

2023



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



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This version of the accompanying documents is a translation from the original, which was prepared in Lithuanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the accompanying documents takes precedence over this translation.

CEO'S FOREWORD

Last year Lietuvos paštas celebrated its 105th anniversary and continued focusing on the modernisation of operations, improvement of working conditions for employees and customer experience, as well as on strengthening its position in the parcel delivery market not only in Lithuania, but also in the entire Baltic region.

The extent of necessity for a network of self-service parcel terminals operating in three countries is dictated not only by the increasing frequency of online purchases but also by the approach demonstrated by the major e-commerce platforms towards the Baltic region as a single market. The cross-border expansion also prompted changes in the positioning of the self-service parcel terminal network – which in turn prompted us to introduce a new Unisend brand name. Already from the very start of activities in spring 2024, by this name we will be recognised in Latvia and Estonia, whereas in Lithuania the new brand name will be introduced gradually and appear on over 430 LP EXPRESS self-service parcel terminals.

As we seek to further enhance the quality of our services, we issued the first customer service standard in the previous year. It's a set of guidelines for our customer service colleagues to become aware of the best customer service practice and of the experience and insights of our employees when dealing with relevant issues. We believe it will help create the best possible customer experience and deliver on a new Unisend brand name promise to customers – Send. Receive. Easy.

As Lietuvos paštas was focused on improving the working conditions, it further followed a consistent work pay rise policy. In 2023, the total work pay rise fund amounted to over EUR 4 million. Provision of new cars to mailmen also contributed to ensuring better working conditions, thereby facilitating a more convenient and faster delivery of parcels.

In order to maintain financial sustainability under the circumstances of a shrinking demand for traditional postal services, Lietuvos paštas focused on improvement of efficiency of operations and cost optimization. For that purpose, a decision was made to reorganise the mailmen network by revising the size of postal service areas. This in turn allowed to ensure a more effective distribution of workload and introduce a five-day week for mailmen working across the country.

Our customers are often the best providers of feedback on day-to-day services and efforts put by Lietuvos paštas colleagues. A survey of mobile mailmen customers was conducted last year, and it revealed a score of 9.66 out of 10 given by respondents. Today, these services (also known as "mail on wheels") are provided to almost half a million addresses in rural areas that no longer have regular post offices. Here, all postal services are brought closer to the residents by our employees travelling in modern vehicles.

As a huge appreciation of our efforts we observe an increasing demand for LP EXPRESS services. The volume of postal traffic through LP EXPRESS network increased by almost a quarter in 2023 compared to 2022. Moreover, the share of LP EXPRESS customers who prefer self-service parcel terminals has increased by up to three quarters. As we took into consideration our customer behaviour, last year we increased the number of self-service parcel terminals by a quarter and gained the leadership position in the local self-service parcel terminal market in terms of network development for the second time in a row. All this was achieved in parallel with our efforts aimed at improving the delivery speed rate – over 98% of deliveries reached their recipients already on the next working day.

Last but not least, Lietuvos paštas proactively generated various social and business initiatives during the previous year. The ones that are worthy of mentioning are as follows: LP EXPRESS together with the Innovation Agency organised the first ever election of the Most Favourite E-store in Lithuania where almost 1,100 online businesses were nominated; An initiative City symbols was successfully continued, as a result of which LP EXPRESS self-service parcel terminals were decorated with additional 8 symbols of Lithuanian cities. A high participation of residents was attracted by initiative Donate a mailbox that was held to draw attention to the issue of poorly maintained mailboxes of residents, and to award the winners of the competition with the donated mailboxes.

I am very happy and truly grateful for the contribution of Lietuvos paštas colleagues in achieving the above-mentioned results. Beyond any doubt, the teamwork of ambitious professionals will allow us to further implement the ongoing projects, and to find the best solutions for achieving the goals in 2024.



Rolandas Zukas
CEO



CHAIRMAN'S FOREWORD

For Lietuvos paštas, the year 2023 was all about continuing the successful process of its modernisation, and taking even more determined steps towards the implementation of its ambitious goals driven by its well-established mission: A convenient way to receive and to send. For everyone.

As we look back over the past year, first and foremost it is necessary to note the Board's decision to update the operational strategy of Lietuvos paštas for the period 2023-2026. Although the fundamentals of the operational strategy, i.e. the mission and corporate values, have remained unchanged, the vision of Lietuvos paštas has been updated in view of the recent developments in the market and new areas of focus in the company's activities. The updated operational strategy no longer describes Lietuvos paštas as a local network, but rather as "the most reliable postal delivery network connecting the region with the world".

With due consideration of the aspirations laid down in the updated vision, a historic decision was made for Lietuvos paštas to enter the Latvian and Estonian postal delivery markets of self-service parcel terminals. As from spring 2024, the company will be operating in these neighbouring countries under the new band name – Unisend. Expansion of the self-service parcel terminal network in the Baltic countries is a project of strategic importance for Lietuvos paštas. Such broadening of geographical presence beyond the home market has been for a while a successful solution for other national postal companies across Europe. It helps the postal operators to demonstrate flexibility in adapting their activities to new customer and market needs, given the annually shrinking volume of traditional postal services.

In view of the changing needs of postal customers over the recent years, Lietuvos paštas also focused on active expansion of self-service parcel terminal network in Lithuania. In the previous year, Lietuvos paštas launched cooperation with uDrop – the first sharing network of parcel lockers in Lithuania. This allowed LP EXPRESS to gain the leadership position in the local self-service parcel terminal market in terms of network development for the second year in a row. The ambitious expansion of LP EXPRESS network covered not only the big cities with typically the largest inflows and outflows of postal traffic, but also smaller towns. In 2023, the first LP EXPRESS self-service parcel terminals were launched in seven additional locations across Lithuania, and today the self-service parcel terminals of the entire network can be found in 113 locations across the country.

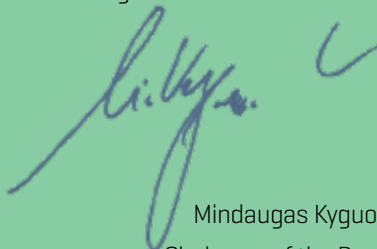
Given a shrinking demand for traditional postal services and the changing habits of sending the postal items, in the previous year the company also resolved to reorganize and optimize the postmen network. The revised size of postal service areas allows ensuring a more effective workload distribution among the postmen and introducing a five-day week for all postmen working across the country.

The continuous modernization of the company and improvement of various day-to-day processes throughout the year 2023 also enabled Lietuvos paštas to achieve a high rating. For the first time in history, the company received the highest A+ governance rating in the Good Governance Index published annually by the Governance Coordination Center. The index is used to rate the state-owned enterprises in terms of transparency, collegial bodies and strategic planning. Compared to 2022, Lietuvos paštas achieved a significant improvement in the index category of large companies by rising from the 12th to the 5th position. The awarded rating serves as evidence of the progress achieved by Lietuvos paštas in implementing and ensuring the best governance practices.

In the previous year, the company was joined by new professionals working in their respective areas of expertise, who made a significant contribution to the company's transformation and implementation of new projects. Rolandas Zukas took up his duties as the company's new CEO, with his professional experience and competences enabling the company to implement the goals stipulated in Lietuvos paštas strategy: sustainable growth and development; growing the market share in parcel delivery; digitalization of operations; and further improvement of operational efficiency.

The Board of Lietuvos paštas, in turn, was also refreshed and strengthened as it was joined by Kristina Semėnė, who has accumulated extensive professional experience in the postal regulatory and legislative field, and has expertise in implementing Lithuania's foreign policy on postal matters.

I am thankful to the entire Lietuvos paštas team for making huge efforts in creating an open and modern company, and to each team member individually for day-to-day cooperation, commitment, and courage to change.



Mindaugas Kyguolis
Chairman of the Board



01

AUDITOR'S REPORT

This version of the report is a translation from the original, which was prepared in Lithuanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the document takes precedence over this translation



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 2023, and of the Company's and of the Group's separate and consolidated financial performance and 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 29 March 2024.

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 2023;
- the consolidated and separate statement of comprehensive income for the year then ended;
- the consolidated and separate statement of changes in equity for the year then ended;
- the consolidated and separate statement of cash flows for the year then ended; and
- the notes to the separate and consolidated financial statements, comprising material accounting policy information 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

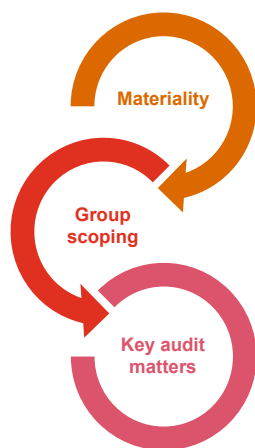
We are independent of the Company and the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the Law of the Republic of Lithuania on 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 2023 to 31 December 2023 are disclosed in note 6 to the separate and consolidated financial statements.

Our audit approach

Overview



- Overall materiality for the Company and the Group is EUR 989 thousand (2022: EUR 937 thousand)

- We performed a full scope audit of the Company's separate financial statements.

- Our full scope audit addressed 100% of the Group's total revenue and 99.9% of the Group's total assets.

- Recognition of revenue from provision of services to foreign post offices.

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.

Overall Company and Group materiality	EUR 989 thousand (2022: EUR 937 thousand)
How we determined it	1% of total revenue from contracts with customers.
Rationale for the materiality benchmark applied	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 49 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>Recognition of revenue from provision of services to foreign post offices.</p> <p>(see paragraph Revenue/expenses from provision of postal services to foreign post offices in Note 2.5 Revenue recognition, Note 3 Revenue from contracts with customers. Sales revenue, Note 16 Trade receivables, Note 17 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 comprehensive income, amounting to EUR 7,434 thousand as at 31 December 2023 (31 December 2022: EUR 5,552 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 8,313 thousand 31</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"> - controls over the accuracy of the quantities of postal services received; - controls over reconciliation of the sales quantities and service charges with the designated operators who received the services. <p>In planning the tests of detail, we grouped revenue transactions for 2023 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 total amount invoiced in 2023 for revenue</p>

December 2023 (31 December 2022: EUR 4,646 thousand).

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

recognised in previous periods with the respective amount of contract assets recognised as at 31 December 2022.

We assessed the disclosures in notes 3, 16 and 17 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 consolidated 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.

Accordingly, we performed a full scope audit of the Company and, based on the size and risk characteristics, we tested the consolidation process to be able to report on the 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 Reporting by Groups of Undertakings, the Law of the Republic of Lithuania on 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 are prepared, is consistent with the financial statements; and
- the consolidated annual report, has been prepared in accordance with the Law of the Republic of Lithuania on Consolidated Reporting by Groups of Undertakings and the Law of the Republic of Lithuania on 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.

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 2019 – 2021 audits. Our appointment has been renewed by shareholder resolution on 27 July 2022. The total period of uninterrupted engagement appointment is five years.

On behalf of PricewaterhouseCoopers UAB

Rasa Radzevičienė
Partner
Auditor's Certificate No.000377

Vilnius, Republic of Lithuania
29 March 2024



02 MANAGEMENT

02 GENERAL INFORMATION

Reporting Period

The consolidated and separate financial statements of Lietuvos paštas AB (hereinafter Lietuvos paštas or the Company) for the year ended 31 December 2023 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. Balčikonio g. 3, 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)	27 June 2019
Profile of activities	Postal, courier, financial, and other services

Share capital:

32 791 579 €

Ordinary registered
shares constituting the
share capital:

113 074 410

Nominal value
per share:

0,29 €

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

02 LIETUVOS PAŠTAS GROUP COMPANIES

As at 31 December 2023, Lietuvos paštas group companies (hereinafter the LP Group) consisted of parent company Lietuvos paštas AB and its wholly- owned subsidiaries Unisend Latvija SIA, Unisend Eesti OÜ, LP Mokėjimų sprendimai UAB.

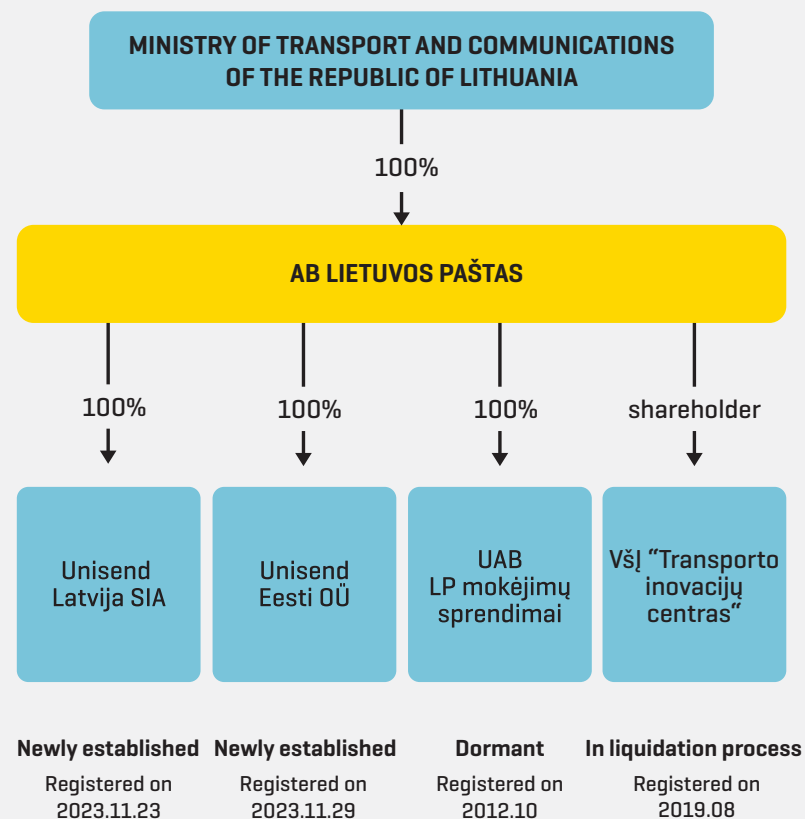
As part of the expansion of services in the Baltic states, on 23 November 2023 Unisend Latvija SIA was established in Latvia and on 29 November 2023 Unisend Eesti OÜ was established in Estonia. The main activities of these LP Group companies are the provision of postal and courier services and related services.

The principal activity of LP Mokėjimų Sprendimai UAB is consulting services. The company's activities are currently suspended.

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 Lietuvos paštas AB, the state is represented by the Ministry of Transport and Communications of the Republic of Lithuania.

During 2023, the LP Group neither acquired nor disposed of its own shares, nor were any shares in other entities acquired or disposed of.



02 MANAGEMENT OF LIETUVOS PAŠTAS

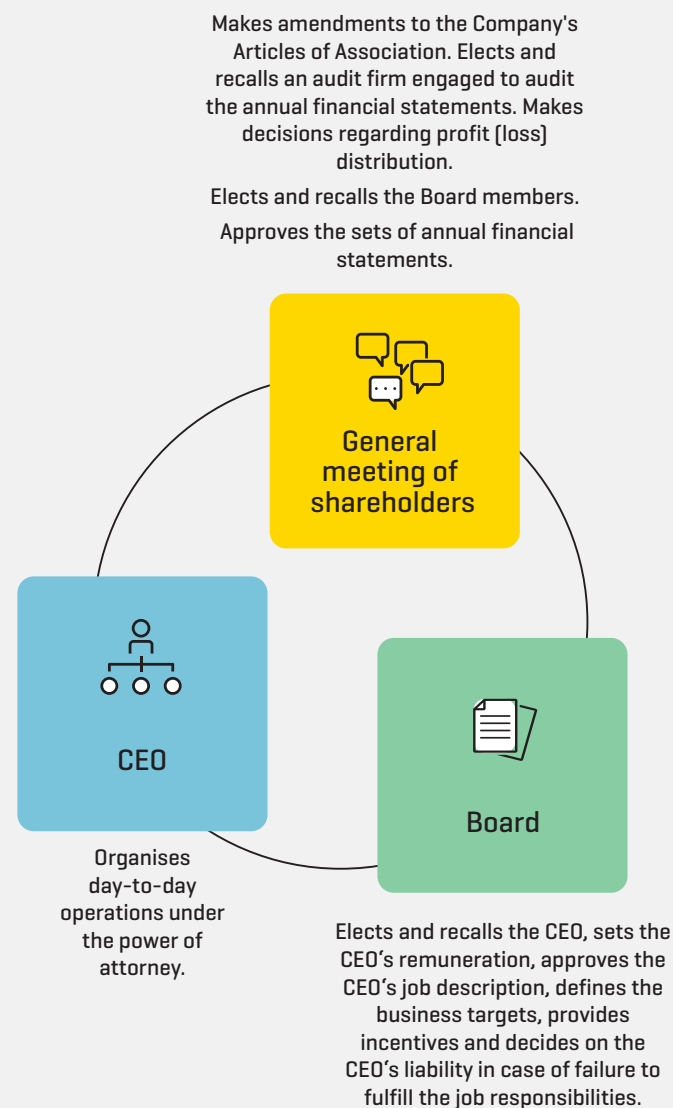
Based on the Articles of Association of Lietuvos paštas AB, the Company has the following management bodies: the General Meeting of Shareholders, the Board, and the CEO. The Supervisory Council has not been formed at the Company. The Company's Board carries out the supervisory functions stipulated in the Lithuanian Law on Companies and the Company's Articles of Association.

The General Meeting of Shareholders is revoked, held, and decisions are made in accordance with the provisions of the Lithuanian Law on Companies.

The decisions made in writing by the Ministry of Transport and Communications of the Republic of Lithuania (by exercising the property and non-property rights of the Republic of Lithuania as the shareholder of the Company) are treated as equivalent to the decisions made 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. The Chairperson of the Board is elected by the Board from among its independent members. The selection procedure of independent Board members is carried out through an external independent recruitment agency, as prescribed by the legal acts. The Board candidates are subject to the requirements of the legal acts: the selection is carried out according to Article 23-1 of the Lithuanian Law on the Management, Use and Disposal of State and Municipal Property and based on the Procedure for the selection of candidates to the collegial supervisory or management body of a state or municipal company, state- or municipality-managed company or its subsidiary, approved by Resolution No. 631 of the Lithuanian Government on 17 June 2015. The elected Board members enter into contracts on the fulfilment of functions at the Board.

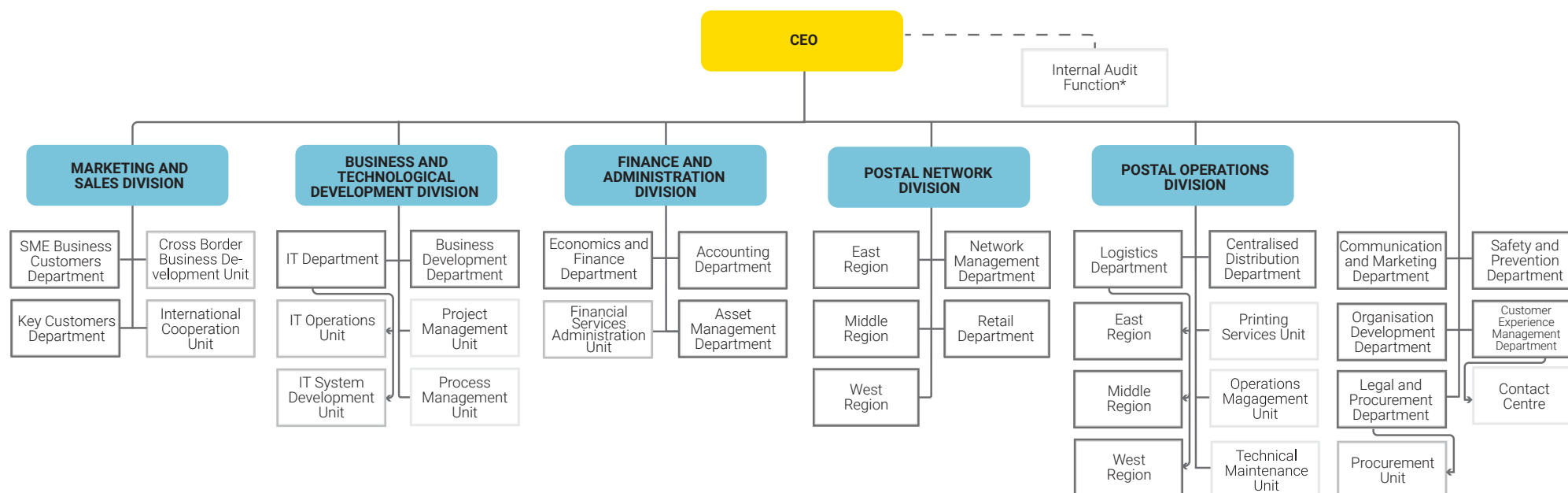
The roles, powers and responsibilities of the General Meeting of Shareholders, the Board and the CEO are stipulated in the Company's Articles of Association of Lietuvos paštas AB registered on 27 June 2019 with the Register of Legal Entities, which are available to public on the Company's official website.



02 THE COMPANY'S ORGANIZATIONAL STRUCTURE

The Company's organizational structure is as follows: Chief Executive Officer, 5 divisions (Marketing and Sales, Business and Technological Development, Finance and Administration, Postal Network, and Postal Operations) and 16 departments, where of 5 (Legal and Procurement, Communication, Organisation Development, Safety and Prevention, and Customer Experience Management) are directly accountable to the Chief Executive Officer.

APPROVED EFFECTIVE 1 DECEMBER 2023:



* 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.

02 LIETUVOS PAŠTAS BOARD COMPOSITION

	MINDAUGAS KYGUOLIS [beginning of term 2020 05 05]	ALDITAS SAULIUS [beginning of term 2020 12 29]	KRISTINA SEMĖNĖ [beginning of term 2023 11 01]	ARNOLD SCHROVEN [beginning of term 2022 01 10]	JŪRATĖ STANIŠAUSKIENĖ [beginning of term 2022 11 30]
Job positions held at Lietuvos paštas	Independent Board Member and Chairman of the Board	Independent Board Member	Board Member	Independent Board Member	Independent Board Member
Professional qualification / education	Master in Law and Economics, Master in Business Administration, Master in Law	Professional qualification of a radio-physicist and specialist of international economic relations	Master of Laws	Diploma in Mathematics, Diploma in Small Business Administration	Master's degree in Information Science, Master's degree in Management and Business Administration, Master's degree in Management.
Principal place of employment and job position	Public institution Garliava Primary Health Care Center, Chief Executive Officer		Ministry of Transport and Communications, Telecommunications and Postal services Attaché.	Schroven Consulting GmbH, Executive director (and shareholder)	Silver Ventures UAB, Chief Executive Officer
Executive positions held elsewhere	LTL Kredito unija, Member of Supervisory board	Windcave Limited UAB, Independent member of the Board		Night Star Express GmbH, Chairman of the Supervisory Board Spezialwerte AG, Member of Supervisory Board	State enterprise Oro Navigacija, Independent Board member and Chair of the Board Legal Balance UAB, Board Member
Areas of responsibility at Lietuvos paštas	Business and Technological Development division Communication and Marketing department	Safety and Prevention department Financial Services administration unit Internal Audit function	Legal and Procurement department Finance and Administration division (except for Financial Services administration unit)	Marketing and Sales division Postal Network division	Postal Operations division Organisation Development department Customer Experience Management department

Ending of term 2024-05-05.

02 CHANGES IN THE BOARD COMPOSITION

08/05/2023

Vladislav Kondratovič was recalled from the Board of Lietuvos paštas.

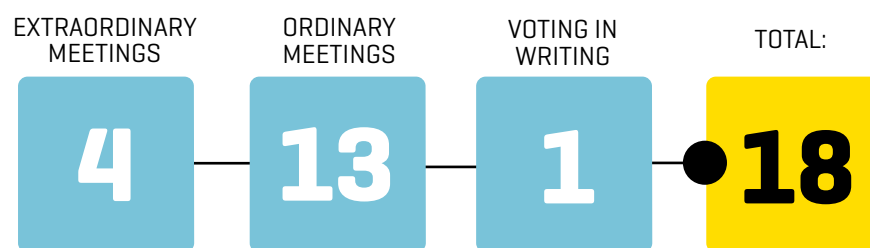
01/11/2023

Kristina Semėnė started her term of office at the Board of Lietuvos paštas.



02 LIETUVOS PAŠTAS BOARD ACTIVITIES

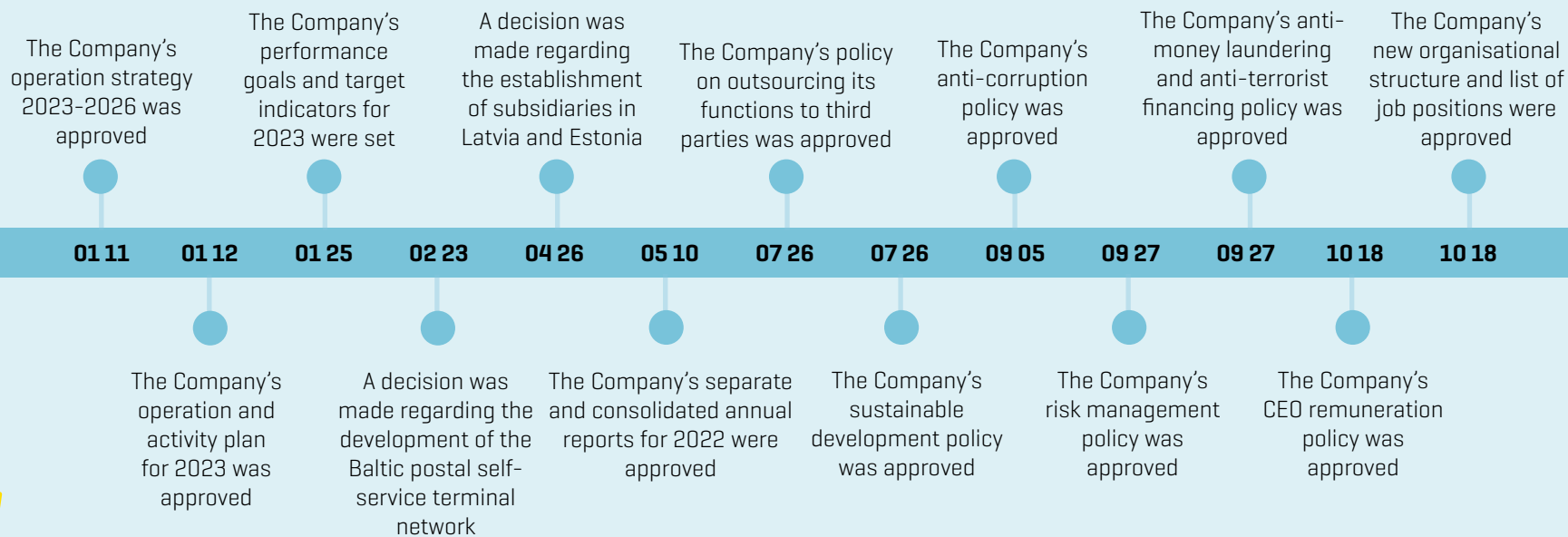
Overall, 18 meetings of the Board of Lietuvos paštas were held during 2023. During 2023, the Company's Board adopted in total 54 decisions that were officially approved and documented under the respective resolution.



ATTENDANCE AT THE BOARD MEETINGS:

- Mindaugas Kyguolis – attended 18 out of 18;
- Alditas Saulius – attended 18 out of 18;
- Arnold Schroyen – attended 18 out of 18;
- Jūratė Stanišauskienė – attended 18 out of 18;
- Kristina Semėnė [Board Member from 12/09/2023 by Order No. 3-395 of the Minister of Transport and Communications] – attended 5 out of 5.
- Vladislav Kondratovič [recalled from the Board as from 08/05/2023 by Order No. 3-237 of the Minister of Transport and Communications] – attended 6 out of 6.

Major matters on the agenda of the Board of the Company:



02 PRINCIPLES FOR DETERMINING AND PAYMENT OF REMUNERATION TO THE BOARD MEMBERS

- A monthly remuneration has 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's remuneration shall be reduced if the Board member does not 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 remuneration shall be paid to the Board member on a monthly basis.

REMUNERATION OF THE BOARD MEMBERS OF LIETUVOS PAŠTAS FOR 2023:

FULL NAME	REMUNERATION, EUR*
Mindaugas Kyguolis	41 076
Alditas Saulius	30 804
Arnold Schroven	30 804
Jūratė Stanišauskienė	30 804
Kristina Semėnė	2 568
Vladislav Kondratovič	5 136
Total :	141 192

**Remuneration is presented before tax.*

02 MANAGEMENT TEAM

	ROLANDAS ZUKAS	GIEDRĖ VAITEKŪNAITĖ	LAURYNAS KAZLAUSKAS	VIKTORAS BALTUŠKONIS	RUSLANAS PROKOFJEVAS
Job position	Chief Executive Officer since 24 February 2023	Director of Postal Network Division since 9 November 2023*	Director of Postal Operations Division since 25 September 2023**	Director of Finance and Administration Division since 3 April 2023	Director of Business and Technology Development Division since 9 July 2021
Professional qualification / education	Master in Management and Business Administration	Bachelor of Economics	Bachelor in Biology	Master in Business Administration and International Business Management	Master of Human Resource Management

*Jonas Sadauskas held this position until 4 August 2023.

**Kastytis Valantinas held this position until 30 August 2023.

02 COMMITTEES

Audit and Risk Management Committee

The composition and regulations of the Audit and Risk Management Committee of the Board of Lietuvos paštas (the "Committee") were updated by the decision of the Board of Lietuvos paštas on 18 August 2021.

The Committee members are elected and recalled by the Board. The Committee's term of office is linked to and coincides with the term of office of the Board which appointed the Committee. The Committee consists of three independent members: at least one member is delegated by the decision of the Board from among the independent members of the Board; and at least one independent member is delegated from among the external candidates selected through a public procedure in accordance with the procedure established by the Board.

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

- Financial reporting;
- Audit of financial statements;
- Auditor's independence and objectivity;
- Auditor's selection process;
- Effectiveness of the internal audit function;
- Effectiveness of the risk management;
- Compliance with the internal and external regulations
- The Committee may engage in other activities that are considered necessary or appropriate by the Committee or the Board.

The Committee with three independent members Alditas Saulius (also acting as the Chairman of the Committee), Marius Lukoševičius and Karolis Brazas has been carrying out its activities as from 18 August 2021.

Remuneration Committee

According to the 2012 June 6 decision of the Government of the Republic of Lithuania resolution no. 665 "Regarding the approval of the description of the procedure for the implementation of the State's property and non-property rights in state-owned enterprises" [dated 6 June 2012], a Remuneration Committee is

required to be formed at a state-owned company that qualifies as a large company under the Lithuanian Law on Financial Reporting by Undertakings, and has at least one subsidiary.

The Board of Lietuvos paštas AB has decided not to form a Remuneration Committee, and to undertake its functions by itself to an extent they relate to the internal matters of the company (CEO selection, appraisal, remuneration, general remuneration procedures for staff, elaboration of selection principles for staff, monitoring, etc.).

Subsidiaries of Lietuvos paštas AB did not operate during 2023, therefore there is no need to elect the management bodies of these companies and to resolve other issues within the competence of the remuneration committee. Lietuvos Pašto Finansinės Paslaugos UAB, code 301178592, was put into liquidation on 16 May 2023.

	ALDITAS SAULIUS	KAROLIS BRAZAS	MARIUS LUKOŠEVIČIUS
Professional qualification / education	Independent Chairman of the Committee 2021.08.18 – present	Independent Member of the Committee 2019.06.28 – present	Independent Member of the Committee 2019.06.28 – present
	Master's degree in radiophysics and international economic relations	Bachelor's degree in management and business administration	Master's degree in economics
Other job positions	Windcave Limited UAB, Independent Board Member, Lietuvos paštas Board Member	Green Genius UAB, Head of Finance Control Finansų ir Korporatyvinio Valdymo Laboratorija MB, Director	Revolut Bank UAB, Senior Credit Manager – until 28/04/2023
		Lietuvos Oro Uostai AB, Member of Audit and Risk Committee	

02 PRINCIPLES FOR DETERMINING AND PAYMENT OF REMUNERATION TO THE COMMITTEE MEMBERS

- By the Order of the Minister of Transport and Communications of the Republic of Lithuania, fixed amounts of monthly remuneration of EUR 1,284 and EUR 1,926 have been determined for the Company's Committee members and chairperson, respectively.

- 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 the conflicts of interests, does not express an opinion on agenda issues, does not vote thereon, does not fulfil the functions of the Committee member, spends less work hours than it is established by the Order of the Minister of Transport and Communications of the Republic of Lithuania, or improperly fulfils the order.

REMUNERATION OF THE AUDIT AND RISK MANAGEMENT COMMITTEE MEMBERS OF LIETUVOS PAŠTAS FOR 2023

FULL NAME, JOB POSITION		GROSS AMOUNT, EUR*
Alditas Saulius	Chairman	23 112
Karolis Brazas	Member	15 408
Marius Lukoševičius	Member	15 408
Total:		53 928

* Remuneration is presented before tax



02 ACTIVITIES OF THE COMMITTEE

The Committee organises its activities by preparing an annual work plan that covers the matters to be considered. The Committee presents its activity reports to the Board twice per year, and carries out self-assessment of its performance once per year. The work plan approved for 2023 was implemented in full. Overall, 10 meetings of the Committee were held during 2023, all of which were attended by all members of the Committee. During 2023, the Committee fulfilled its functions in the following areas:

FINANCIAL STATEMENTS AND EXTERNAL AUDITOR

- Review of the external audit strategy for 2023.
- Discussion of the external audit results and the auditor's report on the financial statements for 2022.
- Provision of recommendations to the Board regarding the approval of the financial statements.
- Follow-up on the implementation of the external auditor's recommendations.

INTERNAL AUDIT

- Provision of recommendations to the Board regarding the approval, amendment, and budgeting of the internal audit plan.
- Discussion of the internal audit reports.
- Monitoring the implementation of internal audit recommendations.
- Elaboration of the internal audit policy.
- Review of the internal audit approach.
- Assessment of the internal audit performance.
- Arrangement of selection and assessment of candidates to the position of the head of the internal audit function.

RISK MANAGEMENT

- Monitoring of the key risks implementation of risk management plans, and compliance with risk tolerance thresholds.
- Provision of recommendations to the Board regarding the risk appetite.
- Monitoring of outsourcing the functions.
- Review of the business continuity management policy.
- Monitoring of the reports on the instances of corruption, money laundering, terrorist financing and bribery of foreign officers, and ongoing internal investigations.

COMPLIANCE

- Assessment of the compliance policy.
- Monitoring of the function for ensuring compliance with the external regulations.
- Discussion of compliance issues and litigations that may have significant impact on the financial statements.
- Assessment of applicability and compliance with the requirements of the Law on the Prevention of Money Laundering and Terrorist Financing and its implementing acts.

02 DIVIDEND POLICY

Parent company Lietuvos paštas pays dividends under Resolution No 665 of 6 June 2012 of the Government of the Republic of Lithuania, 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 current financial 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.



02 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

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

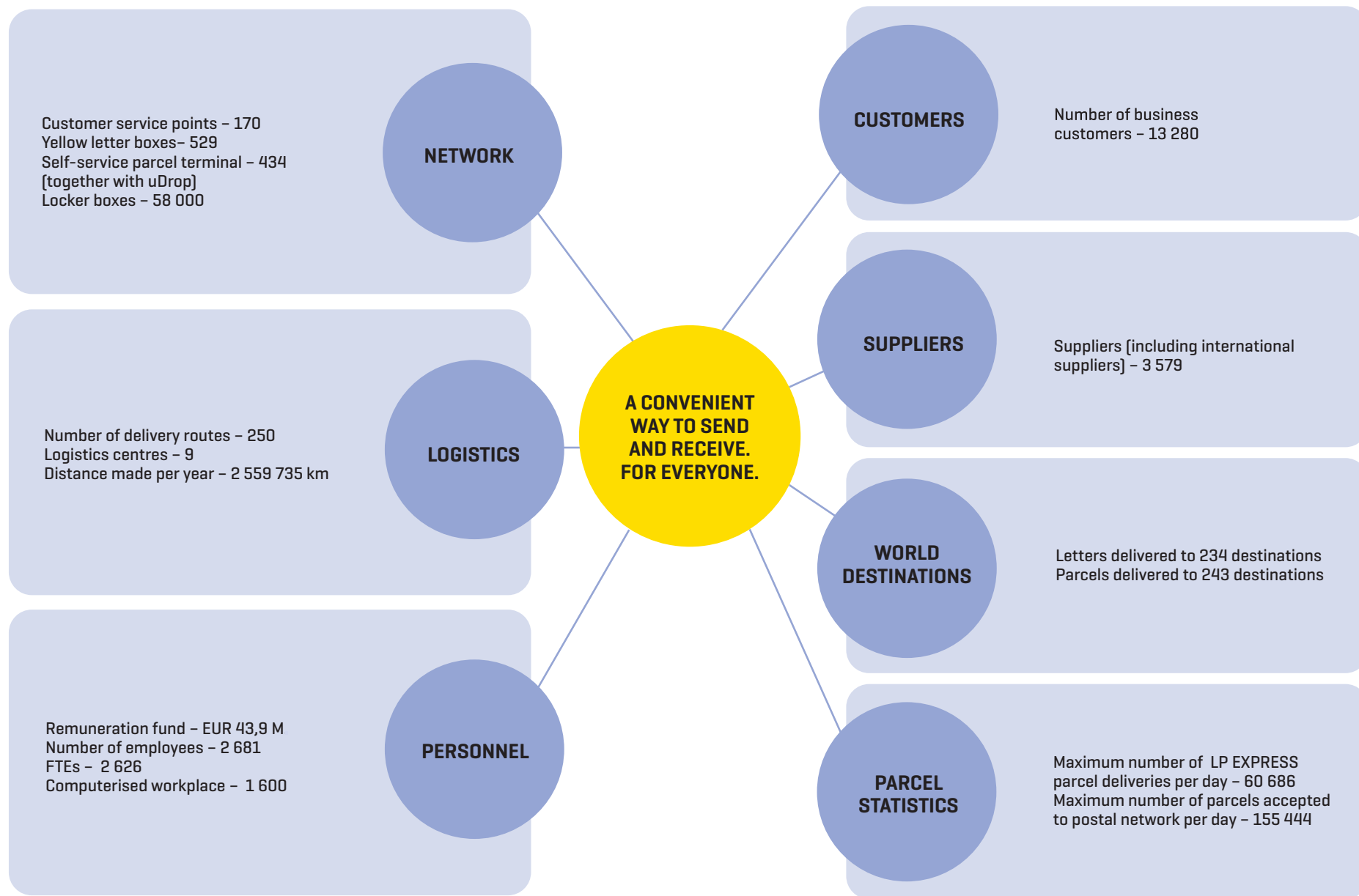
Law of the Republic of Lithuania on the Protection of Objects Important for Ensuring National Security (regarding the existence of Lietuvos paštas as an undertaking important for national security)

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)

03

EVENTS AND PERFORMANCE



03 MAJOR EVENTS DURING THE REPORTING PERIOD 1/2

LP EXPRESS self-service parcel terminal network joined the social initiative in Lithuania – Family Card

The Board of the Company approved the project for expansion of LP EXPRESS self-service parcel terminal network to the Baltic countries

Mr. Rolandas Zukas was elected as a new CEO of Lietuvos paštas

Delivery of parcels with postal items was temporarily suspended to Russia

A campaign Gift a mailbox was held to draw attention to poorly maintained mailboxes of residents

JANUARY →

FEBRUARY →

MARCH →

APRIL →

MAY →

JUNE →

Lietuvos paštas administration moved to new premises in Technopolis business centre

New UPS tariffs became effective

Lietuvos paštas operation strategy 2023–2026 was updated and approved by the Board of the Company

A customer satisfaction survey showed that mobile mailmen received a score of 9.66 out of 10

A campaign City symbols was held for the second year in a row, which resulted in election of additional 8 symbols of Lithuanian cities that were used to decorate LP EXPRESS self-service parcel terminals

03 MAJOR EVENTS DURING THE REPORTING PERIOD 2/2

A customer service standard of Lietuvos paštas was updated

LP EXPRESS started co-operation with the first parcel locker sharing network in Lithuania – uDrop

LP EXPRESS made an official announcement about its plans to enter the Latvian and Estonian parcel delivery markets. In spring 2024, 300 self-service parcel terminals are expected to be launched across these countries

LP EXPRESS introduced a new trademark Unisend. The first self-service parcel terminals with this trademark will appear in Latvia and Estonia, whereas in Lithuania the trademark will be gradually introduced on LP EXPRESS self-service parcel terminals in 2024



JULY →



AUGUST →

SEPTEMBER →



OCTOBER →



NOVEMBER →

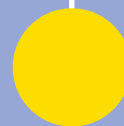
DECEMBER →



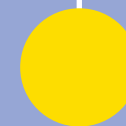
For the first time in history, LP EXPRESS together with the Innovation Agency organised the election of the Most Favourite E-store in Lithuania



Given a lower demand for conventional postal services, Lietuvos paštas started reviewing its network of mailmen



For the first time in its history, Lietuvos paštas received the highest A+ ranking in the Good Governance Index



The annual expansion of LP EXPRESS self-service parcel terminal network was completed, thereby resulting in network growth by almost a quarter, i. e. up to 434 self-service parcel terminals

03 KEY PERFORMANCE INDICATORS AND FINANCIAL RESULTS

INDICATORS	LP GROUP			COMPANY		
	2023	2022	2021	2023	2022	2021
Sales volume of services (thousands of units) *	67 452	89 356*	108 959	67 452	89 356*	108 959
Sales volume of UPS (thousands of units) *	8 128	8 238	11 608	8 128	8 238	11 608
FINANCIAL RESULTS (EUR '000)						
Revenue from operations	110 374	113 477	111 196	110 374	113 477	111 196
EBITDA	14 414	13 035	710	14 416	13 040	783
EBIT	6 088	5 507	-6 648	6 090	5 509	-6 578
Net profit /loss	5 152	4 838	-6 445	5 154	4 841	-6 375
Non-current assets	60 054	56 937	64 111	60 604	56 943	64 120
Current assets	70 039	64 946	60 050	69 423	64 871	59 970
Equity	37 240	32 089	27 251	37 175	32 020	27 180
Investments	6 364	4 262	6 242	6 364	4 262	6 242
EMPLOYEES						
Number of employees at the year end	2 683	3 031	3 728	2 681	3 029	3 726
Average relative number of employees, FTEs	2 626	2 964	3 534	2 626	2 963	3 533

*In the table above, the sales volumes of services for 2022 differ from those reported in the Annual Report 2022 due to changes introduced in the calculation methodology.

03 KEY PERFORMANCE INDICATORS AND FINANCIAL RESULTS

INDICATORS	LP GROUP			COMPANY		
	2023	2022	2021	2023	2022	2021
PROFITABILITY RATIOS, %						
Return on equity (ROE)	13,8	15,1	-23,7	13,9	15,1	-23,5
Return on assets (ROA)	4,0	4,0	-5,2	4,0	4,0	-5,1
EBITDA margin	13,1	11,5	0,6	13,1	11,5	0,7
EBIT margin	5,5	4,9	-6,0	5,5	4,9	-5,9
EBT margin	4,9	4,4	-6,7	4,9	4,4	-6,7
Net profit margin	4,7	4,3	-5,8	4,7	4,3	-5,7
FINANCIAL LEVERAGE AND LIQUIDITY RATIOS						
Debt ratio	0,7	0,7	0,8	0,7	0,7	0,8
Equity to assets ratio	0,3	0,3	0,2	0,3	0,3	0,2
Current liquidity ratio	1,0	1,0	0,9	1,0	1,0	0,9
Net debt to EBITDA ratio	-1,8	-1,5	-13,0	-1,7	-1,5	-11,7
ASSETS TURNOVER RATIOS						
Non-current assets turnover ratio	1,6	1,6	1,5	1,6	1,6	1,5
Trade receivables turnover ratio	8,1	8,7	6,7	8,1	8,7	6,7

03 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 profits / revenue from operations

Financial leverage and liquidity ratios

Debt ratio = liabilities / assets

Equity to assets ratio = equity / assets

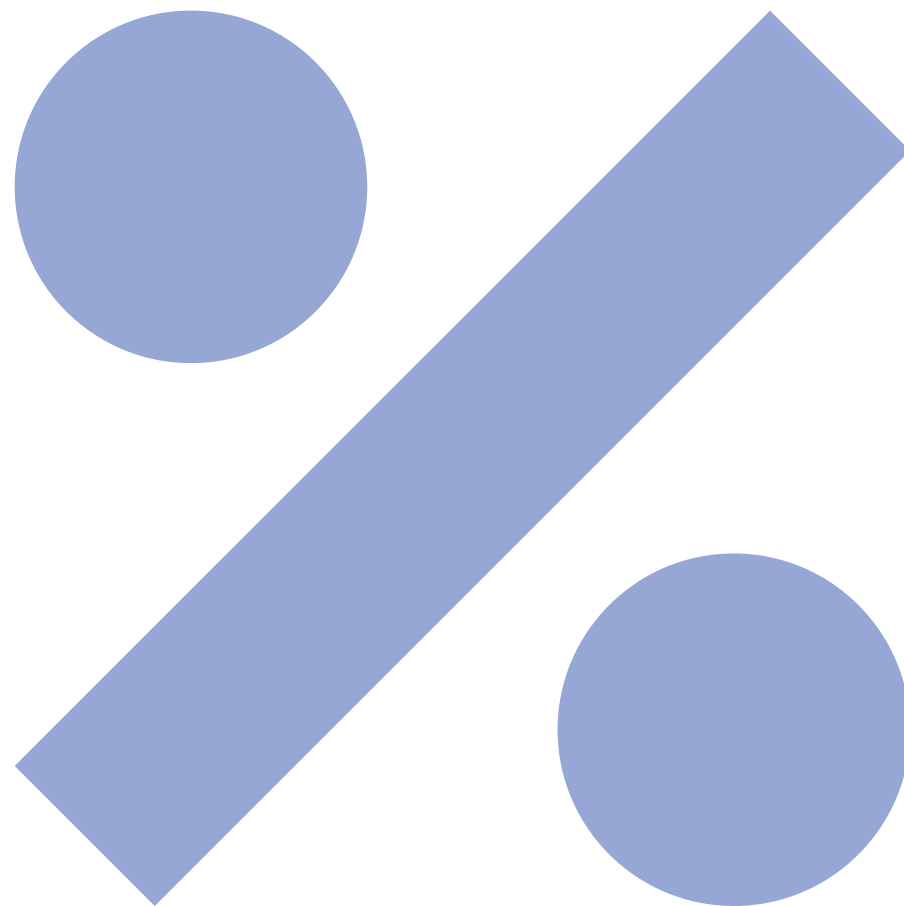
Current liquidity ratio = current assets / current liabilities

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

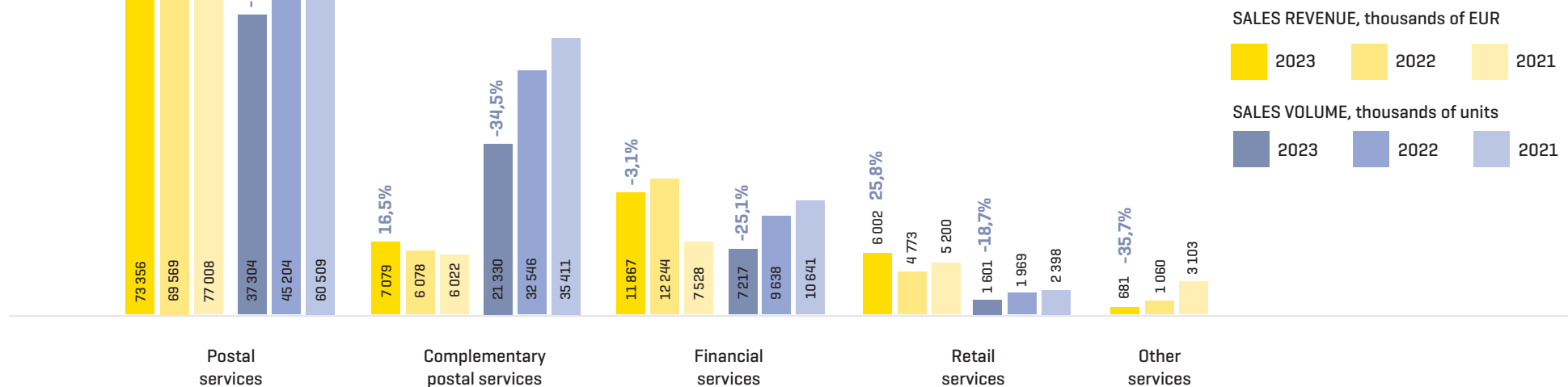
Trade receivables turnover ratio = Sales revenue / Trade receivables



03 REVENUE

The LP Group's sales revenue increased by 5.6% in 2023 compared to 2022 and totalled EUR 99.0 million in 2023. Sales revenue is generated mostly from the provision of postal services. While the sales volume of postal services decreased in 2023 compared to 2022, revenue from this operating segment increased due to higher service tariffs introduced in the course of 2023. The growing wages, rising fuel prices and implementation of the required investments into technological solutions and infrastructure forced to increase the tariffs for domestic and cross-border correspondence and parcel delivery services for private customers, and the tariffs for LP Express services and domestic parcel delivery services for contractual customers.

While the sales volume of complementary postal services declined by one third in 2023 compared to 2022, revenue from this operating segment increased by EUR 1 million in 2023. This resulted from increase of tariffs of these services due to a higher cost of delivery of periodicals to subscribers. Revenue from retail services increased by EUR 1.2 million in 2023 compared to 2022, while the sales volume of these services decreased as a result of a higher mark-up on periodicals to subscribers.



*In this graph, volumes of financial services of year 2022 differ from those in the 2022 Yearly Report due to a change in the calculation methodology.

03 REVENUE

from postal services by type

In 2023, the domestic postal traffic increased by 2.5% in terms of parcels and decreased by even 40.6% in terms of letters compared to 2022. The volume of parcel traffic through post offices and courier channels decreased by 34.9% and 7.2%, respectively. The volume of parcel traffic through self-service parcel terminals increased by 23.9%.

In 2023 compared to 2022, revenue from outbound postal traffic decreased by around 12.3% mostly due to significantly lower ETOE traffic by even 48.6%. In addition, decrease in revenue from outbound postal traffic was caused by 19.7% lower volume of parcel traffic and 4.4% lower volume of letter traffic. In 2023 compared to 2022, revenue from inbound postal traffic increased by 65.3% due to 32.6% higher volume of inbound parcel traffic.

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

Domestic revenue

+9,4%



Domestic volumes

-24,0%



Inbound revenue

+65,3%

Inbound volumes

+32,6%



Outbound revenue

-12,3%

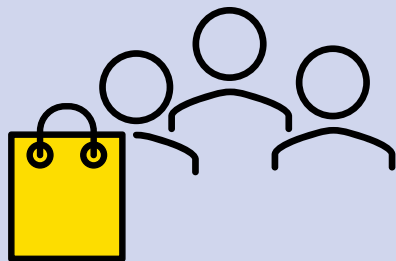
Outbound volumes

-33,1%

03 REVENUE

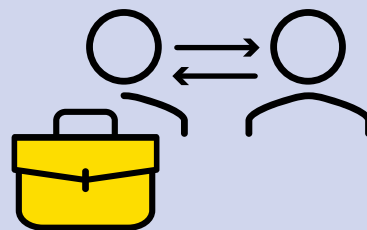
from postal services by type of customers

Revenue from private customers



+11,2 %

Revenue from contractual customers



+3,0 %

In 2023, revenue from postal services to private customers increased to 2.3 mln or 11,2 % compared to 2022 mostly due to EUR 2.7 million or 45.2% higher revenue from inbound parcel traffic compared to 2022. In addition, revenue from domestic and outbound letter traffic increased by EUR 0.4 million or 25.0% in 2023 compared to 2022. Revenue from domestic parcel traffic decreased by EUR 0.5 million or 13.2%, and revenue from outbound parcel traffic decreased by EUR 0.3 million or 3.9%.

Revenue from postal services to contractual customers increased by EUR 1.5 million or 3.0% in 2023 compared to 2022. Revenue from domestic parcel traffic increased by EUR 2.0 million or 7.2%, and revenue from domestic and outbound letter traffic increased by EUR 1.3 million or 8.8%. In 2023 compared to 2022, revenue from outbound parcel traffic decreased by EUR 1.7 million or 16.3%, and revenue from ETOE decreased by EUR 1.8 million or 30.8%.

REVENUE FROM



private customers
increased

**2,3
million Eur**



contractual customers
increased

**1,5
million Eur**

03 EXPENSES

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

	LP GROUP				COMPANY			
	2023	2022	CHANGE, %	2021	2023	2022	CHANGE, %	2021
Operating expenses	104 484	108 238	-3,5%	116 953	104 480	108 236	-3,5%	116 883
Employee-related expenses	46 994	46 786*	0,4%	46 909	46 988	46 781*	0,4%	46 904
Expenses of cross-border post deliveries and settlements with foreign post offices	19 926	23 745	-16,1%	32 362	19 926	23 745	-16,1%	32 362
Expenses of utility services	2 230	2 896	-23,0%	2 167	2 230	2 896	-23,0%	2 167
Lease of motor vehicles	3 012	3 084	-2,3%	2 340	3 012	3 084	-2,3%	2 340
Expenses of consumables and raw materials	2 548	3 270	-22,1%	2 764	2 548	3 270	-22,1%	2 764
Repair and maintenance expenses	2 297	3 231	-28,9%	3 511	2 297	3 231	-28,9%	3 511
Depreciation and amortisation of non-current assets	8 325	7 528	10,6%	7 358	8 325	7 531	10,6%	7 361
Cost of goods and services for resale	3 157	2 606	21,2%	3 457	3 157	2 606	21,2%	3 457
Taxes (other than income tax)	975	1 773	-45,0%	630	975	1 773	-45,0%	630
Communications expenses	347	657	-47,2%	917	347	657	-47,2%	917
Other expenses	14 672	12 663*	15,9%	14 538	14 675	12 663*	15,9%	14 470

**In 2022, employee-related expenses and other group expenses differ from those presented in 2022 due to a changed method of expense allocation. Adjustments are disclosed in note 34.*

Operating expenses of LP Group totalled EUR 104.5 million in 2023, i.e. decreased by EUR 3.8 million or 3.5% compared to 2022.

Employee-related expenses accounted for the major portion of total operating expenses (45%). These expenses increased by almost EUR 0.2 million compared to 2022, due to bonus payments made in spring 2023 to reward good performance of employees.

There was a significant decrease in expenses of cross-border post deliveries and settlements with foreign post offices by almost EUR 3.8 million or 16.1% due to lower volume of outbound post traffic. As a result of more stable prices in the market, expenses of utility services decreased by EUR 0.67 million and expenses of consumables and raw materials decreased by EUR 0.72 million in 2023 compared to 2022.

03 PROFIT (LOSS) BEFORE INCOME TAX, EBITDA AND EBIT

CHANGES IN PROFIT (LOSS) BEFORE INCOME TAX, EBITDA AND EQUITY OF LP GROUP AND THE COMPANY, EUR'000

PERFORMANCE INDICATORS	LP GROUP				COMPANY			
	2023	2022	CHANGE, %	2021	2023	2022	CHANGE, %	2021
Profit (loss) before income tax	5 439	4 997	8,8%	[7 530]	5 441	5 000	8,8%	[7 460]
Adjusted profit (loss) before income tax*	2 838	[5 367]	-	[6 925]	2 840	[5 364]	-	[6 855]
EBITDA	14 414	13 035	10,6%	710	14 416	13 040	10,5%	783
Adjusted EBITDA*	11 813	2 671	342,3%	1 315	11 815	2 676	341,5%	1 388
EBIT	6 088	5 507	10,6%	[6 648]	6 090	5 509	10,5%	[6 578]
Adjusted EBIT*	3 487	[4 857]	-	[6 043]	3 489	[4 855]	-	[5 973]

*Adjusted performance indicators are intended for internal performance evaluation. Adjustment includes the following actions: compensating for the EUR 4 964 thous. value of compensation for the losses incurred in 2021 when providing UPP, eliminating it from the 2022 operating income and assigning it to the 2021 operating income, as well as eliminating from the operating income for 2021, 2022, and 2023, respectively, the EUR 4 359 thous., EUR 5 400 thous. and EUR 2 601 thous. net results from the sale of long-term assets.

In 2023, the LP Group earned profit before tax of EUR 5.4 million. Such result of LP Group was driven by 5.6% increase in sales revenue and 3.5% decrease in operating expenses.

In 2023, the LP Group's EBITDA (earnings before interest, taxes, depreciation and amortisation) increased by EUR 1.4 million compared to 2022 and reached EUR 14.4 million in 2023.

As at 31 December 2023, the LP Group's equity increased by 16.1% compared to 2022 and totalled EUR 37.2 million. Such increase was driven by higher retained earnings.

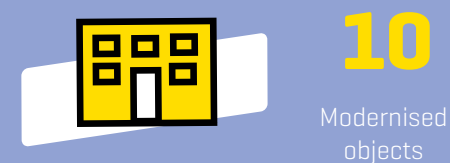
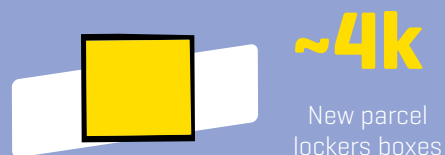
03 INVESTMENTS

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

PERFORMANCE INDICATORS	LP GROUP				COMPANY			
	2023	2022	CHANGE, %	2021	2023	2022	CHANGE, %	2021
Investments in PP&E and intangible assets	6 364	4 262	49,3%	6 242	6 364	4 262	49,3%	6 242
PP&E	5 358	3 593	49,1%	4 886	5 358	3 593	49,1%	4 886
Intangible assets	1 006	670	50,2%	1 356	1 006	670	50,2%	1 356

In 2023, the LP Group's investments in PP&E and intangible assets increased by 49.3% compared to 2022 and totalled EUR 6.4 million. Such increase was largely driven by investments into self-service parcel terminals as a result of expansion to the Baltic countries. Investments into self-service parcel terminals amounted to EUR 4.4 million in 2023 compared to EUR 2.1 million in 2022.

In addition, substantial investments were made into acquisition of software amounting to EUR 1.1 million. [i.e. increased by 66.1% compared to 2022], and into reconstruction of buildings amounting to EUR 0.3 million [i.e. increased by 45.4% compared to 2022].



03 FINANCING

An overdraft agreement was signed with OP Corporate Bank plc Lithuanian Branch to finance the working capital of the LP Group. Lietuvos paštas and Nordic Investment Bank (NIB) have signed a loan agreement to finance the Company's investment project for amount of EUR 17.5 million. The financing has a designated purpose as it is intended for the construction of a new centralised Vilnius Distribution Centre (VDC), for the repairs of the parking area, and for acquisition of self-service parcel terminals. The longest maturity term of borrowings is 7 years, with the last repayment date due in 2028. As at 31 December 2023, the repaid amount of borrowings was EUR 5.8 million.



04 OVERVIEW OF OPERATIONS

04 OVERVIEW OF OPERATIONS

Membership in international organisations

Lietuvos paštas represents Lithuania in the main international postal organisations uniting the post offices of neighbouring countries and postal operators all over the world.

The Republic of Lithuania is a member of the Universal Postal Union (hereinafter referred to as UPU) since 1992 as a provider of the Universal Postal Service, Lietuvos paštas is an obligated operator, which the Republic of Lithuania has notified to UPU. Lietuvos paštas must follow UPU documents in its activities: UPU Articles of Association; The Universal Postal Convention and the Final Protocol, the UPU General Regulation and others.

Parent company Lietuvos paštas is a member of the PostEurop, a European postal operator association, one of the UPU regional unions (www.posteurop.org) and the Baltic Post Union (hereinafter referred to as the BPU). Lietuvos paštas participates in the activities of the International Postal Corporation, as well as the Nordic Post Union and the BPU Committee for the Improvement of Service Quality. Lietuvos paštas uses products developed by the International Postal Corporation: REIMS (payment system for international mail orders), EPG (e-post group), UNEX (mail delivery control system).

The membership of parent company Lietuvos paštas in international postal organizations ensures the opportunities of the international cooperation of the LP Group, is important in developing international cooperation relations, sharing experience and innovations of proven practice. All this allows the company to take over the good practices of other companies engaged in postal activities and to directly improve the services provided to ensure the needs of the users.

Research & Development

The Group undertakes long-term strategic planning which facilitates identification of areas that need development and investments. During 2023-2026, important strategic projects will be continued in relation to the development of the Group's e-commerce solutions, process optimisation, service quality improvement, and creation of a motivating work environment. Further focus will be given to a number of other areas of operations, such as financial sustainability and climate impact mitigation.

Lietuvos paštas pays special attention towards a number of innovation development areas –implementation of innovative solutions at LP EXPRESS network of parcel lockers and use of big data at the entire Company level. In respect of the innovative solutions, the market potential of autonomous parcel lockers is actively analysed. In respect of big data, automation and digitalisation of operations is necessary to strengthen the Company's competitiveness, and for that purpose the tools are being developed to assist with important decisions based on big data analytics.

04 OBLIGATED POSTAL SERVICES

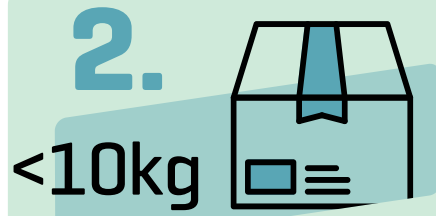
The basic rights and duties of the users of postal services are stipulated in the Postal Law of the Republic of Lithuania, the Civil Code of the Republic of Lithuania, the Law on Consumer Protection of the Republic of Lithuania, and the UPS Rules.

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 has been 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.

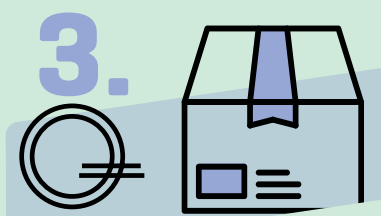
Under the Postal Law, the UPS provider is required to provide the following universal postal service across the territory of the Republic of Lithuania:



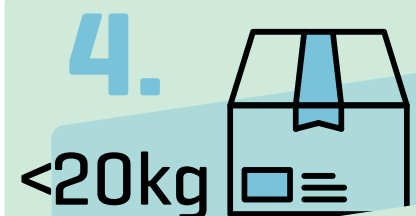
Clearance, sorting, transport and delivery of postal items up to 2 kg*



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

The Communications Regulatory Authority [the CRA] approves the maximum tariffs in respect of each weight category of postal items. Based on the approved maximum permitted UPS tariffs, the newly introduced tariffs for universal and other postal services are approved by the orders of the CEO of Lietuvos paštas.

Lietuvos paštas, being obliged by the Government to provide the UPS, must deliver periodicals to subscribers in rural areas and cities that fall into sparsely and moderately densely populated residential areas.

04 LICENSED ACTIVITIES OF PAYMENT AND ELECTRONIC MONEY INSTITUTION

The Company has been licensed as 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
facilitating cash
payments into payment
accounts and 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 of payment
instruments and/
or processing of
payments received

Provision of services
facilitating withdrawal
of cash from payment
accounts and all other
transactions related to
handling of payment
accounts

04 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 straight distance from the user's place of residence/place of business to a stationary or non-stationary customer service point must not exceed 3km;
- rural residential areas served by one and the same eldership must have at least one stationary or non-stationary customer service point.

By Order No. 3-624 of 15 October 2020 of the Minister of Transport and Communications [Regarding the amendment to 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:

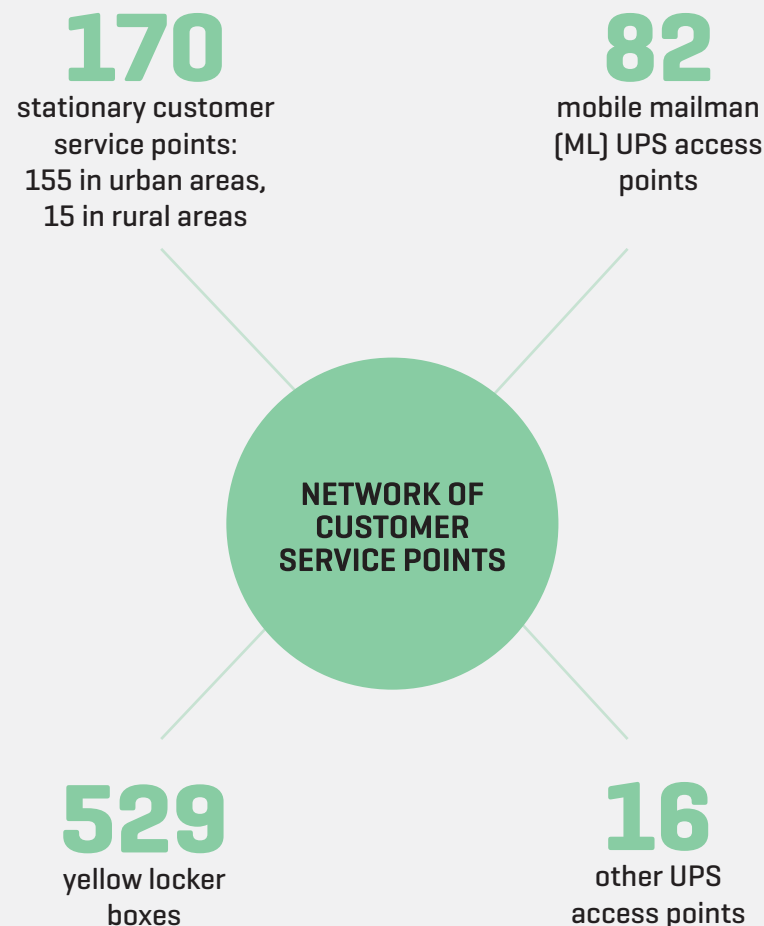
- all stationary customer service points must be accessible to people with disabilities by 1 January 2027;

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

- a rural residential area with over 300 residents must have at least one mail-box for public use. When the UPS provider in the rural residential area is committed to ensure the UPS service in the agreed customer service point, the mail-box for public use in that area may be optional.

As at 31 December 2023, Lietuvos paštas had a network of 269 UPS access points with 170 post offices (155 in urban areas, 15 in rural areas), 1 agent in urban area, 82 mobile mailman [MM] UPS access points, and 16 other UPS access points.

As at 31 December 2023, Lietuvos paštas in partnership with uDrop sharing network of parcel lockers operated LP EXPRESS network of 434 self-service parcel terminals. The total number of locker boxes at the self-service parcel terminals was 58 thousand.



04 LOGISTICS

Logistics plays a significant role in the Company's activities, with its processes directly relating to services provided to customers: collection, distribution, transportation and delivery of postal parcels. Logistics also ensures that the post offices have the necessary supplies and goods for retail trade.

The year 2023 was exceptional for the Company's logistics for the following reasons:

- Optimisation of delivery routes and operations;
- Full renewal of the Company's logistics fleet of motor vehicles during 2022-2023: 124 old cars were replaced with 84 new cars, whereof 2 are electric;
- Optimisation of logistics routes: 295 routes in 2022 were cut to 250 routes in 2023;
- Reduction of distance made [km] by 19.9% in 2023 compared to 2022; saving of 634 thousand kilometres;

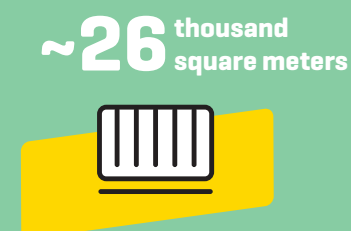
As a result of implementation of the sustainability strategy, the Logistics Department of Lietuvos paštas managed to reduce GHG emissions by 18%.



Number of routes



Serviced accounting points



Area of logistics centres



Couriers



Logistics centres



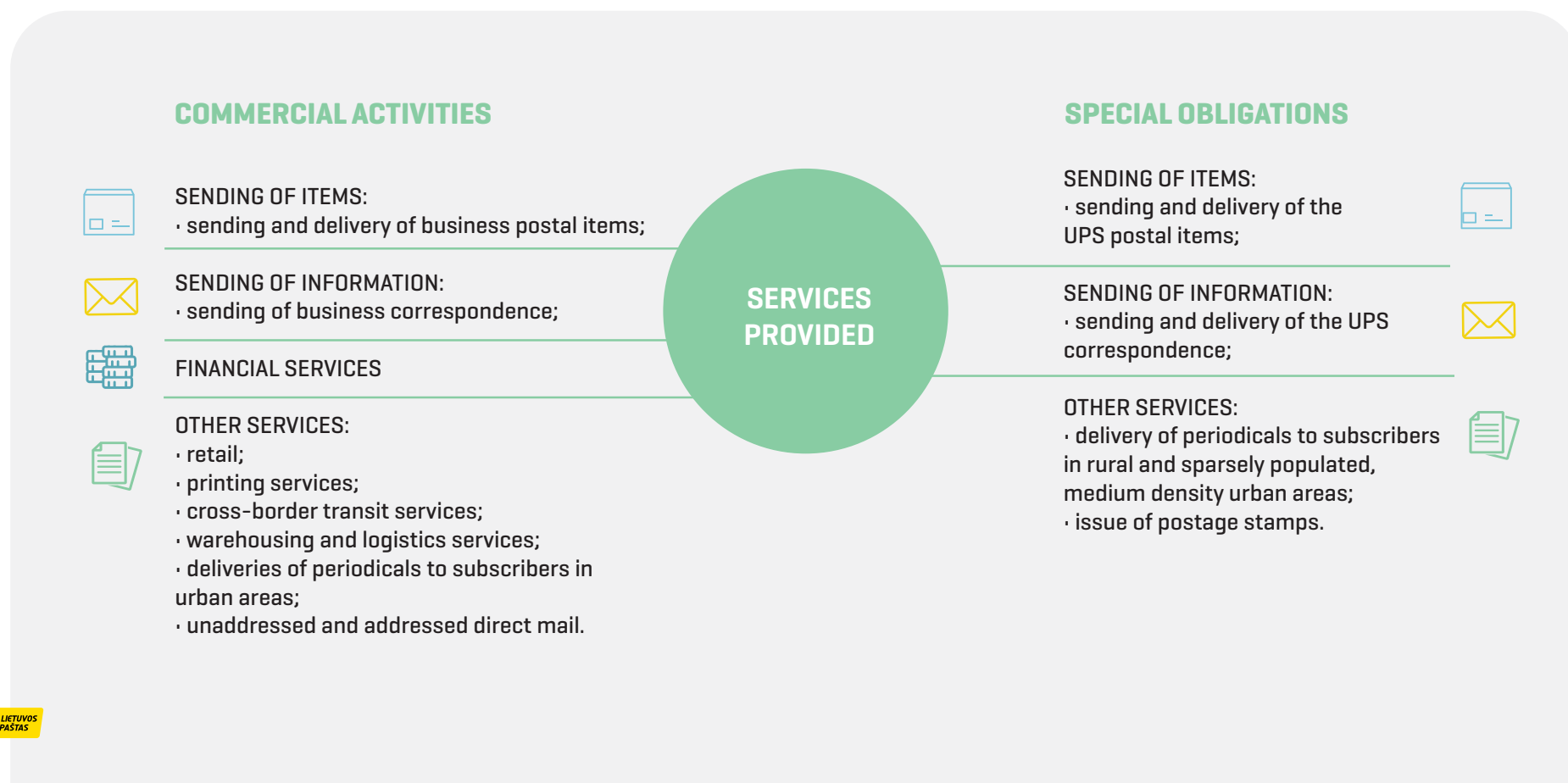
Distance made [km]

04 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 grouped into two segments: customers who purchase the postal services at the post offices, through online self-service platform or parcel lockers (typically these are private customers), and customers who have concluded agreements with the company (typically these are business customers).



04 INFORMATION ON SPECIAL OBLIGATIONS

Pursuant to the recommendations approved by Order No. 4-1100 of 20 December 2013 of the Minister of National Economy Regarding designation of special obligations for state-owned enterprises and approval of recommendations for submission of information [revised version No. 4-270, dated 7 May 2018], Lietuvos paštas AB, as a designated Universal Postal Service provider, provides universal postal services and delivers periodicals to subscribers in rural residential areas and cities that fall within sparsely and moderately densely populated residential areas.

The UPS tariffs must be based on the UPS costs; however, they must be affordable to all the users of the postal services, transparent and non-discriminating. When the maximum UPS tariffs set by the Communications Regulatory Authority [CRA] are lower than the UPS costs incurred, the difference between the costs and the UPS tariffs must be compensated to the UPS provider from the state budget in accordance with the procedure set by the Government. On 7 November 2023, the CRA, considering the costs incurred by Lietuvos paštas in 2022 for the provision of the Universal Postal Services, approved a decision on the increase of the UPP tariffs for Lietuvos paštas.

The Company's request to compensate the loss of EUR 5.1 million for the Universal Postal Services provided during 2021 was approved on 29 December 2022. The Company received the payment on 29 February 2024.

On 31 May 2023, the Company submitted its request to compensate the loss of EUR 5.2 million for the Universal Postal Services provided during 2022. The request was updated on 18 December 2023 with the adjusted amount of EUR 6.1 million. The Company is currently waiting for the decision regarding the compensation of loss.

Delivery of periodicals to subscribers in rural residential areas is not treated as the UPS; however, the postal service provider designated by the Government to provide the UPS is obliged to deliver periodicals to subscribers in rural residential areas and cities designated as residential areas with low or moderate population density.

In 2023, compensation from the state budget to the Company amounted to EUR 7.9 million for loss incurred in relation to the UPS provided during 2H 2022 and 1H 2023.

Lietuvos paštas, as the UPS provider, maintains its accounting records in accordance

with the fundamental cost accounting principles and in line with the cost accounting system requirements established by the Communications Regulatory Authority, as well as other requirements pertaining to cost accounting, including the requirement to carry out audits.

The fundamental cost accounting principles and the requirements for cost accounting system are set forth in the UPS provider's Rules for Cost Accounting and Calculation of the UPS Losses, which were amended on 1 January 2018.

Based on the amended Rules for Cost Accounting of the UPS provider, 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 operations 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 its cost accounting system the return on investment meeting the prudential criterion as a separate category of expenses, and allocate it to the end-product with reference to the amount of capital used in delivering the respective end-product. 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 for Calculation of the UPS Losses, in its cost accounting system the Company is required to account for its revenue 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 in the expenses the return on investment calculated in accordance with the requirements of the Rules for Cost Accounting.

The Lietuvos paštas Group provides no breakdown of financial information by function in the statement of financial position and statement of comprehensive income of the financial statements for 2023. Information on special obligations fulfilled by the parent company Lietuvos paštas is presented in a separate document addressed to the Governance Coordination Centre.

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

04 DOMESTIC POSTAL SERVICE MARKET

In total 45 entities were operating [were effectively engaged in operations] in the domestic postal service market as of 31 December 2023 [the number has increased by 5 entity since the end of Q4 2022].

The overall postal service market [in terms of revenue] increased by 6% from EUR 257 million in 2022 to EUR 274 million in 2023.

In the overall postal service market in terms of revenue generated in 2023, the largest market share was taken by Lietuvos paštas – 26.1%, DPD Lietuva UAB – 19.5% and Venipak Lietuva UAB – 12.1%.

In terms of revenue generated from postal items sent by means of non-universal postal service in 2023, the market share of Lietuvos paštas was 21%, DPD Lietuva UAB was 20.9%, Venipak Lietuva UAB – 13%.

Revenue generated from the provision of universal postal service decreased by 24% from EUR 20.8 million in 2022 to EUR 15.8 million in 2023. The quantity of the universal postal service decreased by 1% from 8.2 million items in 2022 to 8.1 million items in 2022.

26%

LIETUVOS PAŠTAS

20%

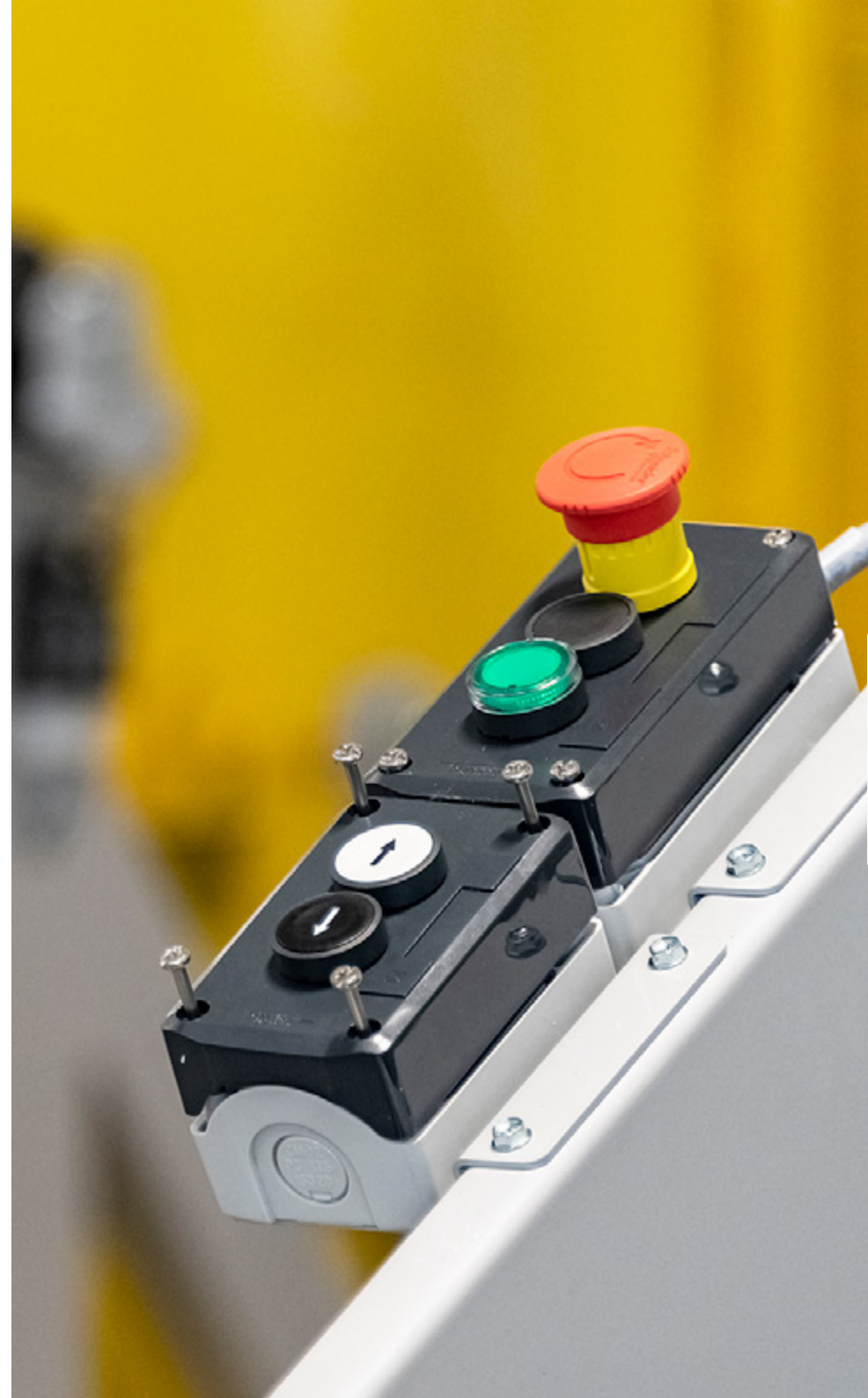
DPD

12%

VENIPAK

04 RISKS AND THEIR MANAGEMENT

Risk management at Lietuvos paštas is an integral part of the strategic planning and strategy implementation. Risk management is developed and implemented in line with the guidelines of the international standard ISO 31000:2018. The Risk Management Policy updated and approved by the Board in 2023 defines the risk management principles, risk categories and risk appetite, as well as the phases, participants and responsibilities in risk management process. Upon completion of review of the risk management process, the amendments to the Risk Management Procedure became effective as from November 2023. The risk management process in the specific areas of operations is regulated in line with the detailed internal documents, and it is integrated into an ordinary course of business and day-to-day management process.



04 RISK MANAGEMENT BASED ON THE THREE LINES OF DEFENCE MODEL

Risk management is based on the Three Lines of Defence model. The model was used for the development of the responsibility's framework, which contributes to strengthening of the Company's overall management and risk management process.

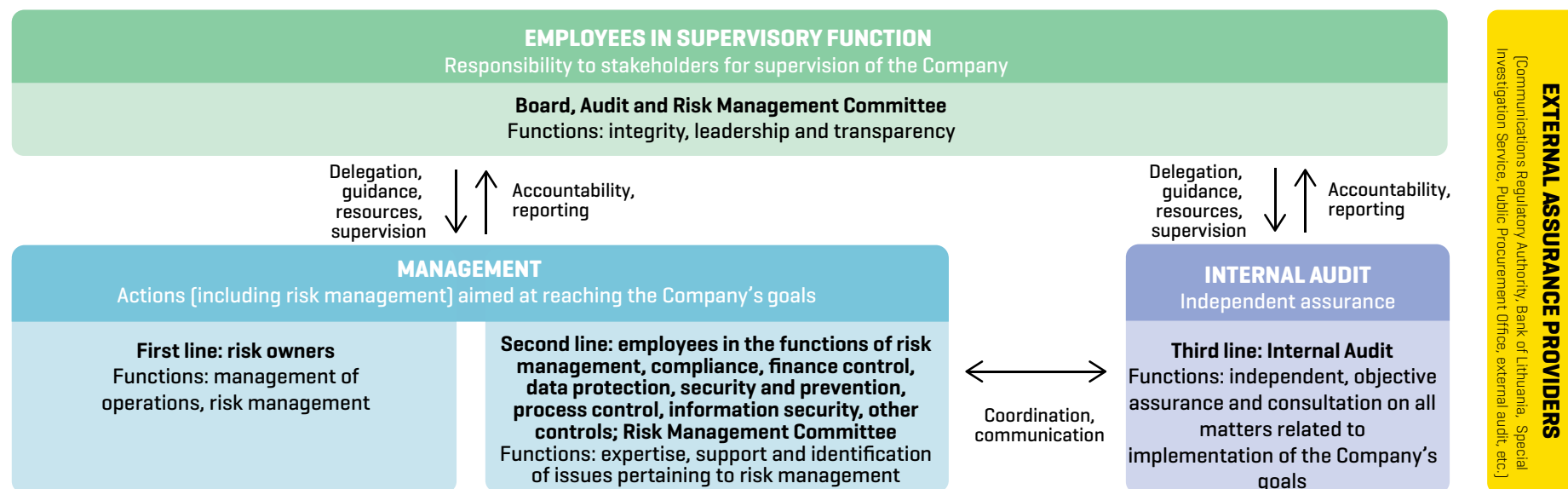
The CEO is responsible for the functioning of the risk management system at the Company. The First Line of Defence represents risk owners (typically these are heads of structural divisions) responsible for the formation of risk management culture, identification, assessment and management of risks in the area of their responsibilities, implementation of risk management measures, and assessment of their effectiveness.

The Risk Management Committee formed by the order of the Company's CEO is responsible for making the risk management decisions and fulfilling the risk management supervision and control functions. In total, 11 meetings of the Committee were held during 2023, resulting in decisions in the areas of risk identification, assess-

ment and management, approval of risk management plans, assessment of effectiveness of risk management measures, performance of quarterly risk management monitoring. Together with the Risk Management Committee, the Second Line of Defence encompasses employees with control functions who are responsible for the formation of risk management practice in the area of their responsibilities, provision of coaching and training to employees, submission of reports, and continuous process improvement.

The Third Line of Defence represents the Internal Audit Division providing an independent, objective assurance and recommendations regarding the appropriateness and effectiveness of the Company's overall management and risk management.

The Company's Board and the Audit and Risk Management Committee under the Board carry out risk management supervision through regular monitoring of risk management effectiveness at the established time intervals. To meet the interests of the stakeholders, the Company cooperates with the regulatory authorities.



04 RISK CATEGORIES AND RISK APPETITE

In relation to its operations, the Company has the following relevant risk categories: strategic/business, financial, operational, compliance, and reputational.

STRATEGIC/BUSINESS

Risks arising from elaborating and implementing a poorly defined strategy based on incomplete or inaccurate data, or arising from changes in business environment and the Company's ability to prepare for and take advantage of them.

FINANCIAL

Risks arising from management of financial assets and financial liabilities.

OPERATIONAL

Risks arising from internal environment factors [inadequate, inappropriate or ineffective internal processes, inadequate internal controls] and external environment factors [natural disaster, cyber attack, etc.].

COMPLIANCE

Risks pertaining to regulatory and legal environment and changes therein, arising from inadequate measures to ensure legal or regulatory compliance.

REPUTATIONAL

Risks arising from the Company's decisions, occurring incidents and their handling, including conduct and personal data protection violations, lack of sustainability, systematic or reoccurring failures, inadequate quality of services or lack of innovations.

04 RISK APPETITE STATEMENTS

In May 2023, the Company's Board established the risk appetite in respect of each risk category.

RISK CATEGORY		RISK APPETITE			
STRATEGIC/BUSINESS		As we seek to implement the strategic and development goals, we consider all potential business decisions and choose the most successful option, with reasonable risks tolerated and potential impact handled.			
	OPEN	RESILIENT	CAUTIOUS	MINIMAL	AVERSE
FINANCIAL		We seek to manage our financial resources in a reliable, safe and effective manner. We tolerate financial uncertainty to a certain degree in relation to business development, and at the same time we seek to maintain a stable organisation and implement our strategic goals.			
	OPEN	RESILIENT	CAUTIOUS	MINIMAL	AVERSE
OPERATIONAL		As we implement changes and new projects, we accept the risks that are managed through application of controls and monitoring procedures. To ensure efficient operations, we consider the potential improvements of the technology, systems and processes.			
	OPEN	RESILIENT	CAUTIOUS	MINIMAL	AVERSE
COMPLIANCE		We are averse to accepting the risks that potentially give rise to liability and damages resulting from legal or regulatory non-compliance. We take all reasonable measures to ensure maximum compliance with the requirements and fulfilment of our obligations.			
	OPEN	RESILIENT	CAUTIOUS	MINIMAL	AVERSE
REPUTATIONAL		Our reputation is of key importance for successful delivery of services, and for maintaining trust of our stakeholders. The decisions that might affect our reputation and image are subject to diligent scrutiny to ensure minimum negative impact.			
	OPEN	RESILIENT	CAUTIOUS	MINIMAL	AVERSE

The risks with significance level higher than the risk appetite are managed through the risk management plans. Upon implementation of measures set forth in the risk management plan, the risk management process is assessed for effectiveness.

04 KEY RISKS AND THEIR MANAGEMENT

During 2023, the following risks described in the Annual Report 2022 were managed within an acceptable risk appetite level: the risks arising from the effects of economic and e-commerce market slowdown on the financial performance; the risks arising from potential disruption of operations in case of employee strike actions or quiet quitting. The risk arising from unclear regulation of UPS activities will remain relevant in the upcoming reporting period, similarly as the risk pertaining to the competitive environment, limited competition possibilities due to geographically concentrated delivery network.

Considering the Company's strategic areas of focus and changes in external and internal environment factors, a regular risk review process was initiated in spring and autumn 2023. Having assessed the existing and newly identified risks, the Register of Risks and the Map of Risks were updated to describe the top priority risks in the future period [see below]. Management of these top priority risks is based on the risk management plans specifying the risk mitigation measures.

	LIKEHOOD VERY LOW	LOW	MEDIUM	HIGH	VERY HIGH
CATASTROPHIC				4	1
MAJOR				5	2
MODERATE					3
MINOR					
IMPACT INSIGNIFICANT					

RISK SIGNIFICANCE LEVEL

Critical
Unacceptable
Undesirable
Acceptable
Desirable

- 1 Impact on financial sustainability caused by a higher than expected drop in volume of postal network and printing services.
- 2 Risk of non-compliance with the UPS quality requirements for cross-border correspondence and the resulting sanctions.
- 3 Risk of loss of LP Express key accounts caused by a higher competitive intensity.
- 4 Dependence on unclear regulation of UPS activities causing high financial burden on UPS.
- 5 Limited possibilities for competition in the parcel market due to locality of the delivery network.

04 MANAGEMENT OF CONTINUITY OF OPERATIONS

In 2022, the Company approved the Continuity of Operations Policy prepared in line with the international standard ISO 22301:2019. The Policy covers the principles and responsibilities for management and organisation of operations, based on which the Company's continuity of operations management system is being developed. The implementation of the Policy provisions is stipulated in detail in the Description of Procedure for Management of Continuity of Operations [updated at the end of 2022], which sets the processes and resources necessary for proper preparation and, in case of a disruption, necessary for ensuring the Company's ability to continue operations without disruption and to mitigate the potential losses.

Having assessed the impact of continuity of operations on the strategy implementation, on the financial position and reputation, the critical areas of operations were identified for the Company. In respect of each critical area of operations, the impact analysis and risk assessment were carried out. Based on their results, the continuity of operations plans have been elaborated with the description of business disruption scenarios, communication, measures and actions necessary to continue or resume the continuity of operations. During 2023, the testing of the continuity of operations plans was carried out to identify the weaknesses and remedial actions, and to initiate the plan updates.



04 AUDITORS

The audit of the financial statements for the year ended 31 December 2023 prepared according to IFRS (International Financial Reporting Standards), as adopted by the European Union, was carried out by PricewaterhouseCoopers UAB.

Under the agreement on procurement of audit services signed between the Company and PricewaterhouseCoopers UAB on 8 September 2022, and the arrangement on amendment to the agreement No. 2022-P00117, dated 8 September 2022, the fee for the audit of the consolidated and separate financial statements for 2023, including the preparation of the report to the Bank of Lithuania, amounted to EUR 79.7 thousand (excl. VAT).

During 2023, the the following non-audit services (assurance services under ISAE 3000 on reports delivered to the Communications Regulatory Authority), as set out in the agreement on audit services, were rendered for the total value of EUR 32.2 thousand:

Reasonable assurance report on the UPS provider's internal cost accounting system used in 2023, as well as on the income/cost report for 2023 on the service of delivery of periodicals to subscribers in rural residential areas and cities that fall within sparsely and moderately densely populated residential areas;

Reasonable assurance report on the UPS provider's internal cost accounting system used in 2022, as well as on the UPS cost report for 2022;

Limited assurance report on the UPS provider's internal cost accounting system used in 1H 2023, as well as on the income/cost report for 1H 2023 on the service of delivery of periodicals to subscribers in rural residential areas and cities designated as residential areas with low and moderate population density.

Translation of the Group's annual report and consolidated financial statements and the Company's annual report and annual financial statements from Lithuanian into English for the fee of EUR 2.5 thousand.





05 PLANS AND PROJECTIONS

05 SHAREHOLDERS EXPECTATIONS FOR THE DEVELOPMENT OF THE COMPANY

For implementation of the strategy of Lietuvos paštas, the Shareholder's Letter of Expectations sets the goals, the areas of focus, the purpose, and the general expectations regarding the principles of operation. The Shareholder's Letter of Expectations is available on the official website of Lietuvos paštas under the section Management.

ASSURANCE OF FUNCTIONS OF NATIONAL IMPORTANCE

The Company is committed to ensure provision of the universal postal service and periodicals delivery services, as defined in the relevant legal acts and agreements with the Company; postage stamps release and withdrawal from circulation.

INNOVATIONS, DIGITALISATION, SUSTAINABILITY

The Company is expected to contribute to promotion of innovations, implement new technologies and modern work approach. It is also expected to integrate the UN sustainable development goals.

CUSTOMER SERVICE QUALITY

The Company is expected to improve the quality of its services, ensure clear and transparent communication; also to seek that the postal infrastructure and services are accessible to people with individual needs.

TRANSPARENCY

The Shareholder expects that the Company will have in place corruption prevention and risk management measures ensuring transparent and fair operations. The Company will ensure that all information recommended under the SOE Transparency Guidelines will be made available to public.

GOOD GOVERNANCE AND EFFICIENCY

The Company is expected to ensure governance that is efficient and meets the best practice in line with the governance improvement recommendations issued by the Governance Coordination Centre; also to seek that its rating in the SEO Good Governance Index is not lower than A. The Company is expected to focus on improvement of efficiency of operations and cost management, and to make decisions regarding inefficiently managed property.

SOCIAL RESPONSIBILITY

Development and implementation of frameworks for values, replaceability of skills, and motivation of employees; ensuring a fair work pay and work environment that meets the market standards; ensuring work conditions for people with individual needs.

SERVICE PROVISION AND POSSIBILITIES FOR DEVELOPMENT OF OPERATIONS

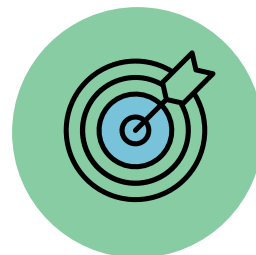
The Company is expected to engage in profitable commercial activities, including the financial services, that are compatible with the fulfilment of special obligations; also seek to maintain and expand its market share in postal delivery services, look for innovative and sustainable solutions for development of operations.

FINANCIAL EXPECTATIONS

The Company's long-term profitability and capital structure indicator must meet the one set by the Government of the Republic of Lithuania.

05 STRATEGY 2024-2027

The strategic planning and monitoring of Lietuvos paštas are carried out in line with the recommendations of the Governance Coordination Centre, the Company's internal policies and procedures, and following the best practice. The strategy formation process involves all the structural units of the Company, and a survey of stakeholders. The strategy formation procedure is stipulated in the integrated strategic planning and monitoring policy, which was approved by Resolution No. 16-42 of 30 November 2022 of the Board of Lietuvos paštas.



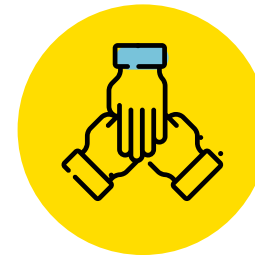
MISSION

Convenient way to receive and send. For everyone.



VISION

Trustiest delivery network connecting our region with the world.



VALUES

We are cooperating.
We take responsibility.
We are changing.

SUSTAINABLE GROWTH. Focus on parcel market, innovating to create easy and seamless customer experience.

STRATEGIC DIRECTIONS

The Group's updated strategy 2024-2027 defines the main areas of focus to be pursued until 2027, the strategic goals and target indicators.



Transforming and efficient post



E-comm enabler known in Baltics and beyond



Ensuring financial sustainability



Developing sustainable processes and services

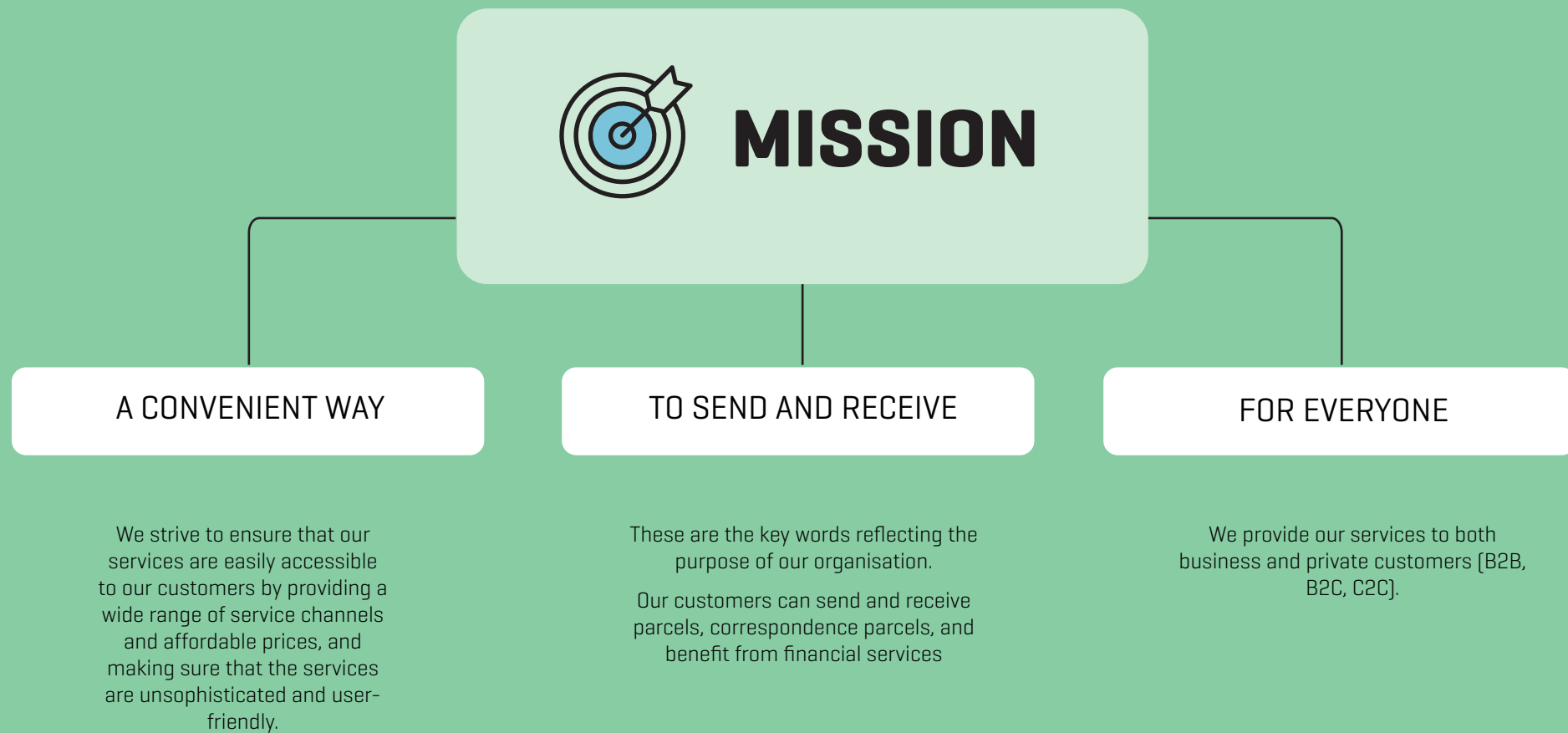


Together creating desirable work environment for growth

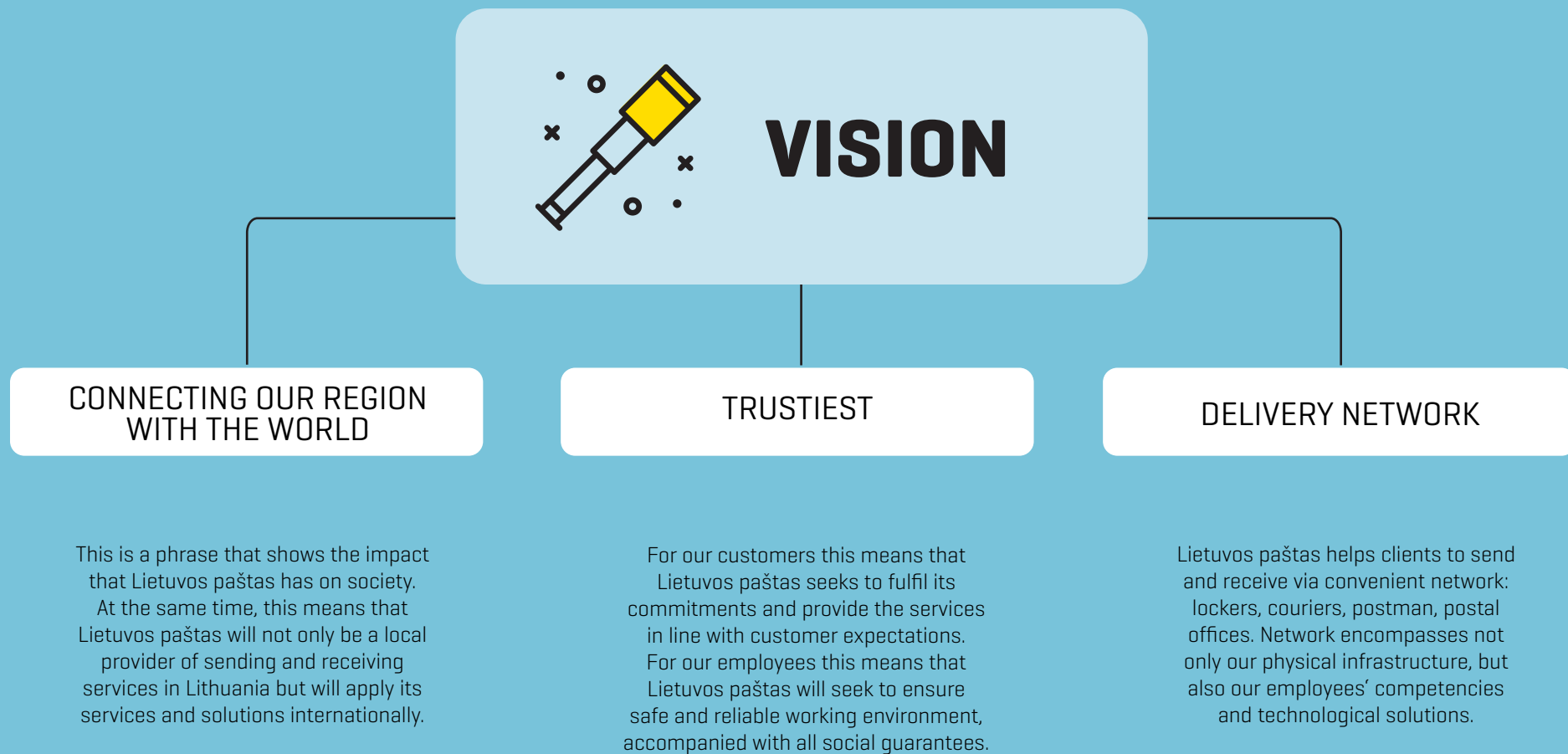
05 STRATEGIC GOALS 2024-2027

Segment	Strategic area of focus	Goal	Goal indicator
FINANCES	Ensuring financial sustainability	Create added value for the shareholder	Return on equity (ROE), %
CUSTOMERS	E-comm enabler known in Baltics and beyond	Increase parcels revenue market share in Lithuania	Yearly change in market share of revenue from the delivery of parcels, p.p.
		Expansion to Baltics	Revenue from Baltic parcels, mln. eur
PROCESSES	Transforming and efficient post	Increase postal network efficiency	Postal network costs and sales revenue ratio
	Developing sustainable processes and services	Improve sustainability	Sustainability evaluation, %
EMPLOYEES	Together creating desirable work environment for growth	Ensure employee engagement	Engagement index, %

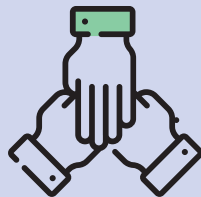
05 MISSION IN MORE DETAIL



05 VISION IN MORE DETAIL



05 VALUES IN MORE DETAIL



VALUES

WE COOPERATE

1. I am aware of our common goal and expectations of our customers;
2. I understand my contribution towards common goal;
3. I share my knowledge and expertise to add value to customers;
4. I observe, respond and follow up.

WE TAKE RESPONSIBILITY

1. I follow the rules and other arrangements;
2. I deliver on my promises to employees and customers;
3. I demonstrate respectful behaviour with my colleagues and customers;
4. I create an environment that nurtures professional and personal wellbeing.

WE CHANGE

1. I demonstrate courage to change in order to work more effectively and create added value to customers;
2. I am positive about and open to changes;
3. I make suggestions for improvement of operations;
4. I take initiative and act.

05 IMPLEMENTATION OF ANNUAL GOALS FOR 2023 (1/2)

ANNUAL GOAL	INDICATOR	2023 PLANNED	2023 ACTUAL	COMMENT
CREATING ADDED VALUE FOR THE SHAREHOLDER	Return on equity (ROE),%	3,1	13,9	Key drivers with positive impact: <ul style="list-style-type: none"> - Increased revenues of the postal services, mainly due to increased import and domestic parcel volumes. - A review of the network of letter carriers has been initiated due to the changing traffic patterns and the decreasing demand for traditional postal services. In 2023 review has been done in three major cities (Klaipėda, Kaunas, Vilnius) - More stable than expected price levels for energy and for goods and services related to operational activities. Key drivers with negative impact: <ul style="list-style-type: none"> - Lower than expected export parcel volumes, lower revenues from ETOE activities. - Faster than expected decline in traditional postal services.
MAINTAIN THE MARKET SHARE OF REVENUE FROM THE DELIVERY OF PARCELS	Market share of revenue from the delivery of parcels, measured by the change compared to previous year, %	>=0,1	0,3	Key drivers with positive impact: <ul style="list-style-type: none"> - Active efforts to maintain and grow the domestic parcel marketshare. Implementation of marketing campaigns, launch of cooperation initiatives. - Successful growth of import volumes: new customers attracted, improvements in declaration process, improvements in delivery quality. - Review of the service basket and implementation of pricing changes to reflect market dynamics. Key drivers with negative impact: <ul style="list-style-type: none"> - Increased competition in the export segment. The company is competitive in small consignments and shipments to destinations not served by other suppliers.
ENSURE HIGH SATISFACTION WITH E-COMMERCE PARCEL SERVICES	Customer satisfaction [LP EXPRESS], NPS index, %	63	63	<p>Expansion of parcel lockers in 2023: 23 new locations and 98 enlarged lockers. Start of new cooperation with the uDrop network of parcel lockers. At the end of the year, we had 436 parcel lockers with more than 58k boxes.</p> <p>Improved e-solutions for customers, launched a chatbot for faster customer support for providing information on parcel receiving, sending and other relevant topics.</p>
ENSURE FULFILMENT OF CUSTOMER EXPECTATIONS FOR TRADITIONAL POSTAL SERVICES	Customer satisfaction [LP], NPS index, %	23	30	<p>In 2022, significant changes have taken place in the motorisation of a large part of the postal network. This project led to the redesign of the postal service areas, the introduction of mobile postmen, and customers had to get used to a new way of using these services.</p> <p>In 2023, an additional evaluation of the Mobile Letter Carriers was carried out and a score of 9.7 out of 10 was obtained. A new Customer Service Standard was approved. All company employees have received e-training, with an additional 90 trainings implemented across Lithuania. Training will continue in 2024.</p>

05 IMPLEMENTATION OF ANNUAL GOALS FOR 2023 (2/2)

ANNUAL GOAL	INDICATOR	2023 PLANNED	2023 ACTUAL	COMMENT
OPTIMISATION, DIGITISATION, AND AUTOMATION	Non-obligatory activities costs and sales income ratio	0,98	0,85	A review of the network of letter carriers has been initiated due to the changing traffic patterns and the decreasing demand for traditional postal services. In 2023 review has been done in three major cities (Klaipėda, Kaunas, Vilnius) Automation of the distribution of export consignments was carried out. Automated signing of standard contracts with customers has been implemented. Continued the process of efficient management of real estate assets to reduce operating costs and ensure a consistent and smooth sale of surplus assets.
REDUCE CO2 EMISSIONS	Reduced CO2 emissions,% [change compared to 2020]	-14	-4	The indicator indicates the 2022 result due to the specifics of the calculator used. The motorisation of the whole of Lithuania in 2022 contributed to the increase in the number of km travelled, while market disruptions also led to the suspension of green electricity purchases for part of the year. However, the optimisation of the post office network, process efficiency and quality improvement actions continued in 2022. In 2023, green electricity was purchased throughout the year, alternative vehicles were tested, the number of kilometres travelled was improved and the modernisation and efficiency of premises continued.
STRENGTHEN EMPLOYEE ENGAGEMENT	Employee engagement,%	47	53	In 2023, the organisation implemented a number of initiatives to create motivating environment: the extension of supplementary health insurance coverage, the launch of mentoring and internal career development programmes, the continuation of the "Learning Together" initiative, the revamping of the e-learning environment, new initiatives to improve internal communication, the implementation of team-building training, and others.

05 IMPLEMENTATION OF STRATEGIC GOALS 2023

STRATEGIC DIRECTION	GOAL	INDICATOR	2023 PLANNED	2023 ACTUAL
ENHANCING FINANCIAL SUSTAINABILITY	Creating added value for the shareholder	Return on equity (ROE),%	3,1	13,9
	Manage the share of debt in the capital structure	Financial debt to equity ratio	≤ 0,8	0,3
DEVELOPMENT OF E-COMMERCE SOLUTIONS FOR CUSTOMERS	Maintain the market share of revenue from the delivery of parcels	Market share of revenue from the delivery of parcels, measured by the change compared to previous year, %	≥ 0,1	0,3
PROVISION OF QUALITY SERVICES	Ensure fulfilment of customer expectations for traditional postal services and high satisfaction with e-commerce parcel services	Customer satisfaction, NPS index, %	42	49
IMPROVE OPERATIONAL EFFICIENCY	Optimisation, digitisation, and automation	Non-obligatory activities costs and sales income ratio	0,98	0,85
REDUCING THE IMPACT ON CLIMATE CHANGE	Reduce CO2 emissions	Reduced CO2 emissions, % [change compared to 2020]	-14	-4
CREATING A MOTIVATING WORK ENVIRONMENT	Strengthen employee engagement	Employee engagement, %	47	53

05 INVESTMENT PROJECTS

UPDATING OF BUSINESS MANAGEMENT SYSTEM

16 06 2020 / 27 11 2024

EFFICIENCY OF OPERATIONS (LAST MILE)

21 03 2023 / 2025

BUSINESS EXPANSION INTO THE BALTIC STATES

17 01 2023 / 01 07 2024

EXPECTED OUTCOME AND BENEFITS OF THE PROJECT

EXPECTED OUTCOME:

implementation of a new business management system MS D365FO and the main business management processes.

EXPECTED BENEFITS:

- Effective management of the main business processes, reduced likelihood of errors in the main business processes, reduced manual work;
- Reduced IT complexity;
- Ensuring uninterrupted work in critical functions.

EXPECTED OUTCOME:

- Delivery of part of parcels that meet the established parameters is conducted through reliance on a single resource, thereby reducing the costs incurred in relation to the last mile delivery;
- Updated logic of the last mile stops.

EXPECTED BENEFITS:

- Reduced costs of subcontractors in relation to last mile delivery;
- Accurate accounting of courier data.

EXPECTED OUTCOME:

- Establishment of entities in Estonia and Latvia;
- Implementation of processes to provide parcel collection and delivery services in the Baltic states at a full preset scope of products;
- Construction of 297 self-service parcel terminals by 1 April 2024;
- 177 terminals of own network (92 in Latvia and 85 in Estonia);
- 120 terminals of shared locker network (60 in Latvia and 60 in Estonia);
- With effect from 1 March 2024, operations in the Baltic states have been carried out at a full scope in the first quarter (within the project scope – until 1 July 2024).

EXPECTED BENEFITS:

- Revenue from the products approved within the project scope in the Baltic states is expected to reach EUR 40 million during 2024-2028.
- Revenue kept from the existing LP Express clients is expected to reach EUR 22 million during 2024-2028.

WORKS COMPLETED IN 2023

- The procurement of implementation of business management system MS D365FO was completed and the contract was signed with the service provider;
- The analysis of business processes and requirements was completed with the service provider;
- The analysis documentation and demonstration processes were prepared;
- The project plan review was started before the commencement of the implementation stage.

- The testing was performed to assess the potential last mile delivery model in zone III: reliance on a single resource to deliver and collect all products;
- The last mile scenarios were defined in order to improve efficiency in a long run;
- Zone III: synergy of post and courier resource – planned to be completed in 2024;
- Zones I-II: XY business model with the mailmen deliveries on every other day – planned to be implemented as from 2025.

- The business plan for business expansion to the Baltic states was approved and the consent for its implementation was obtained from the Board;
- The map of locations of self-service parcel terminals in Latvia and Estonia was prepared, and the process of signing the lease contracts with the location owners was initiated;
- The construction of the network of self-service parcel terminals was started in Latvia and Estonia;
- The contract was signed with the shared locker network uDrop regarding the network development;
- The subsidiaries were established in Latvia and Estonia;
- The business model and business processes were developed to be used inside the group of companies;
- The products were approved for operations in the Baltic states;
- The works in IT and other functions were started to prepare for active operation.



06 SUSTAINABILITY REPORT

06 ABOUT THE REPORT

This annual sustainability report of Lietuvos paštas (hereinafter referred to as the Report) is published together with the Company's consolidated annual report and financial statements. The Report is based on the 2021 version of the Global Reporting Initiative (GRI) standards. The Report has also been prepared in accordance with the requirements of the Republic of Lithuania Law on Consolidated Accounts of Entities and in the context of the Sustainable Development Goals and the principles of the United Nations Global Compact. The Sustainability 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 to avoid duplication.

The information in the Report covers the period from 1 January to 31 December 2023.

This and previous Sustainability and Social Responsibility Reports are available on the Company's website. The data presented in previous years' reports remain valid and have not been modified due to changes in calculation methodologies or new data, except where noted separately in the report. The Board reviews and approves the Sustainable Development Report together with the annual financial statements.

If you have any questions about the Report or the Company's sustainability initiatives, please contact darnumas@post.lt.



06 SUSTAINABLE DEVELOPMENT IN LIETUVOS PAŠTAS

Back in 2020, Lietuvos paštas decided to make sustainable development one of its priorities. The Company operates in one of the most polluting sectors – transport – and takes responsibility for its environmental impact. The Company is committed to sustainability and wants to be among the companies that apply best practices in sustainability and thus set an example for other organisations. In 2021, the focus was on understanding the expectations of stakeholders, i.e. shareholders, customers, partners, employees, suppliers, NGOs, and setting strategic directions and goals for sustainability. From 2022 onwards, the focus has shifted to clarifying actions to achieve the commitments and educational initiatives. In 2023, actions were taken to reinforce commitments, reduce impacts and implement initiatives in the areas of environmental protection, social responsibility and economic responsibility in order to achieve the objectives set.



PRINCIPLES OF CORPORATE SOCIAL RESPONSIBILITY

The Company adheres to 7 principles that are an integral and intrinsic part of its business and contribute to sustainable development:

ACCOUNTABILITY

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

TRANSPARENCY

The Company is transparent in its decision-making and activities that affect society and the environment.

ETHICAL CONDUCT

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

RESPECT FOR THE INTERESTS OF STAKEHOLDERS

The Company respects, takes into account and responds to the interests of its stakeholders.

RESPECT FOR THE RULE OF LAW

The Company complies with all laws and other legal acts in force in the Republic of Lithuania, and informs the stakeholders of the obligation to comply with and apply the requirements thereof.

RESPECT FOR HUMAN RIGHTS

The Company respects human rights and recognises both their importance and their universality.

RESPECT FOR INTERNATIONAL NORMS OF CONDUCT

The Company adopts the guidelines from treaties and other international agreements applicable to social responsibility, while complying with all laws and regulations in force in the Republic of Lithuania.

STAKEHOLDER RELATIONS

An open and close relationship with stakeholders is essential to ensure the achievement of the sustainable development goals. Lietuvos paštas strives to ensure that the Company's strategy and sustainable development initiatives are developed taking into account stakeholders' expectations and needs.

Stakeholders are defined by the Company as those whom it influences, as well as those who have an interest in the Company's activities or are themselves in a position to exercise direct or indirect influence. Stakeholders have been identified through a detailed stakeholder list. The Company has also defined each party's expectations and needs, risks and opportunities.

In the context of sustainable development, key stakeholders include the following:

	CUSTOMERS	NON-GOVERNMENTAL ORGANISATIONS	SUPPLIERS AND CONTRACTORS	EMPLOYEES	SHAREHOLDER	LOCAL COMMUNITIES AND SOCIETY
Purpose of inclusion	Customers help us better understand their expectations and needs for sustainable services. Their views are being taken into account to expand the range of sustainable services on offer.	Collaboration with organisations working in the field of sustainable development helps the Company to gain expertise and insights and to connect with target groups.	The Company uses different suppliers and contractors to carry out its activities. In order to ensure sustainable operations, it is important that the Company's partners also work in harmony.	Employee engagement ensures the success of sustainable development initiatives. Employees also have the opportunity to report problems and propose initiatives related to sustainable development.	The Company aims to meet all shareholder expectations, including sustainable development.	It is important for the Company to understand the impact of operational changes on local communities and society and to engage them in dialogue where possible.
Methods of inclusion	Company website and social media accounts, newsletters, customer surveys, feedback forms.	Company website and social media accounts, direct communication, annual report.	Company website, direct communication, supplier surveys, documents such as Supplier Code of Ethics.	Intranet and other internal communication channels, training, direct communication and feedback gathering, the "Trust Line", a space to suggest ideas and report problems.	Company website, annual report, direct communication and meetings.	Company website and social media accounts, annual report.

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

For more information on stakeholder engagement objectives and methods of engagement, see the "Sustainable Development" section of the Company's website.

MATERIALITY ASSESSMENT

The Company carried out a materiality assessment in 2021, the main objective of which was to identify the areas of sustainability in postal operations that are most relevant to the Company's stakeholders and to assess the Company's impact in each area. The main outcome of the materiality assessment is the Company's Materiality Matrix.

Key steps for assessing materiality:

- 6 key stakeholders were interviewed, or more than 1,760 individuals and representatives of parties;
- 24 relevant aspects of sustainable development were identified;
- Stakeholder representatives shared their views on the most relevant aspects of the Company's activities;
- An impact assessment has been carried out with the organisation's management, i.e. assessing the relationship between the expectations expressed by stakeholders and the operational strategy;
- Based on the results of the assessment, sustainability guidelines, strategic directions and objectives were developed for Lietuvos paštas.

The vertical axis of the matrix shows the importance of the aspects to stakeholders and the horizontal axis shows the importance of the aspects to the Company's sustainable development impacts. Based on the results of the materiality assessment, sustainability guidelines for Lietuvos paštas have been developed and strategic orientations and objectives have been set. All of Lietuvos paštas' strategic orientations for sustainable development, which also form the basis of the Sustainable Development Report:

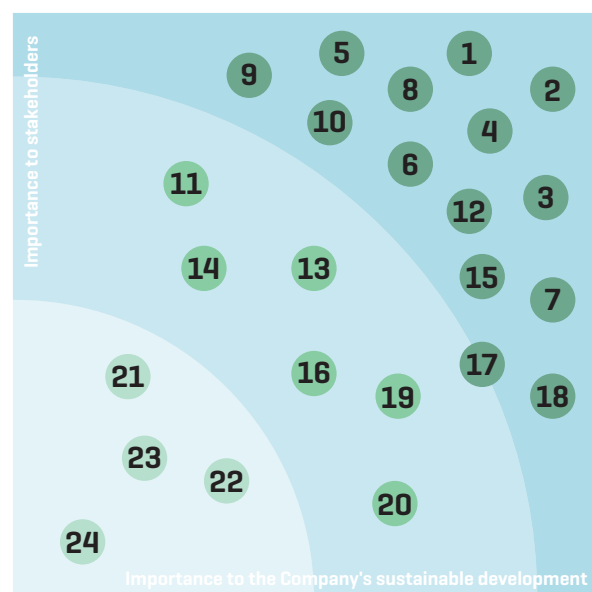
- Reducing impacts on climate change
- Sustainable services for our customers

- Motivating working environment
- Promotion of social integration
- Sustainable supply chain
- Digitalisation
- Financial stability and resilience

The Company's objectives for each material area are set out in the next section, and the management and initiatives to minimise negative or maximise positive impacts are described in detail under each area. Information on the Company's main positive and negative impacts on the most significant areas, whether current or future, can be found on the Company's website under "Sustainable Development", Materiality Analysis.

The Company does not have an impact management mechanism.

Significance matrix of Lithuanian Post



Topics of very high importance:

- 1 Effective protection of personal data
- 2 Safe working environment
- 3 Development of electronic services
- 4 Fair remuneration
- 5 Equal rights of employees
- 6 Accessibility of services for the disabled
- 7 Prevention of bribery
- 8 Conservation of natural resources
- 9 Responsible handling of packaging
- 10 Protection of human rights
- 12 A sustainable supply chain
- 15 Sustainable goods and services
- 18 GHG control and reduction

Topics of high importance:

- 11 Fair competition
- 13 Sustainable materials in the company's activities
- 14 Cooperation with external partners in the creation of innovations
- 16 Lifelong learning
- 17 Control of emissions
- 18 Efficient for energy consumers, AER
- 20 Employee representation in company management

Topics of medium importance:

- 21 Education of clients and employees on ESG issues
- 22 Partnership, sharing practices with Lithuanian and foreign organizations
- 23 Citizenship
- 24 Employee volunteering

STRATEGIC ORIENTATIONS AND OBJECTIVES

	Strategic orientation	Goal	2020	2021	2022	2023
ENVIRONMENTAL RESPONSIBILITY	Reducing the impact on climate change	25% reduction in GHG emissions [compared to 2020]	-	-29%	-4%	-*
	Sustainable services for our customers	50% ≥ of parcels are delivered via parcel lockers	36%	47%	54%	66%
SOCIAL RESPONSIBILITY	Motivating work environment	Employee Engagement Index 49% ≥	45%	45%	45%	53%
	Social inclusion	80% of the infrastructure is accessible to customers with disabilities	46%	52%	63%	68%
ECONOMIC RESPONSIBILITY	Sustainable supply chain	The Supplier Code of Ethics is signed with 98% of suppliers with whom written contracts are concluded	-	0**	0	98%***
	Digitisation					
	Financial stability and resilience	2.5% ≥ of the company's sales revenue for innovation and digitalisation	7,5%	7,9%****	1,1%	2,1%

*Data are provided for the year 2022. More information is provided in the section "Greenhouse Gases".

**The Code of Ethics for Lietuvos paštas suppliers was approved in 2021.

***The indicator is calculated without taking into account the contracts concluded through the CPD.LT catalogue and the contracts submitted by the suppliers as their own approved and unalterable templates, as AB Lietuvos paštas does not have the possibility to include the provisions on the Supplier's Code of Ethics in such contracts.

****Large-scale digitisation projects were carried out in 2020 and 2021, as well as a long-term Smart Distribution project.

The sustainable development orientations and objectives are set out in an internal Sustainable Development Guidance document, which has been presented and discussed with the Board. Progress in the implementation of policies related to sustainable development and the achievement of the objectives shall also be presented to the Board on an as-needed basis, but at least once a year [GRI 2-12].

The Company's long-term strategy, sustainability guidelines, day-to-day operations and corporate culture contribute to many of the United Nations Sustainable Development Goals (SDGs), and below we highlight five that are of particular relevance to our stakeholders and are the most closely aligned with the Company's strategic orientations for sustainable development.



OPERATIONAL POLICIES AND COMMITMENTS

In carrying out its activities, Lietuvos paštas is guided by operational policies, which set out requirements and principles for each area of sustainable development or other activities. In accordance with the Articles of Association of Lietuvos paštas, the policies are approved by the Board, which also decides on the scope of their application. The policies apply to all the Company's business divisions. The Company has adopted the following policies, which contribute to the implementation of its strategy and sustainable development objectives.

The operational policies are made public in the sustainability section of the Company's website. Where relevant, the Company announces the adoption of new policies on social media accounts, in the news section of the website, and the policies are communicated to business partners by responsible employees. Employees are also consistently informed of new policies or significant changes by posting information on the Company's internal Infonet and through internal communication channels. Heads of departments and divisions are also informed separately to ensure that the new policies are communicated to employees under their authority.

In order to ensure the effective implementation of the policies, each policy identifies the specific division or employee position that is responsible for the implementation of the Policy, involving other divisions of the Company as appropriate. Where relevant, the implementation of the provisions of the Policies shall be detailed in other documents of the Company, which shall be prepared and approved by the structural units of the Company within their respective competences.

STANDARD:

Quality management standard I ISO 9001: 2015

Lithuanian Post has been granted a Quality Management Certificate for activities related to the provision of shipping and delivery services of items and information in Lithuania and abroad.

Environmental protection standard I ISO 14001:2015

The certificate confirms that Lithuanian Post follows the most important requirements for the identification, monitoring, management and improvement of aspects of environmental protection.

Anti-Corruption Policy

The Policy has been developed in accordance with the LST ISO 37001:2017 Anti-Corruption Management System. This Policy aims to ensure that the Company's activities and behaviour meet the highest socially acceptable standards of trustworthiness, integrity, transparency and business ethics.

Environmental Policy

The Environmental Policy sets out the principles for reducing the Company's impact on the environment. It sets out to optimise processes and reduce environmental impacts, increase the use of less polluting transport, use certified green energy and reduce waste.

Quality Policy

The Policy provides for an orientation towards continuous performance improvement, the development of advanced technological and operational management solutions, and ensuring the implementation of commitments, applicable legislation and international standards.

Equal Opportunities Policy

The Policy sets out the principles for the implementation and monitoring of equal opportunities, and the main measures to implement these principles. The Policy also commits to contributing to the human rights and equal opportunities goals of the United Nations 2030 Agenda for Sustainable Development.

Sustainable Development Policy

The Policy sets out the areas and principles of sustainable development to guide the creation and development of the Company's sustainable business culture and practices. The Policy also commits to achieving the objectives of the United Nations Agreement.

Code of Ethics

The Code defines the values, principles, professional and peer ethical standards on which the Company is based. Its content also reflects the commitment of Lietuvos paštas to human rights conventions.

Supplier Code of Ethics

The Code sets out requirements to ensure that supplier companies provide good working conditions and equal rights for their employees in their companies, respect them, strive to implement solutions that reduce the environmental impact of their business and innovate, and ensure fair competition and transparency.

Violence and Harassment Prevention Policy

The Violence and Harassment Prevention Policy is designed to establish and implement effective and efficient preventive measures intended to protect employees from violence and harassment and to help the Company's employees to have a clear and accurate understanding of the possible manifestations of violence and harassment at work, to recognise its signs and to be aware of the Company's employee remedies.



ENVIRONMENTAL RESPONSIBILITY

In Lithuania, the transport sector is the largest GHG-emitting sector, accounting for 30,45% of emissions, according to the Lithuanian National GHG Inventory Report 2024 for the 2022 period. As an organisation operating in the transport sector, Lietuvos paštas takes responsibility for the environmental impact of its activities and undertakes to reduce it. In this area, two strategic directions have been identified:

- Reducing impacts on climate change
- Sustainable services for our customers

The Company applies measures and ensures that its business processes are carried out in accordance with generally accepted environmental standards, contributes to the achievement of the objectives set out in the Climate Change Agenda and the National Energy and Climate Action Plan, complies with legislation and environmental requirements, and contributes to international initiatives and best practices that help to reduce negative environmental impacts. The Company also follows the international Precautionary Principle or Approach in its environmental activities.

GREENHOUSE GASES

Reducing the organisation's exposure to greenhouse gases (GHG) is also one of its strategic objectives. In 2021, the Company used the OSCAR platform for the first time, the online GHG analysis and reporting solution of the Universal Postal Union, and for the first time calculated its GHG emissions for the year 2020. OSCAR is based on the Greenhouse Gas Protocol methodology aligned with the Global Reporting Initiative (GRI). Due to the nature of the platform, the calculations are for the previous year up to the end of the current year. GHG emissions are therefore reported for the year 2022 inclusive.

In 2023, the Company started a project to describe the Company's GHG emissions calculation methodology. At the time of writing, the methodology is being finalised and data collection and monitoring based on this methodology will start in 2024.

The GHG emissions from the operations of Lietuvos paštas in 2022 amounted to 14,287.83 tCO₂eq., a 4% decrease compared to 2020. The Company's activities generate the most GHG emissions from:

- Road transport
- Transport of international parcels
- Infrastructure lighting and heating

The GHG emission estimates and intensities are given in the following tables

In 2021, Lietuvos paštas downsized and renewed its car fleet, sold unused pre-mises, and consistently purchased green energy, which significantly reduced its greenhouse gas emissions. In 2022, the search for more efficient infrastructure led to changes in the motorisation of a large part of the postal network. The project led to the redesign of the districts served by letter carriers, the motorisation of workplaces and the provision of service cars.

EMISSIONS, T CO ₂ EQ.	2020	2021	2022	CHANGE 2020-2022
Direct (Scope 1) GHG emissions	971,7	28,91	30,13	-97%
Indirect (Scope 2) GHG emissions	3 455,9	3 222,42	2 782,12	-19%
Other indirect (Scope 3) GHG	10 494,9	7 302,5	11 475,37	+9%
Total	14 922,5	10 553,83	14 287,62	-4%

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

GHG EMISSION INTENSITY, CO ₂ EQ.	2020	2021	2022	CHANGE 2020-2022
Emissions (all scopes) per parcel (letters and parcels combined)	289,9 g	110,0 g	183,8 g	-37%
Emissions (all scopes) per FTE	5 110,4 kg	2 986,37 kg	4 820,4 kg	-6%
Emissions (all scopes) per unit of revenue (EUR 1,000)	211,6 kg	129,01 kg	188,7 kg	-11%

ENERGY

In 2022, Lietuvos paštas and the Ministry of Energy of the Republic of Lithuania signed an Energy Savings Agreement, whereby they committed to make every effort to achieve energy savings by 2030. The Company would save 2.263 Gwh of energy. In 2023, compared to 2022, the energy savings are about 4.3 Gwh.

In 2023, the Company's operational energy consumption was 144,118 gigajoules [GJ], which is 25% lower than in 2022. The Company's electricity consumption is

only reported as directly purchased by the Company and the same access was applied in 2021 and 2022. The Company's heat consumption is calculated on the basis of data and assumptions provided by suppliers. The assumptions are made due to a lack of direct data – the Company rents premises from many different suppliers across Lithuania, who provide different information. Ventilation services are also included in the heat bill.

TYPE OF ENERGY CONSUMED	2021		2022		2023		CHANGE [ENERGY CON- SUMED] 2023- 2022
	VALUE	ENERGY [GJ]	VALUE	ENERGY [GJ]	VALUE	ENERGY [GJ]	
Gasoline	977 510 l	33 431	951 944 l	32 556	835 555 l	26 063	-20%
Diesel	2 891 982 l	109 895	2 593 483 l	98 552	2 203 764 l	79 336	-19%
Electricity	4 857 851 kwh	17 440	3 026 183 kwh	10 894	2 271 793 kwh	8 178	-25%
-the share of electricity generated from renewable sources (only directly purchased by the Company)	2 323 127 kwh	8 340	2 470 702 kwh	8 895	2 271 793 kwh	8 178	-8%
Heat	12 407 022 kwh	44 665	11 505 395 kwh	41 419	7 937 590 kwh	28 575	-31%
Gas	63 914 m3	2 429	213 130 m3	7 950	52 708 m3	1 966	-75%
TOTAL		207 860		191 372		144 118	-25%

Energy intensity indicators:

ENERGY INTENSITY	2021**	2022	2023
GJ / EUR 1,000 sales revenue	2,1	2,0	1,5
GJ / 1 full-time employee	58,8	64,6	54,9
GJ / 1,000 pcs. of parcels (parcels and letters combined)	3,4	4,2	3,9

*Adjusted and updated data for 2021-2022. Update totals and energy intensity accordingly.

** The level of gas consumption was under-declared in 2021 and under-declaration in 2022 following an inspection.

WASTE

The Company places great emphasis on proper waste collection and sorting. In preparation for the adoption of the ISO 14001:2015 Environmental Management System in 2022, an Environmental Policy and an updated Waste Management Procedure were adopted. The 1st surveillance audit was carried out in 2023.

In 2023, the Company generated 215 tonnes of waste, i.e. -36% less than in 2022 (excluding municipal waste). The Company's waste is accounted for using a unified product, packaging and waste accounting information system [GPAIS].

The largest changes in waste volumes are due to the relocation or closure of post offices, the disposal of movable assets that have been sold or written off, or the accumulation of non-operational, unused assets in logistics centres.

Currently, the Company does not track the amount of municipal waste generated, as this waste is collected by a number of different suppliers who do not provide data on

the amount collected. In the future, the Company intends to work with its suppliers to know the amount of waste collected.

In order to reduce waste and contribute to the circular economy, the Company is looking for solutions to replace single-use products with reusable, longer-lasting and more environmentally friendly ones. Secondary raw materials are collected and delivered to the service providers by means of pre-containers. The Company's colleagues in post offices separate household waste from paper/cardboard, packaging film and polypropylene bags. The sorted and packed paper/cardboard and film is sent to the Company's logistics centres with presorting machines, as instructed. All of the Company's facilities are able to separate household waste from paper/cardboard and film by sorting. In 2022, over 200 tonnes of materials were diverted for recycling, half of which are paper and cardboard products. In 2023, 135 tonnes of materials were diverted.

Waste breakdown by type:

NAME OF THE WASTE	HAZARDOUS WASTE	QUANTITY PRODUCED, T			
		2021	2022	2023	CHANGE
Paper and cardboard	No	158,504	125,234	2,739	-98%
Plastic, plastic packaging	No	124,962	99,635	18,27	-82%
Wood, wood shavings	No	88,74	50,543	128,239	154%
Iron and steel, metals	No	38,578	27,148	6,706	-75%
End-of-life vehicles	Yes	7,91	1,292	0,883	-32%
Used tyres	No	4,53	4,66	0,495	-89%
Large and small equipment	No	2,901	2,588	4,27	65%
Glass	No	2,89	0,724	0,23	-68%
IT and telecommunications equipment classified as hazardous waste	Yes	2,739	3,003	4,086	36%
IT and telecommunications equipment	No	1,384	1,032	2,606	153%
Clothing and textiles	No	1,342	1,683	2,209	31%
Large equipment	Yes	0,054	1,06	11,333	969%
Other hazardous waste	Yes	2,388	6,291	1,897	-70%
Other non-hazardous waste	No	1,304	10,043	30,775	206%
TOTAL		438,226	334,936	214,738	-36%

SUSTAINABLE GOODS AND SERVICES

More and more Lithuanian consumers are considering the environmental impact of a product or service. Thus, in addition to taking responsibility for its environmental impact, and in order to remain competitive and attractive to its customers, Lietuvos paštas aims to provide sustainable and environmentally friendly services. The Company ensures sustainable services by:

Reducing pollution from the transport used to deliver parcels and letters.

By digitising processes and reducing the amount of paper used in everyday activities.

Providing modern working tools (e.g. tablets) for letter carriers and couriers.

Post offices sell environmentally friendly packaging, i.e. made from recycled materials, easily sorted or recycled, easily degradable, easily reused.

Expanding the range of sustainable products in post offices (not packaging).

Expanding the network of post offices.

Ensuring the development of electronic services.

QUALITY AND ENVIRONMENTAL MANAGEMENT SYSTEMS

ISO 9001 AND ISO 14001

Lietuvos paštas pays great attention to good governance and business progress and has taken the decision to implement a quality and environmental management system and to certify its operations in accordance with ISO 9001:2015 and ISO 14001:2015 international management system standards in 2022.

The quality and environmental management system applied in Lietuvos paštas contributes to the consistent achievement of the Company's strategic objectives: quality management helps to improve the quality of the services provided and to better understand the needs and expectations of the stakeholders, while environmental management helps to reduce the Company's negative impact on the environment through the analysis of operational processes. It is important that in order to achieve sustainability of its operations, Lietuvos paštas expects the same from its partners, suppliers and other stakeholders.

In accordance with the provisions of ISO 14001:2015, Lietuvos paštas shall identify all direct and indirect environmental aspects that have a positive or negative impact on the environment.

Information on significant environmental aspects of Lietuvos paštas and the criteria for their assessment can be found on the Company's website in the section "Environmental Responsibility".

On 25 September 2023, the certification body TÜV Thüringen conducted the 1st surveillance audit to determine compliance with ISO 9001:2015 and ISO 14001:2015.

In summary, the results of the audit, based on the documents reviewed and the audit of the processes, indicate that the management system audited is fully effective in accordance with the requirements of the standard. The conditions for maintaining and improving the management system are fully in place. The management system can meet the applicable requirements and deliver the expected results. The internal audit process is fully compliant with the standards. Management appraisal analysis is fully carried out in accordance with the requirements of the standards. Potential for improvement of the management system identified – to continue the formulation of medium and higher level processes.

Positive aspects identified by the audit:

Measures to reduce greenhouse gas emissions include optimising post offices, removing unusable, energy-inefficient premises, buying green energy, renewing the car fleet, etc.

Automating process management is also digitized.

Detailed process analysis, balanced scorecard. Strong analytics.

Strong focus on development projects.

Advanced employee induction and training processes and programmes.



COMPANY INITIATIVES IN THE FIELD OF ENVIRONMENTAL PROTECTION

GREEN ENERGY.

In 2023, Lietuvos paštas continues to use green energy directly in the post offices owned by Lietuvos paštas or in those premises where contracts have been concluded directly with the supplier for energy supply. Green energy is also supplied to companies that rent premises from Lietuvos paštas.

MORE ENVIRONMENTALLY FRIENDLY TRANSPORT.

In 2023, two innovative electric vehicles were tested: the Paxster and the Ligier PULSE4 Long version. The electric bikes have been tested for several months, and insights have been gathered and recorded to develop further plans

NETWORK OPTIMISATION.

One of the Company's main sources of GHG emissions is energy used for lighting and heating. The energy efficiency of the premises used is therefore of particular importance for the environmental impact of the Company. In 2023, 11 facilities have been redesigned in Lietuvos paštas according to the new concept and relocated to more energy-efficient, appropriately sized premises. Network optimisation is an ongoing priority – by 2023, the Company has optimised 1 post office and sold 43 properties, most of which were energy inefficient buildings.

ENVIRONMENTALLY FRIENDLY PACKAGING.

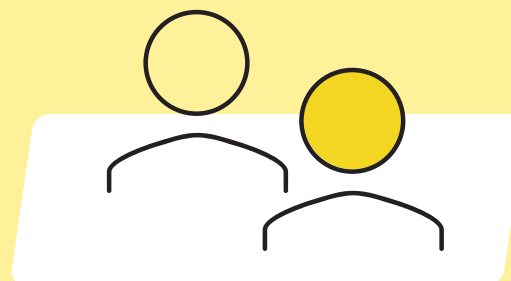
Most of the paper and cardboard packaging sold in post offices is FSC-certified, which means that responsibly grown wood has been used to produce the paper.

EXPANSION OF THE PARCEL LOCKER NETWORK.

Compared to home delivery, using parcel lockers is an environmentally friendly way to deliver parcels. It significantly reduces the amount of fuel used by couriers, as well as CO2 emissions – hundreds of parcels are delivered to a single parcel locker, thus avoiding the need to use fuel for delivering parcels to different addresses. In 2023, the network has been expanded with 23 new locations and 98 existing locations. As of 31 December 2023, there were 376 LP EXPRESS parcel lockers in Lithuania and 60 uDrop parcel lockers of network partners. The LP EXPRESS parcel locker network is planned to be further expanded.

REUSABLE PACKAGING IN THE INNER PRODUCT AREA

For internal circulation, Lietuvos paštas has started to use reusable shipping boxes for sending replenishments of goods for sale to post offices. Up to 80% of the goods fit into the dimensions of reusable shipping boxes, while the rest travel in standard reusable boxes, but these are also used more than once in the business of collecting packaging from post offices.



SOCIAL RESPONSIBILITY

Lietuvos paštas is one of the largest employers in Lithuania, and our employees interact with customers across Lithuania every day. As a result, the changes and initiatives we implement in the area of corporate social responsibility can have a profound impact on all our stakeholders, i.e. employees, customers, communities and others. The Company aims to contribute to the well-being of its stakeholders.

The Company also respects human rights, equality and promotes diversity. Based on the assessment of materiality, two strategic orientations have been identified in the field of social responsibility:

- Creation of a motivating working environment
- Social integration

Below are the steps to achieve the objectives in each of these orientations.

EMPLOYEES AND MOTIVATING WORKING ENVIRONMENT

At Lietuvos paštas, we create an environment where it is good to work, learn and grow. In 2023, we continued our programme to improve working conditions and initiatives to create and maintain a motivating working environment by renovating and modernising our post offices and logistics centres, and continuing to equip them with modern working tools. In 2023, the provision of service vehicles for letter carriers continued. In February 2023, the administrative employees of Lietuvos paštas moved to new, modern and cost-effective premises in the "Technopolis Ozas" office complex.

In 2023, the biggest budget in a decade was provided for the increase of salaries, amounting to around EUR 4.1 million, with annual bonuses paid to employees for the performance of 2022.

On 2 May 2023, the Supplementary Health Insurance System, which was welcomed by the employees, was extended to cover around 2,500 employees, depending on their length of service and the size of their post. Accident insurance was also continued, which is particularly necessary and relevant in view of the fact that the majority of the employees of Lietuvos paštas perform physically active work in outdoor conditions. In order to encourage employees to take care of both their emotional and physical health, the Company held a Wellness Month in May 2023, during which employees were invited to attend interesting and informative remote lectures on emotional health, community health through volunteer activities, as well as on financial health and the ability to use information technology in a healthy way.

Since 2019, Lietuvos paštas has been participating in the DUOday social initiative – at the end of May 2023, DUOday representatives were also invited to visit the Company, where they took on various roles as colleagues – observing the Company's work processes, performing some tasks, attending meetings, having lunch and interacting with colleagues. Disability Awareness Month was launched

in November 2023 as part of the Equal Opportunities initiatives, with engaging lectures and meetings that allowed people to see the world around them from the perspective of those with disabilities.

To ensure the continuous development of employees, regular training sessions for Post and Logistics Centre employees, a management development programme, and updates to the e-learning platform were continued to make training courses as informative and engaging as possible. A high profile executive mentoring programme was launched in early 2023 along with the launch of the internal career counselling project. At the end of 2023, following the update of the Company's Customer Service Standard, a team of internal trainers was formed to travel to workplaces across Lithuania in order to present the innovations to employees. The "Mokomės kartu" ("Learning Together") initiative was also continued, where employees of Lietuvos paštas, who were willing to share their experience and accumulated knowledge with their colleagues, presented on various relevant topics.

The community-building initiatives continued successfully, i.e. the renewed Postal Bees Initiative was launched for the third year already – every quarter, the colleagues of Lithuania paštas nominated the employees who have contributed the most to upholding our values. On 26 November 2023, an event was organised for employees to celebrate the 105th birthday of Lietuvos paštas.

In November 2023, an employee engagement survey was carried out in which 80% of the employees participated, i.e. 2,172. Employee Engagement Index has risen strongly to 53% in 2023.

	2021	2022	2023
EMPLOYEE ENGAGEMENT INDEX	45%	45%	53%

GENERAL INFORMATION ON EMPLOYEES

The number of employees of Lietuvos paštas Group on 31 December 2023, compared to the number of employees at the end of 2022, decreased by 348 employees, i.e. from 3,031 to 2,683. In total, the Group employs 2,371 women and 660 men. The number of employees in the LP Group (converted to full-time, full-month employees) in 2023 decreased by 338 FTEs from 2,964 to 2,626 compared to 2,022.

The main contributor to the reduction in employee numbers is the project to provide letter carriers with company cars, which was implemented in 2023. A review of the network of letter carriers has also been launched due to the declining demand for traditional postal services. In 2023, a review was carried out in the vicinity of the letter carriers located in the cities of Vilnius, Kaunas and Klaipėda.

The employees of Lietuvos paštas by type of contract and gender are presented in the table below.

The data are reported as of the last day of the year. The data are taken from an internal programme and exclude employees on child care, childbirth or paternity leave as well as employees on military service or working on the basis of a service contract.

Lietuvos paštas applies equal working conditions and provides equal benefits to all its employees, regardless of their employment contract or the number of hours they work. [last sentence – GRI 401-2]

	LP GROUP				COMPANY			
	2023	2022	2021	2023 CHANGE, %	2023	2022	2021	2023 CHANGE, %
Number of employees at year-end	2 683	3 031	3 728	-11	2 681	3 029	3 726	-11
Posts at the end of the year	2 626	2 964	3 534	-11	2 626	2 963	3 533	-11

ACTUAL NUMBER OF EMPLOYEES BY TYPE OF CONTRACT	PART-TIME POSITION			FULL-TIME POSITION			FIXED-TERM CONTRACT			OPEN-ENDED CONTRACT		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Men	178	84	52	630	576	529	89	51	33	719	609	548
Women	961	324	225	1 957	2 045	1 875	241	147	100	2 677	2 222	2 000
Total	1 139	408	277	2 587	2 621	2 404	330	198	133	3 396	2 831	2 548

RECRUITMENT AND TURNOVER

The annual need for new employees is determined in the Company's budget for the following year, in the context of the planning of salary and other staffing costs. The budget takes into account the strategic development orientations, employee turnover statistics and labour market forecasts. It takes into account the need to ensure competitiveness in a rapidly changing technological and economic en-

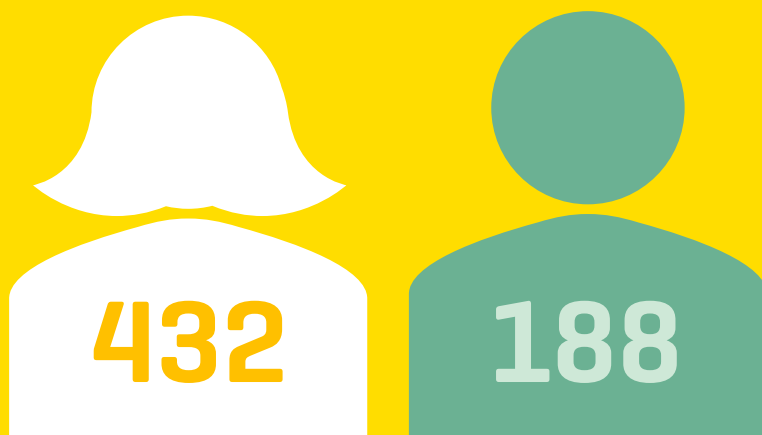
vironment by recruiting and developing highly qualified professionals and ensuring quality service delivery. The detailed recruitment and selection procedure is described and posted on the company's e-documents platform and is available to all company employees.

New employees

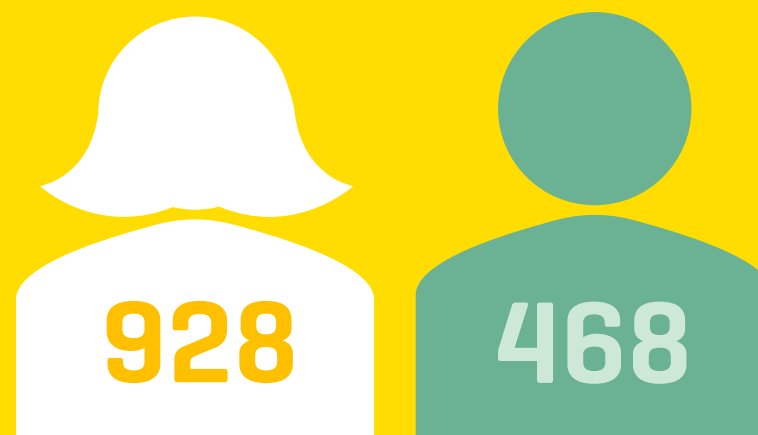
DIVISION	WOMEN									MEN								
	UP TO 30			30-50			>50			UP TO 30			30-50			>50		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Postal Operations Division	43	21	14	45	20	14	19	2	5	81	78	49	30	33	31	20	17	9
Network Division	58	150	75	139	307	182	68	200	84	20	56	26	22	44	28	16	63	29
Administration	31	23	13	46	41	35	3	6	7	5	12	4	17	31	27	0	0	1
General	132	194	102	230	368	231	90	208	96	106	146	79	69	108	86	36	80	39

Employee turnover by age and gender is shown in the tables below. Total number of voluntary redundancies:

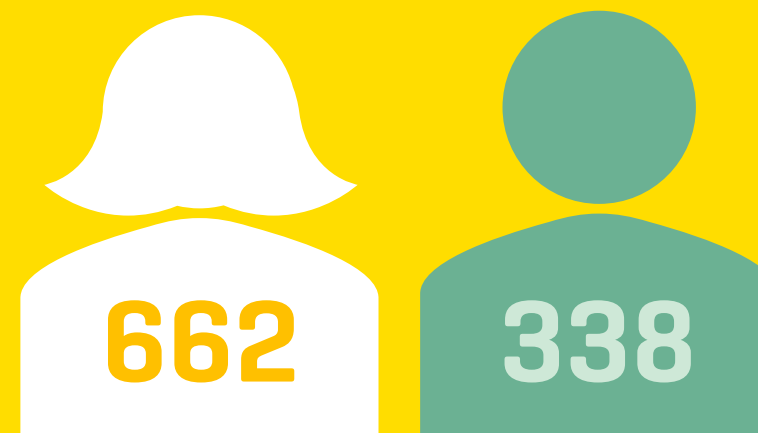
Voluntary redundancies in 2023



Voluntary redundancies in 2021



Voluntary redundancies in 2022



Employee turnover by age and gender:

WOMEN

DIVISION	2021							
	UP TO 30 YEARS OLD	%	30-50 YEARS OLD	%	OVER 50 YEARS OLD	%	TOTAL NUMBER OF PEOPLE	TOTAL %
Postal Operations Division	128	58	62	29	16	11	190	36
Network Division	215	56	295	21	140	11	510	21
Administration	31	32	36	20	5	8	67	21

DIVISION	2022							
	UP TO 30 YEARS OLD	%	30-50 YEARS OLD	%	OVER 50 YEARS OLD	%	TOTAL NUMBER OF PEOPLE	TOTAL %
Postal Operations Division	39	13	35	12	14	5	88	16
Network Division	96	5	248	13	147	8	491	23
Administration	20	7	59	20	4	1	83	21

DIVISION	2023							
	UP TO 30 YEARS OLD	%	30-50 YEARS OLD	%	OVER 50 YEARS OLD	%	TOTAL NUMBER OF PEOPLE	TOTAL %
Postal Operations Division	16	6	27	10	10	4	53	10
Network Division	53	3	171	11	93	6	317	17
Administration	17	8	36	18	9	4	62	20

Employee turnover by age and gender:

MEN

DIVISION	2021							
	UP TO 30 YEARS OLD	%	30-50 YEARS OLD	%	OVER 50 YEARS OLD	%	TOTAL NUMBER OF PEOPLE	TOTAL %
Postal Operations Division	164	52	80	43	22	17	266	42
Network Division	63	57	46	34	50	21	159	33
Administration	15	39	27	29	1	5	43	29

DIVISION	2022							
	UP TO 30 YEARS OLD	%	30-50 YEARS OLD	%	OVER 50 YEARS OLD	%	TOTAL NUMBER OF PEOPLE	TOTAL %
Postal Operations Division	113	48	48	20	21	9	182	34
Network Division	44	17	40	16	42	17	126	6
Administration	8	7	19	17	3	3	30	8

DIVISION	2023							
	UP TO 30 YEARS OLD	%	30-50 YEARS OLD	%	OVER 50 YEARS OLD	%	TOTAL NUMBER OF PEOPLE	TOTAL %
Postal Operations Division	113	48	48	20	21	9	182	34
Network Division	44	17	40	16	42	17	126	6
Administration	8	7	19	17	3	3	30	8

OTHER EMPLOYEES

In order to manage the peaks in the volume of parcels more efficiently, Lietuvos paštas, in cooperation with temporary employment agencies, hired 37 temporary employees in 2023, who worked a total of 4 007 hours. In 2022, the temporary workers hired by Lietuvos paštas worked 8 659 hours.

These employees were involved in the processing, distribution and data entry of consignments into the Company's information systems. The temporary employees were employed in the following positions: distributor and switchboard operator.

PERIOD	NUMBER OF TEMPORARY EMPLOYEES	HOURS WORKED BY TEMPORARY EMPLOYEES
2023-01	12	784
2023-02	1	75
2023-03	4	242
2023-04	3	292
2023-05	2	209
2023-06	2	125
2023-07	1	106
2023-11	14	673
2023-12	13	1 607

EMPLOYMENT RELATIONS

The Company is complying with the requirements of national legislation when implementing operational changes:

- once a calendar year, it provides information and consults the works council and the trade unions on the current and future state of the Company's operations, the economic situation and labour relations;
- when amending internal policies or other rules relating to labour relations and the socio-economic situation of employees, it carries out information and consultation procedures with the works council and trade unions, in accordance with the procedure laid down by the Labour Code;

- before deciding to terminate an employee's employment, the employer must inform the works council and the trade unions no later than within 7 business days and consult them for at least 10 business days, unless otherwise agreed upon;

- 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 the employees, the Company is required to inform the works council and the trade unions no later than within 5 business days in advance of the consultation, which is required to be held for a period of 5 business days unless otherwise agreed upon.

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

TRAINING AND EDUCATION

Lietuvos paštas pays attention to the development of its employees by organising professional compulsory trainings and consistently taking care of employee qualification development.*

INTERNAL TRAINING

2021	2022	2023
23	23	81
programmes	programmes	programmes

EXTERNAL TRAINING

2021	2022	2023
64	103	145
programmes	programmes	programmes

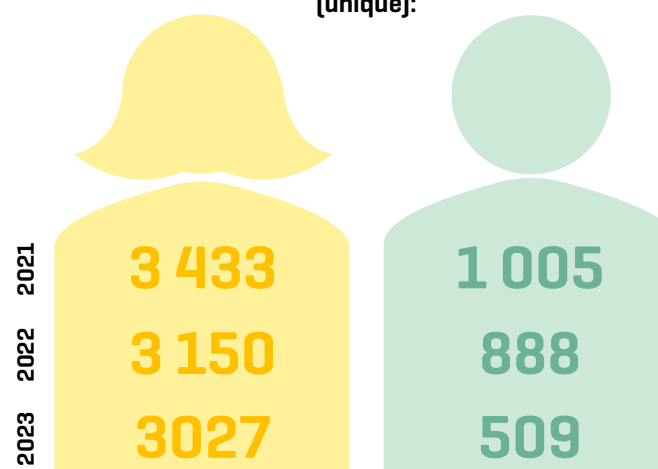
ONLINE TRAINING

2021	2022	2023
26	37	72
programmes	programmes	programmes

In 2023, as in every year, a strong focus was placed on employee professional development, anti-corruption awareness and anti-money laundering.

Particular attention was paid to improving customer service skills. Following the update of the Company's Customer Service Standard at the end of 2023, a training system for the Customer Service Standard was developed, consisting of e-learning on the EMA platform and a practical part during a visit by the Customer Service Standard Ambassadors. A team of in-house trainers, drawn from the Company's employees, was trained and travelled to workplaces across Lithuania to present the innovations to employees. All the employees serving customers at the post offices participated in training sessions, which focused on the basic principles of communication with customers, the peculiarities of the services provided by the Company, discussions on servicing customers with special needs, and other topical issues. A team of 25 employees visited 115 of their peer teams (letter carriers, customer service agents, couriers and contact centre employees).

Number of participants in training [unique]:



	2021	2022	2023
Total number of employees **	3 728	3 031	2 675
Average hours per employee	9	8	14
Average hours, women	-	10	15
Average hours, men	-	6	13

*The Company is unable to provide data for 2020-2021 on the time spent on training for women and men separately, due to technical limitations of the platform used, so the information is available from 2022.

** The Company reports the number of employees in the Lietuvos paštas Group at the end of the year.

	TOP-LEVEL EXECUTIVES			MID-LEVEL EXECUTIVES			SPECIALISTS			LOGISTICS AND DISTRIBUTION EMPLOYEES			CUSTOMER SERVICE EMPLOYEES		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Number of participants in training [unique]	33	22	20	94	122	183	556	589	530	1 003	681	469	2 752	2 624	2 331
Of these, women	18	10	10	32	82	143	148	470	425	425	322	320	382	2 266	2 129
Of these, men	15	12	10	62	40	43	408	119	105	578	359	149	2 370	358	202

In 2023, the leadership development programme, which has been running in the organisation since 2019, continued with the “Vadovavimas kitam: ugdymas ir įgalinimas” [“Leading Others: Development and Empowerment”] training. Programmes continue to strengthen cooperation, both within departments and to build commonality between individual company divisions. Usage of external consultants, teams’ intrinsic motivation, cooperation, communication, emotional well-being and microclimate were strengthened.

A high-profile executive mentoring programme was launched in early 2023. The programme lasted more than half a year and involved 23 executives.

EMPLOYEE EVALUATION

At the beginning of 2023, the Company undertook a performance appraisal process to assess the performance of its employees over the previous period, to plan objectives for the coming year, to discuss development needs, and to review employees’ career aspirations. The annual employee performance appraisal process involves the

The “Learning Together” initiative for employees continues for the third year. Internal speakers shared their knowledge with other employees of the Company, thus improving their own and other employees’ competences. The training covered a wide range of topics: privacy in a digital environment, sales and negotiation, customer service standards, organisational culture, reward system, presentation preparation, rhetoric skills, creativity and time management.

In September 2023, the Internal Career Conversations programme was launched to encourage employees to be more adventurous and proactive in seeking internal career opportunities. Trained internal career partners and employees from the Organisational Development Department organised internal career interviews, helped to identify employees’ expectations and achieve internal career goals. As the programme continues, the Internal Career Partners are open to any interested employees who have a relevant internal career issue.

Company’s administrative employees, managers and specialists from the Network and Postal Operations divisions, who account for approximately 16% of the Company’s employees.



OCCUPATIONAL SAFETY AND HEALTH

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

The safety and health requirements of the Company's employees and employees working under contractual obligations for the provision of services are implemented in accordance with the legislation of the Republic of Lithuania regulating occupational safety and health. Health and safety issues are at the forefront of the topics of highest importance to the Company.

HAZARD IDENTIFICATION, RISK ASSESSMENT AND INCIDENT INVESTIGATION

Most of the Company's employees work in the field or in logistics, moving loads manually and driving vehicles, so the Company continuously identifies hazards in its operations and carries out occupational risk assessments in the workplace, as well as investigating incidents involving potential risks of injuries. In order to prevent occupational risks, the Company purchases and distributes essential personal protective equipment (PPE) to employees. The Company's priority is also the health and safety of all other employees, as working in an office can also pose certain risks to the mental and physical well-being of employees.

If an occupational risk assessment is carried out at workplaces and tolerable (elevated) risks are identified, the Company shall take preventive measures to eliminate or reduce the risks as soon as possible. In 2022, the Company focused on research into the psychosocial risk factors of employees. Out of the 200 occupational risk assessments mentioned above, psychosocial risk factors were assessed in 69 workplaces, i.e. a total of 266 employees were interviewed in 40 individual divisions. Employees

can report observed risks to the Company's Occupational Safety and Health Committee. Reports received are dealt with as soon as they are received.

PREVENTIVE HEALTH EXAMINATIONS FOR EMPLOYEES

Preventive health examinations are carried out on a regular basis for the Company's employees, according to a set periodicity, i.e. once every two years, or once every year for those employees who work directly at customer service points. The health examination service is carried out by a contracted health care company on the Company's premises. In addition, in the event of an accident, the Company provides all employees with insurance benefits that can help them take better care of their health and well-being. In 2023, a total of 1,039 employees received preventive health examinations, almost 420 fewer than in 2022.

EMPLOYEE PARTICIPATION, CONSULTATION AND COMMUNICATION ON HEALTH AND SAFETY ISSUES

Company employees are periodically informed about changes in legislation, and new leaflets, health and safety and fire safety instructions are produced. All legislation and relevant information for the Company's employees is available on Infonet and through announcements in the Company's internal publication "Pašto balsas". Employees are also provided with a signed copy of the results of occupational risk assessments, incident investigation materials, and regular telephone and e-mail advice on safety and health issues in the workplace. In 2023, 6 new workplace safety leaflets and instructions were developed and 7 workplace safety leaflets and instructions were updated. A total of 12 reports related to occupational safety and health were posted on the Infonet.

Statistics on occupational risk assessment of workplaces [occupations by location], together with surveys of employees' psychosocial risk factors:





OCCUPATIONAL HEALTH AND SAFETY TRAINING

The Company's Training Group organises periodic mandatory training for employees in Occupational Health and Safety, Fire Safety, Manual Handling, and Civil Protection in an electronic training environment, and maintains a comprehensive employee

training tracking database. The Occupational Safety Group and Division officers organise occupational safety and fire safety training, as well as in-service training and retraining programmes.

NAME OF TRAINING	NUMBER OF EMPLOYEES		
	2021	2022	2023
Fire safety	325	335	2 806
Civil protection	3 373	3 488	2 504
Manual lifting of heavy loads	2 438	2 432	2 366
Electric forklift training for employees	8	135	141
Training for Heads of Divisions on occupational safety and health	288	53	39

PROMOTION OF EMPLOYEE HEALTH

The Company is responsible for ensuring that all employees have regular health examinations in accordance with national legislation. Key activities in this area include the following:

HEALTH INSURANCE AND HEALTH SCREENING. The Company has health insurance for all employees who are employed at the Company for 1 year or more. Preventive health examinations are organised on the premises during business hours for the convenience of employees.

TIMELY INVESTIGATION OF EVENTS. In the event of an accident at work, the Company conducts an investigation and passes on the information to the relevant public authorities in accordance with the law, so that the employees can benefit from state-guaranteed insurance benefits.

WELLNESS MONTH. From April to May 2023, a Wellness Month was organised, the aim of which was to encourage employees not only to be active but also to broaden their knowledge on a wide range of wellness topics through remote meetings with experts in various fields: financial health, community health through volunteering, emotional health, healthy use of IT and the internet. The Company Mobility Challenge was also organised. 240 colleagues joined the challenge and walked 37 184 km together, almost circumnavigating the globe.

ACCIDENTS

The Company's ambition is to ensure safety at work, so that every employee feels valued and safe. To this end, all preventive measures to ensure the safety of employees are put in place and enforced.

All employees of the Company are instructed and trained on potential hazards and risks to health and safety, and are required to halt their work immediately. The Company's employees must immediately inform their immediate supervisor and the specialists of the Occupational Safety Group about incidents and accidents, who shall investigate all the circumstances together with the Company's employee representative and provide the necessary information to the State Labour Inspectorate of the Republic of Lithuania. The implementation of preventive and educational measures has led to a steady decrease in accidents over the last 5 years.

The total number of hours worked by the Company's employees in 2021 was 6 667 427.09 hours, in 2022 – 5 750 973.63 hours and in 2023 – 4 999 871.46 hours.

The most common causes of work-related accidents are the following:

- in case of outdoor work – dog attacks and bites when working in private residential areas and stairwells, as well as slips due to slippery, often snowy, icy and frozen road surfaces, potholed, uneven roads or overhanging objects [tile, pavement] – these events often occur after dark or in the event of a sudden attack by a wild or domestic dog when there is no time to use deterrents;
- accidents while driving, involving both the Company's own employees and drivers of other vehicles – employees do not always follow traffic closely; the reckless actions of other drivers cannot be foreseen in advance;
- in postal or parcel centre premises, logistics centres, employees tripping or falling due to haste, inattention, carelessness – careless actions by the employees themselves, or the belief that there is no risk and nothing bad will happen.

Employees who have worked for the Company for more than 1 year are covered by supplementary health insurance. This cover is available 24 hours a day – in the event of an accident or injury outside business hours, the employee can receive an insurance benefit.

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

TYPE OF ACCIDENTS	2021		2022		2023	
	CASES	NUMBER PER MILLION HOURS WORKED	CASES	NUMBER PER MILLION HOURS WORKED	CASES	NUMBER PER MILLION HOURS WORKED
Incidents [cases]	20	2,99	18	3,13	23	4,6
Minor accidents [cases]	65	9,75	68	11,82	51	10,2
Serious accidents [cases]	2	0,3	0	0	0	0
Fatal accidents [cases]	0	0	0	0	0	0



OCCUPATIONAL DISEASES

In 2023, 1 employee was diagnosed with an occupational disease in the Company. The workstation has been adapted in accordance with the doctors' instructions, allowing the employee to continue working successfully.



DIVERSITY AND EQUAL OPPORTUNITIES

The Company builds a values-based organisational culture and is committed to equal rights and opportunities at work. The Company does not tolerate any form of harassment, sexual harassment, psychological violence, bullying, discrimination, abuse of position, etc. The Violence and Harassment Prevention Policy was adopted in 2022, for more information on commitments see the section "Operational Policies and Commitments", and on the activities and reporting of the Trustline see the section "Anti-Corruption and Transparency".

The Company is also open to employees with disabilities – the number of such employees in the Lietuvos paštas was around 5 percent. More information on the initiatives to increase accessibility of Lietuvos paštas is provided in the section "Social Integration".

The remuneration system is based on gender equality, so there is no difference in remuneration for the same type of work. More information is provided in Remuneration Policy.

Percentage distribution of employees by gender, age and position:

2021					AGE OF MEN				GENDER	
POSITION	17-24	25-36	37-56	57-76	17-24	25-36	37-56	57-76	WOMEN	MEN
General Manager			100%						100%	
Top-level executives		14%	30%	6%		19%	28%	3%	50%	50%
Mid-level executives	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%

2022					AGE OF MEN				GENDER	
POSITION	17-24	25-36	37-56	57-76	17-24	25-36	37-56	57-76	WOMEN	MEN
General Manager			100%						100%	
Top-level executives		5%	26%	6%		16%	47%		37%	63%
Mid-level executives		19%	38%	8%	3%	9%	19%	4%	65%	35%
Specialists	4%	22%	36%	13%	2%	11%	10%	3%	75%	25%
Logistics and distribution employees	6%	8%	25%	12%	10%	12%	14%	13%	51%	49%
Customer service employees	2%	12%	46%	26%	1%	2%	5%	6%	86%	14%

Percentage distribution of employees by gender, age and position:

2023	AGE OF WOMEN				AGE OF MEN				GENDER	
POSITION	17-24	25-36	37-56	57-76	17-24	25-36	37-56	57-76	WOMEN	MEN
General Manager							100%			100%
Top-level executives		10%	29%			14%	48%		38%	62%
Mid-level executives		19%	40%	10%		8%	19%	3%	70%	30%
Specialists	4%	21%	30%	13%	3%	11%	17%	2%	68%	32%
Logistics and distribution employees	5%	8%	25%	14%	8%	13%	15%	13%	52%	48%
Customer service employees	1%	11%	49%	27%	1%	1%	5%	5%	88%	12%

Traditionally, the postal network in Lithuania has been dominated by women, especially in customer service positions [letter carriers, post office workers]. The Company is committed to diversity and hopes that, as letter volumes decrease and parcels increase, the job will become more attractive to men.

AGE, YEARS	2021		2022		2023		CHANGE IN 2023	
	NUMBER OF EMPLOYEES	EQUAL SHARE, %	NUMBER OF EMPLOYEES	EQUAL SHARE, %	NUMBER OF EMPLOYEES	EQUAL SHARE, %	NUMBER OF EMPLOYEES	%
Up to 35	741	19,9	599	20	486	18	-113	81
From 35 to 45	730	19,6	651	21	536	20	-115	82
From 45 to 55	1 046	28,1	841	28	737	28	-104	88
From 55 to 60	602	16,2	477	16	513	19	36	108
More than 60	607	16,3	461	15	408	15	-53	89

A significant number of employees have a long service record with the Company – in 2023, about 35% of employees have been working at Lietuvos paštas for more than 10 years.

LENGTH OF SERVICE, YEARS	2021		2022		2023		CHANGE IN 2023	
	NUMBER OF EMPLOYEES	EQUAL SHARE, %	NUMBER OF EMPLOYEES	EQUAL SHARE, %	NUMBER OF EMPLOYEES	EQUAL SHARE, %	NUMBER OF EMPLOYEES	%
Up to 1	747	20	485	16	340	13	-145	70
From 1 to 5	1 159	31	1 055	35	994	37	-61	94
From 6 to 10	544	15	464	15	407	15	-57	88
From 11 to 20	689	19	536	18	481	18	-55	90
From 21 to 30	320	9	238	8	223	8	-15	94
More than 30	267	7	251	8	235	9	-16	94

In 2023, The majority of employees in Lietuvos paštas had secondary and high education. Secondary education attainment is mainly due to the nature of the work of letter carriers, logistics and customer service employees, who make up the majority of the workforce.

Distribution of Lietuvos paštas employees by education pateiktas lentelėje.

EDUCATION	2021		2022		2023		CHANGE IN 2023	
	NUMBER OF EMPLOYEES	EQUAL SHARE, %	NUMBER OF EMPLOYEES	EQUAL SHARE, %	NUMBER OF EMPLOYEES	EQUAL SHARE, %	NUMBER OF EMPLOYEES	%
Higher	847	22,7	686	23	542	20	-144	79
Post-secondary	803	21,6	735	24	388	15	-347	53
Secondary	1 969	52,8	1 484	49	1 293	48	-191	87
Basic	107	2,9	77	3	69	3	-8	90
Not submitted			47	2	388	15	341	826

REMUNERATION POLICY

REMUNERATION SYSTEM

The remuneration system is regulated in the Company's collective agreement approved by Minutes of the Lietuvos paštas Employees' Conference of 6 January 2020 No. PF-1.

The remuneration framework establishes common and clear principles for the remuneration of the Company's employees and defines the main provisions of the remuneration framework, which are used to determine and change the remuneration of the Company's employees.

The aim is to bring the average salaries of the Company's positions in line with the average salaries of the corresponding positions in the market. It also aims to reduce the pay gap between top-level executives and the lowest-paid employees.

PRINCIPLES OF REMUNERATION POLICY

- internal equity – pay differentials must be justified, fair and driven by competence and performance;
- external competitiveness – Lietuvos paštas group of companies aims to ensure that the remuneration of its employees is competitive in relation to other successful companies operating in the whole market;
- monitoring and information – implementation is accountable through public disclosure of salary information in line with all applicable legal requirements.

The basis of the remuneration system is the position system of Lietuvos paštas, which consists of posts divided into job levels. Positions can be grouped together

Employees' remuneration may include the following:

- Fixed component (basic salary for the level of the position) or piecework pay.
- Variable (for the achievement of targets, depending on how well the targets are met).
- Allowances and bonuses.
- Bonuses (employer-initiated incentives for the employees).

if necessary. The Organisation Development Department is responsible for the management of the position system of Lietuvos paštas. Following the assessment of the positions of Lietuvos paštas, their levels are submitted to the General Manager of Lietuvos paštas for approval. The level of the position of the General Manager of Lietuvos paštas is approved by the Board of the Company.

In 2023, EUR 4.1 million was allocated for pay rises, affecting more than 80% of employees. The total annual payroll is presented in the table below, with more detailed information on the employment-related liabilities available in the Notes to the Financial Statements in the Annual Report.

Payroll of LP Group

2021
45.1 million

2022
44.8 million

2023
43.9 million

Distribution of employees in the LP Group by position and average fixed [assigned] remuneration, EUR

CATEGORY	WOMEN			MEN			TOTAL			MALE VS FEMALE RATIO			FEMALE VS MALE RATIO		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
General Manager	8 800	9 172	9 290	-	-	10 157	8 800	9 172	10 019	-	-	1.09:1	-	-	0.91:1
Top-level executives	4 824	5 021	5 940	5 053	5 372	6 127	4 952	5 227	6 062	1.05:1	1.07:1	1.03:1	0.95:1	0.93:1	0.97:1
Mid-level executives	2 378	2 717	3 149	2 977	3 187	3 562	2 572	2 863	3 288	1.25:1	1.17:1	1.13:1	0.8:1	0.85:1	0.88:1
Specialists	1 296	1 497	1 699	2 097	2 302	2 739	1 494	1 688	1 976	1.62:1	1.54:1	1.61:1	0.62:1	0.65:1	0.62:1
Production employees of the Postal Operations Division	1 041	1 201	1 360	1 203	1 349	1 574	1 123	1 277	1 474	1.16:1	1.12:1	1.16:1	0.87:1	0.89:1	0.86:1
Production employees of the Network Division	784	867	976	730	808	938	777	857	971	0.93:1	0.93:1	0.96:1	1.07:1	1.07:1	1.04:1
Total	927	1 040	1 176	1 278	1 419	1 719	1 003	1 120	1 297	1.38:1	1.36:1	1.46:1	0.73:1	0.73:1	0.68:1

SALARY OF THE GENERAL MANAGER

The principles of determining and promoting the remuneration of the General Manager are regulated by the General Manager Remuneration Policy approved by Resolution of the Board of Lietuvos paštas of 22 June 2022 No. 9-23, which is published on the Company's website.

The remuneration of the General Manager is determined by the Board of the Company in accordance with the requirements laid down by law. The General Manager's salary consists of the following:

1. Fixed share of wages;
2. Bonus.

The General Manager may receive an annual bonus, which shall be awarded as follows:

1. The Board of the Company shall, each year, when approving the Company's objectives for the following year, by resolution, formalise that these objectives of the Company and the indicators set for the objectives, as the case may be, shall be deemed to be the objectives of the General Manager of the Company;
2. The Board decides each year, on an ad hoc basis, the amount of the bonus to be

awarded to the General Manager by assessing the achievement of the Company's objectives against pre-determined indicators for the preceding year;

3. The bonus is awarded to the General Manager in accordance with the "ceiling" set by the Government of the Republic of Lithuania (up to a maximum of 4 salaries). The Company's objectives also include sustainable development objectives, and the (non-) achievement of these objectives has a direct impact on the remuneration of the General Manager.

The salary for the General Manager was set at EUR 9,300/month from January to February 2023 and EUR 10,000/month from 23 February. The General Manager was awarded an annual bonus of EUR 37,200 in 2023 for performance in 2022.

EMPLOYEE REMUNERATION

The remuneration system is based on gender equality, so there is no difference in remuneration for the same type of work. The gender pay gap is driven by differences in qualifications and positions.

SALARY RATIO	2021	2022	2023
Ratio of the annual remuneration of the highest earner in the organisation to the average annual remuneration of all employees	-0,06:1	-0,07:1	-0,06:1
Percentage increase in the annual remuneration of the highest earner in the organisation compared to the median increase in the annual remuneration of all employees [ratio]	8,78:1	8,19:1	7,72:1

COOPERATION WITH EMPLOYEE REPRESENTATIVES

Lietuvos paštas cooperates with two trade union organisations, i.e. the Lithuanian Postal Workers' Trade Union and the Lithuanian Communications Workers' Trade Union. All change projects in the Company are coordinated with trade union representatives and the existing Works Council through information and consultation procedures. Meetings were held in 2023 to discuss changes related to collective redundancies in the Network Division, including the introduction of a 5-day working week and the provision of Company cars to letter carriers in major Lithuanian cities. Meetings were also held to discuss the Company's other activities and their impact on work organisation.

As of 6 January 2020, the Company has a Collective Agreement in force, which focuses on employment contracts, employees' working and resting time, safety at work and other working and social conditions relevant to employees. The collective agreement also defines the remuneration system, the provision of allowances to employees in the event of accidents, the recognition of employees for long service, and other areas of concern to employees to improve working conditions. The agreement is valid for two years and was extended on 30 December 2022 for a further two-year period until 6 January 2024. The collective agreement applies to all employees of the Company.

The Works Council of Lietuvos paštas was elected in September 2021 for a term of three years. A new Works Council will be elected at the end of 2024.



SOCIAL INTEGRATION

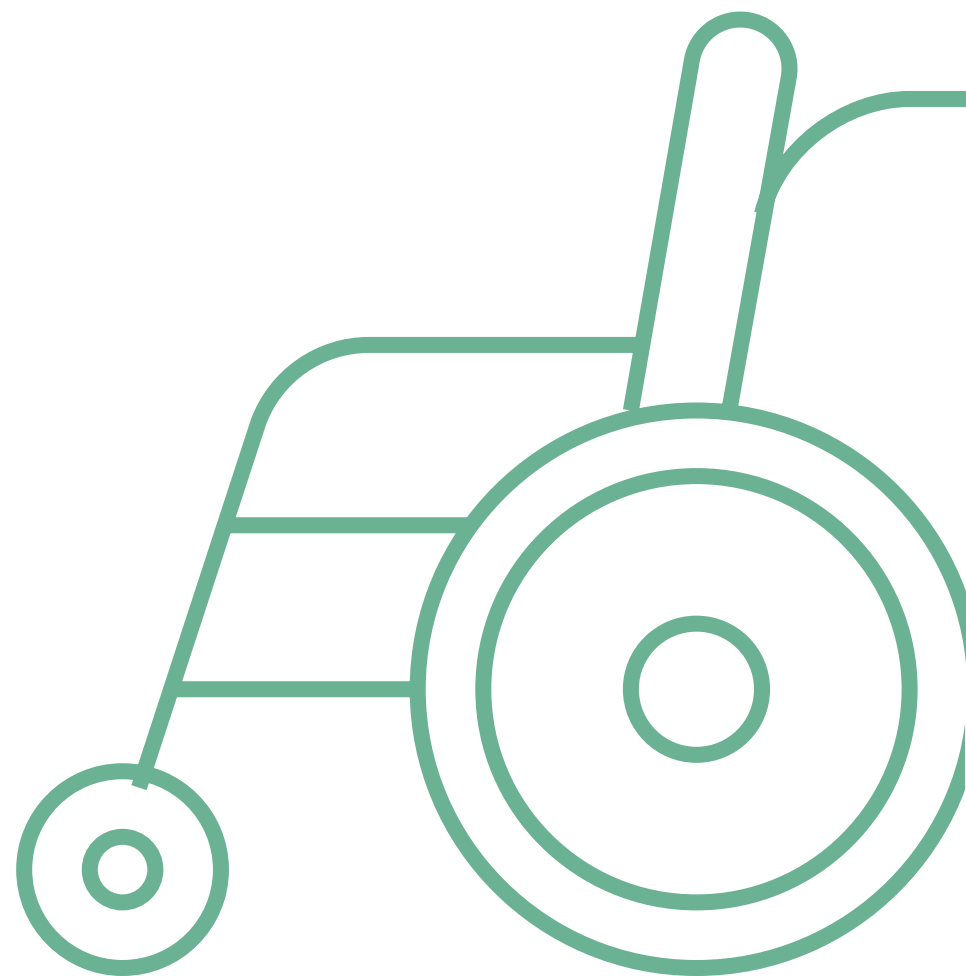
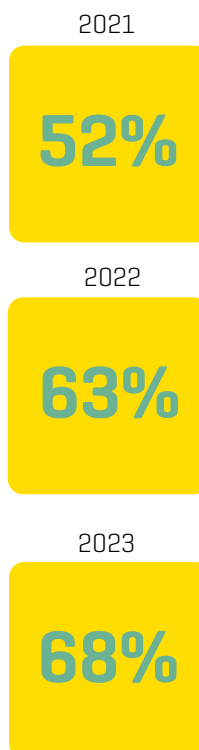
Lietuvos paštas promotes social integration, seeks to reduce social exclusion and ensure accessibility of its services to all groups of society. Our focus for 2023 was:

- making services accessible to people with disabilities;
- recruiting people from socially vulnerable and disadvantaged groups;
- cooperating with other organisations to disseminate relevant information to people from socially sensitive and vulnerable groups to which the Company has access due to the nature of its activities.

ACCESSIBILITY FOR PEOPLE WITH SPECIAL NEEDS

Lietuvos paštas has continued to renovate its post offices in order to ensure that every customer who comes to the post offices can benefit from its services.

ACCESSIBILITY OF POST OFFICES FOR PEOPLE WITH PHYSICAL DISABILITIES:



Achievements and initiatives intended to promote social inclusion:

MEMORANDUM AND ACTION PLAN ON ADAPTING POSTAL SERVICES TO PEOPLE WITH INDIVIDUAL NEEDS

In 2023, the action plan and objectives of the Memorandum of Understanding on the Adaptation of Vehicles and the Physical and Information Infrastructure of Transport to People with Special Needs were updated. In 2021, Lietuvos paštas joined the Memorandum of Understanding initiated by the Ministry of Transport and Communications, which commits to ensure that the services provided by Lietuvos paštas are adapted to people with individual needs.

PROCEDURES FOR CUSTOMERS WITH SPECIAL NEEDS

In 2023, the provisions of the Procedures for the Service of Customers with Special Needs were integrated into the updated Customer Service Standard. The Standard sets out the fundamental principles of work. All employees of the organisation participated in the Customer Service Standard training electronically, as well as additional live trainings for employees directly serving customers of Lietuvos paštas.

PEOPLE WITH DISABILITIES TRIED OUT POSTAL JOBS

For the fourth time in 2023, we joined DUOday, an initiative where companies and organisations invite people with disabilities to try out different jobs. In June, Kaunas Vilijampolė, Kaunas 31st, Širvintos, Klaipėda 18th, Klaipėda 19th, Vilnius 61st, Vilnius 40th, Kaunas Šilainiai Parcel Centre and Marijampolė Parcel Centre invited 9 persons to shadow the work performed, who took on different roles of our colleagues. They observed the Company's work processes, performed some tasks and attended meetings.

DISABILITY AWARENESS MONTH

In September, employees were invited to further understand the challenges faced by people with disabilities and the different types of disabilities. In order to continue to improve and change, this month's aim was to raise awareness and think about actions that will make life easier for people with disabilities. The opportunity to hear presentations prepared by the Lithuanian Disability Forum, a colleague with a physical disability, the Lithuanian Deaf Association and Youth Line.

OTHER ACTIVITIES

Like every year, Lietuvos paštas has joined the information campaign "No Difference" initiated by the Department for the Affairs of People with Disabilities under the Ministry of Social Security and Labour, which encourages employers to include people with disabilities in the open labour market and to show that there is no difference between people with or without disabilities.

COOPERATION AND SUPPORT INITIATIVES

PUBLIC INITIATIVES AND COMMUNITY RELATIONS

The principles for the development of community relations are set out in the Company's Sustainable Development Policy and Code of Ethics and Conduct. The Company aims to create dialogue and direct contact with the public. As a result, operational changes [e.g. relocation or optimisation of post offices] are communicated publicly through distribution of information at post offices, meetings with local communities, and press releases.

OTHER INITIATIVES

Lietuvos paštas cooperated with the Department of Supervision of Social Services in 2023 to join the social initiative "Family Card". Family Card holders could send parcels through LP EXPRESS post offices with a 5% discount by forming parcels in the self-service system lpexpress.lt. The Company also cooperated with the Rimantas Kaukėnas Charitable Foundation. 160 donation boxes for the Rimantas Kaukėnas Charitable Foundation have been placed in post offices.

LP EXPRESS SYMBOLS OF THE CITIES

In May and June 2023, the ongoing community engagement initiative "Symbol of the City" was implemented. The initiative is being implemented in two phases: first, the communities of the 8 cities were invited to nominate symbols to represent their cities, and then to vote to decide on the symbol to be used as a decoration on the LP EXPRESS post offices in their cities. The total number of votes was over 44,000. The most voted symbols were illustrated by the famous street artists of "Gyva grafika" and decorated 21 LP EXPRESS post offices across Lithuania. The main symbols of the towns were the following: in Biržai – "Motocross", in Druskininkai – "Three Pines with Crowns", in Gargždai – "Football", in Kėdainiai – "Pedestrian Bridge", in Radviliškis – "Baisogala Manor", in Tauragė – "Tauragė Manor", in Telšiai – "Seven Hills", and in Ukmergė – "Wolf with a Girl". For more information on the progress and results of the whole initiative, see: <https://www.post.lt/miesto-simbolis>.

SUPPORTING UKRAINE DURING THE MILITARY CONFLICT

In the context of the military conflict in Ukraine, Lietuvos paštas has contributed in various ways. Donations of items donated by residents were transported to Ukraine, with a total of 100 tonnes of items, or 18 full trucks, being transported. During 2022, Lietuvos paštas issued the stamp "Ap[si]kabinti Ukrainą" dedicated to the defenders of freedom of Ukraine, which was also commemorated by a hugging campaign near the Embassy of Ukraine in support of the country attacked by the aggressor, and by the stamp "Sumestinis Bayraktaras" commemorating the civic initiative to raise support for the acquisition of a UAV for Ukraine. When the stamp appeared on the market, Lietuvos paštas and Laisvės TV initiated a campaign inviting people to use the stamp to write letters to national leaders and representatives of international institutions. The aim was to encourage them to take a more proactive role in helping Ukraine. Customers have donated half of the purchase price of the two stamps, stickers, Ukrainian flags, scarves and other items to the Blue/Yellow organisation, donating EUR 49.3 thousand in 2022. In order to continue this initiative in 2023, customers of Lietuvos paštas donated EUR 9.1 thousand to the organisation.

OPENING UP THE NETWORK TO NON-GOVERNMENTAL ORGANISATIONS

For the second year in a row, Lietuvos paštas has invited non-governmental organisations to submit proposals for their products to be sold in post offices. In 2023, Lietuvos paštas initiated partnerships with a total of 6 NGOs – Vilnius Rain Children, Blessed J. Matulaitis Social Centre, Seniors and Disabled Club "Bičiuliai", Kaunas Arka Community, Caritas of the Archdiocese of Vilnius, and Day Care Centre for Seniors and Disabled "Židinys" in Marijampolė. A variety of goods from these organisations could be found in 17 post offices across Lithuania. Among the products offered by the organisations, we chose to sell postcards, crocheted hanging toys, handmade candles and soaps, and bookmarks. Lietuvos paštas colleagues also advised the representatives of the organisations, providing them with additional knowledge on existing requirements at points of sale, packaging and other subtleties.



ECONOMIC RESPONSIBILITY

By taking economic responsibility for its activities, the Company makes decisions that not only promote financial growth and profitability, but also take into account the expectations of stakeholders and contribute to the Company's positive impact on society and the environment. The Company also implements solutions that

ensure operational efficiency and the provision of modern services to customers. The strategic directions for sustainable development in this area are the following:

- Sustainable supply chain
- Digitalisation
- Financial stability and resilience

FINANCIAL STABILITY AND RESILIENCE

Financial sustainability aims intended to ensure a break-even performance. The Company aims to achieve this by:

- growing its revenue
- changing its pricing
- making savings and cutting costs.

The Company aims to grow its revenue through the development of e-commerce solutions for the growing parcel market and by ensuring the quality customers expect. In 2023, active expansion of post offices, changes in self-service, modernisation of post offices, initiation of a geographical expansion project to Latvia and Estonia, etc.

In 2023, the Company reviewed and updated its basket of services and pricing. Rates are reviewed for business and private customers, taking into account the competitive environment and the changes it entails.

The Company manages costs through ongoing efficiency improvement initiatives by eliminating unnecessary processes and manual work, continuing to improve the efficiency of its real estate management by better adapting the space needed for the Company's operations, and leasing or selling real estate that is not required for the Company's operations. Improving IT solutions also contributes to reducing costs. Today, speed and flexibility in innovation is of the utmost importance, but Lietuvos paštas faces challenges in its IT activities, with a number of different systems developed specifically for Lietuvos paštas, which pose a higher risk of errors, as well as require expensive maintenance and high development costs.





SUSTAINABLE SUPPLY CHAIN

When carrying out procurements, Lietuvos paštas is guided by the normative legal acts applicable in this area, as well as by the recommendations of the Public Procurement Office to ensure Green Procurement. A sustainable supply chain helps the Company to reduce its environmental impact, strengthen its relationships with suppliers, increase the quality of its services, and protect against the risks of working with inappropriate and unsustainable organisations.

In 2023, the Company focused on the development of green procurement. According to the decision of the Government of the Republic of Lithuania, 50% of purchases were to be green purchases in 2022 and 100% from 2023. In 2022, the Company adopted a sustainable procurement strategy, shared practical information and organised training for colleagues who carry out procurement, and the initiatives launched in 2023 were continued. In 2023, the percentage of green procurement increased to 99% of the Company's total purchases in terms of procurement value.

	2021	2022	2023
Proportion of advertised public procurement in relation to the value of all procurements*	90,8 %	93%	97,6%
Share of green procurement as a percentage of total procurement value*	1,1 %	62%	98,9%

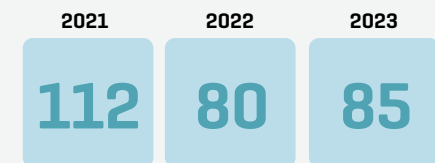
*Indicator calculated on the basis of the Public Procurement Office's data on published and unpublished procurements of AB Lietuvos paštas and the annual report data. It should be noted that the Public Procurement Office calculates the "green procurement" data on the basis of the requirements set by the Ministry of Environment and excludes low-value procurements, the contracts of which do not have to be disclosed to the public, and, accordingly, on the basis of the Public Procurement Office's calculations, the green procurement indicator of AB Lietuvos paštas is 99.7% of the total number of procurements performed, the contracts of which are subject to public disclosure.

Initiatives and practices that contribute to a sustainable supply chain:

Setting harmonised criteria. The Company's Decision Making Committee considers alternatives to the harmonised criteria when deciding whether to initiate procurement.

Counterparty risk assessment. The Company strives to hold its partners to high standards of transparency and ethical business conduct, and screens them before entering into transactions in accordance with the Counterparty Risk Assessment Procedure. In the event of any form of corruption, the Company has the right to unilaterally terminate the contract with them.

EVALUATIONS OF COUNTERPARTIES HAS BEEN CARRIED OUT



Verification of the reliability of suppliers. The Company seeks to procure goods, services and works from reliable and honest suppliers. Suppliers of all higher-value public procurement contracts (above EUR 30,000 excluding VAT) are screened for criminal records, arrears, proper performance of contracts with other organisations and other information relevant to the Company.

Supplier Code of Ethics. In 2021, the Company's Supplier Code of Ethics was adopted, which reflects the Company's ambition to have a sustainable supply chain and makes suppliers aware of the expectations placed on them in the areas of social, environmental and economic responsibility. In 2022, the Company has allocated a transitional period to acquaint suppliers with the contents of the Code of Ethics, and suppliers will be asked to sign the Code of Ethics in full from 2023.

SIGNING THE SUPPLIER CODE OF ETHICS



*The indicator is calculated without taking into account the contracts concluded through the CPO.LT catalogue and the contracts submitted by the suppliers as their own approved and unalterable templates, as AB Lietuvos paštas does not have the possibility to include the provisions on the Supplier's Code of Ethics in such contracts.

DIGITALISATION

Optimisation, automation and digitisation of operations is one of the strategic objectives of Lietuvos paštas.

During 2023, the Company continued its work on process automation, digitalisation and robotics. Robotics activity was strong in 2021 with 26 robotic processes, while in 2022 and 2023 the focus was on improving robotic processes, with new solutions making it easier to design, deploy, maintain and measure the benefits generated. 9 processes were newly robotized in 2023. The main areas of robotics were aimed to reduce administrative work, make improvements to eliminate routine work, data analytics, and improvements to customer experience.

In order to ensure a broad systemic approach to systems development, Lietuvos paštas has renewed the Business Development Committee and the decision-making process regarding systems development. This centralised decision-making system makes it possible to manage the system development needs according to the organisation's priorities, to define the boundaries between the capabilities of developers and the needs of initiators, and to better target the company's resources.

Other initiatives and achievements:

DOCUMENT MANAGEMENT SYSTEM

The Document Management System has been upgraded and is currently implementing improvements for all employees of Lietuvos paštas, increasing accessibility to the document management system and allowing faster access to documents. In addition to internal processes, it also allowed the integration of external processes, such as the integrated management and signing of external electronic documents.

MOBILE LETTER CARRIER INFORMATION SYSTEM

Improvements have been made to reduce the amount of paper used for notifications, to daily tasks and processes, and to the accuracy of data, allowing letter carriers to complete their daily tasks faster.

SELF-SERVICE CHANGES

The Company is committed to improving the customer experience and is constantly making changes to LP Express self-service, such as updating the parcel declaration form in 2023 and other improvements.

AUTOMATION OF THE PROCESSING OF EXPORT CONSIGNMENTS

The processing of export consignments has been automated at CSD in 2023. This is one of the last processes that was not automated after the implementation of the smart distribution project in 2021. The automated process allows consignments to be processed significantly faster and more efficiently.

SDS11 INITIATIVE

The declaration process has been digitised and streamlined in 2023. In the past, in the absence of the recipient's electronic contact details and the need to notify the need to declare a consignment, the Company used to print and send letters to customers. This process has been replaced by the creation of electronic tasks for letter carriers to print and drop a receipt-type information notifications in the mailbox. This has made the process of informing about consignments quicker and helps reduce paper consumption.

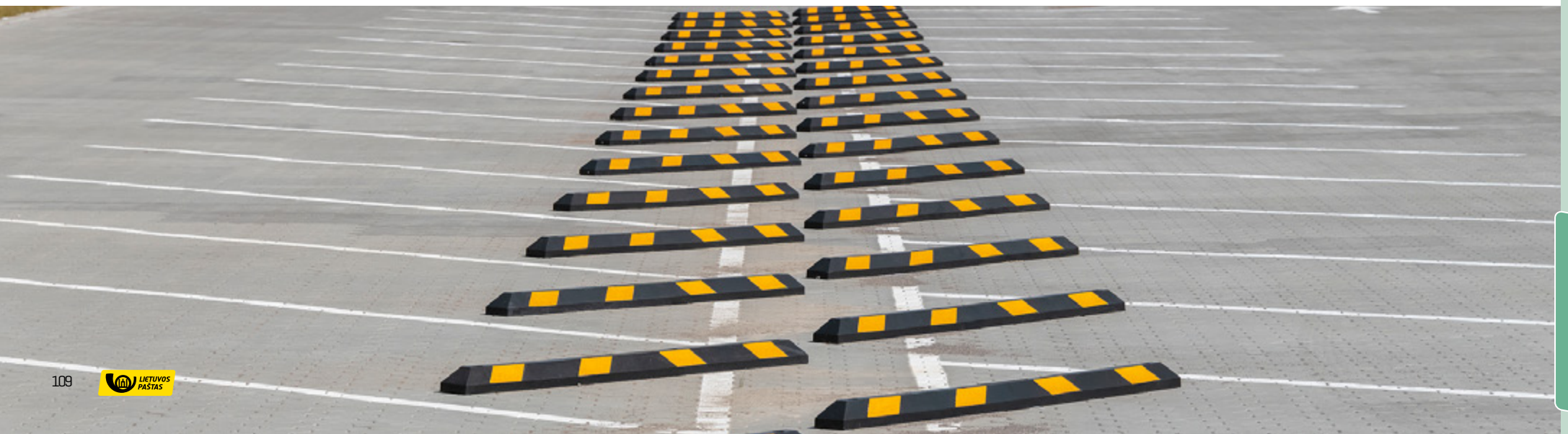
RISK MANAGEMENT

Risk management in the Company is an integral part of strategic planning and strategy implementation, developed and implemented in accordance with the recommendations of the international standard ISO 31000:2018. The Risk Management Policy, updated in 2023 and approved by the Company's Board, defines the principles of risk management, risk categories and risk appetite determination, the stages of the risk management process, participants and their responsibilities. For more information on the Company's risk management, please refer to Section 4 of the Annual Report. The main sustainability risks are listed below.

In 2023, based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and taking into account the data of the Lithuanian Hydrometeorological Service on the physical changes in the climate, the Company has described and identified the relevant physical (natural climate events, chronic effects of climate change) and transitional risks (political and regulatory, technological, market and reputational), as well as the potential opportunities and threats they may pose. For each risk, an assessment has been made of the level of materiality of the risk, which has been calculated by assessing the likelihood of

occurrence of the risk and its potential impact on the volume of activity, business continuity, taking into account the current level of adaptation, and the management measures.

Severe weather events can disrupt or slow down the Company's operations, but the impact is usually localised. A greater impact on the organisation is possible if key infrastructure that supports the entire organisation, such as critical logistics centres, headquarters, servers, is affected. Chronic climate change drivers are long term and have relatively weak and manageable impacts in the short term. Meanwhile, transitional risks may significantly affect the Company's operations. There are also significant reputational and market risk impacts on the ability to retain existing or attract new customers. As stakeholder expectations in the area of sustainability increase, it may become more complex to meet needs quickly, and rapid adaptation may require more financial resources. We have therefore added political and regulatory compliance risk and market reputational risk to the Company's Risk Register, as well as measures to mitigate these risks.



KEY ENVIRONMENTAL RISKS

RISK	DESCRIPTION	RELEVANCE	RISK MANAGEMENT MEASURES
SEVERE CLIMATE EVENTS			
<i>Floods</i>	In recent years, there has been a decrease in the likelihood of flooding due to warmer winters and an increase in the likelihood of flash floods. The geography of floods and high water refuges areas in Lithuania is localised, applying to the Kaunas and Klaipėda regions. Floods and high water refuges areas may have an impact on the physical facilities of Lietuvos paštas, in particular the logistics centres in these regions, disrupting the operation of the centres and the performance of direct work. The vehicles used by the Company are not equipped for extreme weather conditions, increasing the likelihood of accidents and injuries.	5,6	Investments in the resilience of the operational network through adaptive and preventive measures.
<i>Droughts</i>	The impact of droughts on the Company would be most pronounced in the form of a reduction in water supplies and an increase in the air temperature, which has a direct impact on employees. Company facilities that use water boreholes may be affected. In Lithuania, the number of droughts is systematically increasing, so the number of secondary effects may also be increasing.	1	
<i>Fires</i>	Due to the changing climate, the number or quantity of fires in forests, open areas and forests is influenced by reduced rainfall, droughts, other meteorological phenomena such as lightning, and, most often, human activity. The physical divisions of Lietuvos paštas are at risk of becoming the target of a spreading fire.	4	
<i>Extreme precipitation</i>	Hazardous and natural precipitation is one of the most frequently recorded natural and catastrophic meteorological phenomena, which can have an impact on the physical facilities of Lietuvos paštas, disrupting operations and causing damage to property, as well as temporary loss of the Company's ability to carry out its work directly. Weather conditions that prevent the delivery of letters and parcels may result in the interruption or suspension of Company operations. The vehicles used by the Company are not equipped for extreme weather conditions, increasing the likelihood of accidents and injuries.	4	
<i>Strong winds</i>	Increased wind speeds or the interaction of wind with other meteorological phenomena, such as wet snow, heavy rain, may cause significant damage to the Company's physical facilities or to the passability of roads and electricity supply. Disruption to the Company's core business and damage to its assets could result if the Company is no longer able to carry out its direct work.	4	

KEY ENVIRONMENTAL RISKS

RISK	DESCRIPTION	RELEVANCE	RISK MANAGEMENT MEASURES
CHRONIC EFFECTS OF CLIMATE CHANGE			
<i>Changing air temperature (heat, cold)</i>	In Lithuania, based on current data, climate cooling is unlikely, but climate warming is very likely. This may have implications for public infrastructure, such as roads in the event of extreme or prolonged fluctuations in heat or cold temperatures. Rising temperatures have a direct negative impact on employees, interfering with their direct job functions, such as the delivery of letters and parcels on foot, by car or other means of transport. The Company may consume more electricity and incur more costs to cool its premises or, conversely, to heat them.	2,2	Investments in the resilience of the operational network through adaptive and preventive measures.
<i>Changing rainfall</i>	Changing rainfall is relevant in the context of seasonality – winter or spring. However, the main impact of precipitation in Lithuania is through the prism of natural disasters. See the Section "Extreme Precipitation".	1,4	
<i>Sea level change</i>	Lithuania has recorded a sea level rise of 20 cm over the last 60 years. Water levels rise as a result of other complex phenomena, such as the formation of sinkholes and rising river levels. This risk is limited to the territory of the Klaipėda region, therefore the risk to the Company's physical infrastructure or operations may occur in the Klaipėda region.	3	
The tightening regulatory environment in Lithuania is related to international obligations such as the European Union's Green Deal.	The Company may not be able to adapt to new regulations, such as the Green Procurement Goals in Lithuania and the fleet requirements.		Investments in the resilience of the operational network through adaptive and preventive measures.
Rising prices and strong market demand for alternative sources of electricity or clean transport	The growing demand for alternative energy sources and their installation, the demand for cleaner vehicles in the business and private segments, and the rising cost of raw materials are making it significantly more difficult to switch quickly to less polluting technologies.		

KEY ENVIRONMENTAL RISKS

RISK	DESCRIPTION	RELEVANCE	RISK MANAGEMENT MEASURES
TRANSITIONAL PERIOD RISKS			
Political and regulatory environment risks	In recent years, sustainability has been increasingly regulated in various respects by both European and national authorities. Failure to comply with the legal requirements would result in financial and reputational damage to the Company. There is also a growing global and European practice of holding companies that pollute or fail to meet their commitments to reduce their climate impact legally liable.	15	As the regulatory environment tightens in the European Union, Lithuania or in relation to other obligations, track changes consistently, allow for lead times for changes, and plan the necessary resources to ensure compliance. It is also necessary to reduce GHG emissions, waste generation and optimise resource consumption. Active participation in the activities of various organisations or associations, i.e. PostEurop, UPU, the Lithuanian Responsible Business Association, etc., is also important in order to obtain timely knowledge.
Technological	Technology can change the way we do things very suddenly, and it is also related to the adaptation to climate change. Electric vehicles and alternative delivery methods are growing in the transport sector. Old generation technology solutions may become stranded assets and simply fail to perform their functions, thus not recovering the investment or becoming a net loss for the Company. Infrastructure (buildings or logistics centres) that use polluting electricity may be subject to additional charges.	4,8	

KEY ENVIRONMENTAL RISKS

RISK	DESCRIPTION	RELEVANCE	RISK MANAGEMENT MEASURES
TRANSITIONAL PERIOD RISKS			
Markets	<p>These are usually related to the demand for, supply of, or price effects of particular goods and services. For example, as the legal deadline approaches, electric vehicles may become unavailable or extremely expensive due to high demand, and the supply of renewable energy sources may grow more slowly than demand. There is increasing market uncertainty or market price fluctuations are quite difficult to predict. Insufficient changes implemented in the Company may reduce the likelihood of borrowing on good terms or may result in unfavourable loan terms. Also, with new regulation, financial sector investments can be targeted to promote environmentally friendly solutions.</p> <p>There may be a risk of supplier sustainability, where a supplier may fail to meet or comply with green procurement requirements; offer but not deliver goods or services.</p>	15	<p>The growing demand for alternative energy sources and their installation, the demand for cleaner vehicles in the business and private segments, and the rising cost of raw materials are making it significantly more difficult to switch quickly to less polluting technologies. It is also important to optimise resource consumption, develop resilience-building measures, develop strategic initiatives.</p>
Reputational	<p>An organisation's performance or lack of performance can lead to pressure from stakeholders, i.e. shareholders, the public, suppliers, customers, and may lead to a deterioration of the Company's reputation due to inappropriate or untimely actions. Consequently, if the Company's reputation is deteriorating, it may become more difficult to attract employees with the desired competences. Negative consumer perceptions may lead to a reduction in demand for the Company's services, the growth of new customer networks and the retention of existing customers.</p>	15	<p>The labour market in Lithuania is experiencing a shortage of both skilled and unskilled employees. Employee shortages may lead to disruptions in the quality of service delivery, as well as lack of substitutability and loss of skills and knowledge.</p>

KEY RISKS IN THE AREA OF SOCIAL PROTECTION

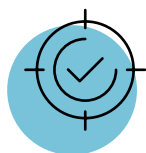
RISK	DESCRIPTION	RISK MANAGEMENT MEASURES
Accidents at work (especially for employees delivering letters and parcels)	Most of the Company's employees work in the field or in logistics, moving loads manually and driving vehicles, and are exposed to greater health risks, such as the possibility of catching a cold, overheating, or being involved in an accident, even if it is the fault of the other person involved.	Quality work tools and work equipment to help prevent or protect the employee in the event of an accident. Periodic coaching and targeted training, with process improvements where necessary.
Risks to employee attraction, development and retention	The labour market in Lithuania is experiencing a shortage of both skilled and unskilled employees. Employee shortages may lead to disruptions in the quality of service delivery, as well as lack of substitutability and loss of skills and knowledge.	The Company's employer offer and workforce management strategy, with adequate resources for employee training and skills development.
Reputational risk of cooperation with public initiatives or non-governmental organisations	Cooperation with NGOs or public initiatives may lead to significant reputational contingencies, in particular misappropriation of funds, discrediting the NGO/initiative for irregularities.	Regulated cooperation, a coherent pre-cooperation phase that identifies potential risks, clear procedures for ending cooperation.

RISK	DESCRIPTION	RISK MANAGEMENT MEASURES
Cyber, social engineering attacks, data theft, leaks	Lietuvos paštas manages a large amount of user data, which may be leaked or stolen due to human or system error. There is also a risk that the Company may be the subject of a cyber-attack as a result of increased malicious activities and propaganda.	Continuous updating of information systems, checking for known vulnerabilities, limiting critical systems, and improving the competences of responsible employees.
Risk of corrupt practices	The Company may be at risk of corruption or conflict of interest, abuse of position, undeclared conflicts of interest and gifts.	Strengthening of existing control mechanisms, anti-corruption and public-private interest alignment and control policies. Strengthening the trustline, reinforcing the internal culture of employees and the Company's Code of Ethics.

THE REPORT OF THE ALIGNMENT WITH THE EUROPEAN UNION TAXONOMY REGULATION FOR 2023

The European Union, in pursuit of the objectives of the Green Deal policy objective of promoting sustainable development in Europe based on balanced economic growth and a high level of environmental protection and improvement of the quality of the environment, has drawn up a Regulation and Delegated Acts setting out a list of environmentally friendly activities together with the criteria for the technical analysis of each of these environmental objectives. These delegated acts are abbreviated as the EU Taxonomy.

The Taxonomy aims to help companies increase investment in sustainable activities, to harmonise the definitions of which economic activities can be considered sustainable, and to help companies, investors and policy makers direct investment towards environmentally sustainable economic activities. Stages of taxonomy disclosures:



1. Identified taxonomic economic activities. The objectives of the Delegated Act on Sustainable Activities to Mitigate and Adapt to Climate Change and the Supplementary Delegated Climate Act identify the economic activities of Lietuvos paštas that fall within the areas specified in the Taxonomy.



2. Assessment of compliance with technical criteria.

a. The determination shall be made as to whether the activity makes a significant contribution to one or more of the environmental objectives of the Regulation, as defined in Article 9 of the Regulation.

b. It also assesses whether the activity does not have a significant negative impact on any of the other environmental objectives defined in Article 9 of the Regulation.



3. Verification of compliance with minimum safeguards. The analysis shall examine whether the identified economic activities are carried out in compliance with the minimum safeguards provided for in Article 18 of the Regulation.



4. Determination of compliance. If a Taxonomic activity meets the above-mentioned criteria, it is classified as a Taxonomic Economic Activity.



5. Disclosure of key financial performance indicators. The data to be reported in accordance with the requirements of the Regulation are as follows: capital expenditure (CAPEX according to the Taxonomy), operating expenditure (OPEX according to the Taxonomy) and revenue.

Article 9 of the Taxonomy Regulation provides that for environmental purposes:

- Climate change mitigation;
- Climate change adaptation;
- Sustainable use and protection of water and marine resources;
- Transition to a circular economy;
- Pollution prevention and control;
- Protection and restoration of biodiversity and ecosystems.

At the time of the preparation of the 2022 report, the Taxonomy Regulation only published Technical Criteria for mitigation and adaptation purposes. In 2023, new criteria were adopted in the Taxonomy Regulation for economic activities that can make a significant contribution to one or more non-climate-related environmental objectives, extending the list of taxonomic activities. This update did not affect the Company's list of taxonomic activities, as there were no activities corresponding to the description in the Climate Delegated Act. The first step is to assess which activities of Lietuvos paštas are listed in the Taxonomy Regulation and to further assess whether the activities meet the requirements.

- Taxonomic economic activity shall mean an activity that is included in the Delegated Acts on climate change mitigation and/or adaptation and has the potential to make a significant contribution to one of the six environmental objectives.

- Taxonomic but environmentally unsustainable activities shall mean activities that are included in the Delegated Acts, but the company's activities do not meet the established criteria.

- Non-taxonomic economic activity shall mean an activity that is not included in the Taxonomy Delegated Act.

Following the examination of the Delegated Acts, Lietuvos paštas shall carry out the following taxonomic economic activities in order to achieve the objectives of climate change mitigation and adaptation (the information is presented in the table):

LIST OF TAXONOMIC ECONOMIC ACTIVITIES

Activities covered by delegated acts	Taxonomy code	Nace code	Description of activities for the climate change mitigation objective	Description of activities for the climate change adaptation objective	Activities of Lietuvos paštas
Acquisition and ownership of buildings	7.7	L68 – Real estate activities	Buying and selling of own real estate.	Buying and selling of own real estate.	Premises and buildings owned by the company.
Road freight transport services	6.6	H49.4.1 – Freight transport by road, H53.10 – Postal activities under universal service obligation, H53.20 – Other postal and courier activities and N77.12 – Renting and leasing of trucks	The purchase, financing, leasing, renting and operation of vehicles of categories N1, N2 or N3 subject to the requirements of Stage E of EURO 6 or later for the purpose of providing road freight transport services.	The purchase, financing, leasing, renting and operation of vehicles of categories N1, N2 or N3 subject to the requirements of EURO Stage 6 or later for the purpose of providing road freight transport services.	Letter and parcel delivery.
Operation of personal mobility equipment, bicycle logistics	6.4	N77.11 – Renting and leasing of cars and light motor vehicles, N77.21 – Renting and leasing of personal and household goods	The sale, purchase, financing, leasing, renting, hiring and operation of personal mobility or transport equipment, where the propulsion power is derived from the user's physical activity, from a zero-emission engine or from a combination of a zero-emission engine and physical activity. This includes the provision of bicycle freight services.	The sale, purchase, financing, leasing, renting, hiring and operation of personal mobility or transport equipment, where the propulsion power is derived from the user's physical activity, from a zero-emission engine or from a combination of a zero-emission engine and physical activity. This includes the provision of bicycle freight services.	Letter and parcel delivery.
Carriage by motorcycles, passenger cars and light commercial vehicles	6.5	H49.39 – Other passenger land transport n.e.c. and N77.11 – Renting and leasing of cars and light motor vehicles	The purchase, financing, renting, leasing and operation of vehicles in categories M1, N1 covered by Regulation (EC) No. 715/2007 of the European Parliament and of the Council, or vehicles in category L [two- and three-wheelers and quadricycles].	The purchase, financing, renting, leasing and operation of vehicles in categories M1, N1 covered by Regulation (EC) No. 715/2007 or category L [two- and three-wheelers and quadricycles].	Letter and parcel delivery.

TAXONOMY COMPLIANCE ASSESSMENT

Having identified the economic activities carried out by Lietuvos paštas that are covered by the Taxonomy Regulation, an assessment of whether the activities comply with the technical requirements, i.e. the criteria of a significant contribution to climate change and climate change adaptation, as well as an assessment of whether there is any significant harm to other environmental objectives is carried out.

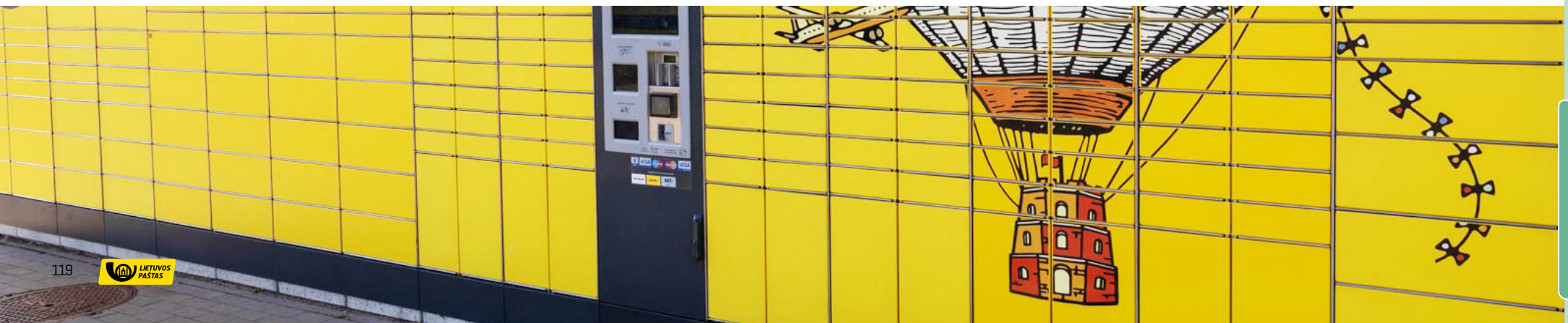
The requirements of the “mitigation of climate change” objective specify that economic activities must make a significant contribution to the stabilisation of greenhouse gas emissions, either by reducing emissions or by improving the re-

moval of greenhouse gases. The “Adaptation to climate change” objective includes requirements to make a substantial contribution to reducing adverse impacts on current and future projected climate, or to contribute significantly to reducing the risk of such adverse impacts. The Company’s activities have a direct impact on climate change – transport services generate greenhouse gases and waste, but by adapting its processes and delivery channels for letters and parcels, Lietuvos paštas is helping senders and recipients leave a smaller footprint.

The following information shows how the activity meets the technical analysis criteria defined in the Taxonomy in terms of mitigation and adaptation to climate change.

Taxonomy economic activity	Climate change mitigation	Adaptation to climate change
Acquisition and ownership of buildings	Due to the specific nature of its operations, Lietuvos paštas owns a large number of real estate objects – some of them are owned by the Company and others are leased. Lietuvos paštas consistently aims to reduce its impact on the climate and greenhouse gas emissions through the optimisation of its managed network and the relocation to more energy-efficient premises. An analysis of the buildings and premises owned or used by the Company for its operations showed that they do not meet the high energy efficiency class set out in the significant contribution criteria.	<p>The operations of Lietuvos paštas depend to a large extent on physical locations and the activities carried out there; therefore, an assessment of physical climate risks was carried out. The physical locations are influenced by hydro-meteorological events, but due to risk management measures [e.g. fire protection systems, regular inspections, technical parameters], the level of risk is relatively low and no significant risks have been identified.</p> <p>The Company is continuously improving its facilities to make them more energy efficient, and green energy is used in its directly managed buildings.</p> <p>The Company’s buildings are not used for the storage or transport of fossil fuels or fossil fuel products, but do not meet the energy class requirements of the criteria for not causing significant harm.</p>
Road freight transport services	<p>In 2023, Lietuvos paštas used a variety of owned and leased vehicles, which can be classified as M1, N1, N2 and N3 vehicles.</p> <p>The Company’s vehicles are not used to transport fossil fuels. The Company does not use zero-emission vehicles in its operations and has not achieved the CO2 emission criteria provided in the taxonomy’s significant contribution criteria in 2023.</p> <p>In assessing its fleet, the Company referred to the “No Significant Harm Criteria” for this activity, which address the recyclability or reusability of vehicles in the context of the Circular Economy, and the quiet running criteria for tyres in the context of Pollution Prevention. The Company will use the criteria listed above when planning future acquisitions of new vehicles.</p>	<p>The Company has carried out an assessment of the physical risks of climate change. Road freight transport is affected by geological or hydrometeorological phenomena, but no significant risks have been identified for this economic activity.</p> <p>The Company has not achieved the CO2 emission targets for 2023 in the Taxonomy’s significant contribution criteria and does not meet the criteria for tyres. At the moment, the possibilities to electrify heavy transport are rather limited, which is why the Company is focusing on route optimisation options.</p> <p>The Company’s transport is not used to transport fossil fuels, but taken as a whole, through the criteria of “do no significant harm” in the circular economy and pollution prevention, it does not comply with the requirements of the Taxonomy.</p>

Operation of personal mobility equipment, bicycle logistics	<p>Some of the letter and parcel delivery services of Lietuvos paštas are provided through the movement of letter carriers without vehicles or through the use of two-wheeled vehicles. In terms of the significant contribution criteria, this activity fulfils the requirements, i.e.:</p> <ul style="list-style-type: none"> - The installations are powered by personal physical activity, by a zero-emission engine or by a combination of a zero-emission engine and physical activity. - Movement on pedestrian or cycle paths is allowed. <p>These activities comply with the requirements of the Taxonomy Regulation.</p>	<p>In the Company's operations, especially in major cities, letter carriers deliver letters, parcels and correspondence on foot or by bicycle. These activities are particularly influenced by climatic phenomena, in particular the effects of climate change in terms of heat and hydrometeorological effects.</p> <p>The Company uses electric bicycles in its operations and ensures proper recycling or disposal of parts through contractual obligations.</p> <p>These activities comply with the requirements of the Taxonomy Regulation.</p>
Carriage by motorcycles, passenger cars and light commercial vehicles	<p>In 2023, Lietuvos paštas used a variety of owned and leased vehicles, which can be classified as M1 and N1 transport categories.</p> <p>The Company is continuously renewing the fleet it manages and a decision was taken to replace the Company cars in 2021, the vast majority of which were replaced in 2022, with cars continuing to be provided in 2023. The Company does not use zero-emission vehicles in its operations, and although it has replaced a significant proportion of its transport with less polluting vehicles, it has not achieved the CO2 emission criteria in accordance with the Taxonomy's significant contribution criteria in 2023.</p> <p>In assessing its fleet, the Company referred to the "No Significant Harm Criteria" for this activity, which address the recyclability or reusability of vehicles in the context of the Circular Economy, and the quiet running criteria for tyres in the context of Pollution Prevention. The Company will use the criteria listed above when planning future acquisitions of new vehicles.</p>	<p>The Company carried out the motorisation of letter carriers to ensure the availability of the universal postal service, a process which also contributed significantly to the optimisation of resources. In the assessment of physical climate change risks, transport is affected by geological or hydrometeorological events, but no significant risks were identified for this economic activity.</p> <p>The Company has not achieved the CO2 emission targets for 2023 set out in the Taxonomy's significant contribution criteria and does not meet the quiet running criteria for tyres.</p>



MINIMUM SAFEGUARDS

The Company carries out its activities in compliance with the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights. Lietuvos paštas is a member of the United Nations Global Compact and regularly submits reports based on the Compact principles. The Company's employees are guided by a Code of Conduct and suppliers are required to commit to the Supplier Code of Conduct. Companies are also guided by policies,

i.e. Equal Opportunities, Personal Data Protection, Anti-Corruption, Remuneration, Quality, and others, outlining specific guarantee commitments.

The public policies of Lietuvos paštas are available on the website www.post.lt, and for more information on the applicable policies, see Section 2.5.

REVENUE UNDER THE EU TAXONOMY REGULATION

Definition of revenue

In 2023, Lietuvos paštas earned revenues from the provision of postal services (universal postal service obligation, commercial and ancillary postal services), financial and retail services, as well as from other sources, such as the sale of immovable property that is no longer in use. The Company's disclosures are based on the audited financial statements for 2023. For the economic activities identified in the European Union Taxonomy Regulation, revenues (A.1. qualifying and

A.2. non-qualifying) are attributed either directly or, where direct attribution is not possible, on a pro rata basis. Revenue from activities not classified as taxonomic economic activities is reflected in the non-taxonomic activities line in Part B.

Data

The revenue of Lietuvos paštas in 2023 amounted to EUR 110.5 million, of which 0.1% or EUR 0.16 million is generated from deliveries by means of personal mobility devices and bicycles, and therefore complies with the environmental requirements of the Taxonomy, and can be classified as part A.1. The majority of the revenue, 91.0% or EUR 100.6 million, is derived from taxonomic but non-compliant activities and is classified under Part A.2. In this part, revenue is derived from

"Carriage by motorcycles, passenger cars and light commercial vehicles", "Road freight transport services", followed by the universal postal service under the economic activity codes, and "Acquisition and ownership of buildings". The remainder does not fall under the umbrella of taxonomic activities and accounts for 8.8% or EUR 9.7 million in revenue and is classified under Part B.

Economic activity	Code(s)	Absolute turnover in 2023, Million EUR	Percentage of turnover	Significant contribution criteria		“Do no significant harm” criteria						Minimum safeguards	Percentage of taxonomy-compliant turnover, 2023	Percentage of taxonomy-compliant turnover, 2022	Category (enabling activities)	Category (transition activities)
				Climate change mitigation	Adaptation to climate change	Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution prevention	Biodiversity and ecosystems					
			%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	%	E	T
A. TAXONOMIC ACTIVITIES			87													
A.1. Environmentally sustainable activities (eligible)																
6.4. Operation of personal mobility equipment, bicycle logistics	N77.11, N77.21	0,163	0,1	100	100	Yes	Yes		Yes	Yes		Yes	0,1	0,4		
Revenue from environmentally sustainable (compliant) activities A.1.		0,163	0,1										0,1	0,4		
A.2. Taxonomic but environmentally unsustainable activities (non-criteria economic activities)																
6.5. Carriage by motorcycles, passenger cars and light commercial vehicles	H49.39, N77.11	7,987	7,2										7,2	7,9		T
6.6. Road freight transport services	H49.4.1, H53.10, N77.12	89,853	81,3										81,3	73,8		T
7.7. Acquisition and ownership of buildings	L68	2,791	2,5										2,5	5,0		
Revenue from taxonomic but environmentally unsustainable activities (revenue from taxonomic activities not meeting the criteria) (A.2.)		100,631	91,0										91,0	86,7		
Total (A.1.+A.2.)		100,794	91,2										91,2	87,0		
B. NON-TAXONOMIC ACTIVITIES																
Non-taxonomic revenue (B)		9,734	8,8										8,8	13,0		
Total (A+B)		110,528	100										100	100		

CAPITAL EXPENDITURE UNDER THE EU TAXONOMY REGULATION (CAPEX)

Definition of capital expenditure

The capital expenditure of Lietuvos paštas in 2023 amounted to EUR 6.4 million, most of which was investments in tangible assets, i.e. equipment and premises, while investments in intangible assets related to software upgrades. Capital expenditure has been allocated to economic activities directly and proportionately on a volume basis where no other allocation is possible.

Data

Capital expenditure allocated to taxonomy-eligible activities represents 0.1% of capital expenditure. The rest of the capital expenditure is allocated to activities that fall below the taxonomic activities but do not meet their requirements, i.e. investments in tangible and intangible assets. The other activities in Part B are not allocated a share of the investment as all capital expenditure relates to the postal activities and is allocated to the economic activities.



Economic activity	Code(s)	Absolute turnover in 2023, Million EUR	Percentage of turnover	Significant contribution criteria		“Do no significant harm” criteria						Minimum safeguards	Percentage of taxonomy-compliant turnover, 2023	Percentage of taxonomy-compliant turnover, 2022	Category (enabling activities)	Category (transition activities)
				Climate change mitigation	Adaptation to climate change	Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution prevention	Biodiversity and ecosystems					
			%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	%	E	T
A. TAXONOMIC ACTIVITIES			87													
A.1. Aplinkos atžvilgiu tvarki veikla (kriterijus atitinkanti)																
6.4. Operation of personal mobility equipment, bicycle logistics	N77.11, N77.21	0,006	0,1	100	100	Yes	Yes		Yes	Yes		Yes	0,1	0,2		
CAPEX of environmentally sustainable activities (meeting the criteria) according to Taxonomy A.1.		0,006	0,1										0,1	0,2		
A.2. Taxonomic but environmentally unsustainable activities (non-criteria economic activities)																
6.5. Carriage by motorcycles, passenger cars and light commercial vehicles	H49.39, N77.11	0,159	2,5										2,5	3,3		T
6.6. Road freight transport services	H49.4.1, H53.1, N77.12	5,795	90,2										90,2	88,0		T
7.7. Acquisition and ownership of buildings	L68	0,467	7,3										7,3	8,4		
CAPEX of taxonomic but environmentally unsustainable activities (taxonomic activities not meeting the criteria) according to the Taxonomy (A.2.)		6,421	99.9										99.9	99.8		
Total (A.1.+A.2.)		6,427	100										100	100		
B. NON-TAXONOMIC ACTIVITIES																
CAPEX of non-taxonomic activities in accordance with Taxonomy (B)		0	0										0	0		
Total (A+B)		6,427	100%										100	100		

OPERATING EXPENDITURE UNDER THE EU TAXONOMY REGULATION (OPEX)

Definition of operating expenditure

The costs of Lietuvos paštas amounted to EUR 104.5 million, related to the day-to-day running of the business, such as maintenance of premises and transport, repairs and maintenance costs, servicing and others. Operating expenditure has been allocated to economic activities directly and proportionately on the basis of quantities where no other allocation is possible.

Data

Taxonomy-compliant activity A.1. accounted for 0.2% or EUR 227 thousand of the costs, mainly related to bicycle repairs and depreciation costs. The activities classified under A.2 "Carriage by motorcycles, passenger cars and light commercial vehicles", "Road freight transport services", followed by the universal postal service according to the economic activity codes, and "Acquisition and ownership of buildings" accounted for 89.9% of the costs, or EUR 93.9 million. The remaining 10.1% or EUR 10.5 million is attributable to non-taxonomic activities.



Economic activity	Code(s)	Absolute turnover in 2023, Million EUR	Percentage of turnover	Significant contribution criteria		“Do no significant harm” criteria						Minimum safeguards	Percentage of taxonomy- compliant turnover, 2023	Percentage of taxonomy- compliant turnover, 2022	Category (enabling activities)	Category (transition activities)
				Climate change mitigation	Adaptation to climate change	Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution prevention	Biodiversity and ecosystems					
			%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	%	E	T
A. TAXONOMIC ACTIVITIES			93													
A.1. Environmentally sustainable activities (eligible)																
6.4. Operation of personal mobility equipment, bicycle logistics	N77.11, N77.21	0,227	0,2	100	100	Yes	Yes		Yes	Yes		Yes	0,2	0,5		
OPEX of environmentally sustainable activities (meeting the criteria) according to Taxonomy A.1.		0,227	0,2										0,2	0,5		
A.2. Taxonomic but environmentally unsustainable activities (non-criteria economic activities)																
6.5. Carriage by motorcycles, passenger cars and light commercial vehicles	H49.39, N77.11	6,715	6,4										6,4	9,1		T
6.6. Road freight transport services	H49.4.1, H53.10, N77.12	83,174	79,6										79,6	77,6		T
7.7. Acquisition and ownership of buildings	L68	3,822	3,7										3,7	5,3		
OPEX of taxonomic but environmentally unsustainable activities (taxonomic activities not meeting the criteria) according to the Taxonomy (A.2.)		93,712	89,7										89,7	92,0		
Total (A.1.+A.2.)		93,938	89,9										89,9	92,5		
B. NON-TAXONOMIC ACTIVITIES																
OPEX of non-taxonomic activities in accordance with Taxonomy (B)		10,540	10,1										10,1	7,5		
Total (A+B)		104,478	100%										100	100		

SKAIDRUMO GAIRIŲ NUOSTATŲ LAIKYMASIS

ITEM OF THE DESCRIPTION OF THE GUIDELINES FOR ENSURING THE TRANSPARENCY OF THE ACTIVITIES OF STATE-OWNED ENTERPRISES [ACCORDING TO THE VERSION OF 30TH OF APRIL 2021]	DISCLOSURE	EXPLANATION
Chapter II. Disclosure of state-owned enterprise information		
5. The following data and information must be published on the website of the state-owned enterprise:		
5.1. name;	Yes	Information is published on www.post.lt
5.2. code and register where data about the company is collected and stored;	Yes	
5.3. registered office (address);	Yes	
5.4. legal status, if the state-owned enterprise is being restructured, reorganized (indicate the method of reorganization), liquidated, bankrupt or bankrupted;	Yes	
5.5. the name of the institution representing the state and a link to its website;	Yes	
5.6. operational objectives, vision and mission;	Yes	
5.7. structure;	Yes	
5.8. data of the executive officer;	Yes	
5.9. data of the chairman and members of the board, if the board is formed according to the articles of association;	Yes	
5.10. data of the chairman and members of the supervisory board, if a supervisory board is formed according to the statutes;	Irrelevant	
5.11. names of committees, data of their chairpersons and members, if committees are formed;	Yes	

ITEM OF THE DESCRIPTION OF THE GUIDELINES FOR ENSURING THE TRANSPARENCY OF THE ACTIVITIES OF STATE-OWNED ENTERPRISES [ACCORDING TO THE VERSION OF 30TH OF APRIL 2021]	DISCLOSURE	EXPLANATION
5.12. the sum of the nominal values of shares owned by the state [in euro to the nearest euro cent] and the share [percentage] in the authorized capital of the state-owned company;	Yes	Information is published on www.post.lt
5.13. special obligations implemented, which are determined according to the recommendations approved by the Minister of Economy and Innovation of the Republic of Lithuania: must be indicated the purpose of the special obligations, the state budget allocations allocated for their implementation in the current calendar year and the legal acts by which the state-controlled enterprise is entrusted with the implementation of the special obligation, determined conditions for the implementation of the special obligation and [or] regulated pricing;	Yes	
5.14. information about social responsibility initiatives and measures, important ongoing or planned investment projects.	Yes	
6. In order to publicize the professionalism of the management and supervisory bodies established in state-owned enterprises, as well as the committee members, the following data of the persons specified in sub-clauses 5.8-5.11 of the Description must be published: name, surname, date of commencement of current positions, other current management positions in other legal entities, education, qualification, professional experience. If the person specified in sub-clauses 5.9-5.11 of the Description is elected or appointed as an independent member, this must be additionally indicated in addition to his data.	Yes	
7. The following documents must be published on the website of the state-owned enterprise:		
7.1. articles of association;	Yes	
7.2. a letter from the institution representing the state regarding the establishment of the state's goals and expectations in the state-owned enterprise;	Yes	
7.3. operational strategy or its summary in cases where the operational strategy contains confidential information or information that is considered to be a commercial [production] secret;	Yes	
7.4. a document establishing the remuneration policy, which includes the determination of the remuneration of the executive officer of the state-owned enterprise and the remuneration of the members of the collegial bodies and committees formed in the state-owned enterprise, described in more detail in the Code of Corporate Governance;	Yes	
7.5. annual and interim reports of a state-owned company, annual and interim activity reports of a state-owned enterprise for a period of at least 5 years;	Yes	
7.6. sets of annual and interim financial statements for a period of at least 5 years and the findings of the auditor regarding the annual financial statements.	Yes	

ITEM OF THE DESCRIPTION OF THE GUIDELINES FOR ENSURING THE TRANSPARENCY OF THE ACTIVITIES OF STATE-OWNED ENTERPRISES [ACCORDING TO THE VERSION OF 30TH OF APRIL 2021]	DISCLOSURE	EXPLANATION
8. If the state-owned company is the parent company, the structure of the group of enterprises must be published on its website, as well as the data of subsidiaries and subsequent subsidiary companies specified in sub-clauses 5.1-5.3 of the Description, website addresses, the share of shares owned by the parent company (in percentage) in their authorized capital, as well as annual consolidated financial statements and consolidated annual reports.	Yes	Information is published on www.post.lt
9. If the state-owned company is a participant of legal entities other than those specified in clause 8 of the Description, the data specified in sub-clauses 5.1-5.3 of the Description of those legal entities and their website addresses must be published on its website.	Irrelevant	
91. If the company is a subsidiary company of a state-owned company or a subsidiary company of a subsequent rank, the data specified in sub-clauses 5.1-5.3 of the Description of the parent company and a link to the website of the parent company must be published on the website.	Irrelevant	
10. If the data, information and documents specified in clauses 5 and 6, sub-clauses 7.1-7.4, clauses 8, 9 and 1 of the Description have changed or been published as incorrect, they must be changed immediately on the website as well.	Yes	Changed information and documents are updated immediately
11. The set of annual financial reports of the state-owned enterprise, the annual report of the state-owned company, the annual activity report of the state-owned enterprise, as well as the findings of the auditor regarding the annual financial statements of the state-owned enterprise must be published on the website of the state-owned enterprise within 10 business days from the approval of the set of annual financial statements of the state-owned enterprise.	Yes	Documents are published on the website within a set time-limit
12. The sets of interim financial statements of the state-owned enterprise, interim reports of the state-owned company and interim activity reports of the state-owned enterprise must be published on the website of the state-owned enterprise no later than 2 months after the end of the reporting period.	Yes	Documents are published on the website within a set time-limit
13. The documents specified in clause 7 of the Description must be published in PDF format and technical possibilities must be created to print them.	Yes	PDF documents are published
Chapter III Preparation of sets of financial statements, reports and activity reports		
14. State-owned enterprises manage their accounting in such a way as to ensure the preparation of financial statements in accordance with international accounting standards.	Yes	The Company handles accounting in accordance with IFRS
15. In addition to the set of annual financial statements, a state-owned company prepares a set of 6-month interim financial statements, and a state-owned enterprise prepares sets of 3, 6 and 9-month interim financial statements.	Yes	The Company prepares interim financial statements for a period of 6 months

ITEM OF THE DESCRIPTION OF THE GUIDELINES FOR ENSURING THE TRANSPARENCY OF THE ACTIVITIES OF STATE-OWNED ENTERPRISES [ACCORDING TO THE VERSION OF 30TH OF APRIL 2021]	DISCLOSURE	EXPLANATION
16. A state-owned company classified as a public interest enterprise according to the Law on the Audit of Financial Statements of the Republic of Lithuania, in addition to the annual report, additionally prepares a 6-month interim report. A state enterprise classified as a public interest enterprise according to the Law on the Audit of Financial Statements of the Republic of Lithuania, in addition to the annual activity report, additionally prepares a 6-month interim activity report.	Yes	The Company prepares an interim report for a period of 6 months
17. In the annual report of a state-owned company or the annual activity report of a state-owned enterprise, in addition to the content requirements provided for in the Law on Financial Reporting of Companies of the Republic of Lithuania or the Law on State and Municipal Enterprises of the Republic of Lithuania, the following information must be provided:		
17.1. a brief description of the state-owned enterprise's business model;	Yes	Information provided in the annual report
17.2. information about important events that took place during and after the financial year (before the preparation of the annual report or the annual activity report) and that were of fundamental importance to the activities of the state-owned enterprise;	Yes	
17.3. the results of the implementation of the goals provided for in the strategy of the state-owned enterprise;	Yes	
17.4. indicators of profitability, liquidity, asset turnover, debt;	Yes	
17.5. performance of special obligations;	Yes	
17.6. implementation of the investment policy, ongoing and planned investment projects as well as investments during the reporting year;	Yes	
17.7. implementation of the risk management policy applied in the state-owned enterprise;	Yes	
17.8. implementation of dividend policy in state-owned companies;	Yes	
17.9. implementation of remuneration policy;	Yes	
17.10. total annual remuneration fund, average monthly remuneration according to current position and/or units;	Yes	
17.11. information on compliance with the provisions of Chapters II and III of the Description: it shall be indicated how they are implemented, which provisions are not complied with, and an explanation is given as to why.	Yes	

ITEM OF THE DESCRIPTION OF THE GUIDELINES FOR ENSURING THE TRANSPARENCY OF THE ACTIVITIES OF STATE-OWNED ENTERPRISES [ACCORDING TO THE VERSION OF 30TH OF APRIL 2021]	DISCLOSURE	EXPLANATION
18. State-owned companies and state enterprises, which are not required to prepare a social responsibility report, it is recommended to provide information related to environmental, social and personnel, human rights, anti-corruption and bribery issues in the annual report or annual activity report, respectively.	Yes	The Company prepares a Sustainable Development Report [integrated into the annual report]
19. If the information specified in clause 17 of the Description is considered a commercial [production] secret or confidential information of the state-owned enterprise, the state-owned Company may not disclose such information, however, the state-owned company's annual report or the state-owned company's annual activity report must indicate that this information is not disclosed, and the reason for non-disclosure is given.	Yes	Information provided in the annual report
20. The annual report of a state-owned company or the annual activity report of a state-owned enterprise may contain other information not specified in this Description.	Yes	The annual report contains other information as well
21. A state-owned company, which is a parent company, in its consolidated annual report, and if it is not required by law to prepare a consolidated annual report, in its annual report presents the structure of the group of enterprises, as well as the data, specified in sub-clauses 5.1-5.3 of the Description, of each subsidiary company and subsequent subsidiary companies, share of owned shares [percentage] in the authorized capital of the subsidiary Company, financial and non-financial performance results of the financial year. If a state-owned company, which is the parent Company, prepares a consolidated annual report, it prepares consolidated annual report, the requirements of clause 17 of the Description shall apply mutatis mutandis.	Yes	Information provided in the annual report
22. The state-owned company's interim report or state-owned enterprise's interim activity report contains a brief description of the state-owned enterprise's business model, analysis of the financial performance of the reporting period, information on important events that occurred during the reporting period, as well as indicators of profitability, liquidity, asset turnover, debt and their changes compared to the corresponding period of the previous year.	Yes	Information provided in the annual report

ANTI-CORRUPTION AND TRANSPARENCY

Honest, transparent and high-standard behaviour is an integral part of the Company's business. The Company's corporate governance is based on high standards of transparency and promotes responsible, open and ethical market conduct. The Company contributes to improving the reputation of State-owned enterprises and is guided by the principle of Zero Tolerance to Corruption and Zero Liability. Commitments relating to anti-corruption are set out in the Company's publicly available Anti-Corruption Policy.

The Company strives to comply with the Anti-Corruption Management System standard, shareholder expectations and to become an example for others in terms of creating an anti-corruption culture, therefore, every year it not only introduces new anti-corruption measures, strengthens and improves the existing ones, but also engages in various initiatives. The Company has joined the initiative "Integrity Academy" initiated by the President of the Republic of Lithuania and organised by the Special Investigation Service, and in 2023 the Company actively participated in the Academy's activities – took part in discussions, prepared reports, shared targeted experience with colleagues from other institutions, and received the President's commendation for its active participation.



DIRECTIONS OF ETHICS AND ANTI-CORRUPTION

The Company has adopted a Code of Ethics and Conduct to ensure the highest standards of transparency for employees and business partners.

The key actors in the development and implementation of the Anti-Corruption Management System are the Company's Board, the Audit and Risk Management Committee, the Company's General Manager, the Safety and Prevention Department and the employee performing the anti-corruption compliance function, as well as managers of other functions and areas.

The following are the main strategic documents needed to create a corruption-proof environment: the Anti-Corruption Policy and the Anti-Corruption Prevention Action Plan, which set out the directions, objectives, targets, indicators to be achieved and the main actions.

In 2023, the Company, in accordance with the new Law on Prevention of Corruption, prepared and approved a new Corruption Prevention Action Plan for the period 2023-2024. The focus on the prevention of corruption has remained unchanged, but the evaluation criteria and targets have been reviewed and modified:

SM DIRECTIONS	ANTI-CORRUPTION TASKS OF THE COMPANY	EVALUATION CRITERION	2022 (REFERENCE POINT)	2024 (TARGET)	2023 RESULT
Increase transparency, publicity and trust in decisions and procedures	Enhance transparency and openness to customers, the public and other stakeholders	Residents who think the Company is very corrupt ^[1]	7 % ^[2]	5 %	n. d. ^[3]
				75 %	73 %
Create a corruption-resistant environment, raise anti-corruption awareness among employees, promote intolerance of corruption	Raise employee anti-corruption awareness by maintaining a high level of intolerance of unfair behaviour	Employees aware of the Company's corruption prevention measures	70 %	≥8 ^[4]	n. d. ^[5]
		Level of resistance to corruption	n. d.		
		Governance transparency assessment ^[6]	A+	A+	A+
Establish an appropriate and effective mechanism for organising, implementing, monitoring and controlling the creation of a corruption-proof environment Ensure corruption risks are identified and managed	Continuous improvement of processes to support the anti-corruption management system and other company processes where there is a high likelihood of corruption through a preventive approach to corruption risks	Employees who agree with the statement – "If a case of possible corruption were to come to light, it would be properly investigated and evaluated by the Company"	92 %	95 %	95 %

[1] Data from the SIS Corruption Map of Lithuania.

[2] Data from the 2021 SIS Corruption Map of Lithuania.

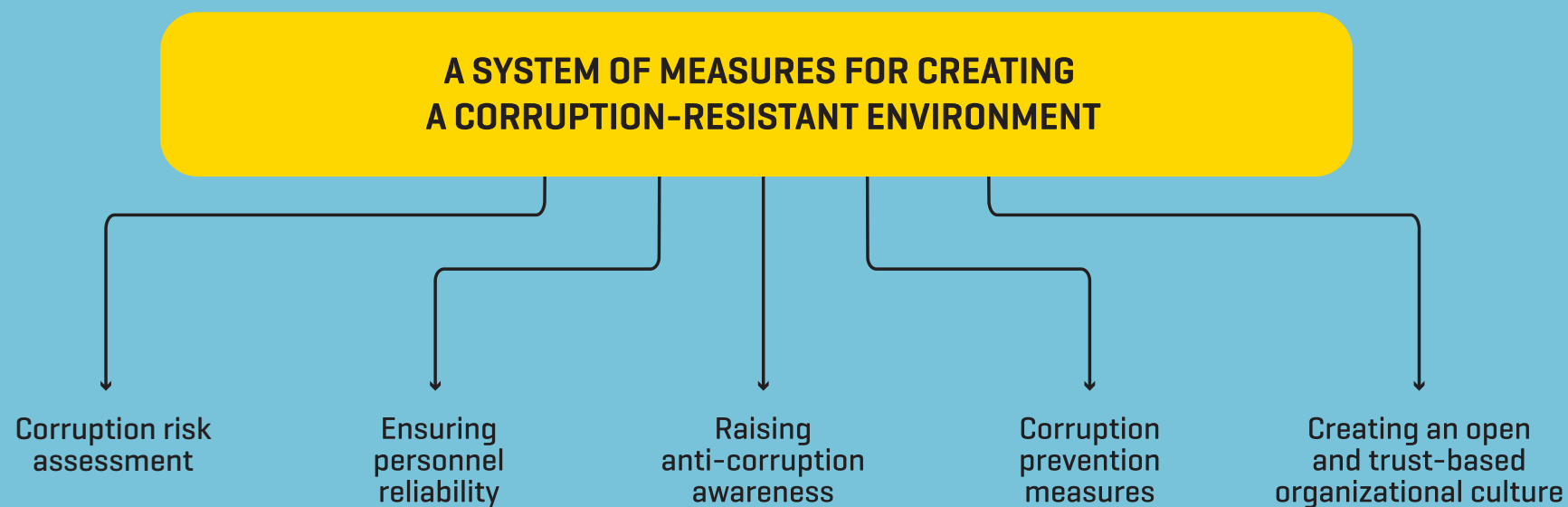
[3] The data from the 2023 SIS Corruption Map of Lithuania has not yet been published.

[4] Calculated on the basis of the SIS Methodology for Assessing the Implementation of Corruption Resilience Requirements in Public Sector Undertakings.

[5] The Methodology for Assessing the Implementation of Corruption Resilience Requirements in Public Sector Undertakings has not yet been approved by the SIS.

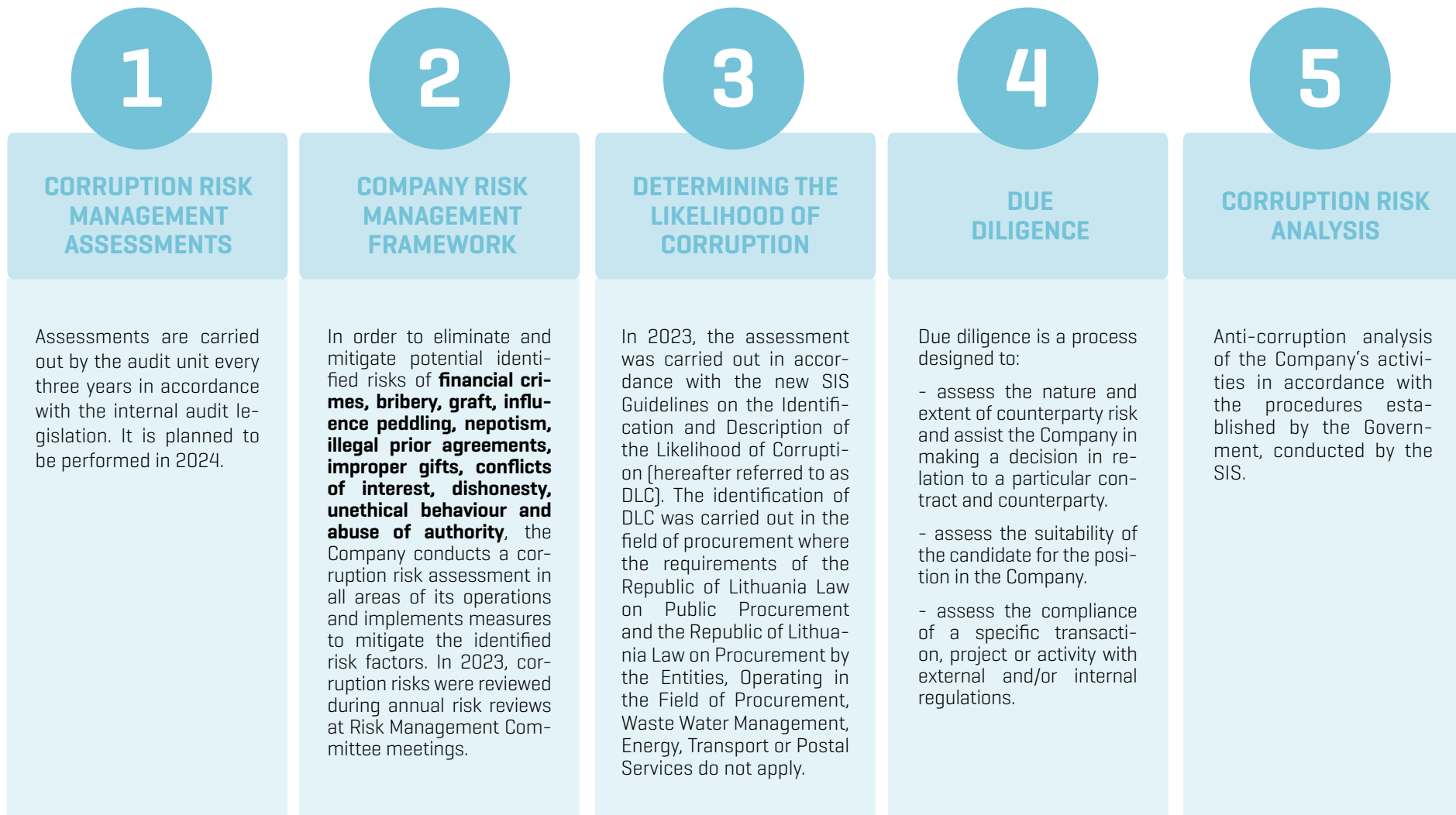
[6] GCC assessment data.

A FRAMEWORK OF MEASURES TO CREATE A CORRUPTION-PROOF ENVIRONMENT



CORRUPTION RISK ASSESSMENT

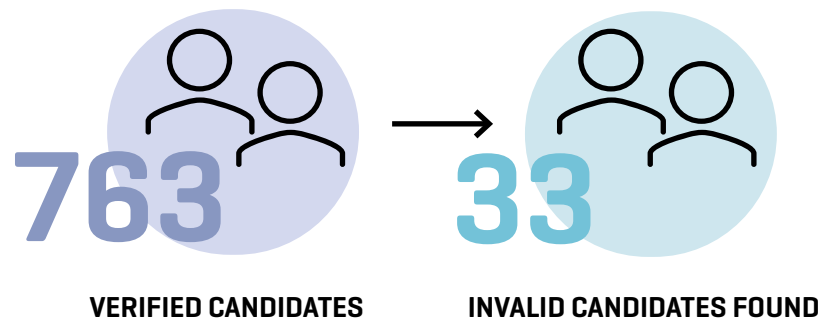
Corruption risk management is carried out in line with the requirements of the International Anti-Corruption Management System Standard and legislation. Corruption risk assessment is carried out on several fronts.



EMPLOYEE SCREENING

The purpose of the screening process is to ensure that the Company recruits and employs persons of good repute who meet the requirements set by the Company and the Company's legal requirements, in order to avoid the risk of financial, legal or reputational damage and the risk of conflicts of interest between the public and the private sector, which could arise from the recruitment of a person who has given false information about himself/herself and/or does not comply with the Company's requirements set by the Company and the Company's legal requirements.

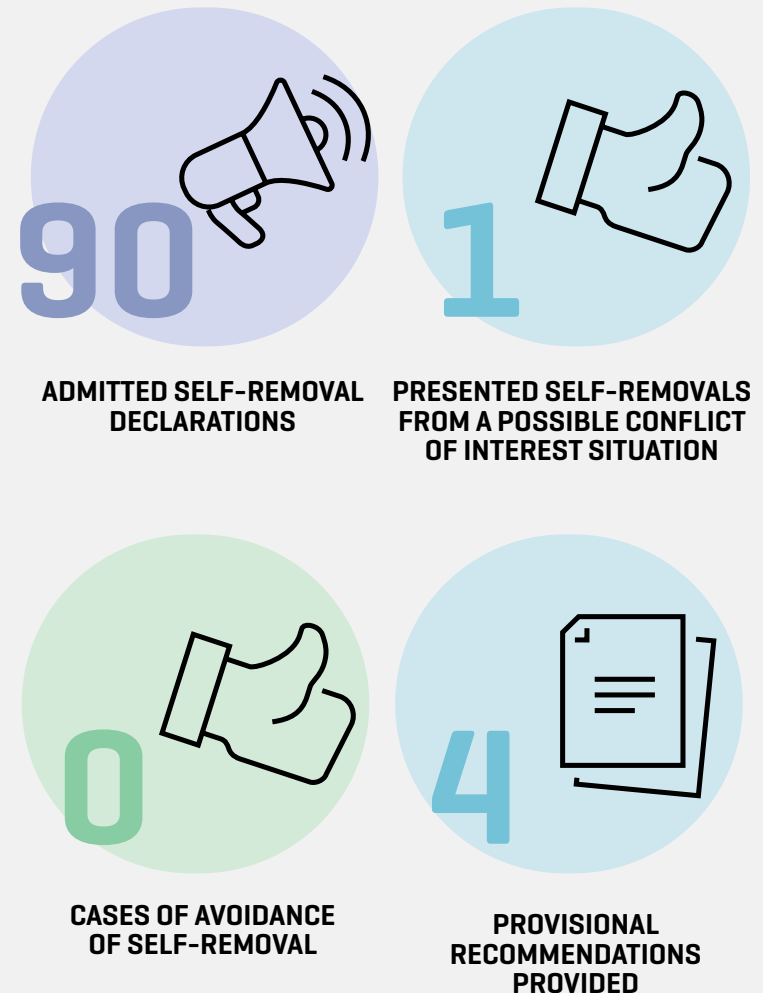
In 2023, 763 screenings were carried out on selected candidates and, following the screenings, 33 candidates were denied contracts because of the risks identified, and 3 candidates refused to sign contracts themselves.



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 conflicts of interest and recuse themselves when they arise. Decisions within the Company shall be made impartially and objectively, without prejudice or personal bias, and on the basis of factual and data-based information. The balancing of public and private interests is defined in the Anti-Corruption Policy and in the Procedures for the Coordination and Control of Public and Private Interests.

The Company carries out pre-, ongoing and post-monitoring of conflicts of interest, reminds employees declaring private interests to submit declarations and update their data, provides training, memos and other educational information.

Statistics of public and private interests in 2023



RAISING ANTI-CORRUPTION AWARENESS

1

COMMUNICATION THROUGH INTERNAL INFORMATION CHANNELS

The Company's Anti-Corruption Policy has been approved by a resolution of the Board. In 2023, the Board was provided with information on the Principles for the Management of Public and Private Interests. A report on the activities relating to the reconciliation and control of public and private interests was presented to the Audit and Risk Committee.

The Anti-Corruption Policy and the Company's internal documents implementing it are relevant and applicable to all employees of the Company. The Company's employees are regularly informed about the Company's Anti-Corruption Policy and the implemented corruption prevention measures by publishing relevant and up-to-date information in internal communication channels.

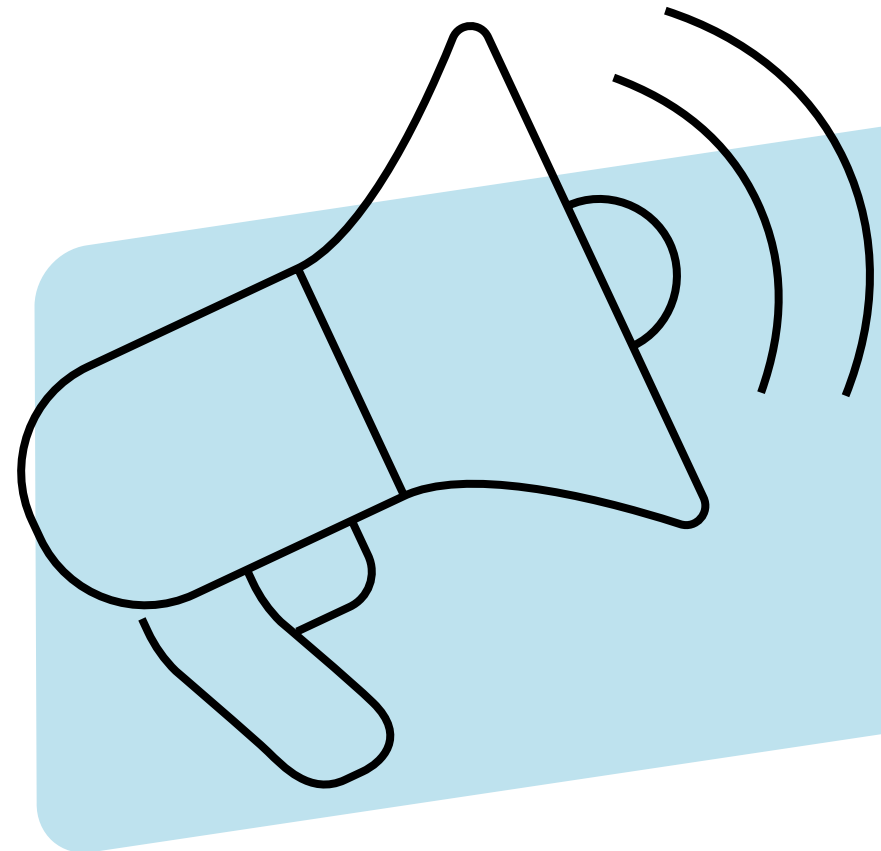
2

TRAINING PROGRAMME AND TARGETED TRAINING

An anti-corruption awareness programme is in place for all employees, which includes a test. An anti-corruption awareness training programme is mandatory for all employees with computerised workstations and is organised annually. All employees were invited to take part in the training programme and 88% took part, completed and passed the test.

In 2023, a new training programme and test on the coordination and control of public and private interests was developed. All employees declaring a private interest were invited to participate in the training programme and 62% took part, completed and passed the test.

Targeted internal training or external training is also provided to those responsible, such as managers and employees involved in procurement processes and/or responsible for contract management, and additional training on risk management in these areas.



RAISING ANTI-CORRUPTION AWARENESS

3

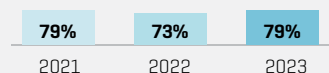
ANONYMOUS SURVEY ON EMPLOYEE TOLERANCE OF CORRUPTION

An anonymous employee survey on corruption in the Company is organised each year to assess the effectiveness of the anti-corruption management system.

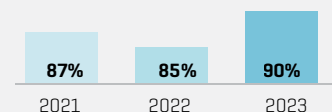
529 employees participated in the survey of 2023. It is particularly encouraging to see an increase in anti-corruption awareness among employees when looking at the overall results.

A significant increase can be seen in the area of reconciliation of public and private interests. 6% more employees [79%] stated that they had been informed of the obligation to make a declaration of private interests and 5% more employees [90%] stated that they were clear about the procedure for dissociating themselves from a potential conflict of interest.

Employees claimed to have been informed of the obligation to make a declaration of private interests

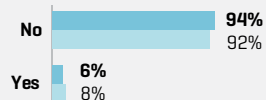


Employees claim to be aware of the procedure for resigning

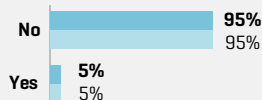


In the area of corruption and perception of corruption, 94% of employees agreed that Lietuvos paštas is not affected by corruption, while 95% said that corruption is not tolerated at LP.

Do you think Lietuvos paštas is affected by corruption?

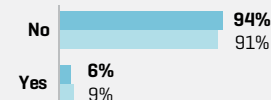


Is corruption tolerated in Lietuvos paštas?

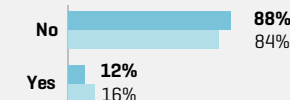


There was also a 3% increase in employee knowledge of the internal reporting channel. 94% of respondents are aware of it, and even 88% of employees would report a violation if they noticed it.

Do you know how you can report violations inside Lietuvos paštas?

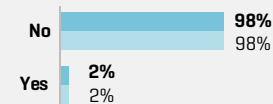


If you noticed corruption at work, would you report it?

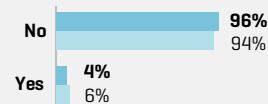


The perception of corruption among employees has also increased. As many as 98% of employees said they were not aware of any case of an employee taking unpaid wages in the last year. 96% of respondents said they had not experienced pressure from managers, colleagues or stakeholders in the recent past. Employees experiencing pressure [4%] reported that the most frequent source of pressure was from customers.

Do you know of any case in the last year where an employee of Lietuvos paštas took an unreasonable salary?



Have you been subjected to any unlawful pressure or influence from managers, co-workers or stakeholders in the past year at Lietuvos paštas?



OTHER CORRUPTION PREVENTION MEASURES

Gift Policy

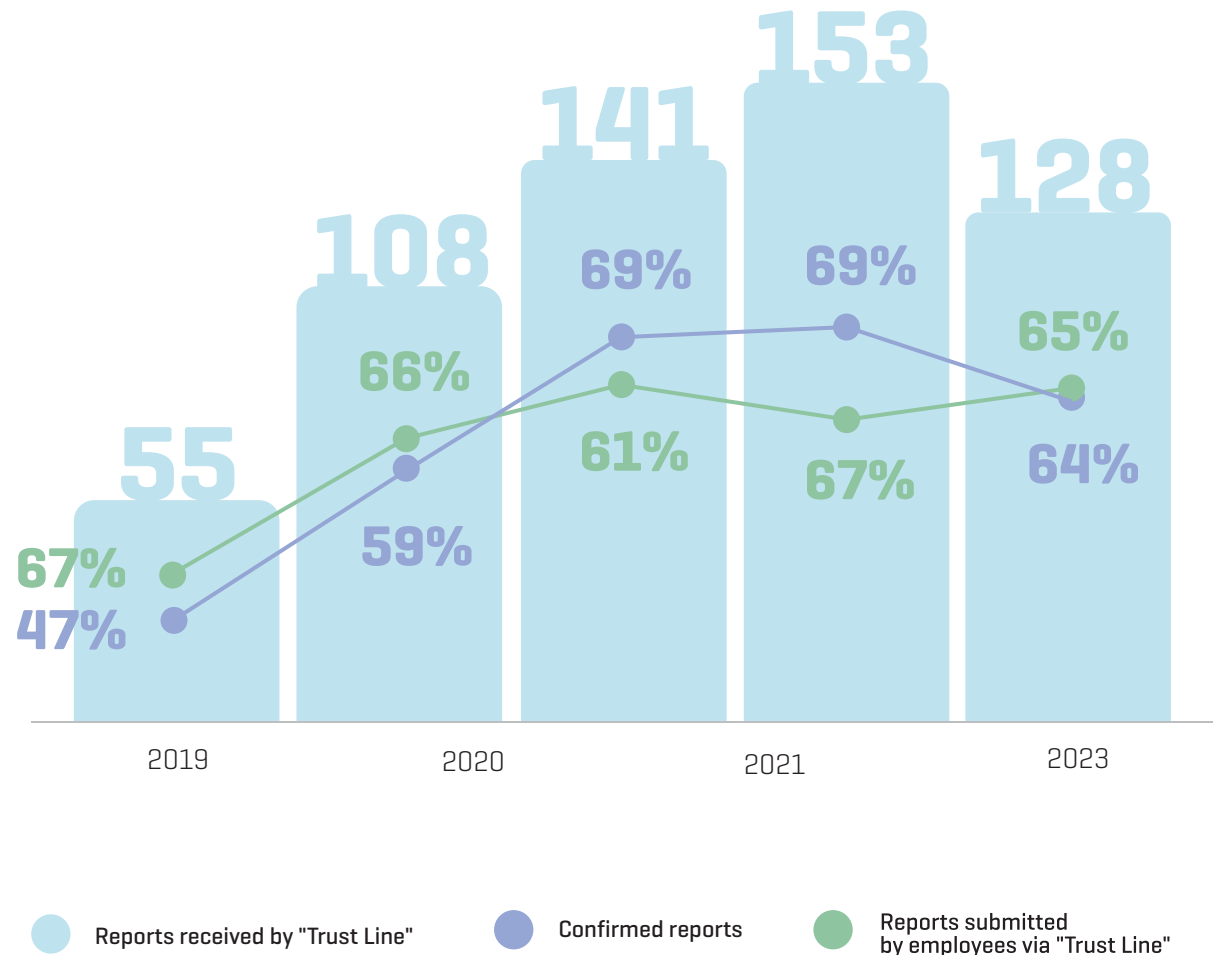
The Company has a clear procedure for giving and receiving gifts. The Company does not provide or accept any gifts or services that are not in accordance with international protocol, tradition, representation or are unacceptable under the law. All such gifts are registered in a public register.

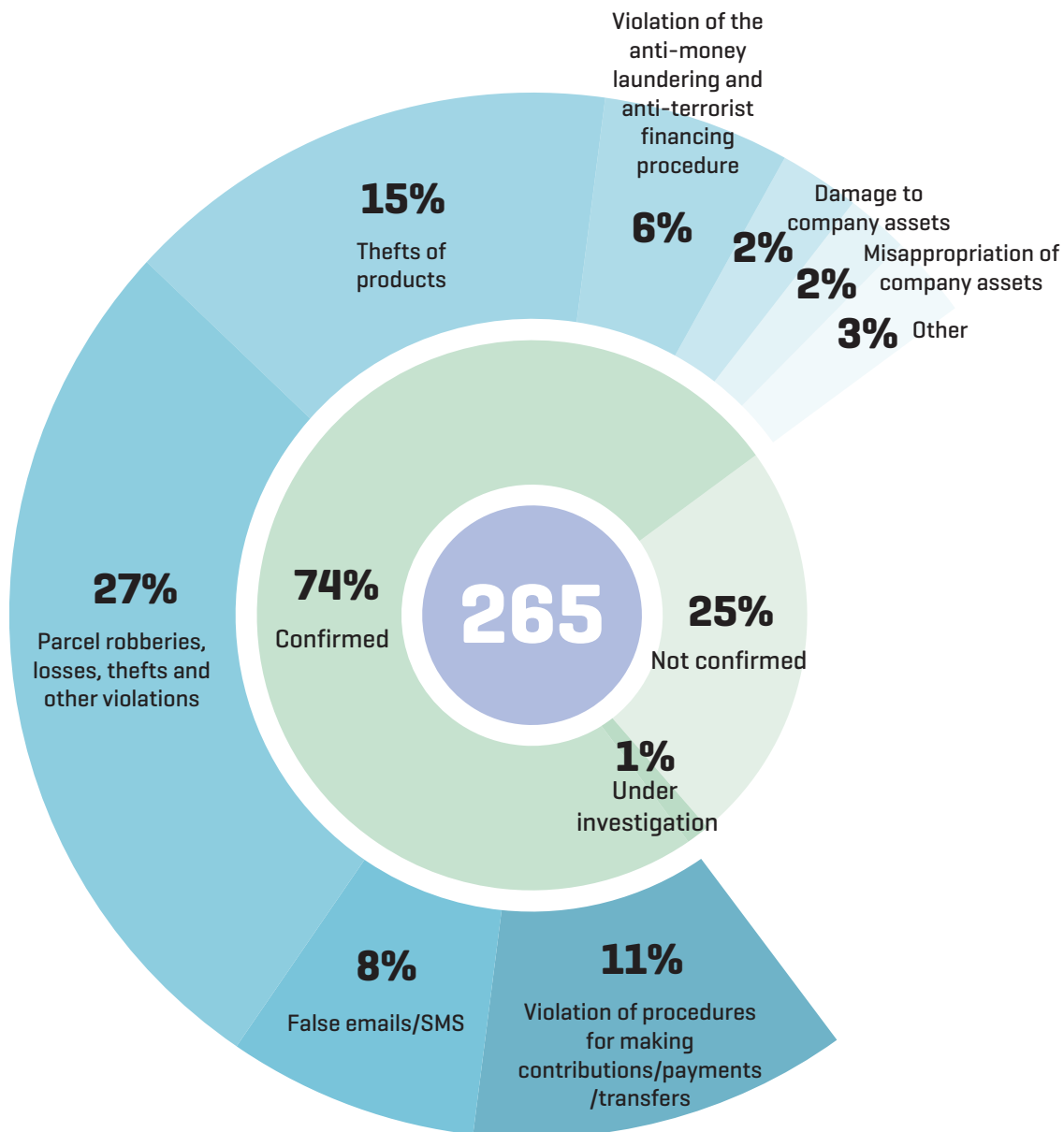
Trust Line and Performance of Investigations

The Company has established an internal reporting channel, i.e. the Trust Line, through which both employees and other interested parties can report violations that have occurred, are occurring and will occur within the Company. Investigations are carried out for each report and, following the investigations and where necessary, proposals and recommendations are made to improve processes and manage risks. When signs of illegal activities are detected, law enforcement authorities are involved. The number of notifications to the Trust Line from employees is increasing year on year [see figure].

In 2023, 15 reports received were potentially related to corruption-related offences* and 13 were the subject of investigations: 7 cases were unconfirmed, 7 cases were subject to labour disciplinary procedures, and in 1 case the report met the requirements of the Law on the Protection of Whistleblowers, and was referred to law enforcement authorities.

* Violation of the law of a corrupt nature - an administrative offence, a violation of work duties or an official misconduct committed by abusing authority and directly or indirectly seeking benefits for oneself or another person, as well as a criminal act of a corrupt nature.





Investigations are carried out not only on the basis of information received by the Trust Line, but also on the initiative of the Department of Safety and Prevention, and on the basis of reports received from other authorities or through other channels. In 2023, 265 investigations were carried out into illegal actions by employees and others, of which 74% were confirmed [see Fig.]. Confirmed violations occurred in 47% of cases due to the fault of other persons [93], 32% due to the fault of employees [62], and in 21% of cases the person responsible [41] was not identified.

PROTECTION OF PERSONAL DATA

Effective protection of personal data is one of the key areas of sustainable development for the Company's stakeholders. The protection of personal data in Lietuvos paštas is carried out in accordance with the EU General Data Protection Regulation and other legal acts in this area, and internal audit periodically monitors the implementation of this regulation by submitting reports and recommendations.

In 2023, the Company continued to focus on developing the competences of its employees in the area of personal data processing and protection. The Company has appointed a Data Protection Officer and also employs an information security expert. Basic information to customers about the processing of their personal data

is provided in the Lietuvos paštas Privacy Notice, which is periodically reviewed and updated at the service locations. The Privacy Notice of Lietuvos paštas is available on the organisation's website www.lietuvospastas.lt/privatumo-pranesimas.

In 2023, the State Data Protection Inspectorate carried out a scheduled inspection of the Company regarding the implementation of the requirements of the GDPR in relation to the relationship between the data controller and the data processor, in accordance with the Scheduled Inspection and Monitoring Plan 2023. Following the inspection, the State Data Protection Inspectorate stated that the Company's parcel delivery services have adequately defined the roles of the Company and other parties in the context of personal data, and that no violations have been found.

COMPLIANCE WITH LAWS AND REGULATIONS

Each year, the Company is subject to inspections by different supervisory authorities. The Company's activities are monitored by the Governance Coordination Centre, the Ministry of Transport and Communications, the State Data Protection Inspectorate, as well as by statutory inspections, such as the Fire and Rescue Department's routine inspections of the sites where services are provided.

During 2022, no material impact measures were imposed on the Company by the supervisory authorities, and there were no material judgments against the Company in the courts during this year.

On 16 November 2023, By Resolution of the Council of the Communications Regulatory Authority of the Republic of Lithuania No. TN-581 "On Violation of Article 16[2]

[4] of the Republic of Lithuania Postal Law and Imposition of an Economic Sanction on the Public Limited Liability Company Lietuvos paštas", the Company was imposed a fine of EUR 184,489. The fine was imposed for failing to comply with the quality requirements laid down in the legislation in relation to the delivery time of international priority mail between European Union countries. Legislation stipulates that correspondence from anywhere in Lithuania to anywhere in Europe should, in 85% of cases, arrive within three days. The decision has been appealed to the Vilnius Chamber of the Regional Administrative Court and the case is pending. No other substantive impact measures have been imposed on the Company by the supervisory authorities in 2023.



06 MEMBERSHIP IN ORGANISATIONS

Membership of Lietuvos paštas in international postal organisations ensures the Company's opportunities for international cooperation, is important for the development of international cooperation relations, for the sharing of best practice experience and innovations, which can be applied by the Company to improve the services provided.

Postal unions

Lietuvos paštas represents Lithuania in the main international postal organisations uniting post offices of neighbouring countries and postal operators worldwide. The Republic of Lithuania has been a member of the Universal Postal Union (UPU) since 1992. The UPS provider Lietuvos paštas is the obliged operator notified by the Republic of Lithuania to the UPU. The parent company Lietuvos paštas is a member of the European Association of Postal Operators

PostEurop, one of the regional unions of the UPU (www.posteurop.org), and of the Baltic Postal Union [hereafter referred to as BPU]. The Company participates in the International Post Corporation, as well as the Nordic Postal Union and the BPU Service Quality Improvement Committee.

Other memberships

In 2021, Lietuvos paštas joined the United Nations Global Compact. The Global Compact aims to encourage businesses and NGOs to act responsibly and adhere to 10 principles in the areas of human rights, labour, environment and anti-corruption.

Through the Global Compact, the United Nations is also encouraging organisations to achieve the goals set out in the 2030 Agenda for Sustainable Development.



KEY PLANS FOR 2024-2025

In 2024, the Company will continue to implement changes and initiatives that will help it to achieve its goals by 2025. Key plans for 2024:



To identify ways to reduce pollution in the transport fleet and develop plans to electrify the Company's fleet;



To reduce the amount and volume of single-use products used in everyday activities;



To consistently improve working conditions for employees;



To adapt the website for the visually impaired;



To ensure that the Company's infrastructure is fully accessible to people with individual needs.

UNVEILING THE OBJECTIVES OF THE UN GLOBAL COMPACT

Lietuvos paštas joined the United Nations Global Compact in 2021. As a member of the Compact, the Company has committed to report annually on its compliance with the 10 core principles of the International Compact and to set even more ambitious targets for the implementation of sustainable food value chains.

AREA	PRINCIPLE	ANNUAL REPORT PAGE
Human rights	To promote and respect the protection of internationally recognised human rights	75, 86, 90, 93-95, 101-102
	To ensure that the Company does not contribute to human rights abuses	100, 140
Workforce	To ensure freedom of association and effective recognition of the right to collective bargaining	90
	To support the abolition of all forms of forced and compulsory labour	90, 107
	To ensure the effective elimination of child labour	96-97, 100, 102
	To aim to eliminate discrimination in employment and occupation	96-97, 100, 102
Environmental protection	To apply preventive measures to protect the environment	79-81
	To take initiatives to increase environmental responsibility	82
	To promote the development and dissemination of environmentally friendly technologies	108
Anti-corruption	To fight all forms of corruption, including extortion and bribery	131-137



LIST OF GRI INDICATORS (1/2)

NUMBER OF GRI INDICATOR	TITLE OF THE GRI INDICATOR	PAGE OF THE ANNUAL REPORT OR SUSTAINABLE DEVELOPMENT REPORT
GRI 2: GENERAL DISCLOSURES 2021		
2-1	Organizational details	12
2-2	Entities included in the organization's sustainability reporting	68
2-3	Reporting period, frequency and contact point	68
2-4	Restatements of information	68
2-5	External assurance	68
2-6	Activities, value chain and other business relationships	40
2-7	Employees	85
2-8	Workers who are not employees	90
2-9	Governance structure and composition	16
2-10	Nomination and selection of the highest governance body	14
2-11	Chair of the highest governance body	16
2-12	Role of the highest governance body in overseeing the management of impacts	74
2-13	Delegation of responsibility for managing impacts	74
2-14	Role of the highest governance body in sustainability reporting	68
2-15	Conflicts of interests	135
2-16	Communication of critical concerns	21
2-17	Collective knowledge of the highest governance body	14
2-18	Evaluation of the performance of the highest governance body	14
2-19	Remuneration policies	19
2-20	Process to determine remuneration	99
2-21	Annual total compensation ratio	100
2-22	Statement on sustainable development strategy	3
2-23	Policy commitments	75
2-24	Embedding policy commitments	75
2-25	Processes to remediate negative impacts	49
2-26	Mechanisms for seeking advice and raising concerns	138
2-27	Compliance with laws and regulations	140
2-28	Membership in associations	141
2-29	Approach to stakeholder engagement	71
2-30	Collective bargaining agreements	101
GRI 3: MATERIAL TOPICS 2021		
3-1	Process to determine material topics	72
3-2	List of material topics	72
3-3	Management of material topics	72
GRI 205: ANTI-CORRUPTION 2016		
205-1	Operations assessed for risks related to corruption	132-134
205-2	Communication and training about anti-corruption policies and procedures	136
205-3	Confirmed incidents of corruption and actions taken	139

LIST OF GRI INDICATORS (2/2)

GRI 302: ENERGY 2016			
302-1	Energy consumption within the organisation	78	
302-3	Energy intensity	78	
GRI 305: EMISSIONS 2016			
305-1	Direct (Scope 1) GHG emissions	77	
305-2	Energy indirect (Scope 2) GHG emissions	77	
305-3	Other indirect (Scope 3) GHG emissions	77	
305-4	GHG emissions intensity	77	
GRI 306: WASTE 2020			
306-1	Waste generation and significant waste-related impacts	79	
306-2	Management of significant waste-related impacts	79	
306-3	Waste generated	79	
GRI 401: EMPLOYMENT 2016			
401-1	New employee hires and employee turnover	86	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	90	
GRI 402: LABOUR/MANAGEMENT RELATIONS			
402-1	Minimum notice periods regarding operational changes	90	
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	93-94	
403-4	Worker participation, consultation, and communication on occupational health and safety	93	
403-5	Worker training on occupational health and safety	94	
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	91	
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	
GRI 413: LOCAL COMMUNITIES 2016			
413-2	Operations with significant actual and potential negative impacts on local communities	104	
GRI 418: CUSTOMER PRIVACY 2016			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	140	

ISSUE OF POSTAL STAMPS

ISSUE OF MEANS OF POSTAL PREPAYMENT

Lietuvos paštas issues annually around 20-25 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 themes for the issued means of postal prepayment 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 2023, in total 23 new means of postal prepayment were put into circulation (21 postage stamps, 2 postal blocks) on the following themes:

- Vilnius city anniversary – 700 years [postal block]
- Anniversary of Klaipėda region's incorporation into Lithuania – 100 years
- Rulers of the Grand Duchy of Lithuania
- Paintings by children

- The 150th anniversary of the birth of Jurgis Baltrušaitis
- Europe. Peace – the greatest value of humanity
- Anniversary of Lithuania's membership in the International Telecommunication Union – 100 years
- NATO summit in Vilnius
- Vytautas Magnus University Botanical Garden anniversary – 100 years [postal blocks]
- Lithuanian marine history
- Lithuanian resorts. Druskininkai
- Lithuanian Red Book
- Lithuanian estates
- Lithuanian hound
- Educational Commission Anniversary – 250 years
- Contemporary Lithuanian Art. Dance
- St. Josaphat
- Christmas and New Year

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



CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	NOTES	YEAR ENDED 31 DECEMBER			
		GROUP		COMPANY	
		2023	2022	2023	2022
Revenue from contracts with customers	3	98 986	93 725	98 986	93 725
Subsidies	4	8 356	13 940	8 356	13 940
Other income	5	3 033	5 812	3 033	5 812
		110 374	113 477	110 374	113 477
Employee-related expenses	7	[46 994]	[46 786]	[46 988]	[46 781]
Expenses of cross-border postal services and settlements with foreign post offices		[19 926]	[23 745]	[19 926]	[23 745]
Depreciation and amortisation expenses of non-current assets		[8 325]	[7 528]	[8 325]	[7 531]
Cost of goods held for resale and services		[3 157]	[2 606]	[3 157]	[2 606]
Reversal of impairment/(impairment) of financial assets		189	[378]	186	[378]
Expenses of utility services		[2 230]	[2 896]	[2 230]	[2 896]
Short-term lease of motor vehicles and related expenses		[3 012]	[3 084]	[3 012]	[3 084]
Expenses of consumables and raw materials		[2 548]	[3 270]	[2 548]	[3 270]
Property repair and maintenance expenses		[2 297]	[3 231]	[2 297]	[3 231]
Taxes (other than income tax)		[975]	[1 773]	[975]	[1 773]
Communications expenses		[347]	[657]	[347]	[657]
Impairment/(reversal of impairment) of other assets		-	-	-	-
Other expenses	6	[14 861]	[12 286]	[14 861]	[12 286]
		[104 484]	[108 238]	[104 480]	[108 236]
Other gain	8	42	279	42	279
Operating profit		5 932	5 518	5 936	5 521

	NOTES	YEAR ENDED 31 DECEMBER			
		GROUP		COMPANY	
		2023	2022	2023	2022
Finance income	9	560	2	560	2
Finance [costs]	9	[1 053]	[523]	[1 055]	[523]
Profit before income tax		5 439	4 997	5 441	5 000
Income tax	26	[287]	[159]	[287]	[159]
Profit for the period		5 152	4 838	5 154	4 841
Other comprehensive income/(expenses)					
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		-	-	-	-
Total comprehensive income for the period		5 152	4 838	5 154	4 841

The accompanying notes form an integral part of these financial statements.
 These financial statements were approved and signed on March 2024 by:

Rolandas Zukas
CEO



[signature]

Viktoras Baltuškonis
Director of Finance
and Administration



[signature]

Jūratė Vyšniauskienė
Head of the Accounting Department,
Chief Accountant



[signature]

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

	NOTES	GROUP		COMPANY	
		2023	2022	2023	2022
ASSETS					
Non-current assets					
Intangible assets	10	4 459	4 289	4 459	4 289
Property, plant and equipment	11	38 176	38 437	38 177	38 437
Right-of-use assets	12	16 209	13 593	16 209	13 593
Investment property	13	1 131	547	1 131	547
Non-current financial assets	14	79	71	629	77
Deferred income tax assets		-	-	-	-
		60 054	56 937	60 604	56 943
Current assets					
Inventories	15	3 693	3 323	3 693	3 323
Trade receivables	16	12 228	10 828	12 228	10 828
Contract assets	17	4 701	4 401	4 701	4 401
Prepayments, deferred expenses	18	1 277	1 706	1 277	1 706
Other amounts receivable	19	10 705	9 838	10 705	9 838
Cash and cash equivalents	20	37 394	33 892	36 778	33 817
		69 997	63 988	69 381	63 913
Non-current assets held for sale	11	42	958	42	958
		70 039	64 946	69 423	64 871
Total assets		130 093	121 883	130 028	121 814

	NOTES	GROUP		COMPANY	
		2023	2022	2023	2022
EQUITY					
Share capital	21	32 792	32 792	32 792	32 792
Legal reserve	22	-	0	-	-
Other reserves	22	-	-	-	-
Retained earnings/(deficit)		4 449	[703]	4 383	[771]
Total equity		37 240	32 089	37 175	32 020
LIABILITIES					
Non-current liabilities					
Borrowings	23	9 333	11 667	9 333	11 667
Lease liabilities	24	11 635	9 475	11 635	9 475
Long-term employee benefits		341	214	341	214
Grants and subsidies		95	139	95	139
Deferred income tax liability	26	322	34	322	34
		21 726	21 529	21 726	21 529
Current liabilities					
Current portion of borrowings	23	2 333	2 333	2 333	2 333
Current portion of lease liabilities	24	4 445	3 963	4 445	3 963
Trade payables		23 699	24 881	23 699	24 881
Contract liabilities	27	17 867	14 385	17 867	14 385
Accrued expenses	28	18 503	18 698	18 503	18 698
Current portion of long-term employee benefits		352	383	352	383
Income tax	26	-	-	-	-
Other amounts payable	29	3 928	3 622	3 927	3 621
		71 127	68 265	71 127	68 265
Total liabilities		92 853	89 794	92 853	89 794
Total equity and liabilities		130 093	121 883	130 028	121 814

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

These financial statements were approved and signed on March 2024 by:

Rolandas Zukas
CEO



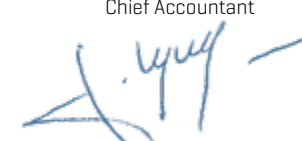
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Viktoras Baltuškonis
Director of Finance
and Administration



[signature]

Jūratė Vyšniauskienė
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	
		2023	2022	2023	2022
Cash flows from operating activities					
Profit for the period		5 152	4 838	5 154	4 841
Adjustments for non-cash items:					
Income tax	26	-	-	-	-
Depreciation and amortisation	8, 9, 10, 11, 25	8 325	7 528	8 325	7 531
Loss on disposal of property, plant and equipment	4, 11	[2 601]	[5 703]	[2 601]	[5 703]
Write-off and change in impairment of property, plant and equipment, property, plant and equipment held for sale and non-current intangible assets	8, 9	1 344	[762]	1 344	[762]
Change in right-of-use assets/ liabilities	10	[0]	0	[0]	0
Change in impairment of trade receivables, non-current receivables and inventories	13, 14	[234]	387	[234]	387
Change in impairment of loans granted and investment in subsidiary	12	48	-	48	-
Increase in long-term employee benefits	24	97	115	97	115
Change in provisions	29	560	[290]	560	[290]
Change in deferred income tax	26	287	159	287	159
Elimination of results of financing activities	7	649	510	650	510
		13 627	6 782	13 630	6 787

	NOTES	YEAR ENDED 31 DECEMBER			
		GROUP		COMPANY	
		2023	2022	2023	2022
Changes in working capital:					
(Increase)/decrease in inventories	13	[373]	502	[373]	502
Decrease in trade receivables	14	[3 455]	4 955	[3 455]	4 955
Increase in other amounts receivable, prepayments, deferred expenses	16, 17	[496]	[5 200]	[496]	[5 246]
Change in contract assets	15	1 012	4 929	1 012	4 929
Increase/(decrease) in trade payables		[3 462]	5 870	[3 462]	5 870
Decrease in other amounts payable, advance amounts received	29	[254]	[16]	[254]	[16]
Change in accrued expenses/ contract liabilities	27, 28	3 287	[7 102]	3 287	[7 102]
Income tax paid	26	-	-	-	-
Net cash inflow from operating activities		9 885	10 719	9 888	10 679
Cash flows from investing activities					
Acquisition of non-current assets	8, 9	[4 053]	[4 323]	[4 053]	[4 323]
Disposal of non-current assets	9, 11, 14	5 356	8 860	5 356	8 860
(Increase)/decrease in investments in other entities/ undertakings	12	12	-	[532]	-
Interest received	7	400	1	400	1
Net cash (outflow) from investing activities		1 714	4 539	1 170	4 539

	NOTES	YEAR ENDED 31 DECEMBER			
		GROUP		COMPANY	
		2023	2022	2023	2022
Cash flows from financing activities					
Proceeds from borrowings		[0]	[0]	[0]	[0]
Repayments of borrowings		[2 333]	[2 333]	[2 333]	[2 333]
Lease payments		[4 714]	[4 060]	[4 715]	[4 060]
Interest paid on lease liabilities	7	[488]	[366]	[488]	[366]
Interest paid to credit institutions		[562]	[145]	[562]	[145]
Net cash (outflow) from financing activities		[8 097]	[6 905]	[8 098]	[6 905]
Net increase in cash flows		3 502	8 353	2 961	8 312
Cash and cash equivalents in the beginning of the period		33 892	25 539	33 817	25 505
Cash and cash equivalents at the end of the period		37 394	33 892	36 778	33 817

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

These financial statements were approved and signed on March 2024 by:

Rolandas Zukas
CEO



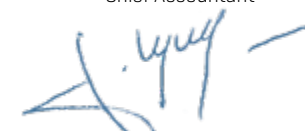
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Viktoras Baltuškonis
Director of Finance
and Administration



[signature]

Jūratė Vyšniauskienė
Head of the Accounting Department,
Chief Accountant



[signature]

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

GROUP	NOTES	SHARE CAPITAL	LEGAL RESERVE	OTHER RESERVES	RETAINED EARNINGS	TOTAL
Balance at 1 January 2022		32 792	862	-	[6 402]	27 251
Utilisation of legal reserve		-	[861]	-	861	-
Profit/(loss) for the period		-	-	-	4 838	4 838
Other comprehensive income/(expenses)		-	-	-	-	-
Total comprehensive income		-	-	-	4 838	4 838
Balance at 31 December 2022		32 792	0	-	[703]	32 089
Balance at 1 January 2023		32 792	0	-	[703]	32 089
Utilisation of legal reserve		-	[0]	-	-	[0]
Profit/(loss) for the period		-	-	-	5 152	5 152
Other comprehensive income/(expenses)		-	-	-	-	-
Total comprehensive income		-	-	-	5 152	5 152
Balance at 31 December 2023		32 792	-	-	4 449	37 241

COMPANY	NOTES	SHARE CAPITAL	LEGAL RESERVE	OTHER RESERVES	RETAINED EARNINGS	TOTAL
Balance at 1 January 2022		32 792	861	-	[6 473]	27 180
Utilisation of legal reserve		-	[861]	-	861	-
Profit/(loss) for the period		-	-	-	4 841	4 841
Other comprehensive income/(expenses)		-	-	-	-	-
Total comprehensive income		-	-	-	4 841	4 841
Balance at 31 December 2022		32 792	-	-	[771]	32 021
Balance at 1 January 2023		32 792	-	-	[771]	32 021
Utilisation of legal reserve		-	-	-	-	-
Profit/(loss) for the period		-	-	-	5 154	5 154
Other comprehensive income/(expenses)		-	-	-	-	-
Total comprehensive income		-	-	-	5 154	5 154
Balance at 31 December 2023		32 792	-	-	4 383	37 175

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

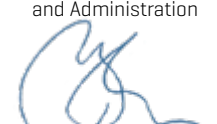
These financial statements were approved and signed on March 2024 by:

Rolandas Zukas
CEO



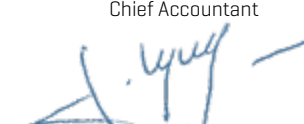
[signature]

Viktoras Baltuškonis
Director of Finance
and Administration



[signature]

Jūratė Vyšniauskienė
Head of the Accounting Department,
Chief Accountant



[signature]

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

J. Balčikonio g. 3,
Vilnius,
Lithuania.

The Company started its activities on 2 January 1992 as a state-owned enterprise under the name of Lietuvos paštas. Based on Order No 3-587 On the Reorganisation of State-Owned Enterprise Lietuvos paštas into Public Limited Liability Company Lietuvos paštas issued on 23 December 2005, the Ministry of Transport and Communications transformed State-Owned 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 2023, the Company’s share capital was divided into 113,074,410 shares with a nominal value of EUR 0.29 each [31 December 2022: EUR 0.29]. The Company has not acquired any own shares, all its 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 2023, the Group consisted of Lietuvos paštas AB and its wholly-owned subsidiaries: LP Mokėjimų Sprendimai UAB, Unisend Latvija SIA, Unisend Eesti OU. Subsidiary Unisend Latvija SIA with the share capital of EUR 50 thousand was registered on 23 November 2023. Subsidiary Unisend Eesti OU with the share capital of EUR 50 thousand and share premium of EUR 450 thousand was registered on 29 November 2023. Lietuvos Pašto Finansinės Paslaugos UAB was removed from the Register of Legal entities on 16 May 2023.

Information on subsidiaries as at 31 December 2023:

	UAB LP mokėjimų sprendimai	Unisend Latvija SIA	Unisend Eesti OU
Country	Lietuva	Latvija	Estija
The Company’s ownership interest	100 proc.	100 proc.	100 proc.
Carrying amount of investment [EUR]	0	50	500
Profit/(loss) for 2023	[24]	0	0
Equity at 31 December 2023	66	50	500
Profile of activities	Konsultacinės paslaugos	Kurjerinės paslaugos	Kurjerinės paslaugos

As at 31 December 2023, the number of the Group’s employees was 2,683 [31 December 2022: 3,031].

The Company’s management approved these financial statements on 29 March 2024. The shareholder of the Company has a statutory right to approve or not to approve these financial statements and to request that management prepare a new set of financial statements.

When preparing the financial statements for 2023, the war in Ukraine had no material impact on accounting estimates and assumptions.

2. Summary of material 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 2023 are set out below.

2.1. Basis of preparation

The Group's/Company's financial statements as at 31 December 2023 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)

There were no changes in the accounting policies of the Group/Company, except for the following new IFRS and/or amendments to them adopted as from 1 January 2023:

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of accounting policies (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.

Management has assessed the impact of these amendments and adjusted the accounting policy information by presenting only material information to the users of the financial statements.

Other new standards, amendments and interpretations effective for annual periods beginning on or after 1 January 2023 are not relevant for the Company/Group or have no significant impact on the financial statements.

A number of new standards, amendments and interpretations became effective for annual periods beginning after 1 January 2023. None of them is expected to have a significant impact on the financial statements of the Company/Group.

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. Consolidation

The Group's consolidated financial statements cover Lietuvos paštas AB 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 existing rights that give it the current ability to direct the relevant activities);
- has exposure, or rights, to 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. Important management decisions and the use of estimates when preparing financial statements

Use of significant judgements and 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:

- useful lives of assets [Notes 2.6, 2.7, 2.8, 10, 11 and 12]; B88
- recognition of accrued revenue/contract assets [Notes 19 and 27];
- recognition of accrued expenses [Note 29];
- recognition and estimation of receivable subsidy for compensation of delivery of periodicals to subscribers in rural areas [Notes 4 and 19];
- recognition of subsidy for loss compensation from postal services with regulated prices [Notes 2.6 and 4];
- assessment of IFRS 16 adoption impact [Notes 12 and 24].

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.

2.5. Revenue recognition

The Group/Company renders postal services under contracts with customers or under no contracts. When there is no contract for a private customer, the customer uses the universal postal service with regulated prices, the tariffs for which are approved by the Lithuanian Communications Regulatory Authority in accordance with the Lithuanian Postal Law. The contractual customers use the postal services with unregulated prices, the tariffs for which are set directly by the Group/Company, and these activities are not subject to regulatory restrictions imposed by the Lithuanian Communications Regulatory Authority in respect of the services with regulated prices.

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.

Recognition of revenue from contracts with customers:

Revenue from 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 under the existing service provision contract, revenue is allocated on a proportionate basis to those periods when the relevant services have been rendered.

Revenue/expenses from 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 2–3 months. Actual data on the quantities of provided/received postal correspondence delivery services is submitted and reconciled with the buyers/suppliers of postal services (foreign post offices) after the end of the quarter, usually during 2–3 months. The calculation of actual amounts receivable/payable for postal correspondence is performed after six months following the end of the reporting period, when the actual fees become known. The actual fees are based on the 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 conditional consideration earned. When calculating accrued revenue for services rendered, the Group/Company assesses the actual volume of services rendered/received and the latest effective prices and statistical data on service volumes.

Revenue from courier and self-service terminal 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 where the Group/Company acts in the capacity of owner, and consigned goods where the supplier acts in the capacity of owner. In case of goods where the Group/Company acts in the capacity of owner, they 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.

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 is 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 components

The Group and the Company neither have nor expect any contracts with customers under which the period between delivery of goods or services and settlement by customers would be longer than one year. For this reason, the Group and the Company do not account for a financing component separately. Although international settlements with foreign post operators for cross-border postal services take longer than one year, as most of the invoices 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], the Group/Company considers this to be a well-established practice in this industry and does not treat it as a financing component. In cases when the financial asset is recovered over the period longer than 12 months, the receivable amount is discounted to the present value at the interest rate, which would reflect the interest rate used in a separate financial transaction between the Company and the customer, and the difference between the non-discounted and discounted amounts is recognised as interest income.

Subsidies for loss compensation

Compensation for loss incurred from delivery of periodicals to subscribers in rural areas

The Government has set the tariffs for the delivery of periodicals to subscribers in rural residential areas and cities qualifying as residential areas with low and medium density of population, which are lower than the cost of this service. The Lithuanian Postal Law allows compensating the difference between such costs and the tariffs from the state budget under the procedure established by the Government. Every six months, the Company estimates the amount of loss incurred from delivery of periodicals to subscribers in rural areas and when assessing the receivable amount of compensation, it includes a part or full amount in the receivable consideration only to the extent that it is highly probable that the amount of compensation for recognised loss will not be materially reduced when the uncertainty related to a variable consideration is subsequently resolved. The Company presents the subsidies for loss compensation from delivery of periodicals under the separate line item of subsidies in the statement of comprehensive income.

Compensation for loss incurred from postal service with regulated prices

The Company is committed to ensuring uninterrupted provision of universal postal service [UPS], and the service tariffs must be affordable to all users of the postal services. Every six months, based on the UPS cost accounting rules, the Company makes estimates and analyses loss incurred from provision of mandatory service. In case the UPS tariffs set by the Government for the Company are lower than the cost of this service, the difference between the costs and the tariffs is compensated under the procedure and terms set by the Government, as prescribed in the Lithuanian Postal Law. The Company classifies the compensation for loss incurred from postal service with regulated prices in the statement of comprehensive income under the line item of subsidies, when the Communications Regulatory Authority and the Minister of Transport and Communication confirm that estimated losses comprise an unjustifiably large financial burden for the Company.

Criteria for revenue recognition

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

2.6. Intangible assets other than goodwill

Acquisitions of intangible assets 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 to 15 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 [other than goodwill] with indefinite useful life.

2.7. Property, plant and equipment

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

By the management's decision as from 1 January 2023, the items of assets used longer than one year for the provision of services, production of goods or administrative purposes and with the acquisition [production] cost of EUR 500 or higher should be classified as property, plant and equipment. The items of assets that do not meet the PP&E recognition criteria are written off as current period expenses. For control purposes, the items of assets that do not meet the PP&E recognition criteria and with the acquisition cost between EUR 200 and EUR 499 are recorded in off-balance sheet accounts and included in quantitative accounting.

The initial value of property, plant and equipment comprises acquisition cost including non-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 maintenance costs incurred after the item of property, plant and equipment was 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.

2.8. Investment property

The Group's/Company's investment property represents real estate held to earn rental income. Investment property at the Group/Company is property leased under one or more operating lease agreements if the area leased accounts for more than 20% of the total area of 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 intended use.

2.9. 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.

2.10. 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 income tax rate of 15%.

Tax losses may 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 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.

2.11. 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, and its recoverable amount estimated after deciding not to sell the asset. Adjustments to the carrying amount of assets that are no longer classified as held for sale are accounted for in profit or loss of the reporting period.

2.12. 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.

2.13. Financial assets

Initial recognition and measurement of financial assets

All financial assets of the Company/Group are classified as measured at amortised cost. On initial recognition, they are measured at fair value, and subsequently they are carried at amortised cost.

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.

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.

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 approach to calculate 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.

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/Company considers that the price of credit default swaps (CDS) of a specific party indicates probability that the insolvency event will occur. If there are no readily available 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/Company refers to the category to which the bonds of the state, in which the foreign post office operates, are attributed. The 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/Company assumes that the expected losses in the event of default represent 75% of the total final settlement amount when the government bonds are attributed to the investment grade and 100% - when the government bonds are attributed to the speculative grade.

2.14. 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.

2.15. 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 the 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.

2.16. Lease

Where the Group/Company is a lessee

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.

The right-of-use assets are recognised at the amount equal to the lease liabilities, adjusted for any related lease prepayments. 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 Group's incremental borrowing rate, which is revised annually.

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.

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 to 12 years.

Payments related to short-term lease or lease of assets, the lease price of which changes depending on the variable inputs set out in the contracts (mileage, 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.

2.17. 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.

2.18. 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, less directly attributable transaction costs. The Company's financial liabilities include trade and other payables, borrowings, including overdrafts and finance lease liabilities. All liabilities of the Company/Group are classified as measured at amortised cost.

Subsequent measurement

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

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.

2.19. 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.

2.20. 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.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS. SALES REVENUE

Revenue from contracts with customers by type:

		AT 31 DECEMBER	
		GROUP/COMPANY	
		2023	2022
Postal services with unregulated prices		34 959	35 341
Postal services with regulated prices	[a]	10 073	11 059
Services to foreign post offices	[b]	7 434	5 552
Financial services	[c]	11 463	10 838
Courier services		23 404	19 811
Retail and commission trade	[d]	5 248	4 551
Delivery of periodicals to subscribers		3 602	2 697
Intermediation services	[e]	393	601
Other services		2 409	3 275
Total		98 986	93 725

a) Revenue from postal services with regulated prices decreased compared to 2022 mostly due to a lower volume of domestic and cross-border parcel traffic.

b) Revenue from services to foreign post offices increased by 34% due to a higher volume of cross-border postal services.

c) Revenue from financial services increased compared to 2022 due to higher revenue from delivery and payment of retirement pensions, other allowances and benefits.

d) Revenue from retail and commission trade increased due to newly introduced retail goods and new suppliers (vehicle medical kits, calendars, educational toys, etc.).

e) Revenue from intermediation services decreased due to lower volume of intermediation in crediting.

Revenue from contracts with customers by geographical region:

		AT 31 DECEMBER					
		GROUP/COMPANY					
		2023			2022		
		Lithuania	European Union	Other countries	Lithuania	European Union	Other countries
Postal services with unregulated prices		29 066	5 829	64	28 741	6 519	81
Postal services with regulated prices		10 073	-	-	11 059	-	-
Services to foreign post offices		-	5 990	1 443	-	4 415	1 137
Financial services		11 454	9	-	10 827	11	0
Courier services	[a]	21 304	1 793	307	18 406	996	409
Retail and commission trade		5 229	19	-	4 534	17	-
Delivery of periodicals to subscribers		3 602	-	-	2 697	-	-
Intermediation services		206	188	0	375	226	0
Other services		2 210	188	11	3 222	48	5
Total		83 144	14 016	1 826	79 860	12 232	1 633

a) Revenue from courier services increased due to higher volume of courier services in Lithuania and European Union.

4. SUBSIDIES

		AT 31 DECEMBER	
		GROUP/COMPANY	
		2023	2022
Subsidy for delivery of periodicals to subscribers	[a]	8 356	8 976
Subsidy for postal services with regulated prices	[b]	-	4 964
Total		8 356	13 940

a) As the Company has an obligation to deliver periodicals to subscribers in rural residential areas and cities qualifying as residential areas with low and medium population density and incurs loss from this service, it is entitled to receive loss compensation from the State. The reason for incurring loss is the maximum tariffs set by the Lithuanian Government for delivery of periodicals to subscribers in rural residential areas and cities qualifying as residential areas with low and medium population density, which are significantly lower than the cost of the service.

b) The Company's performance is significantly affected by its obligation to provide the universal postal service [UPS], and when the provision of this service becomes a financial burden, the loss incurred in relation to this service is compensated from the State budget in accordance with the established procedure. For the first time in the Company's history, the UPS compensation for 2021 was approved by the Communications Regulatory Authority [CRA] on 29 December 2022. In 2022, the line item of subsidies included the compensation for postal services with regulated prices [EUR 4.964 thousand] for the year 2021.

Regardless of the fact that the Company's management has calculated the UPS loss for 2022, as long as no conclusion has been received from the CRA that the amount of loss constitutes an unreasonably high financial burden for the Company, the loss compensation for 2022 has not been recognised in the financial statements. The loss for 2023 has also been calculated, but not yet recognised.

For the purpose of ensuring accurate presentation of subsidies in the financial statements, the Company's management has reviewed and reclassified the income items in the statement of comprehensive income. The subsidies for compensation of loss incurred from delivery of periodicals to subscribers and from postal services with regulated prices have been presented under the line item subsidies. The reclassifications and restatement impact in 2022 are presented in Note 34.

5. OTHER INCOME

		AT 31 DECEMBER	
		GROUP/COMPANY	
		2023	2022
Rental income		190	242
Gain on disposal of non-current assets – net	[a]	2 601	5 400
Other income		242	169
Total		3 033	5 812

a) Net result of disposal of non-current assets represents a difference between proceeds from disposal of non-current assets and the net book amount. In 2023, proceeds from disposal of non-current assets mostly included disposal of premises used for postal activities in Šiauliai, Klaipėda and Panevėžys. Higher proceeds in 2022 was as a result of transfer of the central post offices in Kaunas and Klaipėda to the Lithuanian Ministry of Culture for public needs.

6. OTHER EXPENSES

		AT 31 DECEMBER	
		GROUP/COMPANY	
		2023	2022
External postal delivery services		7 168	6 384
Expenses related to postal operations	[a]	1 893	1 565
Short-term lease and maintenance of premises	[b]	136	851
Advertising and representation		410	427
Cash collection and security escort fee	[c]	734	941
Consulting, audit and security expenses	[d]	249	433
Bank charges		346	363
Insurance services		275	218
Office supplies		105	116
Write-off expenses of inventories, amounts receivable, prepayments		129	203
Write-off expenses of PP&E		1 341	96
Other expenses	[e]	2 071	689
Total		14 861	12 286

a) Expenses related to postal operations increased due to higher expenses of servicing the self-service parcel terminals as a result of network development.

b) Expenses of short-term lease and maintenance of premises decreased due to termination of the contract with Istanas UAB as from June 2022, because from 2022 it was classified as short-term lease, under which the lease right to underlying assets is not capitalised as assets, but rather recognised as lease expenses.

c) Cash collection and security escort fee expenses decreased due to a lower volume of transported cash in 2023 and signing of a new contract with new prices, routes, and timings.

d) Consulting, audit and security expenses decreased due to lower expenses of consulting and legal services.

e) Other expenses increased due to provisions for other liabilities and claims.

For the purpose of ensuring a more accurate presentation of accrued expenses under employee incentive programme, the Company's management reviewed and reclassified the line item other expenses in the statement of comprehensive income. Accrued expenses under employee incentive programme [EUR 790 thousand] were reported under the line item employee-related expenses. The reclassifications and restatement impact in 2022 are presented in Note 34.

		AT 31 DECEMBER	
		GROUP/COMPANY	
		2023	2022
Audit services		77	77
Compliance assurance services		31	30
Other services		3	3
Total		111	110

7. EMPLOYEE-RELATED EXPENSES

		AT 31 DECEMBER			
		GROUP		COMPANY	
		2023	2022	2023	2022
Wages and salaries		46 133	45 890	46 126	45 885
Social security contributions		862	896	861	896
Total		46 994	46 786	46 988	46 781

8. OTHER GAIN

	AT 31 DECEMBER	
	GROUP/COMPANY	
	2023	2022
Foreign exchange income	520	3 163
Foreign exchange expenses	(478)	(2 884)
Total	42	279

Foreign exchange negative effect on the financial performance was caused by fluctuations in EUR to USD exchange rate during 2023. As at 31 December 2023, the exchange rate was EUR 1 to USD 1.105 (31 December 2022: EUR 1 to USD 1.066).

9. FINANCE INCOME AND COSTS

		AT 31 DECEMBER	
		GROUP/COMPANY	
		2023	2022
Interest income	[a]	400	1
Interest on late payment		3	0
Other finance income		157	0
Total finance income		560	2
Interest on bank borrowings	[b]	(562)	(145)
Interest on lease liabilities		(488)	(366)
Other finance costs		(5)	(12)
Total finance costs		(1 055)	(523)

a) In 2023, interest income was received on cash balances in bank accounts at OP Corporate Bank plc Lithuania branch and SEB bank.

b) In 2023, interest expenses increased due to increase in 6-month Euribor interest rate on borrowings from the Nordic Investment Bank.



10. INTANGIBLE ASSETS

GROUP	PATENTS AND LICENSES	PREPAYMENTS	COMPUTER SOFTWARE	PROJECTS IN PROGRESS	TOTAL
Year ended 31 December 2022					
Net book amount at 1 January 2022	116	0	3 912	304	4 332
Additions	56	-	439	177	671
Reclassification between groups	-	-	92	[92]	-
Write-offs	-	-	[2]	-	[2]
Impairment	-	-	-	-	-
Amortisation charge	[48]	-	[664]	-	[712]
Net book amount at 31 December 2022	123	0	3 778	388	4 289
At 31 December 2022					
Acquisition cost	896	0	11 770	1 627	14 294
Accumulated impairment	-	[0]	[1 406]	[1 239]	[2 646]
Accumulated amortisation	[773]	-	[6 586]	-	[7 359]
Net book amount	123	0	3 777	388	4 289
Year ended 31 December 2023					
Net book amount at 1 January 2023	123	0	3 777	388	4 288
Additions	17	-	521	469	1 006
Reclassification between groups	-	-	25	[25]	-
Write-offs	-	-	[0]	-	[0]
Impairment	-	-	-	-	-
Amortisation charge	[53]	-	[783]	-	[836]
Net book amount at 31 December 2023	87	0	3 540	832	4 458
At 31 December 2023					
Acquisition cost	654	0.373	10 459	1 767	12 880
Accumulated impairment	-	[0]	[640]	[936]	[1 576]
Accumulated amortisation	[567]	-	[6 278]	-	[6 845]
Net book amount	87	0	3 541	832	4 459

COMPANY	PATENTS AND LICENSES	PREPAYMENTS	COMPUTER SOFTWARE	PROJECTS IN PROGRESS	TOTAL
Year ended 31 December 2022					
Net book amount at 1 January 2022	116	0	3 912	304	4 332
Additions	56	-	439	177	671
Reclassification between groups	-	-	92	[92]	-
Write-offs	-	-	[2]	-	[2]
Impairment	-	-	-	-	-
Amortisation charge	[48]	-	[664]	-	[712]
Net book amount at 31 December 2022	123	0	3 778	388	4 289
At 31 December 2022					
Acquisition cost	896	0	11 131	692	12 718
Accumulated impairment	-	[0]	[766]	[304]	[1 070]
Accumulated amortisation	[773]	-	[6 586]	-	[7 359]
Net book amount	123	0	3 778	388	4 289
Year ended 31 December 2023					
Net book amount at 1 January 2023	123	1	3 778	388	4 289
Additions	17	-	521	469	1 006
Reclassification between groups	-	-	25	[25]	-
Write-offs	-	-	[0]	-	[0]
Impairment	-	-	-	-	-
Amortisation charge	[53]	-	[783]	-	[836]
Net book amount at 31 December 2023	87	1	3 541	832	4 460
At 31 December 2023					
Acquisition cost	654	0	9 819	832	11 305
Accumulated impairment	-	[0]	-	-	[0]
Accumulated amortisation	[567]	-	[6 278]	-	[6 845]
Net book amount	87	0	3 541	832	4 459

Amortisation charges of intangible assets are included in depreciation and amortisation charges of non-current assets in the Group/Company's statement of comprehensive income.

Additions under Projects in progress include intangible assets acquired but not yet brought into use - Business Management System upgrading [P] Rivilė integration programming, BKIS integration programming, Shopify plugin for self-service system, new business management system installation and programming].

In 2023, the following intangible assets and accumulated impairment with the total value of EUR 1,070 thousand as at 31 December 2023 were written off by the Company due to software that was no longer in use and projects that were not finished. The Group's accumulated impairment includes solely the accumulated impairment for intangible assets of the Group entity LT Mokėjimų Sprendimai UAB, with the total value of EUR 1,576 thousand.

11. PROPERTY, PLANT AND EQUIPMENT

GROUP	BUILDINGS AND STRUCTURES	PLANT AND MACHINERY	MOTOR VEHICLES	OTHER PROPERTY, PLANT AND EQUIPMENT	CONSTRUCTION WORK IN PROGRESS	TOTAL
Year ended 31 December 2022						
Net book amount at 1 January 2022	21 325	14 920	327	3 850	1 646	42 069
Additions	9	2 277	-	797	603	3 687
Disposals	[3 986]	[59]	[8]	[5]	-	[4 058]
Write-offs	[0]	[21]	-	[74]	-	[95]
Reclassified from investment property	88	-	-	-	-	88
Impairment	-	-	-	-	-	-
Reclassification between categories	32	2 024	-	-	[2 056]	[0]
Reclassified to assets held for sale	[99]	-	-	-	-	[99]
Depreciation charge	[435]	[1 431]	[101]	[1 188]	-	[3 155]
Net book amount at 31 December 2022	16 935	17 711	218	3 380	193	38 438
At 31 December 2022						
Acquisition cost	28 053	23 674	1 582	10 313	193	63 815
Accumulated depreciation	[8 295]	[5 952]	[1 364]	[6 923]	-	[22 535]
Accumulated impairment	[2 823]	[12]	-	[9]	-	[2 843]
Net book amount at 31 December 2022	16 935	17 711	218	3 380	193	38 438
Year ended 31 December 2023						
Net book amount at 1 January 2023	16 935	17 711	218	3 380	193	38 437
Additions	-	1 404	-	957	2 996	5 358
Disposals	[1 495]	[30]	[125]	[1]	-	[1 651]
Write-offs	[0]	[364]	[0]	[979]	-	[1 344]
Reclassified from investment property	237	-	-	-	-	237
Impairment	-	-	-	-	-	-
Reclassification between categories	11	168	-	-	[179]	-
Reclassified to assets held for sale	[42]	-	-	-	-	[42]
Depreciation charge	[363]	[1 573]	[80]	[802]	-	[2 818]
Net book amount at 31 December 2023	15 284	17 315	13	2 555	3 010	38 178
At 31 December 2023						
Acquisition cost	23 786	24 233	273	8 023	3 010	59 325
Accumulated depreciation	[6 203]	[6 908]	[260]	[5 464]	-	[18 835]
Accumulated impairment	[2 300]	[10]	-	[4]	-	[2 314]
Net book amount at 31 December 2023	15 284	17 315	13	2 555	3 010	38 177

COMPANY	PASTATAI IR STATINIAI	MAŠINOS IR ĮRENGIMAI	TRANSPORTO PRIEMONĖS	KITAS MATERIALUS TURTAS	NEBAIGTA STATYBA	IŠ VISO
Year ended 31 December 2022						
Net book amount at 1 January 2022	21 325	14 920	327	3 853	1 646	42 071
Additions	9	2 277	-	797	603	3 687
Disposals	(3 986)	(59)	(8)	(5)	-	(4 058)
Write-offs	(0)	(21)	-	(74)	-	(95)
Reclassified from investment property	88	-	-	-	-	88
Impairment	-	-	-	-	-	-
Reclassification between categories	32	2 024	-	-	(2 056)	(0)
Reclassified to assets held for sale	(99)	-	-	-	-	(99)
Depreciation charge	(435)	(1 431)	(101)	(1 191)	-	(3 158)
Net book amount at 31 December 2022	16 935	17 711	218	3 380	193	38 438
At 31 December 2022						
Acquisition cost	28 053	23 674	1 582	10 313	193	63 815
Accumulated depreciation	(8 295)	(5 952)	(1 364)	(6 923)	-	(22 535)
Accumulated impairment	(2 823)	(12)	-	(9)	-	(2 843)
Net book amount at 31 December 2022	16 935	17 711	218	3 380	193	38 437
Year ended 31 December 2023						
Net book amount at 1 January 2023	16 935	17 711	218	3 380	193	38 437
Additions	-	1 404	-	957	2 996	5 358
Disposals	(1 495)	(30)	(125)	(1)	-	(1 651)
Write-offs	(0)	(364)	(0)	(979)	-	(1 344)
Reclassified from investment property	237	-	-	-	-	237
Impairment	-	-	-	-	-	-
Reclassification between categories	11	168	-	-	(179)	-
Reclassified to assets held for sale	(42)	-	-	-	-	(42)
Depreciation charge	(363)	(1 573)	(80)	(802)	-	(2 818)
Net book amount at 31 December 2023	15 284	17 315	13	2 555	3 010	38 178
At 31 December 2023						
Acquisition cost	23 786	24 233	273	8 023	3 010	59 325
Accumulated depreciation	(6 203)	(6 908)	(260)	(5 464)	-	(18 835)
Accumulated impairment	(2 300)	(10)	-	(4)	-	(2 314)
Net book amount at 31 December 2023	15 284	17 315	13	2 555	3 010	38 177

In 2023, depreciation charges of the Group's property, plant and equipment amounted to EUR 2.818 thousand (2022: EUR 3.155 thousand). In 2022, depreciation charges of the Company's property, plant and equipment amounted to EUR 2.818 thousand (2022: EUR 3.158 thousand). In the Group's/Company's statement of comprehensive income, depreciation charges of property, plant and equipment are included in depreciation and amortisation of non-current assets.

In 2023, the Company's internally created and capitalised property, plant and equipment (self-service parcel terminals) amounted to EUR 168 thousand (2022: EUR 2.024 thousand). This amount was reclassified from construction work in progress. In 2023, as a result of renovation of post office premises in Jonava (at

address: Chemikų g. 35), amount of EUR 11 thousand was reclassified from construction work in progress to buildings and structures.

As at 31 December 2023, the Company's buildings with the net book value of EUR 9.914 thousand (31 December 2022: EUR 10.184 thousand) were pledged to the Nordic Investment Bank as collateral under the long-term targeted loan agreement.

As at 31 December 2023, the Company's construction work in progress and plant and machinery installation work in progress amounted to EUR 3.010 thousand. Construction work in progress comprises self-service parcel terminal equipment and renovation of post office in Venta (at address: Žemaičių g. 39).

12. RIGHT-OF-USE ASSETS

GROUP/COMPANY	LAND	BUILDINGS AND STRUCTURES	PLANT AND MACHINERY	MOTOR VEHICLES	OTHER PROPERTY, PLANT AND EQUIPMENT	TOTAL
Year ended 31 December 2022						
Net book amount at 1 January 2022	1 306	12 539	0	2 668	98	16 610
New contracts signed, repriced	934	3 430	16	2 942	58	7 381
Contracts terminated	(138)	(6 540)	-	-	-	(6 678)
Depreciation charge	(645)	(1 956)	(10)	(1 062)	(47)	(3 720)
Net book amount at 31 December 2022	1 457	7 473	7	4 548	109	13 593
Year ended 31 December 2023						
Net book amount at 1 January 2023	1 457	7 473	7	4 548	109	13 593
New contracts signed, repriced	1 918	4 916	-	630	10	7 391
Contracts terminated	(29)	(83)	(2)	(4)	(0)	(35)
Depreciation charge	(866)	(2 333)	(5)	(1 496)	(40)	(4 740)
Net book amount at 31 December 2023	2 480	9 972	0	3 678	79	16 209

Right-of-use assets are attributed to the category of Land, i.e. the right to the location where the self-service parcel terminals are built. The category of Buildings and structures includes the lease right to premises designated for the Company's operating activities; the category of Plant and machinery includes the lease of card readers.

13. INVESTMENT PROPERTY

GROUP/COMPANY	BUILDINGS
Year ended 31 December 2022	
Net book amount at 1 January 2022	898
Reclassified to property, plant and equipment	[88]
Disposals	[251]
Depreciation charge	[13]
Net book amount at 31 December 2022	547
At 31 December 2022	
Acquisition cost	982
Impairment	[87]
Accumulated depreciation	[348]
Net book amount at 31 December 2022	547

Investment property comprises office buildings rented out to legal entities and individuals. It also includes property that is not used in the operating activities, however, capital appreciation is expected from this property upon its disposal. Investment property-related expenses for 2023 comprising depreciation

GROUP/COMPANY	BUILDINGS
Year ended 31 December 2023	
Net book amount at 1 January 2023	547
Reclassified to property, plant and equipment	[237]
Reclassified from property, plant and equipment	859
Disposals	[31]
Depreciation charge	[6]
Net book amount at 31 December 2023	1 131
At 31 December 2023	
Acquisition cost	1 473
Impairment	[153]
Accumulated depreciation	[190]
Net book amount at 31 December 2023	1 131

charges were included in depreciation and amortisation of non-current assets in the statement of comprehensive income and amounted to EUR 6 thousand (2022: EUR 13 thousand). The fair value of investment property as at 31 December 2023 and 2022 approximated its carrying amount.

14. NON-CURRENT FINANCIAL ASSETS

		AT 31 DECEMBER			
		GROUP		COMPANY	
		2023	2022	2023	2022
Investments in subsidiaries	[a], [b]	-	-	2 729	24
Loans to subsidiaries	[a]	-	-	-	1 951
Investments in other entities, undertakings	[c]	48	60	48	60
Amounts receivable after one year		226	167	226	167
		274	227	3 003	2 201
Impairment of investments in subsidiaries	[a]	-	-	[2 179]	[18]
Impairment of loans granted to subsidiaries		-	-	-	[1 951]
Impairment of investments in other entities		[48]	-	[48]	-
Impairment of amounts receivable after one year		[148]	[156]	[148]	[156]
Total non-current financial assets		79	71	629	77

a) On 25 April 2023, the share capital of subsidiary LP Mokėjimų Sprendimai UAB was increased by EUR 2.176 thousand. The payment for the increased share capital of LP Mokėjimų Sprendimai UAB was made through intercompany offsetting by capitalising the loan of EUR 1.951 thousand previously granted by the Company to the subsidiary and accrued interest thereon of EUR 225 thousand. Since the impairment of EUR 1.951 thousand was previously recognised for the capitalised amount of loan and accrued interest thereon, accordingly it was reversed and, in parallel, impairment in the same amount was recognised immediately for the investments in subsidiary. In 2023, additional impairment of EUR 2.176 thousand was recognised and EUR 6 thousand was offset due to liquidation of Lietuvos Pašto Finansinės Paslaugos UAB in 2023.

b) On 23 November 2023, subsidiary Unisend Latvija SIA was established, and investment amounted to EUR 50 thousand. On 29 November 2023, subsidiary Unisend Eesti OU was established, and investment amounted to EUR 500 thousand.

c) The Company is a partner (owner) of public institution Mobility Innovation Centre. As at 31 December 2022, the total amount of contributions is EUR 60 thousand. All partners (owners) of the public institution have one vote each, irrespective of the amount of the contribution made by the partners (owners). On 15 January 2023, a decision was made to put the institution into liquidation. On 29 December 2023, repaid amount of partner (owner) contributions was EUR 12 thousand, whereas for the remaining amount of EUR 48 thousand impairment was recognised. The legal status of public institution Mobility Innovation Centre is in liquidation.

15. INVENTORIES

	AT 31 DECEMBER	
	GROUP/COMPANY	
	2023	2022
Inventories and consumables	181	167
Philately production	35	33
Goods for resale	3 501	3 143
	3 716	3 343
Write-down allowance	[23]	[21]
Total inventories	3 693	3 323

The write-down allowance for the Group's/Company's inventories amounted to EUR 23 thousand as at 31 December 2023 [31 December 2022: EUR 21 thousand]. The change in the write-down allowance for inventories in the years 2023 and 2022 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 2023, the cost of goods sold was EUR 3.085 thousand, the cost of fuel consumed was EUR 1.954 thousand, the cost of other inventories was EUR 322 thousand. In 2022, the cost of goods sold was EUR 2.613 thousand, the cost of fuel consumed was EUR 2.562 thousand, the cost of other inventories was EUR 372 thousand.

In 2023, the Group/Company had inventories held on consignment for the amount of EUR 208 thousand [2022: EUR 215 thousand] and these inventories were presented in the statement of financial position.

16. TRADE RECEIVABLES

		AT 31 DECEMBER	
		GROUP/COMPANY	
		2023	2022
Trade receivables – gross	[a]	9 036	11 205
Receivables from foreign post offices – gross	[b]	4 920	269
		13 957	11 474
Impairment of trade receivables		[420]	[623]
Impairment of receivables from foreign post offices	[b]	[1 308]	[24]
Total impairment		[1 729]	[646]
Total trade receivables		12 228	10 828

a) Decrease in trade receivables at the year end 2023 was due to the transfer of central post office buildings in Kaunas and Klaipėda to the Lithuanian Ministry of Culture for public needs with effect from December 2022, a part of consideration for which [EUR 1.185 thousand] was received in the beginning of 2023.

b) Based on the refusal received from the post office in China in February 2024 to offset the amounts receivable against the advance amount received, the amounts receivable of EUR 3,545 thousand from the post office in China were transferred to the total amount of receivables from foreign post offices, which were offset against the advance amount received as at 31 December 2023. The impairment of accrued revenue from the post office in China [EUR 1,268 thousand] was transferred from the impairment of accrued revenue from foreign post offices to the impairment of amounts receivable from foreign post offices.

Trade receivables for services rendered in the domestic market are non-interest bearing and are normally settled within the term of 30 days. The invoice settlement term agreed with the buyers of cross-border services is 6 weeks.

The Group/Company calculated impairment for trade receivables based on the historical loss analysis for 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 crediting practices have not changed significantly over the years.

The Group/Company calculated impairment for 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 believes the grouping of the post offices by credit rating grade is a sufficient basis for evaluating credit quality and determining expected credit losses on amounts receivable. Receivables from foreign post offices by credit rating grade (after impairment) are presented in the table below.

RECEIVABLES FROM FOREIGN POST OFFICES BY CREDIT RATING GRADE:

	AT 31 DECEMBER	
	GROUP/COMPANY	
	2023	2022
Investment	3 331	211
Speculative	281	34
Total	3 612	245

CHANGE IN IMPAIRMENT OF TRADE RECEIVABLES:

	GROUP/COMPANY
Balance at 31 December 2021	501
Impairment charge for the year	260
Bad debts recovered (written off) during the year	(114)
Balance at 31 December 2022	646
Reversal of impairment during the year	(124)
Bad debts recovered (written off) during the year	(62)
Reclassification	1 268
Balance at 31 December 2023	1 729

The change in impairment of trade receivables was included in impairment (reversal of impairment) of financial assets in the Group's/Company's statement of comprehensive income.

For the assessment of impairment for trade receivables, individual debts of the customers were grouped by days past due. Having calculated the ECLs based on the expected credit loss rates, the ageing analysis of trade receivables as at 31 December 2023 and 2022 is as follows:



THE AGEING ANALYSIS OF TRADE RECEIVABLES:

GROUP/COMPANY	CURRENT	TRADE RECEIVABLES PAST DUE					TOTAL
		UP TO 30 DAYS	30-60 DAYS	60-90 DAYS	90-180 DAYS	MORE THAN 180 DAYS	
At 31 December 2022							
Trade receivables – gross	8 142	1 728	415	251	187	481	11 205
Expected loss rate [%]	0.00%	0.12%	3.11%	21.53%	55.44%	93.51%	
Impairment of trade receivables	(0)	(2)	(13)	(54)	(104)	(450)	(623)
	8 142	1 726	403	197	84	32	10 582
At 31 December 2023							
Trade receivables – gross	6 757	1 368	440	49	34	387	9 036
Expected loss rate [%]	0	0	0	0	0	1	
Impairment of trade receivables	(0)	(1)	(10)	(8)	(15)	(386)	(420)
	6 756	1 367	431	41	20	2	8 615

Trade receivables from the buyers who are involved in legal disputes with the Group/Company or have the legal status of an entity in bankruptcy or liquidation, are subject to a 100% impairment. Trade receivables, the settlement terms of which depend on the date on which it was agreed with the counterparties about the quantity of services to be rendered, are assessed for impairment individually.

The Company considers that the borrower is in default in relation to financial assets if the contractual payments are past due more than 30 days, or when there are indications that the borrower or a group of borrowers is experiencing serious financial difficulties, fails to settle the liabilities, likely to initiate bankruptcy or reorganisation procedures, and in cases where the observed data suggests a decline in future cash flows, such as changes in past due patterns or changes in economic conditions that correlate with the incidents of 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.

17. CONTRACT ASSETS

	AT 31 DECEMBER	
	GROUP/COMPANY	
	2023	2022
Accrued revenue from foreign post offices	4 944	5 956
Impairment of accrued revenue from foreign post offices (a)	[243]	[1 554]
Total contract assets	4 701	4 401

a) Accrued revenue from foreign post offices decreased as at 31 December 2023 compared to 31 December 2022 mostly due to prior periods reconciliations and adjustments.

The Group/Company operates on the basis of international agreements defining the rules for settlements and for issuing the accounting documents for postal services rendered. Based on these agreements, the Group/Company actually reconciles the actual shipment data, including the volume of postal services rendered and receivable amounts, only in the next year after the date 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 a right to consideration in return for goods or services transferred to a 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 the consideration earned, which is conditional, 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 volume of services rendered/received, the last known effective prices and the statistical data on service volume.

Under the line item contract assets, the Company presented accrued revenue from foreign post offices by deducting from it the advance amounts received from the same international partners for the same services rendered.

The Group/Company calculated impairment for 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 believes that the grouping of the post offices by credit rating grades is a sufficient basis for evaluating credit quality and determining expected credit losses on accrued revenue. Accrued revenue from foreign post offices by credit rating grade [after impairment] is presented in the table below. When calculating impairment for accrued revenue from foreign post offices, the Group/Company also assesses the risk arising from prescription. It is considered that accrued revenue from foreign post offices recognised two years ago have a 8% likelihood of non-recovery, those recognised three years ago have a 50% likelihood of non-recovery, those recognised four years ago have a 75% likelihood of non-recovery, and those recognised five or more years ago have a 100% likelihood of non-recovery.

ACCRUED REVENUE FROM FOREIGN POST OFFICES BY CREDIT RATING GRADE:	AT 31 DECEMBER	
	GROUP/COMPANY	
	2023	2022
Investment	4 360	4 061
Speculative	341	340
Total	4 701	4 401

CHANGE IN IMPAIRMENT OF ACCRUED REVENUE FROM FOREIGN POST OFFICES:	GROUP/COMPANY	
Balance at 31 December 2021	1 315	
Impairment charge for the year	240	
Balance at 31 December 2022	1 554	
Impairment charge for the year	[43]	
Reclassification	[1 268]	
Balance at 31 December 2023	243	

18. PREPAYMENTS, DEFERRED EXPENSES

	AT 31 DECEMBER	
	GROUP/COMPANY	
	2023	2022
Deferred expenses	225	214
Prepayments for services (a)	1 052	1 491
Prepaid income tax	-	1
Total	1 277	1 706

a) Prepayments as at 31 December 2023 decreased compared to 31 December 2022 due to cross-border postal services. In accordance with the provisions of the Universal Postal Union Convention and related regulations, reconciliations and nettings of prepayments were made with foreign post offices in relation to cross-border postal services.

The line item prepayments for services in the statement of financial position as at 31 December 2023 excludes prepayments made to foreign post offices [designated operators] in relation to cross-border postal services, when those prepayments were made to the same foreign post offices for the same services, similarly as in accrued expenses in the part of liabilities. Those prepayments are netted against accrued expenses as homogeneous assets and liabilities.

19. OTHER AMOUNTS RECEIVABLE

		AT 31 DECEMBER	
		GROUP/COMPANY	
		2023	2022
Compensation receivable for loss incurred from delivery of periodicals to subscribers	[a]	5 120	4 712
Compensation receivable for loss incurred from postal services with regulated prices	[b]	5 120	4 964
Prepayments to the budget		-	-
Other amounts receivable		465	163
Total		10 705	9 838

MOVEMENT IN COMPENSATIONS RECEIVABLE FOR LOSS INCURRED FROM DELIVERY OF PERIODICALS TO SUBSCRIBERS:		COMPENSATION FOR LOSS INCURRED FROM DELIVERY OF PERIODICALS TO SUBSCRIBERS	
Amount receivable at 31 December 2021		3 683	
Calculated amount receivable in 2022		8 976	
Compensation received in 2022		[7 947]	
Amount receivable at 31 December 2022		4 712	
Calculated amount receivable in 2023		8 356	
Compensation received in 2023		[7 948]	
Amount receivable at 31 December 2023		5 120	

a) In 2023, the Company incurred loss of EUR 8.356 thousand from delivery of periodicals to subscribers in rural residential areas and cities qualifying as residential areas with low or medium population density. According to the procedure established by the Lithuanian Government for compensation of loss from delivery of periodicals to subscribers in rural residential areas and cities qualifying as residential areas with low or medium population density, loss of EUR 7.948 thousand was compensated for the Company during 2023 (i.e. loss not compensated for 2022 and loss for 1H 2023). In 2022, loss of EUR 7.947 thousand was compensated.

b) Compensation for loss incurred from postal services with regulated prices was recognised in 2022, discounted and recovered in cash on 29 February 2024.

20. CASH AND CASH EQUIVALENTS

		AT 31 DECEMBER			
		GROUP		COMPANY	
		2023	2022	2023	2022
Cash at bank		34 957	31 596	34 340	31 521
Cash on hand		1 163	978	1 163	978
Cash in transit		1 274	1 318	1 274	1 318
Total		37 394	33 892	36 778	33 817

The Group/Company holds cash only at credit institutions with the highest credit ratings. Management did not establish any impairment indications for cash and did not reflect it in the Company's statement of comprehensive income.

21. SHARE CAPITAL

As at 31 December 2023 and 2022, the Republic of Lithuania owned 113.074 thousand ordinary shares of the Company with the nominal value of EUR 0.29 each (31 December 2022: EUR 0.29). Ordinary shares represent the major 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 issued under the procedure prescribed by the Lithuanian Law on Companies, when the authorised share capital is increased from the Company's retained earnings or from the reserves formed from profit available for appropriation. As at 31 December 2023 and 2022, all the shares had

been fully paid. Pursuant to the Lithuanian Law on Companies, the shareholders' equity must not be lower than 1/2 of an entity's share capital registered in the Articles of Association. As at 31 December 2023, the Company complied with this requirement.

The Company's ordinary shares cannot be converted into preference shares. The amount of dividends payable to holders of ordinary shares cannot not be established by the Company in the Articles of Association or the share subscription agreement.

CALCULATION OF THE WEIGHTED AVERAGE AT 31 DECEMBER 2022:	NUMBER OF SHARES	NOMINAL VALUE PER SHARE	IN CIRCULATION/ 365 (DAYS)	WEIGHTED AVERAGE
Number of shares at 31 December 2021	113 074	0	365/365	113 074
Number of shares at 31 December 2022	113 074	0	365/365	113 074

CALCULATION OF THE WEIGHTED AVERAGE AT 31 DECEMBER 2023:	NUMBER OF SHARES	NOMINAL VALUE PER SHARE	IN CIRCULATION/ 365 (DAYS)	WEIGHTED AVERAGE
Number of shares at 31 December 2022	113 074	0	365/365	113 074
Number of shares at 31 December 2023	113 074	0	365/365	113 074

	2023	2022
Dividends allocated to shareholders	-	-
Average weighted number of issued shares (units)	113 074	113 074
The Company's earnings/(deficit) per share (EUR)	0.0456	0.0428

22. 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 2022, the Group/Company earned profit, and therefore, it is planned to transfer part of profit for the reporting year to the legal reserve.

At the end of 2022 and 2023, the legal reserve had not been formed.

23. BORROWINGS

	AT 31 DECEMBER	
	GROUP/COMPANY	
	2023	2022
Non-current borrowings		
Bank borrowings	9 333	11 667
Overdraft	-	-
	9 333	11 667
Current borrowings		
Bank borrowings – current portion of non-current borrowings	2 333	2 333
Overdraft	-	-
Total borrowings	11 667	14 000

NON-CURRENT BORROWINGS BY MATURITY:

	AT 31 DECEMBER	
	GROUP/COMPANY	
	2023	2022
Within 1 year	2 333	2 333
Between 1 and 5 years	9 333	11 667
After 5 years	-	-
Total	11 667	14 000

On December 31, 2023, interest rate on borrowings outstanding was 4.89 percent. On December 31, 2022, interest rate on borrowings outstanding was 3.41 percent.

As at 31 December 2018, the Group/Company had the agreement on a long-term targeted loan of EUR 17,500 thousand with the Nordic Investment Bank for the term of 10 years. The purpose of the agreement is to finance the construction of a new automated distribution logistics centre in Vilnius, renewal of the logistics and postal vehicle fleet, and development of self-service parcel terminals. This agreement is valid until 31 December 2028. As at 31 December 2023, the withdrawn amount of the loan was EUR 17,500 thousand. The total repaid amount of the loan is EUR 5,833 thousand, whereof EUR 2,333 thousand was repaid in 2023.

As a collateral to secure the long-term targeted loan from the Nordic Investment Bank, the logistics centre in Vilnius [at address: Metalo g. 5] was pledged with the net book value of EUR 9.914 thousand as at 31 December 2023 [31 December 2022: EUR 10.184 thousand].

In 2023, interest charges from the Nordic Investment Bank amounted to EUR 546 thousand [2022: EUR 111 thousand], interest paid amounted to EUR 553 thousand [2022: EUR 138 thousand].

As at 31 December 2022, the Group/Company had overdraft agreements for the amount of EUR 15.000 thousand with OP Corporate Bank plc Lithuania branch signed on 29 October 2021 and expiring on 29 October 2023. Under the agreements, the overdraft is used to finance the working capital.

The interest rate for the used overdraft applicable on December 31, 2023, is 5.06 percent.

As at 31 December 2023, the unwithdrawn balance of bank overdrafts amounted to EUR 15.000 thousand [31 December 2022: EUR 15.000 thousand].

The loan agreements provide for financial and non-financial covenants that the Company is obliged to comply with. As at 31 December 2023 and 2022, the Company complied with the contractual covenants.

All borrowings are denominated in the euros, and accordingly, there is no exposure to foreign exchange risk.

MOVEMENTS IN FINANCIAL LIABILITIES:

	GROUP/COMPANY				
	AT 31 DECEMBER 2021	PROCEEDS FROM BORROWINGS (PAYMENT)	REPAYMENT OF BORROWINGS	CHANGE IN FAIR VALUE	AT 31 DECEMBER 2022
Overdraft	-	138	-	(111)	26
Bank borrowings	16 333	-	(2 333)	-	14 000
Total	16 333	138	(2 333)	(111)	14 026

	GROUP/COMPANY				
	AT 31 DECEMBER 2022	PROCEEDS FROM BORROWINGS (PAYMENT)	REPAYMENT OF BORROWINGS	CHANGE IN FAIR VALUE	AT 31 DECEMBER 2023
Overdraft	26	553	-	(546)	33
Bank borrowings	14 000	-	(2 333)	-	11 667
Total	14 026	553	(2 333)	(546)	11 700

24. LEASE LIABILITIES

	AT 31 DECEMBER	
	GROUP/COMPANY	
	2023	2022
Balance at 1 January	13 438	16 796
Liabilities under new leases	7 474	7 381
Expired liabilities (terminated leases) (a)	(118)	(6 678)
Interest charged	488	366
Payments to lessors	(5 202)	(4 427)
Balance at 31 December	16 080	13 438

a) In 2022, a high value lease contract was terminated resulting in a higher value of terminated leases. In 2023, no high value lease contracts were terminated.

As from 2019, following the adoption of IFRS 16 Leases, the Group's/ Company's future lease liabilities under non-cancellable contracts have been accounted for at the present value (using the discount rate of 3.25% for 2023 contracts and the discount rate of 2.64% for 2022 contracts) of future (unpaid) lease payments. Lease liabilities are increased each month by the amount of interest charges and reduced by the amount of lease payments made.

MINIMUM LEASE PAYMENTS BY MATURITY:

	AT 31 DECEMBER	
	GROUP/COMPANY	
	2023	2022
Minimum lease payments		
Within 1 year	4 801	4 242
Between 1 and 5 years	10 290	9 014
After 5 years	2 353	1 151
Total	17 444	14 406
Future finance charges	(1 364)	(968)
Total carrying amount	16 080	13 438

In 2023, the Company incurred motor vehicle lease expenses under the short-term lease contracts outside the scope of IFRS 16, and the related maintenance expenses in total amount of EUR 3,012 thousand (2022: EUR 3,084 thousand). These expenses mostly include short-term lease expenses for cars with the lease price depending on the mileage and other criteria, also maintenance expenses for leased cars, and short-term lease expenses for low-value assets.

25. OPERATING LEASE AND LOAN FOR USE

MINIMUM RENTAL INCOME UNDER NON-CANCELLABLE LEASE CONTRACTS IS AS FOLLOWS:

	AT 31 DECEMBER	
	GROUP/COMPANY	
	2023	2022
Within 1 year	143	178
Between 1 and 5 years	347	213
After 5 years	224	48
Total	714	439

As at 31 December 2023, the Company had 93 lease contracts, under which it leased out premises and structures covering an area of 3694.92 sq. m. There is 1 contract with indefinite term and 21 contracts expiring in 2023, but the latter are planned to be extended. The average monthly rental income amounts to EUR 16 thousand. In 2023, rental income earned by the Company totalled EUR 190 thousand (2022: EUR 242 thousand).

The Company has 2 loan for use agreements with the beneficiaries. Based on these agreements, the Company leases out premises covering an area of 201.10 sq.m. As at 31 December 2023, the net book amount of assets leased under loan for use agreements was EUR 141 thousand. One loan for use agreement has indefinite term and one loan for use agreement expires on 27 August 2030.

26. INCOME TAX

COMPONENTS OF INCOME TAX (EXPENSES)/BENEFIT:

	AT 31 DECEMBER	
	GROUP/COMPANY	
	2023	2022
Current year income tax (expenses)/benefit	-	-
Adjustment for previous year income tax	-	-
Deferred income tax (expenses)/benefit	[287]	[159]
Income tax (expense)/benefit recognised in the statement of comprehensive income	[287]	[159]

The amount of income tax benefit reported in the statement of comprehensive income attributable to the result of operations for the year can be reconciled to the amount of income tax expenses calculated at income tax rate of 15%.

The Company reduced the taxable income for 2023 by the amount of tax losses [EUR 3.379 thousand] and investment relief [EUR 3.651 thousand]. No income tax benefit (expenses) were calculated in the reporting year.

ADJUSTMENT TO INCOME TAX BENEFIT/(EXPENSES):

	AT 31 DECEMBER	
	GROUP/COMPANY	
	2023	2022
Income tax at a rate of 15%	[816]	[750]
Non-taxable income	104	86
Permanent non-allowable deductions	[230]	[119]
Adjustment to income tax for investment relief [a]	548	355
Other adjustments for previous year income tax	107	270
Utilisation of accumulated 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	-	-
Income tax (expenses)/benefit	[287]	[159]

a) Investment relief of EUR 3.651 thousand was applied when calculating income tax for 2023.

DEFERRED INCOME TAX CALCULATION:

	AT 31 DECEMBER	
	GROUP/COMPANY	
	2023	2022
Components of deferred income tax assets:		
Tax losses carry forward	-	373
Social security contributions for accrued vacation reserve and other accrued expenses	528	292
Impairment of amounts receivable and inventories	443	503
Deferred income tax assets before write-down to net realisable value	971	1 169
Less: write-down to net realisable value	-	-
Less: deferred income tax assets offset against deferred income tax liabilities	-	-
Deferred income tax assets, net	971	1 169
Components of deferred income tax liability:		
Property, plant and equipment and investment property	[1 293]	[1 203]
Deferred income tax liability	[1 293]	[1 203]
Less: deferred income tax liabilities offset against deferred income tax assets	-	-
Deferred income tax liability, net	[322]	[34]

In the statements of financial position, deferred income tax is presented as deferred income tax liability amounting to EUR 322 thousand [as per the statement of financial position].

As at 31 December 2023 and 2022, deferred income tax assets and liabilities were calculated at 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.

Investment relief balance as at 31 December 2023 amounted to EUR 6.561 thousand, on which no deferred income tax is calculated.



27. CONTRACT LIABILITIES

	AT 31 DECEMBER	
	GROUP/COMPANY	
	2023	2022
Advance amounts received from subscribers of periodicals	3 493	3 766
Advance amounts received from foreign post offices	13 647	9 709
Deferred revenue	727	909
Total contract liabilities	17 867	14 385

Contract liabilities include advance amounts received from subscribers of periodicals and other services. A contract liability is an obligation to deliver goods or services to a customer, for which the payment has already been received (or it is receivable). If a customer makes payment before the Company transfers goods or services, the contract liability is recognised when the payment is received. Contract liabilities are recognised as revenue when the Company fulfills the contractual obligations.

As at 31 December 2023, the advance amounts received from foreign post offices included the advance amount of EUR 12,114 thousand received from the post office in China during 2020-2022, the volume of services for which has been substantially reduced since 2021.

28. ACCRUED EXPENSES

		AT 31 DECEMBER	
		GROUP/COMPANY	
		2023	2022
Accrued expenses for services rendered by foreign post offices	[a]	12 042	13 520
Accrued vacation reserve		4 023	3 882
Accrual of variable part of remuneration, annual bonuses	[b]	2 197	1 000
Other		242	296
Total accrued expenses		18 503	18 698

a) Accrued expenses include services received from foreign post offices (designated operators) which will be finally reconciled and invoiced in the next year after the date of the statement of financial position. In the statement of financial position, accrued expenses of final settlements are reduced by prepayments for the same services to the same foreign operators as an offsetting of homogeneous assets and liabilities. Accrued expenses decreased mostly due to 15.4% lower volume of postal traffic to foreign countries.

b) In 2023, there was an accrual for annual bonuses as a reward for good performance.

29. OTHER AMOUNTS PAYABLE

		AT 31 DECEMBER			
		GROUP		COMPANY	
		2023	2022	2023	2022
Employment-related liabilities		3 046	2 862	3 046	2 861
Restructuring provision	(a)	560	-	560	-
Taxes (other than income tax)	(b)	115	733	115	733
Other		207	27	207	27
Total other amounts payable		3 928	3 622	3 927	3 621

a) The Group/Company assessed the scope of ongoing investment projects and developed a model for calculation of provisions for employee termination benefits. The provision was calculated as an average three-month work pay of employees (planned to be made redundant) multiplied by two. In 2023, the Group/Company formed the provision for termination benefits of EUR 560 thousand in relation to costs of the project for optimisation of efficiency of the work of mailmen.

b) There was a difference in tax payable as at 31 December 2023 due to payable VAT charged in 2022.

30. 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, whereas financial liabilities comprise trade payables, lease liabilities, borrowings and other current amounts payable.

CREDIT RISK

		AT 31 DECEMBER			
		GROUP		COMPANY	
		2023	2022	2023	2022
Trade receivables and receivables from foreign post offices		14 183	11 641	14 183	11 641
Contract assets		4 944	5 956	4 944	5 956
Other amounts receivable		10 705	9 838	10 705	9 838
Loans granted		-	-	-	1 951
Cash at bank and in transit		36 231	32 914	35 614	32 839
Impairment of trade receivables, contract assets and loans granted		(2 119)	(2 356)	(2 119)	(4 307)
Total		63 943	57 992	63 326	57 917

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, espec-

ally monitoring and analysis of the largest customers in order to anticipate potential future solvency problems, etc.) and the use of credit terms and 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 (100%).

INTEREST RATE RISK

The Group/Company's income and cash flows from operating activities are substantially independent of changes in market interest rates. The Group/Company has no significant assets bearing variable interest rates.

The majority of the Group's/Company's borrowings bear a variable interest rate linked to EURIBOR which exposes the Group/Company to the interest rate risk. Borrowings from the Nordic Investment Bank bear interest rate linked to EURIBOR not lower than -0.95%, whereas borrowings from OP Corporate Bank plc Lithuania branch bear interest rate linked to EURIBOR not lower than 0%. As at 31 December 2023 and 2022, the Group/Company had no interest rate hedging transactions and no financial instruments designated to manage its exposure to fluctuations in interest rates.

The table below demonstrates the sensitivity of the Group's/Company's profit before tax to possible changes in interest rates with all other variables held constant (changes in interest rate). There is no effect on the Group's/Company's equity, except for effect on current year profit.

FOREIGN EXCHANGE RISK

The exchange rate risk mostly arises for the Group/Company from cross-border postal services provided by the Company/Group. A monetary unit, which is established by the Universal Postal Convention and 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 foreign 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 WERE DENOMINATED IN THE FOLLOWING CURRENCIES:

GROUP	AT 31 DECEMBER 2023			
	2023		2022	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Euro [EUR]	58 570	42 823	55 201	44 863
US dollar [USD]	38	28	1 399	38
Special drawing rights [SDR]	6 499	8 963	2 370	7 739
Other currency	0	-	0	-
Total	65 106	51 814	58 970	52 639

COMPANY	AT 31 DECEMBER 2023			
	2023		2022	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Euro [EUR]	57 953	42 823	55 127	44 863
US dollar [USD]	38	28	1 399	38
Special drawing rights [SDR]	6 499	8 963	2 370	7 739
Other currency	0	-	0	-
Total	64 490	51 814	58 896	52 639

SENSITIVITY OF PROFIT BEFORE TAX TO POTENTIAL CHANGES IN INTEREST RATES:

	GROUP/COMPANY	
	INCREASE/DECREASE, IN PERCENTAGE POINTS	EFFECT ON PROFIT BEFORE TAX
At 31 December 2022		
EUR	+0,5	[71]
EUR	-0,02	3
At 31 December 2023		
EUR	+0,5	[56]
EUR	-0,02	2

The table below presents the sensitivity of the Group's/Company's profit before tax to possible changes in exchange rates, with all other variables held constant (based on change in the fair values of monetary assets and liabilities).

SENSITIVITY OF PROFIT BEFORE TAX TO POTENTIAL CHANGES IN EXCHANGE RATES:

	GROUP/COMPANY	
	INCREASE/DECREASE IN EXCHANGE RATE	EFFECT ON PROFIT BEFORE TAX
At 31 December 2022		
SDR	- 10%	537
USD	- 10%	[136]
Other currencies	- 10%	[0]
SDR	+ 10%	[537]
USD	+ 10%	136
Other currencies	+ 10%	0
At 31 December 2023		
SDR	- 10%	246
USD	- 10%	[1]
Other currencies	- 10%	[0]
SDR	+ 10%	[246]
USD	+ 10%	1
Other currencies	+ 10%	0

LIQUIDITY RISK

The Group's/Company's policy is to maintain an adequate amount of cash and cash equivalents or availability of 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 current liquidity ratio (total current assets / total amounts payable within one year and total current liabilities) and quick liquidity ratio ((total current assets – inventories) / total amounts payable within one year and total current liabilities) as at 31 December 2023 were 0.98 and 0.93, respectively (31 December 2022: 0.95 and 0.9, respectively). The Company's current liquidity ratio (total current assets / total amounts payable within one year and total current liabilities) and quick liquidity ratio (total current assets – inventories) / total amounts payable within one year and total current liabilities) as at 31 December 2023 were 0.98 and 0.92, respectively (31 December 2022: 0.05 and 0.9, respectively).

As at 31 December 2023, the Group's and the Company's current liabilities exceeded current assets by EUR 1.087 thousand and EUR 1.704 thousand, respectively. This difference is expected to be financed from unwithdrawn balance of overdraft. As at 31 December 2023, the unwithdrawn balance of overdraft amounted to EUR 15,000 thousand. In 2024, the Group's EBIT (earnings before interest and taxes) is expected to reach EUR 7.6 million. In 2024, CAPEX (capital expenditure) is expected to reach around EUR 7.6 million to be financed from the working capital. Considering all ongoing and planned actions and the fact that the Group/Company is the sole provider of the universal postal service on behalf of the State, 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 2023 and 2022 based on undiscounted payments.

FINANCIAL LIABILITIES BY MATURITY:

GROUP/COMPANY	ON DEMAND	1 TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	AFTER 5 YEARS	TOTAL
Interest-bearing borrowings and liabilities	-	-	2 635	9 626	2 345	14 605
Trade payables	47	24 834	-	-	-	24 881
Lease liabilities	-	1 155	3 087	9 014	1 151	14 406
Accrued expenses for services rendered to foreign post offices	-	361	13 158	-	-	13 520
Other accrued expenses	-	170	126	-	-	296
Balance at 31 December 2022	47	26 520	19 007	18 640	3 496	67 709
Interest-bearing borrowings and liabilities	-	-	2 884	10 373	-	13 257
Trade payables	47	23 652	-	-	-	23 699
Lease liabilities	-	1 326	3 475	10 290	2 353	17 444
Accrued expenses for services rendered to foreign post offices	-	170	11 872	-	-	12 042
Other accrued expenses	-	171	71	-	-	242
Balance at 31 December 2023	47	25 318	18 301	20 663	2 353	66 683

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's/Company's major items of financial assets and liabilities not carried at fair value are trade receivables and other amounts receivable, trade payables and other amounts payable, and non-current and current borrowings.

As at 31 December 2023 and 31 December 2022, 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 were used to determine the fair value for each category 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 a 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 determined with reference to the quoted market price for the same or similar loan or current rates available for debt with the same maturity profile. The fair value of non-current borrowings with variable interest rates approximates their carrying amount (attributed to Level 3 of the fair value hierarchy described in Note 2.12).

(c) The fair value of lease liabilities is determined with reference to the interest rate effective at the time of accounting for the discounted lease liability (attributed to Level 3 of the fair value hierarchy described in Note 2.12).

31. 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 for shareholders ("capital" under IAS 1 represents equity reported in the financial statements).

The Group manages its capital structure and makes 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 in the capital management objectives, policies or processes during the financial years ended 31 December 2023 and 31 December 2022. Holders of shares owned by the State must ensure that the share of profit to be appropriated for payment of dividends in public limited liability groups of companies/companies, where the State owns the shares representing more than a half of all votes, will depend on the company's ROE rate for the reporting year.

The Group assesses capital based on liabilities-to-equity ratio. The capital consists of ordinary shares, reserves, retained earnings (deficit).

LIABILITIES-TO-EQUITY RATIO:

	AT 31 DECEMBER			
	GROUP		COMPANY	
	2023	2022	2023	2022
Non-current liabilities (including deferred taxes and grants)	21 726	21 529	21 726	21 529
Current liabilities	71 126	68 265	71 127	68 265
Total liabilities	92 852	89 794	92 853	89 794
Equity	37 241	32 089	37 175	32 020
Liabilities-to-equity ratio	2.49	2.80	2.50	2.80

The Company has an electronic money institution licence, and therefore, has to comply with the equity requirements set for the electronic money institution. The rules for the equity amount, calculation and application of the Company, as an electronic money institution, are established by the supervisory au-

thority (the Bank of Lithuania). Based on the methodology approved by the Bank of Lithuania, the equity requirement was EUR 950 thousand, and the actual amount of equity was EUR 32.021 thousand as at 31 December 2023 (2022: EUR 957 thousand and EUR 32.020 thousand, respectively).

32. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES

At the date of approval of these financial statements, Lietuvos paštas AB had no proposed profit appropriation.

To secure fulfilment of obligations under the contracts for postal services, courier services, payment collection, delivery of pensions and other benefits, the Company provided to its customers the bank guarantees or letters of guarantee from the insurance companies for the amount of EUR 2.445 thousand as at 31 December 2023 (31 December 2022: EUR 2.698 thousand).

As at 31 December 2023, the Group/Company had no commitments to purchase non-current assets.

33. RELATED-PARTY TRANSACTIONS

COMPENSATION TO KEY MANAGEMENT PERSONNEL

In 2023, the total amount of remuneration paid to the Group's/Company's key management personnel [6 members] was EUR 714 thousand [2022: EUR 498 thousand; 5 members]. As at 31 December 2023, the Group's/Company's key management personnel comprised 5 members. Based on the structure approved by the Board on 10 November 2021, key management personnel comprises the chief executive officer and the directors of 5 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, the ownership rights and obligations of which are implemented by the Ministry of Transport and Communications of the Republic of Lithuania.

The Group does not treat entities controlled by the Lithuanian Ministry of Transport and Communications as a single customer, 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 activities.

A loan of EUR 1.951 thousand was granted by the parent company to LP Mokėjimų Sprendimai UAB. As at 31 December 2022, impairment was recognised for full amount of the loan. On 25 April 2023, the share capital of the subsidiary was increased by EUR 2.176 thousand. The payment for the increased share capital of LP Mokėjimų Sprendimai UAB was made through intercompany offsetting by capitalising the loan of EUR 1.951 thousand previously granted by the Company to the subsidiary and accrued interest thereon of EUR 225 thousand. Since the impairment of EUR 1.951 thousand was previously recognised for the capitalised amount of loan and accrued interest thereon, accordingly, it was reversed and, in parallel, impairment in the same amount was recognised immediately for the investments in subsidiary. In 2023, additional impairment of EUR 2.176 thousand was recognised for investments.

The subsidiaries established in Latvia and Estonia were dormant in 2023. The capital of EUR 50 thousand was formed for each of these subsidiaries.

Presented below are the transactions between the parent company and the related parties in 2023 and 2022 and the outstanding balances [receivables/payables] as at 31 December 2023 and 2022:

	DATE	PURCHASES OF GOODS AND SERVICES	SALES OF GOODS AND SERVICES	AMOUNT PAYABLE TO RELATED PARTIES	AMOUNT RECEIVABLE FROM RELATED PARTIES
LP Mokėjimų Sprendimai UAB	31 December 2022		-	-	-
	31 December 2023		-	-	-
Unisend Latvija SIA	31 December 2022		-	-	-
	31 December 2023		-	-	-
Unisend Eesti OU	31 December 2022		-	-	-
	31 December 2023		-	-	-

34. CORRECTION OF COMPARATIVE FIGURES - 31 DECEMBER 2022

When preparing the financial statements for 2023, the Company introduced changes in presentation of compensation for losses incurred from delivery of periodicals to subscribers and from postal services with regulated prices in the statement of comprehensive income. In 2022 and earlier periods, these items were presented as other income in the statement of comprehensive income. In 2023, the decision was made to reclassify these compensation items and present them under a separate line item Subsidies.

When preparing the statement of comprehensive income for 2023, the Company made reclassifications to employee-related expenses. Accrued expenses under employee incentive programme were reclassified from other expenses to employee-related expenses.

Due to the above-mentioned changes in presentation, the statements of financial position as at 31 December 2022 were restated retrospectively. The restatement effects are disclosed in the table below.

	GROUP AT 31 DECEMBER 2022	COMPANY AT 31 DECEMBER 2022	PERKLASIFIKAVIMAI	GROUP AT 31 DECEMBER 2022 [RESTATED]	COMPANY AT 31 DECEMBER 2022 [RESTATED]
Revenue from contracts with customers	93 725	93 725		93 725	93 725
Subsidies	-	-	13 940	13 940	13 940
Other income	19 752	19 752	[13 940]	5 812	5 812
	113 477	113 477		113 477	113 477
Employee-related expenses	[45 996]	[45 991]	790	[46 786]	[46 781]
Expenses of cross-border postal services and settlements with foreign post offices	[23 745]	[23 745]		[23 745]	[23 745]
Depreciation and amortisation expenses of non-current assets	[7 528]	[7 531]		[7 528]	[7 531]
Cost of goods held for resale and services	[2 606]	[2 606]		[2 606]	[2 606]
Impairment of financial assets	[378]	[378]		[378]	[378]
Expenses of utility services	[2 896]	[2 896]		[2 896]	[2 896]
Short-term lease of motor vehicles and related expenses	[3 084]	[3 084]		[3 084]	[3 084]
Expenses of consumables and raw materials	[3 270]	[3 270]		[3 270]	[3 270]
Property repair and maintenance expenses	[3 231]	[3 231]		[3 231]	[3 231]
Taxes [other than income tax]	[1 773]	[1 773]		[1 773]	[1 773]
Communications expenses	[657]	[657]		[657]	[657]
Impairment/[reversal of impairment] of other assets	-	-		-	-
Other expenses	[13 076]	[13 076]	[790]	[12 286]	[12 286]
	[108 238]	[108 236]		[108 238]	[108 236]

Other gain/(loss)	279	279	279	279
Operating profit/(loss)	5 518	5 521	5 518	5 521
Finance income	2	2	2	2
Finance [costs]	(523)	(523)	(523)	(523)
Profit/(loss) before income tax	4 997	5 000	4 997	5 000
Income tax	(159)	(159)	(159)	(159)
Profit/(loss) for the period	4 838	4 841	4 838	4 841
Other comprehensive income/(expenses)				
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	-	-	-	-
Total comprehensive income for the period	4 838	4 841	4 838	4 841

35. EVENTS AFTER THE REPORTING PERIOD

On 25 January 2024, in its publication No. 2024-025 the Centre of Registers published information about the change in the legal status of public institution Mobility Innovation Centre as an entity in liquidation. The change was registered on 23 January 2024.

On 23 January 2024, Lietuvos paštas AB increased the share capital of subsidiary Unisend Latvija SIA by EUR 1 by way of issuing one share, as result of which the share capital amounts to EUR 50.001, which is divided into 50.001 shares with the nominal value of EUR 1 each. One share was acquired for EUR 450 thousand.

On 29 February 2024, the payment was received for the UPS loss incurred in 2021.