2020

Report of
UAB Geležinkelio Tiesimo Centras

Contents

ABBREVIATIONS:

LTG – AB Lietuvos Geležinkeliai
LTG Group, Company group – AB Lietuvos Geležinkeliai and its subsidiaries
GTC – UAB Geležinkelio Tiesimo Centras
LoR – the Republic of Lithuania
EU – the European Union

Annual and interim reports as well as financial statements are available publicly on the website http://www.gtc.lt.

CEO's word

To our respected Partners, Employees and Clients

In 2020, GTC successfully continued its way towards changes. Part of the changes have been planned, we prepared for them as we had seen the need of seeking for the Company's strategic goals. However, there is no doubt that the worldwide COVID-19 pandemic has become the most significant event of this period, which had effect on the entire industry as well as the activities of our company.

In this complex situation, GTC employees have demonstrated true leadership. The team has coped with the situation praiseworthy, it has found solutions rapidly and has lead the company forward. This has required both physical and enormous psychological strength; thus I must express my appreciation - during this complex period, the GTC team - almost 400 people - have become our ambassadors and most loyal fans.

I could not name the year 2020 as the year of change. Yet, the only reason is being on the road of change for several years. I am pleased that we have learned to change, adapt to uncertainty in market, that we have found ways of increasing operating efficiency and going forward with transformation and digitalisation projects. We devote a great amount of energy because we are sure we are going to achieve our strategic goals.

The team has especially focused on one of the major project of ours - construction of secondary roads in the road section Livintai - Gaižūnai in the most important country's highway Vilnius - Klaipėda. We are working in this section together with our partners and enjoy great synergy - each of us is responsible for those matters that we have best understanding of and create sustainable result together.

We are part of the biggest railway group in the Baltic states, and we keep pace with growth of the entire LTG group. We really appreciate this cooperation - we share the best practises and follow the situation in the regional railway market. Together we develop value to our shareholder.

On the horizon, we see contribution of GTC to the results of LTG group to be even higher. I am sure that focusing on the strategic goals, growing operating efficiency, changing the team's organisational culture, developing new services, and entering new markets leads us to the right direction.

VYTAUTAS RADZEVIČIUS
Chief Executive Officer
UAB Geležinkelio Tiesimo Centras

Background information on the company

Name	UAB Geležinkelio Tiesimo Centras
Head office address:	Trikampio St. 10, Lentvaris, Trakai district
Legal form	Limited Liability Company, Private legal entity of limited civil liability
Date and place of registration	21 December 2001, Register of Legal Entities of the Republic of Lithuania
Company code	181628163
Telephone	+370 5 32 02
E-mail	info@gtc.lt
Website	www.gtc.lt
Principal activity	Construction and repair of railway track infrastructure
Chief Executive Officer	Vytautas Radzevičius
Shareholders	AB Lietuvos Geležinkeliai

The Company's subsidiaries, associates and companies of subsequent levels

Name	OOO Rail Lab
Head office address:	Internacionalnaja St. 36-1, Minsk, the Republic of Belarus
Legal form	Entity of limited civil liability
Date and place of registration	25 May 2020, the Republic of Belarus
Company code	192827267
Telephone	+375 29 312 52
E-mail	v.dervenkov@litrail.lt
Website	-
Principal activity	Production of rolling stocks and locomotives, repair and maintenance of vehicles, wholesale trade of other machinery and plant
Portion of shares controlled by the Company	1% of shares is controlled by UAB Geležinkelio Tiesimo Centras

The Company's branches, representative offices abroad

The Company did not have branches or representative offices during the analysed period.

Activity of the Company

GTC started its activity in the sector of repair and construction of railway tracks of all types in 1948. Currently, the Company specialises in the fields of construction of railway tracks, repair, maintenance of tracks and structures, repair of other engineering structures, reconstruction and construction. As well as in sectors of lease of machinery and plant, installation of transport infrastructure engineering systems as well as design and consulting.

The principal activity of UAB Geležinkelio Tiesimo Centras is focused on maintenance of railway infrastructure, implementation of construction, repair and modernisation projects.

The key segments of GTC principal activities:

- Construction and repair of railways;
- Maintenance of railway tracks and structures;
- Construction, reconstruction and repair of other structures;
- Lease of machinery and plant;
- Installation of transport infrastructure engineering systems;
- Designing and consulting.

Market

LITHUANIAN MARKET. GTC competes in the sector of construction of engineering structures in Lithuania which includes maintenance and repair of railway infrastructure. The Lithuanian market is consisted of public infrastructure which is controlled by AB LTG Infra and private infrastructure. The public infrastructure covers a significant proportion of market; yet, the Company focuses both on public and private infrastructure markets as well as competition of the Company in all markets.

FOREIGN MARKET. A modern machinery and plant park, qualified personnel, successful implementation of infrastructure projects, and valuable experience provide for a unique possibility to the Company to take advantage of the experience internationally and to expand the Company's activities geographically through proposal of services in the neighbouring market.

Customers and main customer groups

Public railway infrastructure managers, large, medium and small companies which own sidings, use rolling stocks and have load bars allocated to them are users of the Company's services. Also, potential clients of GTC are general contractors and subcontractors.

Regulatory environment

The conditions of railway transport activities, requirements for railway transport employees and relations arising from the carriage of passengers, luggage and / or freight by rail of the Republic of Lithuania are established by the Railway Transport Code of the Republic of Lithuania, the provisions of which are in compliance with legislation of the European Union. Under the Article 7 of the Code, public administration of railway transport is conducted by the government of the Republic of Lithuania, Ministry of Transport and Communications, the Lithuanian Transport Safety Administration. The mentioned institutions design strategy of railway transport, coordinate its implementation, perform functions set out by other legal acts, legislate on railway transport matters under its competence, and controls enforcement of legislation either directly or through authorised institutions. The principal regulatory legislation of the Company is the Civil Code, the Construction Act, and the Construction Technical Regulations (CTR).

Management of the Company

Information on shares as of 31 December 2020

The Company is part of AB Lietuvos geležinkeliai Group whose sole shareholder is the parent company AB Lietuvos Geležinkeliai.

All the shares are of the same class; i. e. ordinary registered shares. The shares are intangible, they are recorded in Personal Securities Accounts in accordance with the procedures established by legislation.

During the reporting period, the Company did not acquire its own shares or shares of other Group companies.

Amount of authorised capital

30,897 Eur thousand

Number of shares

109,748 units

Par value per share

281.53 Eur

Company	Amount of authorised capital, EUR thousand	Number of shares, items	Par value per share, EUR
Parent company			
UAB Geležinkelio Tiesimo Centras	30,897	109,748	281.53
Subsidiaries			
OOO Rail Lab	450	-	-

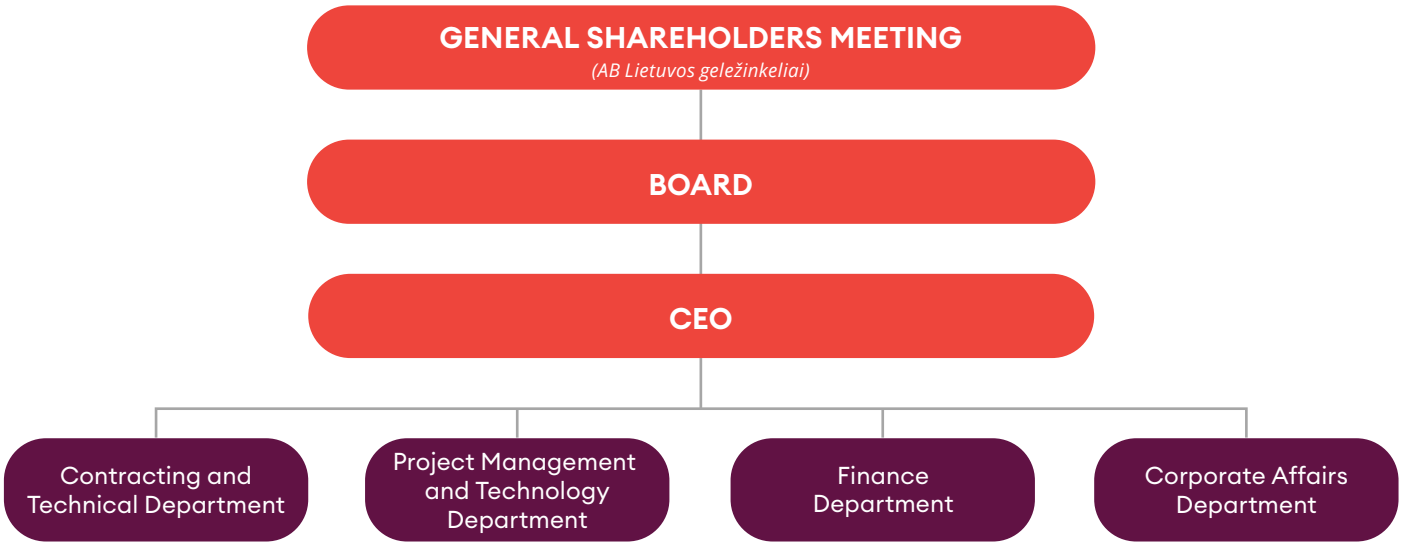
Management and organisational structure of the Company

UAB Geležinkelio Tiesimo Centras and its subsidiary belong to AB Lietuvos Geležinkeliai companies Group.

The sole shareholder of the Company is the parent company AB Lietuvos Geležinkeliai. The shareholder of AB Lietuvos Geležinkeliai is the State which is controlling 100% of shares. The Shareholder's rights and obligations are implemented by the Ministry of Transport and Communications of LoR.

In seeking for the AB Lietuvos Geležinkeliai Group companies' long-term growth in value, rational and effective utilisation of funds, assets and other resources as well as fulfilment of the shareholder's expectations and interests, the operating model of the Group is oriented towards purification of principal activities and their refocusing in subsidiaries and companies of subsequent levels. Being part of AB Lietuvos Geležinkeliai companies Group, GTC is responsible for implementation of principal activities and achievement of the set operating goals. In order to implement the raised goals and ensure appropriate management, in its activities GTC is independent, it makes relevant decisions and ensures reporting and responsibility for operating results.

In its activities the Company follows the Law on Companies of the Republic of Lithuania, the Company's Articles of Association, decisions of the bodies of the Company, and other laws and legal acts regulating the activities of the Company including the activities of State-owned enterprises.



The Company's Articles of Association

The Company's Articles of Association is the principal document the Company follows in its activities.

During the reporting period, Articles of Association of GTC were amended on 23 December 2020 upon reduction of the Company's share capital.

Articles of Association of GTC are available in the Company's website at https://gtc.lt/w/bendroves-valdymas/.

Articles of Association of GTC are amended under the decision of the sole shareholder, and 100% of shares are owned by AB Lietuvos Geležinkeliai.

Governing bodies of the Company

The following governing bodies of the Company are set out by Articles of Association:

- General shareholders meeting;
- Board of directors;
- Chief Executive Officer – the General Director.

The General shareholders meeting is the supreme governing body of the Company. The competence of the General shareholders meeting, the procedure of its convening as well as resolution-passing is established by the Law on Companies as well as in the Articles of Association of the Company published on the website.

The sole shareholder of GTC is AB Lietuvos Geležinkeliai which adopts the main decisions related to implementation of property rights and obligations.

The Company has not issued preference shares. During the reporting period, a voting right was not restricted.

In accordance with the Company's Articles of Association, an additional competency of the General shareholders meeting is to endorse the decisions of the Board of GTC regarding the following:

- the Company's non-current assets the carrying amount of which exceeds EUR 300,000.
  - investment in Group companies or third parties, disposal or lease of those assets;
  - pledge or mortgage;
  - sureties or guarantees for fulfilment of a third party's obligations;
  - acquisition of non-current assets;
  - conclusion of other transactions.
- participation or establishment of other legal entities;
- establishment the Company's branches and representative offices and approval of their Articles of Association;
- consenting that members of the Company's Board may perform other functions and hold other positions which are compatible with their activity at the Board;
- commencing activities of new nature or terminating the Company's current activities if the respective decision has not been adopted in approving the Company's strategy;
- investment of the Company-owned property and facilities of importance to ensuring national security, conclusion of purchase or sale, or any other transfer of ownership, pledge or mortgage transactions.

Key decisions of the General shareholders meeting in 2020:

- the Company's financial statements for the year 2019 have been approved;
- the Company's retained earnings (losses) of 2019 have been distributed;
- share capital of GTC was decreased reducing the par value of each share;

The Board is a collegial governing body consisting of 5 members. The members of the Board are elected by the General shareholders meeting for a term of 4 years. The Management Board elects the chairman of the management Board from among its members. The same person may be elected as a member of the Board no more than for two consecutive offices.

The Board is accountable to the General shareholders meeting.

The competence of the Board meets the competencies of boards laid down in the Law of Companies of LoR and the additional competences of the Board set forth in the Articles of Association.

Additional competence areas of the Board:

- Approval of operating strategy and long-term goals, investment and operational plans, and annual budget of GTC.
- Establishment of performance indicators of GTC.
- Approval of the list of information which is considered a commercial (industrial) secret and confidential information, the conditions of use and storage of such information.
- Adoption of decisions regarding the Company's non-current assets the carrying amount of which equals to or exceeds EUR 300,000.
  - Investment in Group companies or third parties, disposal or lease of those assets;
  - pledge or mortgage;
  - sureties or guarantees for fulfilment of a third party's obligations;
  - acquisition of non-current assets;
  - conclusion of other transactions (related to assets, works, services).
- Adoption of decisions regarding consent that the Company's executive may conclude transactions of acquisition of goods, works and services the value of which equals or exceeds EUR 300,000.
- Adoption of decisions related to investment of GTC owned property and facilities of importance to ensuring national security, conclusion of purchase or sale, or any other transfer of ownership, pledge or mortgage transactions (if the Company's assets were included in the List of Facilities and Property of Importance to Ensuring National Security);
- Adoption of decisions on participation or establishment of other legal entities;
- Adoption of decisions on commencing activities of new nature or terminating the Company's current activities;
- Approval of employment contract of the Company's executive, conditions of remuneration and incentives;
- Approval of the total amount of incentives to GTC employees for annual performance results (in accordance with the Company's performance results);
- Consideration of information on the Company's key operational risks and approval of the Company's plan of operational risk management.
- Consideration of information and reports on the Company's ongoing programmes;
- Analysis and assessment of other information on the most significant operational issues provided by GTC executive.

Office term of the Board: 13/12/2017 - 13/12/2021.

Members of the Board do not own shares of Group companies.

Fifteen Board meetings took place during the reporting period.

Composition of the Company's Board

LINAS BAUŽYS

Chairman of the Board
Appointed on 13/12/2017

Education

- Klaipėda University, Seaport Management

Main employer, position held

- Chief Executive Officer of UAB LTG Link, Geležinkelio St. 16, Vilnius, 305052228.

Other positions

- Board member at UAB LTG Link, Geležinkelio St. 16, Vilnius, 305052228

ROKAS JANUTĖNAS

Board member
Appointed on 13/12/2017

Education

- University of Glasgow, Economics.

Main employer, position held

- Director of the Strategy and Operational Efficiency Department of AB Lietuvos Geležinkeliai, Mindaugo St. 12, Vilnius company code 110053842.

Other positions

- Board member at AB LTG Cargo, Geležinkelio St. 12, Vilnius, company code 304977594;
- Board member at UAB Vilniaus Lokomotyvų Remonto Depas, Švitrigailos St. 39, Vilnius, company code 126280418;
- Board member at UAB voestalpine Railway Systems Lietuva, Sostinės St. 18, Valčiūnai, Juodšiliai eldership, Vilnius district, company code 110709524;
- Chairman of the Board at UAB Gelsauga, Prūsų St. 1, Vilnius, company code 125825125. (until 31/10/2020).

SIGITAS KUBILIS

Board member
Appointed on 13/12/2017

Education

- Vilnius Gediminas Technical University, Engineering Economics and Management

Main employer, position held

- AB Lietuvos Geležinkeliai, Director of the Investment Planning and Control Department, Mindaugo St. 12, Vilnius, company code 110053842.

Other positions

- Board member at UAB voestalpine Railway Systems Lietuva, Sostinės St. 18 Valčiūnai, Juodšiliai eldership, Vilnius district, company code 110709524;
- Board member at UAB Gelsauga, Prūsų St. 1, Vilnius, company code 125825125. (until 31/10/2020).

BRIGITA VALENČIENĖ

Board member
Appointed on 29/11/2019

Education

- Kaunas University of Technology, Business Management.

Main employer, position held

- AB Lietuvos Geležinkeliai, Head of HR Business Partner Group, Mindaugo St. 12, Vilnius, company code 110053842.

VAIDOTAS DIRMEIKIS

Board member
Appointed on 29/11/2019

Education

- ISM University of Management and Economics, Management.

Main employer, position held

- Head of the Finance Management Unit of AB Lietuvos Geležinkeliai, Mindaugo St. 12, Vilnius, company code 110053842.

Changes in the composition of the Board during the reporting period

Composition of the Board did not change during the reporting period.

Information on meetings of the Board, Audit and Nomination Committees and participation therein

Name, surname of a member	Board meetings
Number of meetings in 2020 (including away days, early-voting in writing)	15
LINAS BAUŽYS	15
ROKAS JANUTĖNAS	15
SIGITAS KUBILIS	15
BRIGITA VALENČIENĖ	15
VAIDOTAS DIRMEIKIS	15

Most important decisions adopted in 2020

- Approval of the Company's annual management report for 2019;
- Approval of the Company's Financial statements of 2019;
- Decision to dispose of the Company's redundant assets;
- Establishment of the Company's principal performance indicators for 2020 and Chief Executive Officer's goals;
- Endorsement of the Company's interim financial statements for a period of six months ended 30 June 2020;
- Appliance to the Company's shareholder regarding reduction of the share capital;
- Change in the Company's governing structure;
- Decision regarding establishment of UAB Vilniaus lokomotyvų remonto depas and the Company's joint venture in Belarus;
- Approval of the Company's operational plan (budget) for 2021;
- Approval of the Company's new operational strategy for 2020-2023.

The Board's self-assessment on performance and results

In line with the Board's rules of procedure, and in line with good governance practices, in early 2020 the Board carried out a self-assessment of its performance in 2019.

The results of the self-assessment were discussed at the Board Meeting: areas for improvement were identified and an action plan for 2020 was drawn up. The area for improvement identified by the Board is making the organisation of meetings more effective. The planned improvement actions are related to annual planning of Board meetings (maintenance of relevant annual plan) and submission of information to the Board in the set format and deadlines.

Chief Executive Officer (head of the Company) is the sole executive body who is responsible for organisation of day-to-day business of the company and manages it. The competence areas of the CEO are defined in the Law on Companies of the Republic of Lithuania and the Articles of Association of the Company available at https://gtc.lt/w/bendroves-valdymas/. The CEO is elected for a term of 5 years by the Board which the CEO is accountable to. The same person may be elected as a Chief Executive Officer no more than for two consecutive office terms.

Prior to becoming the Chief Executive Officer of GTC, he held the position of Director of Strategy and Management Department at Lietuvos geležinkelių infrastruktūra. And prior to joining the management team of Lietuvos geležinkeliai, Mr V. Radzevičius was head of the division of SEB Gyvybės draudimas for a period of 4 years (2013-2017).

Mr Vytautas Radzevičius - the Chief Executive Officer of GTC - has an academic degree in the field of business economics (Vilnius University, Master's degree).

The Company's management

VYTAUTAS RADZEVIČIUS	Chief Executive Officer	Appointed on 12 April 2019
MINDAUGAS KEKYS	Chief Financial Officer of the Company	Appointed on 2 May 2018
VILIUS MITKEVIČIUS	Director of the Corporate Affairs Department	Appointed on 15 April 2019
ERIKAS STANKEVIČIUS	Director of Contracting and Technical Department	Appointed on 15 July 2019
VYTAUTAS ŽIRGUTIS	Director of Project Management and Technologies Department	Appointed on 16 September 2019

Changes in the composition of the management during the reporting period

GTC management did not change during the reporting period.

Members of the Board, the CEO and the Company's managers have submitted declarations on private interest, which can be found on the website of the Chief Official Ethics Commission at http://www.vtek.lt. There were no conflicts of interest between the members of the Board, the CEO and the Company's managers during the reporting period.

Information on remuneration of Board members and the Company's Chief Executive Officer

Components of the Company's Chief Executive Officer's remuneration:

1. **Basic monthly salary.** The Company's Chief Executive Officer's basic monthly salary set out in the employment contract amounted to EUR 6,800 as at the end of the reporting period. The Company's Chief Executive Officer's basic monthly salary did not change in 2020.

2. **Annual incentives.** The annual variable remuneration (annual incentive) directly related to achievement of annual goals and dependent on actual achievement of the established annual indicators might be paid to the Company's Chief Executive Officer next to the basic monthly salary. Each year, the Board of the Company approves the structure of annual goals of the Group, threshold values for their achievement and benchmarks, and after the end of year the Board of the Company approves the results of achievement of these objectives and the possibility of paying annual incentive.

The maximum amount of the variable annual incentive is up to 30% of the annual basic salary. The maximum monthly proportion (i.e. 1/12) of the annual incentive shall not exceed EUR 2,040. In 2020, a monthly portion (1/12) of the annual incentive to the Company's CEO for achievement of the goals of the year 2019 amounted to EUR 1,673.

Board members delegated by the shareholder AB Lietuvos Geležinkeliai do not receive remuneration for their activity at the Board.

Strategy

As a response to changes in the market it operates, activity of GTC is based on long-term strategic planning. Taking this into consideration, GTC has prepared **the strategy for the years 2018-2030** which is revised and improved on an annual basis, including the year 2020

Our mission

Partner for development of railway infrastructure

Our vision

The most modern company of railway infrastructure solutions in the region

Our values

We are ambitious

We work for our clients

We respect each other

We promote integrity

We are responsible

Strategic directions:

1. **Creation of value to the shareholder** – the company's value and return to the shareholder.
2. **The leading partner of railway infrastructure construction** – the company's effective and sustainable activity for clients and partners.
3. **Respectful and caring organisation** – a choice for employees.

Taking into consideration the mission, vision, values, and strategic directions, in its strategy GTC provides for the following groups of strategic instruments:

Groups of strategic instruments:

1. **Efficiency** – sustainable business architecture, modern / digitalised tools, advanced and competitive processes.
2. **Business development** – growth of the Company's activities within strategic markets.
3. **Effective machinery park** – modernisation and effective utilisation of the park.
4. **Corporate culture** – safe and motivating work environment and engaged competent employees.

In case of each group, specific objectives and indicators are identified within the strategy, based on which the Company seeks for its strategic goals.

During update of the annual strategy, the progress of strategy implementation is assessed. In 2020, a great amount of focus was placed on development of corporate culture, which resulted in update of remuneration system, implementation of instruments for growth of competency and engagement of employees. Seeking for the Company's efficiency was carried out not only through improvement of performance and operational processes but also through their digitalisation by installing tools that increase users' productivity and through implementation of the Company's machinery park strategy. In addition, in 2020 the Company accomplished the objectives related to business development and (or) diversification set out in the strategy.

The Company's strategy up to the year 2030 includes both financial and non-financial goals it expects to achieve. Due to confidentiality and competitive market environment, the Company does not disclose all the Strategy goals in these statements.

Implementation of GTC strategic goals

Annual goal	Unit of measure	Target level of indicator in 2030	Result of 2020
Revenue from external clients	In %	46	4.9
Portfolio health	TCPI	TCPI >= 1	0.97
Employees engagement	In %	67	43
Average days of incapacity due to an accident	Days	20.3	50

Most significant events in 2020

January

- **January 2020** - remuneration to employees has changed due to the change of the minimal monthly salary and payment policy of the variable remuneration.

February

- **February 2020** - audit of the year 2019 was completed and an unqualified opinion was received.
- **February 2020** - installation of Project Management tool was commenced.
- **February 2020** - contracts for repair works of secondary road in the road section Livintai - Gaižūnai in the region of Klaipėda were concluded.

March

- **March 2020** - the following tenders on public procurement were won: repair works of Railway road in Klaipėda region, repair and maintenance of sidings and railway switches as well as designing and implementation monitoring services of repair project of bridges Radviliškis - Pagėgiai, 116+369 and 113+489 km.
- **March 2020** - as response to the dangerous situation related to COVID-19 virus, the Company's activity is effectively controlled (remote work was commenced).

April

- **April 2020** - COVID-19 insurance to employees came into force.
- **April 2020** - a contracts for constructing of secondary road in the section Plungė - Šateikiai was concluded with AB Kauno tiltai.
- **April 2020** - a bonus for accomplishment of personal goals of 2019 was paid to employees.
- **April 2020** - the new structure of GTC (the Production Department was replaced with the established Contracting and Technical Department) was approved.

May

- **May 2020** - a contract for designing and implementation monitoring services of repair project of Vilnius - Klaipėda railway crossings was signed.
- **May 2020** - methodology for defining the remuneration came into force.
- **May 2020** - employees' personal goals were identified.

June

- **June 2020** - two important projects in Vilnius and Klaipėda regions were won; their total value amounts to EUR 4.5 million.
- **June 2020** - together with VLRD, GTC established the subsidiary Rail Lab with the share capital amounting to EUR 0.45 million (99% of shares will be controlled by VLRD, and 1% of shares will be controlled by GTC).
- **June 2020** - calculation indicators of variable remuneration and their assessment policy of the positions of project manager and its assistant at the Project Management and Technologies Department came into force.
- **June 2020** - calculation indicators of the variable remuneration and their assessment policy of the position of construction manager at the Project Management and Technologies Department came into force.

July

- **July 2020** - information regarding the auction of vehicles sold by GTC was submitted.

August

- **August 2020** - a failure in rail welding factory took place on 11 August 2020. In order to implement projects in a timely manner, search for suppliers able to perform the same works was commenced.

September

- **September 2020** - the Lithuanian Transport Safety Administration initiated unscheduled check / audit of Traffic safety management system.
- **September 2020** - installation of technology monitoring and repair scheduling software Alldevice was started.
- **September 2020** - repair of stone masonry culvert in section Vilnius - Klaipėda 65 + 412 km was completed.
- **September 2020** - in the section of construction of a secondary road Livintai - Gaižūnai, GTC carried out railway switching works and opened a temporary track during a traffic break. Length of the temporary road is 10.3 km. Train traffic will take place on the temporary track until the end of installation of design tracks. Subsequently, after traffic on design tracks is started, the temporary track will be dismantled.
- **September 2020** - calculation indicators of variable remuneration (hereinafter - VR) and their assessment policy of the Contracting and Technical Department came into force.

October

- **October 2020** - the project Tauragė - Pagėgiai was completed. End of works - 25 September 2020, delivered to the customer on 1 October 2020. Project value: 2.8 million.

November

- **November 2020** - the park was upgraded. A self-unloading truck and a multi-function excavator with an iron chassis were acquired.

December

- **December 2020** - mandates and certificates of GTC in the area of Railway Traffic Safety were renewed.
- **December 2020** - rail grinding works were completed. The total amount of works carried out - 277 km.

Events after the reporting period

- **January 2021** - a competition for *Installation of noise reduction instruments in Kretinga district municipality at Kretinga railway station* was won. Project value amounts to EUR 2.6 million. This projects reflects the range of development of the rendered services because this is the first project of such type that the Company will carry out.

Impact of COVID-19 on the company's activity

In 2020, the ongoing worldwide coronavirus pandemic (COVID-19) has affected numerous business sectors in the country.

The coronavirus (COVID-19) pandemic has created a difficult-to-predict and unprecedented situation not only in Lithuania, but also around the world, which has affected all business sectors. On 11 March 2020 the World Health Organization declared an outbreak of coronavirus as a pandemic, and since 16 March 2020 the Government of the Republic of Lithuania has announced a quarantine and related public life restrictions. The restrictions are related to movement of foreign citizens, movement through the state border, activities of companies and organizations of the public and private sectors, organization of work of educational and health institutions, and other areas of economic and social life.

In 2020, quarantine was announced twice in Lithuania (16 March 2020 - 11 May 2020, 7 November 2020 - 28 February 2021).

Upon assessment of the key threats posed to performance, the Company has identified potential scenarios related to the spread of COVID-19 and expected impact on the Company's activity and results. However, following the assessment of the management, the negative circumstances related to the virus do not cause doubts about the Company's ability to continue as a going concern, and they do not alter the long-term plans and goals of the Company's activities.

In continuing its work and fulfilling its obligations, the Company emphasises that it always acts in a socially responsible manner. Health and safety of clients, suppliers, employees and their family members is the key priority.

Key performance indicators

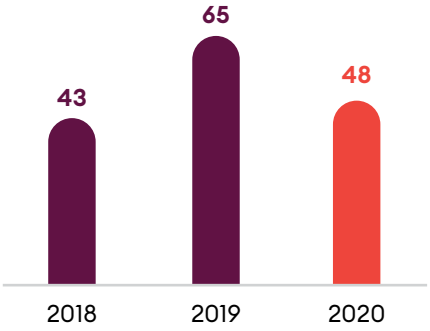
Performance indicators of GTC are directly dependent on customers' needs and is variable. Even though such key indicators as railway track assembly, dismantling and construction are lower, the assessment results of market situation and the change in volume of portfolio of projects required reduction in the number of employees as compared to 2019.

It has to be noted that there was a decrease in maintenance works (replacement of railway ties, replacement of tracks) of railway tracks and structures (including in the assessment only those projects that are related to maintenance works of railway tracks and structures) because the Company carried out its activities in one region in 2020 and in four regions in 2019; yet, according to assessment of overhaul repair works, there is an increase in the total amount of replacements of railway ties.

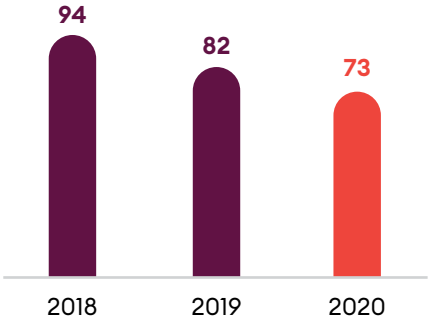
Overview of key performance indicators

Items	Unit of measure	2018	2019	2020	2020/2019 Δ, %
Assembly / reassembly of railway track	km	59	63	51	-20%
Dismantling of railway tracks	km	45	68	49	-29%
Dismantling of a railway track in individual components	km	N/A	18	35	93%
Construction of railway tracks	km	43	65	48	-26%
Ballasting	1000m3	60	102	89	-14%
Replacement of inventory / existing rails with long-rails	km	94	82	73	-11%
Chip management	km	65	73	72	0%
Road repair	km	334	239	223	-7%
Installation of switches	set	26	6	18	200%
Repair of switches	set	252	107	51	-52%
Replacement of rails (up to length of 25 km)	100 units	29	22	7	-69%
Replacement of railway ties	1000 units	20	19	24	27%
Rail welding	100 units	9	11	16	47%
Replacement of clips	1000 units	65	73	110	50%
Working hours of leased machinery	hours	766	1,847	1,392	-25%
Leased wagons	days	345	2,547	3,294	29%

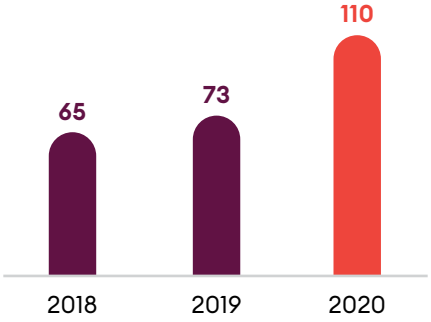
Construction of railway tracks (km)



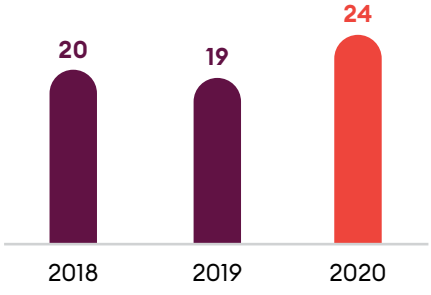
Replacement of inventory / existing rails with long-rails (km)



Replacement of clips (1,000 units)



Replacement of railway ties (1,000 units)



Analysis of financial and performance results

Operating results

Sales revenue

Dynamics of sales revenue of GTC in 2018-2020, EUR thousand

Type of revenue	2018	2019	2020
Construction and repair of railway	24,999	18,068	24,709
Maintenance of railway tracks and structures	3,528	3,994	1,838
Construction, reconstruction and repair of other structures	261	678	775
Lease of machinery and plant	113	961	819
Construction and repair works in the area of security, automation and electrification	301	1,211	0
Design works	136	66	89
Other works (snow removal, sales of non-current assets, etc.)	430	59	508
Total	**29,768**	**25,037**	**28,738**

Sales revenue of GTC amounted to EUR 28,738 thousand and increased by EUR 3,701 thousand or 14.7% as compared to 2019.

The major portion of operating income in 2020 consisted of construction of railway (86.0%). Revenue of this segment increased by EUR 6,641 thousand or 38.8% in 2020 as compared to 2019 due to ongoing projects with the customer's materials (secondary roads Livintai - Gaižūnai).

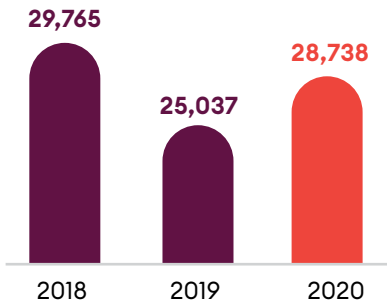
Portion of revenue from maintenance of railway tracks and structures was equal to 6.4% in 2020. Revenue of this segment decreased by EUR 2,156 thousand or 54% in 2020 as compared to 2019, as the Company carried out activities in one region in 2020 and in four regions in 2019.

In 2020, the Company rendered more services of construction, reconstruction and repair of other structures. Revenue of this segment was equal to 2.7% of total sales revenue and to 2.6.% in the previous year.

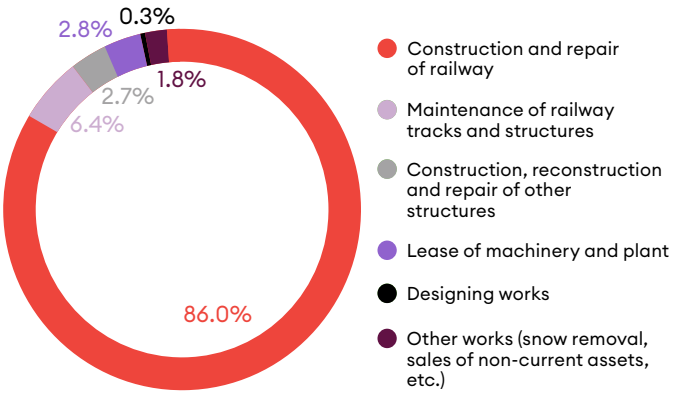
During the reporting period the Company also rendered additional services - lease of assets (machinery and specialised plant), designing, and other.

In 2020, the Company's activity was carried out in Lithuania. The major portion of works (95.1%) was conducted in accordance with the public procurements of the public infrastructure manager and subsidiary managers. The Company's technology park and existing competences make all assumptions of increasing sales volumes of other customers not only in Lithuania but also abroad.

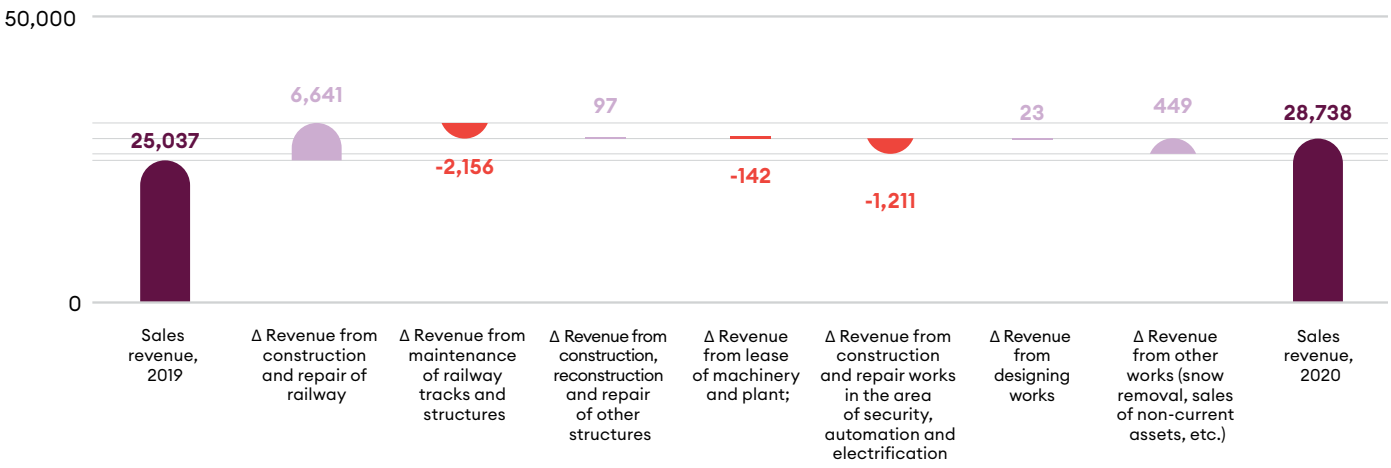
The Company's sales revenue, EUR thousand



Revenue structure in 2020, %



Change in the Company's sales revenue, EUR thousand



Costs

Changes in the Company's work volumes directly affected costs; therefore, in 2020 there was an increase not only in the Company's sales revenue but also costs.

Operating costs of GTC increased in 2020 as they amounted to EUR 29,464 thousand as compared to EUR 24,743 thousand in 2019. Increase in costs is directly related to increased costs for materials.

Structure of GTC costs in 2018-2020, EUR thousand

Type of costs	2018	2019	2020
Salaries and related costs	9,933	10,276	9,175
Materials	3,338	1,083	7,263
Fuel	783	680	606
Depreciation and amortisation	3,007	3,004	2,894
Other expenses	8,357	9,700	9,526
Total	**25,419**	**24,743**	**29,464**

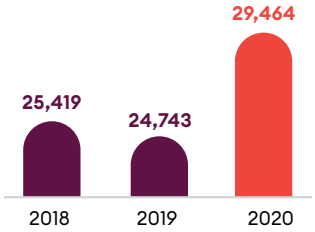
The major portion of the Company's operating costs in 2020 consisted of other costs (32.3%). There is a decrease in other costs by EUR 176 thousand or 1.8% due to subcontracting works (carrying out electrification projects mainly).

In 2020, salaries and related costs of GTC comprised 31.3% of total costs, which results in decrease by EUR 1,100 thousand as compared to 2019 due to a decreased number of employees.

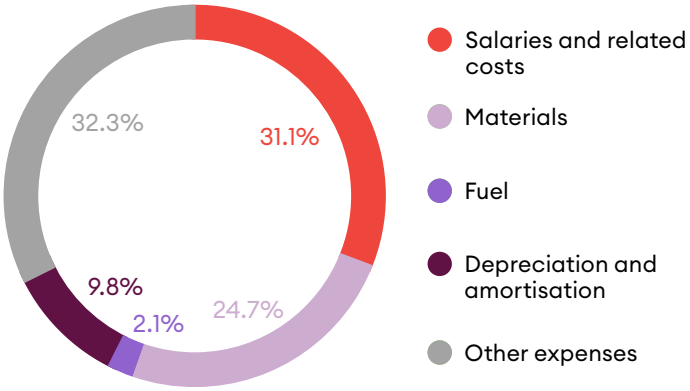
Costs of materials comprised 24.7% of total costs incurred by the Company. These costs increased by EUR 6,180 thousand or by 6.71 times comparing to 2019 because of projects carried out with the customer's materials (secondary roads Livintai – Gaižiūnai).

Other expenses include operating costs related to freight transport, locomotives and brigades, special rolling stocks, lease of other assets and other costs which proportionally depend on work volumes.

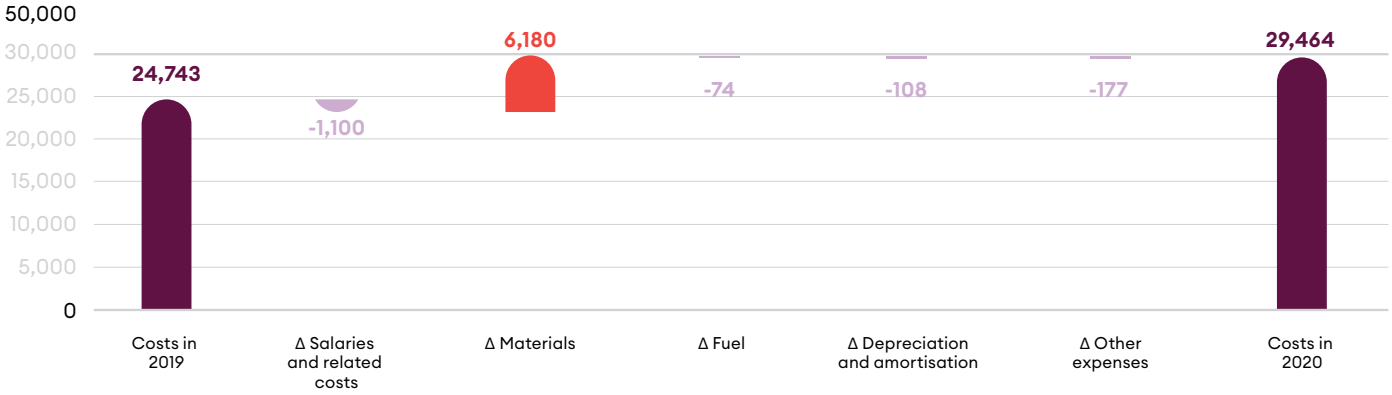
The Company's costs, EUR thousand



Structure of costs in 2020, %



Change in the Company's costs, EUR thousand



Operating results

EBITDA (profit after tax, results of financial activities, depreciation and amortisation) of GTC amounted to EUR 2,457 thousand in 2020.

Revenue of GTC amounted to EUR 29,026 thousand in 2020; i. e. it increased comparing to EUR 25,317 thousand in 2019. The most significant impact on the increase in revenue was made by ongoing projects carried out with the customer's materials (secondary roads Livintai – Gaižiūnai).

Costs of operating and other activities incurred by GTC amounted to EUR 29,464 thousand in 2020. Compared to 2019, costs increased by EUR 4,721 thousand or 19.0%. In 2020, the major portion of costs comprised remuneration costs (31.1%), other expenses (32.3%) and costs for materials (24.7%).

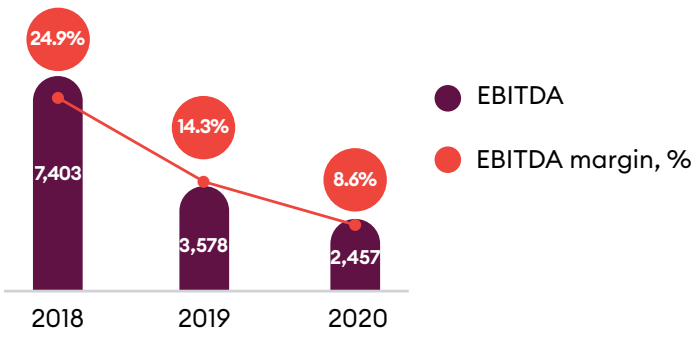
In implementing instruments increasing efficiency of employees and control of machinery, GTC has carried out structural reorganisation. Taking into consideration the environment with high level of competition and control of volatile circumstances, the Company incurred net loss of EUR 416 thousand in 2020.

In implementing instruments increasing efficiency of employees and control of machinery, GTC has carried out structural reorganisation.

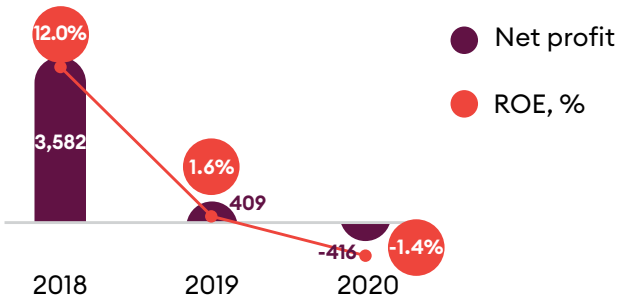
Under-performance of GTC in 2020 resulted from the following key reasons:

- structural reorganisation performed in the Company;
- Adverse impact of COVID-19 on the size of the market of private infrastructure managers and possibility to expand business abroad;
- Transfer of overhaul work contracts to the year 2021 due to circumstances unrelated to the Company (failure in the rail welding factory).

The Company's EBITDA, EUR thousand



Net profit of the Company, EUR thousand



Balance sheet changes

During the reporting period, the value of the Company's assets increased by EUR 2,378 thousand from EUR 37,380 thousand in 2019 to EUR 39,758 thousand. As at 31 December 2020, the increase in asset value resulted from increased inventories due to projects carried out with the customer's materials (secondary roads of Livintai – Gaižiūnai and Plungė - Šateikia). Non-current assets of GTC comprised 67.3% of common asset structure. It shall be mentioned that the value of non-current assets decreased by EUR 2,304 thousand from EUR 29,101 thousand as at the beginning of 2019 to EUR 26,797 thousand as at the end of the analysed period because of increased acquisitions of machinery, that were not planned for that period, and because the existing machinery is in a fit condition, and its quantity is sufficient for the Company to carry out its activities.

Current assets of GTC was equal to 32.6% in 2020. Effective planning allows not only to retain an optimal level of inventories in a warehouse but also to reduce costs related to additional orders and storage of excess inventory.

As at 31 December 2020, the Company's share capital amounted to EUR 30,481 thousand and decreased by 1.3% comparing to 2019, respectively.

As at the end of 2020, current liabilities of GTC increased by 47.0% comparing to 2019 due to prepayments received.

Key financial indicators*

	Unit of measure	2018	2019	2020
Sales revenue	EUR thousand	29,768	25,037	28,738
Other income	EUR thousand	47	280	288
Total income	EUR thousand	29,815	25,317	29,026
Costs	EUR thousand	25,419	24,743	29,464
EBITDA	EUR thousand	7,403	3,578	2,457
EBITDA margin	In %	24.9	14,.3	8.6
EBIT	EUR thousand	4,396	574	-437
EBIT margin	In %	14.8	2.3	-1.5
Net profit	EUR thousand	3,582	409	-416
Net profit margin	In %	12.0	1.6	-1.4
		31/12/2018	31/12/2019	31/12/2020
Non-current assets	EUR thousand	30,791	29,101	26,797
Current assets	EUR thousand	12,198	8,279	12,961
Total assets	EUR thousand	42,989	37,380	39,758
Equity	EUR thousand	30,488	30,897	30,481
Financial debt	EUR thousand	0	2,242	794
Net debt	EUR thousand	-3,055	789	-883
Return on equity (ROE)	In %	14.1	1.3	-1.4
Return on assets (ROA)	In %	8.3	1.1	-1.1
Return on Investment (ROI)	In %	11.7	1.3	-1.3
Financial liability/EBITDA	In times	0	0.6	0.3
Debt/Equity	In %	0	7.3	2.6
Net debt/EBITDA*	In times	-0.4	0.2	-0.3
Equity ratio	In %	71	83	77
Asset turnover ratio	In times	0.7	0.7	0.7
Total liquidity rate	In times	1.0	1.4	1.5

* For definitions of the indicators see page 39 of the Report.

Financing of the company

In 2020, the Company did not have any financial liabilities to credit institutions.

To balance the working capital, in 2020 the Company used the LTG cash pool. The cash pool agreement is effective until 31 December 2021. The terms of the agreement are in line with normal market conditions. As at 31 December 2020, GTC did not have any borrowings from the short-term inter-company borrowing account.

Dividend policy

The payment of dividends and the amount of profit contributions of state-owned enterprises is regulated by the Lithuanian Government Resolution No. 20, dated 14 January 1997, and its amendments (https://www.e-tar.lt/portal/lt/legalActEditions/TAR.B8E139A37FF0?faces-redirect=true).

The allocation and payment of dividends by the Group companies is regulated by the Dividend Policy of LTG Group, prepared taking into account the provisions of the Lithuanian Government Resolution.

Allocation of dividends for the financial year or a shorter period than the financial year is planned taking into consideration the level of return on equity, net profit earned, financial ability to pay dividends as well as other circumstances and conditions as set out in the Dividend Policy. The dividend pay-out ratio, calculated on retained earnings, depends on the return on equity at the end of the reporting period (ROE):

The Company's ROE indicator, %	Portion of distributed profit allocated to dividends, %
<=1	>=85
>1 ir <=3	>=80
>3 ir <=5	>=75
>5 ir <=10	>=70
>10 ir <=15	>=65
>15	>=60

The Board of the Company may propose a higher share of profit to be distributed for dividends taking into account the implementation of financial plans, significant financial ratios (net profit, EBITDA, financial debt to EBITDA ratio, financial debt to equity ratio) at the end of the reporting period, if the payment of such higher share of profit would not have a negative effect on the implementation of the Company's long-term strategy.

The Board of the Company may propose a lower profit share to be allocated for dividends or no allocation at all, if at least one of the following conditions is met:

- The Company incurred a net loss for the reporting period;
- The Company's performance as monitored by institutional creditors at the end of the reporting period for which dividends are proposed would not be in line with contractual values or the size of the indicators would adversely affect the credit rating;
- A particularly important project that has an impact on the long-term strategy of the LTG Group;
- The Company's equity after payment of dividends would become less than the amount of authorized capital, compulsory reserve, revaluation reserve and reserve for acquiring own shares of the LTG Group entity;
- The Company is insolvent or would become such after the payment of dividends.

During the recent two years, UAB Geležinkelio tiesimo centras did not pay any dividends.

Investments

In 2020, the investments of GTC amounted to 254 thousand. All the investments (100%) have been financed by the Company's own funds. The major part of the investments (85 percent) is dedicated for an upgrade of technology.

Investments, in eur thousand	2018	2019	2020	2020/2019 Δ, %
Software	3	-	-	-
Machinery and equipment	124	61	171	280.3%
Road vehicles	-	-	66	100%
Other equipment, fittings and tools	238	98	17	-82.7%
Total	**365**	**159**	**254**	**74.4%**

Development and modernization projects

Main planned investment projects / investment directions:

- In order to be competitive in the market of railway construction and overhaul services, and to efficiently manage the technical fleet, GTC started to impelement the technology upgrading project. In 2020, the Company acquired an excavator and a dumper (truck), signed service contracts for modernization of the sleeper blocking unit and the road repair machine. The equipment puchased within the scope of the project will allow the Company to save the maintenance and overhaul costs of the technology as well as to reduce the cost of work.
- During the reporting period, the Company implemented the installation project of Security devices at Lentvaris and Šilėnai bases. The service contract was signed and the system design was performed. The project is expected to be finished in Q1 2021. The implementation of the system will increase the level of security of employes and assets of the Company and will allow optimizing the costs used for provision of physical protection.

Employees

In order to successfully implement the strategy, efficiently conduct daily activities, create a competitive advantage and adapt to changing business needs, the Company follows the personnel management principles based on good personnel management practices. Focusing on employees is a strategic direction, primarily implemented through the development of corporate culture.

GTC, as the whole LTG Group, pursues the culture of high results based on the existing LTG values:

We are ambitious

We work for our clients

We respect each other

We promote integrity

We are responsible

As at 31 December 2020, the Company had 373 employees (the number includes only active employees (non in long-time absence)). The number of employees has decreased by 88 or 19%, compared to the data as at 31 December 2019. The mentioned decrease was caused by the seasonality of works, changes in the scope of activities, and efficiency measures.

The average monthly salary, as compared to 2019, has changed from EUR 1,532 to EUR 1,669. The largest influence on the growth of salaries was caused due to the revision of wages and the decrease in the number of qualified employees due to implemented efficiency measures.

In April 2020, the Company, as also other LTG Group entities, granted employees an annual motivation bonus of EUR 0.34 million for performance results.

Number of the company's employees and average salary

Function groups	31/12/2018**		31/12/2019		31/12/2020	
	Actual number of employees at the end of the period	Average salary, in EUR	Actual number of employees at the end of the period	Average salary, in EUR	Actual number of employees at the end of the period	Average salary, in EUR
General director *	1	5,735	1	6,800	1	6,800
High level executives*	1	4,079	1	4,150	1	4,500
Senior executives and specialists in exceptional fields*	2	4,014	4	5,357	3	5,504
Middle-level managers and individual experts	40	2,601	29	2,656	29	3,096
Team leaders and experienced specialists	65	1,892	60	2,000	60	2,134
Specialists ir experienced operational/service staff	145	1,580	144	1,632	116	1,671
Operational/service staff, qualified workers	296	1,067	222	1,094	163	1,198
Total	**550**	**1,459**	**461**	**1,532**	**373**	**1,669**

* fixed remuneration at the end of the period;

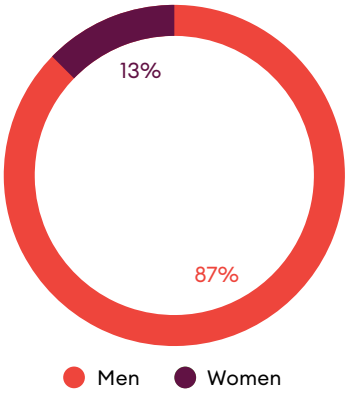
** for data comparability purposes, the average salary data for 2018 have been recalculated under the new tax system by multiplying using the coefficient 1,289.

As at 31 December 2020, the fixed monthly salary of the Company's general director amounted to EUR 6,800, and the average actual salary, including the annual motivation bonus for performance results, amounted to EUR 8,467 in 2020.

As at 31 December 2020, the fixed monthly salary of high and middle level executives as stated in their labour contracts, amounted to EUR 5,253, and the average actual salary of these function groups, including the annual bonus for performance results, amounted to EUR 5,807 in 2020.

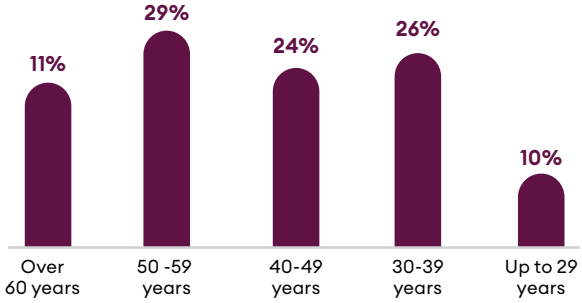
According to data as at 31 December 2020, there were 49 women and 333 men in GTC (including employees in long-term absence).

Employee distribution by gender, %



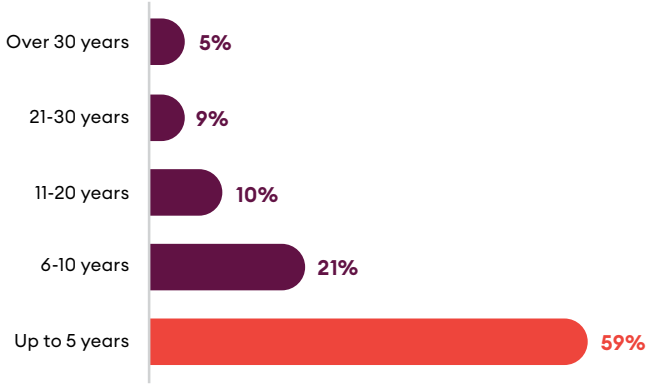
The average age of employees – 45 years, which is the best working age. The majority of the Company's employees are in the age groups of 50–59 and 30 – 29 years.

Employee distribution by age group



Age group	Average work experience, in years
Up to 29 years	2.9
30 - 39 years	5.2
40 - 49 years	6.7
50 - 59 years	10.0
Over 60 years	14.1
Average work experience	**7.7**

Employee distribution by work experience



GTC consistently takes care of the professional development of employees and ensures that employees have all the certificates required by law, and improve the competencies necessary to carry out the work. The staff participates in various general, professional and leadership trainings, e.g. project management, training of construction managers, etc.

The Company creates conditions for students of higher and vocational schools to do internship in the Company – to apply theoretical knowledge and acquire practical skills.

Social partnership

As of 1 January 2019, the LTG Group adopted the branch collective agreement. This agreement was reached due to constructive cooperation with the trade unions and their organizations operating in the LTG Group of entities. Representatives of employees are informed and consulted on a regular basis about the implementation of the collective agreement. There are two trade unions in GTC with which cooperation is carried out on the basis of the enforced collective agreement.

The Company's business development plans, salary changes and their expected trends, results of the implementation of occupational safety and health measures that help to improve the working environment were presented in 2020. In order to establish an active social partnership, there is regular communication and cooperation with the representatives of the existing trade unions, periodic meetings to discuss daily work organization issues and matters that are important to employees and affect their social and economic situation. In accordance with the procedure established by legal acts, relevant information is provided to trade unions and consultations are carried out in adopting decisions regarding changes in GTC.

Management of remuneration and operational efficiency

REMUNERATION SYSTEM AND REMUNERATION POLICY. The Company seeks to create an efficient and fair remuneration system, the purpose of which is to attract, retain and motivate employees, whose qualifications and work results help the Company to successfully develop its mission and achieve the set goals.

In 2020, the Company introduced a new remuneration methodology, which allows to compare with other advanced companies in the country, which reward employees according to the achieved results, the value created for the organization and the team. The mentioned methodology consolidates the core principles of remuneration management – attraction, motivation and retention of highly qualified employees, encouragement for improvement, adherence to the internal fairness principle in rewarding work and efforts of employees, a continuous improvement of working conditions in order to increase productivity, contribution to the efficiency management of staff costs, motivation of employees by granting a package of additional benefits. The principles ensure that all employees of the Company are remunerated equally for the same type of work, competence and result.

Furthermore, in 2020, the Company implemented the indicators and their assessment principles for calculating the variable part of the remuneration for employees in such positions of the Project Management and Technologies Department as the construction manager, project manager and assistant to project manager, as well as the indicators and their assessment principles for calculating the variable part of the remuneration in the Contracting and Engineering Department, which ensure objective assessment of positions according to the required qualifications, the complexity of the problems and the level of responsibility of a specific position.

In Q2 2020, the employees' salaries were reviewed taking into account the labour market trends in Lithuania, the Company's operating results, the performance assessment results of the Company's employees and the demand-supply situation in the labour market regarding the positions that are important to the Company.

PROCEDURE FOR PERFORMANCE ASSESSMENT AND AWARD OF EMPLOYYES. In 2020, in order to manage the goals set by the Company as effectively as possible, to plan the career of employees and to increase their competencies, annual goals were set not only for all the executives and specialists but for the workers as well. Setting goals and discussing the results with an employee allows the managers to ensure operational orientation. Constant feedback supports motivation and involvement of employees.

Depending on the implementation of the set goals of the Company, employees are granted annual bonuses, an amount of which depends on the implementation level of the Company's and personal goals.

Trainings and competence development

COMPETENCE DEVELOPMENT. To encourage the employees to use their potential and career opportunities, LG motivates continuous professional and personal improvement of its staff.

The Company prioritises self-education, learning at workplace, internal trainings.

The Company organises internal trainings and periodic certification, so the employees would have an opportunity to obtain or update their professional knowledge, develop or test own skills related to certain technological processes and equipment of the Company and support proficiency of the employees.

The Company conducted a 360-degree feedback survey on managerial competencies, which is widely used in modern organizations and is a proven practice in developing managerial competencies. The aim of the research is to provide managers with comprehensive and high-quality feedback on their leadership competencies from the immediate work environment – direct supervisor, colleagues and subordinates, to accurately identify strengths and areas for improvement and, based on the research results, assist in creating individual self-development plans.

COOPERATION WITH EDUCATIONAL INSTITUTIONS AND PRACTICE OPPORTUNITIES. The Company cooperates with educational institutions and creates conditions for university and college students to apply theoretical knowledge and acquire practical skills.

The Company has concluded cooperation agreements with Kaunas Technological University and Vilnius Gediminas Technical University. Cooperation between the higher education institution and Lietuvos Geležinkeliai Group of entities envisages training of specialists, developing study programs, engaging in the study process, accepting students for internship, offering research and thesis topics. It was agreed to pay great attention to research, professional development of specialists, exchange of information on ongoing activities, implementation of advances technologies, technical solutions and etc.

The Company creates conditions for students of higher and vocational institutions to apply theoretical knowledge and acquire practical skills. Students admitted for internship are both, who come according to the internship programs provided by educational institutions and those who want to perform voluntary internship. In 2020, four students from various higher and vocational institutions completed internship in the Company. One student was employed after the internship.

Risks and risk management

GTC operates and continuously improves the **unified risk management system of the group of entities**. It is defined in the risk management policy of the LTG group of entities and developed taking into account the international ISO 31000 and COSO ERM risk management standards and examples of best risk management practices. The policy sets out the regulations, principles and main areas of responsibility for carrying out these activities. The mission of risk management activities is to ensure a consistent and common risk management system of GTC and LTG group of entities. Vision is an effective risk management system that helps maintain and increase the value of GTC and the LTG group of entities.

In practice, the risk management policy guidelines are followed according to the 3-line defence model. According to it: Level 1 risk management activities are carried out by GTC, which identifies, assesses and manages risks. Level 2 risk management activities are performed by the LTG Risk Management Division, which performs the risk management coordination and control function in the LTG group of entities. This department develops and improves the risk management system of the LTG group of entities, performs monitoring; the Level 3 risk management activities are performed by the Internal Audit Division of the LTG, which performs an independent assessment of the effectiveness of the risk management Levels 1 and 2, provides comments and recommendations on possible improvement of the overall risk.

Risks are managed in stages, each of which involves employees with different roles, individuals and collegial bodies. The risk management cycle consists of the following main steps: 1. Identification of risk appetite, 2. Identification and assessment of risks, 3. Systematization and calibration of risks, 4. Development of risk management plans, 5. Implementation of risk management plans, 6. Monitoring of risk management.

The level of risks is assessed by determining their likelihood and potential impact (assessing financial, legal and reputational impact) and is assigned to one of the four risk categories recorded in the risk management policy:

Strategic risks are risks related to changes in the environment and the company's ability to properly use these changes in its operations or to prepare for them. Strategic risks can have a direct impact on the achievement of the goals set in the corporate strategy;

Operational risks are possible events or circumstances that may affect the operations or the objectives pursued, may endanger the safety and health of people, the assets of the LTG Group, the continuity of operations or the environment;

Financial risks are risks, related to changes in credit, liquidity, exchange rates, interest rates and capital;

Compliance risks are possible events or circumstances that may lead to non-compliance with internal and (or) external legal requirements.

Information on compliance with the provisions of the transparency guidelines

The Company adheres to the requirements approved by the Lithuanian Government Resolution No. 1052 „Description of Guidelines for Ensuring Transparency in the Activities of State-Owned Enterprises" (hereinafter – the Description), dated 14 July 2010, disclosing the required information in the annual and interim reports and own internet website www.gtc.lt.

Structured information on compliance with the transparency guidelines

Point of Description	Description provision Disclosure of the Company's information	Yes/No
5.	The following data and information must be announced in the internet website of a state-owned enterprise:	-
5.1.	Name;	Yes
5.2.	Code and register, where data about the company is filed and stored;	Yes
5.3	headquarters (address);	Yes
5.4.	Legal status, if a state-owned enterprise is under reformation, reorganization (indicate the way of reorganisation), liquidation, is becoming or has become bankrupt;	Legal status not registered
5.5.	The name of the institution representing the State and a link to its website;	Yes
5.5.	Operating goals, vision and mission;	Yes
5.7.	Structure;	Yes
5.8.	Data about the head of the enterprise;	Yes
5.9.	Data about the chairman and members of the Board, if formed according to the Articles of Association;	Yes
5.10.	Data about the chairman and members of the Supervisory Council, if formed according to the Articles of Association;	Not formed
5.11.	Names of committees, if formed; data about their chairmen and members;	Disclosed in the website of the parent company LTG
5.12.	The sum of the nominal values of the state-owned shares (in euro to the nearest euro cent) and the share (in percentage) in the authorised capital of the state-owned enterprise;	Yes
5.13.	The performed special obligations that are determined as to recommendations approved by the Minister of Economics and Innovations of the Republic of Lithuania: the purpose of the special obligations, state budget appropriations allocated their implementation in the current calendar year and the legal acts entrusting the state-owned enterprise with the performance of the special obligation, the conditions for fulfilment of the special obligations and (or) regulatory pricing;	The Company does not fulfil any special obligations
5.14.	Information on social responsibility initiatives and measures, important ongoing or planned investment projects.	Yes
6.	In order to ensure publicity regarding the professionalism of the management and supervisory bodies as well as the members of the committees, formed in a state-owned enterprise, the following data of the persons referred to in sub-points 5.8 – 5.11 of the Description shall be published: name, surname, commencement date of current duties, other current managerial positions in other legal bodies, education, qualification, professional experience. If the person stated in sub-points 5.9 – 5.11 of the Description has been elected or appointed as an independent member, this information should be additionally disclosed under his data.	Yes
7.	The following documents shall be announced in the website of a state-owned enterprise:	-
7.1.	Articles of Association;	Yes
7.2.	Statement from an institution representing the State regarding the establishment of the goals and expectations of the State in a state-owned enterprise;	Yes
7.3.	The business strategy or a summary thereof in cases where the business strategy contains confidential information or information which is considered a commercial (industrial) secret;	Yes
7.4.	Document establishing the remuneration policy, setting out the remuneration of the head of a state-owned enterprise and the remuneration of members of collegial bodies and committees formed in a state-owned enterprise, as detailed in the Code of Corporate Governance;	Yes
7.5.	Annual and interim reports of a state-owned enterprise, annual and interim activity reports of a state-owned enterprise for a period of at least five years;	Yes
7.6.	Annual and interim financial statements and auditor's reports on annual financial statements for a period of at least five years;	Yes
8.	When a state-owned enterprise is a parent company, the structure of the group of companies is to be published on its website as well as the information of its subsidiaries and further subsidiaries as specified in Clauses 5.1–5.3 of the Description, the website addresses, the share (percentage) of the share capital owned by the parent company in their authorised capital, and consolidated annual reports.	Yes

Point of Description	Description provision	Yes/No
	Disclosure of the Company's information	
9.	When a state-owned enterprise is a participant of legal entities other than those specified in Clause 8, the details of these legal entities specified in Clauses 5.1–5.3 of the Description as well as their website addresses must be posted on its website.	Yes
10.	If details specified in Clauses 5, 6, 7.1–7.4, 8 and 9 of the Description change or are found to be false, information and documents must also be immediately corrected on the website.	Yes
11.	A set of annual financial statements of a state-owned enterprise, an annual report of a state-owned enterprise, an auditor's report on the annual financial statements of a state-owned enterprise must be posted on the website of the state-owned enterprise within 10 business days after their approval.	Yes
12.	Sets of interim financial statements of a state-owned enterprise, interim reports of a state-owned enterprise must be posted on the website of the state-owned enterprise within 2 months after the end of the reporting period.	Yes
13.	Documents specified in Clause 7 of the Description must be posted in the PDF format with the option of printing.	Yes
	Preparation of sets of financial statements and reports	
14.	State-owned enterprises maintain their accounts in a manner that ensures the preparation of financial statements in accordance with international accounting standards.	Yes
15.	In addition to a set of annual financial statements, a state-owned enterprise must prepare a set of interim financial statements for periods of 6 months.	Yes
16.	A state-owned enterprise, considered to be a public interest company in accordance with the Law on the Audit of Financial Statements of the Republic of Lithuania, apart from the annual report must additionally prepare a 6-month interim report.	Yes
17.	The following additional details must be provided in an annual report of a state-owned enterprise or an annual activity report of a state enterprise:	Yes
17.1.	A short description of the operating model of the state-owned enterprise;	Yes
17.2.	Information about major events, which had occurred during a fiscal year and later (prior to the preparation of the annual report or the annual activity report) and which were of primary importance to the activities of the state-owned enterprise;	Yes
17.3.	The results of implementation of the targets specified in the established business strategy of the state-owned enterprise;	Yes
17.4.	The profitability, liquidity, assets negotiability, and debt indicators;	Yes
17.5.	The fulfilment of the specific obligations;	The Company does not fulfil any special obligations
17.6.	The implementation of the investment policy, planned investment projects and investments as well as those under implementation during the reporting year;	Yes
17.7.	The implementation of the risk management policy applicable at the state-owned enterprise;	Yes
17.8.	The implementation of the dividend policy at state-owned enterprises;	Yes
17.9.	The implementation of the remuneration policy;	Yes
17.10.	The total annual payroll fund, the average monthly salaries according to the positions held and (or) divisions;	Yes
17.11.	Information on the compliance with the provisions of Chapters II and II of the Description, including the information on how they are being implemented, what provisions have not been complied with and why.	Yes
18.	State-owned enterprises, which are not imposed a duty to prepare a social responsibility report, are recommended to respectively provide information in their annual reports on the issues of environment protection, social and personnel-related issues, the protection of human rights, anti-corruption and anti-bribery measures.	Yes

Point of Description	Description provision Preparation of sets of financial statements and reports	Yes/No
19.	If the information specified in Clause 17 of the Description is considered a commercial (industrial) secret or confidential information of a state-owned enterprise, the state-owned enterprise is entitled not to disclose such information; however, it must specify in its annual report or the annual activity report that this information is not being disclosed and specify reasons for nondisclosure.	Yes
20.	Other information not specified in the Description may be provided in an annual report of a state-owned enterprise.	Yes
21.	A state-owned enterprise, which is a parent company, must provide the structure of the group of companies, the details of each subsidiary specified in Clauses 5.1–5.3 of the Description, the equity interest in the subsidiary (the percentage share), the financial and non-financial performance results of a fiscal year in its consolidated annual report, and if it is not obliged to prepare a consolidated annual report, in its annual report. If a state-owned enterprise, which is a parent company, prepares a consolidated annual report, the requirements of Clause 17 of the Description apply to it mutatis mutandis.	Yes
22.	An interim report of a state-owned enterprise or an interim activity report of a state enterprise must contain a short description of the operating model of the state-owned enterprise, the analysis of financial performance for a reporting period, information on major event, which had occurred during the reporting period, and also profitability, liquidity, assets negotiability, debt indicators and their changes in comparison with the respective period of the previous year.	Yes

Audit information

Audit of the Company's financial statements is conducted in accordance with International Standards on Auditing.

The public procurement tender for the audit of the Company's financial statements, prepared as to International Financial Reporting Standards for the years 2020 – 2022, was won by KPMG Baltics, UAB.

During the reporting period, the auditor did not provide any additional services not related to the audit of the financial statements of the Company.

A fixed fee to the audit company for the audit of the financial statements for 2020 amounted to EUR 23 thousand (excl. VAT).

Social responsibility report

Safety and health of employees

In order to create a safe and healthy work environment, great attention in the Company is paid to safety of employees. The Company pays special attention to raising the culture of occupational safety and health in the workplace and increasing the responsibility of the employees themselves. Particular attention is paid to preventive measures. Employees performing hazardous work must undergo special training and periodic testing of their knowledge. In order to ensure safe and productive work, the Company has prepared and constantly updates employee job descriptions, instructions necessary for employee safety and health, fire safety, work technology, equipment operation and other necessary instructions, constantly assesses occupational risks at employees' workplaces, performs inspections together with alcohol intoxication prevention. Workers are provided, free of charge, with the necessary personal protective devices to protect themselves against risk factors at workplace. Employees, who use personal protective devices, are additionally instructed in accordance with the protective device usage instructions.

To develop a safe work culture, the Safety Department takes the following actions:

- attends weekly meetings held by the Contracting and Technical Department;
- participates in monthly discussions on violations at workplaces.

Much attention is paid to healthcare of employees – funds are allocated for periodic mandatory health examinations. The Company's employees are vaccinated against the tick-borne encephalitis and the flu.

The Company, at its own expense, provides its employees with health insurances and also with insurance against accidents.

In 2020, the Company was recertified in the field of Occupational Safety and Health and on 21 December 2020 received a certificate ISO 45001: 2018 "Occupational Health and Safety Management Systems. Requirements and application instructions".

Safe traffic

UAB Geležinkelio tiesimo centras implements technical and organizational measures to ensure that the managed railway infrastructure and rolling-stock, as well as the railway traffic participants, are protected from railway catastrophes, accidents and incidents and their consequences.

The vision of UAB Geležinkelio tiesimo centras in the field of traffic safety is simple and all-encompassing - 0(zero) incidents, i.e. safe society and company without any railway catastrophes, accidents and incidents. It should be noted, that in 2020 no railway catastrophes, accidents and incidents occurred due to the fault of UAB Geležinkelio tiesimo centras.

In order to standardize the railway traffic safety management and form a unified railway traffic safety policy, UAB Geležinkelio tiesimo centras takes into account the good experience of other countries and legal regulations:

- approved the new safety management system and related documentation;
- identified relevant safety objectives focused on the highest operational risks, developed and implemented a comprehensive plan of measures to achieve them;
- fosters an integrated safety culture model that raises safety awareness among workers.

In order to ensure a high level of railway traffic safety, UAB Geležinkelio tiesimo centras manages the risks related to railway traffic safety by implementing measures to eliminate or reduce the risks to the lowest acceptable level, performs targeted traffic safety inspections and periodic audits of the elements of the traffic safety management system, ensures continuous monitoring of the state of road safety based on safety indicators, which allows to proactively prevent railway accidents, traffic accidents, incidents and their consequences.

It should be noted that in the event of a railway accident, traffic accident or incident, their investigations are carried out in order to identify the direct and indirect reasons of the incidents and to implement systematic measures to ensure that the incidents do not recur in the future.

Prevention of corruption and bribery

UAB Geležinkelio tiesimo centras follows the principle of zero tolerance for corruption, which means that the Company does not tolerate any form of corruption. UAB Geležinkelio tiesimo centras in its activity implements a set of measures and processes aimed at forming a transparent and smoothly functioning company of impeccable reputation. Fair and responsible behaviour in the company is also expected from its employees; therefore, all employees of UAB Geležinkelio tiesimo centras in their daily work follow the ethical principles and standards provided for in the Code of Ethics for Employees, which was approved in 2020.

UAB Geležinkelių tiesimo centras is committed to ensuring the declaration of public and private interests and the management of conflicts of interest. Therefore, employees, who are obliged, submit declarations of private interests in accordance with the procedure established by the Law on the Coordination of Public and Private Interests of the Republic of Lithuania, employees, who do not have this obligation, declare private interests in the employee self-service module Manolitrail. For the purpose of objectivity and transparency in decision-making, procedures for preparation, consideration or adoption of decisions on the removal of employees and removal from decisions that may cause a conflict of interest are addressed.

UAB Geležinkelių tiesimo centras follows the legal requirements by checking the compliance of the recruited persons with the legal requirements and assessing them from the aspect of impeccable reputation. At the same time, the Company is strict towards its partners - the solvency and reputation of business partners are analysed and assessed, thus identifying potential risks arising from activities of business partners.

To promote responsibility and activity of employees and other persons, UAB Geležinkelio tiesimo centras enables them to report anonymously about violations of corruptive nature through the following reporting channels (tel. No. (8 5) 269 3600, e-mail PREVENCIJA@BEKORUPCIJOS.LT, report on the website www.litrail.lt/korupcijos-prevencija).

The Company conducts a targeted survey of employees' resistance to corruption every year - the opinion of each employee is important, which helps to strengthen the transparency of the Company's activities. The results of the survey performed in 2018 – 2020 show that the level of honesty and awareness of employees not to give illegal remuneration/gifts is extremely high and employees rarely face corruption in their activities. Employee involvement in the corruption prevention activities is improved by other means as well – employees are familiarized with the most important documents regulating these activities, trainings are organized in cooperation with STT and other institutions, other educational measures are implemented.

Data protection

UAB Geležinkelio tiesimo centras takes care of the protection of personal data and cherishes the information, entrusted to the Company by its employees and customers. In doing so, the Company strictly follows the requirements of the EU General Data Protection Regulation and other data protection legal acts for the protection of data subjects. To implement the requirements of the EU General Data Protection Regulation in 2020, the Company did the following in the sphere of data protection:

- took care of employees awareness of personal data protection issues; therefore, data protection trainings were provided to employees;
- in order to have impeccable personal data protection documentation, the data protection risks have been identified and, as a result, recommendations to persons in-charge of data protection have been made, and a plan with measures to mitigate these risks has been provided;
- attention was paid to the review and updating of the Company's mandatory data processing activity records, in the process of which the Company's employees were also involved;
- the group enforced the most important personal data processing document – the Personal Data Processing Methodology, which also replaced the personal data processing rules in the Company.

During the reporting period, the Company did not receive any requests from data subjects on the exercise of his rights, nor did it conduct any data protection impact assessments. It is gratifying that the need of consulting with the data protection officer is increasing. The importance of such consultation was that a test of the balance of legitimate interests was performed regarding the planned installation and future use of the automated protection system (road barriers). During 2020, the Company had only one data security breach, which was related to an unintentional sending of an e-mail to wrong recipients.

Environmental protection

Environmental protection is one of the priority areas of the Company's social responsibility activities. In order to enhance environmental condition and life quality, the Company constantly assesses environmental impact made by its activities, takes pollution prevention actions, complies with legal requirements, rationally uses material resources necessary for its operations, applies cost-reducing measures, develops competence of employees and their responsible attitude towards their work and environmental protection, collaborates with and exchanges information on environmental protections matters with business partners, public authorities and other persons and institutions of interest.

GTC controls the consumption of fuel electricity energy, water, and paper and recovers waste. In order to improve document management processes and costs, a digital document management system is installed in the Company, which allows to manage and file all documents in a digital way.

During the reporting period, the Company did not receive any penalties or warnings for non-compliance with environmental laws or regulations in this area.

Collaboration with educational institutions

In 2020, Geležinkelio Tiesimo Centras was actively seeking to attract the young talents in order to ensure sufficient future resources for maintenance of existing railway infrastructure and for construction of new infrastructure meeting future needs. Actively participating in activities of universities and colleges that prepare the needed professionals, GTC promoted the sector of railway as an attractive and perspective workplace ensuring long-term career opportunities. During this year, in cooperation with educational institutions, 3 students were recruited for internship, during which they gained good practical skills related to railway infrastructure, got familiarised with the company's structure, principal activities and career opportunities. The internship programme Growing Leaders took place in summer for two consecutive years, which allowed students from Lithuanian and foreign universities to develop not only their professional but also leadership skills. In addition to performance of their functional tasks in daily activities, the youth in separate groups created remote studying programmes for improvement of digital literacy contributing value to employees in such a way. After the summer internship, one student joined the team as a permanent employee.

Every year, Geležinkelio Tiesimo Centras participates in largest Career Day events. Unfortunately, these events were organised in a slightly different manner due to the pandemic - for the first time in history, Kaunas University of Technology has organised a virtual Career Day event. Over 10 thousand participants watched the event. Both during the event and over the year, social campaigns encouraging students to choose railway professions were carried out.

Openness to the society

The Company aims at performance of activities in an open way, engaging parties of interest and taking into account their needs. The Company's activity is carried out in cooperation with parties of interest, in accordance with national law. Significant information is disclosed in the Company's website at www.gtc.lt, accounting is prepared in accordance with International Accounting Standards.

The programme of paid internship Growing Leaders took place in the Company - undergraduate students were invited to join the GTC team for a summer period.

Innovations

MOBILE ELECTRONIC SIGNATURE. The project No Paper is actively developed in the Company the aim which is reducing paper consumption, sustainably use natural resources, and improve organisational work processes; therefore, in fall the Company started using a mobile electronic signature which has the following key advantages: 1) it allows saving (any digital document or set of documents may be signed by an e-signature saving not only paper but also time in such a way), 2) it is convenient (a mobile phone is always at hand; thus, legally-binding documents may be signed anywhere with an internet connection available), 3) velocity (e-signature allows accessing various online services - public services, majority of banks, e-signature may be used as a tool of identity verification in various cyberspaces); 4) simplicity (being familiar with the use of a phone and remembering a PIN code are enough), and 5) safety (the signature is protected by a special signing PIN code (SPN)).

REMOTE WORKING. The process of remote work organisation was approved in 2020. In 2020, in utilising this option, employees worked remotely from March 14 to the year-end. The option of remote working not only helps to perform successfully in the face of the COVID-19 pandemic but also contributes to more sustainable consumption and energy efficiency. Due to remote working, employees are not required to commute; thus, it saves fuel and time and provides for an opportunity to devote more time to their families and personal needs.

Corporate culture

The Company seeks for shaping and maintaining corporate culture which would encourage long-term partnership between the employer and employees, based on values and compliant principles of conduct, mutual value spread and creation of successful future. It is aimed at ensuring a positive microclimate for efficient and effective work, employee involvement and empowerment, interest in company's success, performance quality and efficiency, as well as socially responsible conduct. Strategic initiatives for shaping of new corporate culture, efficiency of activity organisation, development of new employees and building of employees' competences and their maintenance were started in 2020. In this way, it is aimed at enhancement of the Company's image as an attractive employer.

Equal opportunities

We believe that diversity adds value, promotes development and creativity, helps to better understand clients and meet their needs and extend the possibilities to adapt to environmental changes. Therefore, we promote diversity and equal opportunities to everyone, during trainings and in implementing communication instruments, we introduce to and enhance the understanding of diversity and engagement, we endeavour to involve employees and encourage them to share their experience.

We create diversity-conducive environment in accordance with the approved Policy of Equal Opportunities. Principles of non-discrimination and equal opportunities as well as other fundamental principles of equal opportunities are defined in the values and ethical principles of LTG Group of companies which provide for intolerance of discrimination, pursuing of the course of truthfulness, openness and integrity, application of uniform principles, non-discrimination of any person or society group regardless of their sex, race, nationality, language, origin, social status, age, sexual orientation, disability, ethnicity, membership in a political party or association, religion, beliefs or views, and taking lawful measures to prevent the perceived discrimination. These principles are enshrined in internal legislation setting out the internal processes of LRG Group; e. g. recruitment, performance assessment, remuneration review, ensuring social security, etc. The LTG Group does not tolerate any forms of direct or indirect discrimination, nor instructions to discriminate and any form of harassment, psychological violence, bullying or abuse of authority.

The Trust Line has been launched for several years (tel.: +370 650 39921; email: pranesk@gtc.lt) for employees to report on experience of discrimination or harassment or inform on such breaches.

Definitions

Revenue	Revenue + Income from other activities excluding income from financial activities
Sales revenue	Sales revenue, excluding income from financial and other activities
Expenses	Costs, excluding the corporate tax and financial activities expenses
Financial debt	Interest-bearing financial debt, including financial / operating lease
Net debt	Interest-bearing financial debt including financial lease / operating lease, less net cash and cash equivalent investments
Return on equity (ROE)	Net profit/loss for the period of the last 12 months / average equity for the reporting period
Return on assets (ROA)	Net profit/loss for the period of the last 12 months / average assets for the reporting period
Return on investments (ROI)	Net profit (loss) for the period of the last 12 months / (average of assets for the reporting period - the average of current liabilities for the reporting period)
EBIT	Profit (loss) before the corporate tax – the result of financial investment activities
EBITDA	Profit (loss) before the corporate tax – the result of financial investment activity + depreciation and amortisation
EBIT margin	EBIT / sales revenue
EBITDA margin	EBITDA / sales revenue
Net profit margin	Net profit (loss) / sales revenue
Equity ratio	Equity at the end of period / All assets at the end of period
Asset turnover ratio	Sales revenue of the past 12 months / All assets at the end of period
Quick ratio	Current assets at the end of period - inventories / Current liabilities at the end of period
Total liquidity rate	Current assets at the end of period / Current liabilities at the end of period
Number of employees	The number of listed active employees as of the end of the period (excluding the employees on parental leave, military service, long-term incapacity)
Average salary	The average gross salary per employee

UAB Geležinkelio tiesimo centras

Financial statements

prepared in accordance with international financial reporting standards as adopted by the European Union and the independent auditor's report for the financial year ended 31 December 2020

GTC

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Independent Auditor's Report

To the Shareholders of UAB Geležinkelio tiesimo centras

Opinion

We have audited the financial statements of UAB Geležinkelio tiesimo centras ("the Company"). The Company's financial statements comprise:

- the statement of financial position as at 31 December 2020,
- the statement of profit or loss and other comprehensive income for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

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

Company code: 111494971
VAT code: LT114949716

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

- The information given in the Company's annual management report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Company's annual management report has been prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

On behalf of KPMG Baltics, UAB

VILMANTAS KARALIUS Digitally signed by VILMANTAS KARALIUS
Date: 2021.03.01 17:42:55 +02'00'

Vilmantas Karalius
Certified Auditor

Vilnius, the Republic of Lithuania
1 March 2021

The electronic auditor's signature applies only to the Independent Auditor's Report on pages 41 to 43 of this document.

Statement of financial position

Assets	Notes	31/12/2020	31/12/2019
NON-CURRENT ASSETS			
Property, plant and equipment		26,102	28,483
Land			
Buildings and structures	8	3,601	3,807
Machinery and plant	8	15,778	17,335
Road vehicles	8	174	151
Railway rolling stocks	8	5,433	5,929
Other equipment, fittings and tools	8	325	514
Right-of-use assets	9	780	747
Construction in progress and prepayments	8	11	-
Intangible assets		1	7
Software	7	1	7
Financial assets		5	-
Investments in associates, subsidiaries and other companies	10	5	-
Deferred tax asset	27	689	611
Total non-current assets		**26,797**	**29,101**
CURRENT ASSETS			
Inventories	11	4,146	1,436
Assets arisings from contracts with customers	13	53	85
Prepayments	12	9	44
Trade receivables	14	2,788	326
Receivables from related parties	14	3,876	4,194
Other receivables	15	412	741
Cash and cash equivalents	16	1,677	1,453
Total current assets		**12,961**	**8,279**
TOTAL ASSETS		**39,758**	**37,380**

Equity and liabilities	Notes	31/12/2020	31/12/2019
EQUITY			
Share capital	17	30,897	31,785
Share premium		-	1
Legal reserve	18	-	-
Other reserves	18	-	-
Retained earnings (loss)		(416)	(889)
Total equity		**30,481**	**30,897**
NON-CURRENT LIABILITIES			
Lease liabilities	20	729	700
Provisions	21	57	54
Deferred tax liabilities	28	-	-
Total non-current liabilities		**786**	**754**
CURRENT LIABILITIES			
Liabilities arising from contracts with customers	23	-	347
Loans	19	-	1,487
Lease liabilities	20	65	55
Prepayments received		3,615	-
Trade payables	24	2,042	1,107
Payables to related parties	24	601	419
Provisions	21	368	432
Corporate income tax liabilities	27	-	49
Employment related liabilities	22	1,195	1,286
Other payables	24	605	547
Total current liabilities		**8,491**	**5,729**
Total liabilities		**9,277**	**6,483**
Total equity and liabilities		**39,758**	**37,380**

Chief Executive Officer — Vytautas Radzevičius

Director of Finance Department — Mindaugas Kekys

Chief Accountant — Kamilija Chaleckaja

Statement of profit or loss and other comprehensive income

	Notes	31/12/2020	31/12/2019
Revenue	25	28,738	25,037
Other income	25	288	280
Total revenue		29,026	25,317
Depreciation and amortisation		(2,894)	(3,004)
Remuneration and related costs		(9,175)	(10,276)
Fuel		(606)	(680)
Materials		(7,263)	(1,083)
Repair		(1,515)	(1,455)
Electricity		(88)	(99)
Impairment losses of receivables		(14)	8
Impairment losses of inventories		222	(60)
Change in provisions		61	49
Change in vacation accruals and other remuneration-related accruals		152	(188)
Taxes		(6)	(11)
Other expenses		(8,337)	(7,944)
Operating profit		(437)	574
Finance income	26	6	-
Finance costs	26	(82)	(80)
Profit (loss) before taxation		(513)	494
Corporate income tax	27	97	(85)
Net profit		**(416)**	**409**
Other comprehensive income (expenses)		-	-
Total comprehensive income (expenses)		**(416)**	**409**

Chief Executive Officer — Vytautas Radzevičius

Director of Finance Department — Mindaugas Kekys

Chief Accountant — Kamilija Chaleckaja

Statement of changes in equity

	Notes	Authorised Share Capital	Share Premium	Legal reserve	Other reserves	Retained earnings (loss)	Total
Balance as at 31 December 2018		1	-	-	(1,298)	30,488	30,488
Impact of initial application of IFRS 16		-	-	-	-	(8)	(8)
Net profit (loss)		-	-	-	-	417	417
Other comprehensive income after tax		-	-	-	-	-	-
Total comprehensive income (expenses)						**409**	**409**
Unrecognised profit (loss) for the		-	-	-	-	-	-
reporting year		-	-	-	-	-	-
Increase in share capital by contribution of a shareholder		-	-	-	-	-	-
Decrease in share capital		-	-	-	-	-	-
Reserves formed		-	-	-	-	-	-
Balance as at 31 December 2019		31,785	1	-	-	(889)	30,897
Net profit (loss)		-	-	-	-	(416)	(416)
Other comprehensive income after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		**-**	**-**	**-**	**-**	**(416)**	**(416)**
Unrecognised profit (loss) for the reporting year		-	-	-	-	-	-
Increase in share capital		-	-	-	-	-	-
Decrease in share capital		(888)	(1)	-	-	889	0
Reserves formed		-	-	-	-	-	-
Used reserves		-	-	-	-	-	-
Balance as at 31 December 2020		**30,897**	**0**	**-**	**-**	**(416)**	**30,481**

Chief Executive Officer — Vytautas Radzevičius

Director of Finance Department — Mindaugas Kekys

Chief Accountant — Kamilija Chaleckaja

Statement of cash flows

	31/12/2020	31/12/2019
Cash flows from operating activities		
Net profit (loss)	(416)	409
ADJUSTMENT TO NON-CASH ITEMS:		
Depreciation and amortisation expenses	2,895	3,004
(Gain) loss from disposal/write-off of non-current assets (except for financial assets)	287	1
Impairment (reversal) of non-current tangible and financial assets	-	(253)
Impairment (reversal) of trade receivables and prepayments	15	(8)
Impairment (reversal) of inventories to net realisable value	(222)	60
Decrease (increase) in accrued income	(384)	277
Interest (income)		-
Interest expenses)	31	45
Lease liability interest	33	18
Increase (decrease) in provisions	(61)	(95)
Loss (gain) from corporate income tax	(97)	85
	2,081	**3,543**
CHANGE IN WORKING CAPITAL		
Decrease (increase) in inventories	(2,488)	39
Decrease (increase) in trade and other receivables and prepayments	(1,774)	2,226
Increase (decrease) in non-current and current trade payables and prepayments received	4,732	(8,389)
Increase (decrease) in employment-related liabilities	(91)	(288)
Increase (decrease) in other non-current and current payables	58	410
(Paid) corporate income tax	(49)	(220)
Net cash from operating activities	**2,469**	**(2,679)**
CASH FLOWS FROM INVESTING ACTIVITIES		
(Acquisition of) non-current assets	(254)	(159)
Cash flows from investing activities	**(254)**	**(159)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans received	11,909	13,932
Loans (repayment)	(13,396)	(12,445)
Grants received (repaid)	-	-
Lease payments	(440)	(187)
Interest (paid)	(31)	(45)
Lease liability interest	(33)	(18)
Net cash flows from financing activities	**(1,991)**	**1,237**
Increase (decrease) in net cash flows	**224**	**(1,602)**
Cash and cash equivalents at the beginning of the period	**1,453**	**3,055**
Cash and cash equivalents at the end of the period	**1,677**	**1,453**

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

Chief Executive Officer — Vytautas Radzevičius

Director of Finance Department — Mindaugas Kekys

Chief Accountant — Kamilija Chaleckaja

Explanatory notes to the financial statements

1. Background information

UAB Geležinkelio tiesimo centras (hereinafter – Company or GTC) is a limited liability company registered in the Republic of Lithuania. The Company was registered in the Register of Legal Entities on 21 December 2001 after termination of the structural branch of AB Lietuvos geležinkeliai – a Railway repair station in Lentvaris. In its activities the Company follows the Constitution of the Republic of Lithuania, Law on Companies of the Republic of Lithuania, the Railway Transport Code of the Republic of Lithuania, and other valid legal acts of the Republic of Lithuania..

The Company is a profit-making entity of limited civil liability that is independently organising economic, financial, organisational and legal activities. The Company is a private limited company, and its shareholder is AB Lietuvos geležinkeliai, registration code: 10053842, head office address: Mindaugo St. 12/14, Vilnius. Registration code of the Company is 181628163, VAT payer's code is LT816281610, legal address and head office of the Company is Trikampio St. 10, Lentvaris, LT-25112, Trakai district.

In enforcement of the shareholder's decisions, UAB Geležinkelio tiesimo centras and UAB Gelmagis were reorganised by way of merger on 30 November 2010. On 22 September 2017, UAB Geležinkelių projektavimas was merged to UAB Geležinkelio tiesimo centras. The reorganisation was carried out in accordance with reorganisation conditions approved by the Company's management bodies. Upon the reorganisation, UAB Geležinkelio tiesimo centras took over all the assets, rights and liabilities of UAB „Geležinkelių projektavimas and continues its activities. The reorganisation was performed at carrying amounts by way of merger.

As at 31 December 2020 and 2019, the Company's main activity was construction and repair of railway infrastructure, railway tracks and other traffic facilities, and lease of railway track maintenance equipment.

As at 31 December 2020 and 2019, the sole shareholder of the Company was AB Lietuvos geležinkeliai owning 100% shares of UAB geležinkelio tiesimo centras.

As at 31 December 2020, the share capital of UAB Geležinkelio tiesimo centras comprised 109,748 ordinary registered shares with par value of EUR 281.53 each. Value of the share capital amounted to EUR 30,897. On 10 November 2020, acting as the sole shareholder AB Lietuvos geležinkeliai made a decision to change the nominal value of shares issued by the Company. Based on the decision, the nominal value of one ordinary registered share (hereinafter - Share) is changed from EUR 289.62 to EUR 281.53. Upon the change of the nominal value of one share, the share capital of GTC was divided into 109.748 shares. The Company did not acquire its own shares.

As at 31 December 2020, the Company's investments in subsidiaries consisted of:

Company name		OOO Rail Lab
Registered address		Internacionalnaja ul., 36-1, Minsk, the Republic of Belarus
Owned share, %	31/12/2020	1
	31/12/2019	-
Main activities		Production of locomotives and rolling stocks, repair and maintenance of vehicles, wholesale trade of other machinery and plant

As at the end of the period, the listed number of the Company's employees (except for employees on parental leave, on military service and in long-term disability) was 373 as a 31 December 2020 (as at 31 December 2019: 461).

Auditor of the Company is KPMG Baltics, UAB which, under the contract No SUT(VLRD)-125 dated 23 June 2020, carried out the audit of the Company's financial statements for the year 2020 comprising the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and the notes to the financial statements. There were no other non-audit services provided by the auditor of the financial statements. Compensation agreed on for audit services amounts to EUR 23 thousand.

2. Significant accounting policies

Basis of preparation. The Company's financial statements have been prepared in accordance with the International Accounting Standards (hereinafter - IAS) and the International Financial Reporting Standards (hereinafter - IFRS) as adopted within the European Union. The financial statements were prepared based on the going concern assumption.

The Company's financial year coincides with the calendar year.

Changes in accounting policy. The main accounting policies applied when preparing the financial statements of the Company are provided below. The mentioned policies were applied to all the reporting periods presented in the financial statements unless stated otherwise.

Use of estimates and judgements. The preparation of the financial statements in conformity with the IFRS requires the use of certain significant accounting estimates and assumptions, which affect application of accounting principles, and amounts related to assets, liabilities, income and expenses. Estimates and assumptions related to them have been based on historical experience and other factors, which conform to existing conditions, and based on their results a conclusion is made about residual values of assets and liabilities, decisions on which cannot be made based on other sources. The estimates and related assumptions are continually revised and rely upon historical experience and other factors, including expectations on future events based on existing circumstances. Judgements made by the management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk within the next financial year are discussed in Note 5 Significant accounting estimates and judgements.

Going concern. These financial statements of the year ended 31 December 2020 have been prepared in accordance with an assumption made by the Company's management that the Company would continue its activities.

Functional and presentation currency. The functional currency of the Company is euro. The amounts in these financial statements have been presented in euros, unless otherwise stated. In these financial statements all amounts have been expressed in euros and rounded down to the nearest thousand (EUR '000).

Foreign currency. Transactions in foreign currency are measured in functional currency applying the currency exchange rate applicable during transactions. Monetary assets and monetary liabilities in foreign currency are revaluated in functional currency on the date of preparation of the financial statements applying reference exchange rates set and published by the European Central Bank. A positive or a negative effect of change in the exchange rate is accounted for as profit or losses in the Statement of profit or loss and other comprehensive income. Non-monetary assets and liabilities, denominated in foreign currency and measured at fair value, are revaluated in functional currency at exchange rates valid on the date of determination of the fair value. Non-monetary assets and liabilities denominated in foreign currency and measured at cost are revaluated in functional currency at exchange rates valid on the date of recognition of assets and liabilities in the statement of financial position. Currency exchange gains or losses are stated as profit or loss in the statements of profit or loss and other comprehensive income.

Property, plant and equipment. Property, plant and equipment are non-current tangible assets which: a) are kept for purposes of production of goods or provision of services, or for administrative purposes; and b) are intended to be used for a period longer than one reporting period. The cost of property, plant and equipment shall only be recognised as assets when and only when: a) it is probable that the future economic benefits embodied in the asset will eventuate; and b) the asset possesses a cost or other value that can be measured reliably.

Property, plant and equipment are accounted for at cost less accumulated depreciation and impairment loss. The initial value of non-current tangible assets comprises their acquisition cost, including unrecoverable taxes of acquisition, capitalised borrowing costs and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the tangible non-current assets have been put into operation are normally charged to profit or loss in the period the costs are incurred.

Where separate parts of items of property, plant and equipment have different useful lives, they are accounted for as separate items (components) of property, plant and equipment. Costs of replacement of the part of an item of property, plant and equipment are capitalised only if it is probable that economic benefits will be derived from that part, and the cost of a new constituent part can be measured reliably. The residual value of the old constituent part is written off. The costs of the day-to-day servicing of property, plant and equipment are accounted for as profit or loss as incurred.

At the end of each reporting period, if any impairment indicators exist, property, plant and equipment are tested for impairment. If any indicators of impairment are noticed, the recoverable amount as an asset's fair value less costs to sell or its value in use (whichever is higher), is determined. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the Statement of profit or loss and other comprehensive income. Impairment loss recognised for an asset in the previous year is reversed where appropriate if any changes occur in the estimates used to determine the asset's value in use or the fair value less costs to sell. The impairment of assets is reversed to the extent of the increase in the recoverable amount but not exceeding the carrying amount before accounting of impairment, assessing the estimated depreciation.

Subsequent to their recognition property, plant and equipment shall be accounted for at cost less any accumulated depreciation and any impairment loss.

Repair costs are added to the carrying amount of property, plant and equipment, if it is probable that the Company will obtain economic benefits from these costs and they can be measured reliably. The carrying amount of the replaced part is written off. All other repair and maintenance expenses are recognised as costs when incurred.

2. Significant accounting policies (continued)

A gain or a loss on the sale of property, plant and equipment is determined by the comparison of the proceeds from asset sale with its carrying amount and is recognized in the Statement of profit or loss and other comprehensive income.

Depreciation. Land is not depreciated. Depreciation on other groups of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

Groups of property, plant and equipment	Useful life
Buildings and structures	8-110
Machinery and plant	5-40
Road transport vehicles	4-15
Railway rolling stocks (including wagons)	8-46
Computers and software	3-15
Other equipment, fittings and tools	4-18

The residual value of an asset is the estimated amount that the Company would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress. This includes the cost of construction, structures and equipment, and other directly attributable expenses. It is accounted for at the cost of acquisition. Construction in progress is not depreciated until construction is completed and assets are ready for service.

Investments in subsidiaries. In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. The Company accounts for investments in subsidiaries in the financial statements applying the equity method. According to the equity method, during the initial recognition the investment is stated at cost. Subsequently to the initial recognition, investments in subsidiaries are adjusted so that the shareholder's interest is reflected in the Company's net profit (loss).

Intangible assets. The Company's intangible assets have definite useful lives and primarily include capitalised computer software, patents, trademarks and licences. Acquired computer software, licences, patents and trademarks are capitalised on the basis of the costs incurred to acquire and bring them to use.

Costs directly related to development of unique software controlled by the Company are presented as intangible asset if it expected that future economic benefit will exceed the incurred costs. Capitalised costs include software development personnel costs and related overhead costs. All other costs related to software such as software maintenance are recognised as costs as incurred.

Intangible assets are amortised applying the straight-line method during estimated useful life that can make up from 3 to 20 years. Amortization period shall be reviewed at the end of each financial year.

The residual value of intangible assets used in the Group and the Company has to be considered as zero, except for the cases when the third party commits to purchase the assets at the end of their useful life or there is an active market for those assets which can be used as a basis for determining the residual value; furthermore, it is probable that this market will also be present at the end of the useful life.

Useful lives of non-amortised intangible assets shall be reviewed during every reporting period, in order to determine whether the events and circumstances confirm such assessment of indefinite useful life. If not, the reversal of indefinite useful life to definite shall be recorded as an adjustment to accounting estimate.

The Company tests intangible assets for possible impairment by comparing their recoverable amount to carrying amount once a year or whenever there are indications of impairment of the intangible assets. If the intangible assets are impaired, the carrying amount of the intangible assets is reduced to their fair value.

Impairment of property plant and equipment, and intangible assets. On every date of the Statements of financial position the Company reviews the residual value of its property, plant and equipment, and intangible assets to determine whether there is any indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset is assessed in order to determine the extent of impairment (if any). Where it is not possible to assess the recoverable amount of the asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, the Company's assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

2. Significant accounting policies (continued)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least once a year and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. When assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate, assessed under current market conditions, an existing time value of money and risks specific to the asset, which have not been considered in the estimates of future cash flows.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately through profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately through profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets. The Company's financial assets include cash, trade receivables and other receivables.

Trade receivables are recognized initially upon occurrence. During initial recognition all other financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets (other than trade receivables without significant funding component), if not measured at fair value through profit or loss, are initially measured at fair value plus transaction costs directly attributable to acquisition or disposal. The trade receivables without a significant financing component are initially recognized at transaction price.

The financial assets are divided into three groups depending on the method of their measurement:

a) financial assets that are measured at amortised cost in subsequent periods;
b) financial assets that are subsequently measured at fair value through other comprehensive income;
c) financial assets that are subsequently measured at fair value through profit or loss.

Classification of the financial assets depends on the business model for managing the financial assets (it is assessed how the Company manages the financial assets in order to generate cash flows) and their contractual cash flow characteristics of the financial assets (whether contractual cash flows include the principal amounts of the loan and interest payments only).

The Company has no financial assets, which are subsequently measured at fair value through other comprehensive income, and financial assets, which are subsequently measured at fair value through profit or loss.

A financial asset is measured at amortized cost if both of the following criteria are met:

a) the financial asset is held according to s business model, an objective of which is to hold the financial asset to collect its contractual cash flows; and
b) due to contractual conditions of the financial asset cash flows may occur on set dates, which represent solely payments of principal and interest.

Financial assets that do not include cash flows that meet only the payment requirement of the principal loan and the interest are measured at fair value with the change in the fair value carried in profit or loss in the Statement of profit or loss and other comprehensive income.

The financial asset, which is subsequently measured at amortized cost, is measured by using the effective interest method. The amortized cost is reduced due to impairment loss. Interest income, foreign exchange profit and loss are accounted for through profit (loss). Any derecognition profit or loss are accounted for in the Statement of profit or loss and other comprehensive income.

The effective interest method is the method used to calculate the amortized cost of a financial asset or liability and distribute interest income or expense during the respective period. The effective interest rate is the rate that allows discounting future cash payments accurately during the specified period of validity of financial liability or during shorter period, where appropriate.

At initial recognition the financial assets, which are measured at fair value through profit or loss in the Statement of profit or loss and other comprehensive income, are accounted for at fair value. Later fair value change profit and losses, including all interest and dividends, are recognized as profit and losses in the Statement of profit or loss and other comprehensive income.

2. Significant accounting policies (continued)

Derecognition of financial assets. Financial assets (or, where appropriate, part of financial assets or part of the group of similar financial assets) are derecognised when:

a) the right to receive cash flows from the asset has expired;
b) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement;
c) the Company transfers its right to receive the cash flows and/or:
   - transfers substantially all risks and rewards of the asset;
   - neither transfers nor retains substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company transfers the rights to receive cash flows from an asset and neither transfers nor retains risks and benefit related to ownership to the financial asset, but transfers control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. The Company's relation to assets that take the form of a guarantee over the transferred asset are measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

The Company directly reduces the gross carrying amount of the financial asset if it cannot reasonably expect to recover all or part of the financial asset. Writing down is an event of derecognition.

Financial liabilities. The Company's financial liabilities comprise loans and other financial debts, liabilities arising from contracts with customers, trade and other payables.

At the time of initial recognition financial liabilities are recognised if the Company becomes a party to the contractual terms of the instrument.

Financial liabilities are divided into two groups according to their measurement:

a) financial liabilities which are measured at amortised cost in subsequent periods;
b) financial liabilities that are subsequently measured at fair value through profit or loss.

A financial liability is classified as measured at fair value through profit or loss if it is classified as held-for-trading, it is a derivative financial instrument or it is designated as such on initial recognition.

A financial liability, measured at fair value through profit or loss, is measured at fair value, and any net profit and loss, including any interest costs, is recognized in the statement of profit or loss and other comprehensive income.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest costs and foreign exchange profit or loss are recognised in the Statement of profit or loss and other comprehensive income. Any costs of derecognition of the financial liability are recognised in the Statement of profit or loss and other comprehensive income.

Derecognition of financial liabilities. A financial liability is derecognised by the Company when contractual obligations have been fulfilled or cancelled or the liability expires. The Company also ceases recognition of a financial liability when its terms are changed and the cash flows of the amended liability are materially different. In this case the new financial liability is recognised at fair value in accordance with the amended contractual terms.

In the event of derecognition of a financial liability the difference between the carrying amount written off and the consideration paid (including any transferred non-cash assets or liabilities assumed) is recognised as profit or loss in the Statement of profit or loss and other comprehensive income.

Offsetting of financial assets and liabilities. Financial assets and financial liabilities are offset when, and only when, the Company has a legally enforceable right to record the amounts and intend to make an offsetting, or realize the asset to offset the liability.

Impairment of financial assets. Impairment losses on financial assets measured at amortised cost are measured based on the expected credit loss (ECL) model. Credit losses are measured as the present value of all cash losses (the difference between the cash flows that the Company holds under the contract and the cash flows the Company expects to receive). ECLs are discounted by applying an effective interest rate.

At the end of each reporting period, the Company recalculates and records the provision for expected credit losses in accordance with past events, current market conditions and future prospects. At the end of each reporting period, the Company recalculates and records the provision for expected credit losses in accordance with past events, current market conditions and future prospects. The Company applies a three-stage approach based on change in a financial asset's credit risk since the moment of initial recognition. At the initial recognition of financial asset, the Company registers a deferred loss of financial asset measured at fair value for subsequent 12 months. Such recognition is applied to financial assets which may lead to financial loss in the future due to certain events or circumstances during the subsequent 12 months (no necessarily over 12 months). At the end of each financial period the Company assesses whether there has been a significant change in the credit risk of the financial instrument since initial recognition.

The Company assumes that the major risk of default occurs when the outstanding amounts are delayed for more than 90 days of the due date of payment. For financial instruments with low credit risk, the Company applies an insignificant increase in credit risk.

2. Significant accounting policies (continued)

cost is impaired. Financial assets are impaired when one or more events have occurred that have a negative impact on the expected future cash flows of the financial assets. Other principal criteria given below are also used to determine whether there is objective evidence that impairment loss has occurred:

a) the counterparty experiences a significant financial difficulty as evidenced by financial information it provides;
b) a breach of contract such as default or payment delay;
c) the counterparty considers bankruptcy or intends to take measures for financial reorganization;
d) there is an adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions which affect the counterparty;
e) the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

Losses on financial assets measured at amortised cost are deducted from the gross value of such assets.

The gross carrying amount of a financial asset is written down when the Company has no reasonable expectations of recovering all or part of the asset. Uncollectible assets are written off based on admitted impairment loss after all the necessary procedures for recovery of the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the impairment loss item in the Statement of profit or loss and other comprehensive income.

Derivative financial instruments. In 2020 and 2019, the Company did not have any derivative financial instruments.

Trade and other receivables. Trade and other receivables are initially recognised at transaction price and subsequently at amortised cost.

Trade and other payables. At initial recognition trade and other payables are recognised when the Company becomes a party to the contractual terms. Trade and other payables are initially measured at fair value plus directly related transaction costs.

Cash and cash equivalents. Cash comprise cash in bank accounts. Cash equivalents represent short-term highly liquid investments easily convertible to a known amount of cash. The term of such investments does not exceed three months and the risk of changes in value is insignificant.

Cash and cash equivalents reported in the cash flow statement comprise cash in bank accounts.

Financial guarantees. Financial guarantee contract is the contract that binds the Company to make specific payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or updated terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by due amounts received.

Lease. Lease means a contract or part of a contract that gives the right to use the asset (leased property) for a certain period of time for consideration. A contract is a lease contract or includes a lease if, for consideration, it confers the right to control the use of an asset for a certain period of time.

IFRS 16 *Leases* was initially applied from 1 January 2019 and replaced existing leases guidance, including IAS 17 *Leases* , IFRIC 4 *Determining whether an Arrangement Contains a Lease* , SIC-15 *Operating Leases*. IFRS 16 *Leases* discontinues classification of leases as operating lease or finance lease as required by *Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*, and a basic lessee accounting model is presented instead. The Company as a lessor recognises:

a) assets and liabilities of all types of lease with a lease term longer than 12 months except for cases of low-value assets;
b) depreciation of leased asset separately from interest on lease liabilities in the income statement.

IFRS 16 *Leases* substantially transfers the lessor's accounting requirements as defined in IAS 17 *Leases*. Therefore, the Company as a lessor continues to classify leases as finance and operating leases and records two different types of lease in accounting.

The Company applied IFRS 16 from 1 January 2019 using the modified retrospective approach, and the comparative information is not restated. The impact of IFRS 16 is recognised as adjustment of initial balance in retained earnings as of 1 January 2019 without adjustments of the comparative information in accordance with the retrospective approach when comparative information is not adjusted.

2. Significant accounting policies (continued)

The Company as a lessee

The Company shall assess each contract for possible lease items. If the contract is a lease contract or includes a lease, the Company shall account for each lease component of the contract as a lease separately from the non-lease (service) components of the contract.

The Company shall not apply the lease recognition provisions to short-term leases (leases of up to one year) and leases with low value property (computers, telephones, printers, furniture, etc.). In deciding whether the value of an asset is low, the Company shall assess each asset separately. In deciding whether the value of an asset is low, lease fees over the entire lease period are not assessed. Assets with a value of up to EUR 4 thousand are considered low value assets. The Company shall not apply the lease recognition provisions to all intangible assets. The Company shall apply the provisions of IAS 38 Intangible Assets to such assets.

The Company shall recognize the right to use the asset and the lease liability in the statement of financial position at the commencement of the lease.

On the commencement date the Company shall measure the asset under management at cost. Subsequent to initial recognition, assets under management are measured at cost less accumulated depreciation and accumulated impairment losses, and an adjustment to any revaluation of the liability.

On the commencement date the Company shall measure a lease liability at the present value of the lease payments outstanding at that date. Lease fees shall be discounted using the interest rate provided for in the lease contract, if that rate can be readily determined. If that rate cannot be readily determined, the Company shall use the borrowing rate charged by the lessee. The borrowing rate to be charged by the lessee shall be recorded by the Company at the beginning of each year and used for all new contracts signed in that year and for contracts the terms of which (not all but only for which the lease liability must be reassessed) have changed during that year. A reassessment of a lease liability occurs when the cash flows change from the original conditions of the lease, for example, when changes in the lease term or lease payments change based on an index or interest rate. Changes that were not part of the original lease contract are considered to be lease changes.

Initial assessment of right-of-use assets. On the lease commencement date, the Company shall measure the asset under the right-of-use at cost. The cost of an asset managed under a right-of-use comprises of: the amount of the initial measurement of the lease liability, any lease payments at or before the inception date, less any lease incentives received; any initial direct costs incurred by the Company; and an estimate of the costs that the Company will incur in dismantling and disposing of the leased asset, maintaining its location or restoring the leased asset to the condition required by the lease conditions, unless those costs are incurred in producing the stocks. The Company shall assume a liability relating to these costs on the start commencement date or after using the leased assets for a specific period. The Company shall recognise these costs as part of the cost of the right-of-use assets when a liability is incurred for these costs.

Subsequent assessment of right-of-use assets. After the commencement date, the Company shall assess the right-of-use assets applying the cost method. By applying the cost method the Company shall measure the assets managed under the right-of-use at cost: less any accumulated depreciation and any accumulated impairment losses; and adjusted for reassessment of the lease liability.

In calculating the depreciation of rights-of-use assets, the Company shall apply the depreciation requirements of IAS 16 *Property, Plant and Equipment.*

Initial assessment of the lease liability. On the commencement date, the Company shall assess the lease liability at the current value of the lease outstanding on that date. Lease fees shall be discounted using the interest rate provided for in the lease contract, if that rate can be readily determined. If this rate cannot be readily determined, the Company shall use the borrowing rate published by the Bank of Lithuania.

Reassessment of the lease liability. After initial recognition, the lease liability shall be reassessed to take into account changes in the lease fees. The Company shall recognise the amount of the reassessment of the lease liability as an adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use asset is reduced to zero and the assessment of the lease liability is further reduced, the Company shall recognise any remaining amount of the reassessment as profit or loss. The Company shall report the lease liabilities separately from other liabilities in the statement of financial position. The interest expenditure on the lease liability is presented separately from the depreciation of the assets under the right-of-use. The interest expenditure on the lease liability is a component of the financial cost presented in the Statement of comprehensive income.

2. Significant accounting policies (continued)

The Company as a lessor

Every lease of a lessor is classified either as a finance lease or an operating lease. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form.

Finance lease. On the commencement date the Company shall recognize assets leased under finance leases in the statement of financial position and presents them as a receivable equal to the amount of the net investment in the lease. In order to assess the net investment in the lease, the Company shall use the interest provided for in the lease contract. In the case of sublease, if the interest rate provided for in the sublease contract cannot be easily determined, the Company shall use the discount rate used for the underlying contract (adjusted for any initial direct costs associated with the sublease) to assess the net investment in sublease as an intermediate lessor. The initial direct costs are included in the initial assessment of the net investment in the lease and reduce the amount of income recognised during the lease period. The interest rate provided for in the lease contract shall be determined in such a way that the initial direct costs are automatically included in the amount of net investment in the lease; they shall not be added separately.

The Company shall recognise financial income during the lease period on the basis of a method which shows a constant periodic rate of return on the Company's net investment in the lease. The Company shall deduct lease fees related to the period from the gross investment in the lease in order to gradually reduce both basic and unearned financial income.

Operating lease. The Company shall recognise the lease fees related to operating lease, income on a linear basis. Costs (including depreciation) incurred in earning lease related income are recognised by the Company as costs. The initial direct costs incurred in obtaining the operating lease shall be included by the Company in the carrying amount of the leased assets and shall be recognised as expenditure during the lease period on the same basis as the lease income. The Company shall account for the change in the operating lease as a new lease from the date of the change's entry into force and shall treat the lease fees paid or accrued in advance in relation to the original lease as part of the new lease.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted on the closing date of the reporting period. The income tax charge comprises current tax and deferred income tax and is recognised in the Statement of profit or loss and other comprehensive income, unless those taxes are recognised in other comprehensive income or directly in equity as they are related to transactions that are also recognised in other comprehensive income or directly in equity in the same or a different period.

The income tax rate applicable for the companies of the Republic of Lithuania in 2020 and 2019 was 15%.

Taxes for the reporting period are the amount expected to be paid to or recovered from the taxation authorities, considering a taxable profit or losses for the reporting and prior periods. The taxable profit or losses are based on estimates if financial statements are approved prior to filing relevant tax returns. Taxes other than income tax are recorded in operating expenses.

For financial reporting purposes deferred taxes are provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred income tax assets and deferred tax liabilities may be offset separately at each Group company.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Taxable losses can be carried forward for an unlimited time, except for the losses that have originated due to disposal of securities and (or) derivative financial instruments. Such carrying forward is disrupted if the Company changes its activities due to which these losses incurred except when the Company does not continue its activities due to reasons which do not depend on the Company itself. Losses originated due to 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.

2. Significant accounting policies (continued)

In calculation of tax losses of the year 2014 and subsequent years, the total amount of tax losses carried forward cannot cover more than 70 percent of taxable profit of a taxable period. The losses from disposition 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.

Deferred tax asset and liabilities are recognised in the Statement of financial position if the Company has a legal right to set off the recognised amounts. A right conferred by law shall be deemed existing if the amounts are related to the same taxpayer (including the Company paying a capital taxes), except for amounts which are taxable on the basis of one-off fee or similar method in case the set-off with a tax determined by the general rules is not permitted subject to the tax law.

Inventories. Inventories are measured at acquisition or production cost, and subsequently are accounted for at the lower of the cost or the net realisable value. The net realisable value is a sale price under normal business conditions less expenses of completion and possible costs to sell. The cost is calculated under the FIFO method. The inventories that may not be realised are fully written off.

Dividends. Dividends are recognised as a liability and deducted from equity in the period in which they are declared and approved. Dividends are accounted for in the financial statements in the period when they are approved by the annual General Shareholders' Meeting. If dividends are declared subsequent to reporting period, but antecedent the approval of financial statements by the management, they are disclosed in the explanatory notes.

Ordinary shares. Ordinary shares are classified as the share capital. Costs directly attributed to the issue of new shares or options, net of taxes, are stated in equity reducing the proceeds received. Only the nominal value of shares is recorded in the share capital account. If the share issue price exceeds the nominal value, difference between the issue price and the nominal value is accounted for as share premium.

Equity. Equity and equity related reserves are presented in accounting books by type in accordance with legal regulations and the Company's articles of association.

The Company's equity is the assets value less value of all liabilities. The Company's equity includes:

a) share capital - the share capital is equity paid in by shareholders and is stated at nominal value in accordance with the Company's articles of association and the entry in the Centre of Registers;
b) share premium - Share premium is created by the surplus of the issuance value in excess of the nominal value of shares decreased by issuance costs;
c) legal reserve - According to Lithuanian legislation an annual transfer of not less than 5% of net profit to the legal reserve is compulsory until the reserve reaches 10% of the share capital. The legal reserve cannot be distributed as dividends and is formed to cover future losses;
d) other reserves - Other reserves are formed according to the decision of the shareholder for specified purpose;
e) retained profit (loss).

Provisions. Provisions are accounted for only when the Company has a legal or irrevocable obligation resulting from the past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Company re-evaluate provisions at each balance sheet date and adjust them in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses which are expected to be incurred to settle the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest.

Employee benefits. The Company does not have any adopted defined contribution and benefit plans and has no share-based payment schemes. Post-employment obligations to employees retired on pension are borne by the State. Short-term payments to employees are recognised as current costs in the period the services are rendered by employees. The payments include salaries, social insurance contributions, bonuses, paid leave, etc. There are no long-term payments to employees.

Provisions for retirement benefits. Following the legislative requirements of the Republic of Lithuania, each employee at the age of retirement is entitled to a one-off payment in the amount of 2-month salary. The historical cost is recognised as expenses in the Profit and Loss Statement and other comprehensive income immediately after the assessment of such liability. Any profit or losses which have appeared as a result of a change in benefit conditions are recognised immediately. The above-mentioned employment benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. The obligation is recorded in the statements of financial position and reflects the present value of these benefits on the preparation date of the statements of financial position. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. Actuarial profit and losses are recognised in other comprehensive income. Therefore, provisions are formed for the possible benefits. Actuarial estimates are carried out in order to assess the liability of such retirement payments.

Plans of bonuses. The Company recognises the liability and expenses of bonuses when a contractual liability is present or a practice which created a constructive liability was applied in the past. Based on the provisions of the Collective Agreement, the liabilities are recognized for possible benefits to employees reaching the jubilees of 50 and 60.

2. Significant accounting policies (continued)

Provisions for warranty repairs. The Company is obliged to remedy defects in construction objects over the warranty period and incurs costs but does not earn income. In order to incur expenses in the same period when income in relation to the expenses incurred is earned, the Company forms a provision for potential expenses of remedies for defects over the warranty period. The amount of provision is estimated based on historical data; i. .e. the amount of expenses related to warranty repair, remedies of defects and similar expenses the Company incurs every year. In formation of a provision, the Company estimates the period which is covered by the guarantee and during which the Company is obliged to remedy defects.

Provisions for potential liabilities related to litigation. The Company is involved in litigation as a creditor, claimant or defendant, examines claims where the Company is in cooperation with external lawyers. As the remuneration for legal services remains fixed regardless of the court decision, the Company forms a provision for potential legal consultation expenses. The amount of provision is estimated based on historical data.

Revenue recognition. Revenue from rendering of services is recognised in the reporting period during which the control of services is transferred to a customer; I .e. after provision of services. Revenue of the Company are recognised in accordance with IFRS 15; i. e. the Company recognises income at the time and to such an extent that the transfer of committed goods or services to customers would represent an amount that corresponds to the consideration that the Company expects to obtain in exchange for those goods or services. The Company takes into account the terms of the contract and all relevant facts and circumstances. For that purpose the Company's revenue is recognised using the 5-step model:

STEP 1 – IDENTIFICATION OF CONTRACTS WITH CUSTOMERS

An agreement between two and (or) more parties (depends on sale or purchase conditions), which creates enforceable rights and liabilities, is recognised as a contract. A contract subject to IFRS 15 is only recognised if the following criteria are satisfied:

a) the parties have approved the contract (in writing, orally or in accordance with other usual business practices) and are bound by the obligations under the contract;
b) each party's rights in relation to the goods and/or services to be transferred can be identified;
c) the payment terms for the goods and/or services to be transferred can be identified;
d) the contract is of commercial nature;,
e) it is probable to receive remuneration in exchange for the goods and/or services which will be transferred to a customer.

Contracts with the customer may be aggregated or disaggregated into separate contracts, while retaining the criteria of the former contracts. Such aggregation or disaggregation is considered modification of a contract.

STEP 2 – IDENTIFICATION OF THE PERFORMANCE OBLIGATIONS IN THE CONTRACT

The contract establishes a promise to deliver goods and (or) services to the customer. When goods and/or services can be distinguished, the obligations are recognised separately. Each obligation is identified in one of two ways:

a) goods and/or a service is distinct;
b) a package of distinct goods and/or services which are substantially the same and are transferred to the customer based on the same model.

STEP 3 – DETERMINATION OF THE TRANSACTION PRICE

The transaction price may by fixed, variable or both.

The transaction price is the amount to which the Company expects to be entitled in exchange for the transfer of goods and services. Transaction price may be a fixed amount of consideration paid by the customer; yet, sometimes it may also comprise variable compensation. The transaction price is also adjusted considering the time value of money, if the contract includes a significant financing arrangement, and considering any consideration payable to the customer. The Company applies the following sales price calculation methods: adjusted market assessment approach, expected cost plus margin approach and residual approach. Similar transactions are measured equally.

STEP 4 – ALLOCATION OF THE TRANSACTION PRICE TO EACH PERFORMANCE OBLIGATION

Usually, the Company attributes the transaction price to each performance obligation, based on relative separate sales prices of each promised good or service. If data on separate sales prices is not observed in the market, an entity performs its assessment.

STEP 5 – RECOGNITION OF REVENUE WHEN THE COMPANY SATISFIES PERFORMANCE OBLIGATIONS

The Company recognises revenue when it satisfies a performance obligation by transferring promised goods or services to the customer (i.e. when the customer obtains control over the mentioned goods or services). The recognised amount of revenue is equal to the amount of the satisfied performance obligation. Performance obligation may be satisfied at a point of time or over time.

Revenue is recognised when the amount of revenue can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Company, and when specific criteria have been met for each type of income, as described below. The Company relies on historical results, taking into account the customer type, the transaction type and the characteristics of each agreement.

2. Significant accounting policies (continued)

Revenue is recognised applying the following approaches:

Revenue from sale of services

Revenue from the sale of services are recognised based on the invoices issued to customers for the services rendered. Invoices are issued under the deeds of acceptance and delivery of works. At the end of the period, revenue from the services, which were rendered but not invoiced, are accrued on an accrual basis.

Revenue from sale of goods

Revenue from the sale of goods are recognised if all the following conditions are met:

- The Company disposed of the control of asset to the customer;
- the Company is unable to continue neither management of goods to the extent that is normally related to ownership nor their effective control;
- the amount of revenue may be reliably estimated;
- it is probable that an economic benefit will be received from the transaction and the transaction-related costs, that were or may be incurred, may be reliably estimated.

Revenue is recognised at fair value of consideration obtained or to be obtained. Revenue is reduced by measured amounts of customer returns, discounts and other similar deferrals. Revenue is recognized when it is probable that the Company will get economic benefit and transaction-related expenses incurred or to be incurred may be reliably measured. Sales revenue is recognised after deducting the VAT and discounts, including accrued probable discounts for a reporting year.

Revenue is recognised under the provisions of IFRS 15; i. e. the Company recognises income at the time and to such an extent that the transfer of committed goods or services to customers would represent an amount that corresponds to the consideration that the Company expects to obtain in exchange for those goods or services.

Under IFRS 15, revenue is recognised when a customer receives the control of goods or services. A judgement is required in determining the timing whether control is transferred over period of time or at a certain point of time.

Revenue of the Company is earned through provision of different types of services. Sales revenue is classified into the following groups based on:

- ***The type of revenue:***
  - construction and repair of railways;
  - maintenance of railway track and structures;
  - construction, reconstruction and repair of other structures;
  - construction and repair works in the area of security, automation and electrification;
  - design works.

In 2020 and 2019, the Company's revenue from every transaction in progress is recognised in accordance with the level and extent of completion of works and rendering of services. In applying this approach, transaction revenue is compared to costs resulting from the execution of a current transaction. Transaction losses are recognised at the moment when there is an indication that a transaction will be onerous.

  - Lease of machinery and plant;
  - Other revenue. Other revenue comprises snow removal, sales of non-current assets, and other income, lease services, repair and

In 2020 and 2019, the Company's revenue are recognised at the moment of rendering of services.

- ***The nature of revenue recognition:***
  - Immediately upon rendering of services;
  - For an ongoing period.

The Company recognises revenue when goods are transferred to a customer, the deed of acceptance and delivery of works is signed). The table below provides information on the nature and timing of the fulfilment of performance obligations provided in contracts with customers, payment terms and accounting policies for revenue recognition:

2. Significant accounting policies (continued)

Type of services	Nature, timing and payment conditions of operating liabilities	Revenue recognition under IFRS 15
• Construction and repair of railways; • Maintenance of railway track and structures; • Construction, reconstruction and repair of other structures; • Construction and repair works in the area of security, automation and electrification; • Design works.	Invoices are issued after the service has been rendered and the deed of acceptance and delivery of works has been signed. A common term for payment of invoices is 30 days.	• Revenue is recognised over a period of time based on stage of completion method. The related costs are recognised in profit or loss and other comprehensive income when incurred. Expected contract related loss is recognised immediately in the Statement of profit or loss and other comprehensive income. • Advances received are included into contractual liabilities. If services under one agreement are rendered in different reporting periods, then the consideration is allocated based on their relative independent sales prices. The separate sales price is determined based on service prices indicated in the agreement.
• Lease of machinery and plant; • Other works (snow removal, sales of non-current assets, etc.)	Invoices for additional services are issued immediately after the service has been rendered. Revenue after sale of goods are recognised after the loading of goods from a warehouse. A common term for payment of invoices is 30 days.	Revenue is recognised immediately after the service delivery or loading goods from warehouse. Services are considered provided after the deed of acceptance and delivery of works is signed. Revenue after sale of goods are recognised after the loading of goods from a warehouse.

Recognition of expenses. The Company's expenses are recognized on the basis of accrual and matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred. The amount of expenses is usually estimated as paid or payable amount, excluding VAT. When settlement term is long and interest not specified, the amount of costs is valued at the amount of settlement discounted by the market interest rate.

Financial income and cost. Finance income comprises interest and delay interest income.

Interest income is recognised on an accrual basis, using the effective interest rate method. Interest income is recognised when it is probable that the Company will receive economic benefit and the amount of income can be reliably estimated.

Delay interest is recognised as income upon receipt.

Finance expenses. Finance expenses comprise interest expense. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest rate method. Currency exchange gain or loss in profit or loss is presented at a net value.

Use of estimates in the preparation of financial statements. The preparation of financial statements according to International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. Significant areas of these financial statements where estimates are utilised comprise depreciation and valuation of non-current tangible assets, deferred tax asset. Future events may cause the assumptions used in arriving at the estimates to change. The effect of such changes in the estimates will be recorded in the financial statements when determined.

2. Significant accounting policies (continued)

Contingent assets and liabilities. Contingent liabilities are not recognized in the financial statements, except for contingent liabilities related to business combinations. They are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when it is probable that future economic benefits or service potential will flow to the entity.

Events after the reporting period. Events after the reporting period are events which provide additional information on the Company's standing as at the reporting date. Adjusting events are reported in the financial statements. Non-adjusting subsequent events are described in the notes, if significant.

Offsetting. When preparing financial statements, assets and liabilities, as well as revenue and expenses are not offset, except for the cases when a certain standard specifically permits or requires such settlement.

Related parties. Related parties are defined as shareholders, employees, members of the management board, their close relatives and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

3. Significant estimates and assumptions

The preparation of the financial reporting in accordance with IFRS, as adopted by the EU, requires from the Company's management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from estimates. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant estimates and assumptions. Information on significant estimates and assumptions is provided below:

Events after the reporting period. After the end of the reporting period, the management considered significant non-adjusting events and their impact on disclosures in the financial statements and potential impact on the going concern.

Moment of revenue recognition. The Company's management assesses the moment of revenue recognition, i.e. whether revenue is recognised over time or at a point of time.

The date when assets are brought into use. An asset is included in operations and its impairment is begun to be calculated when it is prepared for usage, i.e. the assets is in the right place and conditions are set for it to be used according to the management's intended method. The Company's management included the asset into operations after it was properly tested and all permissions to begin activities were obtained.

Useful lives of intangible assets and property, plant and equipment. The useful lives of assets are reviewed annually and adjusted if necessary to reflect the current assessment of the remaining useful lives, taking into account technological changes, future economic uses of the assets and their physical condition. If the expectations differed from previous estimates, the change would be accounted for as a change in an accounting estimate in accordance with IAS 8.

Impairment losses of property, plant and equipment. The Company reviews the carrying amounts of its property, plant and equipment at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For the purpose of impairment testing, assets that generate cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units) are grouped at the lowest levels for which there are currently no cash flows.

Recoverable amount is calculated as the higher of two values: the fair value less costs to sell of the asset and the value in use of the asset. The value in use of an asset is calculated by discounting the future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount of an asset that does not generate cash inflows is determined by reference to the recoverable amount of the cash-generating unit to which the asset belongs.

Duration of the lease period. In determining the lease term, management considers all the facts and circumstances that give rise to the economic incentive to exercise the option to extend the contract or not to exercise the option to terminate it. The possibility of extending the contract (or the periods after the possibility of terminating the contract) is provided for in the leases only if it can be reasonably expected that the lease will be extended (or not terminated).

3. Significant estimates and assumptions (continued)

Discount rate. In assessing value in use, the estimated future cash flows are discounted to their present value using an additional borrowing rate that reflects current market assessments of the time value of money and the risks specific to the asset and have not been assessed for cash flows.

Impairment losses of amounts receivable. The Company assesses receivables for impairment at least quarterly. In order to determine whether it is necessary to recognize an impairment loss in profit or loss, the Company assesses whether there is any indication that future cash flows from receivables may be impaired until the impairment of a specific receivable is determined. Such indications include information that indicates a negative change in the financial condition of customers, economic conditions in the country or region that affect the Company's receivables. Management estimates the expected future cash flows from receivables based on historical loss experience with receivables with similar credit risk. The methods and assumptions used for estimating the expected future cash flows and their timing are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Write-down of inventories to net realisable value. The Company reviews its inventory list at least annually to determine the net realisable value of inventories. Inventories acquired earlier than a year ago are reviewed to determine whether they can be realised in the future. Impairment is calculated using a formula:

Impairment of inventories = the balance of physically and morally depreciated inventories that are to be written down + (the balance of good inventories held for more than 24 months with no expected date of use * 0.75) + (the carrying amount of sold inventories – the realisable value of sold inventories).

Provisions and contingent liabilities. The Company makes significant judgments in measuring and recognizing provisions and contingent liabilities related to ongoing disputes or other outstanding claims that will be settled through negotiation, mediation or arbitration, and other contingent liabilities. The decision must be made in the light of the likelihood that the action will be settled favourably, or a liability will arise, and to quantify possible options for a final settlement. Due to the inherent uncertainties of this valuation process, actual losses may differ from the provisions initially calculated. These estimates may change as new information becomes available, primarily with the support of in-house professionals such as lawyers. Changes in estimates may have a material effect on the Company's results of operations.

Deferred tax assets. Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the liability. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilized. The values of deferred tax assets shall be reviewed at the date of each statement of financial position and reduced if the associated tax benefit is not likely to be used.

4. Impact of COVID-19 on key accounting estimates, assumptions and valuation contingencies

The preparation of financial statements according to IFRS requires the management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. Future events may cause changes in the assumptions used in estimates. The effect of any changes in estimates will be recorded in the financial statements, when determined.

Significant decisions made by the managment regarding application of accounting policies and main sources for contingencies applied in preparation of the financial statements were the same as those applied in preparation of the financial statements for the yrar ended 31 December 2019, except forthose accounting estimates which are subject to an increased level of contingency due to the pandemic COVID-19. Except for the pandemic COVID-19, there were no other areas where significant and complex decisions were required or areas in regard to which applicable assumptions and accounting estimates significantly affected these financial statements, in comparison to the financial statements of the year 2019. The key areas taken into consideration by the management in assessing impact of COVID-19 are presented below.

Fo the first time, the coronavirus COVID-19 was officially announced on 31 December 2019 in China, and it spread rapidly all over the world in the fisrst quarter of 2020. The Government of the Republic of Lithuania officially declared the first quarantine in the country on 16 March 2020 which countinued until 16 June. Decisions made in order to tackle COVID-19 have complicated activities in business sectors and caused high uncertainty all over the world. Due to the increase in number of infections in October, the second quarantine was declared in Lithuania from 7 November 2020 to 31 January 2021; yet, business is less restricted than it was during the period of the first quarantine.

In assessing potential impact of the COVID-19 related factors on the Company's activities and results, the Company's management estimated possible disruptions of cash flows, fund raising, the risk of employees who perform primary functions to be exposed to COVID-19, and the risk of delay of the ongoing projects.

4. Impact of COVID-19 on key accounting estimates, assumptions and valuation contingencies (continued)

Going concern. In assessing the key factors related to COVID-19 that may potentially affect the Company's results and ability to continue as a going concern, the Company's management estimated potential disruptions related to cash flows, funding sources, the risk of employees exposure to COVID-19 and project completion delay risk taking into account all information on future threats posed by COVID-19 available as at the date of the financial statements and did not identify any circumstances that could raise doubts on the Company's ability to continue as a going concern.

Even though consequences caused by the quarantine have not had an instant and significant economic impact on the Company, the Company's management closely monitors economic development and and changes, and it measures potential long-term financial impact on the Company's results.

Management of the risk regarding employees exposure to COVID-19. It would be impossible to manage the Company's infrastructure in the event of a significant number of employees being exposed to COVID-19, which is one of the main risks. It may cause a decrease in amount of performed work or loss of customers and, subsequently, a decrease in income and profit. During the quarantine period, the Company is in strict compliance of all recommendations provided by the Government of the Republic of Lithuania regarding management of potential threat related to COVID-19. Conditions for an effective remote work are introduced in the Company, and no direct and significant discrepancies in performance of primary functions of employees are incurred. Manufacturing employees are provided with additional personal protective equipment and personal care supplies, actions to ensure employee shifts are prepared and implemented, etc.. As at the date of the interim financial statements, discrepancies related to performance of these functions incurred by the Company due to COVID-19 were not major.

Discrepancies in supply chains. Supply chain discrepancies comprise supply of IT and telecommunication services which are essential to ensure proper remote work and functioning of IT systems as well as supply of goods and services, which are essential to implement projects in a timely manner. The Company's management constantly communicates with suppliers to monitor the situation and assess their ability to fulfil its liabilities on time. As at the date of the financial statements, there were no indications that would affect the Company's financial statements for the year 2020.

Compliance with contracts and potential losses. The Company has properly evaluated information on loss from compliance with lease, sale and other similar contracts, especially when the loss was caused by decrease in business capacity as a result of the pandemic. As at the date of preparation of the financial statements, the amount of inevitable losses arising from compliance with contracts effective as at the end of the financial statements was calculated, and it was evaluated whether any provisions should have been formed for the mentioned losses. Past events, the Company's current activity conditions and the expected economic situation were taken into consideration by the Company in assessing the potential losses. It should be noted that additional expenses expected to be incurred in the future due to the announced quarantine do not comply with criteria for provisions; therefore, as at the end of the financial statements, the Company does not form provisions for business recovery expenses to be possibly incurred in the future.

Useful life intangible assets and property, plant and equipment. The Company reviewed the useful life of non-current assets to evaluate whether they comply with the intended nature of use and purpose of non-current assets taking into consideration potential impact of COVID-19 on that asset. The review of useful life was based on expected events and economic conditions which may be created by the COVID-19 pandemic in the future.

The review carried out by the management did not lead to identification of any use discrepancies of intangible assets and property, plant and equipment both in a long-time and short-time periods.

Impairment losses of property, plant and equipment. The Company has identified a budget gap between the estimated costs and the actual costs and income earned; therefore, the Company's management carried out impairment tests for property, plant and equipment. The management has reviewed the key assumptions which are used for impairment testing of property, plant and equipment with regard to impact of COVID-19. More information is disclosed in Note 8.

Write-off of inventories to net realisable value. Based on the management's assessment, as COVID-19 has not caused activity discrepancies, the residual value of inventories is equal to at least its net realisable value as at 31 December 2020.

Classification of financial instruments as current and non-current. The management reviewed classification of granted and received loans and other financial debts as well as other receivables/payables as current and non-current. There were no circumstances identified that would require material adjustment of their classification.

Impairment loss of receivables. In order to determine expected credit losses of receivables, the Company uses a loss ratio matrix. The loss ratio matrix is based on historical data on the settlement of receivables over their validity period and is adjusted on the basis of future projections. The Company's management has considered past events and both current and future economic conditions known as at the issue date of the financial statements to determine potential credit losses due to COVID-19. The Company's management has determined that future economic situation as a result of COVID-19 does not have significant impact on loss ratios used for calculation of expected credit losses for financial assets as at 31 December 2020 as compared to loss ratios used as at 31 December 2019. In addition, the Company has reviewed the expected credit losses of financial assets which are assessed individually and did not determine any significant impairment losses due to COVID-19.

4. Impact of COVID-19 on key accounting estimates, assumptions and valuation contingencies (continued)

Management of liquidity risk. The Company's short-term liquidity risk is managed using a binding credit line and overdrafts as well as borrowing within the Group through the Cashpool. As at the date of the financial statements, the Company's liquidity risk is insignificant.

Provisions and contingent liabilities. Upon review and assessment of contracts, the management did not identify any indications or circumstances for ongoing contracts to be onerous. Therefore, provisions equal to outstanding balances under ongoing onerous contracts are not formed as at the date of the financial statements.

Lease contracts: duration of lease terms and a discount rate were reviewed (borrowing interest rate calculated). The management estimated all significant facts and circumstances to exercise or not to exercise the following options:

- to exercise the right of extending a lease term;
- to exercise the right of acquiring the leased asset at the end of lease term; or
- not to exercise the right of terminating lease prior to its maturity term.

COVID-19 did not affect the Company's expectations of exercising or not exercising the previously mentioned rights. The management arrived at the conclusion that revaluation of lease liabilities and right-of-use assets due to COVD-19 is not required.

General information on COVID-19 and related impact on the Company's activities. After declaration of emergency situation and quarantine in the country, the Seimas of the Republic of Lithuania urgently adopted amendments to safeguard jobs and provide help to the population. Additionally, on 16 March 2020, by the decision (Protocol No 14) of the Government of the Republic of Lithuania, a plan for economic stimulus and implementation plan of measures to tackle from the negative effects of COVID-19 outbreak (hereinafter – the Plan) was adopted; the Plan provides for measures regarding retention of both business and the population's revenue and liquidity as well as economic stimulus. As to the assessment of the management, implementation of the Plan and decisions made by the Government of the Republic of Lithuania regarding management of the COVID-19 outbreak did not have a significant effect on the Company's activities. The management did not identify any threats posed on the Company's ability to implement projects and continue as a going concern.

5. New standards and interpretations not yet adopted

Accounting policy applied in preparing these interim financial statements is in compliance with the accounting policy applied in preparing the Company's financial statements for the year ended 31 December 2019, except for adopted new standards effective from 1 January 2020.

The new standards, amendments to standards and interpretations that are effective after 1 January 2020 and have not been early adopted by the Company in preparing these financial statements. The new standards, amendments to standards and interpretations effective after 1 January 2020 which have not affected these financial statements are set out below.

a) Adoption of new and (or) amended International Financial Reporting Standards (hereinafter - IFRS) and International Financial Reporting Interpretations Committee's (hereinafter - IFRIC) interpretations

Amendments to the framework (published on 29 March 2018, effective from 1 January 2020)

The conceptual framework sets out a detailed set of concepts for preparation of financial statements, standard regulations, and preparation guidelines presenting a consistent accounting policy facilitating others to understand and interpret the standards on their own merits. The IASB has also issued a separate accompanying document - *Amendments to References to the Conceptual Framework in IFRS Standards* - which defines changes in amended standards in order to update references to the revised conceptual framework. Its objective is to facilitate transition to the revised conceptual frameworks for companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction. The Company's financial statements have not been affected by these amendments.

Amendments to IFRS 3: Definition of a Business (published on 22 October 2018, effective from 1 January 2020)

The IASB has issued amendments to IFRS 3 Business Combinations (amendments to IFRS 3) that seek to clarify the issue of determining whether an entity's transaction results in an asset or a business acquisition. The amendment applies to joint ventures acquired in annual reporting periods beginning on or after 1 January 2020 and Earlier application is permitted. The Company's financial statements have not been affected by these amendments; however, they might have an effect on future periods if the Company carries out business combinations.

5. New standards and interpretations not yet adopted (continued)

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (published on 26 September 2019, effective from 1 January 2020)

Amendments to IFRS 9, IAS 39 and IFRS 7 is a completion of Phase 1 which aims at responding to the impact of Interbank Offered Rates Reform on financial reporting. Interbank Offered Rates, IBOR). Phase 2 will focus on issues that might affect financial reporting when an existing interest rate benchmark is replaced with a risk-free rate. Risk free rate, RFR). The published amendments address issues which have effect on financial reporting for the period until the replacement of an existing interest rate benchmark with an alternative interest rate and effects which might result from specific hedge accounting requirements set out in IFRS 9 Financial instruments and IAS 39 Financial Instruments. Recognition and measurement, when a forward-looking analysis shall be conducted because of those effects. Based on the amendments, the use of temporary exemptions applicable to all hedging relationships directly affected by interest rate benchmark reform is allowed when, pursuant to the reform, hedge accounting is continued in a period of uncertainty in the period before replacement of an existing interest rate benchmark with a nearly risk-free interest rate. Amendments to IFRS 7 Financial Instruments. Disclosures have been made regarding disclosure of additional information on uncertainty arising from interest rate benchmark reform. The Company's financial statements have not been affected by these amendments.

b) New standards, amendments and interpretations not yet adopted

New standards, amendments to standards and interpretations, which are not effective for annual periods beginning on or after 1 January 2020 and which have not been applied in preparing these financial statements are set out below:

Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture (published on 11 September 2014, effective date deferred indefinitely)

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015, the International Accounting Standards Board (hereinafter - IASB) deferred the endorsement of these amendments indefinitely until the research project on the equity method has been concluded. According to the assessment of the Company's management, the application of amendments will not have a significant impact on the Company's financial statements.

Amendments to IFRS 1: Classification of liabilities as current or non-current (published on 23 January 2020, effective from 1 January 2023)

Amendments are applicable to annual reporting periods beginning on or after 1 January 2023, early application is permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect liabilities presented in the statement of financial position and do not change existing requirements related to either measurement or the moment of recognition of assets, liabilities, income and expense or to information on those items disclosed by entities. In addition, the amendments clarify classification requirements for debt that may be settled by issuing equity instruments. Currently, the Company is assessing the effect of this amendment on the financial statements. The amendments have not yet been adopted by the European Union.

5. New standards and interpretations not yet adopted (continued)

Amendments to IFRS 3, IAS 16 and IFRS 37 and annual improvements: Narrow-scope changes (published on 14 May 2020, effective from 1 January 2022)

Amendments are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards.

- Amendments to IFRS 3 Business Combinations update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing its requirements.
- Amendments to IFRS 16 Property, Plant and Equipment prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets set out what costs should be included in determining whether a contract is onerous.
- Minor amendments to explanatory examples in IFRS 1, IFRS 9, IAS 41 and IFRS 16 have been made in annual improvements. The amendments have not yet been adopted by the European Union. Currently, the Company's management is assessing the effect of this amendment on the financial statements.

Amendments to IFRS 16: COVID-19-Related Rent Concessions (published on 28 May 2020, effective from 1 June 2020)

The amendments provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

The following amendments have been made:

- A lessee is not required to assess whether eligible rent concessions are lease modifications;
- A lessee that applies the practical expedient, does not account for them as lease modification;
- A lessee that applies the practical expedient shall disclose this fact in the financial statements;
- The practical expedient shall be applied retrospectively in accordance with IAS 8; however, a lessee is not required to restate prior period amounts - differences arising from application of the practical expedient shall be accounted for in the report of retained earnings (losses) as at the beginning of the period.

The amendments have not yet been adopted by the European Union. According to the assessment of the Company's management, the application the amendments will not have a significant impact on the Company's financial statements.

Amendments to IFRS 17: Effective date of IFRS 17 has been deferred by two years (published on 25 June 2020, effective from 1 January 2023)

The amendments aim at helping insurance companies implement the Standard and making it easier for them to explain their financial performance. Amendments are made to the following main scopes of the Standard:

- Effective date of IFRS 17 and IFRS 9 has been deferred by two years for insurers.
- Scope of application of the standard;
- The insurer expects to recover insurance acquisition cash flows from future renewals of an insurance contract;
- Contractual service margin related to investment activities.
- Application of the risk mitigation option on insurance contracts with direct participation features;
- Reinsurance contracts held — expected recovery of losses on underlying onerous contracts;
- Simplified presentation of insurance contracts in the statement of financial position;
- Additional transition reliefs;

In addition to the above changes, the amendments also include several other (minor) amendments and editorial changes to IFRS 17. The amendments have not yet been adopted by the European Union. These amendments will not have effect on the Company's financial position or operating result as it does not engaged in insurance activities.

Amendments to IFRS 4: Effective date of IFRS 9 has been deferred by two years for insurance companies (published on 25 June 2020, effective from 1 January 2021)

The aim of amendments is related to aligning the effective dates of IFRS 9 and IFRS 17. According to IFRS 4, qualified insurers shall adopt IFRS 9. These standards shall be applied by qualified insurers from 1 January 2023. These amendments will not have effect on the Company's financial position and operating results as it is not engaged in insurance activities.

There are no other new or amended standards or interpretations that have not yet entered into force that could have a material effect on the Company.

6. Financial instruments and risk management

Financial instruments. Fair value

The Company's main financial instruments not carried at fair value are trade and other receivables, trade and other payables, cash and long-term and short-term borrowings. According to the management of the Company, the carrying amounts of these financial instruments are close to their fair values; therefore, their fair value fluctuation is not significant.

The fair value of financial instruments is the value at which, at the valuation date, an asset or liability would be sold under current market conditions under an orderly transaction on the underlying (or most advantageous) market, regardless of whether this price is directly monitored or determined by the valuation methodology.

The Company's financial instruments according to their types:

Financial assets	31/12/2020	31/12/2019
Assets arising from contracts with customers	53	85
Trade receivables	2,788	326
Receivables from related entities	3,876	4,194
Cash and cash equivalents	1,677	1,453
Total	**8,394**	**6,058**

Financial liabilities	31/12/2020	31/12/2019
Liabilities arising from contracts with customers	-	347
Loans and other financial debts	-	1,487
Lease liabilities	794	755
Trade payables	2,042	1,107
Liabilities to related parties	601	419
Other payables and liabilities	599	535
Total	**4,036**	**4,650**

Fair value is defined as the price at which the asset would be disposed of at the date of valuation or a liability settled under current market conditions, independent on whether this price is directly observable or established using valuation techniques.

In determining the fair value of financial instruments, the Company applies such approaches and assumptions and distinguishes three levels of fair value hierarchy.

The fair value is allocated according to the hierarchy which reflects the materiality of inputs used.

The fair value hierarchy consists of the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 – original inputs for the asset or liability that are not based on observable market data (unobservable original inputs).

6. Financial instruments and risk management (continued)

The following is a comparison of the values of the Company's financial instruments:

	Total carrying amount	Fair value		
		Level 1	Level 2	Level 3
Financial assets				
Assets arising from contracts with customers	53	-	-	53
Trade receivables	2,788	-	-	2,788
from	3,876	-	-	3,876
Cash and cash equivalents	1,677	1,677	-	-
Total	**8,394**	**1,677**	**-**	**6,717**
Financial liabilities				
Lease liabilities	794		-	794
Trade payables	2,042	-	-	2,042
Payables to related parties	601	-	-	601
Liabilities arising from contracts with customers	-	-	-	-
Other long-term and short-term payables and liabilities	599	-	-	599
Total	**4,036**	**-**	**-**	**4,036**

Cash and cash equivalents. Cash includes cash the value of which approximates to the fair value.

Loans and other financial debts. Fair value of long-term loans is determined on the basis of market price of the same or similar loan or based on interest rate applicable at that time to debts of the same term. Fair value of loans is attributable to Level 2 of the fair value calculation approach. Fair value of received loans is equal to their carrying amount.

Amounts receivable and payable. The carrying amount of short-term trade receivables and short-term trade creditors approximates their fair value.

Risk management.

The Company faces uncertainty about external and internal factors, identifies operational risks, anticipates their impact and likelihood in advance, and seeks to mitigate them at least in part. The Company has risk managers who are trained on a regular basis, and a regular assessment of risks is carried out. Assessment results are provided to the Company's management. Monitoring of implementation of unacceptable risks is performed. Risk management policy and management systems are reviewed on a regular basis to ensure they are in compliance with changes in the Company's activities and market conditions. The Company aims at establishing a disciplinary and constructive risk management environment where all employees are aware of their functions and responsibilities.

According to the strategic goals of the Group and the Company, summarised risk groups, which are considered as the most important and are likely to have a large impact on the achievement of the operating objectives of the Company, are determined. Possible impacts of the activity risks, including financial and legal impact as well as impact on reputation, are assessed at the Company.

The Company is exposed to the following financial risks: credit, liquidity, currency exchange, interest rate and capital risks as well as a customer dependency risk. This note provides information on the impact of these risks on the Company, objectives, policies and processes related to the assessment and management of these risks.

Credit risk. Credit risk arises due incurred credit risks related to cash in bank, issued loans and trade receivables.

Credit risk is a risk that he Company will incur financial losses, if a buyer or other party fails to fulfil its contractual liabilities. This risk is mostly related to receivables from Company's customers.

6. Financial instruments and risk management (continued)

The Company manages the credit risk through procedures. The basis of credit risk management of trade receivables is the assessment of customer reliability. The Company constantly assesses the creditworthiness of both potential and existing buyers/suppliers of services. If the buyer of the services is assessed as risky or the customer is new and does not have a history of cooperation with the Company, the terms of advance payment apply.

Various credit risk management and mitigation measures are provided for in bilateral agreements between the Company and service buyers/suppliers: restrictions, guarantees for the fulfilment of contractual obligations and other measures protecting the Company's interests. Credit risk is monitored on an ongoing basis.

The Company assesses probability of non-fulfilment of obligations during the initial recognition of financial assets and on each date of preparation of a balance sheet, considering whether the credit risk has not grown substantially since initial recognition. In order to assess whether the credit risk has grown substantially, the Company compares the asset-related risk of non-fulfilment of obligations on the date of preparation of the statements with the risk of non-fulfilment of obligations during initial recognition.

The credit risk is measured as a maximum credit risk for each group of financial instruments and is equal to their carrying amount. The carrying amount of each group of assets forms the highest credit risk.

The Company's credit risk is mainly dependent on individual characteristics of each customer. However, the management also considers factors that might have impact on the credit risk of its customer base, including the risk of default related to the industry and the country which customers operate in.

Trade receivables from major customers of the Company consisted of:

	2020	2019
Client A	3,876	4,194
Others	2,914	438
Impairment	(126)	(112)
Total	**6,664**	**4,520**

The Company distinguishes each level of the credit risk considering information based on which it is possible to reliably establish the impairment risk (including but not limited to external ratings, audited financial statements, managerial accounting, cash flow forecasts, and available press information about customers) and applying an opinion on creditworthiness. Credit risk levels are defined by means of qualitative and quantitative factors, which show the risk of non-fulfilment of obligations and conforms to external definitions of credit ratings. The probable credit loss rate that is calculated based on experience of actual devaluation has been established of each credit risk level.

The Company's exposure to credit risk and ECLs for trade receivables as at 31 December 2020 by separate external customers:

	Initial value	Expected credit losses, %	Impairment	Carrying amount
Low risk	6,694	0.004 %	(30)	6,664
Fair risk	0	0.0 %	0	0
Increased risk	0	0.0 %	0	0
High risk	96	99.6 %	(96)	0
Total	**6,790**		**(126)**	**6,664**

Low risk – the buyer does not have any past due invoices;
Fair risk – the buyer has at least one past due invoice up to 30 days;
Increased risk – the buyer has at least one past due invoice up to 120 days;
High risk – the buyer has at least one past due invoice over 120 days.

6. Financial instruments and risk management (continued)

The Company uses a simplified method to calculate the expected maturity credit losses over the period of validity and use a provisioning matrix for all trade and other receivables. In order to calculate expected credit losses, trade and other receivables are divided into separate groups according to the general characteristics of credit risk using a provision matrix. The amounts for each group shall be analysed according to the number of days past due. As trade receivables and other receivables do not normally include collateral or other credit protection, the expected loss ratio is consistent with the probability of default.

The Company determines credit risk based on historical data, taking into account overdue payments.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2020:

	Expected credit losses, %	Initial value	Impairment	Carrying amount
Not past due	0.004 %	6,694	(30)	6,664
Past due for 1 to 30 days	0.0 %	0	-	-
Past due for 31 to 60 days	0.0 %	0	-	-
Past due for 61 to 120 days	0.0 %	0	-	-
Past due over 120 days	99.6 %	96	(96)	0
Total		**6,790**	**(126)**	**6,664**

Impairment accounted for by the Company reflects estimated losses caused by doubtful receivables from customers. The major component of that impairment is individually estimated losses caused by substantial doubtful receivables from customers. Impairment measurement methods are revised on an ongoing basis in order to minimize differences between estimated losses and actual losses.

The Company's movement of impairment allowance for doubtful trade receivables:

	2020	2019
Balance at the beginning of the period	**(112)**	**(120)**
Impairment losses of trade receivables and contractual assets	(14)	8
Balance at the end of the period	**(126)**	**(112)**

The Company uses a simplified method to calculate the expected maturity credit losses over the period of validity and use a provisioning matrix for all trade and other receivables. In order to calculate expected credit losses, trade and other receivables are divided into separate groups according to the general characteristics of credit risk using a provision matrix. The amounts for each group shall be analysed according to the number of days past due. Information on expected credit losses calculated for the Company according to each group of amounts past due are presented in the table below. As trade and other receivables do not normally include collateral or other credit protection instruments, the expected loss ratio is consistent with the probability of default.

The expected maturity credit losses with regard to trade and other receivables are calculated according to requirement of IFRS 9.

6. Financial instruments and risk management (continued)

As at 31 December 2020, impairment for receivables at the Company has been reflected in the Statement of profit or loss and other comprehensive income, in the item of increase (decrease) in value of receivables.

Although economic circumstances may affect the recovery of owed amounts, in the opinion of the management, the Company is not exposed to a significant risk of incurring losses that would exceed the already recognised impairment. Impairment for doubtful receivables is estimated according to ECLs.

The maximum credit risk of cash and cash equivalents is equal to fair value of cash and cash equivalents which are classified under this heading as at the date of the Statement of financial position. In the opinion of the Company's management, the risk related to cash in bank and cash equivalents is insignificant as cash are held in Lithuanian commercial banks with a high level of credit rating.

Credit risk concentration at the Company is insignificant.

Liquidity risk. Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. Risk management ensures that the Company will always have sufficient liquid assets and will be able to meet its obligations on time. Liquidity and solvency risk management involves the planning and control of cash flows and the forecasting of unforeseen events that may adversely affect cash flows and pose a threat to solvency and liquidity. Liquidity and solvency risk is assessed by monitoring and analysing the relative liquidity and solvency ratios, which assess the condition of both current and non-current liabilities and the effectiveness of cash flow management.

	31/12/2020	31/12/2019
Debt ratio, %	23.3	17.3
Long-term debt ratio, %	2.0	2.0
Short-term debt ratio, %	21.4	15.3
Asset structure ratio, %	32.6	22.1
Debt-to-equity (leverage) ratio, %	30.4	21.0
Critical liquidity ratio, times	1.0	1.2
Basic liquidity ratio, times	1.5	1.4

Repayment terms of the Company's trade payables and lease liabilities using the undiscounted flow method:

Financial liabilities	Carrying amount	Total	Within one year	From one to five years	After five years
Loan liabilities	794	821	65	756	-
Trade creditors	2,042	2,042	2,042	-	-
Payables to related parties	601	601	601	-	-
Other long-term and short-term payables and liabilities	599	599	599	-	-
Total	**4,036**	**4,063**	**3,307**	**756**	**-**

6. Financial instruments and risk management (continued)

Liquidity risk is managed by the Company using the following instruments:

- Current liquidity risk is managed through utilisation of contractual credit lines and overdrafts, borrowing within the LTG Group through the Cash pool platform.
- Non-current liquidity risk is managed through constant funding of the Company's activities using loans granted by commercial banks and other instruments. The lending process is performed in a centralised manner; i. e. funds are borrowed on behalf of LTG - the parent company – and, subsequently, LTG lends the funds to companies of the LTG Group.

Usually, the Company ensures sufficient cash to cover the intended operating costs, including repayment of financial debts. This ensuring does not include impact of potential unpredictable extraordinary circumstances (e. g. natural disasters).

Basically, without assessing the outbreak of COVID-19 virus, the Company manages liquidity risk through planning of cash flows which make it easier to manage cash and, if there is a lack of cash, make it easier to choose a way if financing.

Conservative management of liquidity risk at the Company allows retaining sufficient amount of cash, and the Company aims at retaining financing flexibility. Management of liquidity risk in the Company comprises a projection of cash flows. Payments for rendered services may be deferred for 30 to 60 days, in rare cases for 60 to 90 days. Payments for services and supply of materials are made within 30 days on average. Such projection foresees the upcoming payments and receipts of cash and allows to plan short-term borrowing and investing. At the end of the current year, the next year's budget is drawn up. A long-term projection (over one year) is part of strategic business planning. Such cash flow projections provide information on the level of cash surpluses and needs, when cash surplus and need will arise, how long the period of cash surplus and need will last, how the cash surplus will be utilized or the need financed.

As at the date of the financial statements, the Company's liquidity risk is insignificant.

Market risk. Market risk is the risk that changes in market prices will impact the Company's results or the value of financial instruments held.

Currency risk. Exchange rate risk is the risk that changes in market prices due to changes in foreign exchange rates will affect the Company's results or the value of available financial instruments. The Company's monetary assets and liabilities are mainly denominated in euros; therefore, the Company's management believes that the currency exchange risk is insignificant. During 2020 and 2019, the Company did not enter into derivative financial transactions to manage the risk of exchange rate fluctuations with servicing banks.

Interest rate risk. All loans received by the Company are subject to variable interest rates related to EURIBOR. Taking into account the situation between bank interest rates and market interest rates, the Company did not enter into any financial instrument contracts designed to manage the risk of interest-rate fluctuation.

Capital management. Capital includes equity attributable to shareholders. The objectives of the Company's capital management is to ensure the Company's ability to continue as a going concern while seeking to earn profit for the shareholders and maintain an optimal capital structure by decreasing capital cost. In order to maintain or change the capital structure, the Company may pay the capital to the shareholders or issue new shares.

According to the Law on Companies of the Republic of Lithuania, the share capital of a private limited liability company must be at least EUR 2.5 thousand, and equity at least 50 percent of the Company's share capital.

The Company's management controls compliance with the provisions of the Law on Companies of the Republic of Lithuania stating that if the Company's equity becomes less than 1/2 of the share capital specified in the Articles of Association, the Board must convene a general meeting of shareholders not later than within 3 months from the day on which it became aware or should have become aware of the situation, which must consider the issues referred to in Article 59 (10) (2) and (11) of this Law.

The situation in the Company must be rectified no later than within 6 months from the date on which the Board became aware or should have become aware of the situation.

In 2020 and 2019, the Company complied with the requirements of the abovementioned provisions of the Law on Companies of the Republic of Lithuania.

7. Intangible assets

	Software	Total
ACQUISITION COST		
31 December 2018	**136**	**136**
- acquisitions	-	-
- received from company group	-	-
- assets sold, written off, disposed	(56)	(56)
- reclassifications	-	-
31 December 2019	**80**	**80**
- acquisitions	-	-
- assets sold, written off, disposed	(11)	(11)
- reclassifications	-	-
31 December 2020	**69**	**69**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES		
31 December 2018	**115**	**115**
- amortisation	14	14
- impairment during the year	-	-
- assets sold, written off, disposed	(56)	(56)
- received from company group (+)	-	-
- reclassifications	-	-
2019 m. gruodžio 31 d.	**73**	**73**
- amortisation	6	6
- impairment during the year		
- assets sold, written off, disposed	(11)	(11)
- received from company group (+)	-	-
- reclassifications	-	-
31 December 2020	**68**	**68**
CARRYING AMOUNT		
31 December 2018	**21**	**21**
31 December 2019	**7**	**7**
31 December 2020	**1**	**1**

7. Intangible assets (continued)

The Company does not have internally generated intangible assets.

Fully amortised intangible assets used in the Company's activities:

	31/12/2020	31/12/2019
Software	67	76
Total	**67**	**76**

Amortisation costs of the Company's intangible assets which amounted to EUR 6 thousand in 2020 (in 2019 – EUR 14 thousand) are charged to the items of depreciation and amortisation in the Statement of profit or loss and other comprehensive income.

Intangible assets which were fully amortised but still used by the Company amounted to EUR 67 thousand (in 2019 – EUR 76 thousand). The major part of amortised assets comprised of software.

8. Property, plant and equipment

	Buildings and structures	Machinery and equipment	Road vehicles	Railway rolling stocks	Other equipment, fittings and tools	Construction in progress and prepayments	Total
ACQUISITION COST							
31 December 2018	**5,241**	**25,273**	**1,829**	**8,284**	**828**	**-**	**41,455**
- acquisitions during the year, reclassifications from current assets	5	61	-	-	93	-	159
- assets sold, written off, disposed, reclassified to current assets	-	(9)	-	-	(30)	-	(39)
- received from group companies (+)	-	-	-	-	-	-	-
- reclassifications	-	-	-	-	253	-	253
31 December 2019	**5,246**	**25,325**	**1,829**	**8,284**	**1,144**	**-**	**41,828**
- acquisitions during the year	-	171	66	-	6	11	254
- reclassifications from current assets	-	42	-	-	113	-	155
- assets sold, written off, disposed, reclassified to current assets	-	(159)	(243)	(61)	(229)	-	(692)
- received from group companies (+)	-	-	-	-	-	-	-
- reclassifications	-	-	-	-	-		-
31 December 2020	**5,246**	**25,379**	**1,652**	**8,223**	**1,034**	**11**	**41,545**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
31 December 2018	**1,232**	**6,175**	**1,615**	**1,781**	**533**	**-**	**11,336**
- depreciation	207	1,824	63	574	127	-	2,795
- impairment during the year	-	(9)	-	-	(30)	-	(39)
- assets sold, written off, disposed, reclassified to current assets	-	-	-	-	-	-	-
- received from group companies (merger)(+)	-	-	-	-	-	-	-
- reclassifications	-	-	-	-	-	-	-
31 December 2019	**1,439**	**7,990**	**1,678**	**2,355**	**630**	**-**	**14,092**
- depreciation	206	1,740	36	449	105	-	2,536
- impairment during the year	-	-	-	-	-	-	-
- assets sold, written off, disposed, reclassified to current assets	-	(129)	(236)	(14)	(26)	-	(405)
- received from group companies (merger)(+)	-	-	-	-	-	-	-
- reclassifications	-	-	-	-	-	-	-
31 December 2020	**1,645**	**9,601**	**1,478**	**2,790**	**709**	**-**	**16,223**
CARRYING AMOUNT							
31 December 2018	**4,009**	**19,098**	**214**	**6,503**	**295**	**-**	**30,119**
31 December 2019	**3,807**	**17,335**	**151**	**5,929**	**514**	**-**	**27,736**
31 December 2020	**3,601**	**15,778**	**174**	**5,433**	**325**	**11**	**25,322**

8. Property, plant and equipment (continued)

Depreciation costs, included in the Statement of profit or loss and other comprehensive income of the Company, amounted to EUR 2,536 thousand, excluding depreciation costs of right-of-use assets (in 2019 – EUR 2,794 thousand). Acquisition cost of assets amounted to EUR 254 thousand, and assets reclassified from current amounted to EUR 155 thousand.

Acquisition cost of fully depreciated property, plant and equipment still in use consisted of the following:

	31/12/2020	31/12/2019
Buildings and structures	525	497
Machinery and plant	1,015	781
Vehicles	1,916	1,440
Other equipment, fittings and tools	992	800
Total	**4,448**	**3,518**

The major part of fully depreciated property, plant and equipment consisted of machinery and plant as well as vehicles.

In 2020, in preparing the financial statements, the Company's management calculated the recoverable amount of property, plant and equipment. Estimation was performed discounting the expected future cash flows from the Company's activity. The forecast of the Company's operating results was made on the basis of the following key assumptions:

- in order to calculate the recoverable amount, a long-term growth rate equal to 2%, which was closest to the asset valuation date, was used to calculate the continuing value. The long-term growth rate used by asset valuators was based on the forecasted Consumer Price Index (CPI) of Lithuania.
- weighted capital costs ratio was estimated referring to the WACC model and comprised 6.4%;
- cash flows are forecasted for the period of 4 years (2020–2023).

The performed testing of the recoverable amount disclosed that the recoverable amount exceeds the carrying amount; thus, no impairment was accounted for.

The management has reviewed the following key assumptions applied when determining the fair value of non-current tangible assets and performing impairment tests:

- there were no changes in the legal framework due to COVID-19, which might significantly affect the fair value of tangible assts;
- the Company did not identify a significant gap between the expected and actually incurred costs and earned income, which might have been affected by COVID-19. In addition, the management does not expect any signficant flucutations betweeen the budgeted and actually incurred amounts in the future;
- the management did not identify significant change in the discount rate used for discounting of cash flows.

Upon review of the key assumptions, the management did not identify any COVID-19 related circumstances which would have required to carry out the tests of fair value measurement (for revalued assets) and impairment (for assets measured at acquisition cost less depreciation and impairment). Therefore, according to the conclusion of the management, the carrying amount of non-current tangible assets measured at revalued amount as at 31 December 2020 is equal to its fair value, and the carrying amount of non-current tangible assets measured at acquisition cost less depreciation and impairment exceeds its recoverable amount.

9. Right-of-use assets

	Buildings and structures	Vehicles	Total
ACQUISITION COST			
1 January 2019	**78**	**203**	**281**
- acquisitions during the year	-	728	728
- derecognition during the year	-	(67)	(67)
31 December 2019	**78**	**864**	**942**
- acquisitions during the year	103	284	387
- derecognition during the year	-	-	-
31 December 2020	**181**	**1,148**	**1,329**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES			
1 January 2019	-	-	-
- depreciation	43	152	195
- derecognition	-	-	-
- impairment	-	-	-
31 December 2019	**43**	**152**	**195**
- depreciation	37	316	353
- derecognition	-	-	-
- impairment	1	-	1
31 December 2020	**81**	**468**	**549**
CARRYING AMOUNT			
1 January 2019	**-**	**728**	**728**
31 December 2019	**35**	**712**	**747**
31 December 2020	**100**	**680**	**780**

As at the date of the financial statements, the Company has lease contracts of property (premises) and vehicles concluded. The remaining lease term is up to 4 years. A discount rate of 3.79 % was applied to the lease contracts. Impact on the Company's results in the statement of comprehensive income is insignificant.

10. Investments in associates, subsidiaries and other companies

As at 31 December 2020, information on the Company's investments in subsidiaries is presented below:

Company name	Controlled share, %	Investment value	
		31/12/2020	31/12/2019
SHARES OF SUBSIDIARIES			
OOO Rail lab	1	5	-
Total, net		**5**	**-**

In 2020, UAB Vilniaus lokomotyvų remonto depas and the Company established a subsidiary OOO Rail Lab in Belarus and acquired 1% of shares of the established subsidiary and committed to contribute

EUR 4.5 thousand to the established subsidiary's authorised capital. OOO Rail Lab was registered in the Register of Legal Entities of Belarus on 26 May 2020. main activity of the subsidiary is production of locomotives and rolling stocks, repair and maintenance of vehicles, wholesale trade of other machinery and plant. Net loss incurred by OOO Rail Lab as at 31 December 2020 amounted to EUR 50 thousand; i. e. 155 thousand Belarusian roubles.

11. Inventories

	31/12/2020	31/12/2019
Materials	222	234
Materials of track superstructures	3,443	1,174
Spare parts	593	399
Fuel	29	34
Work clothing	17	22
Inventory	115	61
Greases	4	10
Inventories in transit	-	-
Less: impairment of realisable value (-)	(281)	(498)
Total raw materials, materials and component parts	**4,142**	**1,436**
Goods purchased for resale	14	15
Less: impairment of realisable value (-)	(10)	(15)
Total goods purchased for resale	**-**	**-**
Total	**4,146**	**1,436**

The carrying value of the Company's inventories before adjustment of the net realisable value as at 31 December 2020 amounted to EUR 4,437 thousand (as at 31 December 2019: EUR 1,949 thousand).

The change in the write-down of the Company's inventories to net realisable value is reflected in the expense item in the Statement of profit or loss and other comprehensive income.

12. Prepayments

The Company's repayments consisted of:

	31/12/2020	31/12/2019
Prepayments	4	8
Deferred charges	5	36
Total	**9**	**44**

13. Assets arising from contracts with customers

The Company's assets arising from contracts with customers consisted of:

	31/12/2020	31/12/2019
Guarantees paid to suppliers	16	85
Accrued income	37	-
Total	**53**	**85**

14. Trade receivables

The Company's trade and other receivables consisted of:

	31/12/2020	31/12/2019
Trade receivables	2,914	438
Receivables from related parties	3,876	4,194
Impairment of receivable debts (-)	(126)	(112)
Total trade receivables:	**6,664**	**4,520**

Fair value of receivables proximate their carrying amount.

The Company determines expected credit losses for trade receivables on the basis of historical data on customer settlements and assesses the impact of change in economic conditions on the customers' ability to pay their debts.

Trade receivables are interest-free, and their payment period is usually from 30 to 60 days.

Analysis of trade and other receivables as of 31 December 2020:

	31/12/2020	31/12/2019
Not pas due	6,694	4,550
Pas due for 0 to 60 days	-	2
Pas due for 61 to180 days	-	9
Past due for over 180 days	96	71
Impairment (-)	(126)	(112)
Total	**6,664**	**4,520**

15. Other receivables

Trade and other receivables consisted of:

	31/12/2020	31/12/2019
Recoverable VAT	258	626
Other receivables from the budget	154	115
Total	**412**	**741**

16. Cash and cash equivalents

The Company's cash and cash equivalents consisted of:

	31/12/2020	31/12/2019
Cash in bank	1,677	153
Cash in transit	-	1,300
Total	**1,677**	**1,453**

As at 31 December 2020 and 2019, the Company had no term deposits. Cash was not pledged.

17. Share Capital

The nominal value of the Company's shares is EUR 281.53 per share. All shares are paid.

Change in the share capital is presented in the table below:

	Share capital	Number of shares, units
Authorised share capital		
Number of shares 31/12/2019	31,785	109,748
Increased	-	-
Decreased	(888)	-
Number of shares 31/12/2020	30,897	109,748
2. Capital structure		
2.1. according to the type of shares	-	-
2.10. ordinary shares	30,897	109,748
2.11. Preference shares	-	-
2.2. State capital	-	-
B. Amounts unclaimed and amounts claimed but not yet paid, including therein:	-	-
Shareholders (debtors)	-	-
Total	**30,897**	**109,748**

17. Share Capital (continued)

On 14 August 2019, the sole shareholder made the decision No ĮS(AS)-28 which provides for adjustment of the amount of the share capital and adjustment of an error made during the increase in the share capital, which resulted from inappropriately performed valuation of transferred assets, as to the decision No AS-20 by the General Shareholders' Meeting of AB Lietuvos geležinkeliai dated 23 October 2018. The change in the share capital was registered on 7 October 2019. Adjustment of the share capital in the financial statements is made in preparing the financial statements for the year ended 31 December 2018.

On 10 November 2020, acting as the sole shareholder AB Lietuvos geležinkeliai made a decision to decrease the Company's share capital by reducing the nominal value of issued shares. Based on the decision, the nominal value of one ordinary registered share is changed from EUR 289.62 to EUR 281.53. Upon the change of the nominal value of one Share, the share capital of GTC was divided into 109.748 shares. The Company did not acquire its own shares.

18. Reserves

Legal and other reserves. A legal reserve is a compulsory reserve under Lithuanian legislation. This reserve must be annually renewed by at least 5 per cent of the net profit, calculated according to Business Accounting Standards, up to the extent equal to 10 per cent of the authorised capital.

Other reserves. As at 31 December 2020, the Company did not have other reserves.

Allocation of the Company's profit of 2019 was approved by the Shareholder's decision No . ĮS-AS(LG)-16 dated 3 April 2020. Legal and other reserves were not formed.

19. Loans and other financial debts

	31/12/2020	31/12/2019
Loans and other financial debts	-	1,487
Financial debts	**-**	**1,487**

As at 31 December 2020, the Company did not have financial debts.

Movement of financial debts:

	2020	2019
Balance at the beginning of the year	1,487	-
Received	11,909	13,932
Repaid	(13,396)	(12,445)
Balance at the end of the year	**-**	**1,487**

During 2020, the Company repaid loans amounting to EUR 13,396 thousand and paid interest amounting to EUR 31 thousand.

On 21 December 2018, the LTG Group's cash-pool agreement was signed with Swedbank, AB. On 29 March 2019, the Company signed an agreement pursuant to which it has access to the Group's account. Under this agreement the members of the Group may borrow and lend funds to Group members under market conditions and for a period shorter than one year. As at 31 December 2020, the Company did not have receivable debts or liabilities under this agreement.

20. Lease liabilities

Bendrovės nuomos įsipareigojimus sudarė:

	31/12/2020	31/12/2019
Non-current	729	700
Current	65	55
Lease liabilities	**794**	**755**

The Company leases rents buildings and other assets (vehicles). Lease contracts are usually concluded for a fixed period with or without an option of extending it.

Lease liabilities were discounted using the borrowing interest rate which was equal to 3.79% as at 31 December 2020.

A significant impact on the amount of lease assets and liabilities will occur in in the event of changed discount rate or lease term.

Sensitivity analysis of a discount rate with regard to change in the amount of lease assets and liabilities in the event of changed discount rate:

Discount rate, %	2,79 %	3,79 %	4,79 %
Lease liabilities, EUR thousand	786	794	802

In case the discount rate applied by the Company increased or decreases by 1%, the amount of lease liability would be respectively equal to EUR 786 thousand or EUR 802 thousand as at 31 December 2020.

21. Provisions

The Company's provisions consisted of:

	31/12/2020	31/12/2019
Long-term provisions	57	54
Short-term provisions	368	432
Total	**425**	**486**

Movement of provisions:

	31/12/2020	31/12/2019
PROVISIONS		
Balance at the beginning of the period	486	535
Increase (formed)	3	-
Decreased (used)	(64)	(49)
Balance at the end of the period	**425**	**486**

Provisions for warranty repairs. The amount of provisions for warranty repairs is estimated taking into account the historical data; i. e. the amount of expenses related to warranty repair, remedies of defects and similar expenses the Company incurs every year. In formation of a provision, the Company estimates the period which is covered by the guarantee and during which the Company is obliged to remedy defects.

Provisions for received claims. Provisions for claims are accounted for based on the received claims. The

Provisions for pension and similar liabilities. Pursuant to the Labour Code of the Republic of Lithuania, each employee leaving the Company at the age of retirement is paid a compensation of up to two-month-average salary. In addition to this, a compensation of up to one month average salary is paid to an employee in the event of 25 years length of service pursuant to the collective agreement effective in the Company. Pension and similar provisions also comprise provisions for anniversary payments.

Key assumptions applied in assessing the Company's long-term liabilities to employees are as follows:

	31/12/2020	31/12/2019
Discount rate	0.4 %	0.31 %
Employee turnover rate	30.7 %	37.6 %
Annual salary increase	1.9 %	2.0 %

22. Employment related liabilities

Short-term compensations to employees according to their type:

	31/12/2020	31/12/2019
Vacation accruals	627	756
Payable remuneration	-	-
Payable personal income tax contributions	-	1
Payable social insurance contributions	177	183
Accrued portion of variable remuneration	391	346
Total	**1,195**	**1,286**

23. Liabilities arising from contracts with customers

As at 31 December 2020, liabilities arising from contracts with customers consisted of:

	31/12/2020	31/12/2019
Accrued income	-	347
Prepayments received	3,615	-
Total	**3,615**	**347**

In 2020, prepayments received by the Company consisted of advances paid for project implementation.

24. Trade and other payables

As at 31 December 2020, trade and other payables consisted of:

	31/12/2020	31/12/2019
Financial guarantees received	115	143
Other charges payable to the budget	6	12
Trade union membership fee	2	3
Trade payables	2,042	1,107
Payables to related parties	601	419
Accrued costs	474	387
Other payables and long-term liabilities	8	2
Total	**3,248**	**2,073**

Accrued expenses in the Company consisted of accrued management fee and other atypical accruals formed.

25. Sales revenue

As at 31 December 2020, revenue consisted of:

	2020	2019
Revenue arising from contracts with customers	28,738	25,037
Revenue from other activities	288	280
Total	**29,026**	**25,317**

Information related to each segment disclosed is presented below. Sales revenue of a segment is used for measurement of operating results of a segment. Information on segments is prepared in accordance with the same accounting policies as those used in the statements of the Company's operating results.

Revenue according to the type:

	31/12/2020	31/12/2019
Construction and repair of railways	24,709	18,068
Maintenance of railway track and structures	1,838	3,994
Construction, reconstruction and repair of other structures	775	678
Lease of machinery and plant	819	961
Construction and repair works in the area of security, automation and electrification;	-	1,211
Design works.	89	66
Other works (snow removal, sales of non-current assets, etc.)	508	59
Total	**28,738**	**25,037**

Sales according to the customer group:

	31/12/2020	31/12/2019
LG and group companies	18,869	23,994
Other customers	9,869	1,040
Total	**28,738**	**25,037**

The major portion of works and services were provided to companies of the companies group AB Lietuvos geležinkeliai.

25. Sales revenue (continued)

As at 31 December 2020 and 2019, liabilities arising from contracts with customers consisted of:

	2020	2019
Prepayments received	3,615	-
Total	**3,615**	**-**

Expected recognition periods of unsatisfied (or partially unsatisfied) performance obligations as of the end of the reporting period as revenue:

	Total transaction price	2021	2022
Contracting works	46,581	21,054	4,576
Total	**46,581**	**21,054**	**4,576**

Long-term contracts

Revenue in the Company is earned within more than one year; i. e. the Company has long-term selling contracts. Recognition of ongoing projects as the Company's revenue under the signed long-term construction contracts is based on the completion stage of contractual obligations. The stage of completion is measured by comparing actual costs incurred to all the budgeted costs. The table below provides information on the ongoing contracts as of the end of the year:

Ongoing contracts	31/12/2020	31/12/2019
Revenue and profit (loss) recognised under ongoing contracts	384	-280
The amount of invoices issued under ongoing contracts	20,004	11,879
Total	**20,388**	**11,599**

As at the end of 2020, there were 45 ongoing construction contracts signed, recognition of which was subject to IFRS 15. From the starting date of performance of the contract, the invoices issued for carried out works amounted to EUR 20,951 thousand.

As at the end of 2019, there were 21 ongoing construction contracts signed, recognition of which was subject to IFRS 15. From the starting date of performance of the contract, the invoices issued for carried out works amounted to EUR 11,880 thousand.

26. Result of financial activities

Financing activity results of the Company consisted of:

	2020	2019
Total finance income	6	-
Penalties and default interest for overdue trade receivables	6	-
Interest	-	-
Total finance costs	(82)	(80)
Interest	(31)	(45)
Lease interest	(33)	(18)
Fines, penalties, delay interest	(18)	(17)
Negative impact of currency exchange fluctuations	-	-
Result of financial activities	**(76)**	**(80)**

27. Corporate income tax and defered tax

Corporate income tax was calculated applying the tax rate of 15%.

During the year ended 31 December 2020, the Company's income tax costs (benefit) consisted of:

	2020	2019
Profit (loss) before tax	(513)	494
Corporate income tax at a statutory tax rate	(78)	74
Costs increasing income tax	14	11
Income not subject to tax	(14)	(2)
Income tax adjustment of the previous year	(19)	-
Total corporate income tax expenses (income) accounted for in the profit or loss	**(97)**	**85**
Effective rate	18.9 %	17.2%

	31/12/2020	31/12/2019
Corporate income tax of the reporting year	-	49
Income tax adjustment of the previous year	(19)	11
Loss (profit) of deferred tax	(78)	36
Total corporate income tax expenses (income) accounted for in the profit or loss	**(97)**	**85**

During 2020, the Tax Authorities have not performed full-scope tax investigations at the Company. The Tax Authorities may inspect accounting, transaction and other documents, accounting records and tax returns for the current and previous 3 calendar years at any time, and where appropriate, for the current and previous 5 or 10 calendar years and impose additional taxes and penalties. Management of the Company is not aware of any circumstances which would cause calculation of additional significant liabilities due to unpaid taxes.

27. Corporate income tax and defered tax (continued)

Calculation of the Company's deferred tax asset is presented below:

	31/12/2020	31/12/2019
Net profit before tax	(513)	494
Change in temporary differences	(507)	350
Permanent differences	65	212
Taxable profit of the year	(955)	1,056
Decrease in taxable profit of the year due to investment projects	-	-
Decrease in taxable profit of the year due to deduction of operating loss amount	-	(733)
Income tax (expenses) of the reporting year	-	(49)
Income tax adjustment of the previous year	19	-
Change in realisation of deferred tax due to change in temporary differences	78	(36)
Income tax (expenses) accounted for in the Statement of profit or loss	97	(85)
Temporary differences	4,594	4,073
Deferred tax asset before realisation valuation	689	611
Realisation valuation	-	-
Deferred tax asset, net value	689	611
Components of deferred tax are given below:		
DEFERRED TAX ASSET:		
Impairment of amounts receivable and write-off of bad debts	19	17
Accrued income	-	52
Impairment of inventories	44	77
Vacation accruals	2	2
Pension accruals	9	8
Warranty repair provisions	52	58
Bonuses	59	52
Other provisions	74	65
Tax loss carry-forward	413	270
Valuation of non-current assets (increase and decrease in value) and differences in depreciation rates	11	10
Other temporary differences	12	-
Deferred tax asset before realisation valuation	695	611
Realisation valuation	-	-
Deferred tax asset after realisation valuation	695	611
DEFERRED TAX LIABILITY:		
Accrued income	(6)	-
Deferred income tax liability	**(6)**	**-**
Deferred income tax asset, net value	**689**	**611**

27. Corporate income tax and defered tax (continued)

Deferred tax assets and deferred income tax liabilities are offset to the extent that the deferred tax liability will be realised at the same time as deferred tax assets. In addition, they are related to the same tax authority.

As at 31 December 2020 and 2019, deferred tax asset was calculated applying a 15% tax rate and amounted to EUR 689 thousand.

Impairment for deferred tax asset was not calculated because the Company's management believes that there is sufficient future taxable profit available against which the deductions can be utilised. Deferred tax assets and deferred income tax liabilities are offset to the extent that the deferred tax liability will be realised at the same time as deferred tax assets. In addition, they are related to the same tax authority.

28. Related party transactions

Parties are considered to be related when one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

As at 31 December 2020 and 2019, the Company's related parties and related-party transactions were as follows:

31/12/2020	Purchases	Sales	Receivables	Payables
AB Lietuvos geležinkeliai	1,198	202	14	98
AB LTG Infra	1,048	18,313	3,878	109
AB LG Cargo	2,786	-	-	117
UAB LTG Link	7	-	3	-
UAB Gelsauga	1	-	-	-
UAB Saugos paslaugos	264	-	-	21
UAB Vilniaus lokomotyvų remonto depas	554	198	-	-
UAB voestalpine Railway Systems Lietuva	705	156	-	255
	6,563	**18,869**	**3,895**	**601**

31/12/2019	Purchases	Sales	Receivables	Payables
AB Lietuvos geležinkeliai	1,793	20,953	58	1,582
AB Lietuvos geležinkelių infrastruktūra	103	2,993	4,178	160
AB LG Cargo	2,399	-	-	129
UAB LG Keleiviams	4	-	3	1
UAB Gelsauga	167	-	-	3
UAB Saugos paslaugos	151	-	-	32
UAB Vilniaus lokomotyvų remonto depas	445	34	34	-
UAB VAE Legetecha	61	14	1	-
	5,123	**23,994**	**4,274**	**1,906**

28. Related party transactions (continued)

Remuneration to management and other benefits

As at 31 December 2020, the number of managers was 5; i. e. Chief Executive Officer, Director of Finance Department, Director of Contracting and Technical Department, Director of Project Management and Technology Department, and Director of Corporate Matters Department.

	31/12/2020	31/12/2019
Remuneration employment related remunerations except for employer's social insurance contributions	392	393
Remuneration to other related parties	-	-
Number of management personnel	5	6

During 2020 and 2019, no loans, guarantees, or other disbursements or accruals or disposals of assets were made to the Company's management, except for those disclosed above.

29. Off-balance liabilities, contingent assets and liabilities

As at 31 December 2020, the Company issued guarantees for the amount of EUR 8,130 thousand.

30. Non-cash transactions

During 2020 and 2019, the Company did not perform any non-cash transactions which are not reflected in the Statement of cash flows.

31. Events after the reporting period

Even though consequences caused by the quarantine have not had an instant significant economic effect on the Company, the management of the Company closely monitors the development and changes in economy and assesses potential financial impact on the Company's results.

Until the approval date of the financial statements, there were no other post-balance events which could significantly affect the Company's financial statements.