



STATE ENTERPRISE  
**ORO NAVIGACIJA**

ANNUAL REPORT 2009





STATE ENTERPRISE  
**ORO NAVIGACIJA**

#### MISSION

- Ensuring of high level of flight safety and aviation security
- Provision of high-quality air navigation services in conformity with the standards of the European Union and international civil aviation organizations

#### SCOPE OF ACTIVITIES

- Provision of air navigation services
- Maintenance of air navigation equipment
- Preparation of air navigation documents
- Aeronautical search and rescue coordination
- Implementation of programmes of international civil aviation organizations

#### AIMS

- Meeting international obligations of the Republic of Lithuania in the field of air navigation services
- Continuous enhancement of quality of the air traffic services
- Development of the airspace structure of the Lithuanian Republic
- Immediate response to suggestions from the airspace users
- Steady improvement of qualifications of specialists
- Expansion of the market of air navigation services
- Timely response to the market changes and ensuring of continuous modernization of systems of communication, surveillance, air traffic control and information exchange
- Rational use of financial, economic and human resources of the enterprise

#### LITHUANIA'S MEMBERSHIP IN INTERNATIONAL AVIATION ORGANIZATIONS

- International Civil Aviation Organization, ICAO (from 1992-02-27)
- European Civil Aviation Conference, ECAC (from 1992-07-02)
- Joint Aviation Authorities, JAA (from 2004-03-16)
- European Aviation Safety Agency, EASA (from 2004-05-01)
- European Organisation for the Safety of Air Navigation, EUROCONTROL (from 2006-09-01)

The present Board of SE Oro navigacija was formed and started working in 2009, when the aviation sector was hit by heavy consequences of the world economic and financial crisis.

The new Board had to meet the challenge of responding immediately to changes in Lithuania's aviation sector caused by the shaken world aviation market and to take decisions on issues that emerged in crisis.

In my opinion, due to the decisions taken guidelines for future activities of SE Oro navigacija were successfully developed. In its way to European integration the enterprise was and is steadily seeking for technological progress, implementing projects on modernization of air traffic control and radar equipment to ensure high level of flight safety and quality of air navigation services under provision. Assessments by aviation authorities and external audits performed by foreign companies confirmed that the way chosen was right.

In the near future our most difficult challenge will be creation of the functional airspace block (FAB) in the Baltic Region. Last year the European Parliament and the Council adopted legislation setting out requirements for development of functional airspace blocks in the European Union states until December 2012.

Summing up, I may say that SE Oro navigacija was successfully performing its mission in 2009. It implemented objectives envisaged in the strategic plan and reached high qualitative indicators. In the name of the Board I would like to express my sincere gratitude to all the staff of the enterprise. I hope that long experience and high professional skills of specialists will help to cope with the present-day and future challenges.

*Tomas Karpavičius*  
Chairman of the Board





## Algimantas Raščius

Born in 1954. Graduate engineer. In 1979 graduated from Kirovograd Aviation School (Ukraine), in 1987 from Leningrad Civil Aviation Academy (St. Petersburg, Russia). Worked as an air traffic controller, a supervisor, head of Vilnius Area Control Centre, director deputy of Antanas Gustaitis Aviation Institute at Vilnius Gediminas Technical University. Developed his professional competence in Great Britain, Sweden and Luxembourg. Head of the SE Oro navigacija from 2001.

# United to Encounter Difficulties

We have to admit that 2009 was the most difficult year in history of Oro navigacija. In May, in respect of decrease in flight number we found ourselves in worst position in Europe. In the accounting year total number of flights, compared to very successful 2008, fell down by 11.34 percent. Decrease in transit flights, which constitute 80 percent of our income, was less – 4.69 percent, nevertheless, revenue was considerably lower in 2009.

It should be noted that we recognized first signs of crisis on time and took preventive measures. We reduced the costs, wherever possible, and encountering with the economic crisis we cut salaries of the staff by one fifth and that of the management even by a greater part.

In such unfavourable circumstances I was somewhat inspired by positive attitude of the staff, which conceived there was no way of changing or avoiding the situation. We had just to live on. Despite experienced losses the staff understood well the situation of the enterprise and the entire aviation sector. Temporary negative changes in social sphere caused no disagreement or heated discussions. In this context I would like to stress that the trade union's position was favourable to the administration.

Thus, the year 2009 added new experience. Although we had to go through the consequences of violent fall in flight number, we were able to live on without increasing rates of charges for air navigation services. In other words we did not shift the burden of financial

difficulties onto airspace users. By all means air companies did not avoid hard times.

Once again I want to emphasize a very important fact that the staff of the enterprise proved that at a critical moment it could unite to overcome the challenges. So I would like to express my gratitude to all employees of the enterprise.

In 2009 despite reduction of human resources caused by the crisis we succeeded in performing our major mission of ensuring high level of flight safety. Another important fact was that irrespective of unfavourable circumstances we continued to perform investment programmes, consenting to ICAO's position and taking an attitude that after crisis recovery would follow. Crises are usually followed by periods of intense activity, requiring more technical resources and readiness to meet new challenges.

It should be noted that the management of the Ministry of Transport and Communications and the Board of the enterprise paid special attention to analysis and development of Oro navigacija's investment projects.

In 2009, the enterprise continued close collaboration with the airlines. With the purpose of strengthening these relations we arranged an annual consultation meeting with representatives of airlines and other aviation institutions.

In our way to the European integration, we continue to enhance our performance in preparation for the implementation of the Single European Sky concept. Establishment of the Baltic functional airspace block (FAB) remains our major and most difficult challenge.

Turning back to the year 2009, I would like once again to express my sincere gratitude to all the staff for their great efforts which earn more and more confidence of the airlines using the airspace of the Lithuanian Republic.



*Algimantas Raščius*  
Director General

The year 2009 added new experience.  
The staff of the enterprise proved that  
at a critical moment it could unite to  
overcome the challenges.



## Sergej Smirnov

Born in 1968. Graduate transport engineer. In 1989 graduated from Leningrad Civil Aviation Academy (St. Petersburg, Russia) and obtained an air traffic controller license. He started his career as an air traffic controller at Vilnius Area Control Centre. In 1995 he was appointed as chief of the European Air Traffic Control Harmonization and Integration Program (EATCHIP) Division. Developed his professional competence in Great Britain, Luxembourg, Sweden, Iceland and Ukraine. Air Traffic Management Director from December of 2005.

# Quality of Services Unaffected by Crisis

Turning back to the year 2009, we have to note that due to the economic and financial crisis the number of flights in the airspace of the Republic of Lithuania decreased considerably: in the accounting year, compared to 2008, it reduced from 179,885 to 159,492 (or by 11.3 percent). Only when the year 2009 was coming to an end, the flight number evolution started to show that the world and Lithuanian financial and economic crisis' negative impact on the demand in air navigation services was abating. In November and December change in number of transit flights was positive, that is their number was a bit greater than in the same period of 2008.

Specialists of our enterprise, as in the previous years, succeeded in ensuring complete flight safety and high quality of services.

In 2009 we drew up a plan for development and implementation of weather forecasting system for the Area Control Centre. We worked out technical specifications for the software for weather forecasting and alerting system.

While continuing cooperation with the Lithuanian Air Force, we coordinated and solved issues vital to provision of air traffic services such as procedures for temporary change of class of ATS area of Šiauliai control zone, usage of UHF frequencies at Šiauliai Air Traffic Control Centre, joint instructions for provision of air traffic services at airbase by SE Oro navigacija and the Lithuanian Air Force, analysis of use of special activity airspace.

In 2009 we continued developing procedures for NATO aircraft low-level flights in Vilnius Flight Information Region. Information on low-level flights by military aircraft in uncontrolled airspace was published in the Aeronautical Information Publication of the Republic of Lithuania.

Specific requests by NATO and Lithuanian Air Force related to restriction of air traffic services routes were satisfied only after taking into consideration the needs of other airspace users.

The airspace design and the route network are constantly on the focus of our attention. Last year projects on establishment of new sectors of Kaunas and Vilnius terminal control areas were worked out.

To optimize approach and landing paths at Vilnius and Kaunas aerodromes, new routes of standard instrument arrival and area navigation were established.

While seeking to harmonize sectorization of Vilnius Flight Information Region (after setting up new limits of Vilnius and Kaunas terminal control areas), we worked out a project on establishment of new lateral limits of sectors.

In the accounting year we were making every effort to ensure provision of safe, good-quality and cost-efficient air navigation services to make Lithuania's airspace even more attractive to its users. Judging by responses of most airspace users, we have succeeded.



*Sergej Smirnov*  
Air Traffic Management Director





## Genadijus Matulaitis

Born in 1954. Graduate engineer. In 1975 graduated from Riga Aviation School (Latvia), in 1985 from Kiev Aviation Institute (Ukraine). Worked as a technician, an engineer and chief of ATC Technical Centre. Developed his professional competence in France, Luxembourg and Sweden.

Technical Director of the SE Oro navigacija from 2001.

# New Projects on Flight Safety

In recent years traffic volume in the Republic of Lithuania was subject to considerable change. Before the world economic crisis it grew rapidly and then it fell into a temporary decline. Irrespective of fluctuations, SE Oro navigacija was and is steadily implementing projects related to the communications, navigation and surveillance equipment operated at the enterprise. Certainly, our projects are coordinated with the European institutions and are aimed at implementation of Eurocontrol's Single European Sky Programme. Global crisis made us correct our plans. We had to refuse some of the projects or postpone their implementation. Of course, flight safety and service quality remains our first priority.

Peculiarities of work of technical specialists differ from those of other services even in that they do not depend on the time of the day or weather conditions, the global economic crisis or, on the contrary, on prospering economy. If there is at least one aircraft in the air, the equipment has to work continuously and reliably. In recent years considerable part of investments in Lithuania was made into modernisation of radar equipment. In 2009 we completed implementation of the project on replacement of air surveillance radars.

In the accounting year we were implementing the surface movement radar system permitting air traffic controllers to observe the situation on the

runway and the full view of the aerodrome despite weather conditions and the time of the day. We also continued the 2nd stage of this project related with implementation of multisensor system for surveillance of aerodrome traffic. Terms of reference for public tender were drawn up and confirmed.

In 2009 we successfully implemented new voice communication equipment at Kaunas Air Traffic Control Centre, prepared for the same works in Palanga. In the accounting year installation of the aerodrome control simulator was completed. New technologies were gradually being introduced into communications and data transmission. In the future these technologies will permit to reduce the costs of communications.

Certainly, apart from the above-mentioned projects, we carried out successfully our day-to-day tasks. Maintenance of all communication, navigation and surveillance equipment was performed on time and in conformity with regulations on operation and maintenance. High-quality ground tests and flight inspection allowed us to prepare the equipment for spring-summer and autumn-winter operation. The equipment conforms to the technical requirements and may be operated without restriction. Technical specialists of the

enterprise took an active part in implementation of the Eurocontrol Safety Regulatory Requirements in Lithuania, drew up technical requirements for new projects. In close cooperation with A. Gustaitis Aviation Institute at Vilnius Gediminas Technical University we shared experience in preparing specialists of electronics.

We will further devote our knowledge and efforts to enhance safety of flights and passengers.



*Genadijus Matulaitis*  
Technical Director

SE Oro navigacija was and is steadily implementing projects related to the communications, navigation and surveillance equipment operated at the enterprise.

A portrait of Kazimieras Jakas, a middle-aged man with short, light-colored hair, wearing a grey suit jacket, a white shirt, and a purple and blue striped tie. He is standing in an air traffic control room, with several large, grey, curved monitors visible in the background. The room is dimly lit, with a green exit sign visible on the wall behind him.

## Kazimieras Jakas

Born in 1954. Graduate engineer. In 1972 graduated from Kirovograd Aviation School (Ukraine), in 1981 from Leningrad Civil Aviation Academy (St. Petersburg, Russia). He started his career as an air traffic controller, later worked as a supervisor and chief of Vilnius Area Control Centre. Developed his professional competence in Luxembourg, Sweden and Great Britain. In 2001 he was appointed as Air Traffic Management Director of SE Oro navigacija. Strategic Development Director from 2006.

# Integration Processes

On 21 October 2009 the European Parliament and the Council adopted the Single European Sky Second Package (SES II). Its major challenge for the European Union states is to create – by the 4th of December 2012 – functional airspace blocks (FABs) and air navigation service providers' performance assessment scheme covering the fields of flight safety, ATM system capacity, cost-efficiency and the environment. Therefore, no wonder that in the accounting year we worked much on the prospective FAB development in the Baltic Region. Together with representatives of the Lithuanian Civil Aviation Administration, the Polish Civil Aviation Authority and the Polish Air Navigation Services Agency (PANSa) we presented the complex geopolitical situation of the Baltic Region to high-level officials of the European Commission.

We also addressed the need of the Commission's financial and political support for carrying out a feasibility study on the Baltic FAB establishment. In October the Commission's guarantee for financial support was received and an international tender was announced. To carry out the feasibility study, two phases have been envisaged. In the first phase a complete study of the base scenario of the Baltic FAB (Lithuania and Poland's) will be carried out and the FAB establishment plan will be worked out. In the second phase the above-mentioned base scenario and scenarios of all the neighbouring countries and FAB initiatives will be analysed. Then three most

acceptable scenarios will be selected and plans for their prospective development will be drawn up.

At a meeting with colleagues from the Russian Federation in June, perspectives of the Baltic FAB establishment were introduced as well as positive aspects of the Kaliningrad Region's inclusion into the Baltic FAB initiative. We are convinced that otherwise it would be impossible to implement a technically and technologically balanced FAB, attractive to airspace users.

At a similar meeting with the Belarusian representatives in August, a formal approval of both neighbours for the Baltic FAB development phase was received. Due to lengthy public procurement procedures preparation of the study is out of schedule.

At the beginning of the accounting year, together with representatives of the Civil Aviation Administration, Vilnius International Airport, the Lithuanian Air Force and Eurocontrol we completed preparation of a new edition of the Lithuanian Local Convergence and Implementation Plan (LCIP) for 2009–2013.

In 2009 the European Commission and Eurocontrol made a decision to add information on performance of targets, set by SES concept regulations, directives and other legislation, to LCIP documents and rename them Local SES Implementation Plans (LSSIP). At the end of the year preparation of a new edition of Lithuanian LSSIP for 2010–2014 was practically completed.

In 2009 we focused our attention on the route network development in Lithuania and the whole region, putting forward proposals on how to make the region's airspace even more attractive to the users.

In 2009 we focused our attention on the route network development in Lithuania and the whole region. The staff of the enterprise participated actively in activities of ICAO and Eurocontrol's special workgroups on route network development and improvement, putting forward proposals on how to make the region's airspace even more attractive to the users.

In a short time together with the Belarusian air traffic service providers we succeeded in coordinating and implementing a new route Vilnius–SOGBI–TADUN from September 24th. This allowed us to draw additional air traffic to the Lithuanian airspace and increase revenue of the enterprise. We put in a great deal of effort while implementing viable routes crossing the Republic of Lithuania such as Vilnius–Pinsk, Kaliningrad–Belozersk and others.

Integration aspects related to harmonized implementation of technical tools, unification of air traffic procedures, human resources training and keeping up required qualifications, and enhancement of flight safety and quality management system were being addressed at different workgroup meetings of Eurocontrol, ICAO, the European Commission and the Civil Air Navigation Services Organisation (CANSO) in 2009.



*Kazimieras Jakas  
Strategic Development Director*

# Year of Challenges

The 2009 was a year of great challenges in the financial sphere. Faced with the world economic and financial crisis we had to look for compromises while collaborating with the users of air navigation services provided by us and to keep the financial status of the enterprise as stable as possible. Certainly, not only we had to cope with the daily problems but also think of the perspectives.

It was the second year, when Lithuania acceded to the Multilateral Agreement on the Route Charges System. The enterprise integrated successfully into it. Due to the efforts of Oro navigacija's staff and Eurocontrol representatives' good-will the work went smoothly and without any great difficulty.

Although in the financial aspect the situation was not favourable in 2009, the enterprise performed its tasks rather successfully. We hope that positions of Oro navigacija will strengthen in the future.



*Jolanta Verikaitė*  
*Director of Finance and Economics*

## Jolanta Verikaitė

Born in 1963. Graduate economist. In 1986 she graduated from the Faculty of Economics at Vilnius University. Worked as an economist at manufacturing companies. From 1997 in the sphere of accounting and finance in the field of services. In 2004 she started working as chief financier of SE Oro navigacija. Developed her professional competence in Great Britain. Director of Finance and Economics from 1 January 2007.

# EKSKO

Closed Joint-Stock Company "EKSKONTROLIERIŲ KONSULTACIJOS"

## EXTERNAL AUDITOR'S REPORT

To the Ministry of Transport and Communications of the Republic of Lithuania  
To the Board and Head of the State Enterprise "Oro navigacija"  
To Head of Administration of State Enterprise "Oro navigacija"

### Conclusion on financial statements

We have audited the accompanying annual financial statements of the SE "Oro navigacija", including the balance sheet as of 31 December 2009 and the income statement, the statement of changes in equity, the cash flow statement, and notes to financial statements (hereinafter "financial statements") and the report on activities for 2009, accompanying these annual financial statements.

#### Management's responsibility for financial statements

Preparation and presentation of these financial statements and the report on activities in conformity with the legislation valid in the Republic of Lithuania, regulating the procedure for accounting and financial statement presentation, the Business Accounting Standards and the International Accounting Standards applicable in EU are the responsibility of the management of the enterprise. The management's responsibility encompasses developing, implementing and keeping up the internal auditing system which ensures that the drawn up and presented financial statements are free of material misstatement. The management of the enterprise is also responsible for selection and application of appropriate accounting policy and also for assessment of accounting based on existing circumstances.

#### Auditor's responsibility

Our obligation is, on the basis of this audit, to express our opinion on these financial statements. We conducted the audit in conformity with the International Auditing Standards (hereinafter "the standards") established by the International Federation of Accountants. The standards require that we keep to principles of professional ethics and plan and perform the audit to obtain assurance that the financial statements are free of material misstatement. The audit included the procedures for receiving evidence supporting the amounts and disclosures in the financial statements. The procedures chosen depend on the auditor's professional solution, including assessment of risk of financial statement material misstatement due to fraud or error. While assessing such risk the auditor takes into account the enterprise's internal auditing system, which is essential to drawing up financial statements and right presentation thereof, in order to choose proper auditing procedures in the existing circumstances but not to state his opinion on efficiency of the internal auditing system of the enterprise. The audit included assessment of suitability of the applicable accounting policy, the estimate made by the management and overall presentation of financial statements. We believe that the audit provides a reasonable basis for our opinion.

### Opinion

In our opinion, the financial statements reflect in all material respects the financial position of State Enterprise "Oro navigacija" as of 31 December 2009 as well as the results of its activities and the cash flow for 2009 and are presented in accordance with the Business Accounting Standards and the International Accounting Standards adopted for EU.

### Conclusion on other information to be presented in conformity with legislation

Also, we have read the report on activities of the State Enterprise "Oro navigacija" for 2009 and found that the financial information included therein is fairly stated in all material respects when considered in relation to the financial statements of State Enterprise "Oro navigacija" for 2009.

Director-auditor Vytautas Jarmala

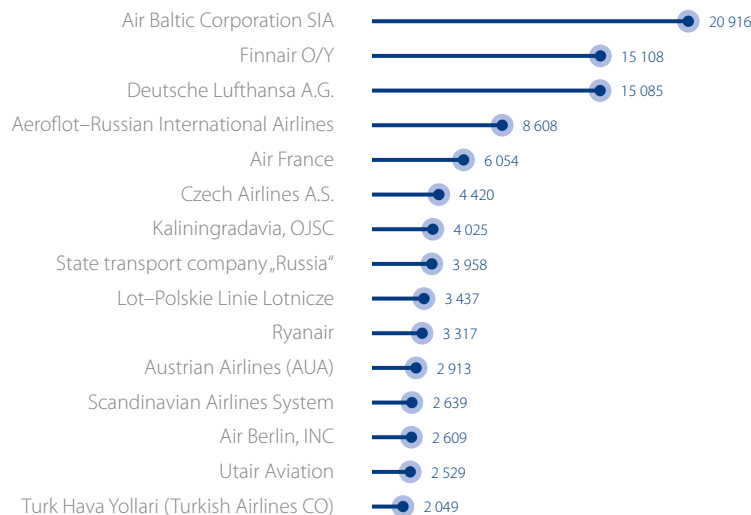
2010-03-19  
Sviliškių g. 10-21, Vilnius  
Auditor's certificate No. 000391  
CJSC "Ekskontrolierių konsultacijos"  
Auditing company certificate No. 001238



Air navigation services to 159,492 aircraft were provided by SE Oro navigacija in 2009. 125,865 aircraft crossed the Lithuanian airspace by transit.



In 2009 most flights in our country's airspace were performed by these airlines:



**CAA**  
 CIVILINĖS AVIACIJOS ADMINISTRACIJA  
 CIVIL AVIATION ADMINISTRATION  
 REPUBLIC OF LITHUANIA

**ORO NAVIGACIJOS PASLAUGŲ TEIKĖJO**  
**AIR NAVIGATION SERVICE PROVIDER'S**

**PAŽYMĖJIMAS Nr. 1**  
 CERTIFICATE No. 1

Atsižvelgdama į Europos Parlamento reglamento (EB) 550/2004 bei Tarybos ir Komisijos reglamento (EB) 2096/2005 reikalavimus, Civilinės aviacijos administracija tvirtina, kad: Pursuant to Regulation (EC) 550/2004 of the European Parliament and of the Council and Commission Regulation (EC) 2096/2005 for the time being in force and subject to the conditions specified in this certificate, the Civil Aviation Administration hereby certifies:

**Valstybės įmonė „Oro navigacija“**  
**State Enterprise „Oro navigacija“**

(įmonės pavadinimas)  
 (name of organization)

atitinka bendrošius reikalavimus bei pažymėjime nurodytas sąlygas. Teikiamos paslaugos bei specialiai taikomos jų sąlygos išdėstytos priede. compliant with the Common Requirements applicable to the services listed in the attached schedule and, therefore, capable for providing them.

**Bendrosios sąlygos:**

1. Teikėjas atitinka procedūras bei sąlygas, išdėstytas organizacijos nuostatuose.
2. Pažymėjimo galiojimo metu teikėjas atitinka bendrošius reikalavimus ir nustatytas sąlygas, išdėstytas pažymėjimo priede.
3. Civilinės aviacijos administracija turi teisę patikrinti teikėją, ar jis atitinka nustatytus reikalavimus.
4. Pažymėjimas be priedo negalioja.

**General conditions:**

1. This certificate requires compliance with the procedures and other arrangements specified in the organization exposition.
2. This certificate is valid whilst the organization remains compliant with the applicable Common Requirements, and specific conditions identified for the services included in the certificate schedule.
3. Civil Aviation Administration has a full right to verify Provider's compliance with the conditions identified.
4. Certificate is valid only with certificate schedule.

**Išdavimo data 2006-12-21**

Date of issue

**Galioja iki 2012-12-20**

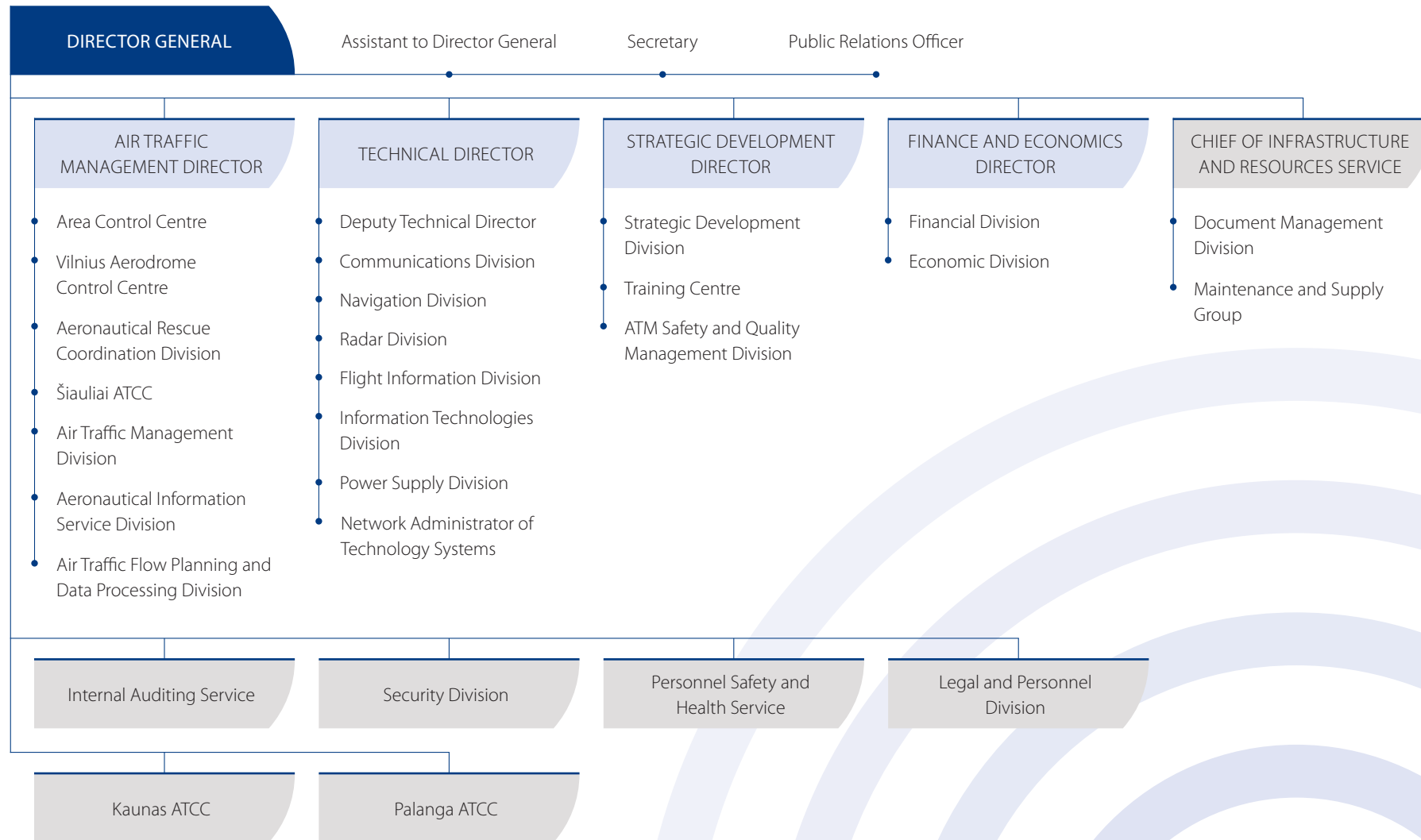
Date of expiry

**Direktorius**  
 Director

Kęstutis Auryla



# Structure of the enterprise



# Branch offices

**Kaunas (Karmėlava) Air Traffic Control Centre** employs 10 ATCOs and 15 engineers and technicians. In 2009, alongside with the scheduled maintenance of the equipment, automated ATC and voice communication systems were implemented. In the accounting year, new airspace surveillance radar and omnidirectional beacon were put into operation.

**Palanga Air Traffic Control Centre** provides air navigation services in the western part of the airspace of the Republic of Lithuania. Palanga is a seaside resort, thus, workload of ATCOs increases considerably in summertime. The centre employs 9 ATCOs and 11 engineers and technicians. In the accounting year a project on construction of new airspace surveillance radar at Palanga Air Traffic Control Centre was under implementation.

**Šiauliai Air Traffic Control Centre** employs 7 ATCOs. The particularity of work at this centre is determined by the aerodrome for civil and military purposes (for the purposes of the Lithuanian Air Force and the NATO aircraft performing air policing functions). The aerodrome has two runways. The main runway used for civil purposes is 3,500 metres long.

The total area of the Lithuanian airspace extending over its territory and part of the Baltic Sea makes up 76, 126 sq km.

# Aviation Security

To meet international requirements and to ensure adequate protection of the enterprise's property and information and also to prevent information security incidents, documents on general processes and procedures for implementation of information system protection standards ISO/IEC 27001 and ISO/IEC 17799 have been drawn up at the enterprise. Information protection policy has been adopted, the terms of reference of the Safety Oversight Committee have been coordinated and supplemented.

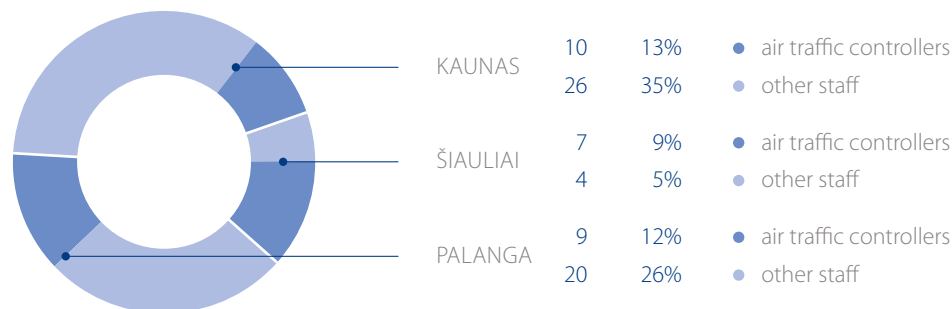
In all newly-built and existing objects of communications, navigation and surveillance of SE Oro navigacija, physical protection measures have been implemented or modernized. Protective measures have been united into a single system. In protected objects testing, programming and adjustment of protection equipment are systematically being performed.

In accordance with levels of physical safety a list of the enterprise's protection objects has been approved. Cases of threat or navigation equipment damage were not recorded in 2009.

All newly-accepted employees of the enterprise were given aviation security courses and trained in civil safety.

The enterprise possesses considerable potentials of specialists and technical measures for ensuring aviation security.

Distribution of Staff at ATCCs of Branch Offices



# Flight Safety and Quality Management

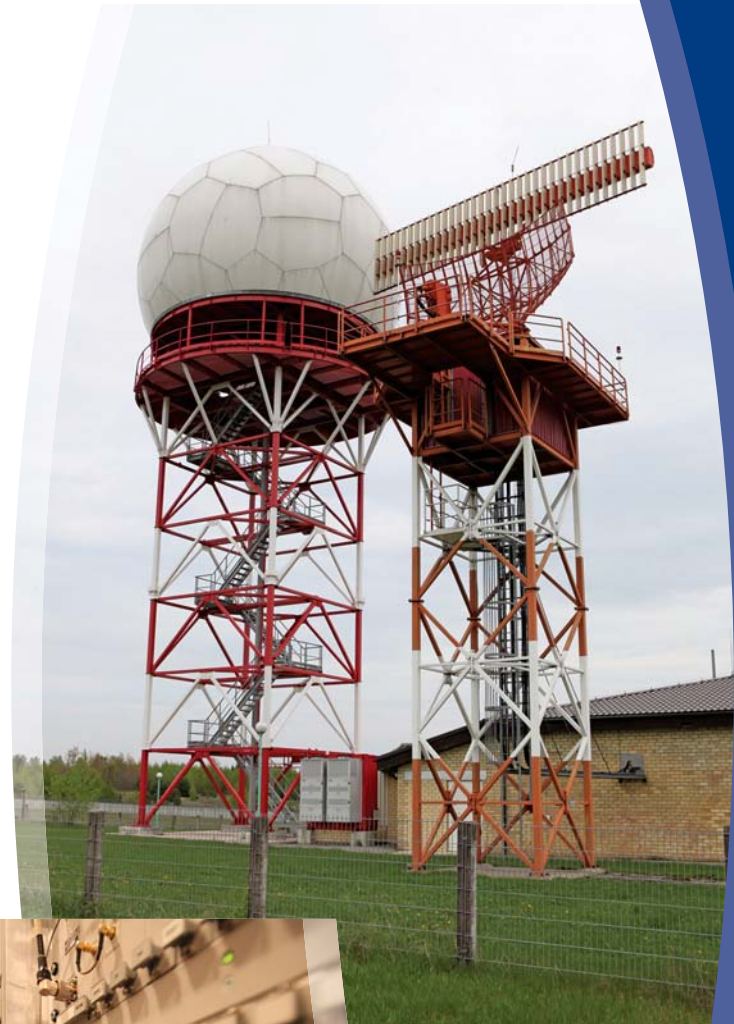
In conformity with ICAO, European Union and Eurocontrol standards and regulatory requirements, the enterprise's system of air traffic safety management, procedures for quality and safety management were being further developed in 2009. Performance of the enterprise was assessed positively by public enterprise LST Sert which had conducted an oversight audit in conformity with new international quality management system standard ISO 9001:2008. International experts who in accordance with ICAO universal programme checked Lithuania's conformity with international obligations in flight safety and state supervision also examined the safety management system of the enterprise. Assessment by this audit was also positive.

Supervision specialists of CAA found no shortcomings in the system of safety and quality management system and ascertained in essence its conformity with requirements for safety and quality standards.

In order to integrate the assessment analysis and oversight functions of the management in quality and information safety assurance, activity of the Safety Oversight Committee was respectively extended. Meetings-seminars with heads of structural divisions and other employees are regularly organized where problematic issues of safety and quality management are being solved.

In the area of ensuring safety and quality we collaborated closely with the Civil Aviation Administration and other Lithuanian and international institutions. We respond to the airspace users' remarks and suggestions and we seek to provide them only with high-quality air navigation services.

A network of 30 transit routes  
crosses the Lithuanian airspace.  
The total length of airways  
is 6,132 km.



# Work, Training and Rest

In 2009, the enterprise employed 320 persons, including 89 air traffic controllers and 98 engineers and technicians of different profile. Oro navigacija's performance indicators were reached due to the joint efforts of all the staff.

Provisions for ensuring flight safety set down in ICAO and Eurocontrol documents require high level of qualifications for ATCOs and other specialists, for adequate maintenance of which it is necessary to continuously refresh knowledge and develop skills. New technical projects and implementation of modern equipment require specialists' qualification improvement, therefore, the process of competence and practical skills development never ceases at the enterprise.

Major work in this area was done by the Training

Centre of the enterprise. In 2009 the centre organized different courses, with 97 employees participating. Seeking to renew their licences, 89 ATCOs underwent several courses: training on ATC simulator, radiotelephony phraseology, Aviation English and e-learning according to modules developed by Eurocontrol's Institute of Air Navigation Services (IANS) in Luxembourg. Three ATCOs students were being trained at the Centre for their further employment in Šiauliai and Palanga air traffic control centres. Considerably more attention, if compared to previous years, was being paid to improvement of qualifications of engineers of CNS and Flight Information Service divisions.

Not only engineers and ATCOs underwent training: for the first time, if compared to previous years, there were

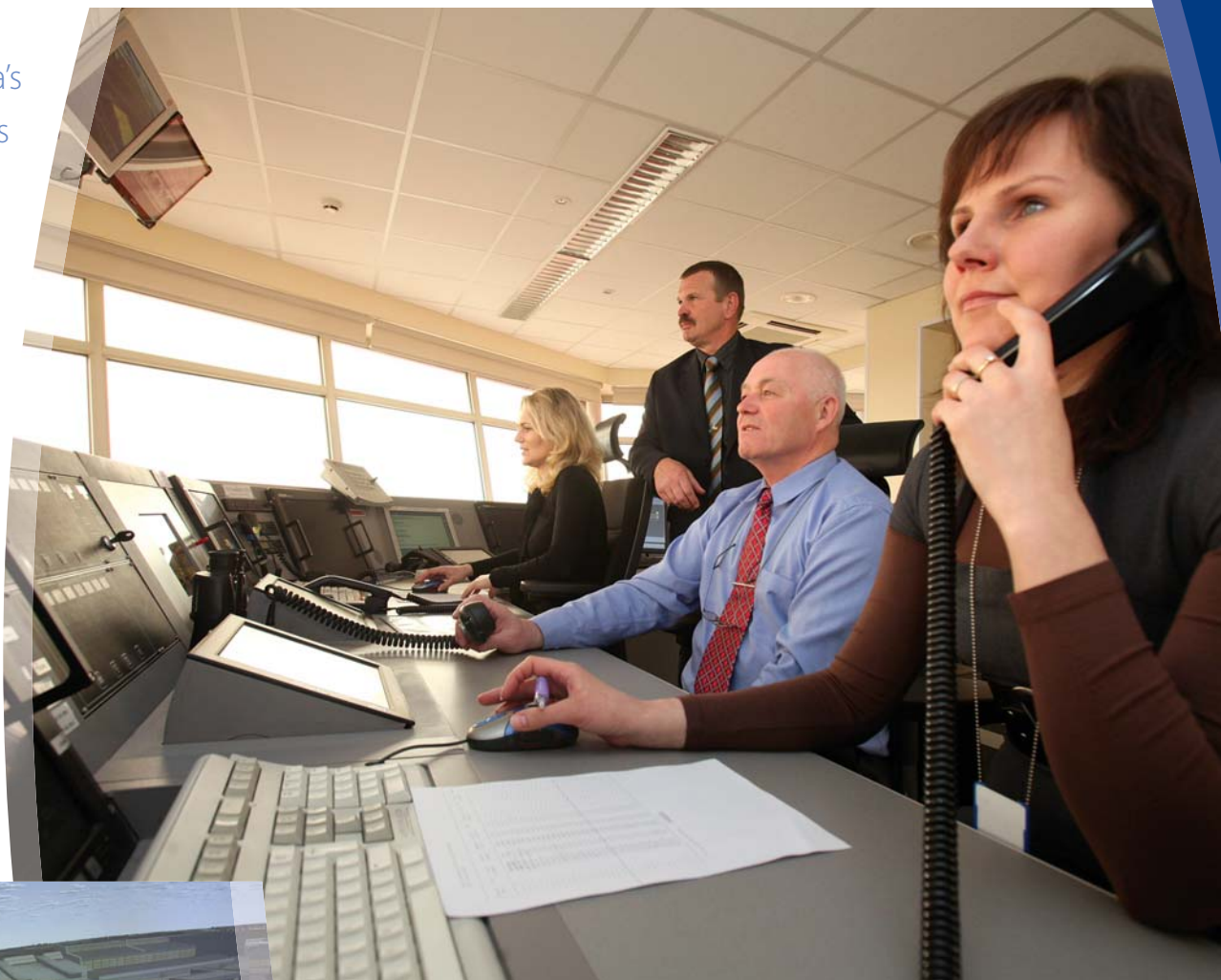
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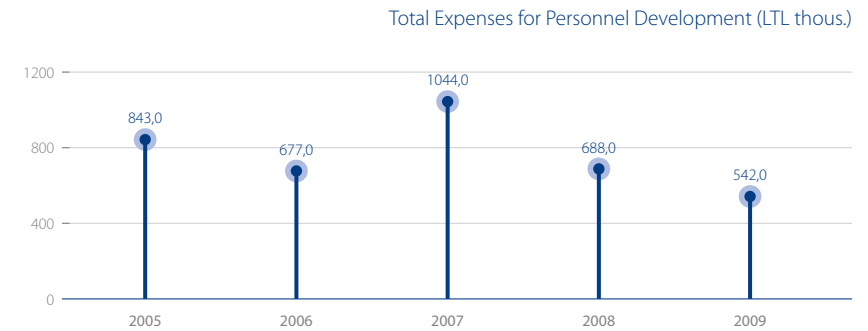
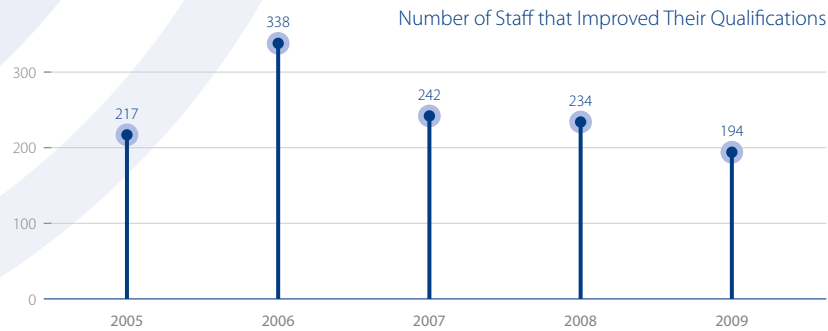
Oro navigacija's performance indicators were reached due to the joint efforts of all the staff.

more courses for employees of other professions. Studies for specialists were not limited to courses in Lithuania. In different courses of Eurocontrol's Institute in Luxembourg 32 employees participated, including 15 engineers and 6 ATCOs. 9 employees, including 4 engineers, improved their English in Great Britain. Specialists of Oro navigacija were being trained in other countries as well. In 2009 the total number of 194 employees took part in planned courses and seminars. The total amount allocated to personnel training made up 542 thousand litas.

One of highlights in activities of the enterprise in 2009 was launching of a new aerodrome control simulator opening wide opportunities for ATCO professional skills development.



One of highlights in activities of the enterprise in 2009 was launching of a new aerodrome control simulator.



The process of competence and practical skills development never ceases at the enterprise.

In the accounting year, a constructive dialogue between the administration and the trade-union was continued. Atmosphere of cosiness at the enterprise is created by traditional events on certain occasions, the New Year festivities. In different sporting contests the enterprise is represented by the football club "Radaras" and the basketball team "Navigacija". Also active is the fishing club "Vokė".

In 2009 the enterprise was staffed by 90 women, including 15 female air traffic controllers. As in the previous years, a good example of how to organize meaningful activity and rest was Women's Club "Suoma" set up six years ago and now uniting 62 women. Its activities were not limited to organizing tours in Lithuania and abroad, attending theatre and exhibitions. While participating in charitable actions, women supported the children's fund "Rugutė", non-state kindergarten "Nendré", also took part in charity project "Išsipildymo akcija" ("Action of Fulfilment").



A good example of how to organize meaningful activity and rest was Women's Club "Suoma" set up six years ago and now uniting 62 women.

# Aeronautical Rescue Coordination Centre

While performing the functions assigned to it, the Aeronautical Rescue Coordination Centre (ARCC) took an active part in organization and coordination of search and rescue operations in 2009. Coordinators of the centre proved their professional expertise in real conditions, in the event of airborne system failures, accidents and rescuing people in distress at sea.

A conference of search and rescue structures of the Baltic Region was held in Vilnius in June of the accounting year, to discuss the results of the Bold Mercy exercises, taken place in May according to schedule of NATO events. Apart from the Lithuanian Aeronautical Rescue Coordination Centre and the Lithuanian Maritime Search and Rescue Coordination Centre, ARCCs of Latvia, Estonia, Germany, Denmark, Poland, Great Britain, Sweden, and Finland participated.

The Aeronautical Rescue Coordination Centre is purposefully extending its international relations, its representatives taking part in conferences and seminars on issues essential to it.

It is obvious that the centre is successfully performing its mission.

Aeronautical Rescue Coordination Centre took an active part in organization and coordination of search and rescue operations in 2009.



# Finance

## REPORT ON ACTIVITY FOR 2009

Major financial resources of the enterprise are revenues from air navigation services. The revenues are comprised of en-route and terminal charges for air navigation services. The charges compensate for the costs incurred by the state in the provision of air navigation services. According to the Multilateral Agreement Lithuania has delegated to EUROCONTROL billing and collecting of charges on its behalf. Costs of billing and collection of charges are covered by airspace users.

In 2009 revenues for air navigation services made up 94.2% of the total revenue of the Company.

<i>(000'Litas)</i>	2007	2008	2009
<b>Revenue from en-route services</b>	<b>69 278</b>	<b>65 689</b>	<b>57 228</b>
Change, %	19.6 %	-5.2 %	-12.9 %
<b>Revenue from terminal services</b>	<b>9 020</b>	<b>12 695</b>	<b>7 920</b>
Change, %	13.9 %	40.7 %	-37.6 %
<b>Total operating revenue:</b>	<b>78 298</b>	<b>78 384</b>	<b>65 148</b>

In 2009 operating revenue from en-route and terminal services was less by 16 893 thousand Lt than planned. A fall in operating revenue was determined by the world economic situation. According to IATA, this aviation transport crisis was worst in 30 years. Revenue from terminal services was influenced by bankruptcy of flyLAL-Lithuanian Airlines.

In 2009 other operating revenue received by the Company made up 1 127 thousand Lt, that is 1.6 % of the total amount of the revenue received. Other operating revenue basically comprises income received for:

- navigation information;
- radar information;
- rent.

In 2009 the major part of income from financial activities (2 876 thousand Lt) was received from interest on fixed deposit (2 545 thousand Lt). In 2009 income from financial activities made up 4.2 % of the total amount of revenue received by the Company.

<i>(Lt)</i>	2007	2008	2009
<b>Unit rate of en-route charges</b>	<b>206,68</b>	<b>173,16</b>	<b>168,52</b>
Change, %	1.5 %	-16.2 %	-2.7 %
Unit rate of terminal charges	512,63	610,16	561,20
<b>Change, %</b>	<b>-0.3 %</b>	<b>19.0 %</b>	<b>-8.0 %</b>

Oro navigacija's unit rates of air navigation service charges are determined in conformity with ICAO, EU and EUROCONTROL documents which form an integral part of the company's legal basis. Unit rates of air navigation service charges are calculated and approved every year. Unit rates of air navigation service charges are calculated by dividing the forecast total number of en-route and terminal service units for the relevant year into forecast en-route and terminal cost-bases (costs) for the same year. The costs incurred directly or indirectly in the provision of air navigation services are included into the cost-base.

<i>(000'Litas)</i>	2007	2008	2009
<b>En-route costs<sup>1</sup></b>	<b>43 789</b>	<b>49 121</b>	<b>51 900</b>
Change, %	1.8 %	12.2 %	5.7 %
<b>Terminal costs<sup>1</sup></b>	<b>8 571</b>	<b>9 826</b>	<b>8 976</b>
Change, %	14.9 %	14.6 %	-8.7 %
<b>Other costs<sup>1</sup></b>	<b>787</b>	<b>386</b>	<b>1 077</b>
Change, %	105.5 %	-51.0 %	179.0 %
<b>VĮ Oro navigacija's total costs:</b>	<b>53 147</b>	<b>59 333</b>	<b>61 953</b>
<b>CAA costs</b>	<b>2 210</b>	<b>1 028</b>	<b>1 173</b>
<b>LHMT costs</b>	<b>647</b>	<b>1 899</b>	<b>2 240</b>
<b>EUROCONTROL membership costs</b>	<b>4 034</b>	<b>3 777</b>	<b>3 813</b>
<b>Total costs:</b>	<b>60 038</b>	<b>66 037</b>	<b>69 179</b>

<sup>1</sup> The cost of capital excluded

In Lithuania these costs are comprised of costs of SE Oro navigacija, the Civil Aviation Administration (hereinafter – CAA), a supervision authority, and the Lithuanian Hydrometeorological Service (hereinafter – LHMT) related to provision of air navigation services, and the EUROCONTROL costs related to billing and collection of charges.

Taking into consideration the economic situation in aviation sector and other branches of economy, the enterprise tried to look for internal reserves in order to reduce the amount of uncovered costs, having an impact on charges for 2011, as much as possible. Over 10 million Lt were saved. To relieve the airlines' financial burden, in 2009 the enterprise did not include the cost of capital, which would make up 3.7 million Lt. Certainly, such drastic saving and suspending important projects could not be long-term but it gave positive results for a short period. The measures taken by the enterprise were positively assessed by IATA and presented to the Single European Sky Committee.

In 2009 SE Oro navigacija's percentage of costs in the en-route unit rate made up 88.5 %, EUROCONTROL's 6.5 %, LHMT's 3.3 % and CAA's 1.7 %.

In 2009 VĮ Oro navigacija's percentage of costs in the terminal unit rate made up 94.8 %, LHMT's 3.2% and CAA's 2.0 %.

SE Oro navigacija's percentage of costs is essential to both, en-route and terminal unit rates. In order to increase cost-effectiveness and at the same time to maintain high level of safety and quality of services, costs are reviewed thoroughly every year.

Despite considerable fall in total flight number and revenue from air navigation services, the enterprise succeeded in managing its financial status. Certainly, it could not avoid the loss: net loss for 2009 makes up 28 thousand Lt., operating loss equals to 1 727 thousand Lt. In conformity with Articles 10 and 11 of the Commission Regulation (EC) No 1794/2006 of 6 December 2006 under-recovery of costs for the accounting year will be reimbursed to the service providers over the year 2011. That is, under-recovery or over-recovery as a result of the difference between costs, cost of capital and income shall be carried over and included into the cost-base of year n+2. This is aimed at ensuring recovery of costs incurred in provision of air navigation services. It means that the operating loss of 1 727 thousand Lt will be covered. Taking into consideration the adjustment mechanism, Lithuania will have to cover the loss incurred in 2009 as follows:

- to increase the en-route cost-base for 2011 by 350 thousand Lt, which in its turn will influence the unit rate of en-route charges for 2011;
- to increase the terminal cost-base for 2011 by 1,26 million Lt, which in its turn will influence the unit rate of terminal charges for 2011.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

## BALANCE SHEET

<i>(000'Litas)</i>	Note	2009-12-31	2008-12-31
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment, net	4	111 775	87 550
Intangible assets	5	6 512	8 674
Financial assets	6		5 664
<b>Total non-current assets:</b>		<b>118 287</b>	<b>101 888</b>
Inventories	7	100	141
Prepayments	8	1 707	2 013
Trade debtors and other receivables	9	14 243	14 381
Held-to-maturity investments	10	20 000	35 200
Cash and cash equivalents	11	4 396	11 053
<b>Current assets in total:</b>		<b>40 446</b>	<b>62 788</b>
<b>Total assets:</b>		<b>158 733</b>	<b>164 676</b>
<b>Capital and reserves attributable to owners of the company</b>			
Share capital	12	73 892	73 892
Legal reserves	13	9 064	9 064
Other reserves	14	63 312	60 506
Profit		6 951	16 219
<b>Total owners' equity:</b>		<b>153 219</b>	<b>159 681</b>
<b>Non-current liabilities</b>			
Grants	15	2 410	2 779
<b>Total non-current liabilities:</b>		<b>2 410</b>	<b>2 779</b>
<b>Current liabilities</b>			
Debts to suppliers and other payables	16	3 104	2 216
<b>Total current liabilities:</b>		<b>3 104</b>	<b>2 216</b>
<b>Total owners' equity and liabilities:</b>		<b>158 733</b>	<b>164 676</b>

## INCOME STATEMENT

<i>(000'Litas)</i>	Note	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Sales	17	65 148	78 384
Cost of sales	18	48 169	46 371
<b>Gross profit (loss)</b>		<b>16 979</b>	<b>32 013</b>
General and administrative expenses	19	19 883	18 584
Other operating profit (loss), net	20	0	0
<b>Operating profit</b>		<b>-2 904</b>	<b>13 429</b>
Financial income	21	2 876	2 790
<b>Net profit (loss)</b>		<b>-28</b>	<b>16 219</b>

## CASH FLOW STATEMENT

<i>(000'Litas)</i>	Year ended 31 Dec 2009	Year ended 31 Dec 2008
<b>Cash flows from operating activities</b>		
Net profit (loss)	-28	16 219
<b>Adjustments to</b>		
Depreciation and amortization	9 479	9 050
Unrealized exchange (income)/loss		
Impairment of inventory		
Doubtful debt expenses		
Other		
<b>Operating cash flows before working capital changes</b>	<b>9 451</b>	<b>25 269</b>
<b>Changes in working capital</b>		
Trade and other accounts receivable	138	7 730
Inventories	346	-1 016
Trade and other accounts payable	888	-3 095
Taxes paid		
<b>Cash generated from operations</b>	<b>1 372</b>	<b>3 619</b>
<b>Cash flow from investing activities</b>		
Purchases of property, plant and equipment	-31 929	-22 159
Proceeds from sale of property, plant and equipment	388	
Interest received		
<b>Net cash in investing activities</b>	<b>-31 541</b>	<b>-22 159</b>
<b>Cash flows from financing activities</b>		
Change in reserves	-6 434	-10 101
Change in cash and cash equivalents (change in fixed deposit)	15 200	-14 287
Change in financial debts	5 664	
Change in government grants received	-369	-602
<b>Net cash used in financing activities</b>	<b>14 061</b>	<b>-24 990</b>
Exchange gain (loss) on cash and cash equivalents		-1
<b>Net increase in cash and cash equivalents</b>	<b>-6 657</b>	<b>-18 262</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>11 053</b>	<b>29 315</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>4 396</b>	<b>11 053</b>

## STATEMENT OF CHANGES IN EQUITY

<i>(000'Litas)</i>	Statutory Capital	Legal Reserve	Other Reserves	Profit	Total
<b>Opening balance as at 2008-01-01</b>	<b>77 327</b>	<b>9 064</b>	<b>10 138</b>	<b>57 034</b>	<b>153 563</b>
Net profit (loss)				16 219	16 219
Increase in statutory capital	-3 435				-3 435
Changes in reserves			50 368	-57 034	-6 666
<b>Closing balance as at 2008-12-31</b>	<b>73 892</b>	<b>9 064</b>	<b>60 506</b>	<b>16 219</b>	<b>159 681</b>
<b>Recalculated as at 2008-12-31</b>	<b>73 892</b>	<b>9 064</b>		<b>76 725</b>	<b>159 681</b>
Net profit (loss)				-28	-28
Increase in statutory capital					
Changes in reserves			63 312	-69 746	-6 434
<b>Closing balance as at 2009-12-31</b>	<b>73 892</b>	<b>9 064</b>	<b>63 312</b>	<b>6 952</b>	<b>153 220</b>

Financial statements approved by management on 5 February 2010 and signed on its behalf by Director General Algimantas Raščius

The notes on pages 24 to 32 form an integral part of these financial statements.

## 1. GENERAL INFORMATION

SE Oro navigacija (hereinafter - "the Company") is a limited liability company founded by the Republic of Lithuania providing air traffic control and navigation services within the airspace of the Republic of Lithuania, as well as air traffic control for landing and take-offs and related aerodrome services at Vilnius, Kaunas and Palanga airports. On 1 July 1994 the Civil Aviation Directorate of the Republic of Lithuania was established, which after re-organization of activities on 1 July 2001 was re-registered as a limited liability company.

The Company's operations are governed by the Law on Civil Aviation, the International Standards for Air Transport (ISAT), rules and regulations of the International Air Transport Association (IATA) and the International Civil Aviation Organization (ICAO), the European Organisation for the Safety of Air Navigation (EUROCONTROL), and the European Union legislation.

As at 31 December 2009 the Company employed 320 employees (31 December 2008: 332). The registered office of the Company is located at Rodūnios kelias 2, Vilnius, the Republic of Lithuania.

### Relations with the State

The Company's owner is the Ministry of Transport and Communications. The Company's major customers consist of foreign and local airlines, including state-owned airlines. To ensure that tariffs comply with the general pricing arrangements for air navigation services worldwide, all information is submitted to the Ministry of Transport and Communications of the Republic of Lithuania, EUROCONTROL, and the European Commission, and tariffs are agreed with representatives of the airspace users.

The Company is granted the status of non-payer of profit tax.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of Accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for application in the European Union (EU).

Preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. Also, the management is required to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in notes.

### 2.2 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in "Lithuanian Litas" ("Litas"), which is the Company's functional and presentation currency.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

From 2 February 2002 the Litas has been pegged to the Euro at the rate of 3,4528 to 1, the exchange rate of the Litas to other currencies is determined daily by the Bank of Lithuania.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss.

### 2.3 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment loss. The historical cost comprises the cost of replacement of part of non-current assets when such costs are incurred and the recognition condition is satisfied. When major maintenance/repair is performed, expenses are charged into the balance sheet as replacement of non-current asset. Other costs of repairs and maintenance are reported as gains or losses.

When assets are sold or written off, the historical cost, the accumulated depreciation, increase in/ decrease of value are written off, all income from/expenses of disposal are recorded and write-offs are charged into account.

Depreciation is calculated using the straight-line method over the following estimated useful lives:

- Buildings 25–50 years;
- Navigation equipment and facilities 7–15 years;
- Vehicles 6–10 years;
- Furniture, fittings, equipment, and computer hardware 4–10 years.

The useful lives, the residual values and the method of depreciation are reviewed every year to ensure that they comply with the intended use of non-current assets.

Construction in progress is stated at historical cost. It comprises the cost of value of construction, building and equipment and other direct costs. Depreciation of construction in progress is not calculated until the construction is not completed and assets are not brought into working condition.

The Company revaluates the reconstructive value of non-current assets whenever there are any indications of impairment of value of the said assets. Impairment loss is charged to the income (loss/profit) statement only after revaluation.

## 2.4 Intangible assets

The Company's intangible assets are initially recognized at historical cost. Intangible assets are recognized when it is probable that the company will receive economic benefit from these assets in the future, and if the asset value can be estimated reliably.

The useful lives of intangible assets may be limited or unlimited.

After initial recognition intangible asset, for which limited useful life has been estimated, is reported at historical cost less accumulated amortization and accumulated impairment loss, if any. Intangible assets are amortized using straight-line method over their estimated period of useful lives. The useful lives, the residual values and the method of amortization are reviewed every year to ensure that they comply with the intended use of non-current intangible asset.

The Company does not possess intangible assets with unlimited useful lives.

Amortization is calculated using the straight-line method over the following periods of useful lives:

- Licences 1–5 years;
- Computer software 7 years.

Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding 5 years).

## 2.5 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

## 2.6 Financial assets

The Company classifies its financial assets into the following categories: loans and receivables and financial assets. Classification depends on the purpose for which the financial assets were acquired. The management determines the classification of its financial assets at initial recognition.

### a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially stated at fair value. Short-term receivables after initial recognition are reported at amortized value, by using the effective interest method, less any impairment loss. Profit (loss) is recognized in income statement when such asset is written down, when its value reduces or it is amortised.

Impairment of value of receivables is charged into account whenever there are any indications that value of receivables is impaired; then the book value of receivables is reduced using account of impairment of values. Depreciated loan receivables are written off when they are estimated as irrecoverable.

### b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method.

## 2.7 Inventories

Inventories are shown at the lower of cost. The cost is determined using the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

## 2.8 Fair value of financial assets and liabilities

The Company's major financial assets and liabilities not reflected at fair value are trade and other receivables, trade and other loans, long-term and short-term loans.

The fair value is defined as an amount for which an asset or a service could be exchanged for or an amount for inclusion of a liability between unrelated parties intending to purchase (sell) an asset or to include a liability into account. The fair value of financial assets and liabilities is based on quoted market prices, discounting cash flow models or option pricing models, depending on circumstances.

To estimate each category of financial assets and liabilities, the Company uses the following methods and assumptions:

- The book value of short-term trade and other receivables, short-term trade loans and short-term loans is equal to their fair value.
- The fair value of long-term loans is determined on the basis of the market price or the interest rate applied to the same or a similar loan at that time. The book value of long-term loans, bearing variable or fixed interest, approximates to their fair value.

## 2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

## 2.10 Grants relating to purchase of property, plant and equipment

Grants received as non-current assets or grants relating to purchase of property, plant and equipment, construction or other acquisition, are considered to be asset-related. Assets received free of charge are attributable to this category of grants. An asset-related grant is credited to the income statement over the period of its expected life and is included into the item of other operating income, net.

Grants received to compensate for the accounting or past period's expenses or income due, as well as all other grants, not attributable to asset-related grants, are grants related to income. Use of an income-related grant is recognized in proportion to the costs incurred in the accounting period or the amount of income due calculated for the accounting period, for compensation of which the grant is given.

The unused amount of grant is shown in item "Grants" of the balance sheet.

## 2.11 Trade payables

Trade payables are recognized at their fair value.

## 2.12 Employee benefits

### a) Social security contributions

The Company pays social security contributions to the state Social Security Fund (hereinafter – the Fund) on behalf of its employees according to the contribution plan defined in conformity with the state's legislation. A defined contribution plan is a plan under which the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognized as an expense on an accrual basis and are included within employee-related expenses.

### b) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

### c) Insurance benefits

The Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

## 2.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the services provided in the ordinary course of the Company's activities. Revenue is shown in net value, excluding value-added tax.

The Company recognizes the revenue when the amount of revenue can be reliably measured, when it is probable that it will receive economic benefits and when specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

### a) Revenue from air navigation services

Revenues are determined on the basis of tariffs applicable to en-route and terminal air navigation services.

Revenues from en-route air navigation services are calculated on the basis of tariffs determined in conformity with the Commission Regulation (EC) No 1794/2006 laying down a common charging scheme for air navigation services and the Multilateral Agreement Relating to Route Charges. Route charge is collected for air traffic services

provided to an aircraft flying over the Lithuanian controlled airspace. The rate of route charge is calculated according to the following formula:  $R = W \times P \times D$ , where:

- R – the rate of route charge;
- W – the mass factor ( $W = \sqrt{(MTOM/50)}$ ), MTOM – the maximum take-off mass rounded after the decimal point in the usual manner;
- P – the unit rate of route charge;
- D – the great circle distance divided by 100.

Revenues from terminal air navigation services are calculated on the basis of tariffs determined in conformity with the Commission Regulation (EC) No 1794/2006 laying down a common charging scheme for air navigation services. Terminal charge is collected for air navigation services provided to landings at airports. The rate of terminal charge is calculated according to the following formula  $T = I \times W$ , where:

- T – the rate of terminal charge;
- I – the terminal service unit rate.
- W – the mass factor ( $W = \sqrt{(MTOM/50)}$ ), MTOM – the maximum take-off mass rounded after the decimal point in the usual manner;

The Company also provides ancillary services, i.e. pre-flight aeronautical information services (briefing) to cabin crews, radar information to the Lithuanian Air Force and other different services at Vilnius, Kaunas and Palanga airports.

#### b) Interest income

Interest income is recognized on a time-proportion basis using effective interest method.

### 3. FINANCIAL RISK MANAGEMENT

#### 3.1. Credit risk

As the Company works with many customers it has no significant concentration of credit risk. The Company does not provide guarantees for other parties' liabilities.

#### 3.2. Foreign exchange risk

The Company serves predominantly foreign airlines operating transit flights through the airspace of the Republic of Lithuania, settlement for the services provided is performed in euros. All Company's purchases, sales and financial debts are denominated in litas and euros. From 2 February 2002, in conformity with the Law on Litās Reliability and resolution of the Bank of Lithuania, the Litās is pegged to the Euro at the rate of 3,4528 to 1, therefore, the company is not exposed to foreign exchange risk.

#### 3.3. Liquidity risk

In order to meet its liabilities, the company keeps to the policy of maintaining sufficient amount of cash and cash equivalents or ensuring financing through credit lines or loans. In 2009 the current assets exceeded the current liabilities by more than 13 times (in 2008 this indicator was over 28), therefore, the Company does not consider that liquidity risk may significantly influence its activity.

#### 3.4. Capital risk management

In recent years, except for grants received for the instrument landing system, the Company did not use external financing for its operating activities. For all investments the Company's funds are used.

#### 4. PROPERTY, PLANT AND EQUIPMENT

<i>(000'Litas)</i>	Land and buildings	Machinery and equipment	Other	Construc- tion in progress	Total
<b>At 1 January 2008</b>					
Cost or valuation	42 132	127 190	5 182	11 900	186 404
Accumulated depreciation	-9 361	-102 568	-2 051		-113 980
<b>Net book amount</b>	<b>32 771</b>	<b>24 622</b>	<b>3 131</b>	<b>11 900</b>	<b>72 424</b>
<b>At 31 December 2008</b>					
Opening net book amount	32 771	24 622	3 131	11 900	72 424
Additions	1 473	22 771	176	1 544	25 964
Sales, disposals		-4 041			-4 041
Revaluation					
Write-offs	-107	-6	-7		-120
Depreciation charge (Notes 18 to 19)	-937	-5 551	-188		-6 676
<b>Closing net book amount</b>	<b>33 200</b>	<b>37 795</b>	<b>3 112</b>	<b>13 444</b>	<b>87 550</b>
<b>At 31 December 2008</b>					
Cost or valuation	43 605	145 920	5 358	13 444	208 327
Cost written-off	-797	-28 145	-170		-29 112
Accumulated depreciation	-10 405	-108 125	-2 246		-120 776
Accumulated depreciation written-off	797	28 145	170		29 112
<b>Net book amount</b>	<b>33 200</b>	<b>37 795</b>	<b>3 112</b>	<b>13 444</b>	<b>87 550</b>
<b>At 31 December 2009</b>					
Opening net book amount	33 200	37 795	3 112	13 444	87 550
Additions	114	2 151	92	29 466	31 823
Internal transfers	2 610	22 603		-25 297	-84
Sales, disposals		-373			-373
Write-offs	-6	-14	-3		-23
Depreciation charge (Notes 18 to 19)	-1 048	-5 882	-189		-7 119
<b>Closing net book amount</b>	<b>34 870</b>	<b>56 280</b>	<b>3 012</b>	<b>17 613</b>	<b>111 775</b>
<b>At 31 December 2009</b>					
Cost	45 532	142 529	5 280	17 613	210 954
Cost written-off	-125	-3 819	-70		-4 014
Accumulated depreciation	-10 662	-86 249	-2 268		-99 179
Accumulated depreciation written-off	125	3 819	70		4 014
<b>Net book amount</b>	<b>34 870</b>	<b>56 280</b>	<b>3 012</b>	<b>17 613</b>	<b>111 775</b>

#### 5. INTANGIBLE ASSETS

<i>(000'Litas)</i>	Licences	Software	Other	Total
<b>At 1 January 2008</b>				
Cost or valuation	510	15 917	124	16 551
Accumulated depreciation	-254	-5 539	-67	-5 860
<b>Net book amount</b>	<b>256</b>	<b>10 378</b>	<b>57</b>	<b>10 691</b>
<b>Year ended 31 December 2008</b>				
Opening net book amount	256	10 378	57	10 691
Additions	64	173		237
Sales				
Depreciation charge (Notes 18 to 19)	-88	-2 135	-31	-2 254
<b>Closing net book amount</b>	<b>232</b>	<b>8 416</b>	<b>26</b>	<b>8 674</b>
<b>At 31 December 2008</b>				
Cost or valuation	574	16 090	124	16 788
Cost written-off	-28	-1 006		-1 034
Accumulated depreciation	-342	-7 674	-98	-8 114
Accumulated depreciation written-off	28	1 006		1 034
<b>Net book amount</b>	<b>232</b>	<b>8 416</b>	<b>26</b>	<b>8 674</b>
<b>Year ended 31 December 2008</b>				
Opening net book amount	232	8 416	26	8 674
Additions	20	45	25	90
Internal transfers	84			84
Sales				
Depreciation charge (Notes 18 to 19)	-136	-2 169	-31	-2 336
<b>Closing net book amount</b>	<b>200</b>	<b>6 292</b>	<b>20</b>	<b>6 512</b>
<b>At 31 December 2009</b>				
Cost or valuation	650	15 129	149	15 928
Cost written-off				
Accumulated depreciation	-450	-8 837	-129	-9 416
Accumulated depreciation written-off				
<b>Net book amount</b>	<b>200</b>	<b>6 292</b>	<b>20</b>	<b>6 512</b>

## 6. FINANCIAL ASSETS

<i>(000'Litas)</i>	31-Dec-09	31-Dec-08
Financial assets	0	5 664
<b>Total financial assets:</b>	<b>0</b>	<b>5 664</b>

The major part of the Company's financial assets is comprised of a debt by AB Lietuvos avialinijos to SE Oro navigacija for air navigation services provided until 1 September 2005 restructurized in accordance with the agreement signed on 3 October 2005. In accordance with the agreement the debt should have been covered by the end of 2015. When this company bankrupted the debts were written off from the reserve built up for that purpose, without increasing costs, which had influence on the rate of charges.

## 7. INVENTORIES

<i>(000'Litas)</i>	31-Dec-09	31-Dec-08
Inventories	100	141
Impairment provision		
<b>Total inventory:</b>	<b>100</b>	<b>141</b>

## 8. PREPAYMENTS

<i>(000'Litas)</i>	31-Dec-09	31-Dec-08
Prepayments	1 707	2 012
<b>Total financial assets:</b>	<b>1 707</b>	<b>2 012</b>

## 9. TRADE AND OTHER RECEIVABLES

<i>(000'Litas)</i>	31-Dec-09	31-Dec-08
Trade receivables	13 569	14 074
Less: provision for impairment of trade receivables		
Trade receivables, net	13 569	14 074
Prepaid insurance		
Receivables from related parties	92	90
Other receivables	582	217
<b>Trade and other receivables, net</b>	<b>14 243</b>	<b>14 381</b>

In accordance with agreements signed with EUROCONTROL the state has delegated the operation of route and terminal facility charge billing and collection system to this organization. The amounts collected by EUROCONTROL are accumulated in an interest-bearing current account with the EUROCONTROL clearing house. As of 31 December 2009 the balance on this account made up 194 thous. Lt (56 thous. euros) (31 December 2008: 263 thous. Lt (76 thous. euros)).

## 10. HELD-TO-MATURITY INVESTMENT

The held-to-maturity investment balances comprise mainly from the 3 to 6 month deposits at bank. The deposit matures on 2010 02 15. The carrying amounts of the Company's held-to-maturity investments are as follows:

<i>(000'Litas)</i>	31-Dec-09	31-Dec-08
Short-term deposit at AB Ūkio bankas, matures on 2010 02 15	20 000	35 200
	<b>20 000</b>	<b>35 200</b>

## 11. CASH AND CASH EQUIVALENTS

<i>(000'Litas)</i>	31-Dec-09	31-Dec-08
Cash at bank and on hand	4 396	11 053
Short-term bank deposits		
	<b>4 396</b>	<b>11 053</b>

## 12. SHARE CAPITAL

SE Oro navigacija is a state-owned company. At 31 December 2009 the subscribed capital of the enterprise made up 53 827 thous. Lt. The capital corresponding to assets which under laws can be owned only by the State is equal to 20 065 thous. Lt.

## 13. LEGAL RESERVE

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfer of 5% of net profit, calculated in accordance with Lithuanian regulatory legislation on accounting, is compulsory until the reserve reaches 10% of the share capital. The legal reserve can be used to cover the accumulated losses.

## 14. OTHER RESERVES

In accordance with its statutes the company may form the following reserves:

- Revaluation reserve;
- Investment reserve;
- Reserve for liabilities, bad debts and losses, which cannot be attributed to allowable deductions;
- Profit (loss).

## 15. GRANTS

Movement of the grants relating to the purchase of property, plant and equipment and tangible assets may be summarised as follows:

<i>(000'Litas)</i>	2009	2008
<b>Balance at 1 January</b>	<b>2 779</b>	<b>3 381</b>
New grants received		
Amortization of deferred income to match related depreciation	369	602
Amortization of deferred income to match related expenses		
<b>Balance at 31 December</b>	<b>2 410</b>	<b>2 779</b>

In 2007 the enterprise received a grant of 4 119 thous. Lt for acquisition of non-current asset, the instrument landing system (ILS), the depreciation charge of which in the accounting period made up 369 thous. Lt.

## 16. TRADE AND OTHER PAYABLES

<i>(000'Litas)</i>	31-Dec-09	31-Dec-08
Debts to suppliers	1 793	791
Taxes, remuneration and social security payable	1 305	1 400
Other payables	6	25
<b>Total trade and other payables:</b>	<b>3 104</b>	<b>2 216</b>

## 17. REVENUES

<i>(000'Litas)</i>	2009	2008
Revenues from en-route services	57 228	65 689
Revenues from terminal services	7 920	12 695
<b>Total revenues</b>	<b>65 148</b>	<b>78 384</b>

## 18. COST OF SALES

<i>(000'Litas)</i>	2009	2008
Remuneration expenses	30 213	26 426
Depreciation and amortization	8 216	7 816
Personnel training	417	610
EUROCONTROL expenses (membership fee)	3 813	3 777
Other cost of sale expenses	5 510	7 742
<b>Total cost of sales</b>	<b>48 169</b>	<b>46 371</b>

## 19. GENERAL AND ADMINISTRATIVE EXPENSES

<i>(000'Litas)</i>	2009	2008
Remuneration expenses	9 350	9 601
Depreciation and amortization	1 262	1 234
Personnel training	125	79
Business trips	358	345
Utilities	435	483
Tax expenses	178	169
Interest on state capital	1 077	386
Communication expenses	512	530
Bank charges	96	78
Insurance	664	521
Advertisement	62	370
Regulator's expenses	1 173	1 028
LHMT expenses	2 240	1 899
Other operating expenses, net	2 351	2 671
<b>Total general and administrative expenses:</b>	<b>19 883</b>	<b>18 584</b>

## 20. OTHER OPERATING INCOME (EXPENSES), NET

<i>(000'Litas)</i>	2009	2008
Rental income	58	62
Other income (expenses)	1 069	1 020
EU grants administrative expenses		
Other expenses, net	1 127	1 082
<b>Total other operating income (expenses), net</b>	<b>0</b>	<b>0</b>

## 21. FINANCIAL INCOME

<i>(000'Litas)</i>	2009	2008
Currency translation income (expenses), net	1	
Grants received		326
Interest on held-to-maturity investments	2 545	2 368
Income from fines and penalties	102	91
Interests on short-term deposits		
Other financial income	228	5
<b>Total financial income:</b>	<b>2 876</b>	<b>2 790</b>

## 22. RELATED PARTY TRANSACTIONS

All entities under state control are considered related parties.

In the normal course of business the Company enters into transactions with related parties. The Company provides air navigation services to governmental institutions such as Ministry of Defence or Border Control Department. The details of the related party transactions for the financial periods reported are provided below:

	Accounts payable as at 31-Dec-09	Loan and interest payable as at 31-Dec-09	Accounts receivable as at 31-Dec-09	Purchases during 2009 from	Sales during 2009 to
<i>(000'Litas)</i>					
Ministry of Defence			53		1 245
Border Control Department			3		5
Other state institutions	418		36	5 554	541
<b>Total:</b>	<b>418</b>		<b>92</b>	<b>5554</b>	<b>1 791</b>

	Accounts payable as at 31-Dec-08	Loan and interest payable as at 31-Dec-08	Accounts receivable as at 31-Dec-08	Purchases during 2008 from	Sales during 2008 to
<i>(000'Litas)</i>					
Ministry of Defence			51		1 159
Border Control Department					9
Other state institutions	394		39	4 365	606
<b>Total:</b>	<b>394</b>		<b>90</b>	<b>4 365</b>	<b>1 774</b>

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The background consists of a solid dark blue field. On the left side, there are several concentric circles of varying shades of blue, creating a ripple effect. On the right side, there are several concentric arcs of varying shades of blue, suggesting a partial circle or a wave. The text 'www.ans.lt' is centered in the middle of the image.

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