementing these principles. The policy stated the commitment to contributing to the goals of human rights and equal opportunities set out in the 2030 Agenda for Sustainable Development adopted by the United Nations.

The operating policies are published publicly in the sustainability section of the company's website. Once the new policy is approved, it is announced on the company's intranet and in the sustainable development newsletter. Moreover, the heads of departments and divisions are informed separately, as it is their responsibility to ensure that their subordinates are aware of the new policies. If relevant, the Company announces

the approval of the new policies on social media, in the news section of the website, and the responsible employees introduce the policies to business partners.

In order to effectively implement the policies, each policy identifies a specific department or employee position that is responsible for implementing the policy, including other divisions of the Company according to their competence. Where relevant, the implementation

of policy provisions is detailed in other documents of the Company, which are prepared and approved by the structural divisions of the Company within the limits of their competencies. For example, Sustainable Development Policy is complemented by the Sustainable Development Guidelines [the internal document prepared by the head of sustainable development and presented to management and the Board].

# ENVIRONMENTAL RESPONSIBILITY

According to the 2020 Lithuanian National GHG Inventory Report, the transport sector is responsible for the most GHG emissions in Lithuania – as much as 30.2% of emissions. Lietuvos Paštas, as an organisation operating in the field of transport, assumes responsibility for the impact of its activities on the environment and undertakes to reduce it. We have identified 2 strategic

directions in this area:

- Reducing the impact on climate change
- Sustainable services for our customers

The Company implements measures and ensures that its business processes comply with generally accepted environmental standards, contributes to the goals set

in the Climate Change Management Agenda, the National Energy and Climate Action Plan, complies with legal and environmental requirements, as well as contributes to international initiatives and follows good practices allowing to reduce negative environmental impacts. In developing its environmental protection activities, the Company also adheres to the international Precautionary Principles [or approach].



## ENVIRONMENTAL RESPONSIBILITY

GRI 305-1; 305-2; 305-3; 305-4

# GREENHOUSE GASES

In order to better understand the scale, sources and changes of its GHGs, in 2021, the Company calculated its GHG emissions in 2020 for the first time. The amount of GHG emitted from the activities of Lietuvos Paštas in 2020 amounted to 14 922.5 t CO<sub>2</sub> eq. The largest GHG emissions in the Company's operations are generated by:

- Road transport
- Freight
- Lighting and heating of buildings

GHG emissions calculations and intensity are presented in the tables below.

<b>EMISSIONS, T CO<sub>2</sub> EQ.</b>	<b>2020</b>
Direct (Scope 1) GHG emissions	971,7
Indirect (Scope 2) GHG emissions	3 455,9
Other indirect (Scope 3) GHG emissions	10 494,9
<b>Total</b>	<b>14 922,5</b>

*Conversion coefficient are taken from DEFRA, WRI, IEA and ecoinvent 2.2 databases. All types of GHGs are included in the calculations.*

The Universal Postal Union (UPU) is committed to supporting postal operators around the world to reduce GHG emissions. To this end, UPU has developed the Online Solution for Carbon Analysis and Reporting – the OSCAR platform. OSCAR is based on the Greenhouse Gas Protocol compliant with the Global Reporting Initiative. In 2021, Lietuvos Paštas used the OSCAR platform for the first time. Due to the features of the platform, calculations are provided for the previous year until the end of the current year. Thus, GHG emissions data for 2021 will only be available at the end of 2022.

<b>GHG EMISSION INTENSITY, CO<sub>2</sub> EQ.</b>	<b>2020</b>
Emissions (all areas) per item (letters and parcels combined)	289,9 g
Emissions (all areas) per employee (full-time equivalent)	5 110,4 kg
Emissions per 1,000 EUR turnover (all areas)	211,6 kg



## ENVIRONMENTAL RESPONSIBILITY

GRI 305-1; 305-2; 305-3; 305-4

## ENERGY



In 2021, the Company used 377 715 gigajoules [GJ] of energy in its operations.

TYPE OF ENERGY CONSUMED	VALUE	ENERGY [GJ]
Gasoline	977 510 l	332 353.4
Diesel	2 891 982 l	1 098 953.2
Electricity	4 857 851 kWh	17 439.7
-part of electricity produced from renewable sources (only directly purchased by the Company)	2 323 127 kWh	8 340.0
Heat.	917 472 kWh	3 293.7
Gas	63 914 m <sup>3</sup>	2 428.7
TOTAL		1 454 469

The Company's energy is calculated based on data and assumptions provided by suppliers. As the Company leases premises from many different suppliers throughout Lithuania, they provide information differently, for example, only the amount payable, without the amount consumed; the heat invoice also includes ventilation services.

ENERGY INTENSITY	2021
GJ / EUR 1,000 turnover	14,7
GJ / 1 per employee (full-time equivalent)	411,7
GJ / 1000 items (parcels and letters in total)	24,0

## ENVIRONMENTAL RESPONSIBILITY

GRI 306-1; 306-2; 306-3

## WASTE



The company pays great attention to proper waste collection, sorting and recycling. Secondary raw materials are collected and delivered to service providers with the help of press containers. The Company's colleagues sort household waste separately from paper/cardboard, plastic packaging film and polypropylene bags at post offices. Paper/cardboard and film sorted and packaged

according to the instructions are sent to the Company's logistics centres, which have press containers. In all the Company's facilities, household waste can be sorted separately from paper/cardboard and film.

The most commonly utilised waste is unused movable, written-off assets in closed facilities or out of service and unused assets accumulated in logistics centres.

The Company's waste is accounted for using the Unified Product, Packaging and Waste Record Keeping Information System [GPAIS].

In 2021, the Company generated 438.226 tons of waste [excluding municipal waste]. Distribution of waste by type:

WASTE	AMOUNT ACCUMULATED, T	HAZARDOUS WASTE
Paper and cardboard	158.5	No
Plastic and plastic packaging	125.0	No
Wood and wood chips	88.7	No
Iron and steel, metals	38.6	No
End-of-life vehicles	7.9	Yes
Used tires	4.5	No
Large and small equipment	2.9	No
Glass	2.8	No
IT and telecommunications equipment classified as hazardous waste	2.7	Yes
IT and telecommunications equipment	1.4	No
Clothing and textiles	1.3	No
Large equipment	0.1	Yes
Other hazardous wastes	2.4	Yes
Other non-hazardous waste	1.3	No
TOTAL	438.2	

Currently, the Company does not monitor the amount of municipal waste generated, as this waste is collected by many different suppliers who do not provide data on the amount collected. In the future, the Company intends to work with suppliers to make it possible to know the amount of waste collected.

In order to reduce the amount of waste generated and contribute to the development of a circular economy, the Company is looking for solutions to replace disposable products with more reusable, durable and environmentally friendly products.

## ENVIRONMENTAL RESPONSIBILITY

# SUSTAINABLE SERVICES FOR OUR CUSTOMERS

When choosing a product or service, increasingly more Lithuanian consumers take into account its impact on the environment. Thus, Lietuvos Paštas, not only taking responsibility for its impact on the environment,

but also in order to remain competitive and attractive to customers, seeks to provide sustainable and environmentally friendly services. Sustainable services are ensured by the Company through:

Environmentally friendly packaging sold in post offices – it is made from recycled materials, easy to sort or recycle, and easily degradable.

Expanding the range of sustainable goods in post offices [other than packaging].

Delivering shipments and letters by environmentally friendly vehicles.

Ensuring the development of electronic services.



## ENVIRONMENTAL RESPONSIBILITY

# COMPANY INITIATIVES IN THE FIELD OF ENVIRONMENTAL PROTECTION



## INTRODUCTION OF GREEN ENERGY.

As of June 2021, green energy is used in all buildings owned by the Lietuvos Paštas. Thus, at least 30 % of energy we consume is green. This step will reduce the Company's GHG emissions by approximately 2-3 % per year. Green energy is also supplied to companies that rent premises from Lietuvos Paštas.

## MORE ENVIRONMENTALLY FRIENDLY TRANSPORT.

In 2020, Lietuvos Paštas acquired the first electric vehicles, and is planning in the long run to purchase more of these vehicles. Also in 2021, the Company signed a contract for more than 300 new cars for mailmen that are less polluting than the vehicles previously used by them. With new vehicles, the delivery of letters and parcels will be less polluting.

## NETWORK OPTIMISATION.

One of the main sources of the Company's GHG is energy used for lighting and heating of premises. As a result, the energy efficiency of the premises used is of paramount importance to the Company's impact on the environment. Network optimisation is one of the operational priorities – in 2021, the Company sold 115 real estate objects, most of which were energy inefficient buildings. When needed, post offices were relocated to more energy-efficient premises of appropriate size.

## EXPANSION OF PARCEL LOCKERS.

Parcel lockers are an environmentally friendly way of delivering parcels. Compared to home delivery, using parcel lockers is an environmentally friendly solution. It significantly reduces the fuel consumption of couriers, as well as the CO2 volumes emitted into the environment – hundreds of parcels are delivered to one parcel locker, thus avoiding the use of fuel for shipments to different addresses. At present, there are a total of 285 LP EXPRESS parcel lockers in Lithuania. It is planned to double the network of LP EXPRESS parcel lockers by 2025.

## ENVIRONMENTALLY FRIENDLY MEANS OF PACKAGING.

In the summer, the environmentally friendly parcel bags made of biodegradable materials reached the Lietuvos Paštas units. Most paper and cardboard packaging sold at post offices is FSC-certified, meaning that responsibly grown wood has been used in the production of this paper.

### OTHER INITIATIVES AND CHANGES IMPLEMENTED:

- We stopped decorating the newly opened post offices with balloons, replacing them with multiple-use fabric garlands.
- We invited colleagues to leave good but unused items at the "Beloved Things Stop".

- We have reviewed paper printing practices and developed guidelines allowing to use paper more efficiently.
- Employees who wear work clothes are encouraged to continue to wear suitable clothes, even if there is already a possibility to change them to a new set [according to the obligations provided for in the collective agreement].

- All mailmen and couriers are equipped with tablets that allow to use less paper.



## ENVIRONMENTAL RESPONSIBILITY

GRI 305-1; 305-2; 305-3; 305-4

# ENVIRONMENTAL RISKS

Risks related to environmental protection:

RISK	DESCRIPTION	MANAGEMENT TOOL
Insufficiently environmentally friendly means of packaging	Consumers are increasingly opting for environmentally friendly packaging and expect such solutions from their service providers. However, there is a risk that not all packaging can be replaced with a fully sustainable alternative solution (e.g., bubble envelopes).	Interest in innovation, monitoring global trends, consulting with experts in the field to find the most sustainable packaging.
Insufficient infrastructure for alternative transport	The Company aims to switch to alternative transport (electric cars, hydrogen cars), however, this requires adequate infrastructure (especially in smaller cities). Without it, the Company will face challenges in achieving this goal.	Planning a budget to develop the necessary infrastructure.
Inaccurate data for calculating CO2 emissions	For the calculation of CO2 emissions, the Company relies on the data received from suppliers. The accuracy of some of the data is very difficult to verify.	Informing suppliers about the planned data collection in advance, check the accuracy of the data based on the calculation recommendations specified in the greenhouse gas protocol.



# SOCIAL RESPONSIBILITY

Lietuvos Paštas is one of the largest employers in Lithuania, and our employees communicate with customers throughout Lithuania on a daily basis. As a result, the changes we are implementing and our initiatives in the field of social responsibility can have a huge impact on all stakeholders – employees, customers, commu-

nities, etc. The Company strives to make its operations contribute to the well-being of its stakeholders. The Company also respects human rights, equality and promotes diversity. Based on the assessment of materiality, we have identified two strategic directions in the field of social responsibility:

- Creating a motivating work environment
- Social integration

The following are the actions to achieve our goals in each of these areas.

## SOCIAL RESPONSIBILITY

# EMPLOYEES AND MOTIVATING WORK ENVIRONMENT



The creation of a motivating work environment is one of the strategic directions of the Lietuvos Paštas, to which special attention has been paid in the last few years. The Company is constantly trying to find new ways to foster employment relationship. Ideas are born not only among colleagues responsible for the field, but also in general discussions with employees. This strategic direction has three objectives:

1

improvement  
of working  
conditions

2

training and  
education of  
employees

3

development  
of a culture  
of continuous  
improvement

## Working conditions improvement programme

In 2021, the program for the improvement of working conditions of employees and initiatives aimed at creating and maintaining a motivating work environment was continued at Lietuvos Paštas. We upgraded and modernised post offices and logistics centres, continued to provide modern work equipment, and imple-

mented additional functionalities. Work clothes for employees of the network and postal operations division have been renewed – jackets, sweaters, walking shoes, vests, and other smaller equipment protecting against risk factors.





## SOCIAL RESPONSIBILITY

GRI 2-7

### GENERAL INFORMATION ABOUT EMPLOYEES

Number of employees at the LP Group at 31 December 2020, compared to the number of employees at the end of 2020, fell by 542 – from 4 270 to 3 728. In total, Lietuvos Paštas employs 2 918 women and 808 men. In 2021, compared to 2020, the number of LP Group employees [converted to full time employees] decreased by 389.6 posts – from 3 924 to 3 534.4.

The decrease in the number of employees was mainly influenced by the Smart Distribution Programme implemented in 2021, which resulted in the abandonment of manual sorting activities in post offices and other efficiency initiatives. Due to the low workload and seasonal activities in villages, about 30% of Lietuvos Paštas employees work part-time.

The data are calculated as at the last day of the year. The data are taken from the internal programme and do not include employees who have been served a redundancy notice and employees working under a service contract. Lietuvos Paštas applies equal working conditions and provides equal benefits to all its employees, regardless of their employment contract or number of working hours.

	LP GROUP			COMPANY		
	2021	2020	CHANGES, %	2021	2020	CHANGES, %
<b>Number of employees at the end of the year</b>	<b>3 728</b>	<b>4 270</b>	<b>-12,7</b>	<b>3 726</b>	<b>4 268</b>	<b>-12,7</b>
Posts at the end of the year	3 534	3 924	-10,0	3 533	3 923	-10,0

<b>EMPLOYEES ACTUALLY EMPLOYED BY TYPE OF CONTRACT, 2021</b>	<b>PART-TIME</b>	<b>FULL-TIME</b>	<b>FIXED-TERM CONTRACT</b>	<b>OPEN-ENDED CONTRACT</b>
Men	178	630	89	719
Women	961	1 957	241	2 677
Total	1 139	2 587	330	3 396

<b>EMPLOYED UNDER A SERVICE CONTRACT</b>	<b>MEN</b>	<b>WOMEN</b>
	14	24
TOTAL		38

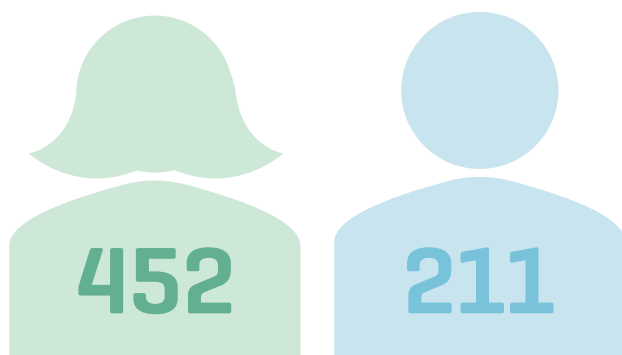
## SOCIAL RESPONSIBILITY

GRI 401-1

### NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

The annual need for new employees is determined in the Company's budget for the following year by planning salaries and other expenses related to the number of employees. The budget is compiled taking into account strategic development directions, statistics on employee turnover, and forecasts of labour market changes. It is considered that in the rapidly changing technological and economic environment, it would be possible to ensure the competitiveness of activities by selecting and educating highly qualified specialists and ensuring the provision of quality services. A detailed recruitment and selection procedure, including a list of required documents and examples of how to communicate during a job interview, is described in the company's Personnel Management Process. The current version of the document is published on the company's electronic document platform and is available to all employees of the company.

#### New employees:



New employees:

DIVISION	FEMALE			MALE		
	up to 30	30-50	50	up to 30	30-50	50
Postal Operations Division	43	45	19	81	30	20
Network Division	58	139	68	20	22	16
Administration	31	46	3	5	17	0
<b>General</b>	<b>132</b>	<b>230</b>	<b>90</b>	<b>106</b>	<b>69</b>	<b>36</b>

Staff turnover by age and gender:

DIVISION	WOMEN 928 LEFT VOLUNTARILY IN 2021						Total number of people	Total %
	under 30	%	30-50	%	above 50	%		
Postal Operations Division	128	58,18%	62	29,11%	16	11,11%	190	35,70%
Network Division	215	55,99%	295	21,44%	140	10,87%	510	21,33%
Administration	31	31,63%	36	19,89%	5	8,47%	67	21,30%

DIVISION	MEN 468 LEFT VOLUNTARILY IN 2021						Total number of people	Total %
	under 30	%	30-50	%	above 50	%		
Postal Operations Division	164	51,57%	80	42,55%	22	17,32%	266	42,32%
Network Division	63	57,27%	46	33,82%	50	20,75%	159	32,65%
Administration	15	39,47%	27	29,35%	1	5,26%	43	28,86%

## SOCIAL RESPONSIBILITY

GRI 2-8; 402-1

### OTHER EMPLOYEES

In order to more efficiently manage the ongoing projects and the increased flow of parcels, Lietuvos Paštas, in cooperation with temporary employment agencies, in 2021, hired temporary employees, who worked a total of 66 400 hours.

These employees worked with the processing and distribution of parcels and data entry into the information systems used in the company. The temporary staff worked in the following positions: distributor, distributor operator and data entry operator.

With the launch of the Smart Distribution Project, the need for temporary employment services has increased with a sharp increase in the number of parcels and unplanned workloads.

PERIOD	NUMBER OF TEMPORARY EMPLOYEES	HOURS WORKED BY TEMPORARY EMPLOYEES
01/2021	72	7 321
02/2021	54	5 035
03/2021	63	3 607
04/2021	136	10 201
05/2021	71	6 854

In June 2021, the company started preparing for the project of abolishing the VAT relief, and in order to manage the flow of parcels and ensure the timely integration of information on taxed parcels into the system, the need for temporary employees increased again.

The number of hours worked by temporary employees increased in November and December due to the intense Christmas period workload.

PERIOD	NUMBER OF TEMPORARY EMPLOYEES	HOURS WORKED BY TEMPORARY EMPLOYEES
06/2021	103	7 949
07/2021	102	11 391
08/2021	49	4 734
09/2021	29	1 421
10/2021	25	1 754
11/2021	42	3 746
12/2021	25	2 383

### LABOUR RELATIONS

When implementing changes in its operations, the Company complies with the requirements provided for in national legislation:

- once a calendar year provides information and consults with works councils (trade unions) on the current and future state of the company's activities, economic situation and employment relations;
- informs and consults with works councils (trade unions) no later than 10 business days before the planned chan-

ges in internal policies or other rules relating to the labour relationship and the socio-economic situation of workers;

- before taking a decision on the termination of an employee's employment contract, the employer must inform the works councils (trade unions) no later than within 7 business days and consult with them at least 10 business days, unless otherwise agreed;
- before taking a decision on the reorganisation of the company and other decisions that may significantly

affect the organisation of work in the company and the legal status of employees, the company must inform the works councils (trade unions) at least 5 business days before the consultations take place, which must last 5 business days, unless otherwise agreed.

Additional notice periods and consultation provisions relating to changes in the remuneration system and conditions, planned structural changes, redundancies and other issues that may have a significant impact on employees are set out in collective agreements.

## SOCIAL RESPONSIBILITY

GRI 404-1; 404-2; 404-3

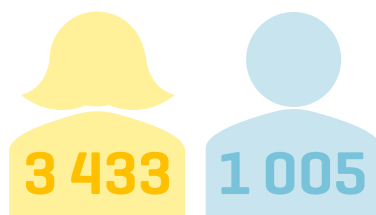
# TRAINING AND EDUCATION



Lietuvos Paštas pays attention to employee training – mandatory vocational training is organised and improvement of employee qualifications is consistently ensured.\*

Internal training	External training	Electronic training
23 programmes	64 programmes	26 programmes

**Number of participants in trainings (unique):**



In 2021, much attention was paid to the professional development of the employees of the company's Network Division – about 750 employees participated in the training sessions on financial services. In addition, all employees serving customers at post offices participated in periodic trainings on postal services, which emphasised the peculiarities of the services provided

	TOP MANAGERS	MIDDLE MANAGERS	SPECIALISTS	LOGISTICS AND DISTRIBUTION EMPLOYEES	CUSTOMER SERVICE EMPLOYEES
Number of participants in trainings (unique)	33	94	556	1 003	2 752
Of which – women	18	32	148	425	382
Of which – men	15	62	408	578	2 370

by the Company, discussed the topics of customer service for customers with special needs and discussed other relevant issues. During the implementation of the Smart Distribution Programme, trainings on the work of postal operations employees and work centre managers on automation of work processes have been organised.

In 2021, the leadership development programme, which has been running in the organisation since 2019, was continued, and the “Change Management” training was provided. In 2021, considerable attention was dedicated to strengthening cooperation – both within the divisions and to create affinity between the individual divisions of the company. With the help of external consultants, the internal motivation of teams, cooperation, communication, emotional state and microclimate have been strengthened. The Company takes

care of employees' psychological health by organising both remote emotional health promotion seminars and trainings for teams.

In 2021, the main focus in the e-learning environment was dedicated to security and prevention, organising training on information classification, civil security, prevention of money laundering and terrorist financing, anti-corruption awareness raising and general data protection regulation.

In cooperation with partners, all employees of the company had the opportunity to participate in digital literacy training, gaining basic knowledge for work with a document editing program and a spreadsheet.

During external conferences and seminars, the employees became acquainted with the innovations of information technology, purchasing, economics and sales.

## EMPLOYEE ASSESSMENT

In the beginning of 2021, managers in all levels participated in the 360\* leadership competency assessment process. Moreover, employees of the Company's adminis-

tration participated in the performance evaluation, which make up approx 13 % of all employees of the Company.

\* At present, the Company is unable to provide data on the time allocated to training separately for women and men due to technical possibilities. This information will be available from 2022 onwards.

## SOCIAL RESPONSIBILITY

GRI 403-5

# OCCUPATIONAL HEALTH AND SAFETY



## OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

The Company implements the safety and health requirements for its employees and staff working under the contractual obligations for the provision of services in accordance with the legal acts of the Republic of Lithuania regulating occupational safety and health. Issues related to the health and safety of employees are among the most important for the Company.

## HAZARD IDENTIFICATION, RISK ASSESSMENT AND INCIDENT INVESTIGATION

Most of the Company's employees work in the outdoor conditions or in the field of logistics, handling loads by hand and driving vehicles, therefore, the Company constantly identifies hazards and performs occupational risk assessment of workplaces and investigates incidents related to the risk of injury. To prevent occupational risks, the Company acquires and distributes the necessary personal protective equipment (PPE) to employees. The safety and health of all other employees is also a priority for the company, as working in an office can also pose certain risks to the mental and physical well-being of employees.

Statistics on occupational risk assessment of workplaces (individual occupations by location) [in combination with research on psychosocial risk factors for employees]:

### Occupational risk assessment (workplaces)



Following the assessment of occupational risks in the workplace and the identification of tolerable (increased) risks, the Company takes preventive measures to eliminate or reduce the risk as soon as possible. The employees can report an observed risk through the Helpline.

## PREVENTIVE HEALTH EXAMINATIONS OF WORKERS

The preventive health examinations of the Company's employees are carried out on a regular basis, taking into account the established periodicity, i.e., once every two years or once a year for those employees who work directly at customer service points. The employee health examination service is performed by the health care company in accordance with the contractual obligations at the Company's premises. In addition, in the event of an accident, the Company provides insurance benefits to all employees that can help them take better care of their health and well-being. In 2021, a total of 1 164 employees underwent preventive health examinations at the Company.

## EMPLOYEE PARTICIPATION, CONSULTATION AND COMMUNICATION ON OCCUPATIONAL SAFETY AND HEALTH

The Company's employees are periodically informed about changes in the field of legal acts by preparing new check lists, instructions for the occupational safety and health and fire safety. All legal acts and relevant information are available to the Company's employees on the internal intranet – Infonet and in the "Voice of the Post" notifications. Employees are also introduced in writing to the results of the occupational risk assessment of the workplace, the material of the incident investiga-

tion; are offered regular consultations by telephone or e-mail on workplace safety and health issues. In 2021, 3 check lists and 1 occupational safety and health instruction were prepared; a total of 31 notification related to occupational safety and health and management of the COVID-19 pandemic in the organisation were posted on the Infonet.

## OCCUPATIONAL HEALTH AND SAFETY TRAINING

The Company's Training Group organises periodic mandatory employee training in the Electronic Training Environment on the issues of occupational safety and health, fire safety, civil protection, and manages a comprehensive employee training monitoring database. The occupational safety group and the responsible persons in the divisions organise briefings on occupational safety and fire safety issues, as well as implement qualification improvement and retraining programmes.

List of trainings completed in 2021 and number of trained employees:

NAME OF TRAINING	NUMBER OF EMPLOYEES
Fire safety	325
Civil protection	3 373
Lifting heavy loads by hand	2 438
Training on the use of electric forklifts for employees	8
Training on occupational safety and health for division managers	288
Total	14 923

## SOCIAL RESPONSIBILITY

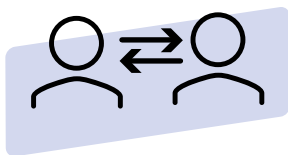
GRI 403-6

### PROMOTION OF WORKER HEALTH

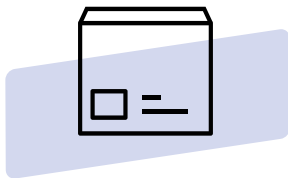
The Company is responsible for ensuring that all employees undergo regular health examinations in accordance with national legislation. One of the key health challenges for 2020-2021 was the COVID-19 pandemic. During the pandemic, the priorities were as follows:



#### PROTECTION THE HEALTH OF THE WORKERS



#### ENSURING THAT THE INFECTION DOES NOT SPREAD AMONG WORKERS



#### ENSURING THE STABILITY OF POSTAL SERVICES FOR THE POPULATION

Many key services cannot be provided remotely, so rigorous and clear action plans have been developed. In an effort to achieve this, the Company:

- In 2021, established the COVID-19 Emergency Management Coordination Group, which was attended by top managers and departmental representatives. The Coordination Group adopted decisions on preventive actions, completed preparations for different scenarios, analysed data on the presence of some workers in quarantine conditions, as well as the number of cases of infections among employees and contract workers;
- Developed preventive measures, including special rules for quarantine work; provided employees with certain work tools and equipment needed for work at home;
- A structured process for the procurement of personal protective equipment (PPE) was launched to ensure that all workers were provided with PPE in the event of a shortage of PPE on the market;
- Took regular follow-up to emergencies and monitoring on an ongoing basis.

Due to the systematic approach, the COVID-19 pandemic did not have a significant impact on the Company's key activities. In addition, in 2021, the employees were invited to participate in an emotional health promotion programme.





## SOCIAL RESPONSIBILITY

GRI 403-9

### ACCIDENTS

All employees of the Company are instructed and trained to stop their work immediately, if their safety and health are endangered. The employees of the Company must immediately inform their direct supervisor and specialists of the Occupational Safety Group about incidents and accidents, who shall investigate all circumstances together with the representative of the Company's employees and provide the necessary information to the State Labour Inspectorate of the Republic of Lithuania. A steady decline in accidents is observed due to the implementation of the preventive and educational measures.

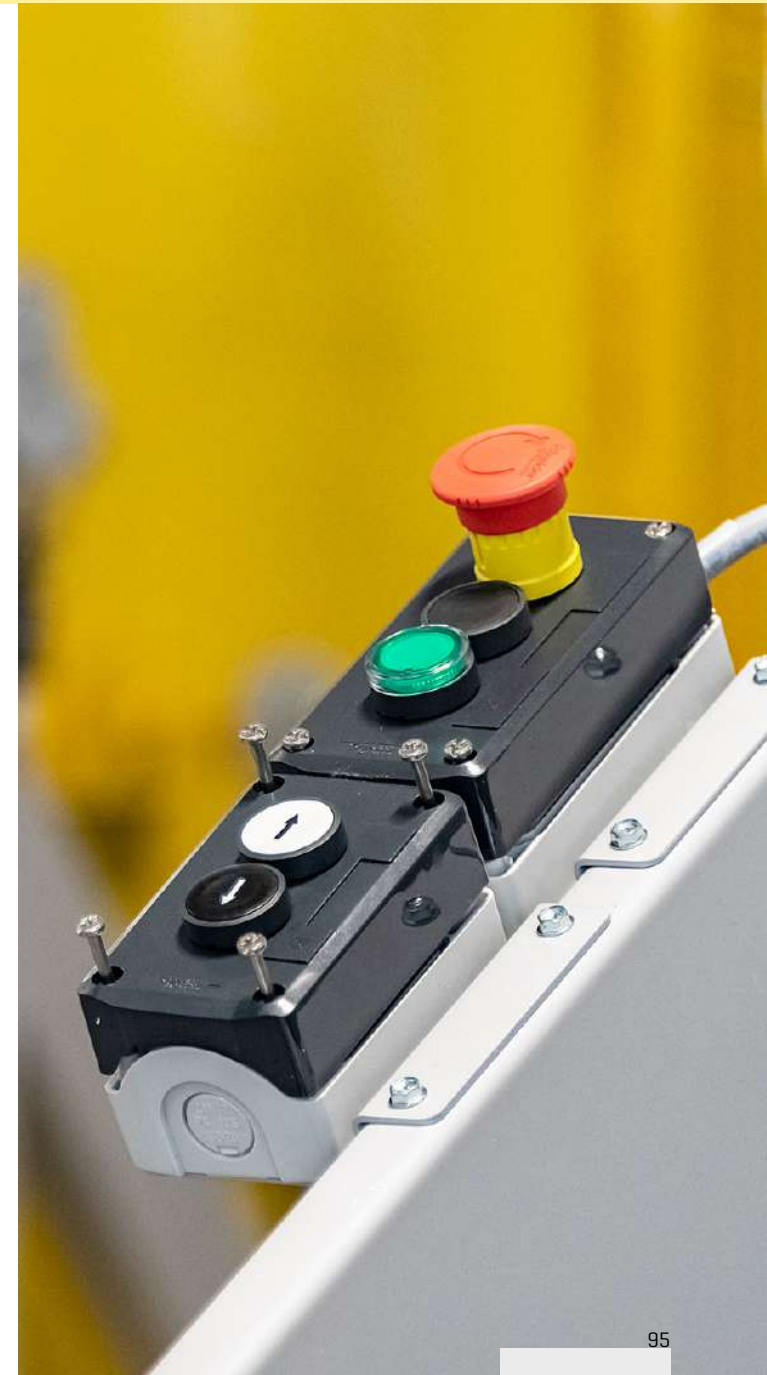
Statistics of accidents and incidents at work and on the way to/from work:

TYPE OF ACCIDENT	CASES	NUMBER PER MILLION HOURS WORKED
Incidents [cases]	20	2.99
Minor accidents [cases]	65	9.75
Serious accidents [cases]	2	0.3
Fatal accidents [cases]	0	0

The most common causes of work-related accidents are:

- when working in outdoor conditions – dog attacks and bites while mailmen work in private residential areas and stairways, as well as slipping incidents due to slippery, often snow- and frost-covered and icy road surfaces, as well as potholes, uneven roads or protruding objects (tile, manhole cover) – these events often occur during the dark hours of the day or during a sudden attack of a wild or domestic dog and there is no time to use deterrence;
- accidents that occur while driving a vehicle or bicycle, the culprits of which are the Company's employees and drivers of other vehicles – employees do not always wear seat belts; careless actions of other drivers cannot be foreseen;
- stumbling or falling due to haste, carelessness and incautiousness in the premises of the post office or parcel centre and logistics centres – careless actions of the employees themselves or conviction that there is no risk in the environment and nothing bad will happen.

Every employee is insured against accidents with 24/7 coverage – even if employees injured outside their working hours, they can receive an insurance benefit.



## SOCIAL RESPONSIBILITY

GRI 406-1

# DIVERSITY AND EQUAL OPPORTUNITIES



The Company develops a values-based organisational culture and advocates for equal employee rights and equal opportunities at work. The Company does not tolerate any form of harassment, sexual harassment, psychological violence, bullying, discrimination, abuse of power, etc. The cases of discrimination, harassment, etc., can be reported by the Company's employees to the Trust Line. In 2021, no reports of this type of incident have been received.

The Company is also open to employees with disabilities – in 2021, Lietuvos Paštas employed about 160 persons with disabilities. In order to communicate its openness, in 2021, the Company participated in the initiatives DUOday (organiser – SOPA) and Atsinaujink (En: Get Renewed) (organiser – Žiedinė Ekonomika VšĮ), aimed at helping people with disabilities to find employment.

The remuneration system for employees is based on the principles of gender equality, so the different remuneration for the same type of work does not apply. More information in the Remuneration Policy section.

POSITION	AGE OF WOMEN				AGE OF MEN				GENDER	
	17-24	25-36	37-56	57-76	17-24	25-36	37-56	57-76	WOMEN	MEN
Chief Executive Officer			100%						100%	
Top managers		14%	30%	6%		19%	28%	3%	50%	50%
Middle managers	3%	25%	39%	5%	3%	12%	10%	3%	72%	28%
Specialists	4%	31%	40%	20%	1%	1%	3%	2%	93%	7%
Logistics and distribution employees	6%	10%	24%	11%	10%	13%	15%	11%	51%	49%
Customer service employees	2%	14%	52%	31%		0,25%	0,5%	0,25%	99%	1%





## SOCIAL RESPONSIBILITY

YEARS OF SERVICE	2021		2020		CHANGE PER YEAR	
	NUMBER OF EMPLOYEES	EQUAL SHARE, %	NUMBER OF EMPLOYEES	EQUAL SHARE, %	EMPLOYEES	%
Up to 1	747	20,0	543	12,7	204	37,6
From 1 to 5	1 159	31,1	1 605	37,6	-446	-27,8
From 6 to 10	544	14,6	647	15,2	-103	-15,9
From 11 to 20	689	18,5	800	18,7	-111	-13,9
From 21 to 30	320	8,6	354	8,3	-34	-9,6
More than 30	267	7,2	319	7,5	-52	-16,3

A number of employees have a long experience of work in the Company – in 2021, more than 34% of employees worked at Lietuvos Paštas for 10 years and longer.

AGE	2021		2020		CHANGE PER YEAR	
	NUMBER OF EMPLOYEES	EQUAL SHARE, %	NUMBER OF EMPLOYEES	EQUAL SHARE, %	EMPLOYEES	%
under 35	741	19,9	922	21,6	-181	-19,6
from 35 to 45	730	19,6	842	19,7	-112	-13,3
from 45 to 55	1 046	28,1	1 163	27,2	-117	-10,1
from 55 to 60	602	16,2	687	16,1	-85	-12,4
above 60	607	16,3	654	15,3	-47	-7,2

Traditionally, it is women who carry mail in Lithuania, so most of the positions in customer service (mailmen, post office workers) are women. The company strives for diversity and hopes that as the number of letters decreases and that of parcels grows, the specifics of the job will become more attractive to men as well.

Distribution of Lietuvos paštas employees by level of education:

EDUCATION	2021		2020		CHANGE PER YEAR	
	NUMBER OF EMPLOYEES	EQUAL SHARE, %	NUMBER OF EMPLOYEES	EQUAL SHARE, %	EMPLOYEES	PER CENT
Higher	847	22,7	957	22,4	-110	-11,5
Advanced vocations	803	21,6	1 360	31,9	-557	-41,0
Secondary	1 969	52,8	1 830	42,9	139	7,6
Basic	107	2,9	121	2,8	-14	-11,6

In 2021, mainly employees with secondary and higher education worked at the Lietuvos Paštas. This is mainly due to the specific nature of the work of the mailmen, who make up the majority of the staff.

# REMUNERATION POLICY

## REMUNERATION SYSTEM

The Remuneration System and the Remuneration Policy are regulated by the Protocol No PF-1 of 6 January 2020 of the Lietuvos Paštas AB Employee Conference approved in the Company's collective agreement.

The Remuneration System establishes general and clear principles of remuneration for the Company's employees, defines the main provisions of the remuneration system, according to which the remuneration of the Company's employees is determined and changed.

The aim is for the average salary of the Company's positions to correspond to the average salaries of the respective positions in the market, and to reduce the pay gap between top management and the lowest paid employees.

Forms of remuneration applied in the Company:

- Temporary form of remuneration, where wages depend on the rate of time worked.
- Unit wage, where the wage depends on the amount of work performed.

- Both forms of payment are combined.

The remuneration of employees may consist of:

- Fixed part [basic amount for post level] or unit salary.
- Variable part [amount for the achieved goals; its size depends on the results of the set goals].
- Allowances and additional pays.
- Bonuses [awarded at the initiative of the employer as employee incentive].

## REMUNERATION POLICY PRINCIPLES:

- internal justice – the pay gaps must be reasonable, fair and determined by competence and performance;
- external competitiveness – in the LP group, the aim is to make the remuneration of its employees competitive in relation to other companies operating successfully throughout the market;

- control and information – implementation is accounted for by publicly providing information on remuneration in accordance with all applicable legal requirements.

The basis of the remuneration system is the position system of the Lietuvos Paštas, which consists of positions divided into position levels. If necessary, positions can be grouped. The Company's Organisational Deve-

lopment Department is responsible for the management of the Lietuvos Paštas position system. After the evaluation of the top management positions of the LP Group, their levels are submitted to the Board Group for approval. The position levels of other employees of the LP Group are approved by the company's director.

## SOCIAL RESPONSIBILITY

### Remuneration policy control

ACTION	DECISION ADOPTED BY
Implementation of the position levels of the LP Group and their evaluation system	Organisational Development Department (ODD)
Assignment of employees of the LP Group to groups	Position Evaluation Commission
Approval of position levels of managers directly subordinate to the CEO	CEO
Approval of position level ranges	Board
Decision-making on the payment of bonuses and approval of the bonus fund	Board
Determining the share of fixed wage and variable wage in the CEO salary	CEO, in agreement with the Board
Determining the share of fixed wage of managers subordinate to employees other than the CEO	Managers directly subordinate to the CEO, in agreement with the CEO and ODD
Determining the share of fixed wage of other employees	Direct supervisors, in coordination with senior management and ODD
Determining the share of fixed wage of employees exceeding the level ranges	CEO, submitting information on such exceptions to the Board once a year

In 2021, EUR 1.5 million was allocated for the increase in salaries; the change in salaries affected more than 80% of employees.

## SOCIAL RESPONSIBILITY

GRI 405-2

Distribution of LP Group employees by position and average fixed (assigned) wage, EUR

CATEGORY	WOMEN	MEN	TOTAL	RATIO MEN VS WOMEN	RATION WOMEN VS MEN
CEO	8 800	-	8 800	-	-
Top managers	4 824	5 053	4 952	1,05:1	0,95:1
Middle managers	2 378	2 977	2 572	1,25:1	0,8:1
Specialists	1 296	2 097	1 494	1,62:1	0,62:1
Employees of production positions in the postal operations division	1 041	1 203	1 123	1,16:1	0,87:1
Employees of production positions in the network division	784	730	777	0,93:1	1,07:1
Total	927	1 278	1 003	1,38:1	0,73:1

The remuneration of the CEO is determined by the Board of the Company in accordance with the requirements established by the legal acts. The CEO may receive an annual bonus in the following order: 1. The Board of the Company annually, when approving the goals of the Company for the following year, formalises by its resolution that these goals of the Company and the respective established goal indicators are considered to be the goals of the head of the Company; 2. The Board annually decides on an ad hoc basis on the amount of the bonus to be awarded to the CEO, assessing the achievement of the Company's goals according to pre-determined indicators for the previous year; 3. The bonus is awarded to the manager in accordance with the threshold established in the resolution of the Government of the Republic of Lithuania (maximum 4 salaries). The goals of the company also include the goals that are related to sustainable development, so the (non-) achievement of these goals has a direct impact on the remuneration of the CEO.

The remuneration system for employees is based on the principles of gender equality, so the different remuneration for the same type of work does not apply. The gender pay gap is fixed due to different qualifications and positions held.

### SALARY RATIO, 2021

The ratio of the highest annual earnings of the organisation' employee to the average annual earnings of all employees	-0,06:1
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Percentage increase in the highest annual earnings of the organisation' employee compared to the median increase in the annual earnings of all employees	8,78:1
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## SOCIAL RESPONSIBILITY

### COOPERATION WITH EMPLOYEE REPRESENTATIVES

Lietuvos Paštas cooperates with two trade union organisations – the Lithuanian Postal Workers Trade Union and the Lithuanian Communication Workers Trade Union. All company's projects involving change are coordinated with trade union representatives and the existing Labour Council. In 2021, meetings were held to discuss changes in the implementation of the Intelligent Distribution Programme and to discuss other activities of the company and the impact on work organisation.

The Collective Agreement was signed on 6 January 2020, which focuses on the conclusion of employment contracts, working and rest time of employees, occupational

safety and other working and social conditions relevant to employees. This collective agreement also defines the system of remuneration, the provision of benefits to employees in the event of an accident, incentive to employees for many years of work and other areas of improvement in working conditions relevant to employees. The contract is valid for two years and has been extended for another two years until 2024. The collective agreement is binding for all employees of the Company.

In September 2021, at the end of a three-year term, the new members of the Labour Council were elected.

### COMMUNITY INITIATIVES AND RELATIONS WITH COMMUNITIES

The principles of public relations development are set out in the Company's Sustainable Development Policy and the Code of Ethics and Conduct. The company seeks to establish dialogue and direct contact with the public. As a result, changes in operational activities (e.g., relocating or optimising post offices) are communicated to the public – the information is disseminated in closing post offices and press releases are issued. Moreover, in 2021, the local community of the Vilnius Old Town was invited to vote on the location of the new post office. Residents could vote in writing, at post offices, and on the Facebook social network.

In 2021, Lietuvos Paštas contributed to various initiatives to combat the COVID-19 pandemic. A pilot project was implemented in Trakai District, during which a nurse visited the senior residents together with the mobile mail-

man from the Lietuvos Paštas, thus giving the seniors the opportunity to get vaccinated against COVID-19 at home. Later, the project also took place in Šilalė Municipality. A total of 800 households have been visited with 82 people vaccinated. In addition, the residents of Jurbarkas were given the opportunity to get vaccinated at the post office. From 2 September, the residents throughout Lithuania were able to print "Opportunity Passports" at post offices free of charge.

In 2021, Lietuvos Paštas cooperated for this purpose with Kaunas IN – guests of the city could collect gift vouchers at LP EXPRESS parcel lockers, allowing them to stay in Kaunas hotels free of charge. Furthermore, 10 post offices were equipped with the initiative's contactless donation machines, with which Lietuvos Paštas customers could donate to the RED NOSES Clowndoctors initiative.

#### **TRADITIONALLY, IN 2021, OTHER INITIATIVES WERE ALSO CONTINUED:**

- Lietuvos Paštas, together with the Universal Postal Union, invited all Lithuanian students to participate in the epistolary essay competition. The students wrote a letter on the topic "Write a letter to a loved one and share your experiences during the COVID-19 pandemic".

- The company contributed to the active and civic youth project "Students – to the Government" – prospective graduates who were introduced to postal activities, sustainable development and innovation trends in the delivery of parcels.

- Thousands of children's letters to Santa Claus were sorted, distributed and dispatched in December. These letters usually travel to Lithuanian or Finnish Santa Clauses. However, the Company's staff ensured that children who provided their address but did not indicate the recipient address, would also receive a reply.

## SOCIAL RESPONSIBILITY

# SOCIAL INTEGRATION



The aim of integration is to reduce social exclusion and ensure that socially sensitive and vulnerable groups have equal rights and opportunities in the society. We believe and strive for Lietuvos Paštas to be able to promote social integration by:

- employing people from socially sensitive and vulnerable groups;
- ensuring accessibility of services for people with disabilities;

- cooperating with other organisations in disseminating relevant information to people from socially sensitive and vulnerable groups to whom the Company has access due to the nature of its activities.

### THE 2021 ACHIEVEMENTS AND INITIATIVES CONTRIBUTING TO THE PROMOTION OF SOCIAL INCLUSION:

#### THE MEMORANDUM ON THE ADAPTATION OF POSTAL SERVICES TO PEOPLE WITH INDIVIDUAL NEEDS HAS BEEN SIGNED

On 1 June, Asta Sungailienė, the Director of Lietuvos Paštas, together with the Ministry of Transport and Communications, its subsidiaries and organisations uniting the persons with disabilities, signed a memorandum committing themselves to ensuring that the services provided by Lietuvos Paštas are adapted to people with individual needs.

#### PARTICIPATION IN THE PROJECT „GET RENEWED“

The aim of this project is to provide various skills to socially vulnerable groups (mainly long-term unemployed and persons with disabilities) and to try to integrate them into the labour market. Lietuvos Paštas introduced the specifics of a mailman's work to the project participants and offered then a fun task – to plan the shortest route according to the provided addresses.

#### THE PROCEDURE FOR PROVISION OF SERVICES TO CUSTOMERS WITH SPECIAL NEEDS HAS BEEN APPROVED

In order to ensure that our services can be conveniently and easily used by every customer who visits the post office, we have approved the procedure for provision of services to customers with special needs. Under the new procedure, customers with special needs can be served without waiting in line, they are provided with a free shipment preparation service and other benefits are offered to facilitate the use of postal services. Customers with special needs were also mentioned in the customer service training that took place in October.

#### PEOPLE WITH DISABILITIES HAVE TRIED POSTAL JOBS

On 20 May, the DUOday initiative was launched in Lithuania for the second time, during which companies and organisations invite people with disabilities to try different jobs. In 2021, in various branches of the Company (Kaunas Šilainiai Parcel Centre Group, Kaunas 31st Post Office, Kaišiadorys Post Office, Panevėžys Central Post Office, Šiauliai Tilžė Post Office, Klaipėda 18th and 19th Post Offices and the Contact Centre Call Group in Vilnius) 8 participants of the DUOday initiative were able to “try on” the postal jobs.

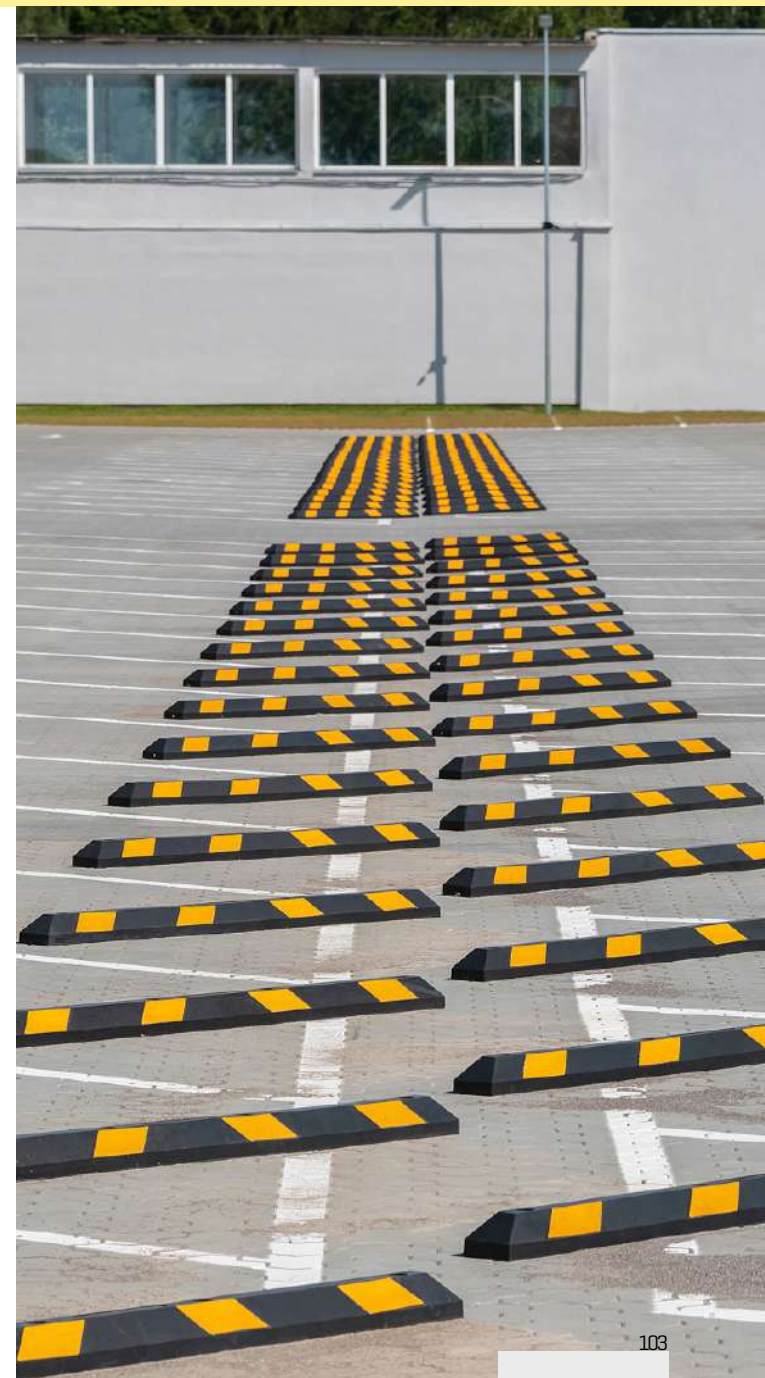


## SOCIAL RESPONSIBILITY

# RISKS IN THE FIELD OF SOCIAL RESPONSIBILITY

Risks related to social protection:

RISK	DESCRIPTION	MANAGEMENT MEASURES
Accidents at work (especially with employees delivering letters and parcels)	Employees who spend part of their time outdoors are exposed to a higher risk to their health – the possibility to get a cold, overheating or getting into the traffic accident, even if it is due to the fault of another road user.	Quality work tools to help prevent or ensure protection in the event of an accident. Plus, thematic training for employees.
Shortage of labour force	There is a shortage of both qualified and unskilled workers in the labour market in Lithuania. Staff shortages can hamper the provision of quality services.	Hiring out workers, salary increase fund, external assistance in recruitment.



# ECONOMIC RESPONSIBILITY

The Company, taking economic responsibility for its activities, adopts decisions that not only promote financial growth and profitability, but also take into account the expectations of stakeholders and contribute to the positive impact of the Company on society and

the environment. Moreover, the Company implements solutions that ensure operational efficiency and the provision of modern services to customers. The strategic directions of sustainable development in this area are the following:

- Sustainable supply chain
- Digitisation
- Financial stability and resilience



## ECONOMIC RESPONSIBILITY

GRI 308-1

# SUSTAINABLE SUPPLY CHAIN

The Company strives for a sustainable supply chain – during its procurement procedure, Lietuvos Paštas constantly implements changes in order to minimise the negative impact of procurement on the economy, society and environment, and to encourage the Company's suppliers to engage in sustainable activities. A sustainable supply chain helps the Company to reduce its impact on the environment, strengthens relations with suppliers, increases the quality of services and protects against risks that may arise in cooperation with organisations that perform their improperly and non-sustainably.

Initiatives and practices allowing to ensure a sustainable supply chain:

**Introduction of sustainability criteria.** When making decisions on procurement initiation, the Company's Decision-Making Committee considers sustainability criteria.

**Contractor risk assessment.** The Company strives to ensure that partners adhere to high standards of transparency and ethical business, and therefore, checks them in accordance with the Contractor Risk Assessment Procedure prior to concluding transactions. In the event of any form of corruption, the Company has the right to terminate the contract unilaterally. In 2021, a risk assessment of 112 contractors was performed, of which 3 posed a risk, and the procedures for concluding a contract have not been terminated with any of the contractor, with



recommendations provided for managing the identified risks.

**Verification of suppliers' reliability.** When purchasing goods, services and works, the Company seeks to do so from reliable and honest suppliers. Suppliers of all public procurement contracts with a higher value (over EUR 30 000 without VAT) are checked for criminal records, arrears, proper performance of contracts with other organisations and other information important to the Company.

**Approval of the Supplier Code of Conduct.** The Company's Supplier Code of Conduct reflects the Company's ambition to have a sustainable supply chain and makes suppliers aware of their expectations in the areas of social, environmental and economic responsibility.

**Green procurement.** According to the resolution of the Ministry of Environment, Lietuvos Paštas is committed to ensuring that in 2023 all public procurement is green. In order for the Company to achieve the set goals and make the green procurement process efficient, the Company is developing a sustainable procurement strategy, and in 2021, it organised training on Green Procurement for the colleagues who perform the most procurements. In total, in 2021, green procurement accounted for 1.1 % of all the Company's purchases calculated from the value of procurements (the number of green purchases increased in 2021).

	2020	2021
The ratio of published procurements to the value of all procurement procedures	94.3 %	90.8 %
Share of green purchases, calculated on the value of all procurement procedures	3.36 %	1.1 %



## ECONOMIC RESPONSIBILITY

# DIGITISATION



Optimisation, automation and digitisation of activities is one of the strategic activities of Lietuvos Paštas. One of the biggest changes in 2021 was the complete transition to smart distribution. On 1 March 2021, the new Vilnius Logistics Centre switched fully to smart distribution. Currently, the major portion of parcels and letters are sorted and distributed automatically. The distribution process has also become centralised – all shipments and letters to the final recipient are

distributed at the Vilnius Logistics Centre. See section ‘Smart Distribution Program’ for more information.

In 2021, 26 processes were robotised. The main robotised areas – data analytics, improving customer experience and reducing administrative work. Nearly half of the robotised processes [11] were dedicated to data analysis, i.e., data collection and their transmission for generation of report. Processes have been robotised for the improvement of customer experience, which

now provide customers with a better experience when using Lietuvos Paštas services. Other solutions have also been implemented, some tailored to specific customers and their needs. Processes, the robotisation of which allows to abandon certain routine tasks fall into the area of reducing administrative work, for example, “robots” in the document management system fill in information about a supplier’s accounts, check the status of shipments in the system, and make necessary changes.

Other initiatives and achievements:

### Postal services provided through an agent.

A pilot project of Lietuvos Paštas has been launched in Pandėlis town – services are now provided through an agent, i.e., in the store Aibė. Postal services will be more easily accessible to the residents of Pandėlis town – services will be provided every day of the week, during the opening hours of the store. This project contributes to the Company’s goal to provide more efficient services and optimise the network.

### Majority of post office have parcel label printers available.

In most post offices of Lietuvos Paštas, customers can print parcel labels generated in the self-service using the label printers available in the parcel packaging areas. This will help customers who do not have the opportunity to print a label at home and saves everyone time – both for colleagues working at the cash register and customers who no longer have to wait in line.

### Shipments sent via LP EXPRESS parcel lockers can be left for dispatch at any post office.

For the convenience of customers, the number of places where parcels can be left for dispatch at the post office has doubled to 527 places. When parcels ready to be sent via parcel lockers are brought to the post office, they can be left in the dedicated space without waiting in line; the label can also be printed at the post office.

### Easier money transfers with the PostalPay application.

Once Lietuvos Paštas has started cooperating with the financial services provider Eurogiro, local and international money transfers can now be sent via PostalPay’s mobile money transfer app and paid in cash at all Lietuvos Paštas and PayPost branches.

### Self-service changes.

The Company strives to improve the customer experience, so it is constantly making changes to LP Express self-service, such as introducing possibility to send parcels without registration.

## ECONOMIC RESPONSIBILITY

## FINANCIAL STABILITY AND RESILIENCE

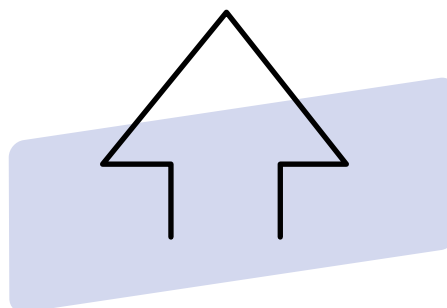


The Company seeks to grow revenue through the development of e-commerce solutions for the growing parcels market and by ensuring the quality that customers expect. As mentioned in the previous sections, in 2021, the Company was engaged in active development of parcel lockers, changes in self-service, modernisation of post offices, etc.

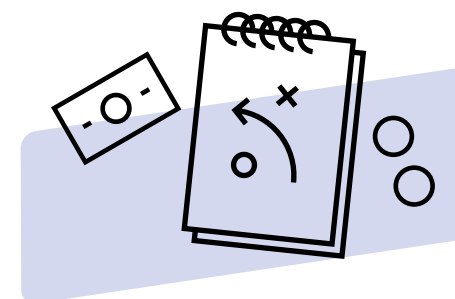
In 2021, the Company updated the pricing of services for business customers. Furthermore, in 2021, new tariffs for subscription distribution in rural areas and tariffs for sending parcels to private customers were approved, which came into force on 1 January 2021. The last time the tariffs for customers for postal items sent in Lithuania were changed in 2018, for postal items sent abroad – in 2014. The cost of providing services has changed significantly during this period. The change in costs is being accelerated by the rising costs of payments between the world's post offices and the cost of transporting parcels, as well as rising wages, and the necessary investment in technological solutions to ensure quality service in the future.

The Company manages costs through continuous efficiency improvement initiatives – it eliminates unnecessary processes, manual work, continues to increase the efficiency of real estate management by better adapting the areas required for the Company's operations, leases or sells real estate that is no longer necessary for the Company's operations. Improving IT solutions also contributes to cost reduction. Today, speed and flexibility in implementing innovations are particularly important, however, Lietuvos Paštas faces challenges in the IT business with many different systems, namely those developed for Lietuvos Paštas, which pose a higher risk of errors, as well as require costly maintenance and high development costs.

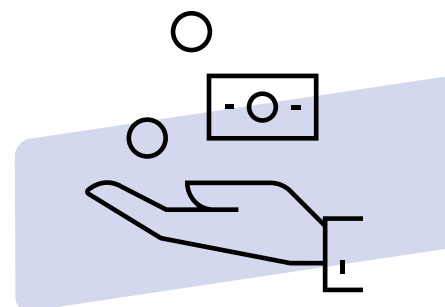
**The goal of financial sustainability is to ensure operations without losses. The Company towards it by:**



GROWING INCOME



CHANGING PRICING



SAVING AND REDUCING COSTS

## ECONOMIC RESPONSIBILITY

GRI 308-1

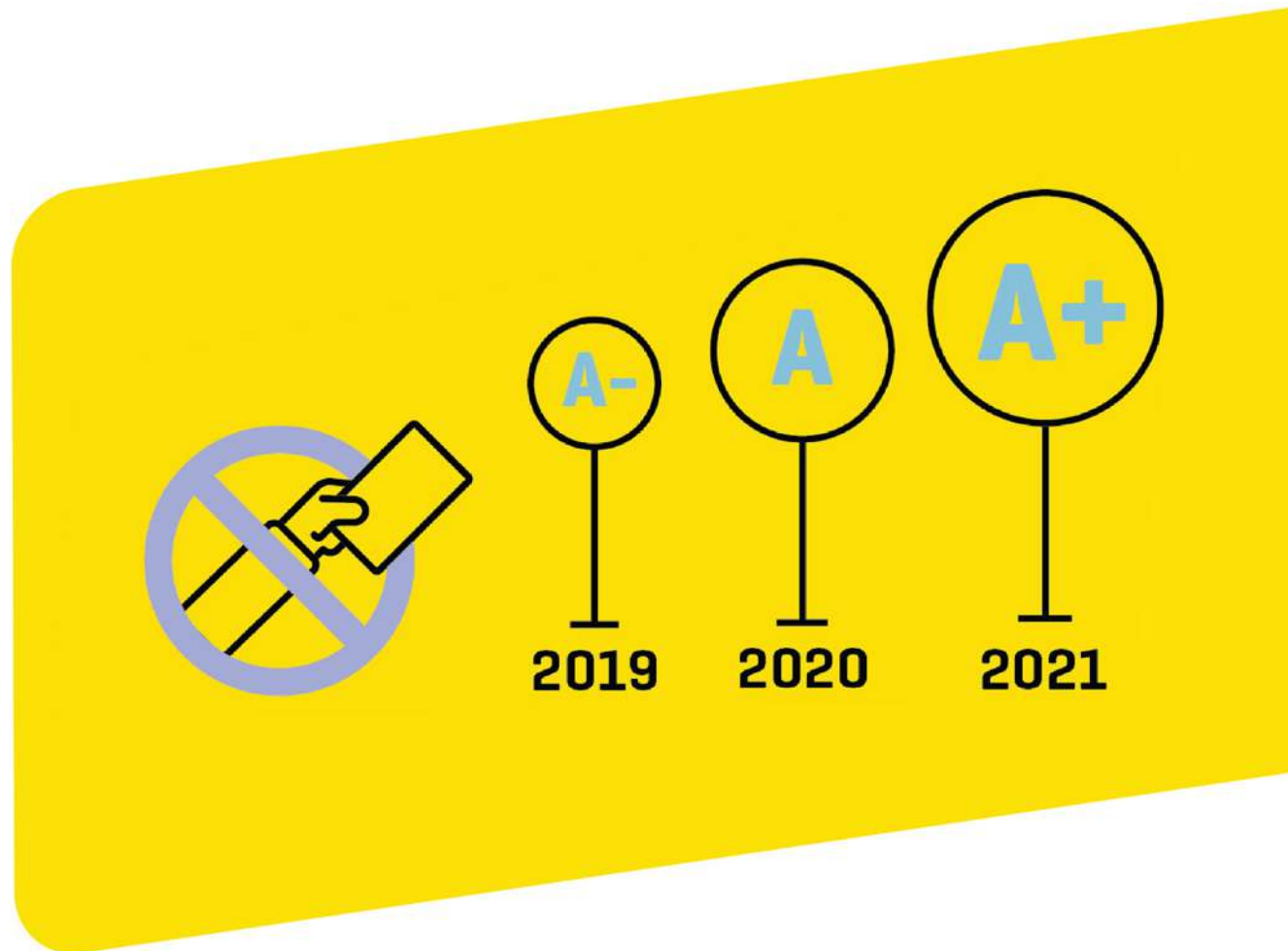
# ANTI-CORRUPTION AND TRANSPARENCY



Transparent and honest conduct compliant with the highest standards are an integral part of the Company's operations. The management of the Company's operations is subject to high transparency requirements, promoting transparent, responsible and ethical activities in the market. The company seeks to contribute to the improvement of the reputation of state-owned enterprises, is guided by the principles of Zero Tolerance for Corruption and the inevitability of responsibility. Obligations related to anti-corruption activities are set out in the Company's publicly available Anti-Corruption Policy.

In 2021, Company received highest A+ score in the good governance index completed by the Management Coordination Centre [hereinafter – the MCC] that assessed the Company's transparency.

The Company strives to meet the standard of the Anti-Corruption Management System, the expectations of the shareholder and to become an example to others in creating an anti-corruption culture, therefore, each year the Company not only introduces new anti-corruption measures, strengthens and improves the existing ones, but also engages in various initiatives. For example, in 2021, the Company joined the Transparency Academy initiative by the President of the Republic of Lithuania and organised by the Special Investigation Service [SIS]. During the initiative, being the experts in the field of transparency, the Company's employees provided consultations, training, advice and methodological assistance to the participants of the initiative. The Company also participated in 6 trainings organised by the Ministry of Transport and Communications of the Republic of Lithuania, where it shared its experience.



## ECONOMIC RESPONSIBILITY

GRI 205-1

### ETHICS AND ANTI-CORRUPTION DIRECTIONS

The company has approved the Code of Ethics and Conduct, by which it seeks to ensure the highest standards of transparency for employees and business partners.

The main entities forming and implementing the anti-corruption management system are the Board of the Company, the Audit and Risk Management Committee (hereinafter – the ARMC), the Company's CEO, the Security and Prevention Department and the employee performing the anti-corruption compliance function, as well as the heads of other functions and areas.

In 2021, all the strategic documents required to create an environment resistant to corruption were fully prepared – the Anti-Corruption Policy and Program, the Ac-

tion Plan, the directions and indicators have been planned and the objectives have been stated.

Consistent application of measures and attention to ethics and anti-corruption has yielded a positive result – the number of business representatives who believe that Lietuvos Paštas is highly corrupt has diminished by 50%. Moreover, the employee opinion that Lietuvos Paštas is not affected by corruption has improved by 6% (from 87% in 2020, to 97% in 2021). The achievement of indicators and the management of corruption risks were significantly influenced by the targeted implementation of the measures assigned to each task and the monitoring of their evaluation criteria.

ANTI-CORRUPTION DIRECTIONS	EVALUATION CRITERION	2020 (POINT OF REFERENCE)	2021 (ACTUAL)	2022 (TARGET)
To increase transparency and openness to customers, the public and other stakeholders	Reports on possible cases of corruption received via the Trust Line	13 %	2 %	5 %
	Residents who believe that the Company is highly corrupt	12 %	7 %	5 %
To increase anti-corruption awareness of employees while maintaining a high rate of intolerance to dishonest employee behaviour	Employees who are aware of the corruption prevention measures implemented in the Company	83 %	70 %	90 %
	Employees who know who needs to be notified of potential violations in the Company	89 %	95 %	95 %
	Employees who do not justify dishonest behaviour, where in the performance of duties, the laws are violated, which gives rise to corruption	98 %	97 %	98 %
To continuously improve the processes for maintaining the anti-corruption management system and other business processes where there is a high probability of corruption, applying a preventive approach to corruption risks	Employees who have felt a positive impact in the Company in recent years	79 %	84 %	85 %

#### System of measures to create an environment resistant to corruption

##### SYSTEM OF MEASURES TO CREATE AN ENVIRONMENT RESISTANT TO CORRUPTION

Corruption  
risk  
assessment

Ensuring  
reliability of  
employees

Raising  
anti-corruption  
awareness

Corruption  
prevention  
measures

Creating an open  
and trust-based  
organisational culture



## ECONOMIC RESPONSIBILITY

GRI 205-1

### CORRUPTION RISK ASSESSMENT

Corruption risk management is carried out in accordance with the requirements of the International anti-corruption management system standard and legal acts. Corruption risk assessment is carried out in 4 areas.

# 1

#### COMPANY'S RISK MANAGEMENT SYSTEM

In order to eliminate and reduce the identified risks of financial crime, bribery, trade coercion, nepotism, illegal and prior agreements, improper gifts, conflicts of interest, fraud, unethical conduct and abuse of power, the Company conducts corruption risk assessments in all areas of its operations and provides for measures to reduce the identified risks.

# 2

#### DETERMINING THE PROBABILITY OF CORRUPTION

Together with the shareholder, the Company has identified areas of activity where there is a high probability of corruption, and evaluates them on the annual basis:

- organisation and execution of procurement procedures;
- management, use and disposal of property;
- human resources administration;
- managing and declaring the balance between public and private interests;
- gifts and hospitality;
- use, administration, protection and control of information that may pose a risk of corruption;
- development, implementation, improvement and enforcement of internal control;
- organisation and operation of retail trade;
- sales of services;
- publishing of stamps;
- providing charity and support.

# 3

#### DILIGENT INSPECTION

Due diligence is the process allowing:

- to assess the nature and extent of the contractor's risk and assist the Company in making a decision regarding a specific contract and contractor.
- to assess the suitability of the candidate to hold the relevant positions in the Company.
- to assess the compliance of a specific transaction, project or activity with external and/or internal legislation.

# 4

#### CORRUPTION RISK ANALYSIS

The analysis of the company's activities from the anti-corruption point of view in accordance with the procedure established by the Government is performed by the SIS.

## ECONOMIC RESPONSIBILITY

GRI 308-1; 2-15

### ENSURING RELIABILITY OF EMPLOYEES

The purpose of the process of checking the suitability of candidates for the respective positions is to ensure that persons of impeccable reputation are admitted to and work for the Company, who also comply with the Company's legal requirements set forth by and applicable to the Company, in order to avoid possible financial, legal or reputational damage and risks of conflict of public and private interests, which may arise from the employment of a person who has provided false information about him-/herself and/or a person who does not comply with the legal requirements set forth by and applicable to the Company.

In 2021, a description of the procedure for screening candidates has been approved, which clearly sets out the criteria for assessing posts subject to diligent inspection,

and the next steps to be taken to manage the identified risks. In 2021, 6 candidates were screened according to the requirements.

Particular attention is paid to the coordination and control of public and private interests. The Company and its employees publicly and honestly declare their private interests, avoid potential conflict of interest situations, and withdraw in the event of such conflicts. Decisions in the Company are made impartially and objectively without prejudice and partiality, taking into account information based on facts and data. The reconciliation of public and private interests is defined in the Anti-Corruption Policy and the Description of the Procedure for Reconciliation and Control of Public and Private Interests. The list of posts requiring declaration, which was supplemented in 2021:

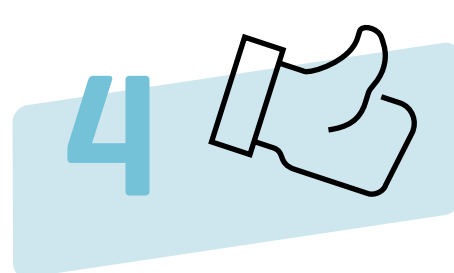
- Members of the Board;
- CEO;
- Managers;
- Lawyers;
- Experts;
- Employees participating in public procurement procedures.

The Company carries out preliminary, current and subsequent control of conflicts of interest, reminds employees declaring private interests to update declaration data, conducts training, prepares guides and provides other training information. Opt-outs submitted by the CEO are published on the website in the section Public and Private Interests. The opt-outs of the members of the Board shall not be made public.

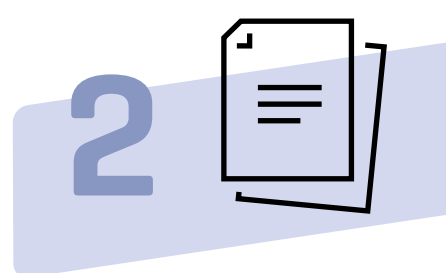
#### Public and private interests statistics, 2021



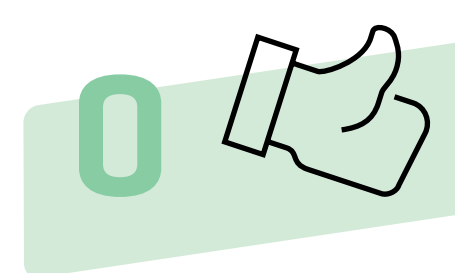
**INFORMATION ON OPT-OUTS  
SUBMITTED BY THE CEO MADE  
PUBLIC**



**OPT-OUTS FROM A POSSIBLE  
CONFLICT OF INTEREST SITUATION**



**PRELIMINARY RECOMMENDATIONS  
PROVIDED**



**CASES OF OUT-OUT  
CIRCUMVENTION**

## ECONOMIC RESPONSIBILITY

GRI 308-1; 205-2

### RAISING ANTI-CORRUPTION AWARENESS

#### 1 INFORMING THROUGH INTERNAL INFORMATION CHANNELS

All employees of the Company are acquainted with the Company's anti-corruption policy and corruption provision measures that are being implemented. The employment contract of each employee stipulates the main responsibilities, which are also related to the intolerance of corruption in the Company.

The employees are constantly informed about appropriate and inappropriate behaviour, new or updated anti-corruption measures, involvement in initiatives, and encouraged to report violations. The vast majority of employees confirm that there is sufficient communication on anti-corruption behaviour [95%], persons responsible for corruption prevention [75%], and feel that the Company is encouraged to participate in anti-corruption awareness-raising activities [95%].

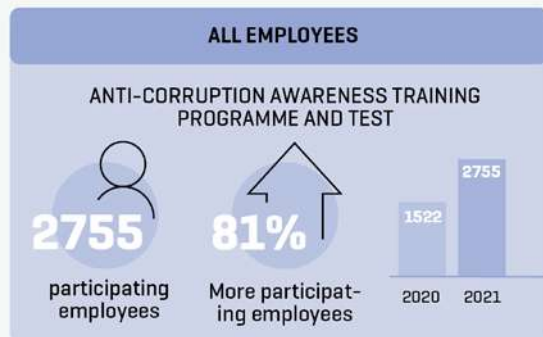
#### 2 TRAINING PROGRAMME AND TARGETED TRAINING

The anti-corruption awareness training programme has been developed for all employees, under which employees are obliged to take a test. The anti-corruption awareness training programme is organised annually and is mandatory for all employees who have computerised workplaces. Additional training in risk management in these areas is provided to managers and employees involved in procurement processes and/or who are responsible for contract administration. Moreover, in order to manage the risk of employees accepting inappropriate gifts, prior to the holiday period, Gift giving and acceptance training was provided to senior management and staff responsible for asset management and contract administration. Training was provided in conjunction with a Special Investigation Service representative. The members of the Board do not participate in anti-corruption training.

#### 3 ANONYMOUS SURVEY ON EMPLOYEE TOLERANCE FOR CORRUPTION

Every year, an anonymous employee survey on corruption in the Company is conducted, the purpose of which is to assess the effectiveness of the anti-corruption management system. The aim is to involve as many employees as possible each year. In 2021, 546 employees took part in the survey, 76 of whom were from the middle and top level management. According to the results of the 2021 survey:

- 90% of employees stated that if they noticed corruption at work, they would report it to responsible persons;
- 97% of employees stated that they were not aware of any cases where an employee had received an unreasonable reward at Lietuvos Paštas during the last year;
- 94% stated that corruption is not tolerated at Lietuvos Paštas.



TARGETED INTERNAL TRAINING	Participating employees
Giving and receiving gifts	25
Contract management	70
Preparation of technical specifications	40
Amendments to the law on procurement	70
Sustainable procurement	70
Theft prevention	139

TARGETED EXTERNAL TRAINING FOR RESPONSIBLE EMPLOYEES	Participating employees
Protection of presenters in lithuania: practical aspects of law application	7
Harmonisation of public and private interests	2
"Public procurement: what changes to be expected"	1
B2B Procurement Conference 2021	7
How to identify and control conflicts of interests in public procurement procedures?	3
Negotiations with suppliers	1



## ECONOMIC RESPONSIBILITY

GRI 2-26; 205-3

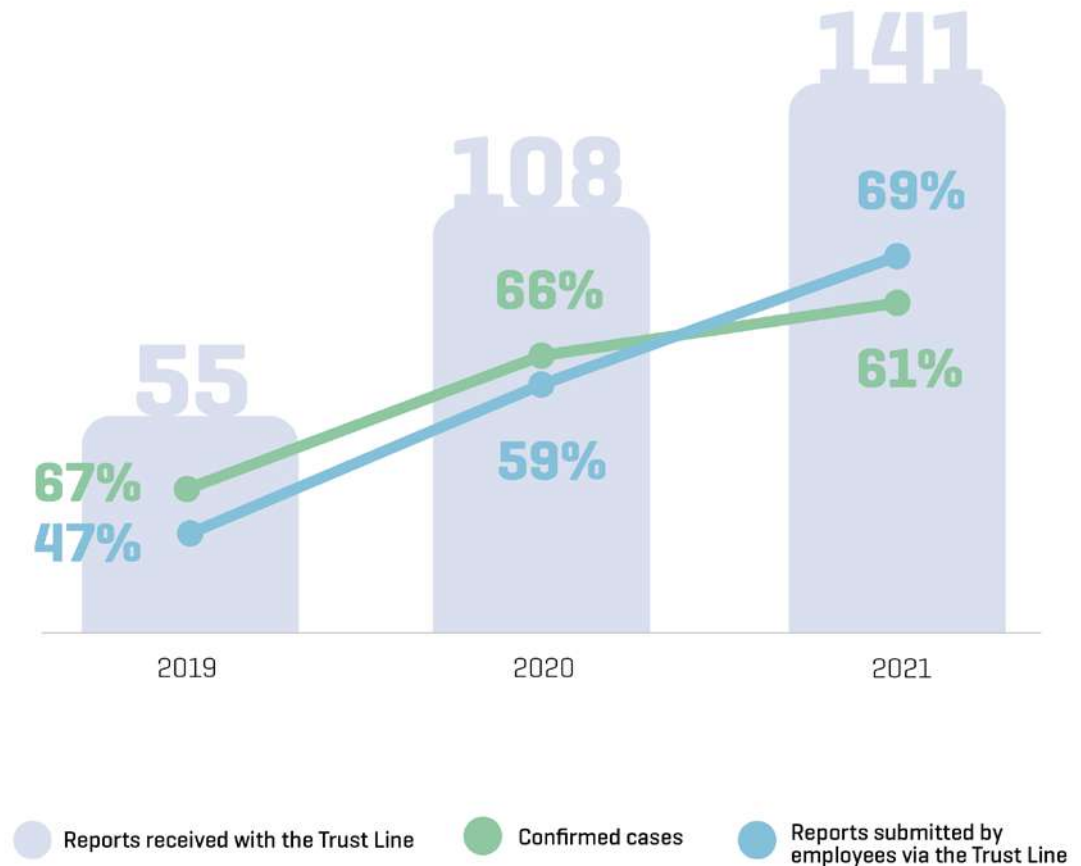
### OTHER CORRUPTION PREVENTION MEASURES

#### Gift Policy

The company has approved a clear procedure for giving and receiving gifts. The Company does not give or accept any gifts or services that do not comply with the international protocol and traditions, are not intended for representation or are not acceptable under the law.

#### Trust Line and conduct of surveys

The Company has established the internal reporting channel – the Trust Line, through which both employees and other interested parties can report violations that have been committed, are being committed and may be committed in future inside the Company. Each report is followed by an investigation. After the investigation, suggestions and recommendations for process improvement and risk management are provided. Cooperation with law enforcement authorities is carried out, when appropriate. The number of reports of employees submitted via the Trust line is growing every year. In 2021, 3 reports were possibly related to corruption offences involving violation of laws. 2 of the cases were confirmed to be the cases of misuse of the company's assets for own benefit, and 1 was referred to the law enforcement agency for further investigation.

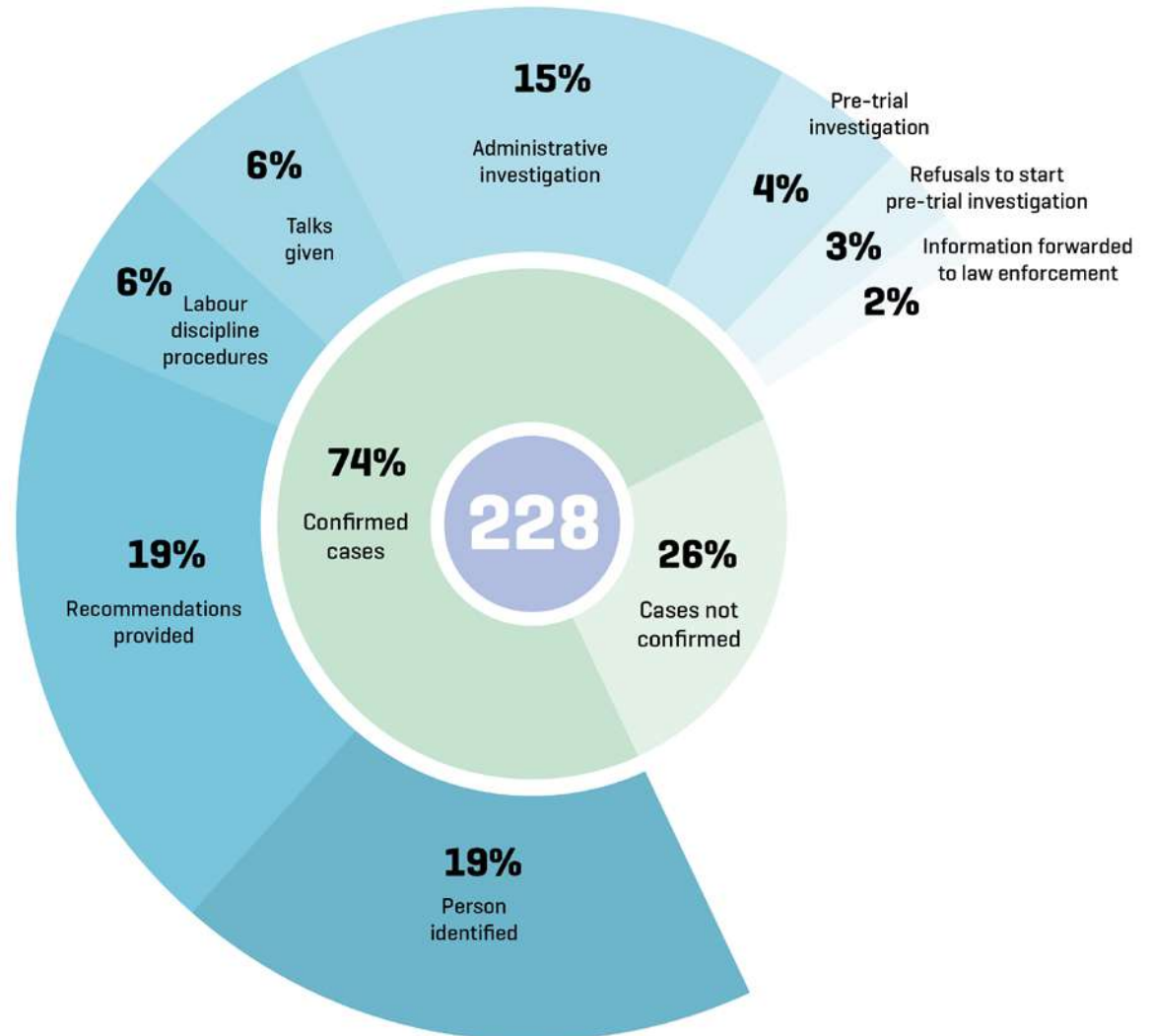


\* Corruption offences involving violation of laws are cases of administrative misconduct, breach of duty or official misconduct committed in the exercise of a power of attorney and seeking directly or indirectly benefit of oneself or another person, as well as criminal offences of involving corruption.

## ECONOMIC RESPONSIBILITY

### MAP OF CORRUPTION SURVEY

2021 investigations statistics:



The investigations are carried out not only on the basis of information received through via the Trust Line, but also on the initiative of the Department of Safety and Prevention and reports received from other institutions or other channels. In 2021, 228 investigations were conducted, of which as many as 74% were confirmed.

In the survey of the Lithuanian corruption map conducted by the Special Investigation Service in September-November 2021, the Company was rated twice as good as in 2019, both by businesses and residents, and by civil servants.

## ECONOMIC RESPONSIBILITY

GRI 418-1; 2-27

## PROTECTION OF PERSONAL DATA

Effective protection of personal data is one of the most important areas of sustainable development for the Company's stakeholders. At Lietuvos Paštas, the protection of personal data is carried out in accordance with the EU General Data Protection Regulation and other legal acts in this field. In 2021, no significant violations of personal data protection were identified in the company's operations. The Company has appointed a Data Protection Officer, and employs an information security expert. The main information for customers about the processing of their personal data is provided in the Lietuvos Paštas Privacy Notice [www.lietuvospastas.lt/privatumo-pranesimas](http://www.lietuvospastas.lt/privatumo-pranesimas) and at the points of provisions of services.

## COMPLIANCE WITH LAWS AND REGULATIONS

In 2021, almost 80 inspections of different supervisory authorities were performed at Lietuvos Paštas. Almost half of them were scheduled inspections at the points of provision of services conducted by the Fire and Rescue Department. During 2021, no significant sanctions were imposed on the company by the supervisory authorities, and during this year, no significant decisions have been made in court that could have material impact on the company's operations.



## ECONOMIC RESPONSIBILITY

# RISKS IN THE FIELD OF ECONOMIC RESPONSIBILITY

RISK	DESCRIPTION	MANAGEMENT TOOL
Cyberattacks	Lietuvos Paštas manages high volumes of user data. There is a risk that data could be "stolen" in the event of a cyber attack.	Continuous updating of information systems and improvement of competencies of responsible employees.
Sustainability risk of the selected supplier	The selected supplier may fail to follow the ethical operation principles established by the company. This might damage the company's reputation, undermine the financial results and quality of service.	To communicate about the expectations of suppliers during the procurement procedure, perform inspections, and in case of serious violations, terminate the contract with the supplier.
Risk of conflict of interest	The companies of relatives and acquaintances are protected, which results in overpayment, and non-economically advantageous companies are selected.	The procedure of reconciliation and control of public and private interests is conducted. The approval of the Chief Official Ethics Commission (COEC) was sought and the list of declaring employees was expanded.
There are only a few competitive tenders submitted in a public procurement procedure	If there are only a few suppliers involved in a public procurement procedure, there is a risk of purchasing a poor quality product/service or overpaying for it.	To communicate about ongoing public procurement and publish a public procurement plan.





# MEMBERSHIP IN ASSOCIATIONS



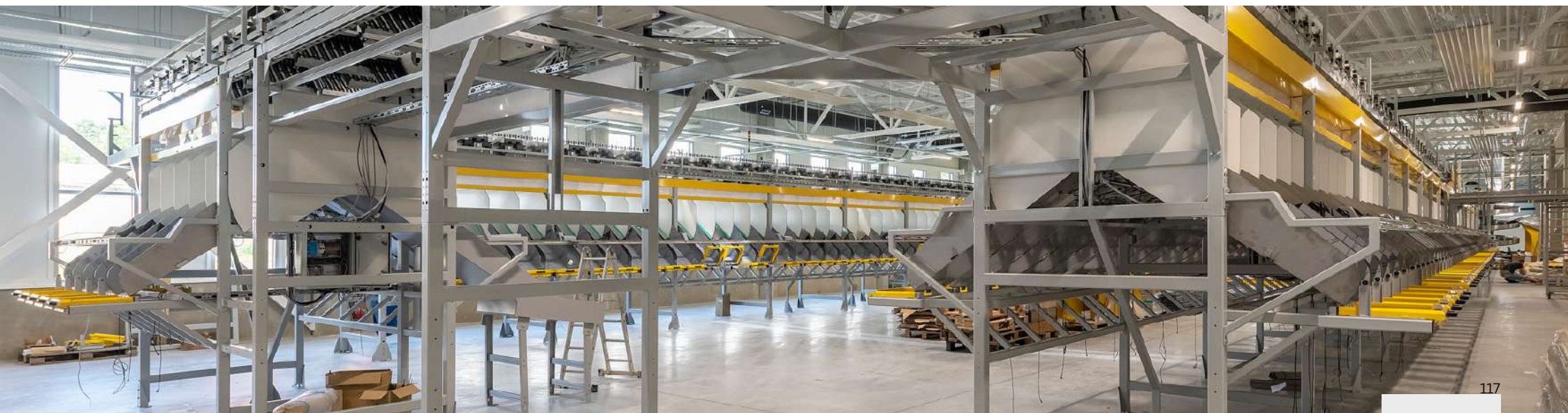
Lietuvos Paštas represents Lithuania in the main international postal organisations uniting the post offices of neighbouring countries and postal operators worldwide. The Republic of Lithuania is a member of the Universal Postal Union (UPU) since 1992. As a provider of the UPP, Lietuvos Paštas is an obligated operator, which the Republic of Lithuania has notified to the UPU.

The parent company Lietuvos Paštas is a member of the PostEurop, the association of European postal operators, one of the UPU regional unions ([www.posteurop.org](http://www.posteurop.org)) and the Baltic Postal Union (hereinafter – the BPU). The Company participates in the activities of the International Postal Corporation, as well as the Nordic Postal Union and the BPU Committee for the Improvement of Service Quality.

Lietuvos Paštas' membership in international postal organisations ensures the Company's opportunities for international cooperation, is important in developing international cooperation relations, sharing best practices and innovations that the Company can apply in improving its services.

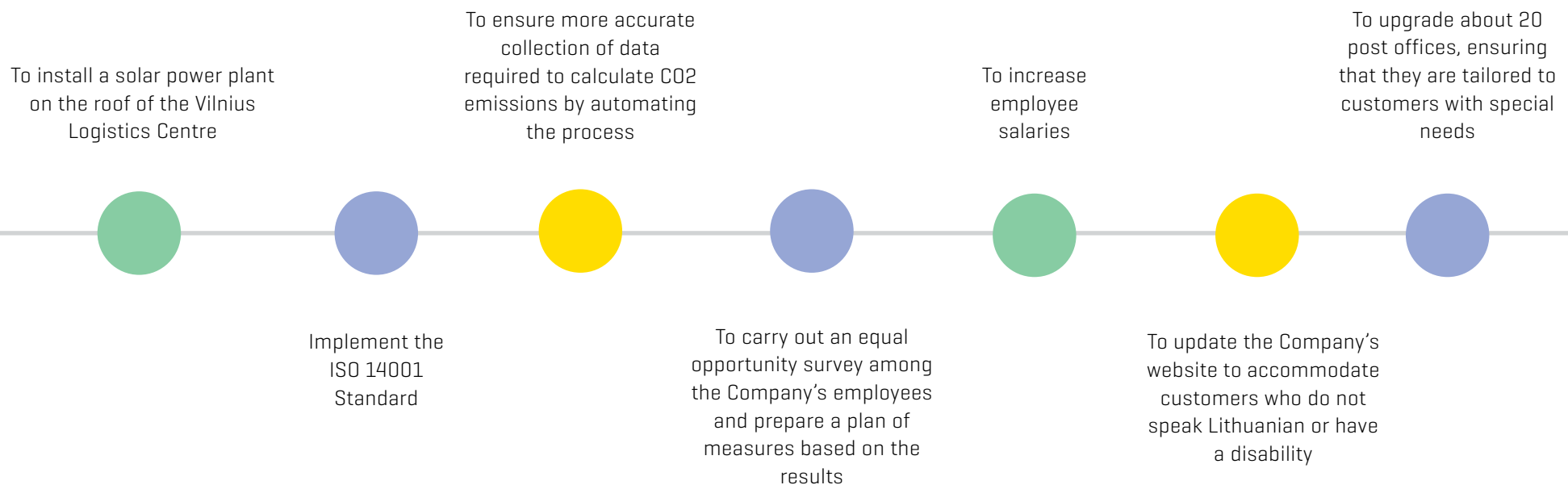
In March 2021, Lietuvos Paštas joined the United Nations (UN) Global Compact. The UN Global Compact initiative aims to encourage businesses and non-governmental organisations to act responsibly and adhere to the 10 principles on human rights, labour, the environment and the fight against corruption.

Through the Global Compact, the United Nations also encourages organisations to meet the 2030 Agenda for Sustainable Development.



# PLANS FOR 2022

The Company will continue to implement changes and initiatives that will help achieve the set goals by 2025. The main plans for 2022:



In addition, the Company will continue the good practices and ongoing initiatives and projects described in this report.

# LIST OF GRI INDICATORS

NUMBER OF GRI INDICATOR	TITLE OF THE GRI INDICATOR	PAGE OF THE ANNUAL REPORT OR SUSTAINABLE DEVELOPMENT REPORT
<b>GRI 2: GENERAL DISCLOSURES 2021</b>		
2-1	Organizational details	13
2-2	Entities included in the organization's sustainability reporting	71
2-3	Reporting period, frequency and contact point	71
2-4	Restatements of information	71
2-5	External assurance	71
2-6	Activities, value chain and other business relationships	44
2-7	Employees	89
2-8	Workers who are not employees	91
2-9	Governance structure and composition	17
2-10	Nomination and selection of the highest governance body	15
2-11	Chair of the highest governance body	17
2-12	Role of the highest governance body in overseeing the management of impacts	78
2-13	Delegation of responsibility for managing impacts	77
2-14	Role of the highest governance body in sustainability reporting	71
2-15	Conflicts of interests	111
2-16	Communication of critical concerns	22
2-17	Collective knowledge of the highest governance body	15
2-18	Evaluation of the performance of the highest governance body	15
2-19	Remuneration policies	296
2-20	Process to determine remuneration	98
2-21	Annual total compensation ratio	100
2-22	Statement on sustainable development strategy	71
2-23	Policy commitments	79
2-24	Embedding policy commitments	79
2-25	Processes to remediate negative impacts	77
2-26	Mechanisms for seeking advice and raising concerns	113
2-27	Compliance with laws and regulations	115
2-28	Membership in associations	117
2-29	Approach to stakeholder engagement	74
2-30	Collective bargaining agreements	101
<b>GRI 3: MATERIAL TOPICS 2021</b>		
3-1	Process to determine material topics	75
3-2	List of material topics	75
3-3	Management of material topics	77
<b>GRI 205: ANTI-CORRUPTION 2016</b>		
205-1	Operations assessed for risks related to corruption	109; 110
205-2	Communication and training about anti-corruption policies and procedures	112
205-3	Confirmed incidents of corruption and actions taken	113



# LIST OF GRI INDICATORS

## GRI 302: ENERGY 2016

302-1	Energy consumption within the organisation	82
302-3	Energy intensity	82

## GRI 305: EMISSIONS 2016

305-1	Direct (Scope 1) GHG emissions	81
305-2	Energy indirect (Scope 2) GHG emissions	81
305-3	Other indirect (Scope 3) GHG emissions	81
305-4	GHG emissions intensity	81

## GRI 306: WASTE 2020

306-1	Waste generation and significant waste-related impacts	83
306-2	Management of significant waste-related impacts	83
306-3	Waste generated	83

## GRI 401: EMPLOYMENT 2016

401-1	New employee hires and employee turnover	90
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	91

## GRI 402: LABOUR/MANAGEMENT RELATIONS

402-1	Minimum notice periods regarding operational changes	91
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## GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018

403-1	Occupational health and safety management system	93
403-2	Hazard identification, risk assessment, and incident investigation	93
403-3	Occupational health services	93
403-4	Worker participation, consultation, and communication on occupational health and safety	93

403-5	Worker training on occupational health and safety	93
403-6	Promotion of worker health	94
403-9	Work-related injuries	95

## GRI 404: TRAINING AND EDUCATION 2016

404-1	Average hours of training per year per employee	92
404-2	Programmes for upgrading employee skills and transition assistance programmes	92
404-3	Percentage of employees receiving regular performance and career development reviews	92

## GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016

405-1	Diversity of governance bodies and employees	96
405-2	Ratio of basic salary and remuneration of women to men	100

## GRI 406: NON-DISCRIMINATION 2016

406-1	Incidents of discrimination and corrective actions taken	96
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## GRI 413: LOCAL COMMUNITIES 2016

413-2	Operations with significant actual and potential negative impacts on local communities	101
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## GRI 418: CUSTOMER PRIVACY 2016

418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	115
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# ISSUE OF POSTAGE STAMPS

# ISSUE OF POSTAGE STAMPS AND STAMPED POSTCARDS

Lietuvos Paštas issues annually up to 27 new means of postal prepayment. Lietuvos Paštas, as the UPS provider, has the obligation to issue and withdraw from circulation the means of postal prepayment, as defined in the Lithuanian Postal Law [Article 16(2)(5)].

The subject matters of the issued postage stamps are selected in accordance with section II of the Rules on the issue, withdrawal from circulation and accounting for means of postal prepayment, as approved on 30 April 2013 by Order No 3-258 of the Minister of Transport and Communications of the Republic of Lithuania. The draft postage stamps are selected and printed according to sections III and IV of the Order.

In 2021, 17 new means of postal prepayment were put into circulation [14 postage stamps, 2 souvenir sheets, and 1 stamped postcard].

Seeking to increase awareness of its postage stamps and promote public interest in the means of postal prepayment, the Company implemented the following initiatives:

-In September, a postage stamp was moved to digital space with the aim to attract the attention of young people - the postage stamp featuring the XXXII Olympic Games was uploaded to Giphy platform enabling access to the postage stamp on the social networks Facebook and Instagram.

- Lietuvos paštas designates annual Philatelist of the Year nomination since 2018 in order to develop cooperation to philatelists of Lithuania. It honors those who glorify Lithuania through philately.

More details on Lietuvos Paštas philately activities and plans can be found [here](#).



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**Chief Executive Officer**

**Asta Sungailienė**



# CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

# CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	NOTES	YEAR ENDED 31 DECEMBER			
		GROUP		COMPANY	
		2021	2020	2021	2020
Revenue from contracts with customers	3	99 215 202	100 847 411	99 215 202	100 847 411
Other income	4, 22	11 980 724	11 214 044	11 980 724	11 214 044
		<b>111 195 927</b>	<b>112 061 454</b>	<b>111 195 927</b>	<b>112 061 454</b>
Employee-related expenses		(46 909 011)	(47 108 378)	(46 903 799)	(47 103 166)
Expenses of cross-border post transportation and settlements with foreign post offices		(32 362 045)	(29 512 563)	(32 362 045)	(29 512 563)
Depreciation and amortisation expenses of non-current assets		(7 358 181)	(6 610 170)	(7 361 429)	(6 613 418)
Cost of goods held for resale and services		(3 457 165)	(3 083 462)	(3 457 165)	(3 083 462)
Impairment of financial assets	11, 14	(1 279 924)	(61 909)	(1 211 886)	(62 098)
Expenses of utility services		(2 167 302)	(2 025 790)	(2 167 302)	(2 025 790)
Short-term lease of motor vehicles and related expenses		(2 340 347)	(2 254 185)	(2 340 347)	(2 254 185)
Expenses of consumables and raw materials		(2 763 758)	(2 404 221)	(2 763 758)	(2 404 221)
Property repair and maintenance		(3 510 922)	(3 373 360)	(3 510 922)	(3 373 360)
Taxes [other than income tax]		(629 790)	(2 511 163)	(629 790)	(2 511 163)
Communications expenses		(916 539)	(920 656)	(916 539)	(920 656)
Impairment/[reversal of impairment] of other assets	8	(116 267)	(106 985)	(116 267)	(106 985)
Other expenses	5	(13 142 247)	(10 566 746)	(13 142 194)	(10 566 692)
		<b>(116 953 496)</b>	<b>(110 539 586)</b>	<b>(116 883 441)</b>	<b>(110 537 758)</b>
Other gain/[losses]	5	(884 715)	469 203	(884 715)	469 203
<b>Operating profit/[loss]</b>		<b>(6 642 284)</b>	<b>1 991 070</b>	<b>(6 572 229)</b>	<b>1 992 899</b>

	NOTES	YEAR ENDED 31 DECEMBER			
		GROUP		COMPANY	
		2021	2020	2021	2020
Finance income	6	8 105	11 229	8 105	11 229
Finance (costs)	6	(895 713)	(473 466)	(895 713)	(473 466)
<b>Profit/(loss) before income tax</b>		<b>(7 529 892)</b>	<b>1 528 834</b>	<b>(7 459 837)</b>	<b>1 530 662</b>
Income tax	25	1 084 813	54 505	1 084 813	54 505
<b>Profit/(loss) for the period</b>		<b>(6 445 079)</b>	<b>1 583 338</b>	<b>(6 375 024)</b>	<b>1 585 167</b>
<b>Other comprehensive income/(expenses)</b>					
Other comprehensive income/(expenses) that will be subsequently reclassified to profit or loss		-	-	-	-
Other comprehensive income/(expenses) that will not be subsequently reclassified to profit or loss		-	-	-	-
<b>Total comprehensive income/(expenses) for the period</b>		<b>(6 445 079)</b>	<b>1 583 338</b>	<b>(6 375 024)</b>	<b>1 585 167</b>

The accompanying notes form an integral part of these financial statements.  
 These financial statements were approved and signed on 13 April 2022 by:

Asta Sungailienė  
 Chief Executive Officer

Greta Juodžiukynienė  
 Director of the Finance  
 and Administration Division

Sandra Putrimaitė  
 Head of the Accounting Department,  
 Chief Accountant

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# CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

	NOTES	GROUP		COMPANY	
		AT 31 DECEMBER 2021	AT 31 DECEMBER 2020	AT 31 DECEMBER 2021	AT 31 DECEMBER 2020
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	7	4 331 668	2 983 523	4 331 668	2 983 523
Property, plant and equipment	8	42 068 791	42 897 844	42 071 496	42 903 797
Right-of-use assets	9	16 610 304	17 094 461	16 610 304	17 094 461
Investment property	10	898 135	1 946 059	898 135	1 946 059
Non-current financial assets	11	77 764	133 265	83 556	139 057
Deferred income tax assets		124 614	-	124 614	-
		64 111 276	65 055 152	64 119 773	65 066 898
<b>Current assets</b>					
Inventories	12	3 825 868	3 613 940	3 825 868	3 613 940
Trade receivables	13	14 743 201	10 867 515	14 743 201	10 867 515
Contract assets	14	9 569 943	19 848 353	9 569 943	19 848 353
Prepayments, deferred expenses	15	1 743 249	575 725	1 743 225	575 701
Other amounts receivable	16	4 594 402	4 199 136	4 548 620	4 085 316
Cash and cash equivalents	17	25 539 029	9 788 081	25 504 962	9 749 183
		60 015 692	48 892 749	59 935 819	48 740 007
Non-current assets held for sale		34 164	936 374	34 164	936 374
		60 049 857	49 829 123	59 969 984	49 676 381
<b>Total assets</b>		<b>124 161 133</b>	<b>114 884 277</b>	<b>124 089 757</b>	<b>114 743 278</b>



	NOTES	GROUP		COMPANY	
		AT 31 DECEMBER 2021	AT 31 DECEMBER 2020	AT 31 DECEMBER 2021	AT 31 DECEMBER 2020
<b>EQUITY</b>					
Share capital	18	32 791 579	32 791 579	32 791 579	32 791 579
Legal reserve	19	861 544	861 544	861 254	861 254
Other reserves	19	-	-	-	-
Retained earnings/(deficit)		[6 402 431]	42 650	[6 473 082]	[98 059]
<b>Total equity</b>		<b>27 250 692</b>	<b>33 695 773</b>	<b>27 179 751</b>	<b>33 554 774</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	20	14 000 000	13 533 335	14 000 000	13 533 335
Lease liabilities	21	13 398 941	13 252 397	13 398 941	13 252 397
Long-term employee benefits	23	135 635	194 109	135 635	194 109
Grants and subsidies	24	175 286	95 007	175 286	95 007
Deferred income tax liability	25	-	344 509	-	344 509
		27 709 862	27 419 357	27 709 862	27 419 357
<b>Current liabilities</b>					
Borrowings	20	2 333 333	966 667	2 333 333	966 667
Current portion of lease liabilities	21	3 396 944	3 655 530	3 396 944	3 655 530
Trade payables		19 010 745	18 179 740	19 010 745	18 179 740
Contract liabilities	26	14 881 596	6 093 529	14 881 596	6 093 529
Accrued expenses	27	25 303 393	23 418 614	25 303 393	23 418 614
Current portion of long-term employee benefits	23	346 473	293 659	346 473	293 659
Income tax	25	-	-	-	-
Other amounts payable	28	3 928 094	1 161 409	3 927 659	1 161 409
		69 200 578	53 769 148	69 200 143	53 769 148
<b>Total liabilities</b>		<b>96 910 440</b>	<b>81 188 505</b>	<b>96 910 005</b>	<b>81 188 505</b>
<b>Total equity and liabilities</b>		<b>124 161 133</b>	<b>114 884 277</b>	<b>124 089 757</b>	<b>114 743 278</b>

The accompanying notes form an integral part of these financial statements.  
 These financial statements were approved and signed on 13 April 2022 by:

Asta Sungailienė  
 Chief Executive Officer

Greta Juodžiukynienė  
 Director of the Finance  
 and Administration Division

Sandra Putrimaitė  
 Head of the Accounting Department,  
 Chief Accountant

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# CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

	NOTES	YEAR ENDED 31 DECEMBER			
		GROUP		COMPANY	
		2021	2020	2021	2020
<b>Cash flows from operating activities</b>					
Profit/(loss) for the period		(6 445 079)	1 583 338	(6 375 024)	1 585 167
<b>Adjustments for non-cash items:</b>			-		-
Income tax	25	(615 690)	356 946	(615 690)	356 946
Depreciation and amortisation	7, 8, 9, 24	7 358 247	6 610 170	7 361 496	6 613 418
(Gain)/loss on disposal of property, plant and equipment	4, 10	(4 358 914)	(3 721 509)	(4 358 914)	(3 721 509)
Write-off and change of impairment of property, plant and equipment, property, plant and equipment held for sale and non-current intangible assets	7, 8	133 674	215 888	133 674	215 888
Change in right-of-use assets/liabilities	9	(118 558)	186 904	(118 558)	186 904
Change in impairment of trade receivables, contract assets and inventories	12, 13	1 202 352	(62 669)	1 202 352	(62 669)
Change in impairment of loans granted and investment in the subsidiary	11	-	-	-	-
Increase/(decrease) in long-term employee benefits	23	(5 660)	(101 460)	(5 660)	(101 460)
Change in provisions	28	(247 000)	318 303	(247 000)	318 303
Change in deferred income tax	25	(469 123)	(411 451)	(469 123)	(411 451)
Elimination of results of financing activities	6	537 152	462 237	537 152	462 237
		(3 028 599)	5 436 698	(2 955 295)	5 441 775

	NOTES	YEAR ENDED 31 DECEMBER			
		GROUP		COMPANY	
		2021	2020	2021	2020
<b>Changes in working capital:</b>					
(Increase)/decrease in inventories	12	(194 987)	(193 313)	(194 987)	(193 313)
(Increase)/decrease in trade receivables	13	(2 668 096)	(1 685 689)	(2 668 096)	(1 679 809)
(Increase)/decrease in other receivables, prepayments and deferred expenses	15, 16	(947 101)	345 612	(1 015 139)	345 612
Change in contract assets	14	9 048 352	(2 868 951)	9 048 352	(2 868 951)
Increase/(decrease) in trade payables		831 005	3 188 269	831 005	3 188 269
Increase/(decrease) in other payables, prepayments received	28	3 013 685	365 113	3 013 250	365 114
Change in accrued expenses/contract liabilities	26, 27	10 672 846	7 112 814	10 672 846	7 112 814
Income tax paid	25	-	(374 650)	-	(374 650)
<b>Net cash inflow from operating activities</b>		<b>16 727 105</b>	<b>11 325 903</b>	<b>16 731 936</b>	<b>11 336 861</b>
<b>Cash flows from investing activities</b>					
(Acquisition) of non-current assets	7, 8	(6 108 109)	(17 924 256)	(6 108 110)	(17 924 256)
Disposal of non-current assets	8, 10, 13	7 316 555	12 593 485	7 316 555	12 593 485
(Increase)/decrease in investments in other companies/institutions	11	-	(30 000)	-	(30 000)
Interest received	6	3 767	4 907	3 767	4 907
<b>Net cash (outflow) from investing activities</b>		<b>1 212 213</b>	<b>(5 355 864)</b>	<b>1 212 212</b>	<b>(5 355 864)</b>

	NOTES	YEAR ENDED 31 DECEMBER			
		GROUP		COMPANY	
		2021	2020	2021	2020
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		3 000 000	9 500 000	3 000 000	9 500 000
(Repayments) of borrowings		(1 166 667)	(7 426 339)	(1 166 667)	(7 426 339)
Lease (payments)		(3 462 044)	(3 929 188)	(3 462 044)	(3 929 188)
(Paid) interest on lease payments	6	(484 585)	(311 584)	(484 585)	(311 584)
(Paid) interest to credit institutions		(75 073)	(219 406)	(75 073)	(219 406)
<b>Net cash (outflow) from financing activities</b>		<b>(2 188 369)</b>	<b>(2 386 517)</b>	<b>(2 188 369)</b>	<b>(2 386 517)</b>
<b>Net increase/(decrease) in cash flows</b>		<b>15 750 949</b>	<b>3 583 522</b>	<b>15 755 779</b>	<b>3 594 480</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>9 788 081</b>	<b>6 204 557</b>	<b>9 749 183</b>	<b>6 154 703</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>25 539 030</b>	<b>9 788 081</b>	<b>25 504 962</b>	<b>9 749 183</b>

The accompanying notes form an integral part of these financial statements.  
 These financial statements were approved and signed on 13 April 2022 by:

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Greta Juodžiukynienė  
 Director of the Finance  
 and Administration Division

Sandra Putrimaitė  
 Head of the Accounting Department,  
 Chief Accountant

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# CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

GROUP	NOTES	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY				TOTAL
		SHARE CAPITAL	LEGAL RESERVE	OTHER RESERVES	RETAINED EARNINGS	
<b>Balance at 1 January 2020</b>		<b>32 791 579</b>	<b>861 544</b>	-	<b>(1 540 693)</b>	<b>32 112 430</b>
Profit/(loss) for the period		-	-	-	1 583 338	1 583 338
Other comprehensive income/(expenses)		-	-	-	-	-
<b>Total comprehensive income for the period</b>		-	-	-	<b>1 583 338</b>	<b>1 583 338</b>
<b>Balance at 31 December 2020</b>		<b>32 791 579</b>	<b>861 544</b>	-	<b>42 648</b>	<b>33 695 773</b>
<b>Balance at 1 January 2021</b>		<b>32 791 579</b>	<b>861 544</b>	-	<b>42 648</b>	<b>33 695 773</b>
Profit/(loss) for the period		-	-	-	(6 445 079)	(6 445 079)
Other comprehensive income/(expenses)		-	-	-	-	-
<b>Total comprehensive income for the period</b>		-	-	-	<b>(6 445 079)</b>	<b>(6 445 079)</b>
<b>Balance at 31 December 2021</b>		<b>32 791 579</b>	<b>861 544</b>	-	<b>(6 402 431)</b>	<b>27 250 692</b>

COMPANY	NOTES	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY				TOTAL
		SHARE CAPITAL	LEGAL RESERVE	OTHER RESERVES	RETAINED EARNINGS	
<b>Balance at 1 January 2020</b>		<b>32 791 579</b>	<b>861 254</b>	-	<b>(1 683 226)</b>	<b>31 969 607</b>
Profit/(loss) for the period		-	-	-	1 585 167	1 585 167
Other comprehensive income/(expenses)		-	-	-	-	-
<b>Total comprehensive income for the period</b>		-	-	-	<b>1 585 167</b>	<b>1 585 167</b>
<b>Balance at 31 December 2020</b>		<b>32 791 579</b>	<b>861 254</b>	-	<b>(98 058)</b>	<b>33 554 774</b>
<b>Balance at 1 January 2021</b>		<b>32 791 579</b>	<b>861 254</b>	-	<b>(98 058)</b>	<b>33 554 774</b>
Profit/(loss) for the period		-	-	-	(6 375 024)	(6 375 024)
Other comprehensive income/(expenses)		-	-	-	-	-
<b>Total comprehensive income for the period</b>		-	-	-	<b>(6 375 024)</b>	<b>(6 375 024)</b>
<b>Balance at 31 December 2021</b>		<b>32 791 579</b>	<b>861 254</b>	-	<b>(6 473 082)</b>	<b>27 179 751</b>

The accompanying notes form an integral part of these financial statements.  
 These financial statements were approved and signed on 13 April 2022 by:

Asta Sungailienė  
 Chief Executive Officer

Greta Juodžiukynienė  
 Director of the Finance  
 and Administration Division

Sandra Putrimaitė  
 Head of the Accounting Department,  
 Chief Accountant

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# NOTES TO THE FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

Public Limited Liability Company Lietuvos Paštas (the “Company”) is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is as follows:

J. Jasinskio g. 16,  
 Vilnius,  
 Lietuva.

The Company started its activities on 2 January 1992 and was named State Enterprise Lietuvos Paštas. Based on Order No 3-587 On the Reorganisation of State Enterprise Lietuvos Paštas into Public Limited Liability Company Lietuvos Paštas issued on 23 December 2005, the Ministry of Transport and Communications transformed State Enterprise Lietuvos Paštas to Public Limited Liability Company Lietuvos Paštas starting from 3 January 2006. The Group is engaged in the provision of universal, other postal, courier, printing, consultation, financial and similar services.

As at 31 December 2021, the Company’s share capital was divided into 113 074 410 shares with a nominal value of EUR 0.29 each [31 December 2020: EUR 0.29]. The Company has no own shares acquired, all shares are ordinary and fully paid. All shares of the Company are owned by the State represented by the Ministry of Transport and Communications of the Republic of Lithuania.

The Company has no branches.

As at 31 December 2021, the Group consisted of Public Limited Liability Company Lietuvos Paštas and its fully owned subsidiaries: Lietuvos Pašto Finansinės Paslaugos UAB and LP Mokėjimų Sprendimai UAB.

Data of the subsidiaries as at 31 December 2021 is set out below:

	LP Mokėjimų Sprendimai UAB	Lietuvos Pašto Finansinės Paslaugos UAB
Country	Lithuania	Lithuania
Ownership interest held by the Company	100%	100%
Investment (carrying amount in EUR)	2 896	2 896
Profit/(loss) for 200	(142 539)	0
Equity at 31 December 2020	(1 011 995)	1 510
Profile of activities	Consultation services	Dormant

The Company’s management approved these financial statements on 31 March 2021. The shareholder

of the Company has a statutory right to approve or not to approve these financial statements and require that management prepare a new set of the financial statements.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group’s/Company’s principal accounting policies applied in the preparation of the Group’s/Company’s financial statements for the year 2021 are set out below.

### 2.1 BASIS OF PREPARATION

The Group’s/Company’s financial statements as at 31 December 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

These financial statements comprise the Group’s consolidated financial statements and the Company’s separate financial statements prepared under the historical cost basis.

#### **Adoption of new and/or amended IFRS and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)**

The accounting policies of the Group/Company did not change, except for the following new IFRS and/or amendments to them which have been applied as of 1 January 2021:

#### **- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

The amendments were issued on 27 August 2020 and are effective for annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

The Group/Company has no hedging transactions, these amendments are not relevant.

#### **- Covid-19-related rent concessions – Amendments to IFRS 16**

COVID-19-related rent concessions – Amendments to IFRS 16 [issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020]. The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. If a lessee chooses to apply the practical expedient to a lease, it would apply the practical expedient consistently to all lease contracts with similar characteristics and in similar circumstances. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28(f) of IAS 8. The amendments had no material effect on the Company/Group.

#### **- Amendment to IFRS 4 – deferral of IFRS 9**

Issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023. The amendments to IFRS 4 addressed the temporary accounting consequences of the different effective dates of IFRS 9 and the forthcoming IFRS 17. The amendments to IFRS 4 extended the expiry date of the temporary exemption from applying IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17. The fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has been deferred to annual reporting periods beginning on or after 1 January 2023. The Company/Group is currently assessing the impact of these amendments on the financial statements.

New standards, amendments and interpretations effective for annual periods beginning on or after 1 January 2022; they were not early applied in preparing these financial statements, however they may be relevant to the Company in the future and it is currently assessing the impact of these amendments:

#### **- Classification of liabilities as current or non-current – Amendments to IAS 1**

The amendments were issued on 23 January 2020 and are effective for annual periods beginning on or after 1 January 2022. These narrow scope amendments clarify that liabilities are

classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

#### **- Classification of liabilities as current or non-current, deferral of the effective date – Amendments to IAS 1**

Classification of liabilities as current or non-current, deferral of the effective date – Amendments to IAS 1 [issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023]. The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance.

#### **- Disclosure of accounting policies – Amendments to IAS 1 and IFRS Practice Statement 2**

Issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023. IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this



amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Company/Group is currently assessing the impact of these amendments on the financial statements.

#### **- Definition of accounting estimates – Amendments to IAS 8**

Issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023. The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Company/Group is currently assessing the impact of these amendments on the financial statements.

#### **- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12**

Issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023. The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Company/Group is currently assessing the impact of these amendments on the financial statements.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 [issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022, not yet adopted by the EU].

Other new standards, amendments and interpretations that are mandatory for annual periods beginning on or after 1 January 2022 that have not yet been endorsed by the European Union and have not been applied when preparing these financial statements, are not relevant to the Company or will not have a significant impact on the Company.

## 2.2 PRESENTATION CURRENCY

Amounts shown in these financial statements are presented in the national currency of the Republic of Lithuania, the euro (EUR).

The Group's/Company's functional currency is the euro. Foreign currency transactions are initially measured using the functional currency at the date of the transaction. Financial assets and liabilities denominated in foreign currencies are translated into the functional currency at the date of the statement of financial position using the exchange rate prevailing at the date of the statement of financial position.

The exchange rate of the euro in relation to other currencies is announced daily by the Bank of Lithuania.

## 2.3 PRINCIPLES OF CONSOLIDATION

The Group's consolidated financial statements include public limited liability company Lietuvos Paštas and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year, using consistent accounting policies.

Subsidiaries are consolidated from the date on which effective control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Group. All intercompany transactions, balances and unrealised gains or losses on transactions between the Group companies are eliminated. Equity and net result attributable to non-controlling interests are shown separately in the statement of financial position and statement of comprehensive income.

Subsidiaries are all entities that the Company:

- has power over the investee [i.e., has effective rights that at the current moment grant the right to control significant activities];
- can or has the right to receive variable returns from its involvement with the investee;
- has the ability to use its power over the investee to affect the amount of the investor's returns.

## 2.4 BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition-date fair value and the amount of any minority interest in the acquiree. In each business combination, the acquirer measures the minority interest in the acquiree either at the fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are written off by including them in administrative expenses.

If a business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is re-measured at fair value at the acquisition date through the statement of comprehensive income. Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent re-measurements of the contingent consideration, which is deemed to be an asset or liability, at the fair value will be recognised in accordance with IFRS 9 either in profit or loss or as a change in other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is recognised at cost and is measured as the excess of the consideration transferred, including recognised minority interest, over the net value of assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the statement of comprehensive income. After the initial recognition, goodwill is carried at acquisition cost, less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquired entity are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

## 2.5 IMPORTANT MANAGEMENT DECISIONS AND USE OF ACCOUNTING ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with 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 areas where estimates are significant to the financial statements include impairment of assets [Notes 2.11, 2.22, 2.23, 7, 8, 10, 11, 12, 13, 14 and 16], useful lives of assets [Notes 2.8, 2.9, 2.10, 7, 8 and 9], deferred income tax [Notes 2.13 and 25], recognition of accrued revenue/contract assets [Notes 2.6 and 14, 26] and recognition of accrued expenses [Notes 2.7 and 27], determination of the amount receivable for the compensation for the provision of services related to the delivery of periodical publications to subscribers in rural areas [Note 16] and assessment of the impact of the adoption of IFRS 16 [Notes 2.1, 9 and 21]. Future events may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements when determinable.

At 22 December 2021 peace agreement between UAB Istanas, AB Lietuvos paštas and the General Prosecutor's Office of the Republic of Lithuania, defending the public interest, due to termination of lease agreement for the premises of Kaunas Logistics Center was concluded. In peace agreement is specified that the lease contract with all its amendments and (or) additions shall expire on the date of entry into force of the court order. On 23 December 2021 court in civil case adopted an order approving the peace agreement, but the order came into force after the end of the reporting period of the financial year, i.e at 4 January 2022. Due to uncertainty as to whether UAB Istanas will exercise its right to terminate the peace agreement before its effective date, management has recognized the termination of the lease in its financial statements in 2022 as disclosed in Note 33 "Events after the end of the reporting period". As specified in the peace agreement Company recognised compensation payable to Istanas UAB and liability to perform repairs to the premises in 2021, as disclosed in notes 5 „Other expenses“ and 27 „Accrued expenses“.

## 2.6 REVENUE RECOGNITION

The Group / Company provides postal services with or without contracts. In the absence of a contract, the customer uses universal postal services [UPS], for whose the tariffs are approved by the Communications Regulatory Authority of the Republic of Lithuania. Contractual customers use unregulated postal services, for which tariffs are set directly by the Group / Company and these activities do not have regulatory restrictions.

The Group/Company recognises revenue in order to reflect the transfer of promised goods or services to buyers at an amount that reflects the consideration that the Group/Company expects to receive in exchange for those goods and services, less value added tax, discounts and returns. The Group/Company recognises revenue on the basis of this main principle in the following sequence:

Step 1 – identification of the contract(s) with the customer. A contract is an agreement between two or more parties that creates enforceable rights and obligations.

Step 2 – identification of performance obligations identified in the contract, i.e., obligations identified in the contract to transfer goods or services to the buyer. If these goods or services can be separated, such obligations are considered as performance obligations that are accounted for separately.

Step 3 – determination of the transaction price. The transaction price is the amount of consideration identified in the contract that the Group/Company expects to receive in exchange for the transfer of goods or services to the buyer. The transaction price may be comprised of a fixed amount of the consideration paid by the buyer, however, sometimes it can also include a variable consideration or a consideration other than cash. The transaction price is adjusted in view of the time value of money, if the contract contains a significant financing component and also based on any consideration payable to the buyer.

Step 4 – allocation of the transaction price to the performance obligations identified in the contract. The Group/Company usually allocates the transaction price to each performance obligation on the basis of relative stand-alone selling prices of each good or service promised to be transferred under the contract. If data on stand-alone selling prices is not observable in the market, the Group/Company estimates the stand-alone selling price.

Step 5 – recognition of revenue upon the satisfaction of the performance obligation by the Group/Company. The Group/Company recognises revenue when it satisfies the performance obligation by transferring promised goods or services to the buyer, i.e. when the buyer acquires control of those goods or services. The recognised amount of revenue is equal to the amount which is allocated to the satisfied performance obligation. Performance obligation can be satisfied at a point in time or over time.

Revenue is recognised when the amount of revenue can be measured reliably and when the Group/Company is likely to obtain the economic benefits associated with the transaction, and specific criteria have been met for each type of revenue as described below. The Group/Company relies on historical results, taking into account the type of the customer, the type of the transaction and features of each agreement.

### **Principles of recognition of revenue from contracts with customers**

#### *Revenue from provision of postal services to Lithuanian customers*

Revenue is recognised on an accrual basis, i.e. it is recorded when earned, irrespective of the moment of cash receipts.

Revenue from the provision of postal and other services is recognised after the service is rendered, when the outcome of the service provision can be estimated reliably.

When services are rendered for longer than one reporting period in accordance with the existing contract on the provision of services, revenue is allocated on a proportionate basis to those periods when the relevant services have been rendered.

#### *Revenue/expenses from provision of postal services to foreign post offices*

A part of the Group's/Company's activities is based on international agreements, which regulate the rules for the issue and settlement of accounting documents for postal services provided. Based on these agreements, the Group/Company submits and reconciles actual parcel data, which comprises the quantities of postal services provided/received and amounts receivable/payable, with buyers/suppliers of postal services (foreign post offices) after the end of the quarter usually during the period of 2–3 months. Actual data, which comprise the quantities of provided/received postal services of postal correspondence delivery, is submitted and reconciled with buyers/suppliers of postal services (foreign post offices) after the end of the quarter usually during the period of 2–3 months. The calculation of actual amounts receivable/payable for postal correspondence is performed after a half of the year following the end of the reporting period when actual fees become known. Actual fees are based on service quality surveys and are determined for individual countries when almost a year passes after the reporting date. The Group/Company accrues revenue that is recognised as contract assets in the statement of financial position. A contract asset is the right to consideration in exchange for goods or services that have been transferred to the customer. If the Group/Company transfers goods or services to a customer before a customer pays for them or before the due settlement date, the contract asset is accounted for at the amount equal to a relative consideration earned. When calculating accrued revenue for services rendered, the Group/Company assesses the actual volumes of services provided/received and the latest valid fees and statistical data on service volumes.

#### *Revenue from the provision of courier and parcel locker services to Lithuanian customers*

Revenue is recognised on an accrual basis, i.e. it is recorded when earned, irrespective of the moment of cash receipts.

When services are rendered for longer than one reporting period in accordance with the existing contract on the provision of services, revenue is allocated on a proportionate basis to those periods when the relevant services have been rendered.

#### *Revenue from sale of goods*

The Group/Company sells retail goods owned by the Group/Company and consigned goods owned by the supplier. Goods owned by the Group/Company are accounted for in the statement of financial position and revenue is recognised when goods are transferred to a customer. After the sale of consigned goods, commission income is recognised.

### **Principles of recognition of other income:**

Rental income from leased assets is accounted for on a straight-line basis over the term of the lease. Interest, lease and other income are recognised on an accrual basis. Interest on late payment is recognised as income only upon receipt.

Dividend income from investments is recognised when shareholders obtain the right to receive the payment (when it is highly probable that future economic benefits will flow to the Group/Company and the amount of revenue can be reliably measured).

#### *Financing elements*

The Group and the Company do not have and do not expect to have contracts under which the period between the provision of goods or services and payments made by customers would exceed one year. For this reason, the Group and the Company do not account for a financing element separately. Although international settlements for postal services with the post office operators in other countries take more than one year, as most of the accounts for the previous reporting year are received in the middle of the next reporting year (the reconciliation of dispatched/received quantities and calculation of final tariffs take a substantial period of time to complete), however the Group/Company considers this to be a practice established in this industry and does not treat it as a financing component.

#### *Compensation for subscription losses incurred*

The Government has set tariffs for the delivery of periodicals to subscribers in rural residential areas that are lower than costs of this service. The Republic of Lithuania Postal Law approves the covering of the difference between such costs and tariffs using the state budget funds in accordance with the procedure established by the Government. Every half a year, the Company calculates the loss incurred due to the delivery of the subscription in rural areas and when assessing the amount of compensation receivable it includes a part or all of the amount in the consideration receivable only to the extent that it is highly probable that the amount of compensation for the recognised loss will not be materially reduced when the uncertainty related to a variable consideration is subsequently resolved.

Base on the requirement of IAS 20 and taking into consideration the fact that the above-mentioned losses occur due to the restriction on the service price, in 2020 the Company changed the accounting policy for the presentation of the compensation of subscription losses and presents it as other income in the statement of comprehensive income (previously it was presented as the reversal of incurred expenses in the statement of comprehensive income).

#### *Criteria for revenue recognition*

In accordance with IFRS 15, revenue is recognised at the amount of the transaction price when certain performance obligations established in the contract are fulfilled, however any elements of a variable consideration are recognised when it is highly probable that the latter revenue will not be reversed.

## 2.7 RECOGNITION OF EXPENSES

Expenses are recognised on an accrual basis during the reporting period when income related to these expenses is earned, regardless of the timing of the cash payments. Expenditure incurred during the reporting period, which cannot be attributed directly to income earned and which will not generate any income in future reporting periods, are recognised as expenses when incurred.

Expenses are usually measured at the amount paid or payable, net of VAT. When a long term of settlement is established and no interest is charged, expenses are determined by discounting the amount of settlement at the market interest rate.

## 2.8 INTANGIBLE ASSETS OTHER THAN GOODWILL

Intangible assets acquired are stated at cost, less subsequent accumulated amortisation and impairment loss. Value added tax expenses directly related to the acquisition of assets, which are not refundable under the Law on Value Added Tax, are added to the cost of intangible assets acquired. Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the useful life of 3-10 years.

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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 intangible assets.

The Group/Company does not have any intangible assets (excluding goodwill) with indefinite useful life.

## 2.9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at acquisition cost less subsequent accumulated depreciation and accumulated impairment loss.

The initial value of property, plant and equipment comprises acquisition cost including not refundable acquisition taxes and all directly attributable costs associated with preparation for use or transportation to the place of use of assets concerned. Value added tax expenses directly related to the acquisition of assets, which are not refundable under the Law on Value Added Tax, are added to the value of property, plant, and equipment. For the purpose of the statement of comprehensive income, repair and operation costs incurred after property, plant and equipment were put into operation are usually recognised during the period when such costs arose.

Construction in progress is stated at cost. Construction in progress comprises the cost of building, constructions and facilities and other directly attributable costs. Construction in progress is not depreciated until the completion of construction and putting of the assets into exploitation.

When property is retired or otherwise disposed, the cost and related depreciation are removed from the financial statements and any related gains or losses are determined by comparing proceeds with the net book value of the assets disposed and are included in the statement of comprehensive income.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate the cost of each asset to their net book value over their estimated useful lives, as follows:

Buildings	15 - 80 years
Machinery and equipment	6 - 15 years
Motor vehicles	10 years
Computer hardware	3 - 7 years
Communication equipment	3 - 15 years
Furniture	10 years
Other fittings, fixtures, tools and equipment	6 - 10 years
Other property, plant and equipment	4 - 10 years

The useful lives, residual values and depreciation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from property, plant and equipment.

## 2.10 INVESTMENT PROPERTY

Investment property of the Group/Company is comprised of real estate which is held to generate rental income. Investment property in the Group/Company is the property which is leased under

one or more operating lease agreements if the area leased represents more than 20 % of the total area of the property. Investment property is stated at acquisition cost less accumulated depreciation and recognised impairment loss. The initial value of investment property comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repair and maintenance costs incurred after the investment property has been brought to its working condition are normally charged to the statement of comprehensive income in the period when such costs are incurred. Depreciation is calculated on a straight-line basis to write-off the cost of each item of investment property to its net book amount over the estimated useful life of 15 to 80 years.

The carrying amount of the investment property is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset [calculated as the difference between the net disposal proceeds and the carrying amount of the asset] is included in the statement of comprehensive income in the year in which the asset is derecognised. Transfers to and from investment property are made only when there is an evidence of change in an asset's use.

## 2.11 IMPAIRMENT OF ASSETS

### Impairment of non-financial assets

Other assets are assessed for impairment when events and circumstances indicate that the value of assets may not be recoverable. Where the carrying amount of an asset exceeds its recoverable amount, impairment is accounted for in the statement of comprehensive income. A reversal of an impairment loss recognised in prior periods is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has materially decreased. Reversal is accounted for in the statement of comprehensive income under the same line item as impairment loss.

## 2.12 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability;
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group/Company must have access to the principal or the most advantageous market.

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.

Fair values of financial assets and financial liabilities is obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The Group/Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – quoted [unadjusted] prices in active markets for identical assets or liabilities;

Level 2 - valuation techniques for which the lowest level inputs that are significant to the fair value measurement are observable in the market either directly or indirectly;

Level 3 - valuation techniques for which the lowest level inputs that are significant to the fair value measurement are unobservable in the market.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group/Company determines whether transfers have occurred between the levels in the hierarchy by re-assessing categorisation [based on the lowest level input that is significant to the fair value measurement as a whole] at the end of each reporting period.

Impairment of amounts receivable from the foreign post offices is assessed individually for each customer [a foreign post office]. Impairment is assessed by multiplying two components: i) a projected probability of default and ii) expected losses in the event of default. When calculating the value of the projected probability of default, the Group and the Company consider that the price of credit default swaps [CDS] of a specific party indicates probability that the insolvency event will occur. If there are no easily accessible prices of CDS, the price of CDS is attributed according to the credit rating assigned by the credit rating agency Moody's to the country in which a foreign post office operates. If Moody's has not assigned the credit rating to a specific country, the highest CDS price available in the market is attributed. When calculating the value of expected losses in the event of default, the Group and the Company refer to the category to which bonds of the state, in which the foreign post office operates, are attributed. Bonds are classified into investment-grade or speculative-grade bonds. The grades are attributed according to the lowest rating of one of three rating agencies [Standard & Poor's, Moody's, Fitch]. The Group and the Company assume that expected losses in the event of default comprise 75% of the total final settlement amount when government bonds are attributed to the investment grade and 100% when government bonds are attributed to the speculative grade.

Valuations are performed by the management and in order to disclose information about fair value, it established classes of assets and liabilities based on the nature, characteristics and risks as well as the above fair value hierarchy level of assets and liabilities.

## 2.13 INCOME TAX

Income tax charge is based on profit for the year and considers deferred taxation. Income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity, in which case the tax is also recognised directly in equity.

Lithuanian companies are subject to an income tax rate of 15 %.

Tax losses can be carried forward for an indefinite period, except for losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Group's/Company's entity changes its activities due to which these losses were incurred, except when the Group's/Company's entity does not continue its activities due to reasons which do not depend on the entity itself. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature. With effect from 1 January 2014, tax losses available for carry forward can be used to reduce taxable income of the current tax year by maximum 70%.

Deferred taxes are calculated using the balance sheet liability method. Deferred tax represents a net tax effect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts reported in the financial statements. Deferred tax assets and liabilities are measured using a tax rate that is expected to be used when deferred tax assets are realised or deferred tax liability is settled taking account of tax rates enacted or substantially enacted at the date of the statement of financial position.

Deferred tax assets are recognised in the statement of financial position to the extent that the management expects to utilise such assets in the near future taking into consideration forecasts of taxable profit. 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. Deferred income tax assets are not recognised against unused possible income tax reliefs.

## 2.14 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale are measured at the lower of the carrying amount and fair value less costs to sell. A non-current asset is classified as held for sale if its carrying amount is recovered principally through a sale transaction rather than through continuing use. This requirement is met only when the sale is highly probable and the asset is fully ready for immediate sale. Essential conditions of a probable sale are the shareholder's approved decision to sell and the signing of a non-cancellable purchase agreement with the buyer of non-current assets. Depreciation of a non-current asset ceases at the date that the asset is classified as held for sale.

If the Group's/Company's asset classified as held for sale no longer meets the criteria described above, the Group/Company ceases to classify such asset as held for sale and measures such asset at the lower of a net book value before reclassification to assets held for sale by taking into consideration any adjustments for depreciation, amortisation or revaluation that would have been accounted for if the asset was not classified as held for sale or its recoverable amount estimated after deciding not to sell the asset. Adjustments of the carrying amount of assets that are no longer classified as held for sale are accounted for as profit [loss] of the reporting period.

## 2.15 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses. Cost is determined using the first-in, first-out (FIFO) method. The cost of inventories comprises purchase price, transportation, other costs directly attributable to the cost of inventories and taxes other than those subsequently recoverable by the Group/Company from the state authorities. Inventories that are no longer expected to be realised are written off.

## 2.16 FINANCIAL ASSETS

### *Initial recognition and measurement of financial assets*

On initial recognition, financial assets are classified as subsequently measured at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss.

The classification of financial assets on initial recognition depends on the contractual nature of the cash flows of the financial asset and the Company's business model for managing financial assets. Except for trade receivables that do not have a significant financing component, the Company initially recognises financial assets at fair value, plus, in case of financial assets not measured at fair value through profit or loss, transaction costs. Trade receivables that do not include a significant financing component are measured at the transaction price determined in accordance with IFRS 15.

For a financial asset to be designated and measured at amortised cost or fair value through other comprehensive income, cash flows arising from the financial asset should comprise solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is called the SPPI test and is performed for each financial instrument.

The Company's business model for managing financial assets indicates how the Company manages its financial assets to generate cash flows. The business model determines whether cash flows will be generated by collecting contractual cash flows, by selling the financial asset or by using both options.

Ordinary purchases or sales of financial assets are recognised on the trade date, i.e. the date on which the Company commits to purchase or sell the financial asset.

### *Subsequent measurement*

After initial recognition, the Company measures financial assets at:

- Amortised cost (debt financial instruments);
- Fair value through other comprehensive income when accumulated profit or loss is transferred to profit or loss upon derecognition (debt financial instruments). As at 31 December 2021 and 2020, the Company had no such financial instruments;
- Fair value through other comprehensive income when accumulated profit or loss is not transferred to profit or loss upon derecognition (equity instruments). As at 31 December 2021 and 2020, the Company had no such financial instruments;
- Fair value through profit or loss. As at 31 December 2021 and 2020, the Company had no such financial instruments.

### *Financial assets measured at amortised cost (debt financial instruments)*

This category is the most relevant to the Company/Group. The Company/Group measures financial assets at amortised cost provided that both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



Financial assets measured at amortised cost are subsequently recorded using the effective interest method (EIR) less impairment losses. Gains or losses are recognised in the statement of comprehensive income when the asset is derecognised, replaced or impaired.

The Company's financial assets measured at amortised cost comprise cash and cash equivalents, trade receivables, other current and non-current receivables and loans granted.

#### *Derecognition*

A financial asset [or, where applicable, a part of a financial asset or part of a group of similar financial assets] is derecognised [i.e., it is derecognised from the statement of financial position of the Company] when:

- the contractual rights to receive cash flows from the financial asset have expired; or
  - the Company has transferred the contractual rights to receive cash flows from financial assets; or assumed a liability to pay all cash flows received to the third party under the transfer agreement without a significant delay and
- a) the Company has transferred substantially all the risks and rewards of ownership of the transferred financial asset; or
- b) the Company has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of that financial asset.

When the Company transfers the contractual rights to receive cash flows from a financial asset or concludes a disposal agreement with a third party, it is assessed whether and to what extent the Company retains the risks and rewards of ownership of the financial asset. When the Company neither transfers nor retains substantially all the risks of rewards of ownership of the financial asset and does not transfer control of the asset, the asset continues to be recognised to the extent of the Company's continuing involvement in the asset. In such a case, the Company also recognises related liabilities. The transferred asset and related liabilities are measured on the basis of the rights and liabilities retained by the Company.

When the transferred asset related to the Company becomes a guarantee, the portion under control is measured at the lower of the carrying amount of the asset and the maximum amount that the Company may be required to pay [the amount of the guarantee].

#### *Impairment of financial assets*

The Company recognises expected credit losses (ECL) for all debt financial instruments that are not measured at fair value through profit or loss. ECL are based on the difference between the contractual cash flows receivable and cash flows expected to be received by the Company discounted at an approximate original effective interest rate. ECL are recognised in three stages. For credit exposures whose credit risk has not increased significantly since initial recognition, ECL are calculated for credit losses arising from default events that may occur within the next 12 months [12-month ECL]. Credit exposures for which there has been a significant increase

in credit risk since initial recognition, impairment is provided for the amount of credit losses expected to occur within the remaining life of the credit exposure, irrespective of the timing of default [lifetime ECL].

The Group/Company uses the simplified method for calculating ECL for trade receivables and assets arising from contracts with customers. Therefore, the Group/Company does not observe changes in credit risk, but recognises impairment at each reporting date on the basis of lifetime ECL. The Company uses a matrix of expected loss rates, which is based on the historical credit loss analysis and adjusted to reflect future factors specific to borrowers and economic environment. When there is objective evidence of impairment of an unquoted equity instrument that is not measured at fair value because fair value cannot be measured reliably, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated cash flows discounted using a market return rate for similar financial assets.

## 2.17 CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and cash at bank. Cash equivalents represent short-term highly liquid investments easily convertible to a known amount of cash. The maturity of such investments does not exceed three months and the risk of changes in their value is quite low.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits in current bank accounts, and other highly liquid short-term investments.

## 2.18 BORROWINGS

Borrowings are initially recorded at the fair value of proceeds received, net of transaction costs. Subsequently, they are carried at amortised cost and the difference between proceeds received and the amount to be repaid over the term of the debt is recorded in profit or loss of the reporting period [except for the capitalised part, see information below]. Borrowings are recognised as non-current when the financing agreement signed prior to the date of approval of the statement of financial position provides for a long-term nature of liability at the date of the statement of financial position.

#### *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets. Other borrowing costs are recognised as expenses as incurred. Borrowing costs include interest and other expenses related to

the borrowing of funds. At the option of the Group/Company, after the completion of the construction/acquisition of the targeted assets targeted borrowings are not converted into general borrowings, therefore, related borrowing costs are not capitalised.

## 2.19 LEASES

*Where the Group and the Company are lessees*

Under the requirements of IFRS 16, the Group/Company recognises right-of-use assets and lease liabilities for all types of lease with the term longer than 12 months, except for the cases when the value of assets transferred under the lease contract is low. Based on the management's judgement, this value is equal to EUR 1 000.

At the date of initial recognition, the lessee measures lease liabilities at the present value of lease payments not paid, including the following payments:

- fixed payments (including payments equivalent to fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or rate initially measured using an index or a rate at the commencement date;
- amounts to be paid by the lessee under the residual value guarantees;
- fines for the termination of the lease, if it is assumed that the lessee will exercise the option to terminate the lease during the lease term.

The right-of-use assets are recognised at the amount equal to the lease liabilities, adjusted for any related prepaid lease payments. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Lease payments are discounted using the interest rate implicit in the lease contract if that rate is readily determinable. If that rate is not readily determinable, the lessee uses the lessee's incremental borrowing rate.

The interest rate implicit in the lease is the rate of interest that causes the present value of the lease payments and the unguaranteed residual value to equal the sum of the fair value of the underlying asset and any initial direct costs of the lessor.

Lease liabilities are measured at amortised cost using the effective interest rate treated as equal to the discount rate applied in discounting lease payments. Interest expenses related to lease liabilities are calculated on the outstanding balance of the lease liability allocated over the lease term and recognised through profit or loss.

At initial recognition, the cost of right-of-use assets comprises:

- the amount of the initial measurement of the present value of the lease liability;
- any lease payments at the commencement date or prior to it less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- estimate of the asset's recovery costs.

Subsequently, the lessee measures the right-of-use assets at cost less all accumulated depreciation and all accumulated impairment losses. If the ownership right of the leased assets is transferred to the lessee by the end of the lease term or the price of the right-of-use assets indicates that the lessee will exercise the option to purchase, the lessee calculates the depreciation of the right-of-use assets from the commencement date until the end of the useful life of the leased assets. Otherwise, the lessee calculates the depreciation of the right-of-use assets from the commencement date until the earlier of these dates: the end of the useful life of the right-of-use assets or the end of the lease term.

The depreciation period of the right-of-use assets is 1-12 years.

Payments related to short-term lease or lease of assets, the lease price of which changes depending on variables set out in the contracts (kilometres, number of hours), are recognised as expenses through profit or loss under the straight-line basis. Short-term lease is the lease that has a lease term of 12 months or less.

*Operating lease – where the Group/Company is a lessor*

Leases where the Group/Company retains all the risks and rewards of ownership of the leased item are classified as operating leases. Initial direct cost incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as lease income. Lease payments are recognised as income during the period in which it is earned.

## 2.20 GRANTS AND SUBSIDIES

Grants and subsidies [hereinafter 'grants'] received in the form of non-current assets or intended to purchase, construct or otherwise acquire non-current assets are defined as asset-related grants. Assets received free of charge are also allocated to this group of grants. The amount of the grants related to assets is recognised as income in the financial statements over the period of depreciation of the assets associated with this grant. In the statement of comprehensive income, depreciation expense account is decreased by the amount of grant amortisation.

Grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are defined as grants related to income. 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.

## 2.21 FINANCIAL LIABILITIES

### *Initial recognition and measurement*

On initial recognition, financial liabilities are classified as financial liabilities measured at fair value through profit or loss, borrowings and amounts payable. All financial liabilities are initially recognised at fair value and, in case of borrowings and amounts payable, directly attributable transaction costs are deducted. The Company's financial liabilities include trade and other payables, borrowings, including overdrafts and finance lease liabilities.

### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

#### *Financial liabilities measured at fair value through profit or loss*

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities classified as measured at fair value through profit or loss on initial recognition.

Financial liabilities are classified as held for trading if they are incurred with a repurchase purpose in the near future. This category also includes derivative financial instruments of the Company that are not classified as hedges within the scope of IFRS 9. Separate embedded derivatives are also classified as held for trading unless they are classified as effective hedging instruments.

Gain or loss resulting from financial liabilities held for trading is recognised in the statement of comprehensive income. As at 31 December 2021 and 2020, the Group/Company had no derivative financial instruments.

### *Liabilities measured at amortised cost*

This category is the most relevant to the Company. After initial recognition, borrowings and other amounts payable are accounted for at amortised cost using the effective interest rate [EIR] method. Gains and losses are recognised in the statement of comprehensive income when liabilities are derecognised, as well as through the amortisation process.

Amortised cost is calculated by reference to the discount or premium on acquisition, as well as taxes or costs that are an integral part of the EIR. EIR amortisation is included in financing costs in the statement of comprehensive income.

### *Derecognition*

A financial liability is derecognised when the obligation under the liability is settled, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in the statement of comprehensive income.

### *Off-setting of financial instruments*

Financial assets and financial liabilities are set off and the net amount presented in the statement of financial position when there is an enforceable right to set off the recognised amounts and when there is intention to settle on a net basis, i.e. to realise the asset and settle the liability simultaneously.

## 2.22 LONG-TERM EMPLOYEE BENEFITS

Each employee of retirement age who terminates his/her employment with the companies of the Group/Company upon retirement is entitled to receive a one-off payment equal to 2 monthly salaries as stipulated in the Lithuanian Labour Code.

The current year cost of employee benefits is expensed immediately in the statement of comprehensive income. The past service cost is recognised as an expense in equal instalments 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 the statement of comprehensive income.

Employee benefit obligation is calculated with reference to actuarial valuations using the projected unit credit method. Liability is recognised in the statement of financial position and it reflects the present value of these benefits at the date of the preparation of the statement of financial position. The present value of employee benefit obligation is determined by discounting the estimated future cash flows using the interest rates set for government bonds denominated in the same currency as the benefits and with a maturity similar to the expected timing of benefits settlement. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

## 2.23 INVESTMENTS IN SUBSIDIARIES

In the Company's separate financial statements, investments in subsidiaries are stated at acquisition cost. The cost of investments is reduced by the amount of impairment. Such impairment is assessed and accounted for each investment separately.

## 2.24 PROVISIONS

Provisions are recognised when the Group/Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Expenses related to the accounting of provisions are recognised in the statement of comprehensive income. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as borrowing costs.

## 2.25 CONTINGENCIES

Contingent liabilities are not recognised in the financial statements, except for contingent liabilities related to business combinations. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

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

## 2.26 EVENTS AFTER THE END OF THE REPORTING PERIOD

Events after the reporting period that provide additional information about the Group's/Company's position at the date of the statement of financial position (adjusting events) are reflected in the financial statements. Events after the reporting period other than adjusting events are disclosed in the notes to the financial statements when such events are significant.

## 2.27 INTER-COMPANY OFFSETTING

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

### 3. REVENUE FROM CONTRACTS WITH CUSTOMERS. SALES REVENUE

#### REVENUE FROM CONTRACTS WITH CUSTOMERS BY TYPE:

		AT 31 DECEMBER	
		GROUP/COMPANY	
		2021	2020
Unregulated pricing postal services	(a)	35 384 300	30 834 300
Regulated pricing postal services	(b)	12 454 135	14 940 683
Services to foreign post offices	(c)	12 326 726	21 210 848
Financial services	(d)	6 600 375	7 027 319
Courier services	(e)	19 855 095	15 185 976
Retail and commission trade		5 313 771	4 864 141
Subscription of periodical publications		2 739 030	3 052 136
Intermediation services		927 645	1 231 343
Other services	(f)	3 614 126	2 500 665
		<b>99 215 202</b>	<b>100 847 411</b>

a) Revenue from unregulated pricing postal services of the Group/Company increased by 15% in 2021 compared to 2020 as a result of increase in the volumes of parcels sent in the EU.

b) Revenue from regulated pricing postal services declined compared to revenue received in 2020 as a result of decrease in the volumes of parcels sent in Lithuania.

c) Revenue from services to foreign post offices declined by 42% as a result of a significant decrease in the volumes from China, United Kingdom, Russia and Belgium.

d) Revenue from financial services declined compared to 2020 as a result of decline in revenue from intermediation when granting credits, payment of benefits and money transfer services.

e) Higher revenue from courier services resulted from a higher volume of postal traffic through the parcel lockers in Lithuania.

f) Higher revenue from other services resulted from higher revenue from additional services of closed transit traffic and other services.

#### REVENUE FROM CONTRACTS WITH CUSTOMERS BY THEIR GEOGRAPHICAL REGION:

	AT 31 DECEMBER					
	GROUP/COMPANY					
	2021			2020		
	Lithuania	European Union	Other countries	Lithuania	European Union	Other countries
Unregulated pricing postal services	24 220 074	9 443 150	1 721 076	24 408 627	4 281 944	2 143 729
Regulated pricing postal services	12 454 135	-	-	14 940 683	-	-
Services to foreign post offices	-	8 637 952	3 688 774	-	8 995 450	12 215 398
Financial services	6 588 223	10 382	1 770	7 021 015	879	5 425
Courier services	18 111 313	877 836	865 946	14 466 091	539 214	180 671
Retail and commission trade	5 300 576	13 195	-	4 848 581	15 560	-
Subscription of periodical publications	2 739 030	-	-	3 052 136	-	-
Intermediation services	467 674	458 450	1 521	865 868	363 330	2 145
Other services	2 604 333	678 116	331 677	1 867 608	252 726	380 331
	<b>72 485 357</b>	<b>20 119 081</b>	<b>6 610 764</b>	<b>71 470 609</b>	<b>14 449 103</b>	<b>14 927 699</b>

## 4. OTHER INCOME

		AT 31 DECEMBER	
		GROUP/COMPANY	
		2021	2020
Leases		278 535	462 573
Compensation for subscription losses	(a)	7 222 166	6 919 395
Gain on disposal of non-current assets – net	(b)	4 358 914	3 721 509
Other income		121 110	110 566
		<b>11 980 724</b>	<b>11 214 044</b>

a) In performing the obligated activity of delivery of periodicals to subscribers in rural residential areas the Company incurs losses that are compensated by the state. Losses arise from the fact that the highest tariffs for the delivery of periodicals to subscribers in rural areas approved by the Government of the Republic of Lithuania are significantly lower compared to expenses for the service. Taking into consideration that losses arise from the restriction on the price of the service due to which insufficient amount of revenue is collected to cover the losses the Company decided to present the compensation for subscription delivery losses within Other income in the statement of comprehensive income.

b) The net result of the disposal of non-current assets presents a difference between revenue and expenses of the disposal of non-current assets.

## 5. OTHER EXPENSES

		AT 31 DECEMBER	
		GROUP/COMPANY	
		2021	2020
External services of parcel delivery	(a)	6 501 331	5 479 163
Maintenance expenses for rented premises		329 130	281 863
Advertising and representation		454 086	521 712
Cash collection and escort duty		604 855	750 848
Consulting, audit and security expenses		670 036	566 655
Bank charges		500 653	416 640
Insurance services		50 644	41 820
Office supplies		146 612	153 818
Write-off expenses of inventories, amounts receivable, prepayments		205 992	186 255
Expenses related to postal operations	(b)	1 254 442	740 368
Other expenses	(c)	2 424 415	1 427 552
		<b>13 142 194</b>	<b>10 566 692</b>

a) Increase in expenses for external services of parcel delivery was mainly caused by increase in the courier-delivered parcel traffic.

b) Increase in expenses related to postal operations was mainly affected by 57% higher expenses for servicing of parcel lockers that comprise a major portion of this category of expenses [71%]. In this category, there was also an increase in expenses for the maintenance of the post distribution equipment.

c) The increase in other costs was due to the accumulated compensation related to termination of lease agreement of Kaunas Logistics Centre. Peace Agreement was concluded on 22 December 2021 between UAB Istanas, AB Lietuvos paštas and the Prosecutor General's Office of the Republic of Lithuania defending the public interest, under which Lietuvos Paštas AB committed to pay the compensation as per the Peace Agreement and perform the necessary repairs of the premises. The accrued liability is disclosed in Note 27.

OTHER GAIN/(LOSSES)		AT 31 DECEMBER	
		GROUP/COMPANY	
		2021	2020
Foreign exchange gain		367 420	1 779 741
Foreign exchange loss		[1 252 135]	[1 310 539]
		<b>[884 715]</b>	<b>469 203</b>

Negative effect of changes in foreign exchange rates on financial results resulted from the decline of the exchange rate of the euro against special drawing rights [SDR] and the US dollar. As at 31 December 2021, the exchange rate of 1 euro against the dollar was 1.13 and against special drawing rights – 0.81 [2020: 1.23 and 0.84, respectively].

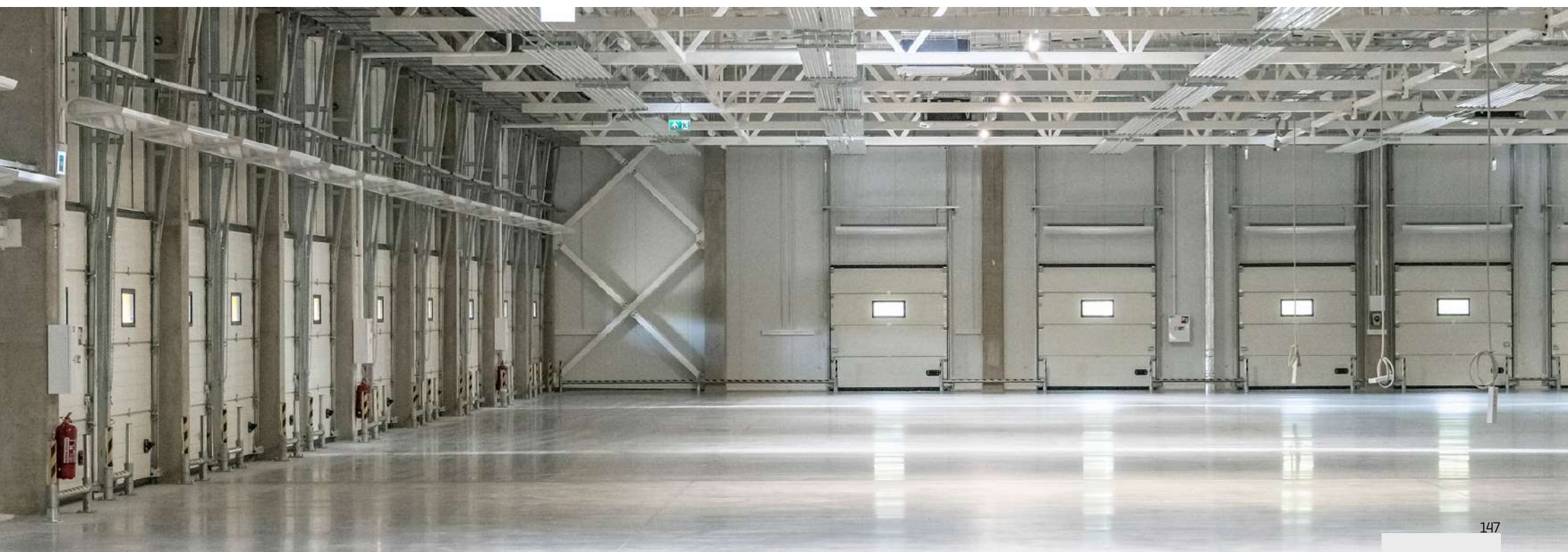


## 6. FINANCE INCOME AND COSTS

	AT 31 DECEMBER	
	GROUP/COMPANY	
	2021	2020
Interest income	3 767	4 907
Interest on late payment	2 800	3 252
Other income from financing activities	1 538	3 070
<b>Total finance income</b>	<b>8 105</b>	<b>11 229</b>
Overdraft and loan interest expenses	(a) (56 333)	(132 718)
Interest related to lease liabilities	(b) (828 848)	(311 584)
Other expenses of financing activities	(10 532)	(29 164)
<b>Total finance costs</b>	<b>(895 713)</b>	<b>(473 466)</b>

a) Lower interest expenses were incurred in 2021 due to a lower use of the overdraft.

b) Interest related to lease liabilities increased compared to the previous year due to changes in the calculation of interest as a result of the change of the tool for the accounting of right-of-use assets and recalculation of interest related to lease liabilities on the outstanding balance of the debt. The recalculation also affected interest expenses for the previous periods (2019-2020 – EUR 344 696), however the materiality level was not exceeded, thus the impact was accounted for in the reporting year.





## 7. INTANGIBLE ASSETS

GROUP	PATENTS AND LICENSES	PREPAYMENTS	COMPUTER SOFTWARE	PROJECTS IN PROGRESS	TOTAL
<b>Year ended 31 December 2020</b>					
Net book amount at 1 January 2020	111 946	1	1 318 729	946 765	2 377 441
Additions	71 334	-	154 977	795 880	1 022 191
Reclassification between groups	-	-	-	-	-
Write-offs	-	-	-	-	-
Impairment	-	-	-	-	-
Amortisation charge	(33 141)	-	(382 968)	-	(416 109)
<b>Net book amount at 31 December 2020</b>	<b>150 139</b>	<b>1</b>	<b>1 090 738</b>	<b>1 742 645</b>	<b>2 983 523</b>
<b>At 31 December 2020</b>					
Acquisition cost	828 125	373	8 106 384	2 981 867	11 916 749
Accumulated impairment	-	( 372)	(1 406 079)	(1 239 222)	(2 645 673)
Accumulated amortisation	(677 986)	-	(5 609 567)	-	(6 287 553)
<b>Net book amount</b>	<b>150 139</b>	<b>1</b>	<b>1 090 738</b>	<b>1 742 645</b>	<b>2 983 523</b>
<b>Year ended 31 December 2021</b>					
Net book amount at 1 January 2021	150 139	1	1 090 738	1 742 645	2 983 523
Additions	12 001	-	788 758	554 835	1 355 594
Reclassification between groups	-	-	2 354 690	(1 993 813)	360 877
Write-offs	-	-	-	-	-
Impairment	-	-	-	-	-
Amortisation charge	(46 509)	-	(321 818)	-	(368 327)
<b>Net book amount at 31 December 2021</b>	<b>115 631</b>	<b>1</b>	<b>3 912 369</b>	<b>303 667</b>	<b>4 331 668</b>
<b>At 31 December 2021</b>					
Acquisition cost	840 126	373	11 249 831	1 542 889	13 633 219
Accumulated impairment	-	( 372)	(1 406 079)	(1 239 222)	(2 645 673)
Accumulated amortisation	(724 495)	-	(5 931 383)	-	(6 655 878)
<b>Net book amount</b>	<b>115 631</b>	<b>1</b>	<b>3 912 369</b>	<b>303 667</b>	<b>4 331 668</b>

COMPANY	PATENTS AND LICENSES	PREPAYMENTS	COMPUTER SOFTWARE	PROJECTS IN PROGRESS	TOTAL
<b>Year ended 31 December 2020</b>					
Net book amount at 1 January 2020	111 946	1	1 318 729	946 765	2 377 441
Additions	71 334	-	154 977	795 880	1 022 191
Reclassification between groups	-	-	-	-	-
Write-offs	-	-	-	-	-
Impairment	-	-	-	-	-
Amortisation charge	(33 141)	-	(382 968)	-	(416 109)
<b>Net book amount at 31 December 2020</b>	<b>150 139</b>	<b>1</b>	<b>1 090 738</b>	<b>1 742 645</b>	<b>2 983 523</b>
<b>At 31 December 2020</b>					
Acquisition cost	828 125	373	7 466 512	2 046 335	10 341 345
Accumulated impairment	-	( 372)	(766 207)	(303 690)	(1 070 269)
Accumulated amortisation	(677 986)	-	(5 609 567)	-	(6 287 553)
<b>Net book amount</b>	<b>150 139</b>	<b>1</b>	<b>1 090 738</b>	<b>1 742 645</b>	<b>2 983 523</b>
<b>Year ended 31 December 2021</b>					
Net book amount at 1 January 2021	150 139	1	1 090 738	1 742 645	2 983 523
Additions	12 001	-	788 758	554 835	1 355 594
Reclassification between groups	-	-	2 354 690	(1 993 813)	360 877
Write-offs	-	-	-	-	-
Impairment	-	-	-	-	-
Amortisation charge	(46 509)	-	(321 817)	-	(368 326)
<b>Net book amount at 31 December 2021</b>	<b>115 631</b>	<b>1</b>	<b>3 912 369</b>	<b>303 667</b>	<b>4 331 668</b>
<b>At 31 December 2021</b>					
Acquisition cost	840 126	373	10 609 959	607 357	12 057 816
Accumulated impairment	-	( 372)	(766 207)	(303 690)	(1 070 269)
Accumulated amortisation	(724 495)	-	(5 931 384)	-	(6 655 879)
<b>Net book amount</b>	<b>115 631</b>	<b>1</b>	<b>3 912 368</b>	<b>303 667</b>	<b>4 331 668</b>

Amortisation expenses of intangible assets are accounted under depreciation and amortisation expenses of non-current assets in the Group/Company's statement of comprehensive income.

In 2021, the company developed and capitalized intangible assets [the smart distribution software] for EUR 1 171 396.

Intangible assets acquired but not yet suitable for use [the smart distribution software, the project on the renewal of the business management system and the accounting system for universal postal services] are shown in the section "Projects in progress" in the line item "Additions".

In 2021, company started using software: specialized Baltic Post data center and distribution automation system software, mobile workplace system, logistics modules for parcel centers and smart distribution program, barcode identification system.

## 8. PROPERTY, PLANT AND EQUIPMENT

GROUP	BUILDINGS AND STRUCTURES	PLANT AND MACHINERY	MOTOR VEHICLES	OTHER PROPERTY, PLANT AND EQUIPMENT	CONSTRUCTION WORK IN PROGRESS	TOTAL
<b>Year ended 31 December 2020</b>						
<b>Net book amount at 1 January 2020</b>	<b>23 811 784</b>	<b>4 536 401</b>	<b>554 401</b>	<b>4 099 564</b>	<b>5 409 148</b>	<b>38 411 298</b>
Additions	926 095	3 810 477	-	931 005	11 327 516	16 995 093
Disposals	(8 751 041)	(120 935)	-	-	-	(8 871 976)
Write-offs	-	(135)	-	(122)	(108 647)	(108 904)
Reclassified from investment property	251 566	-	-	-	-	251 566
Impairment	-	(106 985)	-	-	-	(106 985)
Reclassification between categories	8 961 758	180 140	-	46 015	(9 187 913)	-
Reclassified to assets held for sale	(929 554)	(6 820)	-	-	(186 902)	(1 123 276)
Depreciation charge	(425 908)	(651 328)	(115 451)	(1 356 284)	-	(2 548 971)
<b>Net book amount at 31 December 2020</b>	<b>23 844 700</b>	<b>7 640 815</b>	<b>438 950</b>	<b>3 720 178</b>	<b>7 253 202</b>	<b>42 897 845</b>
<b>At 31 December 2020</b>						
Acquisition cost	40 020 958	12 170 360	3 715 703	8 764 035	7 253 202	71 924 258
Accumulated depreciation	(11 435 775)	(4 422 560)	(3 276 752)	(5 043 857)	-	(24 178 944)
Accumulated impairment	(4 740 483)	(106 985)	(1)	-	-	(4 847 469)
<b>Net book amount at 31 December 2020</b>	<b>23 844 700</b>	<b>7 640 815</b>	<b>438 950</b>	<b>3 720 178</b>	<b>7 253 202</b>	<b>42 897 845</b>
<b>Year ended 31 December 2021</b>						
<b>Net book amount at 1 January 2021</b>	<b>23 844 700</b>	<b>7 640 815</b>	<b>438 950</b>	<b>3 720 178</b>	<b>7 253 202</b>	<b>42 897 845</b>
Additions	-	1 321 065	-	1 356 234	2 226 176	4 903 475
Disposals	(2 072 792)	(137 299)	(7 679)	(6 135)	-	(2 223 905)
Write-offs	-	(14 755)	-	(2 652)	-	(17 407)
Reclassified from investment property	81 997	-	-	-	-	81 997
Impairment	-	(107 363)	-	(8 904)	-	(116 267)
Reclassification between categories	-	7 361 354	-	111 136	(7 833 368)	(360 878)
Reclassified to assets held for sale and other items	(34 164)	-	-	-	-	(34 164)
Depreciation charge	(494 474)	(1 143 361)	(104 356)	(1 319 714)	-	(3 061 905)
<b>Net book amount at 31 December 2021</b>	<b>21 325 267</b>	<b>14 920 456</b>	<b>326 915</b>	<b>3 850 143</b>	<b>1 646 010</b>	<b>42 068 791</b>
<b>At 31 December 2021</b>						
Acquisition cost	36 403 583	19 988 999	2 072 798	10 060 816	1 646 010	70 172 206
Accumulated depreciation	(10 554 403)	(4 957 002)	(1 745 883)	(6 201 769)	-	(23 459 057)
Accumulated impairment	(4 523 913)	(111 541)	-	(8 904)	-	(4 644 358)
<b>Net book amount at 31 December 2021</b>	<b>21 325 267</b>	<b>14 920 456</b>	<b>326 915</b>	<b>3 850 143</b>	<b>1 646 010</b>	<b>42 068 791</b>

COMPANY	BUILDINGS AND STRUCTURES	PLANT AND MACHINERY	MOTOR VEHICLES	OTHER PROPERTY, PLANT AND EQUIPMENT	CONSTRUCTION WORK IN PROGRESS	TOTAL
<b>Year ended 31 December 2020</b>						
<b>Net book amount at 1 January 2020</b>	<b>23 811 784</b>	<b>4 536 401</b>	<b>554 401</b>	<b>4 108 767</b>	<b>5 409 148</b>	<b>38 420 501</b>
Additions	926 095	3 810 477	-	931 005	11 327 516	16 995 093
Disposals	(8 751 041)	(120 935)	-	-	-	(8 871 976)
Write-offs	-	(135)	-	(122)	(108 647)	(108 904)
Reclassified from investment property	251 566	-	-	-	-	251 566
Impairment	-	(106 985)	-	-	-	(106 985)
Reclassification between categories	8 961 758	180 140	-	46 015	(9 187 913)	-
Reclassified to assets held for sale	(929 554)	(6 820)	-	-	(186 902)	(1 123 276)
Depreciation charge	(425 908)	(651 328)	(115 451)	(1 359 534)	-	(2 552 221)
<b>Net book amount at 31 December 2020</b>	<b>23 844 700</b>	<b>7 640 815</b>	<b>438 950</b>	<b>3 726 131</b>	<b>7 253 202</b>	<b>42 903 798</b>
<b>At 31 December 2020</b>						
Acquisition cost	40 020 958	12 170 360	3 715 703	8 777 028	7 253 202	71 937 251
Accumulated depreciation	(11 435 775)	(4 422 560)	(3 276 752)	(5 050 897)	-	(24 185 984)
Accumulated impairment	(4 740 483)	(106 985)	(1)	-	-	(4 847 469)
<b>Net book amount at 31 December 2020</b>	<b>23 844 700</b>	<b>7 640 815</b>	<b>438 950</b>	<b>3 726 131</b>	<b>7 253 202</b>	<b>42 903 798</b>
<b>Year ended 31 December 2021</b>						
<b>Net book amount at 01 January 2021</b>	<b>23 844 700</b>	<b>7 640 815</b>	<b>438 950</b>	<b>3 726 131</b>	<b>7 253 202</b>	<b>42 903 798</b>
Additions	-	1 321 065	-	1 356 234	2 226 176	4 903 475
Disposals	(2 072 792)	(137 299)	(7 679)	(6 135)	-	(2 223 905)
Write-offs	-	(14 755)	-	(2 652)	-	(17 407)
Reclassified from investment property	81 997	-	-	-	-	81 997
Impairment	-	(107 363)	-	(8 904)	-	(116 267)
Reclassification between categories	-	7 361 354	-	111 136	(7 833 368)	(360 878)
Reclassified to assets held for sale	(34 164)	-	-	-	-	(34 164)
Depreciation charge	(494 474)	(1 143 361)	(104 356)	(1 322 962)	-	(3 065 153)
<b>Net book amount at 31 December 2021</b>	<b>21 325 267</b>	<b>14 920 456</b>	<b>326 915</b>	<b>3 852 848</b>	<b>1 646 010</b>	<b>42 071 496</b>
<b>At 31 December 2021</b>						
Acquisition cost	36 403 583	19 988 999	2 072 798	10 073 809	1 646 010	70 185 199
Accumulated depreciation	(10 554 403)	(4 957 002)	(1 745 883)	(6 212 057)	-	(23 469 345)
Accumulated impairment	(4 523 913)	(111 541)	-	(8 904)	-	(4 644 358)
<b>Net book amount at 31 December 2021</b>	<b>21 325 267</b>	<b>14 920 456</b>	<b>326 915</b>	<b>3 852 848</b>	<b>1 646 010</b>	<b>42 071 496</b>

Depreciation charge for 2021 of the Group's property, plant and equipment amounted to EUR 3 061 905 (2020: EUR 2 548 971). Depreciation charge for 2021 of the Company's property, plant and equipment amounted to EUR 3 065 153 (2020: EUR 2 552 221). In the Group's/ Company's statement of comprehensive income, depreciation of property, plant and equipment is included in depreciation and amortisation expenses of non-current assets.

Tangible assets (the automated distribution equipment) created and capitalised in 2021 at the Company amounted to EUR 6 898 847 (2020: EUR 106 657).

As at 31 December 2020, a part of the Company's buildings with a net book value of EUR 10 453 650 was pledged to the Nordic Investment Bank as collateral under the agreement on a long-term targeted loan (31 December 2020: EUR 10 723 422). As at 31 December 2020, a part of the Company's buildings with a net book value of EUR 5 541 859 was pledged to Šiaulių Bankas as collateral for the overdraft.

The company assessed whether the book value of PP&E and intangible assets on 31 December 2021 does not exceed the recoverable amount. The recoverable amount of PP&E and intangible assets was determined using value in use. In assessing value in use, the estimated future cash flows were discounted to their present value using a discount rate of 7.3%, which is estimated using current market conditions and the present time value of money. In this way, it was determined that PP&E and intangible assets do not exceed their recoverable amount.

Based on the valuation results the impairment of EUR 116 267 was recognised in 2021 (2020: EUR 106 985). The impact of impairment on the Company's results of operations was reported under the line item 'Impairment/(reversal of impairment) of other assets' in the statement of comprehensive income.

As at 31 December 2021, the company has EUR 1 646 010 of unfinished construction, consisting of letter distribution equipment, parcel lockers equipment and the renovation of the post office in Jonava.

Interest and commitment fee amounting to EUR 18 470 charged by the Nordic Investment Bank were included in property, plant and equipment in 2021 (2020: EUR 96 544).



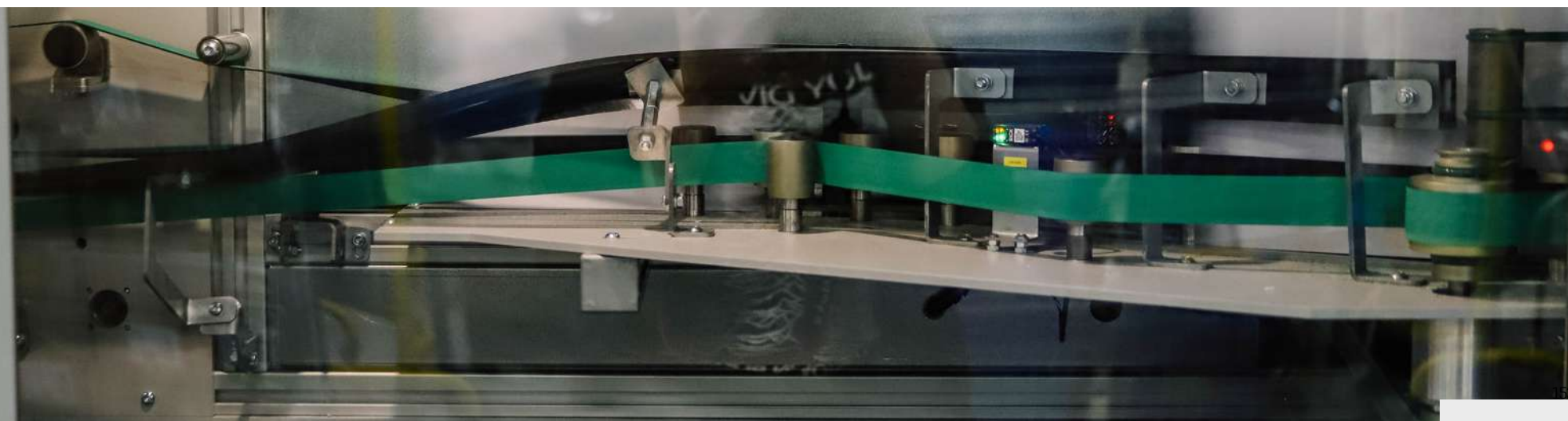


## 9. RIGHT-OF-USE ASSETS

GROUP/COMPANY	LAND	BUILDINGS AND STRUCTURES	PLANT AND MACHINERY	MOTOR VEHICLES	OTHER PROPERTY, PLANT AND EQUIPMENT	TOTAL
<b>Year ended 31 December 2020</b>						
<b>Net book amount at 1 January 2020</b>	<b>910 716</b>	<b>13 586 508</b>	<b>6 810</b>	<b>672 007</b>	<b>24 404</b>	<b>15 200 444</b>
New contracts signed (restated)	845 692	2 342 698	9 352	2 425 553	35 655	5 658 950
Terminated contracts	(39 738)	(115 235)	-	-	-	(154 973)
Depreciation charge	(430 669)	(2 557 912)	(8 145)	(576 073)	(37 161)	(3 609 960)
<b>Net book amount at 31 December 2020</b>	<b>1 286 001</b>	<b>13 256 059</b>	<b>8 017</b>	<b>2 521 487</b>	<b>22 898</b>	<b>17 094 461</b>
<b>Year ended 31 December 2021</b>						
<b>Net book amount at 1 January 2021</b>	<b>1 286 001</b>	<b>13 256 059</b>	<b>8 017</b>	<b>2 521 487</b>	<b>22 898</b>	<b>17 094 461</b>
New contracts signed (restated)	755 974	2 030 704	464	892 430	124 610	3 804 182
Terminated contracts	(176 765)	(158 857)	-	-	-	(335 622)
Depreciation charge	(558 727)	(2 589 402)	(8 481)	(746 182)	(49 924)	(3 952 716)
<b>Net book amount at 31 December 2021</b>	<b>1 306 483</b>	<b>12 538 504</b>	<b>-</b>	<b>2 667 735</b>	<b>97 583</b>	<b>16 610 304</b>

Right-of-use assets are attributed to the category of land, i.e., the right to the location where the parcel lockers are built. The category of buildings and structures represents the right to the lease of premises designated for the Company's principal activities; the category of machinery and equipment represents the lease of card readers.

In the right of use assets "buildings and structures" group includes assets related to the lease agreement for the premises of Kaunas Logistics Center (the residual value as at 31 December 2021 - EUR 6 183 824), as specified in note 2.5 of notes of the financial statements.



## 10. INVESTMENT PROPERTY

GROUP/COMPANY	BUILDINGS
<b>Year ended 31 December 2020</b>	
<b>Net book amount at 1 January 2020</b>	<b>2 240 795</b>
Reclassified to property, plant and equipment	(251 566)
Disposal	0
Depreciation charge	(43 170)
<b>Net book amount at 31 December 2020</b>	<b>1 946 059</b>
<b>At 31 December 2020</b>	
Acquisition cost	2 686 719
Impairment	(223 223)
Accumulated depreciation	(517 437)
<b>Net book amount at 31 December 2020</b>	<b>1 946 059</b>

GROUP/COMPANY	BUILDINGS
<b>Year ended 31 December 2021</b>	
<b>Net book amount at 1 January 2021</b>	<b>1 946 059</b>
Reclassified to property, plant and equipment	(81 997)
Disposal	(938 685)
Depreciation charge	(27 242)
<b>Net book amount at 31 December 2021</b>	<b>898 135</b>
<b>At 31 December 2021</b>	
Acquisition cost	1 462 382
Impairment	(139 670)
Accumulated depreciation	(424 577)
<b>Net book amount at 31 December 2021</b>	<b>898 135</b>

Investment property comprises office buildings rented out to legal entities and individuals. It also includes property which is not used in the business activities, however, capital appreciation is expected from this property upon its disposal. Investment property-related expenses for 2021 that comprise depreciation expenses are included in depreciation and amortisation expenses of non-current assets in the statement of comprehensive income and amount to EUR 27 242 [2020: EUR 43 170].

The fair value of investment property as at 31 December 2021 and 2020 approximates its carrying amount.

## 11. NON-CURRENT FINANCIAL ASSETS

	AT 31 DECEMBER			
	GROUP		COMPANY	
	2021	2020	2021	2020
Investments in subsidiaries	-	-	23 543	23 543
Loans to subsidiaries	-	-	1 951 072	1 951 072
Investments in other companies, enterprises	[a]	60 000	60 000	60 000
Amounts receivable after one year	180 676	243 584	180 676	243 584
	<b>240 676</b>	<b>303 584</b>	<b>2 215 292</b>	<b>2 278 199</b>
Impairment of loans to subsidiaries	-	-	(1 951 072)	(1 951 072)
Impairment of investments in subsidiaries	-	-	(17 751)	(17 751)
Impairment of amounts receivable after one year	(162 912)	(170 319)	(162 912)	(170 319)
	<b>77 764</b>	<b>133 265</b>	<b>83 556</b>	<b>139 057</b>

a) The Company became a venturer of a public enterprise Transporto Inovacijų Centras. The total amount of contributions is EUR 60 000. The venturers of the public enterprise have one vote each irrespective of the amount of a contribution made by the venturers.



## 12. INVENTORIES

	AT 31 DECEMBER	
	GROUP/COMPANY	
	2021	2020
Inventories and consumables	220 605	135 475
Philately production	33 697	78 114
Goods for resale	3 590 505	3 436 231
	<b>3 844 807</b>	<b>3 649 820</b>
Impairment	[18 939]	[35 880]
	<b>3 825 868</b>	<b>3 613 940</b>

The write-down allowance of the Group's/Company's inventories amounted to EUR 18 939 as at 31 December 2021 (31 December 2020: EUR 35 880). The change in the write-down allowance for inventories for the year 2021 and 2020 was included in other expenses in the Group's/Company's statement of comprehensive income.

The cost of inventories written off and goods sold was accounted for in the Group's/Company's statement of comprehensive income. In 2021, the cost of goods sold was EUR 3 421 701, the value of fuel consumed was EUR 1 928 553, the cost of other inventories was EUR 425 262. In 2020, the cost of goods sold was EUR 2 635 595, the value of fuel consumed was EUR 1 415 226, the cost of other inventories was EUR 873 146.

In 2021, the Group/Company had inventories stored on the basis of consignment for the amount of EUR 453 248 (2020: EUR 782 191) and these inventories were not accounted for in the statement of financial position.

## 13. TRADE RECEIVABLES

		AT 31 DECEMBER	
		GROUP/COMPANY	
		2021	2020
Trade receivables – gross	[a]	9 149 293	8 109 877
Receivables from foreign post offices – gross	[b]	6 094 685	3 269 181
		<b>15 243 978</b>	<b>11 379 058</b>
Impairment of trade receivables		[469 254]	[497 158]
Impairment of receivables from foreign post offices		[31 523]	[14 385]
<b>Total impairment</b>		<b>(500 777)</b>	<b>(511 543)</b>
		<b>14 743 201</b>	<b>10 867 515</b>

a) Increase in trade receivables resulted from the disposal of non-current assets, the payment for which has already taken place at the beginning of 2022.

b) Amounts receivable from the foreign post offices increased as a result of the increase in amounts receivable from the post offices of Belgium, Latvia and Netherlands.

Trade receivables for services rendered in the local market are non-interest bearing and are normally settled with the term of 30 days. The payment term of invoices agreed with the buyers of international services is 6 weeks.

The Group/Company has calculated impairment of trade receivables having performed the historical data loss analysis of the previous 24 months. The Group/Company believes that historical loss information is a sufficient basis for determining expected credit losses on amounts receivable, as the Group's/Company's client risk profile and the Group's/Company's lending practices have not changed significantly over the years.

The Group/Company calculated impairment of receivables from foreign post offices by grouping foreign post offices according to the credit ratings of the countries in which the foreign post offices operate. The Group/Company is convinced that the grouping of the post offices according to the credit ratings is a sufficient basis for evaluating credit quality and determining expected credit losses on amounts receivable. Receivables from foreign post offices by group after impairment are presented in the table below.

#### RECEIVABLES FROM FOREIGN POST OFFICES BY CREDIT RATING GRADE

	AT 31 DECEMBER	
	GROUP/COMPANY	
	2021	2020
Investment	5 950 741	2 975 344
Speculative	112 421	279 452
	<b>6 063 162</b>	<b>3 254 796</b>

#### CHANGE IN IMPAIRMENT OF TRADE RECEIVABLES

	GROUP/COMPANY
<b>Balance at 31 December 2019</b>	<b>573 723</b>
Impairment charge for the year	(23 864)
Recovered/(written off) bad debts for the year	(38 316)
<b>Balance at 31 December 2020</b>	<b>511 543</b>
Reversal of impairment for the year	12 444
Recovered/(written off) bad debts for the year	(23 210)
<b>Balance at 31 December 2021</b>	<b>500 777</b>

The change in impairment of trade receivables is included in the Group's / Company's statement of comprehensive income under impairment of financial assets.



When assessing impairment of trade receivables, individual debts of the clients are grouped according to the past due period. After the calculation of ECL using the expected credit loss rates the ageing analysis of trade receivables as at 31 December 2021 and 2020 is as follows:

#### THE AGEING ANALYSIS OF TRADE RECEIVABLES

GROUP/COMPANY	SETTLEMENT TERM NOT PAST DUE	TRADE RECEIVABLES PAST DUE					TOTAL
		UP TO 30 DAYS	30-60 DAYS	60-90 DAYS	90-180 DAYS	MORE THAN 180 DAYS	
<b>At 31 December 2020</b>							
Trade receivables – gross	6 065 434	913 696	412 778	69 987	61 871	586 111	8 109 877
Expected loss rate [%]	0.00333%	0.1283%	2.805%	17.034%	48.812%	75.426%	
Impairment of trade receivables	[ 202]	[1 172]	[11 577]	[11 922]	[30 200]	[442 084]	[497 158]
	<b>6 065 231</b>	<b>912 524</b>	<b>401 201</b>	<b>58 065</b>	<b>31 672</b>	<b>144 028</b>	<b>7 612 719</b>
<b>At 31 December 2021</b>							
Trade receivables – gross	7 808 429	631 243	136 946	24 201	26 965	521 509	9 149 293
Expected loss rate [%]	0.00469%	0.1340%	2.982%	12.860%	52.880%	85.634%	
Impairment of trade receivables	[ 366]	[ 846]	[4 083]	[3 112]	[14 259]	[446 588]	[469 254]
	<b>7 808 063</b>	<b>630 397</b>	<b>132 863</b>	<b>21 089</b>	<b>12 707</b>	<b>74 922</b>	<b>8 680 039</b>

Debts of the buyers who are involved in legal disputes with the Group/Company or have the status of a company undergoing bankruptcy or liquidation are subject to a 100 percent impairment. For trade receivables where the terms of payment depend on the date on which the amounts of services provided are reconciled between the parties, impairment is assessed individually.

The Company considers that the borrower is not fulfilling its obligations regarding financial assets if the contractual payments are overdue for more than 30 days, or when there are indications that the borrower or a group of borrowers is experiencing serious financial difficulties, fails to meet their liabilities, they are likely to start bankruptcy or reorganisation procedures, and in cases where the observed data suggests a reduction in future cash flows, such as changes in the past due to indebtedness or changes in economic conditions that correlate with default. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The cooperation agreement with the debt recovery company was signed in 2021.

## 14. CONTRACT ASSETS

	AT 31 DECEMBER GROUP/COMPANY	
	2021	2020
Accrued revenue from foreign post offices	10 884 834	19 933 186
Impairment of accrued revenue from foreign post offices [a]	[1 314 891]	[84 833]
	<b>9 569 943</b>	<b>19 848 353</b>

a) Following the additional assessment of risks existing at the reporting date relating to a unilateral decision of the Chinese post office to reduce liabilities of the Chinese post office to Lietuvos Paštas for the previous periods, impairment of EUR 1 268 312 in respect of accrued revenue was recognised.

The activities of the Group/Company are based on international agreements, which regulate the rules for the issue and settlement of accounting documents for postal services provided. Based on these agreements, the Group/Company actually reconciles actual shipment data, including volumes of postal services provided and receivables, only in the coming years after the presentation of the statement of financial position. The Group/Company accrues revenue that is shown as contract assets in the statement of financial position. The contract assets is the right to remuneration in exchange for the goods or services that have been transferred to the client. If the Group/Company transfers goods or services to a customer before a customer pays for them or before

the due settlement date, the contract asset is accounted for at the amount equal to a relative consideration earned and is reduced by the amount of the advance amount received from a customer. When calculating accrued revenue for services rendered, the Group/Company assesses the actual volumes of services provided/received and the latest valid fees and statistical data on service volumes.

In the line item of contract assets the Company presented accrued revenue from foreign post offices by reducing it by the amount of advances received from the same international partners for the same services provided.

The Group/Company calculated impairment of accrued revenue from foreign post offices by grouping the foreign post offices according to the credit ratings of the countries in which the foreign post offices operate. The Group/Company is convinced that the grouping of the post offices according to the credit ratings is a sufficient basis for evaluating credit quality and determining expected credit losses on accrued revenue. Accrued revenue from foreign post offices by group after impairment is presented in the table below.

ACCRUED REVENUE FROM FOREIGN POST OFFICES BY CREDIT RATING GRADE	AT 31 DECEMBER GROUP/COMPANY	
	2021	2020
Investment	9 230 328	19 305 558
Speculative	339 615	542 795
	<b>9 569 943</b>	<b>19 848 353</b>

## 15. PREPAYMENTS, DEFERRED EXPENSES

	AT 31 DECEMBER GROUP/COMPANY	
	2021	2020
Deferred expenses [a]	833 541	180 413
Prepayments for services [b]	818 141	287 654
Prepaid income tax	91 543	107 634
	<b>1 743 225</b>	<b>575 701</b>

a) Deferred expenses increased in 2021 compared to 2020 due to the lease of licences for 2022 accounted for in 2021.

b) Prepayments for services increased in 2021 due to prepayments made to the foreign post offices, an increase in prepayments for subscription delivery for the year 2022, and the prepayment paid to the Stockholm Court of Arbitration, which the court repaid in 2022.

The line item of prepayments for services in the statement of financial position as at 31 December 2021 does not include prepayments paid to the foreign post offices [designated operators] relating to international postal services, if these prepayments were paid to the same foreign post offices for the same services, similarly in the liabilities' part, they are not included in accrued expenses. The mentioned prepayments are netted against accrued expenses as homogeneous assets and liabilities.

## 16. OTHER AMOUNTS RECEIVABLE

		AT 31 DECEMBER			
		GROUP		COMPANY	
		2021	2020	2021	2020
Compensation receivable for subscription loss	[a]	3 683 232	3 572 613	3 683 232	3 572 613
Prepayments to the budget		45 782	113 820	-	-
Other amounts receivable	[b]	865 388	512 703	865 388	512 703
		<b>4 594 402</b>	<b>4 199 136</b>	<b>4 548 620</b>	<b>4 085 316</b>

MOVEMENT IN COMPENSATIONS RECEIVABLE FOR SUBSCRIPTION LOSS:		COMPENSATION OF SUBSCRIPTION LOSS	
<b>Amount receivable at 31 December 2019</b>			<b>3 669 430</b>
Calculated amount receivable during 2020			6 919 395
Compensation received during 2020			[7 016 212]
<b>Amount receivable at 31 December 2020</b>			<b>3 572 613</b>
Calculated amount receivable during 2021			7 222 166
Compensation received during 2021			[7 111 547]
<b>Amount receivable at 31 December 2021</b>			<b>3 683 232</b>

a) In 2021, the Company incurred a loss of EUR 7 222 166 when providing services related to the delivery of periodicals to subscribers in rural residential areas. According to the procedure for the compensation for losses from the services related to the delivery of periodical publications to subscribers in rural areas established by the Government, the loss compensation of EUR 7 111 547 was paid to the Company during 2021 [for remaining losses of the year 2020 and for losses of the first half of 2021]. A loss compensation paid in 2020 amounted to EUR 7 016 212.

b) Increase in other amounts receivable in 2021 compared to 2020 resulted from a EUR 266 746 higher annual VAT amount recoverable.

## 17. CASH AND CASH EQUIVALENTS

		AT 31 DECEMBER			
		GROUP		COMPANY	
		2021	2020	2021	2020
Cash at bank	[a]	23 795 654	8 113 192	23 761 587	8 074 294
Cash on hand		827 246	778 299	827 246	778 299
Cash in transit		916 129	896 590	916 129	896 590
		<b>25 539 029</b>	<b>9 788 081</b>	<b>25 504 962</b>	<b>9 749 183</b>

a) Cash at bank increased as at 31 December 2021 compared to 31 December 2020 due to prepayments received from the foreign post offices and proceeds from the disposal of non-current assets not used.

The fair value of cash and cash equivalents as at 31 December 2021 and 2020 approximate their carrying amount.

The Group and the Company hold their monetary funds only at the credit institutions assigned with the highest ratings. Management did not establish impairment indications of monetary funds and did not account for them in the statement of comprehensive income.

## 18. SHARE CAPITAL

As at 31 December 2021 and 2020, the Republic of Lithuania owned 113,074,410 ordinary shares of the Company with the nominal value of EUR 0.29 each [31 December 2019: EUR 0.29]. Ordinary shares comprise the main portion of the Company's shares. All ordinary shares have the same nominal values. All ordinary shares grant a voting right. Only the holders of ordinary shares have the right to receive new shares that are issued when under the procedure prescribed by the Law on Companies the authorised share capital is increased using the Company's retained earnings or from the reserves formed from profit to be appropriated. As at 31 December 2021 and 31 December 2020, all the shares were fully paid. Pursuant to the Lithu-

anian Law on Companies, the shareholders' equity should not be lower than 50 per cent of the company's share capital registered in the Articles of Association. As at 31 December 2021, the Company complied with this requirement.

The Company's ordinary shares cannot be converted into preference shares. The Company is not allowed to establish the amount of dividends to holders of ordinary shares in the Articles of Association or the share subscription agreement.

<b>CALCULATION OF THE WEIGHTED AVERAGE AT 31 DECEMBER 2020:</b>	<b>NUMBER OF SHARES</b>	<b>NOMINAL VALUE PER SHARE</b>	<b>IN CIRCULATION/ 365 (IN DAYS)</b>	<b>WEIGHTED AVERAGE</b>
Number of shares at 31 December 2019	113 074 410	0	365/365	113 074 410
Number of shares at 31 December 2020	113 074 410	0	365/365	113 074 410

<b>CALCULATION OF THE WEIGHTED AVERAGE AT 31 DECEMBER 2021:</b>	<b>NUMBER OF SHARES</b>	<b>NOMINAL VALUE PER SHARE</b>	<b>IN CIRCULATION/ 365 (IN DAYS)</b>	<b>WEIGHTED AVERAGE</b>
Number of shares at 31 December 2020	113 074 410	0	365/365	113 074 410
Number of shares at 31 December 2021	113 074 410	0	365/365	113 074 410

	<b>2021</b>	<b>2020</b>
Dividends allocated to shareholders	-	-
Average weighted number of issued shares (units)	113 074 410	113 074 410
The Company's earnings/(deficit) per share (in EUR)	[0.0670]	0.0140

## 19. RESERVES

### LEGAL RESERVE

The legal reserve is compulsory under the Lithuanian Law on Companies. Annual transfers of 5 % of net profit for the reporting period calculated in accordance with the Lithuanian regulatory legislation on accounting are required until the reserve reaches 10 % of the authorised share capital. In 2021, the Group/Company operated at a loss, therefore due to the resulting tax loss no funds were transferred to the legal reserve.

Since the Company has accumulated retained deficit, the Company's General Meeting of Shareholders has to make a decision, as provided for in the Republic of Lithuania Law on Companies, to cover these losses by transferring amounts to retained earnings [deficit] in the following sequence:  
 1) from reserves not used during the reporting financial year;  
 2) from the legal reserve.

## 20. BORROWINGS

	AT 31 DECEMBER	
	GROUP/COMPANY	
	2021	2020
<b>Non-current borrowings</b>		
Bank borrowings	14 000 000	13 533 331
Overdraft	-	2
	<b>14 000 000</b>	<b>13 533 333</b>
<b>Current borrowings</b>		
Bank borrowings – current portion of non-current borrowings	2 333 333	966 667
Overdraft	-	-
<b>Total borrowings</b>	<b>16 333 333</b>	<b>14 500 000</b>

### MATURITY OF NON-CURRENT BORROWINGS

	AT 31 DECEMBER	
	GROUP/COMPANY	
	2021 M.	2020 M.
Within one year	2 333 333	966 667
Later than one year but not later than five years	11 666 667	9 666 666
Later than five years	2 333 333	3 866 667
	<b>16 333 333</b>	<b>14 500 000</b>



Interest rates of borrowings outstanding as at 31 December 2021 were as follows: 6-month EURIBOR + 0.95%. Interest rates of borrowings outstanding as at 31 December 2020 were as follows: 3-month EURIBOR + 1.2%; 6-month EURIBOR + 0.95%.

As at 31 December 2021, the Group/Company had the agreement on a long-term targeted loan of EUR 17.5 million signed with the Nordic Investment Bank for the term of 10 years. The target of the agreement: the financing of the construction of the new automated distribution logistics center in Vilnius, renewal of the logistics and postal vehicle fleet and development of parcel lockers. This agreement is valid until 31 December 2028, the interest rate applied is 6-month EURIBOR + 0.95%. EURIBOR value for the calculation of interest may not be lower than -0.95%. The used part of this loan amounted to EUR 17 500 000 as at 31 December 2021 (31 December 2020: EUR 14 500 000). In 2021, the EUR 1 166 667 portion of the loan was repaid.

In 2021, interest of EUR 18 470 charged by the Nordic Investment Bank were added to property, plant and equipment and depreciated over the useful life of the assets (40 years).

As at 31 December 2021, the Group/Company had the overdraft agreements for the amount of EUR 15 million signed with OP Corporate Bank plc Lithuania branch on 29 October 2021 and expiring on 29 October 2023. Under the agreements, the overdraft is used to finance the working capital. The withdrawn amount of the overdraft is subject to the interest rate of 3-month EURIBOR + 1.17%. EURIBOR value for the calculation of interest may not be less than 0%.

As at 31 December 2021, the unused balance of the bank overdrafts amounted to EUR 15 000 000 (31 December 2020: EUR 17 792 400).

The loan agreements provide for financial and non-financial covenants that the Company is obliged to comply with. As at 31 December 2021 and 31 December 2020, the Company complied with the requirements laid down in the agreements.

All borrowings are denominated in euros, therefore, there is no foreign currency exchange risk.

#### CHANGES IN FINANCIAL LIABILITIES

	GROUP/COMPANY				
	AT 1 JANUARY 2020	CASH RECEIPT (PAYMENT)	REPAYMENT OF THE BORROWING	CHANGE IN FAIR VALUE	AT 31 DECEMBER 2020
Overdraft	7 426 341	(7 426 339)	-	-	2
Bank loans	5 000 000	9 500 000	-	-	14 500 000
	<b>12 426 341</b>	<b>2 073 661</b>	<b>-</b>	<b>-</b>	<b>14 500 002</b>

	GROUP/COMPANY				
	AT 1 JANUARY 2021	CASH RECEIPT (PAYMENT)	REPAYMENT OF THE BORROWING	CHANGE IN FAIR VALUE	AT 31 DECEMBER 2021
Overdraft	2	(2)	-	-	-
Bank loans	14 500 000	3 000 000	(1 166 667)	-	16 333 333
	<b>14 500 002</b>	<b>2 999 998</b>	<b>(1 166 667)</b>	<b>-</b>	<b>16 333 333</b>

## 21. LEASE LIABILITIES

	AT 31 DECEMBER	
	GROUP/COMPANY	
	2021	2020
<b>Balance at 31 December 2020</b>	<b>16 907 927</b>	<b>15 333 138</b>
Liabilities under new contracts	3 804 182	5 658 950
Expired liabilities (terminated contracts)	[335 622]	[154 973]
Interest charged	a) 828 848	311 584
Paid to lessors	[4 409 451]	[4 240 772]
<b>Balance at 31 December 2021</b>	<b>16 795 884</b>	<b>16 907 927</b>

a) Correction in 2021 due to restatements for the previous periods resulted from changes in the calculation of interest as a result of the change of the tool for the accounting of right-of-use assets and recalculation of interest related to lease liabilities on the unpaid amount of the debt. In the first year of the lease term, higher interest is calculated which decreases over the lease term.

From 2019, the adoption of IFRS 16 Leases, the Group's/Company's future lease liabilities under non-cancellable contracts were accounted for at the present value [the discount rate of 2.91% - 2021, 2.8% - 2020] of future (not yet paid) lease payments. Lease liabilities increase each month by recognizing interest expenses and decrease when lease payments are made.

### MINIMUM LEASE PAYMENTS BY PERIOD

	AT 31 DECEMBER	
	GROUP/COMPANY	
	2021	2020
<b>Minimum payments</b>		
Within one year	3 953 006	3 991 559
Later than one year but not later than five years	10 169 152	9 903 609
Later than five years	4 280 318	5 117 473
	<b>18 402 476</b>	<b>19 012 641</b>
Future finance charges	[1 606 591]	[2 104 714]
<b>Total carrying amount</b>	<b>16 795 885</b>	<b>16 907 927</b>

As at 31 December 2021 lease liabilities include liabilities amounted to EUR 6 429 488 related with lease agreement for Kaunas Logistics Centre as specified in note 2.5 of notes of the financial statements.

In 2021, expenses for the lease of motor vehicles incurred by the the Company under the signed short-term lease contracts, for which IFRS 16 was not applied, and related expenses for the maintenance of assets amounted to EUR 2 340 347 (2020: EUR 2 254 185). Expenses consist mainly of expenses for the short-term lease of cars, the lease price of which depends on the mileage and other criteria, maintenance expenses of leased cars, short-term lease of low-value assets.

## 22. OPERATING LEASE AND LENDING

Minimal lease income under non-cancellable lease contracts is as follows:

	AT 31 DECEMBER	
	GROUP/COMPANY	
	2021	2020
Within one year	203 508	279 489
Later than one year but not later than five years	188 919	272 235
Later than five years	2 373	16 497
	<b>394 800</b>	<b>568 221</b>

As at 31 December 2021, the Company had 135 lease contracts, under which it leases out premises and structures covering an area of 7 111 29 sq. metres. There are 14 contracts of indefinite duration and 33 fixed-term agreements with the term expiring in 2022, however, these agreements are planned to be extended. The average monthly lease income amounts to EUR 23 211. The lease income earned by the Company in 2021 totalled EUR 278 535 (2020: EUR 462 573).

The Company has entered into three lending agreements with the beneficiaries. Based on these agreements, the Company leases out the premises covering an area of 205.10 sq. metres. As at 31 December 2021, the net book value of the assets leased under the lending agreements amounted to EUR 146 172. Two lending agreements were concluded for an indefinite term and one lending agreement expires on 27 August 2030.

## 23. LONG-TERM EMPLOYEE BENEFITS

As at 31 December 2021 and 2020, long-term employee benefits of the Group/Company comprised long-term obligations to employees related to one-time benefits to employees leaving the Group/Company at the age of retirement. Expenses related to these obligations were included in other expenses in the statement of comprehensive income of the Group/Company.

### CHANGES IN OBLIGATIONS TO PAY PENSION BENEFITS TO EMPLOYEES ARE AS FOLLOWS:

	GROUP/COMPANY	
	LONG-TERM EMPLOYEE BENEFITS	CURRENT PORTION OF LONG-TERM EMPLOYEE BENEFITS
<b>Balance at 31 December 2019</b>	<b>284 906</b>	<b>304 322</b>
Change	(90 797)	(10 663)
<b>Balance at 31 December 2020</b>	<b>194 109</b>	<b>293 659</b>
Change	(58 474)	52 814
<b>Balance at 31 December 2021</b>	<b>135 635</b>	<b>346 473</b>

### THE MAIN ASSUMPTIONS APPLIED IN EVALUATING PENSION BENEFIT OBLIGATIONS TO EMPLOYEES ARE AS FOLLOWS:

	AT 31 DECEMBER GROUP/COMPANY	
	2021	2020
Discount rate, %	1%	0.4%
Employee turnover rate, %	33.50%	27.63%
Annual salary increase, %	3%	3%

Decrease in long-term employee benefit obligations at the end of 2021 is related to changes in the number of the Company's employees.

**THE COMPANY'S ANALYSIS OF SENSITIVITY TO CHANGES IN THE MAIN ASSUMPTIONS AS AT 31 DECEMBER 2021:**

ASSUMPTIONS	DISCOUNT RATE		EXPECTED AVERAGE ANNUAL SALARY INCREASE		EMPLOYEE TURNOVER RATE	
	Increase of 0.4 p. p.	Decrease of 0.4 p. p.	Increase of 1 p. p.	Decrease of 1 p. p.	Increase of 1 p. p.	Decrease of 1 p. p.
Level of sensitivity						
Impact on long-term employee benefit obligation increase/decrease	[2 156]	2 209	5 457	[5 246]	[8 040]	8 546

The table discloses the sensitivity analysis of long-term employee benefit obligations to the indicated possible changes at the end of the reporting period when one variable changes while other variables remain constant.

## 24. GRANTS AND SUBSIDIES

GROUP/COMPANY	
<b>Gross amount at 31 December 2020</b>	<b>115 034</b>
Grant received	132 220
Grant written-off	-
<b>Gross amount at 31 December 2021</b>	<b>247 254</b>
<b>Accumulated amortisation at 31 December 2020</b>	<b>20 027</b>
Amortisation charge	51 941
Amortisation of assets written off	-
<b>Accumulated amortisation at 31 December 2021</b>	<b>71 968</b>
<b>Net book amount at 31 December 2020</b>	<b>95 007</b>
<b>Net book amount at 31 December 2021</b>	<b>175 286</b>

## 25. INCOME TAX

### COMPONENTS OF INCOME TAX (EXPENSES)/BENEFIT:

	AT 31 DECEMBER	
	GROUP/COMPANY	
	2021	2020
Current year income tax (expenses)/benefit	-	(584 464)
Adjustment of previous year income tax	615 690	227 518
Deferred income tax (expenses)/benefit	469 123	411 451
<b>Income tax (expense)/benefit recognised in the statement of comprehensive income</b>	<b>1 084 813</b>	<b>54 505</b>

The amount of income tax benefit reported in the statement of comprehensive income attributable to the result of operations for the year is reconciled to the amount of income tax expenses calculated by applying the statutory income tax rate of 15%.

### ADJUSTMENT OF INCOME TAX:

	AT 31 DECEMBER	
	GROUP/COMPANY	
	2021	2020
Income tax calculated at a rate of 15%	1 118 976	(229 599)
Non-taxable income	113 858	
Permanent differences	(569 498)	56 586
Adjustments of previous year income tax due to the use of income tax relief for the investment project	[a] 607 676	270 981
Other adjustments of previous year income tax	(186 199)	(43 463)
Use of accrued tax losses for which no deferred income tax assets were recognised	-	-
Deferred income tax not recognised due to tax losses and other temporary differences	-	-
Recognition of previously unrecognised deferred income tax on accumulated tax losses	-	-
<b>Income tax (expenses)/benefit</b>	<b>1 084 813</b>	<b>54 505</b>

a) In 2021, a reduction of EUR 4 051 175 in relation to cost of investment projects, was used to adjust the 2020 income tax return.

The accumulated and unused tax losses of the previous year [EUR 5 353 487] were used to recalculate the 2020 income tax.

	AT 31 DECEMBER	
	GROUP/COMPANY	
	2021	2020
<b>Components of deferred income tax assets:</b>		
Tax losses carry forward	963 116	-
Social security contributions for accrued vacation reserve and other accrued expenses	157 572	239 148
Impairment of amounts receivable and inventories	396 044	79 956
Deferred income tax assets before write-down to net realisable value	1 516 732	319 104
Less: write-down to net realisable value	-	-
Less: deferred income tax assets offset against deferred income tax liabilities	-	-
<b>Deferred income tax assets, net</b>	<b>1 516 732</b>	<b>319 104</b>
<b>Components of deferred income tax liability:</b>		
Property, plant and equipment and investment property	[1 392 118]	[663 613]
<b>Deferred income tax liability</b>	<b>[1 392 118]</b>	<b>[663 613]</b>
Less: deferred income tax liabilities offset against deferred income tax assets	-	-
<b>Deferred income tax liability, net</b>	<b>124 614</b>	<b>[344 509]</b>

In the statements of financial position, deferred income tax is presented as a deferred income tax asset amounting to EUR 124 614 [from the statement of financial position].  
 As at 31 December 2021 and 2020, deferred income tax assets and liabilities were calculated using the tax rate of 15%.

Deferred income tax assets were offset against deferred income tax liabilities in the Company's statement of financial position as they both relate to the same tax administration authority.



## 26. CONTRACT LIABILITIES

		AT 31 DECEMBER	
		GROUP/COMPANY	
		2021	2020
Advance amounts received for subscribed publications		4 073 167	4 006 056
Other advance amounts received	[a]	10 339 715	1 773 788
Deferred revenue		468 714	313 685
		<b>14 881 596</b>	<b>6 093 529</b>

a) Other advance payments increased in 2021 compared to 2020 due to increase in advance payments received from the international post offices, as the calculation of prepayment amounts uses data for the financial year preceding the accounting year. In 2020, revenues from China International Post increased, which led to higher advances paid in 2021.

Contract liabilities include advance amounts received for subscribed publications and other services. The contractual obligation is the obligation to deliver the goods or services to the client for which the consideration has already been received [or the amount of the consideration is receivable]. If a client pays before the Company transfers goods or services, the contractual obligation is recognised when the payment is received. Contractual obligations are recognised as revenue when the Company settles contract obligations.

In the statements of financial position as at 31 December 2021, the line item of contract liabilities, other advance amounts received do not include advance amounts paid by the foreign post offices related to international postal services, if advance amounts were received from the same foreign post offices and for the same services as in accrued revenue accounted for in assets. The above-mentioned advance amounts received are netted against accrued revenue as homogeneous assets and liabilities.

## 27. ACCRUED EXPENSES

		AT 31 DECEMBER	
		GROUP/COMPANY	
		2021	2020
Accrued expenses for services rendered by foreign post offices	[a]	19 725 117	19 130 633
Accrued vacation reserve		3 871 503	3 899 916
Accrual of variable part of remuneration, annual bonuses		210 000	250 000
Other	[b]	1 496 773	138 066
		<b>25 303 393</b>	<b>23 418 614</b>

a) Accrued expenses comprise services received from the foreign post offices [designated operators] which will be finally agreed and invoices will be received in the following year after the date of the preparation of the statements of financial position. In the statement of financial position, accrued expenses of final settlements are reduced by advance amounts paid for the same services to the same foreign operators as the offsetting of the line items of homogeneous assets and liabilities.

b) Other accrued expenses increased mainly due to the termination of the contract for the lease of the Kaunas Logistics Centre, including repair and restoration works of the leased assets.



## 28. OTHER AMOUNTS PAYABLE

		AT 31 DECEMBER			
		GROUP		COMPANY	
		2021	2020	2021	2020
Employment-related liabilities	(a)	3 267 268	450 229	3 266 833	450 229
Restructuring provision	(b)	290 000	537 000	290 000	537 000
Taxes [other than income tax]		359 796	176 706	359 796	176 706
Other		11 029	[ 2 527]	11 029	[2 526]
		<b>3 928 094</b>	<b>1 161 409</b>	<b>3 927 659</b>	<b>1 161 409</b>

a) In 2021, it was decided that the remuneration for December is paid to the Company's employees following the same procedure which is applicable to the remaining months. The remuneration for December calculated in the previous periods used to be paid before the end of the current financial year. This change also affected increase in tax liabilities.

b) The Group/Company assessed the scope of the investment projects carried out and prepared the model for the calculation of the provision for employee redundancy compensations. The provision was calculated by multiplying the three-month average remuneration of employees planned to be made redundant by two. In 2021, the Group/Company formed the provision of EUR 290 000 designated to cover employee redundancy compensations related to the project for the enhancement of mailmen's activities.

## 29. FINANCIAL RISK MANAGEMENT

The Group's/Company's financial assets comprise trade receivables, amounts receivable from foreign post offices and other amounts receivable, contract assets, loans granted and cash and cash equivalents, and financial liabilities comprise trade payables, lease liabilities, borrowings and other current amounts payable.

### CREDIT RISK

		AT 31 DECEMBER			
		GROUP		COMPANY	
		2021	2020	2021	2020
Trade receivables and receivables from foreign post offices		15 424 654	11 622 641	15 424 654	11 622 641
Contract assets		10 884 834	19 933 186	10 884 834	19 933 186
Other amounts receivable		4 530 028	4 085 316	4 530 028	4 085 316
Loans granted		-	-	1 951 072	1 951 072
Cash at bank and in transit		24 711 783	9 009 782	24 677 716	8 970 884
Impairment of trade receivables, contract assets and loans granted		[1 978 581]	[766 695]	[3 929 653]	[2 717 767]
		<b>53 572 719</b>	<b>43 884 230</b>	<b>53 538 652</b>	<b>43 845 332</b>

The the Group's/Company's management believes that the maximum credit risk approximates the amount of trade receivables, contract assets, other receivables, monetary assets (other than cash) and short-term investments, less recognised impairment losses at the date of the preparation of the statement of financial position. There is no significant credit risk concentration at the Group/Company. Credit risk is managed through regular monitoring procedures (supervision of individual borrowers, especially monitoring and analysis of the largest customers in order to anticipate potential future solvency problems, etc.) and the use of credit conditions. A monthly assessment of the debts of individual users and groups is performed in accordance with the procedure set by the Group/Company in order to make a decision regarding the accounting for the impairment of trade receivables. The loan granted by the Company to subsidiary LP Mokėjimų Sprendimai UAB was fully provided for.

#### SENSITIVITY OF PROFIT BEFORE TAX TO POSSIBLE CHANGES IN INTEREST RATES

	GROUP/COMPANY	
	INCREASE/DECREASE, IN PERCENTAGE POINTS	EFFECT ON PROFIT BEFORE TAX
<b>At 31 December 2020</b>		
EUR	+0,5	[ 67 852]
EUR	-0,02	2 714
<b>At 31 December 2021</b>		
EUR	+0,5	[35 385]
EUR	-0,02	1 415

#### INTEREST RATE RISK

The Group/Company's income and operating cash flows are substantially independent of changes in market interest rates. The Group/Company has no significant assets bearing variable interest rates.

The major part of the Group's/Company's borrowings bears a variable interest rate linked with EURIBOR which exposes the Group/Company to the interest rate risk. In the interest calculation of the loan with the Northern Investment Bank, the value of EURIBOR may not be less than -0.95%, and with the Lithuanian branch of OP Corporate Bank plc, the value of EURIBOR can not be applied less than 0%. As at 31 December 2021 and 2020, the Group/Company had no interest rate hedging transactions and had no financial instruments designated to manage its exposure to fluctuation in interest rates.

The following table demonstrates the sensitivity of the Group's/Company's profit before tax to possible changes in interest rates with all other variables held constant (by changing the interest rate). There is no impact on the Group's/Company's equity, except for impact on the current year profit.

#### FOREIGN EXCHANGE RISK

The main exchange rate risk encountered by the Group/Company arises due to the fact that the Group/Company performs its postal activity internationally. A monetary unit, which is established by the Universal Postal Convention and which is mostly used for the estimation of rendered and received cross-border postal services, is a Special Drawing Right [SDR]. However, the Group/Company mainly conducts settlements with the international post offices in the euros. The Group's/Company's policy is aimed at matching cash flows from highly probable future sales and purchases in each foreign currency. The Group/Company does not use any financial instruments to manage the foreign exchange risk.

#### MONETARY ASSETS AND MONETARY LIABILITIES IN DIFFERENT CURRENCIES WERE AS FOLLOWS

GROUP	AT 31 DECEMBER			
	2021		2020	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Euro [EUR]	45 358 227	46 091 900	33 136 358	44 498 453
US dollar [USD]	3 794 773	106 745	60 215	11 745
Special drawing rights [SDR]	5 231 177	6 095 753	11 465 844	5 132 785
Other currency	257	355	112	2 050
	<b>54 384 434</b>	<b>52 294 753</b>	<b>44 662 529</b>	<b>49 645 033</b>

COMPANY	AT 31 DECEMBER			
	2021		2020	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Euro [EUR]	45 358 227	46 091 900	33 097 460	44 498 453
US dollar [USD]	3 794 773	106 745	60 215	11 745
Special drawing rights [SDR]	5 231 177	6 095 753	11 465 844	5 132 785
Other currency	257	355	112	2 050
	<b>54 384 434</b>	<b>52 294 753</b>	<b>44 623 631</b>	<b>49 645 033</b>

The following table demonstrates the sensitivity of the Group's/Company's profit before tax to possible changes in currency exchange rates with all other variables held constant (through the impact on the fair values of monetary assets and liabilities).

#### SENSITIVITY OF PROFIT BEFORE TAX TO POSSIBLE CHANGES IN EXCHANGE RATES

	GROUP/COMPANY	
	INCREASE/DECREASE IN EXCHANGE RATE	EFFECT ON PROFIT BEFORE TAX
<b>At 31 December 2020</b>		
SDR	- 10%	[633 306]
USD	- 10%	[4 847]
Other currency	- 10%	194
SDR	+ 10%	633 306
USD	+ 10%	4 847
Other currency	+ 10%	[194]
<b>At 31 December 2021</b>		
SDR	- 10%	86 458
USD	- 10%	[368 803]
Other currency	- 10%	10
SDR	+ 10%	[86 458]
USD	+ 10%	368 803
Other currency	+ 10%	[10]

#### LIQUIDITY RISK

The Group's/Company's policy is to maintain sufficient cash and cash equivalents or have available funding through adequate amounts of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans. The Group'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 0.87 and 0.81, respectively (31 December 2020: 0.93 and 0.86, respectively). 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 0.87 and 0.81, respectively (31 December 2020: 0.92 and 0.86, respectively).

As at 31 December 2021, the Group's/Company's current liabilities exceeded current assets by EUR 9 151 thousand/EUR 9 230 thousand, respectively. We plan to finance this difference with an unused overdraft limit. As of 31 December 2021, the amount of unused bank account surpluses amounted to EUR 15 000 000. The Group's EBIT (earnings before interest and taxes) is expected to reach EUR 0.8 million in 2022. CAPEX (capital expenditure) is expected to amount to approx. EUR 8.9 million in 2022. In assessing all ongoing and planned actions and the fact that the Group/Company is the sole provider of universal postal services on behalf of the state in the country, the Group's/Company's management does not see future risks to the Group's/Company's business continuity.

The table below summarises the maturity profile of the Group's/Company's financial liabilities as at 31 December 2021 and 2020 based on undiscounted payments.

#### FINANCIAL LIABILITIES BY MATURITY

GROUP/COMPANY	ON DEMAND	FROM 1 TO 3 MONTHS	FROM 3 TO 12 MONTHS	FROM 1 TO 5 YEARS	AFTER 5 YEARS	TOTAL
Borrowings and liabilities bearing interest rate	-	-	1 106 330	8 124 594	5 897 777	15 128 701
Trade payables	47 614	18 132 126	-	-	-	18 179 740
Lease liabilities	-	1 022 903	2 968 656	9 903 609	5 117 473	19 012 641
<b>Balance at 31 December 2020</b>	<b>47 614</b>	<b>19 155 029</b>	<b>4 074 986</b>	<b>18 028 203</b>	<b>11 015 250</b>	<b>52 321 082</b>
Borrowings and liabilities bearing interest rate	-	-	2 439 535	9 715 277	4 722 883	16 877 695
Trade payables	47 150	18 963 595	-	-	-	19 010 745
Lease liabilities	-	86 294	3 866 712	10 169 152	4 280 318	18 402 476
<b>Balance at 31 December 2021</b>	<b>47 150</b>	<b>19 049 889</b>	<b>6 306 247</b>	<b>19 884 429</b>	<b>9 003 201</b>	<b>54 290 916</b>

#### FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's/Company's principal financial assets and liabilities not carried at fair value are trade receivables and other accounts receivable, trade payables and other debts and non-current and current borrowings.

As at 31 December 2021 and 31 December 2020, the carrying amount of the Group's/Company's financial assets and financial liabilities approximated their fair value.

The fair value of borrowings, other financial liabilities and other financial assets was estimated using the market interest rate.

The following methods and assumptions are used to determine the fair value of each class of financial assets and liabilities:

[a] The carrying amount of current trade and other amounts receivable, current trade and other amounts payable and current borrowings approximates their fair value due to their relatively short maturity (attributed to Level 3 of the fair value hierarchy described in Note 2.12).

[b] The fair value of non-current borrowings is estimated based on the quoted market price for the same or similar loan or on the current rates available for debt with the same maturity profile. The fair value of non-current borrowings with variable interest rates approximates to their carrying amounts (attributed to Level 3 of the fair value hierarchy described in Note 2.12).

[c] The fair value of lease liabilities is determined referring to the interest rate which is applied at that time when the discounted lease liability is accounted for (attributed to Level 3 of the fair value hierarchy described in Note 2.12).

## 30. CAPITAL MANAGEMENT

The main objective of the Group's/Company's capital management is to ensure that the Group meets the external capital requirements and that the Group maintains proper capital ratios in order to strengthen its operations and maximize the value of shareholders ("capital" in accordance with IAS 1 is consistent with equity in the financial statements).

The Group manages its capital structure and makes the adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Group may return capital to the shareholders or issue new shares. There were no significant changes

### LIABILITIES TO EQUITY RATIO:

	AT 31 DECEMBER			
	GROUP		COMPANY	
	2021	2020	2021	2020
Non-current liabilities (including deferred taxes and grants)	27 709 862	27 419 357	27 709 862	27 419 357
Current liabilities	69 200 578	53 769 148	69 200 143	53 769 148
<b>Total liabilities</b>	<b>96 910 440</b>	<b>81 188 505</b>	<b>96 910 005</b>	<b>81 188 505</b>
<b>Equity</b>	<b>27 250 692</b>	<b>33 695 773</b>	<b>27 179 751</b>	<b>33 554 774</b>
<b>Liabilities to equity ratio</b>	<b>3,56</b>	<b>2,41</b>	<b>3,57</b>	<b>2,42</b>

The Company has an electronic money institution licence and therefore has to comply with the capital requirements set for the electronic money institution. The rules for the size of the equity, its calculation and application by the Company as an electronic money institution are established by the supervisory

in the capital management purposes, policies or processes during the financial years ended 31 December 2021 and 31 December 2020. Holders of the shares owned by the state must ensure that the share of profit to be appropriated of public limited liability groups of companies/companies, in which the state owns the shares representing more than a half of all votes, allocated for the payment of dividends for the financial year depends on the company's return on equity for the reporting year.

The Group assesses capital using the liabilities to equity ratio. The capital consists of ordinary shares, reserves, retained earnings (deficit).

authority [the Bank of Lithuania]. Capital requirement - EUR 674 thousand, actual amount of equity - EUR 26,217 thousand as at 31 December 2021 based on the calculations carried out according to the methodology established by the Bank of Lithuania.

## 31. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

To ensure the fulfilment of obligations set out in the agreements on postal, courier services, payment collection, delivery of pensions and other payments, the Company has presented to the clients bank guarantees or letters of guarantee of the insurance companies for the amount of EUR 1 210 033 as at 31 December 2021 [31 December 2020: EUR 1 454 238].

The Group's/Company's commitments under unfulfilled contracts for the purchase of non-current assets amounted to EUR 0,5 million as at 31 December 2021 [2020: EUR 2.4 million].

## 32. RELATED-PARTY TRANSACTIONS

### COMPENSATION TO KEY MANAGEMENT PERSONNEL

The total remuneration paid to the Group's/Company's key management personnel (6 managers) in 2021 amounted to EUR 607 thousand (2020: EUR 502 thousand; 6 managers). As at 31 December 2021 and 31 December 2020, the Group's/Company's key management personnel comprised 6 managers, however before the change of the structure approved by the Board on 10 November 2021, the Group's/Company's key management personnel comprised 5 managers. The key management personnel comprises the chief executive officer and five directors of the divisions. No significant loans, guarantees or any other benefits were paid or calculated, nor any assets were transferred to the Group's/Company's key management personnel.

### TRANSACTIONS WITH OTHER RELATED PARTIES

The parties are defined as related when one party has a power to exercise control over the other party or can make significant influence on its financial and operating decisions. The Group's/Company's related parties are the state enterprises whose ownership rights and obligations are implemented by the Ministry of Transport and Communications of the Republic of Lithuania.

The Group does not consider the enterprises under the control of the Lithuanian Ministry of Transport and Communications as one client, as there is no major economic integration among them.

Transactions with the related parties comprise regular sales and purchases of goods and services related to the Company's activity.

The loan of EUR 1 951 072 was granted by the parent company to LP Mokėjimų Sprendimai UAB. As at 31 December 2021, the total amount of the loan was fully provided for.

Presented below are the transactions conducted by the parent company with the related parties in 2021 and 2020 and corresponding balances of amounts receivable/payable as at 31 December 2021 and 2020:

	DATE	PURCHASES OF GOODS AND SERVICES	SALES OF GOODS AND SERVICES	AMOUNT PAYABLE TO RELATED PARTIES	AMOUNT RECEIVABLE FROM RELATED PARTIES
Lietuvos Pašto Finansinės Paslaugos UAB	31 December 2020	-	-	-	-
	31 December 2021	-	-	-	-
LP Mokėjimų Sprendimai UAB	31 December 2020	-	-	-	1 951 072
	31 December 2021	-	-	-	1 951 072

### 33. EVENTS AFTER THE END OF THE REPORTING PERIOD

Lietuvos Paštas AB has not prepared the proposed profit appropriation at the date of the approval of the financial statements.

On 7 January 2022, the collective agreement with the Lithuanian Postal Union was extended for 2 years under the same conditions.

After the start of the war against Ukraine, money transfers to/from Russia and Belarus were suspended at the post offices and PayPost from 1 March 2022. In 2021, revenue from this service amounted to EUR 39 thousand. Moreover, Lietuvos Paštas is suspending the delivery of commercial parcels to Russia and Belarus from 2 March. In 2021, revenue from this service amounted to EUR 405 thousand. All Russian and Belarusian goods with a turnover of EUR 88 thousand in 2021 were withdrawn from sale at post offices. The distribution of the Russian and Belarusian publications is terminated in the entire territory of the country, and the trade in the publications of the „Republic“ group is suspended. The revenue from these activities amounted to EUR 50 thousand.

During the first quarter of 2022, the Group/Company sold non-current assets recorded in the line item “Non-current assets held for sale” in the statement of financial position with the carrying amount of EUR 34 thousand as at 31 December 2021. The sale price was EUR 53 thousand. It also sold non-current assets recorded in the line item “Property, plant, and equipment” in the statement of financial position with the carrying amount of EUR 46 thousand as at 31 December 2021. The sale price was EUR 124 thousand.

On 4 January 2022, Peace Agreement between UAB Istanas, Lietuvos paštas AB and the General Prosecutor’s Office of the Republic of Lithuania, defending the public interest.[ confirmed by a court order at 23 December 2021 ] on the termination of the lease agreement for the premises of Kaunas Logistics Centre entered into force. At the beginning of 2022, Lietuvos paštas AB accounted the decrease in the right of use assets by EUR 6 183 824, the reduction in the lease liabilities by EUR 6 429 488 and accounted income of EUR 245 664. Also regarding mentioned agreement Lietuvos Paštas AB has the right to use the premises for a short period for monthly lease fee.

No auctions of the sale of non-current assets were held during Q1 of 2022 before the date of the signing of the financial statements.

