



2022

Report of UAB Geležinkelio Tiesimo Centras



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### ABBREVIATIONS:

LTG – AB Lietuvos Geležinkeliai  
LTG Group, Group, Company group – AB Lietuvos Geležinkeliai and its subsidiaries  
LTG Infra – AB LTG Infra  
GTC, Company – UAB Geležinkelio Tiesimo Centras  
LTSA – Lithuanian Transport Safety Administration  
EU – European Union

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

## CEO'S FOREWORD

**Dear partners, employees, clients,**

The year 2022 was marked by a high uncertainty for the railway sector – railway freight flows through Lithuania decreased significantly following termination of Belarusian freight transit and the war started by Russia in Ukraine. The change in business environment was rapid and drastic, supply chains were disrupted and inflation rose. All of these factors posed a challenge for the activities of GTC.

When summarising the year 2022, I can say that crises bring not only shocks. They also create opportunities. Last year a focused GTC team both had the flexibility to adapt to the risks and uncertainty that had arisen, and to implement diversification of the company's activities by accepting challenges in the areas previously uncommon for the company. One of the main changes was the company's strategic development project to Poland. In 2022 we transferred onto the European gauge (1435 mm) and sent to Poland UNIMAT and USP railway repair technical equipment. In the near future we hope to see an increase of GTC activity volumes in the Polish railway construction and repair market.



In 2022 GTC successfully participated in public and private tenders, and won tenders for railway track repair, and maintenance of railway track and railway switches. The efforts put in the difficult and particularly significant construction project of secondary tracks in the section Livintai–Gaižiūnai as well as for construction of sound-reducing barriers in Klaipėda and Kretinga district also deserves attention when assessing the work carried out last year.

We focused on the GTC team even during a difficult time as we consistently increase employee engagement and aim to offer competitive working conditions. We can also be proud of internal career opportunities in the company – a number of GTC colleagues made use of them in 2022.

We reached out to Ukrainians following the war started by Russia in Ukraine – the company employs Ukrainians, we provided aid to their families fleeing the war and made sure they could arrive in Lithuania safely.

Operational efficiency and diversification will remain our strategic directions in 2023. We crossed the threshold of 20 years of activity, therefore, we are strong and ready to prove that in addition to our ordinary activities, we can also take on new challenges and gain a footing in new markets.

**JUSTAS VYŽINTAS**  
Chief Executive Officer  
UAB Geležinkelio Tiesimo Centras

## MAIN DETAILS ABOUT THE COMPANY

<b>Name</b>	<b>UAB Geležinkelio Tiesimo Centras</b>
<b>Head office address:</b>	Trikampio St. 10, Lentvaris, Trakai district
<b>Legal form</b>	Limited Liability Company, Private legal entity of limited civil liability
<b>Date and place of registration</b>	21 December 2001, Register of Legal Entities
<b>Company code</b>	181628163
<b>Telephone</b>	+370 655 37023
<b>E-mail</b>	<a href="mailto:info@gtc.lt">info@gtc.lt</a>
<b>Website</b>	<a href="http://www.gtc.lt">www.gtc.lt</a>
<b>Principal activity</b>	Construction and repair of railway track infrastructure
<b>Chief Executive Officer</b>	Justas Vyžintas
<b>Shareholders</b>	100% of shares are owned by AB Lietuvos Geležinkeliai

Data about the Company is collected and stored by the Register of Legal Entities of the State Enterprise Center of Registers.

### THE COMPANY'S SUBSIDIARIES, ASSOCIATED AND SECONDARY COMPANIES

During the reporting period AB LTG Cargo, UAB GTC and OOO Rail Lab concluded a purchase and sale transaction under which AB LTG Cargo transferred 97% of OOO Rail Lab owned shares to this company, and UAB GTC – 1% of OOO Rail Lab owned shares to this company. On 9 June 2022 amended Articles of Association of OOO Rail Lab were registered in competent institutions in Belarus, and UAB Geležinkelio Tiesimo Centras is not a participant in this legal entity.

### THE COMPANY'S BRANCHES, REPRESENTATIVE OFFICES ABROAD

During the analysed period the Company did not have established branches and representative offices.

### THE COMPANY'S ACTIVITY MODEL

The Company started its activity in the sector of repair and construction of railway tracks of all types in 1948. UAB Geležinkelio Tiesimo Centras registered in the Register of Legal Entities on 21 December 2001 was established on the basis of AB Lietuvos Geležinkeliai department of Lentvaris road repair station No. 2 (its main tasks were major and average road repairs, quarry exploitation). UAB Geležinkelio Tiesimo Centras is a subsidiary of AB Lietuvos Geležinkeliai.

Under shareholder decision of 8 November 2010, UAB Gelmagis (previously AB Lietuvos Geležinkeliai department of Šiauliai road repair station No. 1 with main tasks of major and average road repairs) was merged to UAB Geležinkelio Tiesimo Centras on 1 December 2010.

In 2017 activities of UAB Geležinkelių Projektavimas were transferred to UAB Geležinkelio Tiesimo Centras.

The Company's office is located at Trikampio St. 10, Lentvaris, Trakai district. The Company has two production bases located in strategically convenient locations: in a 10 ha territory in Lentvaris and a 12 ha territory in Šilėnai (Šiauliai district). The Company has implemented and maintains the Integrated Quality, Environmental and Occupational Safety and Health Management System in accordance with ISO 9001, ISO 14001 and ISO 45001 international management standards.

### THE COMPANY'S ACTIVITY

Currently, the Company specialises in the fields of construction of railway tracks, repair, technical 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 railway tracks;
- 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. Currently, the Company is planning to organize activities in Poland.

## 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 in the markets 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, the Ministry of Transport and Communications, 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 30 DECEMBER 2022

Amount of authorised capital, EUR	Number of shares, units	Par value per share, EUR
30,897	109,748	281.53

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

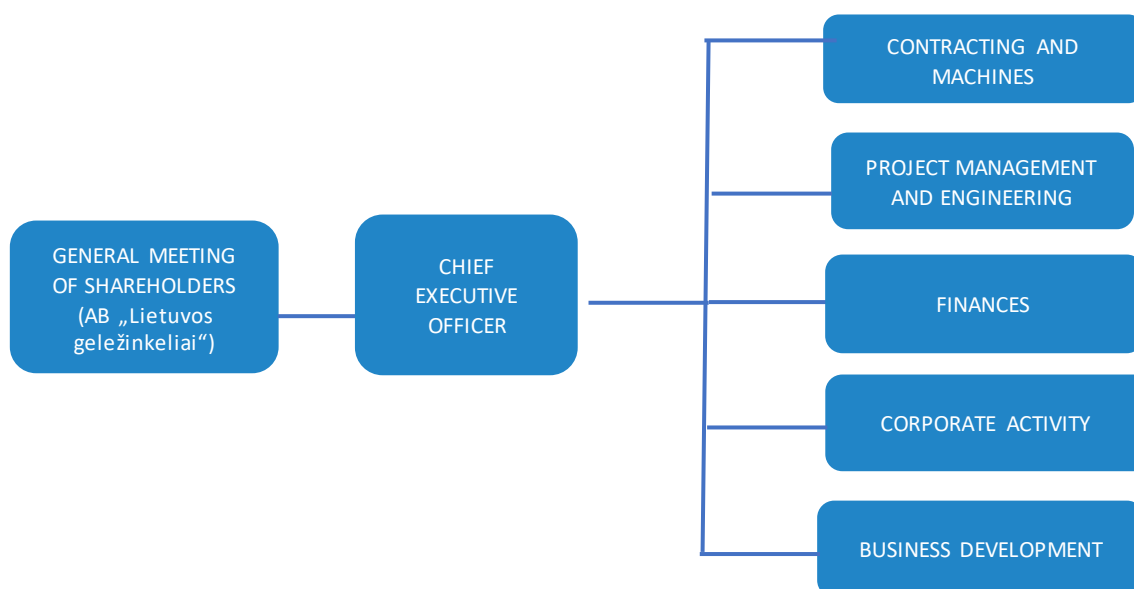
All the shares are of the same class; i.e. ordinary registered shares. The shares are intangible, they are recorded in Personal Securities Accounts in accordance with the procedures established by legislation.

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

### MANAGEMENT AND ORGANISATIONAL STRUCTURE OF THE COMPANY

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. Articles of Association of GTC are amended by the decision of the sole shareholder AB Lietuvos Geležinkeliai.

During the reporting period, the Articles of Association of GTC were not amended.

The Company's Articles of Association are amended under decision of the General Meeting of Shareholders, adopted by a qualified majority of votes, which shall be at least 2/3 of the votes granted by the shares of all shareholders participating in the meeting.

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

## GOVERNING BODIES OF THE COMPANY

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

- The General Meeting of Shareholders;
- The Chief Executive Officer (the Director General).

**The General Meeting of Shareholders** is the supreme governing body of the Company. The competence of the General Meeting of Shareholders, 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 <https://gtc.lt/w/bendroves-valdymas/>.

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, the property and non-property rights of the shareholder were not restricted, the shareholder was not granted special rights.

In accordance with the Company's Articles of Association, an additional competency of the General Meeting of Shareholders is to approve the decisions of the GTC's CEO regarding the following:

- the Company's non-current assets at a price equal to or exceeding EUR 300,000:
  - investment into the Company's group companies or third parties, transfer or lease of these assets;
  - pledge or mortgage;
  - suretyship of or guaranteeing the fulfillment of obligations of other persons;
  - acquisition of non-current assets;
  - conclusion of other transactions.
- the Company's participation in or establishment of other legal entities;
- establishment of the Company's branches or representative offices and approval of their provisions;
- the Company's decision to start a new type of activity or to terminate the Company's activity, if the relevant decision has not been made when approving the Company's strategy;
- in other cases set out under the Company's Articles of Association.

### Most important decisions adopted by the General Meeting of Shareholders in 2022:

- To sell the assets not used in the activities of the Company;
- Stage II of Šiauliai LEZ – revenue received not from the LTG Group and the successfully implemented stage I continued;
- Major repair tenders for the sections Vilnius-N. Vilnia and Klaipėda-Rimkai, strategic tenders won and full employment of resources.

**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 General Meeting of Shareholders that he is accountable to. The same person may be elected as a Chief Executive Officer no more than for two consecutive office terms. As of 20 February 2023, the position of the Chief Executive Office of GTC is held by Justas Vyžintas.

Justas Vyžintas has extensive experience in the areas of operational management and risk management of large-scale infrastructure projects. Before becoming the CEO, Justas Vyžintas held the position of Finance Director and Administration Director in the company Kauno Keliai, was a Board Member there. In 2010 Justas Vyžintas was awarded an international master's degree of management (the topic of his thesis was: "Analysis of Strategy Development within European Airlines").

## THE COMPANY'S MANAGEMENT, ITS CHANGES

<b>JUSTAS VYŽINTAS</b>	Chief Executive Officer	Holds office from 20 February 2023
<b>VYTAUTAS ŽIRGUTIS</b>	Chief Executive Officer	Held office from 5 April 2022 until 2 January 2023
	Head of Project Management and Engineering	Held office from 16 September 2019 until 4 April 2022
<b>VYTAUTAS RADZEVIČIUS</b>	Chief Executive Officer	Held office from 12 April 2019 until 4 April 2022
<b>EDGARAS KATELOVIČIUS</b>	Chief Financial Officer	Holds office from 24 May 2021
<b>GIEDRIUS ŠIUGŽDA</b>	Head of Project Management and Engineering	Holds office from 14 April 2022
<b>VILMA NOVIKIENĖ</b>	Head of Corporate Affairs	Holds office from 24 May 2021
<b>VILIUS MITKEVIČIUS</b>	Head of Contracting and Machinery	Holds office from 20 February 2023
	Chief Executive Officer	Held office from 3 January 2023 until 19 February 2023
	Head of Contracting and Machinery	Held office from 22 March 2021 until 2 January 2023
	Head of Business Development	Temporarily vacant position

At the end of the reporting period, the CEO and the managers Company have submitted declarations on private interest, which can be found on the website of the Ethics Commission at <http://www.vtek.lt>. There were no conflicts of interest between the CEO and the managers of the Company during the reporting period.

## INFORMATION ON REMUNERATION OF THE COMPANY'S CHIEF EXECUTIVE OFFICER

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

- 1. Basic monthly salary.** At the end of 2022 the Company's CEO was employed part-time (0.1), and the basic monthly salary of the Company's CEO established under the employment contract for his part-time employment as at the end of the reporting period amounted to EUR 660 or EUR 6,600 when re-calculated to the full-time employment equivalent. When the Company's CEO changed, the basic monthly salary also changed from EUR 7,100 to EUR 6,600 at the end of the reporting period, i.e. it was lower by 7% at the end of 2022 compared to the end of 2021.
- 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 may be paid to the Company's Chief Executive Officer next to the basic monthly salary. Each year, the General Meeting of Shareholders 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 2,130. In 2022, a monthly portion (1/12) of the annual incentive to the Company's CEO for achievement of the goals of the year 2021 amounted to EUR 1,186.



## STRATEGY

The LTG company group, together with GTC, plans its activities not only in the short but also in the long term. The long-term Strategy is reviewed and updated annually due to the constantly changing environment, both external and internal. In order to ensure that the strategic directions and goals provided for in the long-term corporate strategy were focused on the specific activities of LTG group of companies as much as possible, annually updated and long-term strategies of individual LTG business units are prepared. One of them is the Long-Term Strategy of UAB Geležinkelio Tiesimo Centras for 2022-2040, approved by the Board of GTC on 2 December 2021. In April 2023 an updated Long-Term Strategy of UAB Geležinkelio Tiesimo Centras for 2023-2040 will be approved.

Given the complex geopolitical situation at the time of the issuance of this report due to the Russian Federation's military actions on the territory of Ukraine, a review of the approved GTC long-term strategy has been initiated, which will include a review of the existing strategic objectives and priorities, the investment directions, the need for and sources of funding and the introduction of ad-hoc measures to address the situation.

## MISSION, VISION AND STRATEGIC DIRECTIONS

**MISSION** – We connect people and businesses for a more sustainable future.

**VISION** – To be the backbone of the transport system.

### STRATEGIC DIRECTIONS:

1. A modern railway infrastructure construction partner – continuous search for new external clients to expand activities.
2. Operational efficiency – investments into modernisation of the technology park, improvement of the project management tool, new tools (BIM – data digitalisation) and etc., strong emphasis on increase in efficiency of the use/management of assets, technology park, and increase in employee productivity.
3. Business development, diversification of activities – efforts made to expand at international level: Rail Baltica (Latvia, Estonia), business development in Poland. Another strategic direction electrification, i.e. development of electrification work related to construction and renewal of the contact network in Lithuania.
4. The Green Deal – GTC follows the guidelines of LTG sustainability policy and in its activities focuses on reduction of energy resources, invests into improvement of the environmental situation.
5. Total safety – GTC aims to create a safe and transparent work environment which helps to prevent potential incidents. Employee safety culture is constantly improved, investments are made into employee safety trainings, management trainings and constant improvement of internal processes.
6. Strong organisational culture – GTC aims to increase employee engagement by strengthening the company's mission and purpose, reviewing and establishing values, the principles of diversity and leadership of the highest level. Another important part is guaranteeing future competences with the aim to attract and (or) develop talents for our main competences by creating the image of the best employer in a highly competitive and aging local and international environment of labour markets.

### PLANNED STRATEGIC PROJECTS UNTIL 2040:

- Electrification – development of electrification work related to construction and renewal of the contact network in Lithuania.
- GTC Polska – development of activities related to railway tracks and engineering structures in Poland.
- GTC Latvia, Estonia – construction of railway tracks in the Rail Baltica project in Latvia and Estonia.

### KEY PROJECTS IN 2022:

- Installation of the project management tool is in progress.
- Efficiency improvement measures for the technology park are implemented (modernisations are in progress, new equipment is purchased). Digitalisation is in progress (MS Project, Navision, Alldive, worksheets of train drivers, Power BI, etc.).
- Measures implemented for strengthening of organisational culture and employee engagement (employee engagement indicator rose from 49 to 51). Measures implemented in the directions of the Green Deal, i.e. reduction of energy and fuel consumption (unused premises are conserved, more environment-friendly vehicles are used in activities).

## THE COMPANY'S GOALS STRATEGY AND ITS IMPLEMENTATION IN 2022

In accordance with the GTC's strategic activity plan approved in 2021 annual goals were approved, as well as indicators and the guidelines for measuring achievement thereof, linked to the strategic directions of activity. In line with the approved annual goals, personal goals have been set for GTC's personnel. In this way, the Company's employees are involved in the process of implementing the long-term strategy, linking the achievement of goals with the employees' career and education plans, the payment of performance incentives and the review of the base salary.

Main goals	Unit of measure	Guidelines for achievement of goals in 2022	Indicators of achievement of goals in 2022
Revenue	EUR million	>34.6	20.1
Revenue from external customers	EUR million	>4.8	2.7
Indicator of time loss of GTC due to injuries	LTIR	<6.49	5.44

## CLIMATE CHANGE MANAGEMENT MEASURES AND IMPACT ON THE COMPANY'S ACTIVITIES

In fulfilment of strategic goals and priorities for management of sustainability, established in its business strategy, GTC is especially committed to environmental protection. One of the main strategic activity areas of the Company is the [Green Deal](#).

As of 2021, the LTG Group implements in a centralized manner the [Environmental Protection Strategy 2030+](#), which identifies the LTG Group's environmental priorities and areas in which the LTG Group companies, including GTC, have or may have an impact due to their activities, and sets specific targets the achievement whereof would reduce this impact. One of the most important objectives identified in this strategy is [climate change mitigation and adaptation](#) – GTC is committed to achieve climate neutrality and to adapt to climate change. The main strategic provisions, directions and goals are transferred to the GTC's strategy, and their implementation will contribute to the implementation of the common EU and national sustainability goals. Environmental goals are included in the annual goals of managers and employees, the implementation of indicators measuring them is monitored and it is significant in assessing the Company's activities and performance.

In accordance with the established risk management model, GTC constantly assesses all risks to group activities, including the risks related to climate change.

The Company currently assesses the [physical climate risks](#) as insignificant, as no assets in use were identified during the reporting period that may be affected by climate-related events or factors. Due to the geographical location of the operations, the likelihood of extreme weather events and natural disasters is not high, and the potential consequences associated with normal, more serious local natural phenomena, such as torrential rain, snow, heat or cold, do not pose a more serious and long-lasting risk to the rolling stock and to the operations as a whole, and short-term disruptions are dealt with in an operational way.

The level of [climate transition risks](#) that arise as the European Union and Lithuania move towards a lower greenhouse gas-emitting economy is assessed as low. Rail transport is considered one of the most environmentally friendly transport modes in the EU due to its extremely low GHG emissions. Increasing environmental and fiscal requirements ([political risks](#)) are likely to lead to a growing competitive advantage of rail transport over other less environmentally friendly modes in the future, in particular road transport, which is currently the main mode of transport competing with trains in freight transport. LTG Group-wide environmental activities are implemented by a centralised corporate Environmental function which, together with the Group's Risk Management function, monitors changes in the legal framework. During the reporting period, no risks and uncertainties have been identified in relation to the changing legal framework related to climate change (increasing environmental requirements) and there are no doubts about the Company's ability to continue its operations.

GTC's long-term strategy foresees investing in "green" projects that will help to significantly reduce the impact on climate change and the environment, and to further contribute to the achievement of national climate change reduction targets. Similar targets are declared by infrastructure managers of other states. Therefore, it is likely that the volumes of potential work in the area of railway infrastructure construction will grow in the future.

In addition, the LTG Group, including GTC, meets its electricity needs using only green energy, purchased from reliable suppliers. In the future, the Group is considering the possibility of generating at least part of its own energy from renewable sources, introducing projects to optimise energy consumption and increasing the share of renewable energy in total consumption. GTC is steadily improving the efficiency and reliability of its operations and internal processes through digitalisation and innovative technologies. This further reduces the [likelihood of potential technological, market or reputational risks](#).

During the reporting period, the Company did not have any financial commitments related to ESG (Environmental, Social and Governance) indicators. It has also not been exposed to any legal proceedings or complaints related to climate change events and has not incurred any additional costs that have had a material impact on the financial statements.

## **MOST SIGNIFICANT EVENTS IN 2022**

### **JANUARY**

- GTC was awarded a contract in the tender of AB Lietuvos Geležinkeliai for repair works of viaduct. The Company was a winner of 3 out of 4 parts of the tender. The project value is EUR 0.3 million.
- GTC was awarded a contract in the tender "Electrification of the section Vilnius–Klaipėda (Draugystės station)", the value of the tender is EUR 1 million.
- GTC was awarded a contract in the tender "Works of upper railway track of Radviliškis–Pagėgiai 113+489 km" to carry out repair works of a bridge. The value of the project is EUR 0.3 million.

### **FEBRUARY**

- GTC was awarded a contract in the tender of AB Lietuvos Geležinkeliai for repair works of viaduct II p.o.d. – Radviliškis–Pagėgiai – V.S (22+563). The value of the work is EUR 0,1 million.
- GTC was awarded a contract in UAB Transachema tender "Installation of new railway tracks, switches under the project 006.2012/2012-9252/28 – stage II", the value of the tender is EUR 0.5 million.
- GTC signed a contract with UAB Tetras for installation of a physical barrier segment fence in Adučiškis border checkpoint 1566 – 1583 (preliminary quantity approximately 5.7 km). The value of the work is EUR 0.2 million.

### **MARCH**

- GTC was awarded a contract in the tender of AB Lietuvos Geležinkeliai for railway track repair in the intermediate stations of Klaipėda–Rimkai I p.o.d. The value of the work is EUR 2.3 million.
- GTC was awarded a contract in the tender of AB Lietuvos Geležinkeliai for railway track repair in the intermediate stations of Naujoji Vilnia–Vilnius track I and II p.o.d. The value of the work is EUR 4.8 million.
- GTC was awarded a contract in the tender of UAB TETAS for assembly work of a physical barrier cutting fence (concertina D980 mm) at the border with the Republic of Belarus in the Švenčionys border section, approximately 11 km. The value of the work is EUR 0.3 million.

### **APRIL**

- GTC was a winner of 3 out of 4 parts of the tender of AB Lietuvos Geležinkeliai for maintenance of railway track and railway switches. The value of the work is EUR 3.4 million.
- GTC was awarded a contract in the tender AB Kauno Tiltai "Work in the intermediate station of the section Kalvarija–Šeštokai, PK 42+300-42+500 km". The value of the work is EUR 0.06 million.

### **MAY**

- GTC was awarded a contract in the tender of VĮ Klaipėdos Valstybinio Jūrų Uosto Direkcija "Purchase of technical maintenance services for railway tracks of Klaipėda Port located outside the leased territories", the value of the tender is EUR 0.12 million.
- Transfer of railway wheelsets from the wide gauge (1520 mm) onto the wheelsets of the European-standard gauge (1435 mm) UNIMAT 6241 and USP 6156 for the railway technology.

### **JUNE**

- GTC repair machinery of railway switches and tracks and ballast levelling machinery were introduced in Poland. The client – TORHAMER Sp. z o.o. Sp. k.
- As of 19 June, repair work (major) of railway tracks were started in the intermediate station Kužiai–Pavenčiai (repair volume approximately 12 km). The value of the work is EUR 2.5 million.

### **JULY**

- Due to the current geopolitical situation, import of chippings from Belarus was banned resulting in disruptions of chipping supply.

### **AUGUST**

- GTC was awarded four road repair machinery lease contracts with the total value of EUR 0.06 million.



## SEPTEMBER

- GTC won the tender of Šiauliai City Municipality Administration "Railway construction work for the Intermodal Terminal of Šiauliai Public Logistics Center" with the value of EUR 4.4 million.
- GTC was awarded a contract in the tender of AB Lietuvos Geležinkeliai "Contract work for stage IV of the programme for replacement of railway switches" with the value of EUR 0.7 million.
- GTC was awarded a contract in the tender of AB Lietuvos Geležinkeliai "Agreement for lease of special railway rolling stock and special wagons" with the value of EUR 0.1 million.
- GTC was awarded a contract in the tender of AB Lietuvos Geležinkeliai "Repair of level crossing in the section Šiauliai-Kužiai 216+378 km" with the value of EUR 0.2 million.

## OCTOBER

- Decision adopted regarding a more efficient use of premises which will allow to save up to EUR 0.15 million.
- Three INFRA projects were suspended. 1. Major repairs in the section Šateikiai-Kulūpėnai; 2. Simple repair contract work of the intermediate station Klaipėda-Rimkai. 3. Simple repair work of track I and II of the intermediate station Vilnius-N. Vilnia.

## NOVEMBER

- Decision adopted to resume the three INFRA projects of 2022 suspended in October: 1. Major repairs in the section Šateikiai-Kulūpėnai; 2. Simple repair contract work of the intermediate station Klaipėda-Rimkai. 3. Simple repair work of track I and II of the intermediate station Vilnius-N. Vilnia.
- A purchase project was approved at GTC for purchase of vehicles up to 3,5 tonnes with the value of EUR 1.1 million (16 units of small and multi-purpose single-volume vehicles (class J12) and 29 large van vehicles (class K3b)).

## DECEMBER

- Contracts for snow removal services were won in tenders of the LTG INFRA network (7 p.o.d. out of 13). Value of the contracts – EUR 0.19 million.
- Work in railway repair projects were suspended until appropriate meteorological conditions in the sections Šateikiai-Kalūpėnai, Kužiai-Pavenčiai, N. Vilnia-Vilnius, Klaipėda-Rimkai, Valčiūnai-Jaščiūnai.

## EVENTS AFTER THE REPORTING PERIOD

### JANUARY

- GTC won the tender of AB Lietuvos Geležinkeliai for the simple repair contract project "Adaptation of a route without obstacles for people with disabilities" with the value of EUR 0.2 million.

### IMPACT OF RUSSIA'S WAR AGAINST UKRAINE AND SANCTIONS ON THE COMPANY'S ACTIVITIES

After EU sanctions due to the war started in Ukraine by Russia came into force, LTG CARGO lost a large portion of its revenue. LTG INFRA re-distributed financing and the majority of the planned GTC projects were frozen, and development of new projects with external companies was initiated.

GTC signed a contract for performance of work (construction of a new railway track) with UAB Transachema. GTC were planning to use materials produced in Ukraine; however, the war disrupted supply of materials and their prices changed. Also, due to the sanctions imposed on Russia and its relationship with Belarus, import of chippings from Belarus was banned. These changes resulted in new challenges for the Company's activities and changes chipping logistics. Currently, all of chipping production is transported from the Scandinavian region to the Klaipėda Port from where chippings are further transported via locomotives. Accordingly, GTC is facing significantly slower chippings logistics and increased transportations costs.

Following EU sanctions on Russia, use of four risky contracts was suspended. We can replace three of the suspended contracts with goods of other suppliers; however, their prices will be higher by approximately 30%-40%. It is rather difficult to find alternative suppliers for one of the contracts, i.e. that of spare parts of Eastern European motor rail transport vehicles (UK-25/18, KŽU-571, MPD, MPD-2). Rapid increase in energy prices and inflation had an impact on the existing contracts as well; a few suppliers informed us that they will no longer be able to carry out contracts with the prices set out in the contracts; therefore, these contracts were reviewed taking into consideration the market prices.

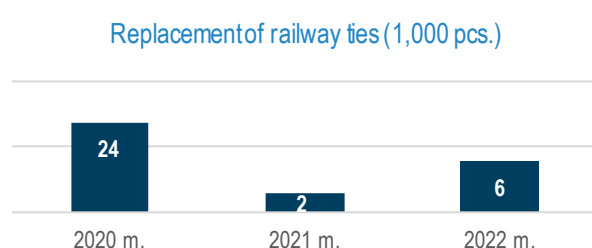
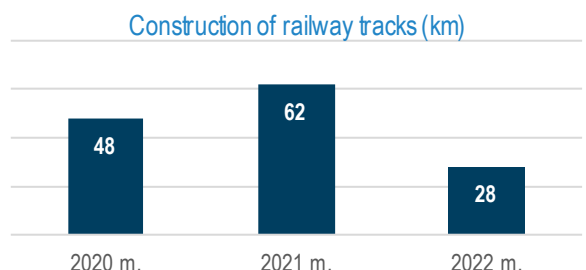
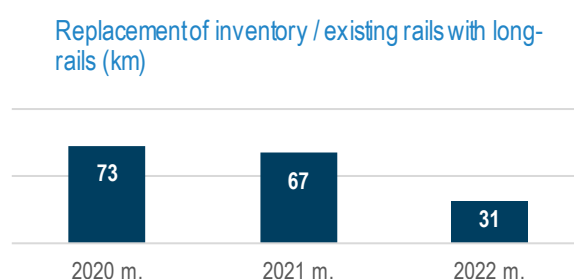
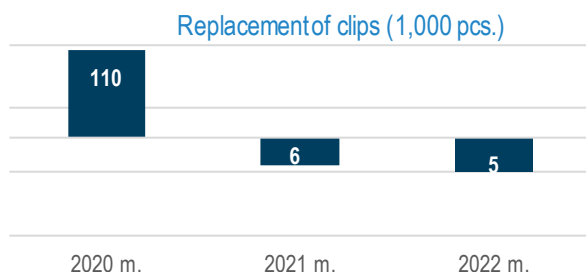
## OVERVIEW OF KEY PERFORMANCE INDICATORS

The difference in the number of indicators, depending on the specifics of the ongoing projects, between 2022 and 2021 significant differences resulted from:

- The current geopolitical situation;
- Chipping supply disruptions;
- Overdue signing of contracts;
- Unplanned suspension of three projects for major repairs;
- Low temperatures, which have been unusual in recent years, were observed in November and December 2022 with high snowfalls resulting in lower productivity and suspension of the projects carried out.

### OVERVIEW OF KEY PERFORMANCE INDICATORS

Items	Unit measure	2020	2021	2022	2021/2022 Δ, %
Assembly / reassembly of railway track	km	51	66	16	-76%
Dismantling of railway tracks	km	49	38	25	-34%
Dismantling of a railway track in individual components	km	35	12	5	-58%
Construction of railway tracks	km	48	62	28	-55%
Ballasting	1,000 m <sup>3</sup>	89	74	40	-46%
Replacement of inventory / existing rails with long-rails	km	73	67	34	-49%
Chip management	km	72	36	31	-14%
Road repair	km	223	100	75	-25%
Installation of switches	Set	18	20	5	-75%
Repair of switches	Set	51	46	55	20%
Replacement of rails (up to length of 25 km)	100 pcs.	7	7	4	-43%
Replacement of railway ties	1,000 pcs.	24	2	7	250%
Rail welding	100 pcs.	16	32	4	-88%
Replacement of clips	1,000 pcs.	110	6	9	50%
Working hours of leased machinery	Hour	1,392	1,068	10	-99%
Leased wagons	Days	3,294	410	39	-90%



## ANALYSIS OF FINANCIAL AND PERFORMANCE RESULTS

### OPERATING RESULTS

#### SALES REVENUE

##### Dynamics of sales revenue of GTC in 2020-2022, EUR thousand

Type of revenue	2020	2021	2022
Construction and repair of railway	24,709	25,249	11,218
Maintenance of railway tracks and structures	1,838	310	2,264
Construction, reconstruction and repair of other structures	775	4,094	5,427
Lease of machinery and plant	819	548	588
Construction and repair works in the area of security, automation and electrification	0	0	25
Design works	89	385	208
Other works (snow removal, sales of non-current assets etc.)	508	332	179
<b>Total</b>	<b>28,738</b>	<b>30,918</b>	<b>19,909</b>

Sales revenue of GTC amounted to EUR 19,909 thousand and decreased by EUR 11,009 thousand or 35.6% as compared to 2021.

The major portion of the Company's operating income in 2022 consisted of construction and repair of railway (56.3%). Revenue of this segment decreased by EUR 14,031 thousand or 56% in 2022 as compared to 2021 due to ongoing projects with the customer's materials (secondary tracks of Livintai-Gaižūnai and Plungė-Šateikiai) and the railway construction and repair work suspended this year.

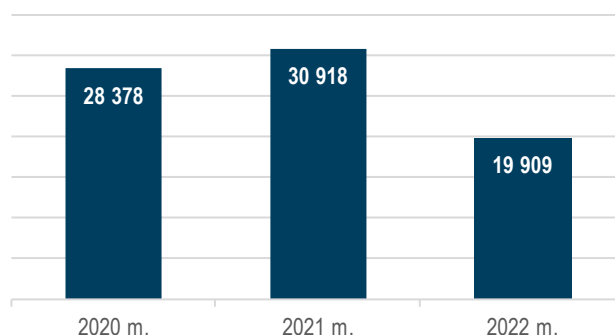
Portion of the revenue from maintenance of railway tracks and structures accounted for 11.3% in 2022. Revenue from this segment in 2022 amounted to EUR 1,954 thousand or was higher by 630% compared to 2021 as the Company did not carry out maintenance work in 2021.

In 2022, revenue from repair, reconstruction and construction of other engineering structures was higher by EUR 1,333 thousand or 33% compared to 2021. The increase in revenue resulted from the project of sound-reducing barriers carried out in Klaipėda in 2022.

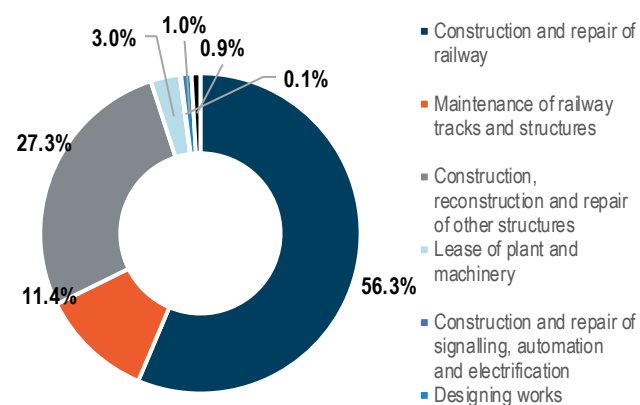
During the reporting period the Company also rendered additional services – lease of assets (machinery and specialised plant), designing and other.

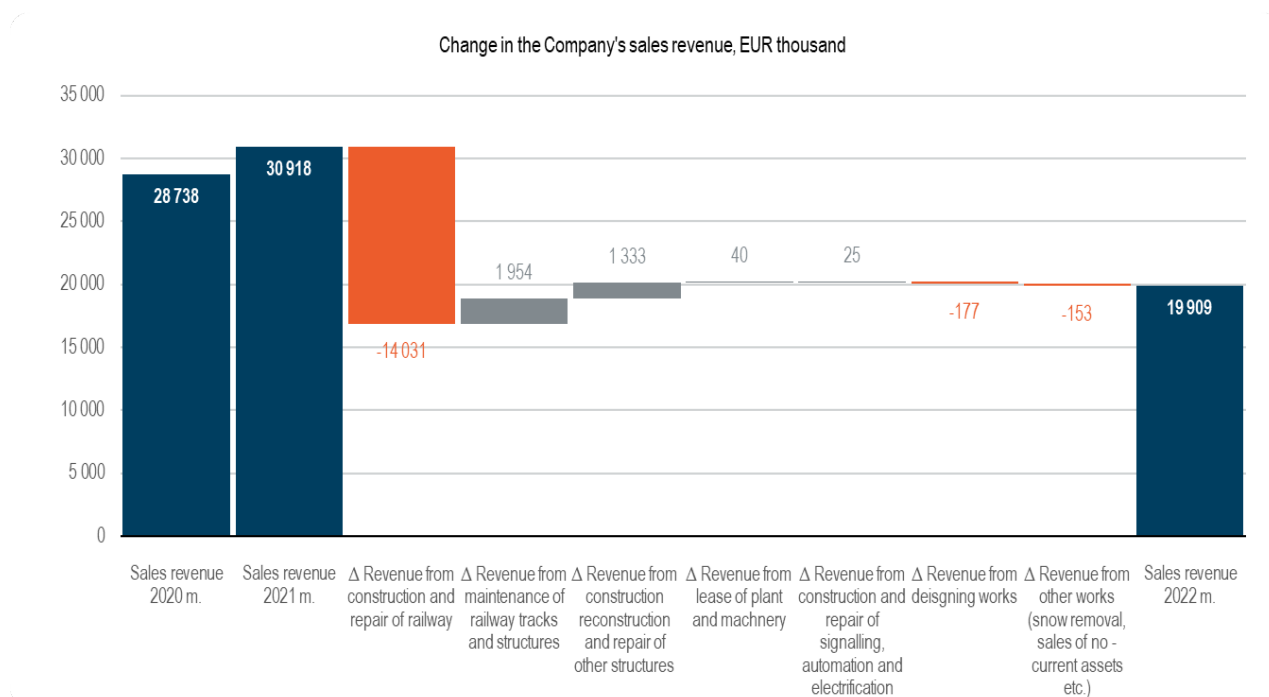
In 2022, the Company's activity was carried out in Lithuania. The major portion of works (80.9%) was conducted in accordance with the public procurements of the public infrastructure manager and subsidiary managers. The Company's technology park and existing competences make all assumptions of increasing sales volumes of other customers not only in Lithuania but also abroad.

Company's revenue, EUR thousand



Revenue structure 2022, %





## COSTS

Changes in the Company's work volumes directly affected changes in costs; therefore, in 2022 there was a decrease in the Company's costs.

In 2022 the operating costs of GTC amounted to EUR 24,511 thousand, compared to 2021 costs decreased by EUR 6,095 thousand or 20%. The decrease in costs is directly related to lower costs for materials necessary to carry out projects.

Structure of GTC costs in 2020-2022, EUR thousand

Type of costs	2020	2021	2022
Salaries and related costs	9,175	8,356	8,108
Materials	7,263	9,364	3,970
Fuel	606	669	853
Depreciation and amortisation	2,894	2,522	2,295
Other expenses	9,526	9,695	9,285
<b>Total</b>	<b>29,464</b>	<b>30,606</b>	<b>24,511</b>

The major portion of the Company's operating costs in 2022 consisted of other costs (37.9%). There is a decrease in other costs by EUR 410 thousand or 4.2% as a result of less subcontracting works.

In 2022, salaries and related costs of GTC comprised 33.1% of total costs, which results in decrease by EUR 248 thousand as compared to 2021 due to a decreased number of employees and increased efficiency of employees.

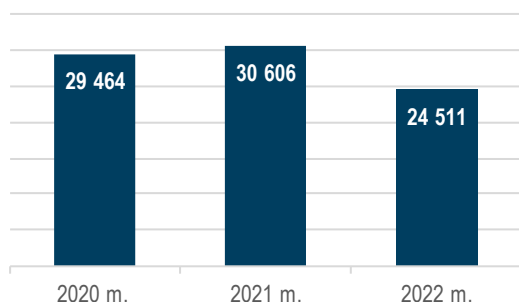
In 2022, costs of materials comprised 16.2% of total costs incurred by the Company. These costs decreased by EUR 5,394 thousand compared to 2021 because in 2021 projects were carried out with the Company's materials (secondary tracks of Livintai-Gaižiūnai and Plungė-Sateikiai).

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.

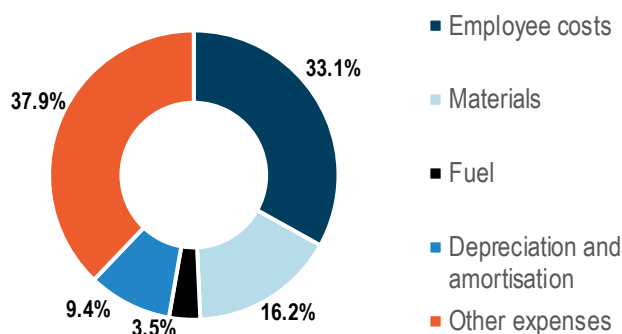


## OPERATING RESULTS

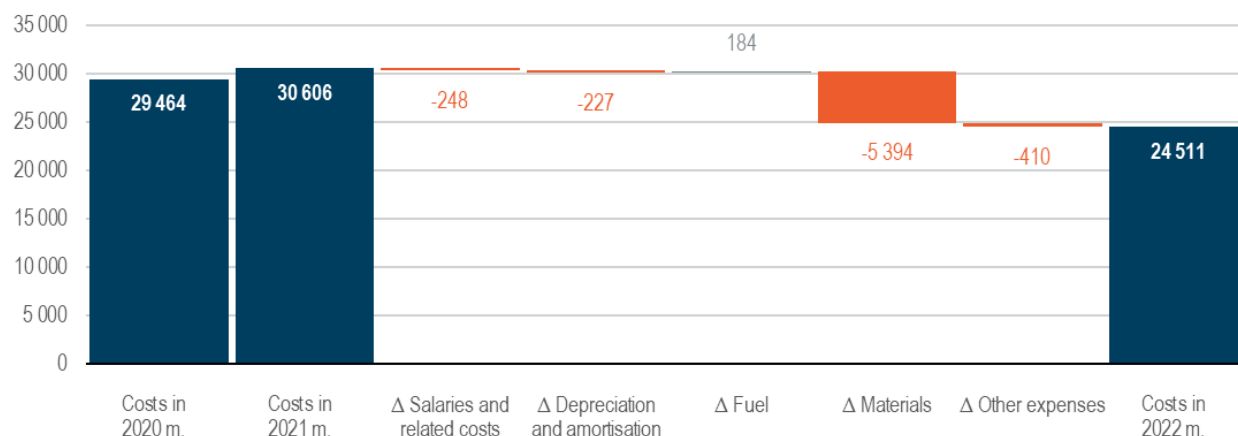
Company's costs, EUR thousand



Structure of the Company's costs 2022, %



Bendrovės sąnaudų kitimas, tūkst. Eur



EBITDA (profit after tax, results of financial activities, depreciation and amortisation) of GTC amounted to EUR -2,143 thousand in 2022, and it was lower by EUR 5,252 thousand or 168.9% compared to 2021.

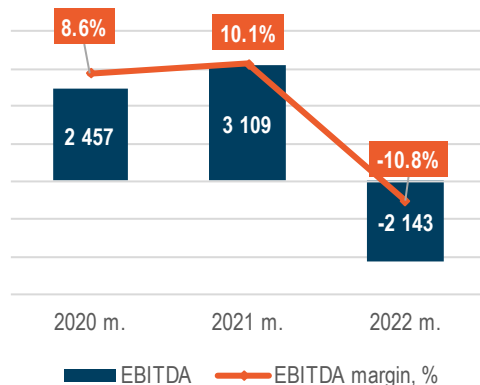
Revenue of GTC amounted to EUR 20,073 thousand in 2022 compared to EUR 31,191 thousand in 2021. The most significant impact on the decrease in revenue was made by lower revenue generated from railway construction and repair which were lower by EUR 14,031 thousand or 56% compared to 2021 because of projects carried out with the customer's materials in 2021 (secondary tracks of Livintai-Gaižiūnai and Plungė-Šateikiai).

Costs of operating and other activities incurred by GTC amounted to EUR 24,511 thousand in 2022. Compared to 2021, costs decreased by EUR 6,095 thousand or 19.9%. In 2022, the major portion of costs comprised other expenses (37.9%), remuneration and related costs (33.1%), materials (16.2%), fuel and depreciation (12.8%).

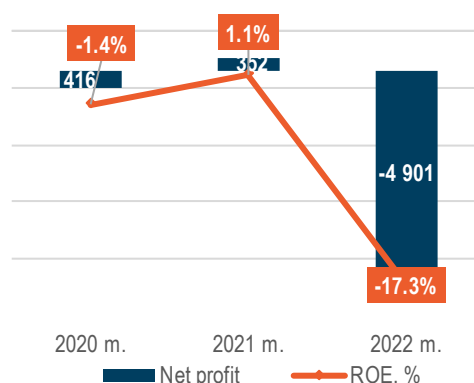
In 2022 the Company incurred a net loss of EUR 4,901 thousand.  
The result of GTC in 2022 was worse due to the following main reasons:

- The current geopolitical situation;
- Chipping supply disruptions;
- Overdue signing of contracts;
- Unplanned suspension of three projects for major repairs;
- Low temperatures, which have been unusual in recent years, were observed in November and December 2022 with high snowfalls resulting in lower productivity and suspension of the projects carried out.

Company's EBITDA, EUR thousand



Company's netprofit, EUR thousand



## BALANCE SHEET CHANGES

During the reporting period, the value of the Company's assets decreased by EUR 4,576 thousand or by 12.8% compared to 2021.

Non-current assets of GTC comprised 72.9% of the total asset structure. It must be mentioned that the value of non-current assets decreased by EUR 2,003 thousand or by 8.1% compared to 2021. The decrease was due to sale of machinery and plant.

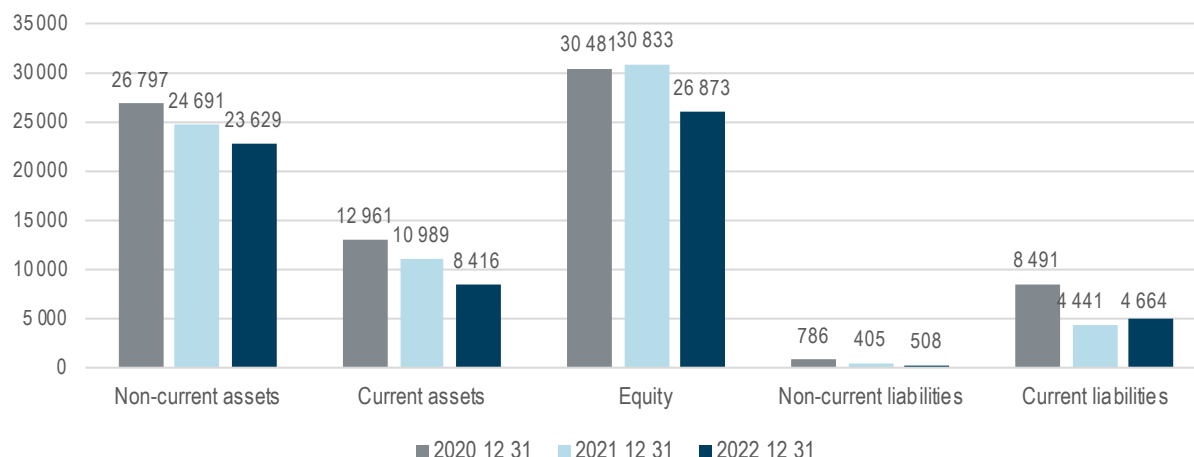
The value of current assets decreased by EUR 2,573 thousand in 2022 or by 23.4% compared to the reporting period of 2021 due to decreasing amounts receivable (amount receivable decreased by EUR 2,428 thousand).

Equity in 2022 decreased by EUR 4,901 thousand and amounted to EUR 25,932 thousand as at 31 December 2022. The changes resulted from lower result of the Company for the reporting period.

Non-current liabilities decreased by EUR 128 thousand in 2022 or by 31.5% compared to the end of the reporting year 2021. The changes were due to decreased non-current lease liabilities.

Current liabilities increased by EUR 453 thousand in 2022 or by 10.2% compared to the end of the reporting year 2021. The changes were due to increased debts to related companies and increased non-current lease liabilities.

Balance sheet changes EUR thousand



### KEY FINANCIAL INDICATORS\*

	Unit of measure	2020	2021	2022
Sales revenue	EUR thousand	28,738	30,918	19,909
Other income	EUR thousand	288	273	164
Total income	EUR thousand	29,026	31,191	20,073
Costs	EUR thousand	29,464	30,606	24,511
EBITDA	EUR thousand	2,457	3,107	-2,143
Normalised EBITDA	EUR thousand	2,678	3,109	-1,998
EBITDA margin	%	8.6	10.0	-10.8
Normalised EBITDA margin	%	9.3	10.1	-10.0
EBIT	EUR thousand	-437	585	-4,438
EBIT margin	%	-1.5	1.9	-22.3
Net profit	EUR thousand	-416	352	-4,901
Net profit margin	%	-1.4	1.1	-24.6
		<b>31/12/2020</b>	<b>31/12/2021</b>	<b>31/12/2022</b>
Non-current assets	EUR thousand	26,797	24,691	22,688
Current assets	EUR thousand	12,961	10,989	8,416
Total assets	EUR thousand	39,758	35,680	31,104
Equity	EUR thousand	30,481	30,833	25,932
Financial debt	EUR thousand	794	423	442
Net debt	EUR thousand	-883	412	380
Return on equity (ROE)	%	-1.4	1.2	-17.3
Return on assets (ROA)	%	-1.1	0.9	-14.7
Return on Investment (ROI)	%	-1.3	1.2	-17.1
Financial liability/EBITDA	times	0.3	0.1	-0.2
Debt/Equity	%	2.6	1.4	1.7
Net debt/EBITDA	times	-0.4	0.1	-0.2
Net debt / Normalised EBITDA	times	-0.3	0.1	-0.2
Equity ratio	%	77	86	83
Asset turnover ratio	times	0.7	0.9	0.6
Total liquidity rate	times	1.5	2.5	1.7

\*Definitions of indicators are presented on page 36 hereof.

## FINANCING OF THE COMPANY

As at 31 December 2022, the Company did not have any financial liabilities to credit institutions.

To balance the working capital, in 2022 the Company used the LTG Group's cash pool. The parent company of the Group has concluded an agreement with a credit institution on provision of services of the Group's cash pool; accordingly, the Company has concluded a cash pool agreement valid until 31 December 2023. The terms of the agreement are in compliance with an arm's length principle.

## DIVIDEND POLICY

The payment of dividends by state-owned enterprises and the amount of profit distributions is governed by Resolution No 665 of 6 June 2012 of the Government of the Republic of Lithuania 'On approval of the procedure for exercising pecuniary and non-pecuniary rights of the state in state owned enterprises', and the amendments thereto ([LINK](#)).

The allocation and payment of dividends by the Group companies is regulated by the Dividend Policy of LTG Group.

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):

Company's ROE indicator (%)	Portion of distributed profit allocated to dividends (%)
≤ 1	≥ 85
> 1 and ≤ 3	≥ 80
> 3 and ≤ 5	≥ 75
> 5 and ≤ 10	≥ 70
> 10 and ≤ 15	≥ 65
> 15	≥ 60

During the recent three years, UAB Geležinkelio Tiesimo Centras did not pay any dividends.

## INVESTMENTS

In 2022, the investments of GTC in tangible and intangible non-current assets amounted to EUR 239 thousand. All the investments (100%) have been financed by the Company's own funds.

Investments, EUR thousand	2020	2021	2022	2022/2021 Δ, %
Software	-	11	-	-100%
Machinery and equipment	237	226	222	-2%
Equipment, fittings, tools and other	17	570	17	-97%
<b>Total</b>	<b>154</b>	<b>807</b>	<b>239</b>	<b>-70%</b>

## SIGNIFICANT INVESTMENT PROJECTS CARRIED OUT IN 2022:

During the reporting period, the project of *Renewal of Machinery* was completed (acquisition of the System 7 sleeper lining unit). The project has resulted in the provision of high quality track repair services. Minor equipment acquisitions were also carried out.

## PLANNED INVESTMENT PROJECTS/INVESTMENT DIRECTIONS:

- Equipment upgrades (modernisation of road repair machines) are planned to eliminate "bottlenecks" that limit the speed of work
- Upgrading of buildings is planned by installing solar power plants on the roofs of GTC buildings to reduce electricity consumption.



## EMPLOYEES

The Company follows HR principles based on best practice in personnel management in order to successfully implement its strategy, efficiently carry out its day-to-day operations, create competitive advantage and adapt to changing business needs. Focusing on employees is a strategic direction, primarily implemented through the development of organisational culture.

### INITIATIVES AND MATERIAL EVENTS IN 2022

2022 remained full of challenges - the pandemic that has not yet ended, joined by the sudden worsening of the geopolitical situation with the war in Ukraine. GTC, with the help of LTG Group, has taken active steps to help its employees and their families fleeing the war in Ukraine. The aim of the assistance is to help them to arrive safely in Lithuania, to provide them with temporary housing, clothes, hygiene products, medicines, to take care of their psychosocial health, to help them find jobs, educational places for their children, etc. We are happy that thanks to the cooperation and focus of the whole GTC team we were able to help 15 families.

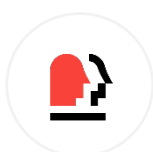
In 2022, the focus continued to be on the development of organisational culture. After the pandemic, team building and "live" meetings at the workplace became a real challenge, and a strong emphasis was placed on strengthening the GTC team spirit and cooperation, with a number of complementary activities and new traditions that made the return to "live" communication easier and more fun.

In 2022, the traditional "360 Management Assessment" and "Voice of Employees" surveys were also organised and carried out, supporting the development and improvement of operations.

Consistent care is taken to raise the qualification and competence of employees, and retrain them, if necessary. The aim is to have a skilled, versatile and safe team.

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

## VALUES



**Customer**



**Collaboration**



**Development**



**Responsibility**

As at 31 December 2022, the Company had 291 employees (the number includes only active employees (non in long-time absence)). The number of employees has decreased by 49 or 14%, compared to the data as at 31 December 2021. The mentioned change in the number of employees was caused by the change in the scope of activities and efficiency measures.

The average monthly salary, as compared to 2021, has changed from EUR 1,819 to EUR 1,947. 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.

The total wage bill amounted to EUR 6.3 million (the amount of the wage bill is obtained by taking the accruals that we have added up for the calculation of the average wages - that is, excluding severance payments, unused leave, annual incentive, accruals/reserves, fringe benefits - by taking the accruals of paid hours). In April 2021, the Company, as also other LTG Group entities, granted employees an annual motivation bonus of EUR 0.25 million for performance results.

**NUMBER OF THE COMPANY'S EMPLOYEES AND AVERAGE SALARY**

Function groups	31/12/2020		31/12/2021		31/12/2022					
	Actual number of employees at the end of the period	Average salary, EUR	Actual number of employees at the end of the period	Average salary, EUR	Actual number of employees at the end of the period			Average salary, EUR		
					Total	Women	Men	Total	Women	Men
General director*	1	6,800	1	7,100	1	0	1	6,600	-	6,600
High level executives *	1	4,500	1	4,900	3	0	3	5,468	-	5,468
Senior executives and specialists in exceptional fields*	3	5,504	5	4,465	3	1	2	4,482	-	4,482
Middle-level managers and individual experts	29	3,096	24	3,240	20	6	14	3,553	3,106	3,730
Team leaders and experienced specialists	60	2,134	60	2,247	58	12	46	2,302	1,889	2,408
Specialists and experienced operational/service staff	116	1,671	108	1,771	92	11	81	1,821	1,640	1,852
Operational/service staff, qualified workers	163	1,198	141	1,298	114	3	111	1,426	1,156	1,439
<b>Total</b>	<b>373</b>	<b>1,669</b>	<b>340</b>	<b>1,819</b>	<b>291</b>	<b>33</b>	<b>258</b>	<b>1,947</b>	<b>1,953</b>	<b>1,946</b>

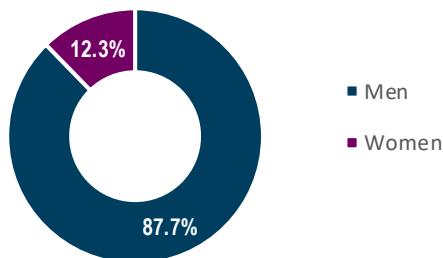
\* fixed remuneration at the end of the period.

The general director of the Company was employed on a part-time (0.1) basis at the end of 2022 and the monthly base salary of the general director of the Company, as set out in the employment contract, was EUR 660 per month at the end of the period, or EUR 6,600 on a full-time equivalent basis, and the average actual salary at the end of the period, including the annual bonus for performance results, was EUR 8,050.

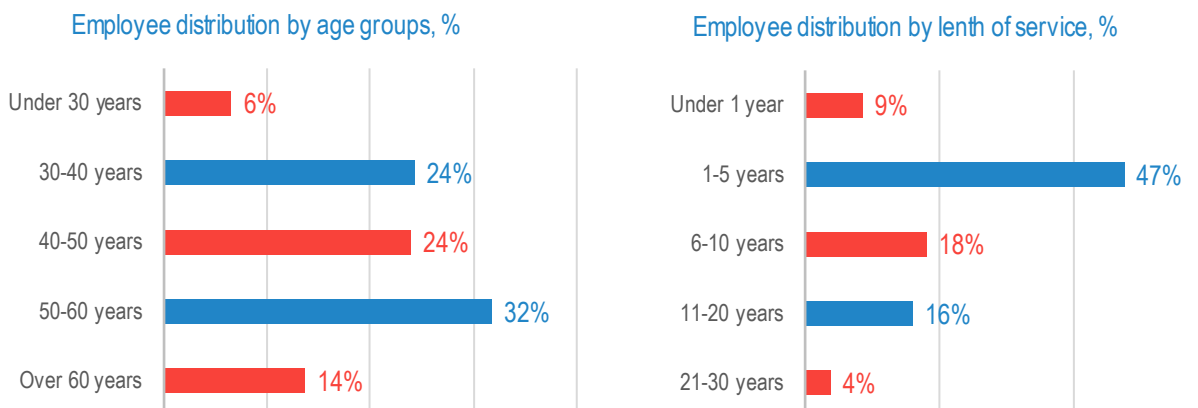
As at 31 December 2022, the fixed monthly salary of high and middle level executives and employees of exceptional fields, as stated in their employment contracts, amounted to EUR 4,975, and the average actual salary of this function group, including the annual bonus for performance results, amounted to EUR 5,510.

**Distribution of the Company's employees by age, gender, length of service and education as at 31/12/2022**

Employee distribution by gender, %



Age group	Average length of service, years
Under 30 years	3.7
From 30 to 40 years	6.5
From 40 to 50 years	7.5
From 50 to 60 years	11.3
Over 60 years	15.2
<b>Average length of service</b>	<b>8.8</b>



### SOCIAL PARTNERSHIP

We recognise and guarantee the right of workers to organise themselves into trade unions or associations, and create the conditions for trade union activity.

As of December 2022, the Company had a Labour Council and 23 trade unions representing all employees.

The Company maintains an ongoing constructive social dialogue with employee representatives. We organise meetings with employee representatives to ensure fair and equal treatment of all employees and to safeguard their legitimate interests. During these meetings, we present planned changes in the company, discuss issues of importance to employees, consult with employee representatives when making decisions on employment relations or when approving internal regulations on employees' rights and obligations in the workplace. We give notice to employee representatives at least 10 working days before the planned changes or internal legislation comes into force.

More than 40 meetings with employee representatives were held during 2022.

During the meetings that are regularly held on a quarterly basis, we present to employees and employee representatives the Company's key initiatives, strategic projects, major developments and other relevant issues related to the Company's operations, economic situation and labour relations, and answer the raised questions.

In December 2022, after intensive collective bargaining negotiations initiated by the trade unions, a new sectoral collective agreement was signed in which the Company's employer and employee representatives agreed to:

- improve the working, social and economic conditions of staff by creating a working environment that attracts and develops professional and loyal staff and encourages them to perform at their best;
- base the work organisation and activities on modern principles;
- adhere to the Company's Values, which are the basis for the behaviour demonstrated in our day-to-day activities;
- strengthen social partnership;
- eliminate the preconditions and causes of corruption;
- apply fair and competitive remuneration and social guarantees;
- ensure safe working conditions;
- provide professional development, up-skilling and retraining opportunities for staff, in line with the Group's financial resources and the procedures established by the Group;
- work together to achieve the Group's business objectives and ensure the efficient and quality delivery of the Group's services and work, and a high level of work culture;
- agree on working conditions other than those regulated by the laws of the Republic of Lithuania;
- define additional guarantees for trade union activities;
- strive to create a working environment based on mutual respect and equal rights, eradicate discrimination and violence.

The Collective Agreement of the branch and its provisions apply to all LTG Group companies.

In order to strengthen social dialogue with workers' representatives and to implement the provisions of the Collective Agreement of the branch, training sessions on 'The Art of Oratory' and 'Motivation for Trade Union Activities' were organised for trade union presidents in 2022.

In addition to the regular meetings, a separate event is organised each year for employee representatives to present an overview of the implementation of the Collective Agreement of the branch, to discuss directions for more effective cooperation, and to present the Company's immediate plans.

### ENSURING EQUAL OPPORTUNITIES AND HUMAN RIGHTS

**Key documents that address the principles of human rights protection and the well-being of LTG Group employees are as follows:**

- Principles to ensure equal opportunities and diversity in AB Lietuvos geležinkeliai group of entities
- Principles to prevent violence and harassment in AB Lietuvos geležinkeliai group of entities
- Code of Ethics for Employees of AB Lietuvos geležinkeliai group of entities
- Principles of work in AB Lietuvos geležinkeliai group of entities

These documents are available to all LTG Group employees on the LTG Group intranet.

#### Equal opportunities policy - orientations, principles, measures/actions

##### Equal opportunities and diversity

We value the uniqueness of the individual, giving particular emphasis on his/her competences and experience. We promote a culture based on values, sustainability, competence and performance, where the implementation and promotion of equal opportunities and diversity are an integral part of the life of the Company. We create and foster a socially sustainable, inclusive and diverse work environment where all employees feel respected and valued, have equal opportunities and resources, and are able to contribute their uniqueness and talents to the achievement of the Company's objectives.

We prohibit and do not tolerate any form of discrimination - direct or indirect discrimination, intent or direction to discriminate, harassment, sexual harassment, stalking, as well as any form of abuse, insult, psychological violence, mobbing, bullying, abuse of position, or other similarly disadvantageous treatment.

We respect and protect the rights of every candidate and employee, including the right to privacy and the protection of personal data, the right to family responsibilities, the right to promote personal and professional development of employees, the right to foster a collaborative safety culture, and the right to ensure a safe and healthy working environment that meets the needs of employees. We pursue respect and fairness in the selection and recruitment of candidates and at all stages of the staff member's employment, to ensure that no staff member is subjected to any form of discrimination on the grounds of sex, race, nationality, citizenship, language, origin, social status, religion, convictions or belief, opinion or age, sexual orientation, disability, ethnic origin, medical condition, marital or family status, membership of a political party, trade union or association, religion, the intention to have a child, the enjoyment of legal rights, or any other characteristic of the person.

By implementing an annual performance review process and fostering a culture of feedback and personal recognition, we promote a work environment that supports creativity, employee behaviour that is consistent with the Company's values and ethical principles, openness to diversity, respect for colleagues and others, goodwill, integrity, mutual trust, professionalism, fairness and transparency.

In 2022, we renewed our Equal Opportunities and Diversity Policy and adopted the Company's Principles for the Prevention of Violence and Harassment, which aim to ensure the equality of individuals and the prohibition of restrictions and privileges, prohibit discrimination of any kind, ensure a safe and healthy working environment, and encourage everyone to contribute to the prevention of violence and harassment, and to foster a respectful and positive work culture. These principles also outline the means for their implementation, with a view to creating a working environment, in which each of us respects the dignity of the other, communicates with courtesy and respect, and by our behaviour ensures that none of us is subjected to humiliating, aggressive, abusive or otherwise insulting behaviour, and promotes behaviour that is consistent with the ethical principles of the workplace, and that promotes the values of the organisation.



### Measures ensuring equal opportunities and diversity

Principles for implementing and promoting equal opportunities and diversity in the Company are applied in all the areas related to labour relations.

### EQUAL OPPORTUNITIES IN THE SELECTION PROCESS

All candidates shall be subject to the same selection criteria and to identical and non-discriminatory conditions of employment, except where, by reason of the nature of the type of professional activity in question or of the conditions under which it is carried out, a particular feature of a person's identity constitutes an essential and decisive occupational requirement, and where this objective is legitimate and the requirement is proportionate.

In the selection process, candidates shall only be asked questions relating to their suitability for the job function, their competence, professionalism, experience, professional and subject qualities and other objective criteria relating to the requirements of the specific position for which they are applying.

In 2022, a standard for the selection management process to be used by recruitment managers and selection management experts was clearly defined, enshrining the application of the principles of equal opportunities and diversity. At the same time, the training programme for recruitment managers and selection experts at all levels has been updated to cover equal opportunities and diversity in the selection process, i.e. publication of recruitment notices, initial selection and follow-up interviews, and employment offers to successful candidates.

*Distribution of employees by gender in GTC:*

Year	Women	Men
2020	13%	87%
2021	13%	87%
2022	12,3%	87,7%

*Distribution of new recruits by gender in GTC, in figures and percentage:*

Year	Women	Men
2020	2 (4%)	46 (96%)
2021	6 (20%)	24 (80%)
2022	4 (10%)	35 (90%)

\*CER (The voice of European Railway) estimates that in 2021 women made up 21% of the total railway workforce.

### EQUAL OPPORTUNITIES IN LABOUR RELATIONS

We provide all employees with a healthy and safe working environment, equal working conditions for the performance of their job functions, and the necessary tools to do the job.

In 2022, an international safety culture maturity survey was organised with EAR (European Union Agency for Railway), with more than 2,500 employees participating (11.9% more than in 2021).

The results of the survey were analysed and summarised together with EAR, presentations and discussions were organised with the heads of business units and structural departments, areas for improvement in safety were identified, action plans were drawn up to reinforce the areas to be improved, and timeframes for the implementation of such measures were defined.

Employment decisions are made on the basis of the functions performed by the employees, their competencies, performance, professional and business qualities, GTC values, business need and other objective criteria. In adjusting working time arrangements, determining the length and timing of working, deciding on vacation leave and other options relating to working time arrangements, the needs of the individual employee with regard to family responsibilities shall be taken into account, as far as possible, taking into account the specific nature of the work performed by the employee. All staff have access to parental guarantees - a structured and accessible knowledge base on who is covered and by whom, prompt communication on changes to such guarantees, simple and user-friendly tools for coordinating planned targeted absences with managers.

*Use of parental leave in GTC by men and women, use of parent days (table):*

Item	Measurement unit	Gender	2021	2022
Employees who were on parental leave	number	Women	5	3
		Men	3	2
Employees who used parent days	number	Women	5	13
		Men	39	75

All employees are given equal opportunities to develop their competences, pursue professional development and gain practical work experience. An employee's career in the Company depends on his or her competence, experience and knowledge, performance, quality of work and the employee's own initiative in planning his or her internal career.

Summary of staff performance is carried out using similar procedures and objective evaluation criteria relating to job functions, which may differ only because of the specific nature of the functions performed by certain positions or the specific requirements of a particular position. At the same time, value behaviour is taken into account, and the aggregation of the results of the evaluation in the calibration meetings, the common agreements are used to clarify the bar of expectations for the specific evaluations and to carry out the final ranking in a specific meeting within the group of employees in question.

#### **EQUAL OPPORTUNITIES IN REMUNERATION SETTING**

Staff remuneration is set and reviewed in accordance with the uniform principles set out in the Remuneration Methodology and the Standard for the Management of Staff Remuneration Process. They make it clear that the Group's remuneration principles are transparent and uniformly applied to all employees, irrespective of their gender or certain aspects of their individual identity. The specific remuneration of an employee shall be determined in accordance with the remuneration framework assigned to the corporate level of his/her position as well as with objective criteria related to the employee's personal experience and competencies, as well as to his/her performance in the context of a remuneration review.

The actual gender pay gap in GTC is due to the overall gender distribution, with more men than women working not only in the railway industry in general, but also in a number of job groups, especially in operational roles. Women predominate in positions related to support/administrative functions, where the remuneration level in the market is relatively lower. Men are concentrated in positions where the field of activity generates more competitive remuneration on the market (e.g. IT, Engineering) or where the work is of a special nature - physical exertion, outdoor or other special conditions - where the level of remuneration on the market is higher. At the same time, the opposite situation can be observed in certain job groups, where women, although not predominant, occupy positions for which there is a shortage in the market, leading to relatively higher pay (e.g. leadership positions in project, strategy, finance, supply chain management), in which case remuneration of women exceed that of men.

*Average salary ratio between women and men in GTC, by general function groups (table)*

Item	Measurement unit	2021	2022
<b>Ratio of average salary of women and men</b>			
ALL EMPLOYEES	ratio	1 : 1,03	1 : 0,99
High-level managers	ratio	-	-
Senior managers and experts in specific fields	ratio	1 : 1,09	1 : 0,90
Mid-level managers and individual domain experts	ratio	1 : 1,22	1 : 1,20
Team leaders and experienced professionals	ratio	1 : 1,32	1 : 1,27
Specialists and experienced operational/service staff	ratio	1 : 1,15	1 : 1,13
Operational/service staff, qualified workers	ratio	1 : 1,27	1 : 1,24

Additional benefits and all other staff incentives are also allocated based on clear criteria that are known to all employees.

Awareness and understanding of equal opportunities and diversity and their implementation among managers and employees is raised by periodically sharing information about the Company's principles, and by organising training and counselling for managers and employees.

## Helpline and reporting discrimination

The widely publicised whistleblowing channel [manrupi@ltg.lt](mailto:manrupi@ltg.lt) invites workers to report various irregularities that may involve non-compliance with the law, discrimination or other unethical behaviour, as well as to raise complaints or questions about their employment relationship. Through this channel, all LTG Group employees or other interested parties are invited to confidentially report possible committed violations of equal opportunities and diversity, ongoing or planned by LTG Group employees.

The confidentiality of whistle-blowers shall be protected and safeguarded against hostile treatment or adverse consequences, if an employee makes a report of a violation of equal opportunities and diversity or is involved in a case of a violation of equal opportunities and diversity against an LTG Group company, an employee of an LTG Group company, or any other person in any way connected with LTG Group. Reports and investigations of alleged, actual or threatened breaches of equal opportunities and diversity will be dealt with in accordance with the process updated in 2022.

In 2022, there were 6 reports of possible discrimination or other human rights violations at work. Investigations have not revealed any manifestations of discrimination or other human rights violations at work. The identification of partially correctable behaviours and the staff members who displayed them led to preventive measures to avoid possible future violations by analysing exemplary situations and discussing examples of appropriate behaviour.

## REMUNERATION AND PERFORMANCE MANAGEMENT

The general principles of remuneration formation are focused on:

- attracting, motivating and retaining staff with the right skills and competences;
- encouraging staff development;
- ensuring internal justice in remuneration for work and employees' efforts;
- motivating employees through a package of added benefits;
- effective personnel cost management

The classic elements used to achieve these objectives are: methodical job evaluation; periodic benchmarking of internal remuneration data against the market and the implementation of a review; the direct linking of the potential for changes in remuneration to the employee's performance in the form of an assessment of the achievement of the annual objectives, the level of extra effort, and the value of his/her behaviour.

A local scale of corporate levels is used to publish the results of methodological job evaluation in the organization. Each employee is given the opportunity to see the corporate levels of their position and other positions in the organization. At the same time, information on the remuneration levels of each corporate level is available to each employee. In this way, the principles of transparency are established in the organization and preconditions for self-assessment and planning of internal career opportunities are created.

Every year, a periodic review of remuneration is conducted, which is linked to clear and objective criteria - the comparison of the existing remuneration of employees with the market, the Company's financial results and the budget allocated for the review, as well as the assessment of the annual performance of each employee. The periodic review of remuneration generally takes effect on April 1 of each year. The total budget for the spring 2022 base salary review in GTC amounted to 7.0%.

In the last quarter of 2022, the basic salary structure for operational staff was revised and the variable remuneration component, which had not been made possible by objectively measurable criteria over the years, was eliminated and integrated into the contractual remuneration. The aim was to ensure clarity, transparency and stability for employees, while at the same time moving towards the construction of highly targeted incentive schemes that are genuinely geared towards achieving the Company's strategic objectives.

At the end of the financial year and after evaluating the results achieved by the Company, an annual incentive fund is allocated to employees. Such fund is an incentive for employees at the initiative of the employer for a job well performed and positive results of the Company, as specified in Article 139(2)(6) of the Labour Code of the Republic of Lithuania, and which is allocated pursuant to Article 142(1)(2) of the Labour Code of the Republic of Lithuania. This incentive is also forward-looking as an incentive for employees, and individual annual incentive opportunities are linked to the corporate levels of positions and the evaluation of each employee's annual performance. The decision regarding the budget for the periodic review of the remuneration is based on performance. In 2022, EUR 0.25 million was paid to employees as part of the distribution of the annual incentive fund, based on the performance of the GTC in 2021.

The package of additional benefits includes one-off benefits for the birth of an employee's child or death of a close family member, support in the event of a natural disaster, loyalty benefits for employees leaving the organization at the retirement age, additional leave and other benefits provided for by the Company's Collective Agreement and the Remuneration Methodology. Employees are

also provided with insurance against accidents and additional voluntary health insurance, which compensates employees for outpatient and inpatient treatment and diagnostics, preventive health check-ups and vaccinations, prescription drugs and medical aids. In addition, staff can choose between dental, rehabilitation or optician services. Each year about 85% of GTC employees choose to take out supplementary voluntary health insurance. During the negotiations with the social partners concerning the new collective agreement of the branch, it was agreed from 2023 to increase the lump-sum payment for the birth of an employee's child or the death of a close family member by 50% - from EUR 200 to EUR 300 after tax.

The principles of remuneration and the fringe benefits to be granted are defined in the GTC's Collective Agreement, Personnel Policy and Remuneration Methodology. The principles of remuneration for senior executives are defined in the Company's Senior Executive Remuneration Policy. More detailed information on provisions for the implementation of these principles is presented in internal process standards, methodologies, as well as published on the Company's internal intranet - knowledge base and news for employees.

The process of managing and evaluating the performance of employees remains focused on establishing a culture of high performance, personal responsibility and continuous feedback, and the principle of "the best are rewarded the most".

### **TRAINING AND DEVELOPMENT OF COMPETENCES**

In response to the complicated geopolitical situation, which directly affected the organisation's operations, and to help employees cope with the challenges, get answers to questions, and learn how to live and work in a changing and stressful environment, remote lectures and meetings with experts in various fields were organised throughout the Company on the most relevant topics: how to cope and manage anxiety in emergency situations, what to know and how to react to the war in Ukraine, how Lithuanian and foreign intelligence services work, how to properly use the energy of stress in times of change in the organisation, how to maintain personal effectiveness and well-being at work, why you need to take a holiday and how to know how to rest, how to be proactive in difficult situations. These lectures were very popular with employees (7 236 participants) and highly appreciated

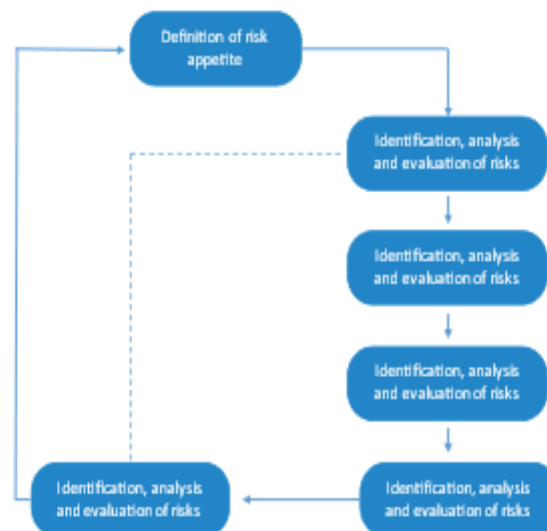
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## RISKS AND THEIR MANAGEMENT

The Company has implemented and is continuously improving the LTG Group's **unified risk management system**. It is defined in the LTG Group's risk management policies, methodologies and process standards, which have been developed taking into account the International Organization of Standardization (ISO 31000) and the Committee of Sponsoring Organizations of the Treadway Commission (COSO ERM) Enterprise Risk Management standards and best practices.

The LTG Group allocates risk management responsibilities according to the **Three Lines of Defence model**. It is based on:

- 1<sup>st</sup> line risk management activities are performed by LTG Group companies and LTG corporate functions, which identify, assess and manage risks;
- 2<sup>nd</sup> line risk management activities are performed by LTG Risk and Compliance Management, which develops and improves the overall system and performs coordination and control activities;
- 3<sup>rd</sup> line risk management is performed by the Internal Audit Division of LTG, which carries out an independent assessment of the effectiveness of risk management levels 1 and 2, and provides comments and recommendations.
- Both managers at various levels and collegial bodies are actively involved in risk management practices. The Group has the **Risk Management Committee** chaired by the Director for Business Resilience of LTG Group. The Risk Management Committee works along the following main lines of action: to ensure a holistic view of the Group's risks, it carries out risk calibration and prioritises risks (systemic or Group-wide); assesses the management status of priority risks; proposes the choice of risk management tools and the recording of new risks; recommends on the improvement of the overall risk management framework.



LTG Group risks are managed in phases. The overall periodic cycle consists of the following main steps:

1. Determining risk appetite.
2. Risk identification and assessment.
3. Risk systemisation and calibration.
4. Development of risk management plans.
5. Implementation of risk management plans.
6. Monitoring risk management.

The level of identified risks is assessed by determining their likelihood and potential impact (considering financial, legal, reputational, business continuity and employee safety impacts) and assigning them to one of four risk categories (strategic, operational, financial, compliance). In this context, for each of the risks, risk owners and the necessary management/mitigation actions are selected. The dynamics of the risks and the progress in implementing the measures are monitored periodically on a quarterly basis.

A well-established and settled reporting system ensures the periodic and timely dissemination of risk-related information. On a quarterly basis, the state of risk management of each of the companies is reviewed in reports submitted to the Boards of the companies and the LTG Group. The Group Board is informed on a monthly basis of risks above appetite. This cyclical system not only helps to monitor the status of identified risks, but also provides an opportunity to discuss the emergence of new risks.

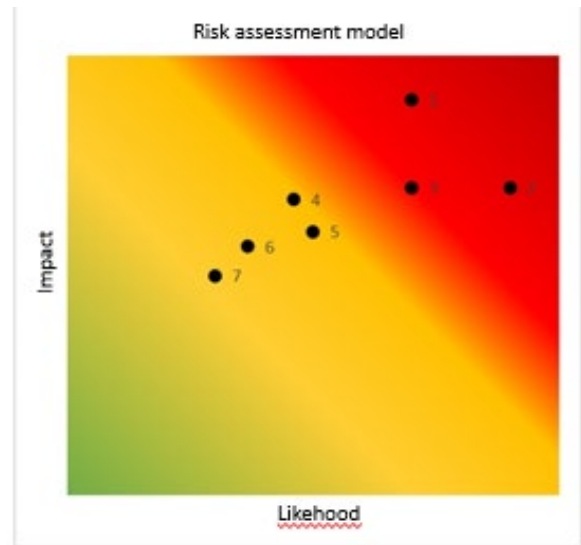
Risk management activities continue to receive increasing attention and importance. A particularly important development is the creation of a Business Resilience Unit within LTG Group. The Risk Management and Compliance function reports directly to the Director for Business Resilience, providing direct reporting channels and reinforcing the importance of risk and other resilience issues in strategic decision-making.

Taking into account the specific nature of the Company's business, external context and history, the key risks relevant in 2022 are identified and presented below.



## MAIN RISKS AND THEIR MANAGEMENT MEASURES

- 1 – Insufficient size of the sales project portfolio necessary to achieve strategic objectives
- 2 – Supply chain disruptions
- 3 – Risk of unfavourable regulatory changes
- 4 – Risk of safety incidents
- 5 – Failure to ensure that IT systems meet business needs
- 6 – Lack of human resources with specific competences
- 7 – Risk of delays in contractual projects



Risk	Level of risk	Main sources of risk	Potential impact	Basic risk management measures
Insufficient size of the sales project portfolio necessary to achieve strategic objectives	Highest	<ul style="list-style-type: none"> <li>High cost base of the machinery fleet</li> <li>- Increasing number of market players</li> </ul>	<ul style="list-style-type: none"> <li>Revenue targets not met</li> </ul>	<ul style="list-style-type: none"> <li>Developing new products on the Lithuanian market</li> <li>Expansion abroad</li> </ul>
Supply chain disruptions	Highest	<ul style="list-style-type: none"> <li>Increase in prices of materials and raw materials</li> <li>Increased delivery times</li> <li>Possible sanctions for suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Operational failures due to lack of spare parts</li> <li>Delays in works</li> </ul>	<ul style="list-style-type: none"> <li>Supplier checks due to sanctions</li> <li>Advance planning</li> <li>Reallocation of resources</li> </ul>
Risk of unfavourable regulatory changes	High	<ul style="list-style-type: none"> <li>Significant changes in the regulatory environment</li> </ul>	<ul style="list-style-type: none"> <li>Financial impact</li> <li>Impact on operational efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Active cooperation with regulatory institutions</li> <li>Centralised coordination of regulatory issues within the Group</li> <li>Participation in consultations and working groups</li> <li>Action plan to maintain operational flexibility</li> </ul>

Risk of safety incidents	Moderate	<ul style="list-style-type: none"> <li>Failure to comply with work safety instructions</li> <li>Failure to comply with technological requirements during repair work</li> </ul>	<ul style="list-style-type: none"> <li>Injuries to workers or other persons</li> <li>Financial losses due to damage to rolling stock or infrastructure</li> <li>Reputation damage due to failure to ensure traffic/worker safety</li> <li>Disruption of operations due to traffic accidents</li> </ul>	<ul style="list-style-type: none"> <li>Periodic training and coaching</li> <li>Mobile app to help keep workers safe</li> <li>Safety system inspections</li> <li>Periodic monitoring of physical and technical security</li> </ul>
Failure to ensure that IT systems meet business needs	Moderate	<ul style="list-style-type: none"> <li>Lack of digitisation and automation</li> <li>Changing business environment creates new demands</li> <li>Data loss due to technical (power failures, flooding) and organisational (malicious activity, errors) factors</li> </ul>	<ul style="list-style-type: none"> <li>Financial costs due to recovery of system operations or data</li> <li>Reputation damage in the event of data leakage</li> <li>Low operational efficiency due to insufficiently digitised processes</li> <li>Operational disruptions</li> <li>Non-compliance with data protection requirements</li> </ul>	<ul style="list-style-type: none"> <li>Development of project management tools</li> <li>Upgrading business management systems</li> <li>Upgrading access management processes and tools</li> </ul>
Lack of human resources with specific competences	Moderate	<ul style="list-style-type: none"> <li>National labour market trends</li> <li>Lack of prestige in some professions</li> </ul>	<ul style="list-style-type: none"> <li>Potential impact on continuity of critical activities due to lack of human resources</li> </ul>	<ul style="list-style-type: none"> <li>Improving working conditions</li> <li>Enhancing the prestige of the position</li> <li>Automation of activities</li> <li>Creating an employer image</li> </ul>
Risk of delays in contractual projects	Moderate	<ul style="list-style-type: none"> <li>Lack of efficiency in project management</li> <li>Inefficient traffic breaks</li> <li>Delays in the supply of materials</li> </ul>	<ul style="list-style-type: none"> <li>Financial losses</li> <li>Reputation damage</li> </ul>	<ul style="list-style-type: none"> <li>Development of project management tools</li> <li>Improvement of staff competences</li> <li>Implementation of efficiency initiatives</li> </ul>

#### INFORMATION ABOUT EXTERNAL AUDITOR

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

The public procurement contract for the audit of the consolidated LTG and separate financial statements of LTG Group subsidiaries, prepared in accordance with International Financial Reporting Standards, adopted by the EU, for the year 2020–2022, was awarded to KPMG Baltics, UAB. The candidacy of auditors was confirmed by the Audit Committee of LTG, it was approved by the Board of LTG and the confirmation of the shareholder was obtained. The contract for audit services was signed on 23 June 2020.

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

The audit fee set for the audit of the financial statements for 2022 amounts to EUR 23 thousand (excluding VAT).

## SUSTAINABILITY REPORT (UNAUDITED)

The information presented in the Sustainability Report of AB Lietuvos geležinkeliai Group includes information of the parent company and all the subsidiaries. The main topics of the Sustainability Report cover all LTG Group companies and no detailed sustainability information for each LTG Group company is prepared.

The sustainability performance and results of the LTG Group as a whole, including GTC, are reviewed in the consolidated LTG Group Annual Report 2022, of which the LTG Group Sustainability Report is an integrated part. This report, the LTG Group's Sustainability Policy and the priorities for sustainability activities are also available on the "Sustainability" section of the website [www.ltg.lt](http://www.ltg.lt).

### Information on Compliance with the Guidelines on Transparency

The Company follows the requirements of the Description of the Guidelines for Ensuring Transparency of State-Owned Enterprises approved by Resolution No 1052 of the Government of the Republic of Lithuania of 14 July 2010 when disclosing the required information in annual and interim reports and ensuring the disclosure of information on its website [HTTPS://LTGINFRA.LT/](https://ltginfra.lt/).

### STRUCTURED INFORMATION OF THE COMPLIANCE WITH THE GUIDELINES ON TRANSPARENCY

Clause of the Description	Provision of the description 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 reorganization), 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
5.6.	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 authorized 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 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 entities, 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

Clause of the Description	Provision of the description Disclosure of the Company's information	Yes/No
7.	The following documents shall be announced in the website of a state-owned enterprise:	Yes
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 authorized capital, also consolidated financial statements and consolidated annual reports.	Yes
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 published on its website.	Yes
9 <sup>1</sup> .	When a company is a subsidiary or a subsequent subsidiary of a state-owned enterprise, the details of its parent company specified in Clauses 5.1–5.3 of the Description as well as the link to the parent company's website must be published on its website.	Yes
10.	If details specified in Clause 5, 6, 7.1–7.4, 8, 9 and 9 <sup>1</sup> 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
<b>Preparation of sets of financial statements and reports</b>		
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

Clause of the Description	Provision of the description Disclosure of the Company's information	Yes/No
17.4.	The profitability, liquidity, assets negotiability, and debt indicators;	Yes
17.5.	The fulfilment of the specific obligations;	Company does not fulfil 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 environmental protection, social and personnel-related issues, the protection of human rights, anti-corruption and anti-bribery measures.	Yes
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 <i>mutatis mutandis</i> .	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



## DEFINITIONS

<b>Revenue</b>	Sales revenue + Other operating income excluding income from other activities
<b>Sales revenue</b>	Revenue, excluding income from other activities and income from financial activities
<b>Costs</b>	Costs, excluding the corporate tax and income from financial activities
<b>Financial debt</b>	Interest-bearing financial debt, including finance leases
<b>Net debt</b>	Interest-bearing financial debt, including finance leases, less cash, and cash equivalent investments
<b>Return On Equity (ROE)</b>	Net profit/loss for the period of the last 12 months / average equity as at the beginning and the end of the reporting period
<b>Return On Assets (ROA)</b>	Net profit/loss for the period of the last 12 months / average assets as at the beginning and the end of the reporting period
<b>Return On Investment (ROI)</b>	Net profit/loss for the period of the last 12 months / average assets as at the beginning and the end of the reporting period - average short-term liabilities as at the beginning and the end of the reporting period
<b>EBIT</b>	Profit (loss) before the corporate tax – the result of financial activities
<b>EBITDA</b>	Profit (loss) before the corporate tax – the result of financial activity + depreciation and amortization
<b>Normalised EBITDA</b>	Profit (loss) before taxation + Interest expenses - Interest income + Depreciation and amortisation + Increase (decrease) in the value of non-current assets, inventories and investments + Increase (decrease) in the value of amounts receivable and contract assets + Expenses of provisions not related to typical activities (penalties is)
<b>EBIT margin</b>	EBIT/sales revenue
<b>EBITDA margin</b>	EBITDA/sales revenue
<b>Normalised EBITDA margin</b>	Normalised EBITDA / sales revenue
<b>Net profit margin</b>	Net profit (loss) / sales revenue
<b>Equity ratio</b>	Equity at the end of the reporting period / assets at the end of the reporting period
<b>Financial debt / EBITDA</b>	Financial debt / EBITDA of the previous 12-month period
<b>Net debt / EBITDA</b>	Net debt / EBITDA of the previous 12-month period
<b>Net debt / Normalised EBITDA</b>	Net debt / Normalised EBITDA of the recent 12-month period
<b>Asset turnover ratio</b>	Sales revenue for the period of the last 12 months / assets at the end of the reporting period
<b>Total liquidity rate</b>	Current assets at the end of the reporting period / current liabilities at the end of the reporting period
<b>Number of employees</b>	The number of listed active employees as of the end of the period (excluding the employees on parental leave, military service, long-term incapacity)
<b>Average salary</b>	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,  
auditor's report for the year ended 31 December 2022



**KPMG Baltics, UAB**  
Lvivo St. 101  
LT-08104, Vilnius  
Lithuania

Phone: +370 5 2102600  
Fax: +370 5 2102659  
E-mail: vilnius@kpmg.lt  
Website: home.kpmg/lt

# 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 2022,
- 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 2022, 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 (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## ■ Other 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.

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

Rūta Kupinienė  
Certified Auditor

Vilnius, the Republic of Lithuania  
13 March 2023

*The electronic auditor's signature applies only to the Independent Auditor's Report on pages 38 to 40 of this document.*



**STATEMENT OF FINANCIAL POSITION**

**STATEMENT OF FINANCIAL POSITION**

ASSETS	Notes	31/12/2022	31/12/2021
<b>Non-current assets</b>			
<b>Property, plant and equipment</b>		<b>22,283</b>	<b>24,029</b>
Land			
Buildings and structures	8	3,199	3,399
Machinery and plant	8	13,717	14,875
Road vehicles	8	75	114
Railway rolling stocks	8	4,653	4,971
Other equipment, fittings and tools	8	184	228
Right-of-use assets	9	428	385
Construction in progress and prepayments	8	27	57
<b>Intangible assets</b>		<b>7</b>	<b>11</b>
Software	7	7	11
<b>Financial assets</b>		<b>-</b>	<b>4</b>
Investments in associates, subsidiaries and other companies	10		4
<b>Deferred tax asset</b>	<b>27</b>	<b>398</b>	<b>647</b>
<b>Total non-current assets</b>		<b>22,688</b>	<b>24,691</b>
<b>Current assets</b>			
Inventories	11	2,050	1,805
Assets arising from contracts with customers	13	894	765
Prepayments	12	8	447
Trade receivables	14	1,588	4,926
Receivables from related parties	14	3,683	2,992
Other receivables	15	131	43
Cash and cash equivalents	16	62	11
<b>Total current assets</b>		<b>8,416</b>	<b>10,989</b>
<b>TOTAL ASSETS</b>		<b>31,104</b>	<b>35,680</b>

**STATEMENT OF FINANCIAL POSITION (CONTINUED)**

EQUITY AND LIABILITIES	Notes	31/12/2022	31/12/2021
<b>Equity</b>			
Share capital	17	30,897	30,897
Share premium		-	-
Legal reserve	18	-	-
Other reserves	18	-	-
Retained earnings (loss)		(4,965)	(64)
<b>Total equity</b>		<b>25,932</b>	<b>30,833</b>
<b>Non-current liabilities</b>			
Lease liabilities	20	211	333
Provisions	21	66	73
Deferred tax liabilities	27	-	-
<b>Total non-current liabilities</b>		<b>277</b>	<b>406</b>
<b>Current liabilities</b>			
Liabilities arising from contracts with customers	23	680	181
Loans	19	1,171	23
Lease liabilities	20	231	67
Prepayments received	23	8	776
Trade payables	24	825	1,301
Payables to related parties	24	192	276
Provisions	21	293	312
Corporate income tax liabilities	27	-	-
Employment related liabilities	22	814	867
Other payables	24	681	638
<b>Total current liabilities</b>		<b>4,895</b>	<b>4,441</b>
<b>Total liabilities</b>		<b>5,172</b>	<b>4,847</b>
<b>Total equity and liabilities</b>		<b>31,104</b>	<b>35,680</b>

Chief Executive Officer

Justas Vyžintas

Chief Financial Officer

Edgaras Katelovičius

Acting Chief Accountant

Larisa Vaidžiulienė

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	31/12/2022	31/12/2021
Revenue	25	19,909	30,918
Other revenue	25	164	273
<b>Total revenue</b>		<b>20,073</b>	<b>31,191</b>
Depreciation and amortisation		(2,295)	(2,522)
Remuneration and related costs		(8,108)	(8,356)
Fuel		(853)	(669)
Materials		(3,970)	(9,364)
Repair		(1,190)	(1,474)
Electricity		(160)	(102)
Impairment losses of receivables		(10)	26
Impairment losses of inventories		58	(29)
Change in provisions		26	31
Change in vacation accruals and other remuneration-related accruals		(50)	138
Taxes		(57)	(73)
Other expenses		(7,902)	(8,212)
<b>Operating profit</b>		<b>(4,438)</b>	<b>585</b>
Finance income	26	4	2
Finance costs	26	(218)	(193)
<b>Profit (loss) before taxation</b>		<b>(4,652)</b>	<b>394</b>
Corporate income tax	27	(249)	(42)
<b>Net profit</b>		<b>(4,901)</b>	<b>352</b>
Other comprehensive income (expenses)			
<b>Total comprehensive income (expenses)</b>		<b>(4,901)</b>	<b>352</b>

Chief Executive Officer

Justas Vyžintas

Chief Financial Officer

Edgaras Katelovičius

Acting Chief Accountant

Larisa Vaidžiulienė

**STATEMENT OF CHANGES IN EQUITY**

	Notes	Authorised share capital	Share premium	Legal reserve	Other reserves	Retained earnings (losses)	Total
<b>Balance as at 31 December 2020</b>		<b>30,897</b>	<b>1</b>	-	-	<b>(416)</b>	<b>30,481</b>
Impact of initial application of IFRS 16		-	-	-	-	-	-
Net profit (loss)		-	-	-	-	352	352
Other comprehensive income after tax		-	-	-	-	-	-
<i>Total comprehensive income (expenses)</i>						352	352
Profit (loss) not recognised in the statement of profit or loss and other comprehensive income		-	-	-	-	-	-
Increase in share capital by contribution of a shareholder		-	-	-	-	-	-
Decrease in share capital		-	-	-	-	-	-
Reserves formed		-	-	-	-	-	-
Reserves used		-	-	-	-	-	-
<b>Balance as at 31 December 2021</b>		<b>30,897</b>	-	-	-	<b>(64)</b>	<b>30,833</b>
Net profit (loss)		-	-	-	-	(4,901)	(4,901)
Other comprehensive income after tax		-	-	-	-	-	-
<i>Total comprehensive income (expenses)</i>		-	-	-	-	(4,901)	<b>(4,901)</b>
Profit (loss) not recognised in the statement of profit or loss and other comprehensive income		-	-	-	-	-	-
Increase in share capital		-	-	-	-	-	-
Decrease in share capital		-	-	-	-	-	-
Reserves formed		-	-	-	-	-	-
Reserves used		-	-	-	-	-	-
Dividends		-	-	-	-	-	-
<b>Balance as at 31 December 2022</b>		<b>30,897</b>	-	-	-	<b>(4,965)</b>	<b>25,932</b>

Chief Executive Officer	<u>Justas Vyžintas</u>
Chief Financial Officer	<u>Edgaras Katelovičius</u>
Acting Chief Accountant	<u>Larisa Vaidžiulienė</u>

## STATEMENT OF CASH FLOWS

	31/12/2022	31/12/2021
<b>Cash flows from operating activities</b>		
Net profit (loss)	(4,901)	352
<b>Adjustment to non-cash items:</b>		
Depreciation and amortisation expenses	2,295	2,522
(Gain) loss from disposal/write-off of non-current assets (except for financial assets)	(70)	157
Impairment (reversal) of property, plant and equipment and financial assets	-	1
Impairment (reversal) of trade receivables and prepayments	10	(26)
Impairment (reversal) of inventories to net realisable value	(58)	29
Decrease (increase) in accrued income	369	(527)
Interest (income)	-	-
Interest expenses	110	52
Lease liability interest	21	22
Increase (decrease) in provisions	(26)	(40)
Loss (gain) from corporate income tax	249	42
	<b>(2,001)</b>	<b>2,584</b>
<b>Change in working capital</b>		
Decrease (increase) in inventories	(187)	2,312
Decrease (increase) in trade and other receivables and prepayments	2,988	(1,297)
Increase (decrease) in non-current and current trade payables and prepayments received	(1,328)	(3905)
Increase (decrease) in employment-related liabilities	(53)	(328)
Increase (decrease) in other non-current and current payables	42	33
(Paid) corporate income tax	-	-
<b>Net cash from operating activities</b>	<b>(539)</b>	<b>(601)</b>
<b>Cash flows from investing activities</b>		
Disposals of investment in subsidiary	3	-
(Acquisition) of non-current assets	(608)	(808)
Disposals of non-current assets	199	187
<b>Net cash flows from investing activities</b>	<b>(406)</b>	<b>(621)</b>
<b>Cash flows from financing activities</b>		
Loans received	13,172	12,167
Loans (repayment)	(12,024)	(12,144)
Grants received (repaid)	-	-
Lease payments	(42)	(393)
Interest (paid)	(89)	(52)
Lease liability interest	(21)	(22)
<b>Net cash flows from financing activities</b>	<b>996</b>	<b>(444)</b>
<b>Increase (decrease) in net cash flows</b>	<b>51</b>	<b>(1,666)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>11</b>	<b>1,677</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>62</b>	<b>11</b>

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

Chief Executive Officer

Justas Vyžintas

Chief Financial Officer

Edgaras Katelovičius

Acting Chief Accountant

Larisa Vaidžiulienė



## 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. The Company's registration code 181628163, VAT payer's code LT816281610, legal (registration) 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 Geležinkelio 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 „Geležinkelio projektavimas and continues its activities. The reorganisation was performed at carrying amounts by way of merger.

As at 31 December 2022 and 2021, 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.

In 2022 and 2021, the sole shareholder of the Company was AB Lietuvos geležinkeliai owning 100% shares of UAB Geležinkelio tiesimo centras.

As at 31 December 2022, 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 2022, the Company's investments in subsidiary consisted of:

Company name	Registered address	Owned share, %		Main activities
		31/12/2022	31/12/2021	
OOO Rail Lab	Internacionalnaja ul., 36-1, Minsk, the Republic of Belarus	-	4	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 291 as at 31 December 2022 (as at 31 December 2021: 340).

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 2022 comprising the statement of financial position as at 31 December 2022, 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. In addition, the auditor provided the Company with an English translation service for its 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 policies.** 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.

## 2. Significant accounting policies (continued)

**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 the carrying amounts 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 for the year ended 31 December 2022 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 carrying amount of the replaced 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.

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 recognised in the statement of profit or loss and other comprehensive income.

## 2. Significant accounting policies (continued)

**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 carrying amounts over their estimated useful lives.

Groups of property, plant and equipment	Useful life
Buildings and structures	8–110
Machinery and plant	5–40
Road vehicles	4–15
Railway rolling stocks (including wagons)	8–46
Computers and hardware	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 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.** At each reporting date, the Company reviews the carrying amounts 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.

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.

## 2. Significant accounting policies (continued)

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 recognised 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 recognised 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 recognised initially upon occurrence. During initial recognition all other financial assets are recognised 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 recognised 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 a 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 recognised 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 recognised 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. 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)

At the end of each reporting period, the Company assesses whether the value of financial assets carried at amortised 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) where there is a breach of contract, such as default or delay for more than 90 days;
- 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 2022 and 2021, 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 comprises 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.

### Leases

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.

#### *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 accounts for each lease component of the contract as a lease separately from the non-lease (service) components of the contract.

The Company does 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 assesses each asset separately. In deciding whether the value of an asset is low, lease charges over the entire lease period are not assessed. Assets with a value of up to EUR 4 thousand are considered low value assets. Contributions related to short-term leases and to the rental of low-value assets are directly recognised as expenses in the statement of profit or loss and other comprehensive income. The Company does not apply the lease recognition provisions to all intangible assets. The Company applies the provisions of IAS 38 *Intangible Assets* to such assets.

The Company recognises the right-of-use asset and the lease liability in the statement of financial position at the commencement of the lease.

At the commencement date, the Company measures the right-of-use assets at cost. Subsequent to initial recognition, right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment losses, and an adjustment to any revaluation of the liability.



## 2. Significant accounting policies (continued)

On the commencement date the Company measures 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 uses the incremental borrowing rate charged by the lessee. The incremental borrowing rate of the lessee is 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 measures right-of-use assets 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 inventories. The Company assumes a liability relating to these costs on the commencement date or after using the leased assets for a specific period. The Company recognises 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 assesses the right-of-use assets applying the cost method. By applying the cost method the Company measures the right-of-use assets at cost: less any accumulated depreciation and any accumulated impairment losses; and adjusted for reassessment of the lease liability.

In calculating the depreciation of right-of-use assets, the Company applies the depreciation requirements of IAS 16 *Property, Plant and Equipment*.

**Initial assessment of the lease liability.** On the commencement date the Company measures a lease liability at the present value of the lease payments outstanding at that date. Lease fees are 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 uses the borrowing rate published by the Bank of Lithuania.

**Reassessment of the lease liability.** After initial recognition, the lease liability is reassessed to take into account changes in the lease fees. The Company recognises 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 recognises any remaining amount of the reassessment as profit or loss. The Company reports 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 right-of-use assets. The interest expenditure on the lease liability is a component of the financial cost presented in the statement of comprehensive income.

### ***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 recognises 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 uses 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 uses 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 is determined in such a way that the initial direct costs are automatically included in the amount of net investment in the lease; they are added separately.

The Company recognises finance 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 deducts lease fees related to the period from the gross investment in the lease in order to gradually reduce both basic and unearned finance income.

**Operating lease.** The Company recognises the lease fees related to operating lease, as income on a straight-line 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 are included by the Company in the carrying amount of the leased assets and are recognised as expenditure during the lease period on the same basis as the lease income. The Company accounts for the change in the operating lease as a new lease from the date of the change entry into force and treats the lease fees paid or accrued in advance in relation to the original lease as part of the new lease.

## 2. Significant accounting policies (continued)

**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 2022 and 2021 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 income 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 taxes 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.

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 disposal of securities 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 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.

## 2. Significant accounting policies (continued)

**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 earnings (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-evaluates provisions at each reporting 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 statement of profit or loss 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. The liability is carried at present value discounted using the market interest rate.

**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 recognised for possible benefits to employees reaching the jubilees of 50 and 60.

**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. Revenues 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:

## 2. Significant accounting policies (continued)

### 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 be 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 terms of each agreement.

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.

## 2. Significant accounting policies (continued)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Revenue from sales is recognised net of VAT and discounts, including accrued expected discounts for the 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 obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

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 2022 and 2021, 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;

Lease income arising from leases of other assets is accounted for on a straight-line basis over the lease term.

- Other revenue. Other revenue comprises snow removal, sales of current assets, and other income.

In 2022 and 2021, the Company's other income is 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:

Type of services	Nature and timing of performance obligation fulfilment, payment terms	Revenue recognition under IFRS 15
Construction and repair of railways	Invoices are issued after the service has been rendered and the deed of acceptance and transfer 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.
Maintenance of railway track and structures		
Construction, reconstruction and repair of other structures		Advances received are included into contractual liabilities.
Construction and repair works in the area of security, automation and electrification		If services under one agreement are rendered in different reporting periods, then the consideration is allocated based on their relative stand-alone sales prices. The stand-alone sales price is determined based on service prices indicated in the agreement.
Design works		
Lease of machinery and plant	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 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.
Other revenue		



## 2. Significant accounting policies (continued)

**Recognition of expenses.** The Company's expenses are recognised 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.

**Finance income and costs.** 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 costs.** Finance costs 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.

**Contingent assets and liabilities.** Contingent liabilities are not recognised 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 recognised 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:

**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.



### 3. Significant estimates and assumptions (continued)

**Useful lives of intangible assets and property, plant and equipment.** The useful lives are reviewed on an annual basis and, if necessary, are adjusted to reflect the current estimate of remaining useful life, considering technological changes, future economic use of assets and their physical condition. If expectations differ from previous estimates, the changes are accounted for as a change in 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 reporting 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. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount of an asset that does not generate cash flows is estimated based on the recoverable amount of a 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).

**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 recognise 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 recognising 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. Judgement is necessary in assessing the likelihood that a pending claim will succeed or a liability will arise, and to quantify the possible range of the 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 income tax.** 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 of assets and settlement of liabilities. Deferred tax is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Values of deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### 4. New standards, amendments and interpretations not yet adopted

New standards, amendments to standards and interpretations, which are effective for annual periods beginning on or after 1 January 2023 and which have not been applied in preparing these financial statements are set out below:

##### *IFRS 17 – Insurance Contracts*

Effective for annual periods beginning on 1 January 2023 with regard to the principle of comparability. Early application is permitted if an entity also applies IFRS 9 and IFRS 15 as at the date of IFRS 17 application or earlier. IFRS 17 replaces IFRS 4, which has allowed entities to continue using current practice for accounting for insurance contracts. This made it difficult for investors to compare the financial performance of similar insurance companies. IFRS 17 is a general principles-based standard setting accounting requirements for all types of insurance contracts, including reinsurance contracts held by an insurer. The standard requires groups of insurance contracts to recognise and measure: (i) future cash flows (cash flows arising from the performance of the contract) at risk-adjusted present value, which includes all available information about the cash flows arising from the performance of the contract consistent with observable market data; by adding (if this value is a liability) or subtracting (if this value is an asset) (ii) an amount representing the unearned profit from the group of contracts (the contractual service margin). The profits generated by a group of insurance contracts will be recognised by insurers during the period when the insurance cover is granted and at the time of the risk exemption. If a group of contracts is or becomes unprofitable, the entity recognises the loss immediately.

These amendments to the standard will not affect the Company's financial statements as it does not carry out insurance activities.

##### *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*

On 1 January 2020, the International Accounting Standards Board published amendments to Articles 69 and 76 of IAS 1 Presentation of Financial Statements by specifying the requirements for classification of liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right;
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual periods beginning on or after 1 January 2023 and must be applied retrospectively.

Based on the currently available information, according to the assessment of the Company's management, the new amendments, after initial application, will not have a significant impact on the Company's financial statements.

##### *Definition of Accounting Estimates (Amendments to IAS 8)*

In February 2021, the International Accounting Standards Board published amendments to IAS 8, which introduced the definition of accounting estimates. The amendments help to distinguish changes in accounting estimates from changes in accounting policies and correction of errors. Furthermore, they also explain how economic operators use measurement methods and a contribution to preparation of the accounting estimates.

The amendments shall apply to reporting periods from 1 January 2023 and changes of the accounting estimates, accounting policies, which are present as at the date of the beginning of this period or later. Earlier application is permitted only provided that it was disclosed in the financial statements.

Based on the currently available information, according to the assessment of the Company's management, the new amendments, when initially applied, will not have a significant impact on the Company's financial statements.

##### *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*

In February 2021, the International Accounting Standards Board published amendments to IAS 1 and IFRS Practice Statement 2 'Making Materiality Judgements' with guidance and examples to help economic operators to apply materiality judgments to accounting policy disclosures. The purpose of the amendments is to help economic operators to prepare accounting policy disclosures which would be more useful as an entity is now required to disclose its 'material' accounting policy information instead of its 'significant' accounting policies, by adding guidance on how economic operators should apply the concept of materiality when adopting a decision on accounting policy disclosures.

The amendments apply to annual reporting periods from 1 January 2023. Earlier application is permitted.

As guidance on application of the concept of materiality for information of accounting policy, presented in amendments to IFRS Practice Statement 2, are not compulsory, the date when they come into effect is not compulsory.

Based on the currently available information, according to the assessment of the Company's management, the new amendments, after initial application, will not have a significant impact on the Company's financial statements.

**4. New standards, amendments and interpretations not yet adopted (continued)***Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*

In May 2021, the International Accounting Standards Board issued amendments to IAS 12 that narrow the scope of the initial recognition exemption so that it no longer applies to transactions that create equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur at the beginning of the earliest comparative period. In addition, at the beginning of the earliest comparative period, a deferred tax asset (if sufficient taxable profit is available) and a deferred tax liability shall be recognised for all taxable and deductible temporary differences that relate to leases and decommissioning obligations.

The amendments apply to annual reporting periods from 1 January 2023. Earlier application is permitted. The Company is currently assessing the impact of the amendments.

There are no other new or amended standards or their interpretations, which are not yet effective and which may have material impact on the Company, are present.

## 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	31/12/2022	31/12/2021
Assets arising from contracts with customers	894	765
Trade receivables	1,588	4,926
Receivables from related parties	3,683	2,992
Cash and cash equivalents	62	11
<b>Total</b>	<b>6,227</b>	<b>8,694</b>

Financial liabilities	31/12/2022	31/12/2021
Liabilities arising from contracts with customers	680	181
Loans and other financial debts	-	-
Lease liabilities	442	400
Trade payables	825	1,301
Payables to related parties	192	276
Other payables and liabilities	674	650
<b>Total</b>	<b>2,813</b>	<b>2,808</b>

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).

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

	Total carrying amount	Level 1	Fair value Level 2	Level 3
<b>Financial assets</b>				
Assets arising from contracts with customers	894	-	-	894
Trade receivables	1,588	-	-	1,588
Receivables from related parties	3,683	-	-	3,683
Cash and cash equivalents	62	62	-	-
<b>Total</b>	<b>6,227</b>	<b>62</b>	<b>-</b>	<b>6,165</b>
<b>Financial liabilities</b>				
Lease liabilities	442	-	-	442
Trade payables	825	-	-	825
Payables to related parties	192	-	-	192
Liabilities arising from contracts with customers	680	-	-	680
Other non-current and current payables and liabilities	674	-	-	674
<b>Total</b>	<b>2,813</b>	<b>-</b>	<b>-</b>	<b>2,813</b>

## 6. Financial instruments and risk management (continued)

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

**Loans and other financial debts.** The 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 current trade receivables, current 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 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 to cash in bank, issued loans and trade receivables.

Credit risk is a risk that the 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.

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. To assess whether there has been a significant increase in credit risk, the Company compares the risk of default related to assets as at the reporting date to the risk of default on 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 major credit risk relates to the carrying amount of each group of assets.

The Company's exposure to credit risk is mainly determined by individual features of each client. 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:

	2022	2021
Client A	3,683	2,996
Client B	1,406	2,490
Others	292	2,532
Impairment	(110)	(100)
<b>Total</b>	<b>5,271</b>	<b>7,918</b>

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.

## 6. Financial instruments and risk management (continued)

The Company's exposure to credit risk and ECLs for trade receivables as at 31 December 2022 by separate external customers:

	Initial value	Expected credit losses, %	Impairment	Carrying amount
Low risk	5,235	0.0002%	(1)	5,234
Fair risk	-	- %	-	-
Increased risk	-	- %	-	-
High risk	146	75.0%	(109)	37
<b>Total</b>	<b>5,381</b>		<b>(110)</b>	<b>5,271</b>

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 for more than 120 days.

The Company applies a simplified method to calculate credit losses over the period of validity and use a provisioning matrix for all trade and other receivables. For calculation of the expected credit losses using the provisioning matrix, trade receivables and other receivables are categorised into separate groups according to credit risk characteristics. The amounts for each group are analysed by the number of days past due. The table below provides information on expected credit losses calculated according to each group of amounts past due. As trade and other receivables usually do not include deposit or other collaterals, the ratio of expected losses coincides 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 2022:

	Expected credit losses, %	Initial value	Impairment	Carrying amount
Not past due	0.0002%	5,207	(1)	5,206
Past due for 1 to 30 days	0.0%	28	-	28
Past due for 31 to 60 days	0.0%	-	-	-
Past due for 61 to 120 days	0.0%	-	-	-
Past due for over 120 days	75.0%	146	(109)	37
<b>Total</b>		<b>5,381</b>	<b>(110)</b>	<b>5,271</b>

Impairment accounted for by the Company reflects estimated losses caused by doubtful receivables from customers. The principal component of impairment is individually assessed losses from significant doubtful trade receivables. 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:

	2022	2021
<b>Balance at the beginning of the period</b>	(100)	(126)
Change in impairment of trade receivables	(10)	26
<b>Balance at the end of the period</b>	<b>(110)</b>	<b>(100)</b>

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

As at 31 December 2022, 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 reporting date. 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.



## 6. Financial instruments and risk management (continued)

	31/12/2022	31/12/2021
Debt ratio, %	0.16	0.14
Long-term debt ratio, %	0.02	0.01
Short-term debt ratio, %	14.6	21.2
Asset structure ratio, %	30.8	30.8
Debt-to-equity (leverage) ratio, %	19.0	15.8
Critical liquidity ratio, times	1.37	2.06
Basic liquidity ratio, times	6.87	2.5

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
Lease liabilities	442	442	-	442	-
Trade payables	825	825	825	-	-
Payables to related parties	192	192	192	-	-
Other non-current and current payables and liabilities	681	681	681	-	-
<b>Total</b>	<b>2,140</b>	<b>2,140</b>	<b>1,698</b>	<b>442</b>	<b>-</b>

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, 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. The more comprehensive and accurate this projection, the better liquidity management. 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.** Currency exchange 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. As at 31 December 2022 and 2021, 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 2022 and 2021, 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 in interbank interest rates, in 2022 and 2021 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 primary objective of the Company's capital management is to ensure that it meets external capital requirements. 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.

## 6. Financial instruments and risk management (continued)

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 2022 and 2021, the Company complied with the requirements of the above-mentioned provisions of the Law on Companies of the Republic of Lithuania.

## 7. Intangible assets

	Software	Total
<b>Acquisition cost</b>		
<b>31 December 2020</b>	<b>69</b>	<b>69</b>
- acquisitions	11	11
- received from company group	-	-
- assets sold, written off, disposed	(13)	(13)
- reclassifications	-	-
<b>31 December 2021</b>	<b>67</b>	<b>67</b>
- acquisitions	-	-
- assets sold, written off, disposed	-	-
- reclassifications	-	-
<b>31 December 2022</b>	<b>67</b>	<b>67</b>
<b>Accumulated depreciation and impairment losses</b>		
<b>31 December 2020</b>	<b>68</b>	<b>68</b>
- amortisation	1	1
- impairment during the year	-	-
- assets sold, written off, disposed	(13)	(13)
- received from company group (+)	-	-
- reclassifications	-	-
<b>31 December 2021</b>	<b>56</b>	<b>56</b>
- amortisation	4	4
- impairment during the year	-	-
- assets sold, written off, disposed	-	-
- reclassifications	-	-
<b>31 December 2022</b>	<b>60</b>	<b>60</b>
<b>Carrying amount</b>		
<b>31 December 2020</b>	<b>1</b>	<b>1</b>
<b>31 December 2021</b>	<b>11</b>	<b>11</b>
<b>31 December 2022</b>	<b>7</b>	<b>7</b>

The Company does not have internally generated intangible assets.

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

	31/12/2022	31/12/2021
Software	56	56
<b>Total</b>	<b>56</b>	<b>56</b>

Amortisation costs of the Company's intangible assets which amounted to EUR 4 thousand in 2022 (in 2021 – EUR 1 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 56 thousand (in 2021 – EUR 56 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
<b>Acquisition cost</b>							
<b>31 December 2020</b>	<b>5,246</b>	<b>25,379</b>	<b>1,652</b>	<b>8,223</b>	<b>1,034</b>	<b>11</b>	<b>41,545</b>
- acquisitions during the year, reclassifications from current assets		690	-	23	37	46	796
- assets sold, written off, disposed, reclassified to current assets	-	(567)	(564)	(162)	(299)	-	(1,592)
- received from group companies (+)	-	-	-	-	-	-	-
- reclassifications	-	-	-	-	-	-	-
<b>31 December 2021</b>	<b>5,246</b>	<b>25,502</b>	<b>1,088</b>	<b>8,084</b>	<b>772</b>	<b>57</b>	<b>40,749</b>
- acquisitions during the year	-	217	-	5	1	16	239
- reclassifications from current assets	-	-	-	-	-	-	-
- assets sold, written off, disposed, reclassified to current assets	-	(556)	(185)	-	(32)	-	(773)
- received from group companies (+)	-	-	-	-	-	-	-
- reclassifications	-	46	-	-	-	(46)	-
<b>31 December 2022</b>	<b>5,246</b>	<b>25,209</b>	<b>903</b>	<b>8,089</b>	<b>741</b>	<b>27</b>	<b>40,215</b>
<b>Accumulated depreciation and impairment losses</b>							
<b>31 December 2020</b>	<b>1,645</b>	<b>9,601</b>	<b>1,478</b>	<b>2,790</b>	<b>709</b>	<b>-</b>	<b>16,223</b>
- depreciation	202	1,495	43	424	87	-	2,251
- impairment during the year	-	-	-	-	-	-	-
- assets sold, written off, disposed, reclassified to current assets	-	(469)	(547)	(101)	(252)	-	(1,369)
- received from group companies (merger)(+)	-	-	-	-	-	-	-
- reclassifications	-	-	-	-	-	-	-
<b>31 December 2021</b>	<b>1,847</b>	<b>10,627</b>	<b>974</b>	<b>3,113</b>	<b>544</b>	<b>-</b>	<b>17,105</b>
- depreciation	200	1,417	38	323	26	-	2,004
- impairment during the year	-	-	-	-	-	-	-
- assets sold, written off, disposed, reclassified to current assets	-	(552)	(184)	-	(13)	-	(749)
- received from group companies (merger)(+)	-	-	-	-	-	-	-
- reclassifications	-	-	-	-	-	-	-
<b>31 December 2022</b>	<b>2,047</b>	<b>11,492</b>	<b>828</b>	<b>3,436</b>	<b>557</b>	<b>-</b>	<b>18,360</b>
<b>Carrying amount</b>							
<b>31 December 2020</b>	<b>3,601</b>	<b>15,778</b>	<b>174</b>	<b>5,433</b>	<b>325</b>	<b>11</b>	<b>25,322</b>
<b>31 December 2021</b>	<b>3,399</b>	<b>14,875</b>	<b>114</b>	<b>4,971</b>	<b>228</b>	<b>57</b>	<b>23,644</b>
<b>31 December 2022</b>	<b>3,199</b>	<b>13,717</b>	<b>75</b>	<b>4,653</b>	<b>184</b>	<b>27</b>	<b>21,855</b>

## 8. Property, plant and equipment (cont'd)

Depreciation costs, included in the statement of profit or loss and other comprehensive income of the Company, amounted to EUR 2,004 thousand, excluding depreciation costs of right-of-use assets (in 2022 – EUR 288 thousand). The value of acquired assets amounted to EUR 239 thousand.

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

	31/12/2022	31/12/2021
Buildings and structures	565	525
Machinery and plant	1,108	1,006
Road vehicles	234	283
Railway rolling stocks	1,382	1,382
Other equipment, fittings and tools	664	740
<b>Total</b>	<b>3,953</b>	<b>3,936</b>

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

In 2022, 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 valuers was based on the forecasted Consumer Price Index (CPI) of Lithuania;
- weighted capital costs ratio was estimated referring to the WACC model and comprised 6.5%;
- cash flows are forecasted for the period of 4 years (2023–2026).

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

## 9. Right-of-use assets

	Buildings and structures	Vehicles	Total
<b>Acquisition cost</b>			
<b>31 December 2020</b>	<b>181</b>	<b>1,148</b>	<b>1,329</b>
- acquisitions during the year	-	-	-
- derecognition during the year	(77)	(357)	(434)
<b>31 December 2021</b>	<b>104</b>	<b>791</b>	<b>895</b>
- acquisitions during the year	-	369	369
- derecognition during the year	(43)	(93)	(136)
<b>31 December 2022</b>	<b>61</b>	<b>1,067</b>	<b>1,128</b>
<b>Accumulated depreciation and impairment losses</b>			
<b>31 December 2020</b>	<b>81</b>	<b>468</b>	<b>549</b>
- depreciation	34	236	270
- derecognition	(77)	(232)	(309)
- impairment	-	-	-
<b>31 December 2021</b>	<b>38</b>	<b>472</b>	<b>510</b>
- depreciation	25	263	288
- derecognition	(5)	(93)	(98)
- impairment	-	-	-
<b>31 December 2022</b>	<b>58</b>	<b>642</b>	<b>700</b>
<b>Carrying amount</b>			
<b>31 December 2020</b>	<b>100</b>	<b>680</b>	<b>780</b>
<b>31 December 2021</b>	<b>66</b>	<b>319</b>	<b>385</b>
<b>31 December 2022</b>	<b>3</b>	<b>425</b>	<b>428</b>

As at the reporting date, the Company has concluded contracts for the lease of real estate (premises, areas) and vehicles. 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 2022, information on the Company's investments in subsidiaries is presented below:

Company name	Owned share, %	Investment value	
		31/12/2022	31/12/2021
<b>Shares of subsidiaries</b>			
OOO Rail lab	1	-	4
<b>Total, net</b>		-	4

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. The main activity of the subsidiary is production of locomotives and rolling stocks, repair and maintenance of vehicles, wholesale trade of other machinery and plant.

In March 2021, the Company recognised impairment resulting from currency translation into euros of a foreign subsidiary, the functional currency of which is foreign currency.

On 17 March 2022, the shareholders' meeting of OOO Rail Lab decided to sell 1% of OOO Rail Lab shares for EUR 2.5 thousand. The Company suffered a loss of EUR 1.3 thousand.

## 11. Inventories

	31/12/2022	31/12/2021
Materials	481	279
Materials of track superstructures	1,154	1,254
Spare parts	577	504
Fuel	50	40
Work clothing	14	20
Inventory	24	17
Greases	12	11
Inventories in transit	-	-
Less: decrease in realisable value (-)	(262)	(320)
<b>Total raw materials, materials and component parts</b>	<b>2,050</b>	<b>1,805</b>
Goods for resale	-	-
Less: decrease in realisable value (-)	-	-
<b>Total goods for resale</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>2,050</b>	<b>1,805</b>

The carrying amount of the Company's inventories before adjustment of the net realisable value as at 31 December 2022 amounted to EUR 2,312 thousand (as at 31 December 2021: EUR 2,125 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

Prepayments of the Company comprised:

	31/12/2022	31/12/2021
Prepayments	6	445
Deferred costs	2	2
<b>Total</b>	<b>8</b>	<b>447</b>

## 13. Assets arising from contracts with customers

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

	31/12/2022	31/12/2021
Guaranties paid to suppliers	18	19
Accrued income	876	746
<b>Total</b>	<b>894</b>	<b>765</b>



#### 14. Trade receivables

The Company's trade and other receivables consisted of:

	31/12/2022	31/12/2021
Trade receivables	1,698	5,026
Receivables from related parties	3,683	2,992
Impairment of receivable debts (-)	(110)	(100)
<b>Total trade receivables:</b>	<b>5,271</b>	<b>7,918</b>

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 receivables as at 31 December 2022:

	31/12/2022	31/12/2021
Not past due	5,207	7,798
Past due for 0 to 60 days	28	119
Past due for 61 to 180 days	50	-
Past due for over 180 days	96	101
Impairment (-)	(110)	(100)
<b>Total</b>	<b>5,271</b>	<b>7,918</b>

#### 15. Other receivables

Other receivables consisted of:

	31/12/2022	31/12/2021
Recoverable VAT	74	-
Other receivables from the budget	57	43
<b>Total</b>	<b>131</b>	<b>43</b>

#### 16. Cash and cash equivalents

The Company's cash and cash equivalents consisted of:

	31/12/2022	31/12/2021
Cash in bank	62	11
Cash in transit	-	-
<b>Total</b>	<b>62</b>	<b>11</b>

As at 31 December 2022 and 2021, 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 December 2021	30,897	109,748
Increased	-	-
Decreased	-	-
Number of shares 31 December 2022	30,897	109,748
2. Capital structure		
2.1. By 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)	-	-
<b>Total</b>	<b>30,897</b>	<b>109,748</b>

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 amount of the share capital in value terms was EUR 30,897 thousand.

## 18. Reserves

**Legal reserve.** A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the authorised share capital. The legal reserve cannot be distributed as dividends, but can be used to cover future losses.

**Other reserves.** As at 31 December 2022, the Company did not have other reserves.

Allocation of the Company's profit of 2021 was approved by the Shareholder's decision No [S-AS(LTG)-44/2022 dated 30 March 2022. Legal and other reserves were not formed.

## 19. Loans and other financial debts

	31/12/2022	31/12/2021
Loans and other financial debts	1,171	23
<b>Financial debts</b>	<b>1,171</b>	<b>23</b>

As at 31 December 2022, the Company's financial debts comprised EUR 1,171 thousand.

Movement of financial debts:

	2022	2021
Balance at the beginning of the year	23	-
Received	13,172	12,167
Repaid	(12,024)	(12,144)
<b>Balance at the end of the year</b>	<b>1,171</b>	<b>23</b>

During 2022, the Company repaid EUR 12,024 thousand of financial debts and paid EUR 89 thousand of interest.

**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 cash-pool. 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 2022, the amount of the Company's receivable debts or liabilities comprised EUR 1,171 thousand.

## 20. Lease liabilities

The Company's lease liabilities comprised the following:

	31/12/2022	31/12/2021
Non-current	211	333
Current	231	67
<b>Lease liabilities</b>	<b>442</b>	<b>400</b>

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 2022 and 2021.

## 21. Provisions

The Company's provisions consisted of:

	31/12/2022	31/12/2021
Non-current provisions	66	73
Current provisions	293	312
<b>Total</b>	<b>359</b>	<b>385</b>

Movement of provisions:

	31/12/2022	31/12/2021
<b>Provisions</b>		
Balance at the beginning of the period	385	425
Increase (formed)	-	16
Decreased (used)	(26)	(56)
<b>Balance at the end of the period</b>	<b>359</b>	<b>385</b>

**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 management assesses the reasonableness of the received claims and potential expenses.

**Provisions for pensions 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, 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. Jubilee payments also comprise provisions for pensions and similar liabilities. With the adoption of a new collective agreement in 2023, jubilee payments were annulled.

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

	31/12/2022	31/12/2021
Discount rate	3.54%	0.76%
Employee turnover rate	25.41%	28.9%
Annual salary increase	5.0%	1.9%

## 22. Employment related liabilities

Current employee benefits by type:

	31/12/2022	31/12/2021
Vacation accruals	445	532
Payable remuneration	-	-
Payable personal income tax contributions	-	-
Payable social insurance contributions	141	164
Accrued portion of variable remuneration	228	171
<b>Total</b>	<b>814</b>	<b>867</b>

### 23. Liabilities arising from contracts with customers

As at 31 December 2022, liabilities arising from contracts with customers consisted of:

	31/12/2022	31/12/2021
Accrued income	680	181
Prepayments received	8	776
<b>Total</b>	<b>688</b>	<b>957</b>

In 2022, 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:

	31/12/2022	31/12/2021
Financial guarantees received	1	1
Other charges payable to the budget	6	73
Trade union membership fee	1	2
Trade payables	825	1,301
Payables to related parties	192	276
Accrued costs	671	558
Other payables and non-current liabilities	2	4
<b>Total</b>	<b>1,698</b>	<b>2,215</b>

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

### 25. Sales revenue

Revenue comprised:

	2022	2021
Revenue arising from contracts with customers	19,909	30,918
Other income	164	273
<b>Total</b>	<b>20,073</b>	<b>31,191</b>

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:

	2022	2021
Construction and repair of railways	11,218	25,249
Maintenance of railway track and structures	2,264	310
Construction, reconstruction and repair of other structures	5,427	4,094
Lease of machinery and plant	588	548
Construction and repair works in the area of security, automation and electrification	25	-
Design works	208	385
Other works (snow removal, sales of non-current assets, etc.)	179	332
<b>Total</b>	<b>19,909</b>	<b>30,918</b>

Sales according to the customer group:

	2022	2021
LG and group companies	16,109	15,620
Other customers	3,800	15,298
<b>Total</b>	<b>19,909</b>	<b>30,918</b>

Works and services were delivered to group companies of AB Lietuvos geležinkeliai and other customers.

## 25. Sales revenue (continued)

	2022	2021
Prepayments received	6	776
<b>Total</b>	<b>6</b>	<b>776</b>

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

	Total transaction price	2023	2024
Contracting works	48,133	12,933	0
<b>Total</b>	<b>48,133</b>	<b>12,933</b>	<b>0</b>

### 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	2022	2021
Revenue and profit (loss) recognised under ongoing contracts	(369)	527
The amount of invoices issued under ongoing contracts	14,762	23,185
<b>Total</b>	<b>14,393</b>	<b>23,712</b>

As at the end of 2020, there were 17 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 35,200 thousand.

As at the end of 2021, there were 13 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 31,474 thousand.

## 26. Result from financing activities

Financing activity results of the Company consisted of:

	2022	2021
<b>Total finance income</b>	<b>4</b>	<b>2</b>
Penalties and default interest for overdue trade receivables	4	2
Interest	-	-
<b>Total finance costs</b>	<b>(218)</b>	<b>(193)</b>
Interest	(110)	(52)
Lease liability interest	(21)	(22)
Fines, penalties, delay interest	(87)	(119)
Currency exchange loss	-	-
<b>Result from financing activities</b>	<b>(214)</b>	<b>(191)</b>

## 27. Corporate income tax and deferred tax

Corporate income tax was calculated at a 15% tax rate.

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

	2022	2021
Profit (loss) before tax	(4,652)	394
Corporate income tax at a statutory tax rate	(698)	59
Non-deductible expenses	7	(14)
Non-taxable income	(1)	(3)
Income tax adjustment of the previous year	-	-
Unrecognised income tax assets arising from tax losses of the current year	692	-
Unrecognised income tax assets for prior periods	249	-
<b>Total corporate income tax expenses (income) recognised in profit or loss</b>	<b>249</b>	<b>42</b>
Effective rate	5.35%	10.65%

## 27. Corporate income and deferred tax (continued)

	31/12/2022	31/12/2021
Corporate income tax of the reporting year	-	-
Income tax adjustment of the previous year	-	-
Deferred tax expenses (income)	249	42
<b>Total corporate income tax expenses (income) recognised in profit or loss</b>	<b>249</b>	<b>42</b>

During 2022, 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.

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

	31/12/2022	31/12/2021
<b>Net profit before tax</b>	<b>(4,652)</b>	<b>394</b>
Change in temporary differences	468	(682)
Permanent differences	8	(8)
<b>Taxable profit of the year</b>	<b>(4,176)</b>	<b>(296)</b>
<b>Decrease in taxable profit of the year due to investment projects</b>	<b>-</b>	<b>-</b>
<b>Decrease in taxable profit of the year due to deduction of operating loss amount</b>	<b>-</b>	<b>-</b>
Income tax (expenses) of the reporting year	-	-
Income tax adjustment of the previous year	-	-
Change in realisation of deferred tax due to change in temporary differences	692	(42)
<b>Income tax (expenses) accounted for in the statement of profit or loss</b>	<b>692</b>	<b>(42)</b>
<b>Temporary differences</b>	<b>8,926</b>	<b>4,312</b>
<b>Deferred tax asset before realisation valuation</b>	<b>1,339</b>	<b>647</b>
<b>Realisation valuation</b>	<b>(941)</b>	<b>-</b>
<b>Deferred tax asset, net value</b>	<b>398</b>	<b>647</b>
Components of deferred tax are given below:		
<b>Deferred tax asset:</b>		
Impairment of amounts receivable and write-off of bad debts	17	15
Accrued income	-	-
Impairment of inventories	39	48
Vacation accruals	1	2
Pension accruals	10	11
Warranty repair provisions	44	47
Bonuses	34	25
Other provisions	101	84
Tax loss carry-forward	1,142	314
Valuation of non-current assets (increase and decrease in value) and differences in depreciation rates	-	16
Other temporary differences	(49)	85
<b>Deferred tax asset before realisation valuation</b>	<b>1,339</b>	<b>647</b>
<b>Realisation valuation</b>	<b>(941)</b>	<b>-</b>
<b>Deferred tax asset after realisation valuation</b>	<b>398</b>	<b>647</b>
<b>Deferred tax liability:</b>		
Difference in the tax value of non-current assets	-	-
<b>Deferred income tax liability</b>	<b>-</b>	<b>-</b>
<b>Deferred income tax asset, net value</b>	<b>398</b>	<b>647</b>

As at 31 December 2022, deferred tax asset was calculated applying a 15% tax rate and amounted to EUR 398 thousand.

Deferred tax asset for taxable losses was not fully recognised because the Company is not planning to generate sufficient profits over the next four years to benefit from tax losses. 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 2022 and 2021, the Company's related parties and related-party transactions were as follows:

31/12/2022	Purchases	Sales	Receivables	Payables
AB Lietuvos geležinkeliai	1,121	-	-	59
AB LTG Infra	610	16,109	3,683	55
AB LG Cargo	1,651	-	-	39
UAB LTG Link	45	-	-	1,179
UAB Gelsauga	-	-	-	-
UAB Saugos paslaugos	-	-	-	-
UAB Vilniaus lokomotyvų remonto depas	-	-	-	-
UAB voestalpine Railway Systems Lietuva	89	-	-	31
	<b>3,516</b>	<b>16,109</b>	<b>3,683</b>	<b>1,363</b>

31/12/2021	Purchases	Sales	Receivables	Payables
AB Lietuvos geležinkeliai	1,068	202	-	54
AB LTG Infra	1,015	15,418	2,992	76
AB LG Cargo	1,904	-	-	27
UAB LTG Link	7	-	-	1
UAB Gelsauga	-	-	-	-
UAB Saugos paslaugos	28	-	-	-
UAB Vilniaus lokomotyvų remonto depas	197	-	-	-
UAB voestalpine Railway Systems Lietuva	1,020	-	-	118
	<b>5,239</b>	<b>15,620</b>	<b>2,992</b>	<b>276</b>

## Remuneration to management and other benefits

As at 31 December 2022, the number of managers was 5; i. e. Chief Executive Officer, Chief Financial Officer, Chief Contracting and Technical Officer, Chief Project Management and Technology Officer, and Chief Corporate Matters Officer.

	31/12/2022	31/12/2021
Remuneration employment related remunerations except for employer's social insurance contributions	405	296
Remuneration to other related parties	-	-
Number of management personnel	5	5

During 2022 and 2021, 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 2022, the Company had issued guarantees for the amount of EUR 4,829 thousand.

The company, as a joint defendant, together with UAB Fima, AB LTG Infra and an insurance company, is involved in a criminal case for serious bodily injury. The total amount of the civil claims is EUR 2 000 thousand. The legal proceedings are protracted and have been ongoing for four years. Accordingly, in the management's view, the outcome of the case is associated with uncertainty, as it is difficult to predict the further course or duration of the case. In the opinion of the legal expert representing the Company in the dispute, the likely outcome of the criminal proceedings is in the Company's favour. Accordingly, the financial statements do not include a provision for the impact of the possible outcome on the Company.

## 30. Non-cash transactions

During 2022 and 2021, 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

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

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