



2020

Report of AB LTG Infra

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ABBREVIATIONS:

LTG – AB Lietuvos Geležinkeliai

LTG Group, Company group – AB Lietuvos Geležinkeliai and its subsidiaries

LTG Cargo – AB LTG Cargo

LTG Link – UAB LTG Link

LTG Infra, Company – AB LTG Infra

LoR – the Republic of Lithuania

LTSA – Lithuanian Transport Safety Administration

EU – the European Union

SOE – State-owned enterprise

Repair undertaking – undertakings which go to/from the construction, repair and/or maintenance sites of the railway infrastructure objects

VIT – Vilnius Intermodal Terminal

KIT – Kaunas Intermodal Terminal

RTC – Railway Transport Code of the Republic of Lithuania

RSF – Railway service facilities

CEO'S WORD

Dear partners, customers and colleagues,

2020 became the year of particular challenges. COVID-19 pandemics brought an opportunity for businesses to check how fast we are, how able we are to assess and adapt to the changed environment, how prepared we are to try out new models of governance.

I am proud to state that the AB LTG Infra team coped with the challenges presented by the pandemics implementing both short-term and long-term goals.

We used the slight decrease of the train flow caused by the pandemics for the improvement of the country's railway infrastructure. In 2020, we invested as much as EUR 175 million into the projects of railway infrastructure repairs and modernization. To compare with the year 2019, these investments amounted to EUR 87 million.

We focused on the most important projects to the country. Today, the Rail Baltica project, which is the project of strategic importance to Lithuania, is not just a project, but rather the actual railway infrastructure of Lithuania, providing benefits not only to our country, but to the entire Baltic region. After the connection of the Kaunas Intermodal Terminal to the European-gauge at the end of 2020, it became the European railway system point with the largest reach toward the East and this year, freight trains from the Western Europe will reach it on rails that meet the European Standard.

The modernization of Kaunas railway junction is important both to businesses and to the residents of Kaunas city: after the elimination of single-level intersections, they can travel more safely and fast. The installed of additional noise-reducing measures contribute to the quality of living environment of the people who live in the vicinity of railway infrastructure.

In 2020, we started announcing tenders of the value of EUR 475 million for the installation of the Rail Baltica railway. Despite the challenges presented by COVID-19 pandemics, the European Union allocated additional funding to the project.

It is highly important to mention, that after AB LTG Infra became the manager of the land taken for public needs in the future Rail Baltica railway section from Kaunas to Lithuanian/Latvian border, it can now carry out practical construction works in this section. Thus, we will start constructing the European-gauge on the Kaunas–Lithuanian/Latvian border section. From Palemonas towards Panevėžys, in the first 66 kilometres, the construction of the new underpasses for a double track, of



KAROLIS SANKOVSKI

CEO

AB LTG Infra

A handwritten signature in blue ink, appearing to read 'K. Sankovskis'.

engineering structures, equipment works of track surface construction for the first 9 kilometres, as well as construction of access car roads will be started. This year we hope to start the contracting works of the railway bridge over Neris, which is currently the longest bridge in the Baltic States. It is planned that to perform the mentioned works, contracts for contracting works for the value of EUR 260 million will be signed.

Intensive works are carried out also on other Rail Baltica railway sections. The planning of Kaunas–Vilnius, Kaunas–Polish/Lithuanian border railway paths and infrastructure maintenance works are being continued. In Kaunas–Vilnius section, for further development, the team of specialists submitted an offer on four possible alternative Rail Baltica railway tracks in this section. Railway track alternatives will be presented for the considerations of the respective authorities and the public. One version will be selected by the end of summer, which will meet the needs of transport and communications and which will cause least damages to the environment.

One of the main goals of AB LTG Infra is an ambitious reach to become the most efficient public railway infrastructure manager in the Central and Eastern Europe. To achieve this goal, we implement modern IT measures allowing to increase the efficiency of operating activities and making the public railway infrastructure convenient and safe to our clients, the public and the environment.

A perfect example of our reach to become leaders in the region is a project that cannot be underestimated, i.e. the electrification of railway section Vilnius–Klaipėda (Draugystės st.). During the previous year we started the design works for this section and we are implementing them following the set schedule. Topography works have been almost completed for the entire section, currently we are working on geology. The completion of this project will significantly improve the level of electrification of the Lithuanian railway network and will significantly reduce the operational costs of the freight and passenger transportation by rail. Lithuanian railways will thus gain a competitive advantage both in terms of other transport destinations, and as compared to the other modes of transport. It must be said that projects of such scope are a large contribution to safeguarding our nature and the entire planet. Electrification of the main artery alone will also bring benefit for the environment, estimated at approximately EUR 700 million.

Maintaining the speed, we are continuing with the planned railway infrastructure development programmes. One of the most important directions in the modernisation of Lithuanian railway is to ensure the throughput of the railway section and the increase in the speed on the strategic IXB corridor which serves as the link connecting the capital city of Vilnius with the State Seaport of Klaipėda, the major cargo and logistics centre of Lithuania. For that purpose, a total of two international

procurement procedures were opened last year, for the construction of the second track on the Livintai–Gaidžiūnai and Plugė–Šateikiai sections; investments in these projects will total EUR 97.8 million. These new two-track paths on the major Lithuanian railway artery will significantly change the situation: they will considerably improve the possibilities for utilising the network and will allow serving the needs of the national business sector regarding the increase in the intensity of the freight and passenger transportation.

We continue to focus on the improvement of the quality of the current railway infrastructure in Lithuania. The renewal programme of main roads is being continued, the modernization programme of railway level crossings with most intensive train traffic was launched. In the previous year, we signed two contracts on the design and construction of two 2-level crossings (Kyviškės–Valčiūnai and Lentvaris–Vievis). Also, in 2020, the repairs programme of railway level crossings was launched. Implementing this programme, a contract was signed on the design of repairs of 5 railway level crossings.

In particular, we focus on the noise reduction by railways and on the quality of life of people living in the vicinity of railways. To this goal, we started a programme for the implementation of noise-reduction measures for the value of EUR 24 million in Lithuanian cities with the most dense railway transport traffic. In 2020, we signed contracts for works regarding the construction of noise absorbing barriers in Šiauliai, Mažeikiai, Lentvaris and Kaišiadorys. Currently, procurement procedures are being implemented and soon new contracts on works for the implementation of noise-reduction measures in Radviliškis and Giruliai railway stations will be completed. In addition, design works at Kretinga and Klaipėda railway stations will be soon completed, followed by tenders on contracting works and signing of contracts for contracting works.

We work responsibly and the entire AB LTG Infra team is glad to be able to create a modern, fast, convenient, safe and clean railway infrastructure in Lithuania. The Company successfully manages the pandemics and uninterrupted works provide the opportunities to our contractors, suppliers and partners to grow their businesses, maintain employment and jointly create the competitiveness of the entire country.

I want to thank you all with who, sparing no effort, we are continuously moving forward, every day getting closer to the achievement of our ambitious goal of becoming the most efficient railway infrastructure manager in the Central and Eastern Europe.

KEY INFORMATION ABOUT THE COMPANY

Name	AB LTG Infra
Address	Geležinkelio g. 2, LT-02100 Vilnius
Legal form	Public limited liability company
Date and place of registration	1 July 2019, Register of Legal Entities of the Republic of Lithuania
Company code	305202934
Telephone	(+370 5) 269 3353
E-mail	lginfrastruktura@litrail.lt
Website	https://ltginfra.lt/
Principal activity	Management, use and disposal of the railway infrastructure and execution of the functions of the public railway infrastructure manager
Chief Executive Officer	Karolis Sankovski
Shareholders	100% held by AB Lietuvos Geležinkeliai

The company's branches, representative offices abroad

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

Company's business model

AB LTG Infra together with the parent public limited liability company Lietuvos Geležinkeliai (hereinafter the "Parent Company") and its directly and indirectly controlled legal entities comprise a vertically integrated corporate group (hereinafter the "Corporate Group"). The Parent Company provides management services to the companies of the Corporate Group, and, as regards the Company, these services are provided to the extent that this is in line with the regulatory requirements concerning the execution of the functions of the public railway infrastructure manager, impartiality of management and financial transparency. Moreover, to ensure compliance with the said requirements, all decisions concerning the execution of the fundamental functions of the public railway infrastructure manager are taken by the head of the Company or by his authorised staff, in addition, solely the Company's employees can participate in making these decisions.

The Company, acting as a member of the Corporate Group of the Parent Company, follows the strategy and its key directions, as defined by the Parent Company, also pursues the approved operational policies that companies of the Corporate Group must take into consideration when exercising their activities. The Company follows the strategy and its key directions defined by the Parent Company and pursues the approved operational policies to the extent that these documents are compatible with the above-mentioned requirements for the activities of the public railway infrastructure manager that are applicable to the Company.

Principal activity and functions

AB LTG Infra was registered with the Register of Legal Entities of the Republic of Lithuania on 1 July 2019; the Company started its activities on 8 December 2019, when it took over the operations of the Railway Infrastructure Directorate of AB Lietuvos Geležinkeliai. 100% of shares are owned by AB Lietuvos Geležinkeliai.

The principal activity of the Company involves the management, use and disposal of the railway infrastructure by the right of trust and the execution of the functions of the public railway infrastructure manager.

The functions of the public railway infrastructure manager are defined in the Railway Transport Code of the Republic of Lithuania and other legal acts on rail transport operations.

Key functions:

- Renewal of the public railway infrastructure and the carrying out of its maintenance;
- Organisation of the railway traffic;
- Submission of proposals on draft programmes for the development of the public railway infrastructure;
- Implementation of programmes and projects for the development of the public railway infrastructure;
- Operation of the public railway infrastructure, except for the decision-making falling within the competence of the Minister for Transport and Communication in accordance with the Code;
- Provision of services of the minimum access package;
- Management, use and disposal of the state-owned public railway infrastructure and railway service facilities.

The Lithuanian railway infrastructure network is used by railways undertakings (carriers) engaged in the transportation of passengers, luggage and goods by rail as well as repair undertakings, and, respectively, undertakings that are entitled to use public railway infrastructure following the procedure set out in Article 28(1)(3) of the Railway Transport Code of the Republic of Lithuania. Railway undertakings (carriers) pay charges for the minimum access package which is necessary for the railway undertakings (carriers) when providing rail passenger, luggage and/or freight transport services on local and/or international routes. Those charges are also paid by repair undertakings.

The LTSA approved the rates of charges for the 2019–2020 working timetable of trains by Order No 2BE-423 of 6 December 2018 (amended by the LTSA by Order No 2BE-348 of 22 November 2019); in addition, the LTSA approved the rates of charges for the 2020–2021 working timetable of trains by Order No 2BE-401 of 11 December 2019. i.e. which were applied in 2020. The manager of public railway infrastructure calculated the charges for the minimum access package for the 2021-2022 working timetable trains by Order No JS-PAJ(LGI)-467 of 11 December 2020; the charges are available at <https://ltginfra.lt/viesosios-paslaugos>. The set charges were calculated based on the rules for the calculation and payment of charges for the access to the public railway infrastructure as part of the minimum access package and calculation and payment rules of the fee for allocated but not used public railway infrastructure capacities, which set the components of the charge for the minimum access to public railway infrastructure package and the procedure for payment and calculation of tariffs comprising this charge, charge for the minimum access package fee for allocated but not used public railway infrastructure capacities (thereafter “capacities”). Based on these rules, as of 9 April 2020, the payable charge for the minimum access packages is calculated, including and advance payment for trains traffic. Before the said date, such calculation was made following the rules of calculation and announcement of the charge for minimum access package, as well as the rules of calculation and payment of the charge for the minimum access packages of a specific railway undertaking (carrier).

Based on the Resolution No 356 of 8 April 2020 of the Government of the Republic of Lithuania Regarding the approval of “amendment of Resolution No 610 of 19 May 2004 of the Government of the Republic of Lithuania on the approval of the rules of calculation and announcement of the charge for minimum access package, and of the rules of calculation and payment of charges for the minimum access package payable by a specific railway undertaking (carrier)”, the charges for the 2018–2019 working timetable of trains were amended and announced on <https://ltginfra.lt/viesosios-paslaugos>, as well as charge for the minimum access package paid by railway undertakings (carriers) and charge for the minimum access package paid by repair undertakings, and the overpayments of the charge for the minimum access package were repaid to railway undertakings (carriers) and repair undertakings. The recalculation of the charges for minimum access package and of the charges payable by railway undertakings and repair undertakings (carriers) for the minimum access package was performed for the first time in 2020.

In 2020, the railway undertakings (carriers) and repair undertakings paid the following charges for the minimum access package: train movement charges; transit luggage charges; transit freight charges; passenger, luggage and/or freights attributed to the market segment of railway transportation where a mark-up can be applied, charges for the use of catenary network.

The Company also acts as an operator of railway service facilities – by the right of trust, manages, uses and disposes railway service facilities owned by the State. The charges for the use of railway service facilities managed by the manager of public railway infrastructure, railway tracks and main services provided related to railway transport are set by the Company, following the Railway Transport Code of the Republic of Lithuania.

The Company's activities are regulated by a regulator of railway transport market, the functions of which have been implemented by Communications Regulatory Authority of the Republic of Lithuania as of the beginning of 2017.

Services provided

Core services provided by the manager of the public railway infrastructure are as follows:

- Services of access to the public railway infrastructure as part of the minimum access package cover the handling of requests for the public railway infrastructure capacity; the right to utilise the public railway infrastructure capacity which is granted, also track points, electrical supply equipment for traction current, where available; train control including signalling, regulation, dispatching; communication and provision of information on train movement and any other information required to implement or operate the service for which the public railway infrastructure capacity has been granted. The rates of charges for the minimum access package are publicly available on the website of the Company, at <https://ltginfra.lt/viesosios-paslaugos>.
- Services of access to and services provided at the railway service facilities. In 2020, services provided at the railway service facilities controlled by the Company covered the following: utilising passenger stations, their structures and other facilities, utilising locations for ticketing services, utilising access tracks or connecting railway tracks attributed to railway service facility, utilising train formation and shunting facilities, utilising service facilities for parking railway vehicles, utilising the track change mechanism, elimination of accidents at RSF, intermodal load of multimodal transport units at VIT (Vilnius) / KIT (Kaunas), utilising the hump shunting yard, utilisation of loading site. The list of services of access to the railway service facilities and of services provided at the railway service facilities is publicly available on the website of the Company, at <https://ltginfra.lt/gelezinkeliu-paslaugu-irenginiai1>.
- Services operated on a commercial basis. The Company provides services of maintenance and repair of facilities, short-term lease of special rolling stock, wagons and vehicles, transportation of long tracks, lease of trains, inspection of junctions and tracks, maintenance of automation, communication and power supply equipment, marking of underground routes, inspection and calibration of measuring instruments, lease of measurement and control equipment, and provision of communication services. Services of intermodal terminals: in addition to the main intermodal handling service for intermodal transport units, the LGI Infra-controlled intermodal terminals provide a number of additional services, such as handling of containers carried by road only, weighing services, transportation inside the territory of the terminal, services of the representatives of the Customs Broker and handling of cargo on pallets, which is very frequently requested by our customers. In 2020, an opportunity arose to store cargo in closed warehouses.

Main customers

Main customers of the Company include railway undertakings (carriers), companies manoeuvring or undertakings and repair undertakings.

In 2020, the public railway infrastructure and railway service facilities were utilised by the following customers: AB LTG Cargo, UAB LTG LINK, UAB Akmenės Cementas, UAB Geležinkelio Tiesimo Centras, UAB Gargždų Geležinkelis, UAB Transachema, UAB Top Rails, UAB Gindana, UAB Alkesta, PKP Cargo S.A.

Capacity of the public railway infrastructure

On 8 December 2019, after taking over the allocation functions of the public railway infrastructure capacity from the LTSA, LGI Infra allocated the capacity for 2020 for the period of validity of the 2019–2020 working timetable of trains on the basis of the last-minute requests received. On 12 October 2020, LTG Infra made decisions regarding the allocation or non-allocation of public railway infrastructure capacities for the 2020–2021 working timetable of trains.

For the 2019–2020 working timetable of trains, 6 parts of public railway infrastructure were declared as congested, and for the 2020–2021 working timetable of trains, 3 parts of public railway infrastructure were declared as congested. The congested parts of infrastructure have been declared on the following sections:

Row No	For the 2019-2020 working timetable of trains, congested parts of infrastructure were declared on the following sections:	Row No	For the 2020-2021 working timetable of trains, congested parts of infrastructure were declared on the following sections:
1.	Plungė–Šateikiai (Kužiai – Klaipėda section, IX B corridor)	1.	Plungė–Šateikiai (Kužiai – Klaipėda section, IX B corridor)
2.	Viduklė–Tauragė (Radviliškis–Pagėgiai section)	2.	Viduklė–Tauragė (Radviliškis–Pagėgiai section)
3.	Livintai–Gaižiūnai (Kaišiadorys–Radviliškis section)	3.	Livintai–Gaižiūnai (Kaišiadorys–Radviliškis section)
4.	Šeduva–Gustonys (Rokiškis–Radviliškis section)		
5.	Žeimiai - Lukšiai (Kaišiadorys–Radviliškis section)		
6.	Kuršėnai - Papilė (Bugeniai – Kužiai section)		

Management of the company

Information about shares as at 31 december 2020

Amount of the authorised capital (EUR)	Number of shares (units)	Nominal value per share (EUR)
654 928 000	654 928	1 000

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

All the shares are of the same class, i.e. ordinary registered shares. The shares are non-certified, and they are recorded in personal securities accounts, in accordance with the procedure

established by the legislation. The Company has not issued preference shares.

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

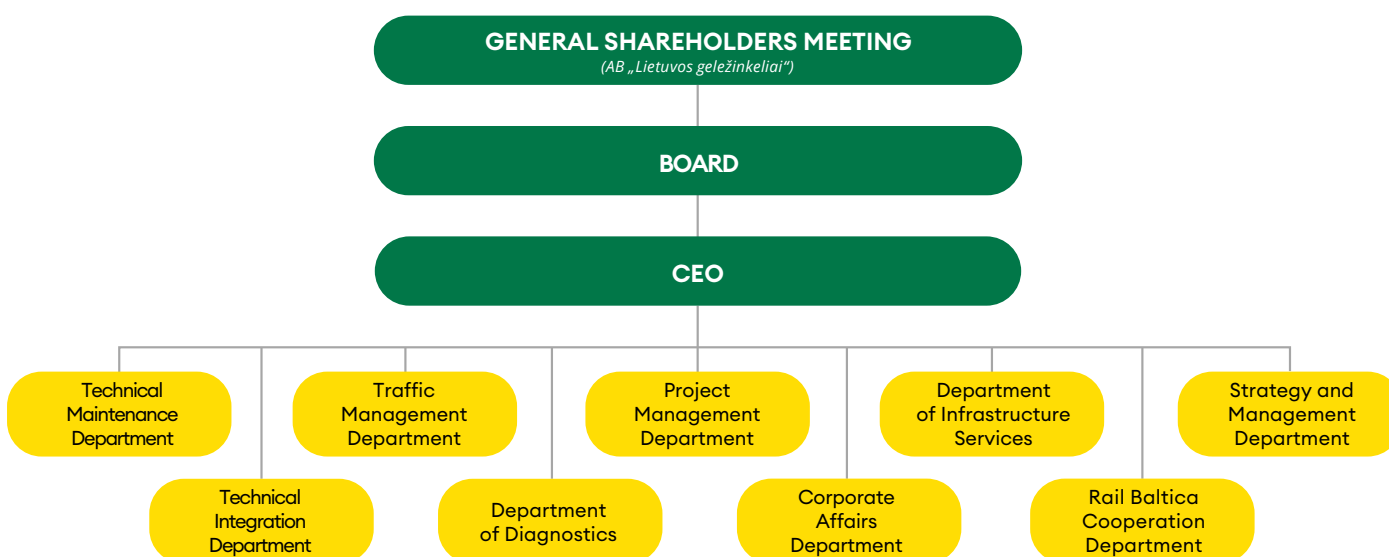
Management and organisational structure of the company

AB LTG Infra is one of the companies of the Corporate Group of AB Lietuvos Geležinkeliai, with its parent company AB Lietuvos Geležinkeliai acting as the sole shareholder. The shareholder of AB Lietuvos Geležinkeliai is the State of Lithuania, owning 100% of the shares. The rights and obligations of the shareholder are implemented by the Ministry of Transport and Communications of the Republic of Lithuania.

In order to achieve the long-term growth of the value of the Corporate Group of AB Lietuvos Geležinkeliai, to ensure the sound and efficient use of funds, assets and other resources, also to fulfil the expectations and to serve the interests of the shareholder, the business model of the Group is focused on refining and consolidating its principal activities in the subsidiaries. As part of the Corporate Group of AB Lietuvos

Geležinkeliai, AB LTG Infra is liable for the implementation of its principal activities and the achievement of the target performance indicators. In order to achieve the set goals and to ensure proper management, AB LTG Infra acts independently in carrying out its activities, makes the decisions in its field of competence and ensures the accountability and responsibility for its performance.

In carrying out its activities, the Company follows the Law on Companies, the Articles of Association of the Company, also decisions of the management bodies of the Company and other legal acts of the Republic of Lithuania governing the activities of joint stock companies, including the activities of State-owned enterprises as well as railway transport.



Articles of association of the company

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

During the reporting period, the Company's Articles of Association were amended twice:

- After the increase of the share capital on 15 January 2020, the Company's Articles of Association were amended. After the issuance of additional 654,778 shares at a nominal value of EUR 1,000 per share, the authorised capital of the Company increased from EUR 150,000 to EUR 654,928,000. The authorised capital was increased in view of the value of the Company, as established in the Business Valuation Report of 24 09 2019.
- On 26 August 2020, a new edition of the Company's Articles of Association was registered, changing the Company's

Bodies of the company

According to the Articles of Association, the management bodies of the Company are as follows:

- The General Meeting of Shareholders;
- The Board;
- The Head of the Company (Chief Executive Officer).

The General Meeting of Shareholders – is the supreme management body of the Company. The competence of and the procedure for convening the General Meeting of Shareholders, along with the procedure for decision making, are established in the Law on Companies of the Republic of Lithuania and the Articles of Association of the Company available at <https://ltginfra.lt/kas-mes-esame>.

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

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

In accordance with the Company's Articles of Association, an additional competency of the General Meeting of Shareholders is to endorse the decisions of the Board of AB LTG Infra regarding the following:

- The Company's non-current assets the carrying amount of which exceeds EUR 300,000:
 - Investment in Group companies or third parties, disposal or lease of those assets;

name from AB Lietuvos Geležinkelių Infrastruktūra to AB LTG Infra, specifying the regulations on mutual relations between the Company and AB Lietuvos Geležinkeliai, implementing the functions of the parent company, and specifying the additional competences of the Company's management bodies in making decisions on the Company's transactions.

The Company's Articles of Association are available at the Company's website <https://ltginfra.lt/kas-mes-esame>.

Following the applicable legislation, the Company's Articles of Association are amended under the decision of the general meeting of shareholders by a qualified majority of votes, which shall be at least 2/3 of votes conferred by all shares held by all the shareholders participating in the meeting.

- Pledge or mortgage;
- Sureties or guarantees for fulfilment of a third party's obligations;
- Acquisition of non-current assets;
- Conclusion of other transactions.
- To endorse the fundamental terms and conditions of the contracts for the Company's services, if planned annual income or income planned over the period of contract validity may be EUR 3,000,000 or higher;
- Regarding the Company's participation in or establishment of other legal entities;
- Establishment of the Company's branches and representative offices and approval of their Articles of Association;
- Commencing activities of new nature or terminating the Company's current activities if the respective decision has not been adopted in approving the Company's activity strategy;
- Regarding investment, purchase or sale of the Company-owned property and facilities important for ensuring national security, conclusion of any other transfer of ownership, pledge or mortgage transactions.

Management of the company

Key decisions of the General shareholders meeting in 2020:

1. Endorsed the decision of the Company's Board to agree to the Company becoming a member of European economic interests group;
2. Endorsed the decision of the Company's Board to agree that, having completed the procurement procedures, the Head of the Company concludes transactions related to the electrification Vilnius-Klaipėda (Draugystės st.) section;
3. Endorsed the decision of the Company's Board to agree that, having completed the procurement procedures, the Head of the Company concludes transactions related to the implementation of noise-reduction measures;
4. Endorsed the decision of the Company's Board to agree that, having completed the procurement procedures, the Head of the Company concludes a transaction of procuring electricity from renewable sources;
5. Decision was taken to change the Company's name from AB Lietuvos Geležinkelių Infrastruktūra to AB LTG Infra and to change the Company's registered address from Mindaugo g. 12, Vilnius to Geležinkelio g. 2, Vilnius;
6. Endorsed the decision of the Company's Board to agree that, having completed the procurement procedures, the Head of the Company concludes the necessary contracting work transactions related to the installation of the project Rail Baltica railway line on Kaunas-Lithuanian/Latvian state border section;
7. Endorsed the decision of the Company's Board to agree that the Head of the Company makes a decision to transfer the complex of buildings located at Mindaugo g. 12 and Basanavičiaus g. 14, Vilnius, which is managed by the Company by the right of trust and is State-owned, to VĮ Turto Bankas, following the procedures set out in applicable legislation;
8. Approved the Company's financial statements for the year 2019.
9. Distributed the Company's retained earnings (losses) of 2019.

The Board of the Company – is a collegial management body consisting of 5 members. The members of the Board are elected by the General Meeting of Shareholders for a 4-year term office. The Board elects the chairman from among its members. The same person may be elected as a member of the Board for no more than 2 consecutive terms of office.

The Board is accountable to the General Meeting of Shareholders of the Company.

The competence of the Board is in line with the competence of the board, as laid down under the Law on Companies of the Republic of Lithuania and other legal acts; additional competences of the Board are set out in the Articles of Association of the Company.

Additional competences of the Board:

- Approval of operating strategy and long-term goals, investment and operational plans, and annual budget of the Company;
- Establishment of performance indicators of the Company;
- Approval of the list of information which is considered a commercial (industrial) secret and confidential information, the conditions of use and storage of such information;
- Adoption of decisions to agree that the Head of the Company concludes the acquisition transactions of goods, services or works the value of which equals to or exceeds EUR 300,000:
 - Investment in Group companies or third parties, disposal or lease of those assets;
 - Pledge or mortgage;
 - Sureties or guarantees for fulfilment of a third party's obligations;
 - Acquisition of non-current assets;
- Adoption of decisions regarding consent that the Company's executive may conclude transactions of acquisition of goods, works and services the value of which equals or exceeds EUR 300 000;
- To approve the fundamental terms and conditions of the contracts for the Company's services, if planned annual income or income planned over the period of contract validity may be EUR 3,000,000 or higher;
- Adoption of decisions related to investment of the Company's owned property and facilities important to ensuring national security, conclusion of purchase or sale, or any other transfer of ownership, pledge or mortgage transactions;
- Adoption of decisions on participation in or establishment of other legal entities;
- Adoption of decisions on commencing activities of new nature or terminating the Company's current activities, if a respective decision was not taken when approving the Company's activity strategy;
- Approval of employment contract of the Company's executive, conditions of remuneration and incentives;
- Approval of the total amount of incentives to the Company's employees for annual performance results (in accordance with the Company's performance results);
- Consideration of information on the Company's key operational risks and approval of the Company's plan of operational risk management;

Management of the company

- Consideration of information and reports on the Company's ongoing programmes;
- Analysis and assessment of other information on the most significant operational issues provided by the Company's executive.

The term of office of the Board covers the period between 26 06 2019 and 26 06 2023.

The Board of the Company was formed on the basis of legal regulation effective at that time (i.e. 26 June 2019), including the Railway Transport Code of the Republic of Lithuania and the

requirements set therein for the management of the public railway infrastructure manager. It must be noted that the Railway Transport Code of the Republic of Lithuania, which was effective at the time, set the requirement that members of collegial management bodies of the companies established by AB Lietuvos Geležinkeliai could only be the employees of the company group elected by vertical integration (Article 243(4)). Therefore, the Company's Board consists of LTG Group employees.

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

During the reporting period, a total of 27 meetings of the Board were held, including 10 meetings which took place in the form of a survey (in writing).

Composition of the board of the company



ANDREJ KOSIAKOV

Chairman of the Board
Holds the position since 27 11 2019

Education

- Bachelor's Degree in Economics, Vilnius University;
- Master's Degree in Business Administration and Management.

Main employer, position

- AB Lietuvos Geležinkeliai, Chief Financial Officer; Mindaugo g. 12, Vilnius, company code 110053842.

Other positions held

- UAB Gelsauga, Board Member; Prūsų g. 1, company code 125825125 (held the position until 31 10 2020)



IRENA JANKUTĖ-BALKŪNĖ

Member of the Board
Holds the position since 19 06 2019

Education

- Bachelor's Degree in Sociology, Vytautas Magnus University;
- Master's Degree in Applied Sociology, Vytautas Magnus University.

Main employer, position

- AB Lietuvos Geležinkeliai, Chief Human Resources Officer; Mindaugo g. 12, Vilnius, company code 110053842.

Other positions held

- UAB Gelsauga, Member of the Board; Prūsų g. 1, Vilnius, company code 125825125 (held the position until 31 10 2020).



ILONA DAUGĖLAITĖ

Member of the Board
Holds the position since 20 11 2019

Education

- Master's Degree in Hydrogeology and Engineering Geology, Vilnius University;
- Board Member Education program, Baltic Institute of Corporate Governance.

Main employer, position

- AB Lietuvos Geležinkeliai, Head of Department for Corporate Development; Mindaugo g. 12, Vilnius, company code 110053842.

Other positions held

- VšĮ Transporto Inovacijų Centras, Chairperson of the Board; Mindaugo g. 12, Vilnius, company code 305017405.



KAROLIS SANKOVSKI

Member of the Board
Holds the position since 19 06 2019

Education

- Bachelor's Degree in Law, Mykolas Romeris University (Vilnius);
- Master's Degree in Law, Aix- Marseille University (Provence, France);
- Board Member Education program, Baltic Institute of Corporate Governance.

Main employer, position

- AB LTG Infra, Chief Executive Officer; Geležinkelio g. 2, Vilnius, company code 305202934.

Other positions held

- AS RB Rail, Deputy Chairman of the Supervisory Council, K. Valdemāra iela 8, Riga, Latvia, company code 40103845025.
- UAB Rail Baltic Statyba, Chief Executive Officer and Chairman of the Board; Mindaugo g. 12, Vilnius, company code 303227458.



ARENIJUS JACKUS

Member of the Board
Holds the position since 19 06 2019

Education

- Bachelor's Degree in Management, Vilnius Gediminas Technical University;
- Master's Degree in Management, Vilnius Gediminas Technical University.

Main employer, position

- AB LTG Infra, Director of the Rail Baltic Coordination Department; Geležinkelio g. 2, Vilnius, company code 305202934.

Other positions held

- UAB Rail Baltic Statyba, Member of the Board; Mindaugo g. 12, Vilnius, company code 303227458.

Attendance of Board meetings in 2020

Member's of the Board name, surname	Board meetings	Attendance, %
Board meetings, held during the reporting period	27	100%
ANDREJ KOSIAKOV	27	100%
IRENA JANKUTĖ-BALKŪNĖ	27	100%
ILONA DAUGĖLAITĖ	27	100%
KAROLIS SANKOVSKI	27	100%
ARENIJUS JACKUS	26	96%

The most important decisions taken by the Board of the Company in 2020

January

- Approval of the Company's strategic activity plan (budget) for the year 2020-2023;
- Endorsement of the Company's becoming a member of the European economic interest group.

February

- Consent was given to the Head of the Company to conclude transactions related to the electrification Vilnius-Klaipėda (Draugystės st.) section after the completion of procurement procedures.

March

- Consent was given to the Head of the Company (or its authorised person) to conclude a transaction(s) on coordination, management and support for the implementation of Rail Baltica project.

April

- The Company was allowed to organize the first stage of the procurement implemented by dynamic procurement of "Contracting works of the installation of Rail Baltica railway line in Kaunas-Panevėžys-LT/LV section (stage I)" – selection of suppliers based on their competences.

May

- The Company's key performance indicators and goals of the Chief Executive Officer for the year 2020 were set.

June

- Consent was given to the Head of the Company to conclude transactions related to the implementation of noise-reduction measures after the completion of procurement procedures;
- Consent was given to the Head of the Company to conclude a transaction of procuring electricity from renewable sources after the completion of procurement procedures.

July

- The Company's annual report for the year 2019 was approved;
- The Company's financial statements for the year 2019 were approved.

September

- The Company's interim financial statements for the 6-month period ended 30 June 2020 were approved;
- Consent was given to the Head of the Company to make a decision to transfer the complex of buildings located at Mindaugo g. 12 and Basanavičiaus g. 14, Vilnius, which is managed by the Company by the right of trust and is State-owned, to VĮ Turto Bankas, following the procedures set out in applicable legislation.

October

- Approval of the decision of the Company's Board to agree that, having completed the procurement procedures, the Head of the Company concludes the necessary contracting work transactions related the installation of the project Rail Baltica railway line in Kaunas-Lithuanian/Latvian state border section.

November

- Consent was given to the Head of the Company to conclude a transaction for the acquisition of adaptation services of microprocessor switches and signalling devices of signal centralization systems of Electrification of Vilnius-Klaipėda (Draugystės st.) section project, Kaišiadorys-Radviliškis section after the completion of procurement procedures.

December

- The Company's activity plan (budget) for the year 2021 was approved;
- The Company's draft appropriation of profit (loss) for 2019 was approved.

The Chief Executive Officer (CEO, Head of Company) – is a one-person management body of the Company who organises and manages daily operation of the Company in accordance with his/her powers. Obligations and competences of the CEO are defined in the Law on Companies of the Republic of Lithuania, the Articles of Association of the Company available at the Company's website <https://ltginfra.lt/kas-mes-esa->

[me](#). The CEO is elected for a 5-year term office by the Board of the Company, to which he/she is accountable. The same person may be appointed as the CEO for no more than 2 consecutive terms of office. The first 5-year term of office of the Company's Chief Executive officer Karolis Sankovskis began on 1 July 2019.

Management of the company

KAROLIS SANKOVSKI	CEO of the Company	Holds the position since 01 07 2019.
DONATAS KALVAITIS	Director of Infrastructure Services Department of the Company	Held the position from 08 12 2019 to 20 09 2020
JONAS KIMONTAS		Holds the position since 21 09 2020
REMIGIJUS SKIRKUS	Director of the Diagnostics Department of the Company	Holds the position since 08 12 2019
ARVYDAS DVEILYS	Director of Maintenance Department of the Company	Holds the position since 08 12 2019
ARENIJUS JACKUS	Director of Rail Baltica Coordination Department of the Company	Holds the position since 01 11 2019
VITALIJA UZIALAITĒ	Director of Corporate Affairs Department of the Company	Holds the position since 29 10 2019
MANTAS BUROKAS	Director of Strategy and Management Department of the Company	Holds the position since 08 12 2019
TOMAS VARNECKAS	Director of Project Management Department of the Company	Holds the position since 08 12 2019
JAROSLAV CECHANOVIČ	Director of Traffic Management Department of the Company	Holds the position since 08 12 2019
RIMANTAS KULIEŠIUS	Interim Director of the Technical Integration Department of the Company	Held the position temporarily from 08 12 2019 to 06 07 2020
ADOMAS BIRULIS		Holds the position since 07 07 2020

Changes of management during the reporting period

Adomas Birulis started acting as the Director of the Technical Integration Department on 07 07 2020. Before, this position was held by Rimantas Kuliešius, the Head of the Infrastructure Policies and Innovations Unit.

Jonas Kimontas started acting as the Director of the Infrastructure Services Department on 21 09 2020. Before, this position was held by Donatas Kalvaitis.

Additional information about the head of the company

The Company's Chief Executive Officer Karolis Sankovski also holds the following managerial positions:

- Chief Executive Officer and Chairman of the Board of UAB Rail Baltica Statyba (Mindaugo g. 12, Vilnius, company code 303227458);
- Deputy Chairman of the Supervisory Council of AS RB Rail (K. Valdemāra iela 8, Riga, the Republic of Latvia, company code 40103845025).

Information of the education of the Company's Chief Executive Officer:

- Bachelor's Degree in Law, Mykolas Romeris University;
- Master's Degree in Law, Aix- Marseille University (Provence, France);
- Board Member Education program, Baltic Institute of Corporate Governance.

Members of the Board, the Chief Executive Officer of the Company, and the managers of the Company have submitted their declarations of private interests that are available on the website of the Chief Official Ethics Commission, at <http://www.vtek.lt>. During the reporting period, there were no conflicts of interests among the members of the Board, the CEO of the Company and the top-level managers.

Information on remuneration of board members and the company's chief executive officer

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

- 1. Basic monthly salary.** In 2020 the CEO of the Company was employed part-time (0.75). The Company's Chief Executive Officer's basic monthly salary set out in the employment contract for part-time job amounted to EUR 5,705 as at the end of the reporting period. The Company's Chief Executive Officer's basic monthly salary increased by 7% from EUR 5,330 to EUR 5,705 at the end of the year.
- 2. Annual incentives.** In addition to the basic salary, the CEO of the Company may be paid a variable share of the annual salary (as part of the annual incentive award) which is related to the achievement of annual goals. Each year, the Board of the Company approves the structure of the annual goals of the Company, also threshold values and benchmarks for their achievement and, at the end of the year, verifies performance against the goals and the possibility of paying the annual incentive award.

The potential maximum payment may not exceed 30% of the fixed annual basic salary which represents total remuneration received from different sources for occupying additional positions.

Board members elected by the shareholder AB Lietuvos Geležinkeliai and the Chairman of the Company's Board do not receive remuneration for their activity at the Board.

Strategy

In view of the geographic and economic developments in the market of transport services, which lead to changes in trade patterns and passenger flows, the LTG Corporate Group is planning its operations base on strategic planning. To make sure that the strategic directions and goals set out in the LTG's growth strategy for 2020–2030 are as much as possible focused

on the specific activities carried out by the LTG Corporate Group, long-term strategies of the individual companies of the LTG Corporate Group have been drafted. One of the is the **long-term strategy of LTG Infra for 2030**, which is reviewed and improved on an annual basis



Mission

Ensuring safe connections for a better future.



Vision

The most efficient manager of the railway infrastructure in the Central and Eastern Europe.

Strategic directions of the company:

- 1. Safe and adequate infrastructure:** EUR 5.6 billion investments into the development of infrastructure..
- 2. Organization that respects** and cares for the environment, the public and one another – 0 fatalities on railway.
- 3. Reduction of negative impact on the environment** – the share of electrified main railway tracks over 40%.
- 4. Responsible employer**, creating sustainable employment and ensuring the responsible and effective design and maintenance of the infrastructure.

Planned strategic projects until 2030:

- Rail Baltica – the speed of passenger trains up to 249 km/h, new opportunities for residents and businesses. The necessary requirements: sustainable economic growth of the Baltic Sea and the wider region, guarantee of regional safety and contribution to a climate-neutral railway transport.
- Electrification – the speed of passenger trains up to 160 km/h, electrification of railway line from Vilnius to Klaipėda. Emissions are reduced by 150,000 tonnes annually, fuel consumption is reduced by more than 30%, the quality of life of people living in the vicinity of railway improves.
- Construction of second rail tracks. Second tracks built and put into operation in sections that mostly limit the train throughput – single track on side tracks Plungė-Šateikiai and Livintai-Gaižiūnai; in addition, the track Pušynas-Paneriai will provide for the significant increase in the throughput of Corridor IXB (not less than by 7 train pairs in 24 hours).

Implementation of goals for the year 2020

At the beginning of 2020, the Company's Board approved the LTG Infra's strategic activity plan and annual goals, ratios to measure their achievement and guidelines for achieving goals that are linked to strategic activity strands. Based on the approved annual goals, personal goals were set for employees of LTG Infra. Thus the Company's employees are involved into the strategy implementation process by linking the goals achievement with the employees' career and development plans, payments of incentive for performance results and review of basic salary.

The global coronavirus (COVID-19) pandemic, which started in the middle of March 2020, had a significant effect on the Company's activities and achievement of the set goals. Considering the consequences of COVID-19 pandemic and potential scenarios of the spread of the virus as well as anticipated effect on the activities, the guidelines for the goals to be achieved have been adjusted.

Main goals	Goals achievement measurement ratios	Measuring units	Goal achievement guidelines 2020	Goal implementation indicators 2020
Effective management of infrastructure	Costs incurred by the infrastructure manager per 1 km of track	EUR thousand	<63.1	56.8
	Train operational volume	billion tkm	> 27.4	32.6
Ensuring of the quality of infrastructure	The duration of passenger trains delays resulting from the fault of infrastructure	min./1000 tr. km	< 7.2	4.8
Ensuring the safety of activities	Number of severe accidents on the public railway infrastructure due to the fault of infrastructure manager	Units	< 10	6
Investments*	Electrification	Implementation of approved project stages	Design works started	An agreement of the funding of the Vilnius junction was signed, design works are being implemented
	Rail Baltica	Implementation of approved project stages	Contracting works are being continued	Contracting works are being continued, land was redeemed for the construction of new European-gauge railway line, technical design works are being implemented
	Construction of second rail tracks	Implementation of approved project stages	Construction of second rail tracks on Livintai – Gaižiūnai, Plungė – Šateikiai, Pušynas – Paneriai railway sections	Pušynas-Paneriai project is completed, design and contracting works for other projects are being implemented

* More details on the main investment projects implemented by LTG Infra are presented in Chapter Investments of this Report.

Highlights of 2020

January

- Following the increase in the authorised capital, the Articles of Association of the Company were amended accordingly. After the issuance of additional 654,778 shares at a nominal value of EUR 1,000 per share, the authorised capital of the Company increased to EUR 654,928,000. The authorised capital was increased in view of the value of the Company, as established in the Business Valuation Report of 24 09 2019.



The bids submitted being too high, tenders from all suppliers concerning the procurement of contract works on the Palemonas-Rokai railway section of the Rail Baltica were rejected, thus the tendering procedure was announced to be closed. A new tendering procedure is to be opened for the procurement of contract works on the Rokai-Palemonas section of the Rail Baltica. Before announcing the new tendering procedure for the procurement of contract works on the Rokai- Palemonas section, the best possible solutions will be evaluated in the special plan for the Kaunas junction, which is under way. The contract works on this section will be implemented in accordance with an approved schedule: the estimated deadline for the construction and testing of the European gauge railway is in 2025 and in 2026 respectively

February

- Procurement procedures of the largest Rail Baltica were initiated. Within the scope of procurements of the stage I of construction works being started on the section of Rail Baltica Kaunas – Panevėžys – Lithuanian/Latvian state border it is planned to install up to 96 km of trackbed from Palemonas to the north towards Panevėžys, while laying down access ways in parallel with it, constructing the largest railroad bridge across Neris River and installing up to 58 km of the upper layer of the trackform. The planned value of procurements may reach up to EUR 475 million.
- It was announced that, over the past year, AB Lietuvos Geležinkelių Infrastruktūra repaired and renewed more than 83 km of the major national railway tracks, with works completed estimated at EUR 30.4 million, i.e. the Company modernised by 42% more railways, as compared to the preceding year when a total of 58 km of railway tracks were renewed. The Company maintains, on an ongoing basis, an almost 2 thousand kilometre-long national railway network. The Company is currently carrying out railway repairs under a long-term project which in the period between 2014 and 2024 is to be allocated a total of EUR 247 million. These funds will be used to modernise or replace a total of 640 kilometres of railway lines, which accounts for almost one-third of the entire national railway network.
- It was reported that AB Lietuvos Geležinkelių Infrastruktūra is to triple its capacity to reclaim old used railway sleepers, it will thus more actively contribute to the protection of environment around the railway. As of 2020, the majority of railway sleepers will be reclaimed by the German-based wood processing company Pfeleiderer and the amount of old railway sleepers to be reclaimed will on average increase from 700 tonnes to 2,000 tonnes per year or more. Also, in 2020, the Company intends to reduce, by more than half, i.e. from 43 to 20, the number of storage sites for the old railway sleepers.
- AB Lietuvos Geležinkelių Infrastruktūra and UAB KMT signed a contract for the procurement of a self-propelled diagnostic vehicle. The best offer in the international procurement procedure for the manufacture of the self-propelled diagnostic vehicle was submitted by joint-activity partners, UAB KMT (Lithuania), Graw Sp.zo.o. (Poland), Sperry Rail Limited (United Kingdom) and Tesmec SPA (Italy). The value of the contract stands at EUR 6.5 million, i.e. about 20% lower than the value of similar procurement contracts signed by railway undertakings in other European countries.

March

- AB Lietuvos Geležinkelių Infrastruktūra and the Lithuanian branch of Eurovia CS a.s. signed a procurement contract for the reconstruction of a railway bridge in Jonava, which is one of the most important railway bridges in Lithuania. The contract of the international tender for the procurement of design and contract works under the project for the reconstruction of the Jonava railway bridge was awarded to a group of companies acting under a joint activity agreement, Eurovia (Czech Republic), Eurovia Lietuva, and AS LNK Industries (Latvia), who had offered the best price, i.e. EUR 12.49 million VAT excluded.
- It was reported that AB Lietuvos Geležinkelių Infrastruktūra is to make yet another step towards cleaner environment: the catenary network will be using only the so-called green electricity generated from the renewable energy sources. The winning tenderer AB NTER RAO Lietuva offered 93,890,845 kWh of green electricity from renewable sources, which accounts for 100% of the electric power used by the entire group.
- It was announced that AB Lietuvos Geležinkelių Infrastruktūra had offered all the railway station-based businesses a possibility to take a rent holiday during the COVID-19 epidemic.

April

- It was reported that the possibility to transport passengers and freight by rail in Lithuania would be provided in line with the new rules for setting priorities in the congested part of the public railway infrastructure. According to the new rules, which were approved by the Minister for Transport and Communications of the Republic of Lithuania on 9 April 2020, the capacities of public railway infrastructure shall be first allocated for the provision of rail passenger and luggage transport services and, as regards freight transport, priority shall be given to international transport by rail to/from other EU states.
- It was announced that in order to ensure the more efficient use of the railway infrastructure and to encourage stronger competition among railway carriers, AB Lietuvos Geležinkelių Infrastruktūra, which is responsible for the management of the national public railway infrastructure, would from now on follow the new rules for the calculation and payment of charges for the access to the public railway infrastructure as part of the minimum access package and calculation and payment rules of the fee for allocated but not used public railway infrastructure capacities, as approved by the Government of the Republic of Lithuania on 8 April 2020.

May

- It was reported that Lietuvos Geležinkelių Infrastruktūra is opening the country's railway infrastructure to foreign carriers. The first international contract was concluded on the use of the country's public railway infrastructure with one of the Europe's largest railway transport groups, the largest freight transportation company in Poland PKP Cargo.
- AB Lietuvos Geležinkelių Infrastruktūra organized the first virtual consultation with market participants. The remote consultation was organized as a preparation for the construction works tenders of the value of EUR 480 million for the Rail Baltica section from Kaunas to Panevėžys. Consultations with businesses are becoming a common and effective practice to better prepare for the tenders and achieve the best results. This time, around 60 members representing the companies of different countries joined the consultation.
- Close to Kaunas, handling of land polluted by oil products 50 years ago was started. AB Lietuvos Geležinkelių Infrastruktūra together with the Environmental Protection Department under the Ministry of Environment assessed the damage and prepared the management plan, based on which the polluted primer will be removed and the territory will be equipped so that no more pollution can affect it. In total, around 20 thousand cubic meters of the polluted primer will be excavated and reclaimed.
- Construction of Pabradė-Pažeimėnė junction of the railway line of national importance was completed, and it will ensure a more convenient relocation of military hardware and other equipment of the NATO allies coming to Lithuania to the Silvestras Žukauskas polygon in Pabradė.

June

- The Company's transition to working at digital space: it refused last minute requests to allocate public railway infrastructure capacities and paper forms of conclusions of technical assessment. As of now, this work is carried out in digital space.
- In VIT, a ramp was installed for unloading/loading of covered wagons and trucks with re-loading for transportation in a container.
- It was announced that during the implementation of the Rail Baltica project, one more railway level crossing was eliminated from Kaunas railway junction, it will be replaced by a new tunnel. Starting from now, all passengers, who had to cross the rails on a regulated railway level crossing at Marių and Palemono streets, will be able to safely and without stopping to cross the railway in a newly built tunnel, the drivers will no longer need to spend time at the railway level crossing, traffic will become safer – cars and pedestrians are no more in danger to hit the train at this location.
- Tenders for contracting works of Rail Baltica were announced. The winners will install a railway track with engineering structures from Kaunas to Panevėžys and the bridge over Neris close to Jonava – the longest railway bridge in the Baltic States.

July

- A new logo and name LTG Infra were introduced to the public.
- The Ministry of Transport and Communications of the Republic of Lithuania, Lietuvos Geležinkelių Infrastruktūra (LTG Infra) and joint-activity partners UAB Sweco Lietuva and DB Engineering & Consulting GmbH entered into an agreement, based on which within 24 months, an optimal modernization route of Rail Baltica railway line Polish and Lithuanian borders–Jiesia will be established; the agreement indicates the territories necessary for the development of engineering infrastructure of transport communications and conditions are set for the sustainable development of this infrastructure. Contract value is EUR 1.66 million.
- Territory planning for new depots development which are intended to service the Rail Baltica railway was started. The Ministry of Transport and Communication of the Republic of Lithuania, AB Lietuvos Geležinkelių Infrastruktūra (LTG Infra) and service provider UAB Atamis signed a contract which will set the optimal solutions for the development of the Rail Baltica railway infrastructure maintenance depots and the necessary territories. Contract value is almost EUR 314 thousand.
- LTG Infra and YIT Lietuva signed a contract based on which, the problematic single-level crossing will be replaced by a tunnel for cars with a pedestrian path. The new tunnel for almost EUR 5.8 million is planned to be designed and constructed in a bit more than 2.5 years. In addition to contract parties, State Enterprise Lithuanian Road Administration under the Ministry of Transport and Communications as well as Elektrėnai Municipality Administration will contribute to project implementation.

August

- LTG Infra announced a tender, based on which roads of local significance and access rail tracks (for over EUR 35 million) to Rail Baltica railway section Kaunas-Panevėžys will be constructed. The estimated total length of roads of local importance under reconstruction and construction is around 140 km. Separate procurements will be implemented for the implementation of project-related works, which will be divided by the permits for technical project construction and the limits set in the EU financing agreements or applications.
- LTG Infra concluded two agreements with joint-activity partners VŠĮ Kultūros Paveldo Išsaugojimo Pajėgos, UAB Statybų Archeologija and UAB Kultūros Vertybių Paieška regarding the additional detailed archaeological examinations in the future Rail Baltica railway section from Kaunas to Lithuanian/Latvian border. Within the upcoming 18 months, 6,900 square meters of cultural layers will be examined.
- The start of the reconstruction of the railway bridge in Jonava over Neris was announced. One of the most important railway bridges in Lithuania will be reconstructed by the joint-activity partners Eurovia CS (Czech Republic), Eurovia Lietuva and AS LNK Industries (Latvia). This project is intended at ensuring the best throughput and the increase in the speed of the strategic IX B corridor. After the reconstruction of no longer used bridge, passenger trains will gain the speed of up to 120 km/h, while freight trains up to 90 km/h. The project is planned to be completed in the 3rd Quarter of 2022. The price of works will be EUR 12.5 million.
- On 26 August 2020, a new edition of the Company's Articles of Association was registered, changing the Company's name from AB Lietuvos Geležinkelių Infrastruktūra to AB LTG Infra, specifying the regulations on mutual relations between the Company and AB Lietuvos Geležinkeliai, implementing the functions of the parent company, and specifying the additional competences of the Company's management bodies in making decisions on the Company's transactions. After the change of the name, the Company continues the activities and carries out assumed liabilities. After the change on name, the Company's details remained unchanged: company code 305202934, VAT payer's code LT100012666211, data of settlement accounts has also remained unchanged. However, the Company's registered address was changes to Geležinkelio g. 2, Vilnius. Meanwhile, the address for correspondence remains unchanged – Mindaugo g. 12, Vilnius.

September

- The Ministry of Transport and Communications of the Republic of Lithuania, LTG Infra and service provider – a Spanish company Ardanuy Ingenieria S.A. concluded a contract regarding the preparation of the plan for the development of engineering infrastructure of transport communications at Rail Baltica railway infrastructure, Kaunas junction. The contract value is EUR 1.065 million (excluding VAT). The plan should be prepared and approved in September 2022, and design and construction works should be finished by the end of 2026.

- Andrzej Adamczyk, the Minister of Infrastructure of Poland, made an official visit to Lithuania and tried the railway connecting Poland to Lithuania. During the travel, discussions took place with the Minister of Transport and Communications of the Republic of Lithuania, managers of AB Lietuvos Geležinkeliai (LTG) and other accompanying persons on the most important matters related to Rail Baltica railway construction as well as other matters related to cooperation between parties in the field of transport and communications.
- It was announced that the project “Modernization and Installation of Railway Transport Traffic Safety Measures at Valčiūnai Railway Station” had been completed. As of 2018, many freight trains on a particularly significant Corridor IX through Kaišiadorys and Radviliškis have been directed to this railway level crossing. The intensive utilisation of the roundabout started after the successful completion of installation of second railway tracks in Kyviškės-Valčiūnai, Pušynas-Paneriai sections. Even larger freight flows are planned in the future, the growth of which is related to the completion of the programme of Corridor IXB electrification in 2023.

October

- AB Lietuvos Geležinkeliai and UAB Alkesta signed a contract for contracting works of the “Reconstruction of Alytus Railway Viaduct over Naujoji street” project. Contract value is EUR 1.75 million. Also, the Chief Executive Officer of LTG Infra Karolis Sankovskis and the Mayor of Alytus City Municipality Nerijus Cesiulis signed an arrangement on cooperation in the implementation of the “Reconstruction of Alytus Railway Viaduct over Naujoji street” project.
- In Trakai district, Lentvaris, the reconstruction of a railway level crossing and construction of car tunnel was started. The project, which is improving traffic conditions and safety, will significantly improve the transport and communication conditions in the City of Lentvaris, which for many years has been divided in two parts by the railway line and where, due to dense train traffic at a railway level crossing traffic jams are formed. The value of contracting works to implement the project is EUR 20.7 million. The works will be completed within 9 months following the contract’s effective date.
- LTG Infra and a group of joint-activity partners (Tiltuva, Maniga and Viadukas) signed project contract on contracting works regarding the installation of noise absorbing barriers in the City of Šiauliai. By this project, a long-lasting, aesthetic and highly efficient noise absorbing barrier of the total length of 825 meters and high from 3.5 to 5.5 meters will be installed at Šiauliai railway station. The noise absorbing barrier will significantly improve the quality of life of people living in the vicinity; the noise level in residential buildings and their surroundings will comply with all the requirements of the standard of hygiene.
- It was announced that in the Rail Baltica railway section Kaunas-Palemonas, the main project works were completed: after construction of the last rails that meet the European Standard, Kaunas Intermodal Terminal will be directly linked to the European railway network. Only closing works remain in the Kaunas railway section. After the testing of the new railway and its submission to the State Commission, planning of freight train routes will be started.
- It was announced that LTG Infra started implementing a large scope project of the renewal of lighting networks. The project will include the replacement of lamps and floodlights. This step will not only allow the renewal of equipment and improvement of the quality of lighting but will also significantly reduce the electricity consumption.

November

- It was announced that the EU Court reduced the fine by EUR 7.8 million for the dismantling of Rengė section. In 2017, the EU General Court had announced its decision regarding the decision of the European Commission to impose a fine of EUR 27.873 million on Lietuvos Geležinkeliai for the abuse of dominating power in the Lithuanian market of freight transportation by rail following the dismantling of Rengė section claiming it on its poor technical condition. By the new decision of the EU Court, the fine was reduced to EUR 20.068 million.
- The Quarterly meeting was held between the representatives of LTG Group, organisations of people with disabilities and the Ministry of Transport and Communications of the Republic of Lithuania. During the meetings the progress of the implementation of “Adaptation of railway services according to universal design principles” project, the status of activities of LTG Infra and LTG Link as well as project-related works were discussed.
- It was announced that when constructing the European-gauge railway Rail Baltica, it is planned to build four military equipment logistics sites, so that NATO units frequently participating in exercises in Lithuania could easily arrive with heavy military equipment. Two sites are planned to be built close to European-gauge railway line Polish and Latvian border-Kaunas, close to Kazlų Rūda and Kaunas Intermodal Terminal in Palemonas. Two more military equipment logistics sites are planned to be built close to European-gauge Rail Baltica railway line Kaunas – Lithuanian and Latvian border, close to Jonava and Panevėžys.

- It was announced that LTG Infra had ensured adequate electricity resources to meet the demands of the entire LTG Group in 2021 – the Company implemented its commitment to purchase only green electricity, and the price offered by the winner will allow the Company to save up to half million EUR. The best electricity price was offered by AB Inter RAO Lietuva, which in 2021 will supply green electricity generated in the European Union by 0.0061 Eur/kWh less than in 2020, when the price of electricity was 0.0483 Eur/kWh. In total, LTG Corporate Group consumes almost 100 million kWh electricity per year.
- It was announced that Rail Baltica partners in Latvia and Estonia have made their decisions and appointed the managers of European-gauge railways in their countries. In Latvia, SIA Eiropas Dzelzcela Linijas will be responsible for Rail Baltica infrastructure, and in Estonia – OU Rail Baltic Estonia. After the appointment of Rail Baltica infrastructure managers, LTG Infra initiated the first meeting of all three managers in the Baltic States. During the meeting, the principles of cooperation and the nearest works, one of which is the preparation of the action plan needed to implement the coordinated infrastructure management, were discussed.

December

- EUR 17.3 million of dividends were paid to the shareholder for the financial results of 2019.
- It was announced that having completed all procedures, LTG Infra became the legal manager of the land acquired for the needs of the society in the future Rail Baltica railway section from Kaunas to Lithuanian-Latvian border. After the registration with the Centre of Registers of 60 agreements on the transfer of the State-owned land by the right of trust, LTG Infra obtained the right to carry out the functions of a constructor in this section. Land plots are transferred by the right of trust based on property trust agreements.
- It was announced that LTG Infra, the company responsible for the implementation of the Rail Baltica project in Lithuania, started a second stage of the tender, during which the contractor for the railway bridge over Neris will be selected. This will be the longest railway bridge in the Baltic States, which will be the most technically complex structure in the Rail Baltica railway.

Events after the reporting period

- **On 22 01 2021** LTG Infra, the company managing the Lithuanian railway network, signed a contract for almost EUR 16 million on the modernisation and maintenance of radio-communications system. This GSM-R standard system is used to manage the train traffic in Lithuania. The Agreement was signed with the consortium of companies Kontron Transportation Austria AG and Kontron Transportation Sp. z o. o., which is committed to ensure the uninterrupted functioning of the modernised system. The modernisation works of radio-communications system will last for 15 months, and the consortium will provide warranty maintenance services for 9 years. The renewed equipment will ensure a more reliable communication and automated system management, which will also significantly reduce the Company's IT costs. The renewed system, enhanced and adapted, will be able to fully satisfy the future demands of Rail Baltica.
- **On 29 01 2021** LTG Infra, the company responsible for the implementation of the Rail Baltica project in Lithuania, announced a tender for the maintenance of construction of the railway bridge over Neris, which will be the longest in the Baltic States. During the tender, a company will be selected to perform the functions of construction maintenance and to provide the services of the Engineer. The tender for technical maintenance of contracting works and provider of services of Engineer will be implemented in two stages. During the first stage, compliance of participants with the qualification requirements will be assessed, and during the second stage, the best bid will be selected.

Effect of covid-19 on the company's activities

This year, numerous business sectors in the country were affected by the global coronavirus pandemic (COVID-19). However, it did not have a significant effect on the Company's performance results, the impact of the achievement of the planned results for the year 2020 is minimal.

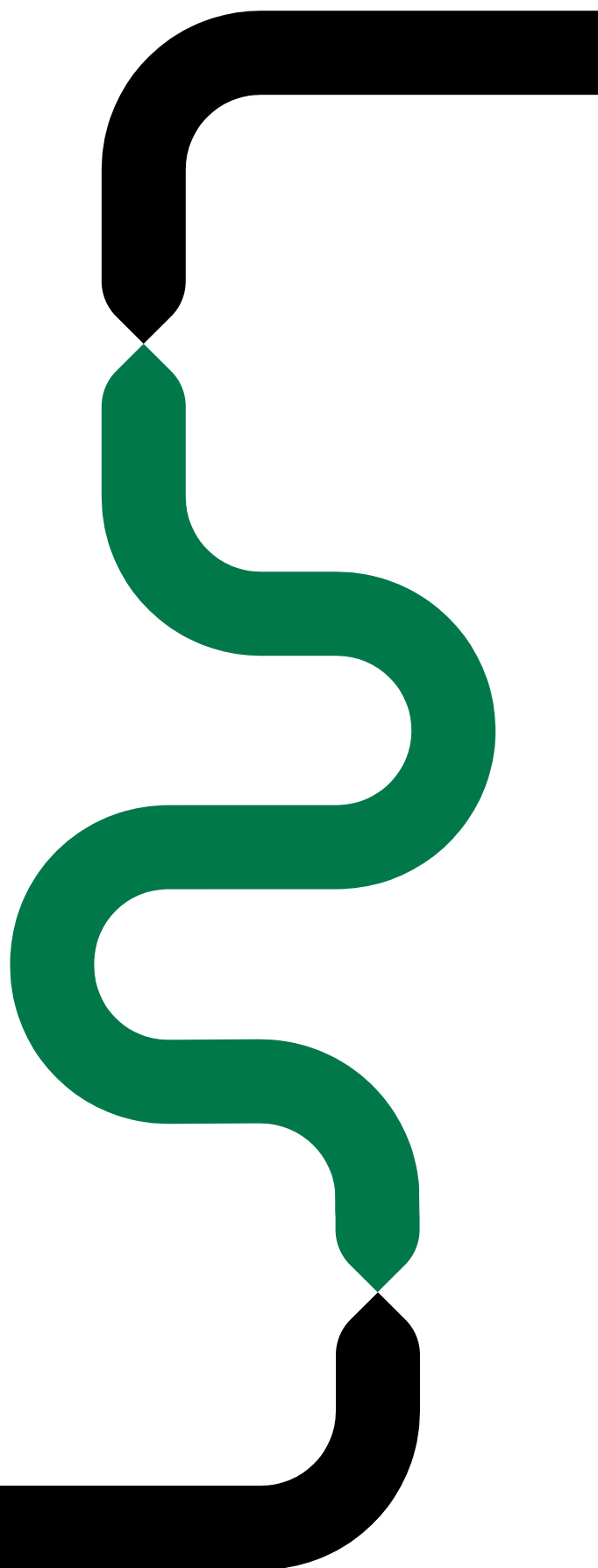
In the 1st half of 2020, the Company revised its activity plans, prepared updates activity forecasts considering the impact of COVID-19 on the activities and planned results. Accordingly, seeking to minimise the effect of the coronavirus pandemics, plans for cost optimisation and other measures were prepared. These plans were presented to the Board, their implementation is being monitored and prompt actions are taken as a response to the changing situation.

The negative effect of COVID-19 on AB LTG Infra: decrease in revenue from passenger transportation companies. In March, due to COVID-19 pandemics one third of local train services (76 out of 226) were temporarily suspended; part of them were later resumed. In November 2020, due to the second wave of COVID-19 in Lithuania, 25 services were optimised, the frequency of 14 was changed. At the end of 2020, 103 local passenger train services out of 226 were still suspended. International train services were suspended as of mid-March, only 6 transit services were resumed by the end of the year.

However, monitoring changes in neighbouring markets, the Company takes a positive stance of the situation and does not change its long-term strategic directions or goals; however, it revises the measures that ensure the achievement of these goals.

During the reporting financial year, COVID-19 had no significant negative effect on the activities and financial results; no indications were determined for the need to perform an impairment test of non-current asset.

COVID-19 had no effect on the Company's credit, liquidity risks, no special financial measures related to COVID-19 were applied. State support to mitigate the consequences of COVID-19 pandemics was not granted.



Overview of key performance indicators

Indicators	Measure	2019*	2020
Train operational volume	billion km gross	2.1	32.6
Train runs	million train-km	1.3	15.9

* Data is presented as of 8 December 2019 – the date when the Company launched its activities.

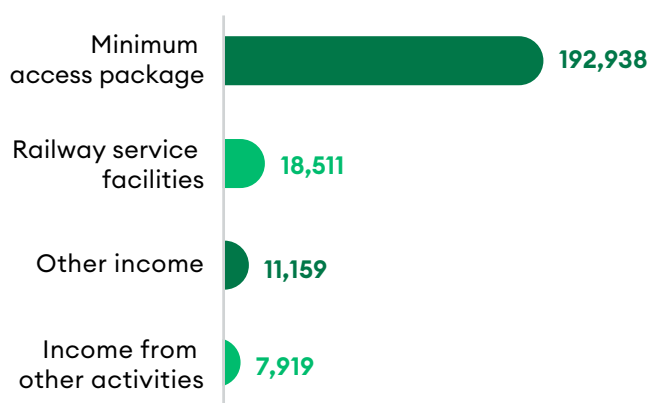
Analysis of financial and operating performance

Performance

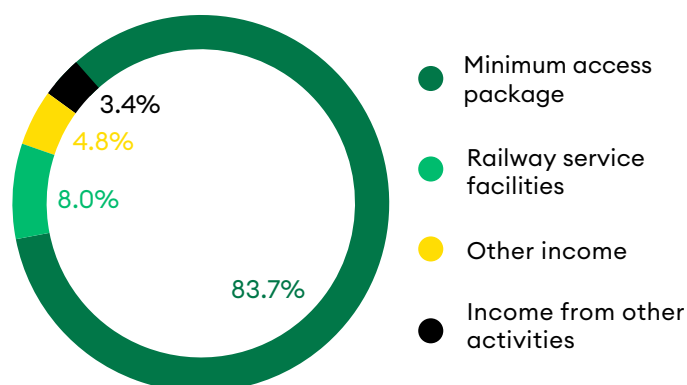
Revenues

- In 2020, revenues from the Company's operating activities amounted to EUR 230.5 million. The majority of the revenues, i.e. EUR 192.9 million or 83.7%, were generated from providing services of the minimum access package.
- The income from services provided at the railway service facilities managed by the Company amounted to EUR 18.5 million, or 8.0%.
- In 2020, the Company's other income amounted to EUR 11.1 million. Other income is generated from lease of assets managed by the Company, supply of electricity and water and from various other commercial services.
- Income from other activities mainly comprised income recognised as a result of the reduction of the fine for the dismantling of Rengé section (EUR 7.8 million).

The company's sales revenue
eur, (%)



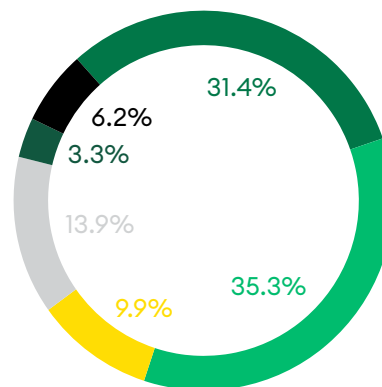
LGT Infra revenue structure,
2020 eur, thousand



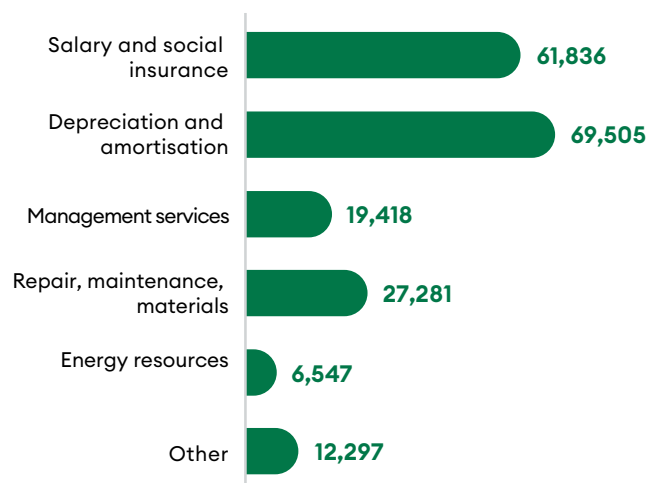
Costs

- In 2020, the Company incurred EUR 196.9 million in costs with regard to its principal and secondary activities.
- The majority of these costs are comprised of depreciation and amortisation costs (35.3%), labour costs (31.4%), costs of repair, maintenance and materials (13.9%), management service costs (9.9%), and energy resources (3.3%). Remaining costs stood at 6.2%.

LTG Infra cost structure, 2020 (%)



Company's costs 2020, EUR thousand

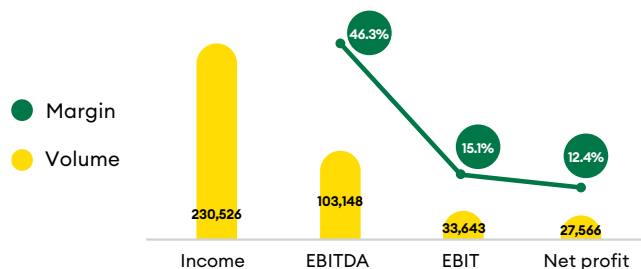


- Salary and social insurance
- Depreciation and amortisation
- Management services
- Repair, maintenance, materials
- Energy resources
- Other

Performance results

The Company's net profit amounted to EUR 27.6 million, net profit margin was 12.4%.

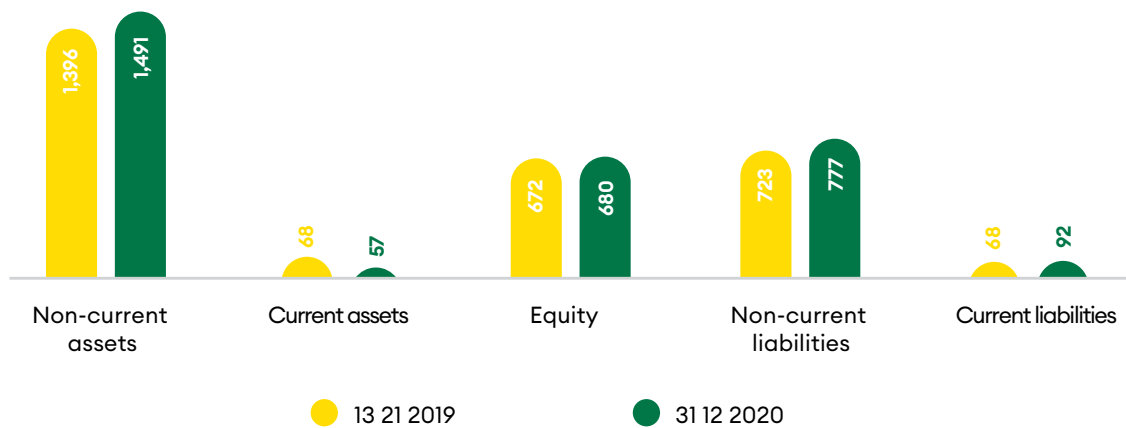
Ratios of the Company's activities, EUR thousand



Changes in the statement of financial position

- During 2020, non-current assets increased by EUR 95.3 million. The growth of non-current assets mainly resulted from the advance payment of EUR 72.6 million made for the electrification works, as well as from the investments into railway infrastructure.
- Increase of non-current liabilities resulted from the increase of loans (additional loan of EUR 50 million intended for the implementation of the electrification project of railway infrastructure) and the volume of guarantees received.
- Current liabilities increased due to the increase in payable corporate income tax, short-term portion of loans, increase in amounts payable.

Changes in main items of statement of financial positions, EUR million



Key financial indicators*

	Measure	2019	2020
Sales revenue	thousand EUR	13,844	222,607
Other income	thousand EUR	2	7,919
Total income	thousand EUR	13,846	230,526
Costs	thousand EUR	(15,296)	(196,883)
EBITDA	thousand EUR	4,589	103,148
Adjusted EBITDA	thousand EUR	4,585	103,467
EBITDA margin	%	33.1%	46.3%
Adjusted EBITDA margin	%	33.1%	46.5%
EBIT	thousand EUR	(1,450)	33,654
EBIT margin	%	-10.5%	15.1%
Net profit	thousand EUR	(1,395)	27,566
Net profit margin	%	-10.1%	12.4%
		31 12 2019	31 12 2020
Non-current assets	thousand EUR	1,396,144	1,491,473
Current assets	thousand EUR	67,782	57,126
Total assets	thousand EUR	1,463,926	1,548,599
Equity	thousand EUR	672,272	679,799
Financial debt	thousand EUR	145,806	179,601
Net debt	thousand EUR	132,356	175,035
Return On Equity (ROE)	%	-0.2%	4.1%
Return On Assets (ROA)	%	-0.1%	1.8%
Return on Investment (ROI)	%	-0.1%	1.9%
Financial debt / EBITDA	times	31.8	1.7
Financial debt / Equity	%	22%	26%
Net debt / EBITDA	times	28.8	1.7
Net debt / Adjusted EBITDA	times	28.9	1.7
Debt servicing ratio	times	-	5.0
Equity ratio	%	45.9%	43.9%
Asset turnover ratio	times	0.0	0.1
Quick liquidity ratio	times	0.7	0.6
Total liquidity ratio	times	1.0	0.6

* For definitions of the indicators, see page 55 of the Report.

Financing of the company

As at 31 December 2020, the size of loan portfolio was EUR 177,412 thousand (31 December 2019: EUR 144,364 thousand). The increase in the portfolio in 2020 resulted from an attracted loan of EUR 50 million, intended for the implementation of the electrification project of railway infrastructure.

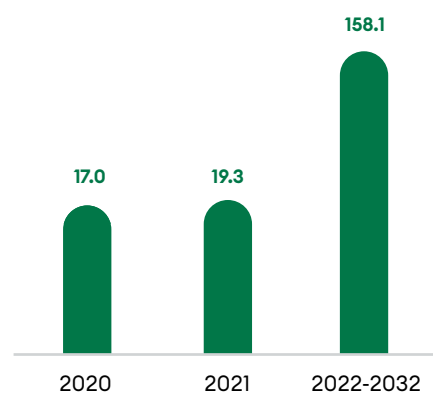
As at 31 December 2020, the weighted interest rate of AB LTG Infra loan portfolio was 1.1% (31 December 2019: 1.4%).

The longest repayment term of a financial borrowing is 12 years, the last maturity is in 2032.

To balance the Company's working capital and to ensure liquidity, the Company uses the Group's short-term borrowing account cash pool, which allows optimising the use of working capital and short-term borrowing costs. As at 31 December 2020, AB LTG Infra had no internal debt in cash pool.

Ratio	Measure	2020	Value set by the bank
Net debt / Normalized EBITDA	times	1.7	Not more than 4.0
Equity ratio	%	43.9	Not less than 35%
Loan servicing ration	times	5.0	Not less than 2

Repayment of loans, EUR million



Dividend policy

The payment of dividends by state-owned enterprises and the amount of profit distributions is governed by Resolution No 20 of the Government of the Republic of Lithuania of 14 January 1997, and the amendments thereto.

The allocation and payment of the Company's dividends is governed by the LTG Group's Dividend Policy, which has been drafted in accordance with the provisions of the Resolution of the Government of the Republic of Lithuania and the recommendations of the Governance Coordination Centre (GCC).

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, implementation of economic projects of state importance, as well as other circumstances and conditions as set out in the Dividend Policy.

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

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

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

AB LTG Infra, performing the functions of public railway infrastructure manager, pays dividends calculated in accordance with the procedure laid down in this Policy to the extent compatible with the requirements of the Railway Transport Code of the Republic of Lithuania regarding the payment of the dividends of this company.

Special obligations

Special obligations mean the functions that a state-owned enterprise (SOE) would not undertake to perform on a commercial basis (or would perform them at a higher price than specified) and which a SOE is entrusted to perform under the State's decision.

The Company performs a special obligation: it carries out maintenance, modernisation and development of the public railway infrastructure and provides minimum access package services.

Maintenance, modernisation and development of the public railway infrastructure and provision of minimum access package services

Legislation entrusting the SOE with the following special obligation:

- Provision of minimum access package services: Article 23(1) and Article 24(5) of the Railway Transport Code of the Republic of Lithuania;
- Maintenance, modernisation and development of the public railway infrastructure: Article 23(1) and Article 24(4) of the Railway Transport Code of the Republic of Lithuania.

Legislation that sets forth the conditions for the performance of a special obligation and regulates pricing:

- Provision of minimum access package services: no budget appropriations are allocated for the function, pricing is regulated by Article 25 of the Railway Transport Code of the Republic of Lithuania and the rules for calculation and publication of minimum access to public railway infrastructure package charges, calculation and payment of fees for allocated but not used public railway infrastructure capacities, approved by Resolution No 356 of the Government of the Republic of Lithuania of 8 April 2010;
- Maintenance, modernisation and development of the public railway infrastructure: the function is performed under the annual public service agreement between the Ministry of Transport and Communications of the Republic of Lithuania and AB Lietuvos Geležinkeliai for the use of the state budget funds allocated for the LG programme for ensuring communication by rail. The funding of the special obligation (modernisation and development of public railway infrastructure) stems from European Union Cohesion Fund, CEF, ERDF, TEN-T and ISF. Pricing is not subject to regulation.

Ratios of carrying out od liabilities as agreed with the allocations manager (Ministry of Transport and Communications)	Measurement units	Actual data for 2020	Plan for 2021
Share of electrified railways compared to the total railway length	%	8%	8%
Length of electrified tracks	km	317.5	317.5
Length of noise absorbing barriers	km	0.7	18.345
Traffic organization and safety measures implemented	units	1	11
Objects of public railway infrastructure with LED lights	units	72	18
Volumes of works at railways and their facilities protection zone greenery planting, restoration, maintenance, installation of fire-break, renewal	km	1,367	1,474

Company's results of special obligations in 2020.

Special obligations	Income from special obligation, thous. EUR	Costs for special obligation, thous. EUR	Profit before tax from special obligation, thous. EUR	Assets, thous. EUR
Minimum access package services and maintenance, modernisation and development of the public railway infrastructure	200,772	165,406	35,366	1,329,713

Investments

Investments, EUR million	2020
Rail Baltica	19.7
Electrification of Corridor IX	73.0
Construction of second railway tracks	27.4
Road renewal programme	30.3
Other	24.7

Most important investment projects and works performed in 2020

In 2020, LTG INFRA investments amounted to EUR 175.1 million, including own investments of EUR 133.1 million. 76% of investments in 2020 were financed by the Company's own funds. During the reporting period, EUR 42.0 million of the EU support and State budget funds were used. The larger part of the investments was intended for the implementation of main infrastructure projects: electrification of Corridor IX, construction of second railway tracks, installation of noise absorbing barriers, etc. (70%).

Investments into renewal of assets. The Company, seeking to ensure smooth and safe continuation of operating activities, invests into the renewal of non-current assets (major repairs). Project/programmes of railway infrastructure renewal:

- a) The renewal programme of main railway tracks over the period of ten years. In 2020, works for EUR 30.3 million were performed, major repairs were performed of 88.8 km of road.
- b) Renewal of railway bridges. After the completion of works, safe train traffic will be ensured. The largest projects are the following:

- Reconstruction project of Jonava railway bridge, which is the longest bridge in Vilnius-Klaipėda corridor (200 m). In 2020, the contract for design and contracting works was signed for the value of EUR 12.5 million, bridge design works are in progress;
- Reconstruction project of Lyduvėnai bridge. In 2020, a contract for contracting works was signed, the estimated project value is EUR 2.8 million.

- c) GSM-R core renewal. The new equipment will ensure communication needed for safe train traffic throughout the rail network. In 2020, procurement procedures were completed, contract signed in January 2021.
- d) Other infrastructure renewal works: renewal of railway level crossings, culverts, ramps and other objects.

The programmes for the renewal of railway infrastructure will also run in 2021.

Most important planned investment projects/investment directions

Development of railway infrastructure:

1. The largest railway infrastructure project Rail Baltica, intended at the improvement of mobility, travel possibilities, business development, is being continued. The scope of the project in the territory of Lithuania is ~ EUR 3 billion. Based on international arrangements, the Rail Baltica project is planned to be completed in 2026. Project progress in 2020:

- Works for EUR 19.8 million were carried out in Kaunas–Palemonas section. After the completion of contracting works, freight transport will be able to travel along the European-gauge track to the very public intermodal terminal in Palemonas (KIT) as of 2021;
- In Kaunas-LT/LV state border section:
 - Redeeming of the land for the construction of a new European-gauge railway line. Based on the signed 1,741 (100%) land acquisition acts, 62 land plots were formed, all of them are registered on behalf of the State and transferred by the right of trust to LTG Infra, which obtained the right to implement the functions of the constructor in this section. The procedures of land acquisition for the needs of society that are necessary to construct access roads are being completed: 1,576 (out of 1,580) acts of land registration on behalf of the State were prepared;
 - Technical design of the railway line is ongoing and planned to be finished in 2021;
 - Procurements were announced for the contracting works of the installation of the section earthwork and engineering structures by dynamic procurement; potential suppliers were selected;
 - Procurement of bridge by Jonava over Neris was announced. This will be the longest bridge in the Baltic States; the length of the bridge is 1.5 km;
 - The initiation of the procurement of other contract works is planned in 2021 and later;
- The plan of development of engineering infrastructure of communications at Rail Baltica railway line Kaunas–Vilnius is being prepared, assessment of environmental impact is being made;
- Preparation of the special plan to increase the speed on Kaunas – PL/LT border section was started.

2. The Company, seeking to gain benefits for the competitiveness of the Lithuanian transport sector and to significantly reduce air pollution, is continuing the railway electrification programme:

- Electrification project of Corridor IX. At the end of 2019, a contract on design and contracting works was signed for the value of EUR 363 million. Contracting works were started in 2020. By the end of 2023, the electrification of Vilnius junction and of railway line from Kaišiadorys to Klaipėda (Draugystė station) (366 km), will allow carrying more than 50% of freights and passengers on route Vilnius–Šiauliai–Klaipėda using an ecologic and effective electric traction;
- The planning of the development of catenary network in other lines was started, prioritising Kaunas-Kybartai section.

3. Seeking to eliminate the bottle-necks that are mostly restricting train traffic, projects of the increase of infrastructure capacities are being implemented:

- Construction of second railway tracks; the total value of the three sections amounts to EUR 163 million:
 - Construction project of the second track on Pušynas-Paneriai section was finished. The length on new track is 8 km, reconstructed track – 6.6 km;
 - Contracting works were started in the construction of the second track on Livintai-Gaižiūnai section. New track is planned to reach the length of 10.8 km, reconstructed track – 10.7 km. End of the project is in 2022;
 - Technical project for the construction of the second track on Plungė-Šateikiai section is being prepared; the contracting works will start in 2021. The scope of the project includes the reconstruction and new construction of around 21.9 km of railway track. End of the project is in 2023;
- Seeking a double maximum train throughput capacity on Radviliškis-Pagėgiai section and seeking to reduce the load of Radviliškis – Klaipėda section, installation of blocking posts is being implemented. Design, laying of cables, supply of equipment have been completed, the project is planned to be completed at the beginning of 2021;
- In 2020, a contract on the design and contracting works for the reconstruction of track III of Radviliškis railway station was signed. The completion of the project will provide for a possibility to have longer freight trains (71 conditional wagons) at Radviliškis station, for the increase in the rolling-stock exploitation efficiency and for the line load reduction. The planned project value is EUR 3.9 million.

4. Investments are being made into railway stations to increase their attractiveness to the public:

- To be able to provide better quality services to international train passengers, a new border and customs inspection post was built at Vilnius railway station;
- The reconstruction project of Vilnius railway station was started which will increase the attractiveness of the Vilnius station to passengers; in addition, the station is being adapted for commercial purposes;
- Technical project of linking of Plungė railway station and bus station is under coordination. The intention is to create a common transport node which will provide for a more convenient passenger transportation by various means of transport;
- In 2020, public procurement was announced for the creation of new stations information system. Implementation of modern passenger information system and equipment in 50 stations is planned;
- Seeking that travels by trains are easily accessible to passengers with disabilities, the "Adaptation of route without obstacles for people with disabilities in the station territory" project was started. By 2024, all station accesses will be renovated, ramps installed, paths repaired, warning tapes and other measures will be installed.

5. Project of modernization of infrastructure diagnostics is being implemented. Under this project, an agreement for the acquisition of self-propelled diagnostic vehicle was signed for EUR 6.5 million. The new vehicle will be put in operation in 2021, it will perform the inspection of the railway condition, will provide for early detection of potential flaws, for more effective planning and organization of repairs.

6. LTG Group, seeking to be an environmentally friendly company, in 2020 implemented the projects which focused on the satisfaction of the needs of the public – reduction of noise and increased safety:

- Seeking to reduce the noise of railways for the residents, the project of the installation of noise absorbing barriers is being implemented: contracting works were started at Kaišiadorys, Lentvaris and Mažeikiai stations, contracts were signed for the objects of Radviliškis, Šiauliai and Giruliai, procurements were announced for the objects of Klaipėda and Kretinga. In total, 9 noise absorbing barriers for EUR 24 million are planned to be installed in 7 municipalities;
- Increase of safety level at the intersections of railways and roads:
 - Railway level crossing at Valčiūnai railway station was modernized: automatic signalling, video surveillance systems were implemented at railway level crossing and pedestrian crossing;
 - 10 top-priority railway level crossings are being modernised on Vilnius-Klaipėda railway corridor: in 2020, a contract for contracting works and procurement of modernisation of 9 railway level crossings was announced. Upon completion of the project, the technical safety measures set in the Standard of the International Union of Railways will be implemented;
 - Design works were started for 2-level railway track and car road installation in Lentvaris-Vievis section (38+855 km) and in Kyviškės-Valčiūnai (18+419 km) section. Upon completion of the project, traffic safety problems will be eliminated from 2 railway level crossings, in which both train and car traffic is dense.

7. In 2020, a new rail connection was formed – on the railway line Naujoji Vilnia – Turmantas, 51 kilometre, a railway siding was built, which facilitates the arrival to Lithuania of the allied soldiers and equipment, creates more convenient conditions for continuous movement between Rukla and Pabradė polygons. Project value is EUR 2 million.

Employees

For the successful implementation of its strategy, efficiently conduct daily activities, create a competitive advantage and adapt to changing business needs, the Company follows the personnel management principles that are based on the best practices. Commitment to our employees is our strategic choice, which is implemented, in the first place, through the development of the corporate culture.

The entire LTG Group promotes a high-performance culture, which builds on the LTG's intrinsic values:



We are ambitious



We work for our clients



We respect each other



We promote integrity



We are responsible

Initiatives and material events in 2020:

- During the pandemic special focus was given to working conditions of employees by providing all the necessary protection measures to those who can perform their functions only in their workplace and expeditiously providing those, who are able work remotely, with conditions to work from home. All employees of LTG Group hold Covid-19 insurance providing with an additional financial support in cases of serious illnesses. In case of unavoidable downtime, the salary of at least 50 per cent is guaranteed to employees.
- In fostering a change in organizational culture, in February 2020 for the first time in the history of LTG Group an extended survey of the factors influencing the organizational culture "Voice of Employees" took place. All the employees were able to participate in the survey and the actual participation rate of the Company's employees was at 76 per cent. During the survey, the indicators of employees' involvement, satisfaction, loyalty were assessed, as well as other highly important areas influencing the organizational culture, such as: cooperation, career and education, organizational values, activity management, client focus, leadership, diversity management, empowerment, workplace and occupational safety. On the basis of the results of the survey, the areas which need most improvement have been identified, and both long-term and short-term initiatives are implemented at the organizational

level and also in local individual structural units. The majority of improvement initiatives of this year is aimed at strengthening of mutual communication and cooperation.

As at 31 December 2020, the number of the Company's employees was 3,178. Compared to the data as at 31 December 2019, the number of employees grew by 19, or 0.6%.

The average monthly salary, compared to 2019, changed from EUR 1,492 to EUR 1,548. The remuneration review implemented in April at the group had the largest effect on the growth of average salary.

The total remuneration fund amounted to EUR 57.5 million. In addition, in April 2020, the annual incentives for performance in the amount of EUR 2.2 million were paid to the Company's employees.

Number of employees of the company and an average salary

Function groups	31 12 2019**		31 20 2020	
	The actual number of employees at the end of the period	Average salaries, Eur	The actual number of employees at the end of the period	Average salaries, Eur
CEO *	1	5,330	1	5,705
Top-level managers *	7	6,416	8	6,527
Senior executives and specialists in exceptional fields	15	3,918	16	4,131
Middle-level managers and individual experts	105	2,923	119	2,962
Team leaders and experienced specialists	1,060	1,701	1,070	1,779
Specialists and experienced operational/ service staff	668	1,441	664	1,463
Operational/service staff, qualified workers	1,303	1,162	1,300	1,217
Total	3,159	1,492	3,178	1,548

* a fixed remuneration rate as of the end of the period. CEO remuneration for part time job (0.75);

** AB LTG Infra data at 8-31 December 2019.

In 2020, when corporate levels of functions were introduced, the number of employees and the average salary are disclosed by groups of corporate levels of functions. The data of the previous periods was recalculated according to the updated methodology.

Overview of key performance indicators

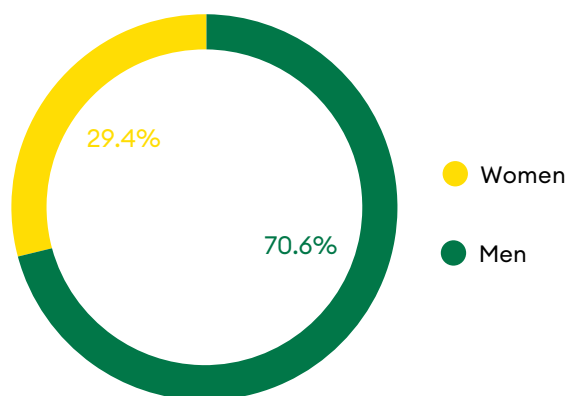
As at 31 December 2020, the fixed monthly salary of the Company's general director amounted to EUR 5,705, and the average actual salary, including the annual motivation bonus for performance results, amounted to EUR 7,786 in 2020.

As at 31 December 2020, the fixed monthly salary of high level executives as stated in their labour contracts, amounted to EUR

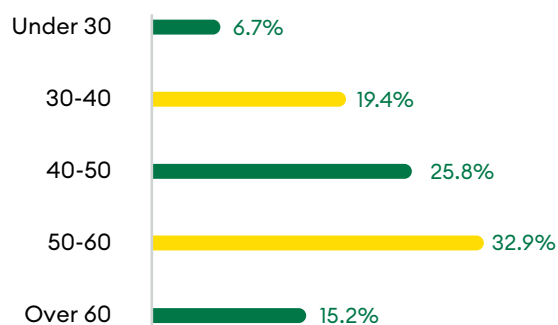
6,527, and the average actual salary of these function groups, including the annual bonus for performance results, amounted to EUR 7,332 in 2020.

The charts below show distribution of employees by age, gender, length of service and education as at 31 December 2020.

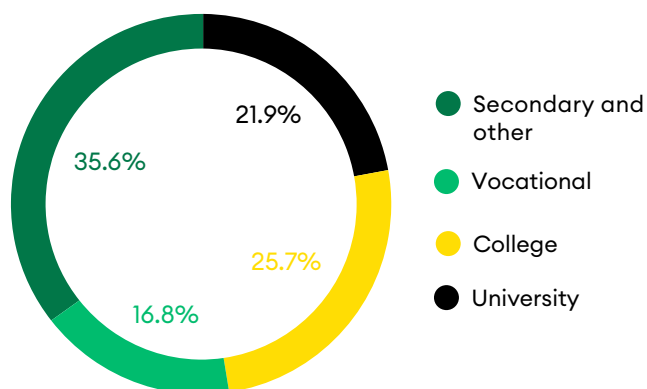
Employee distribution by gender, %



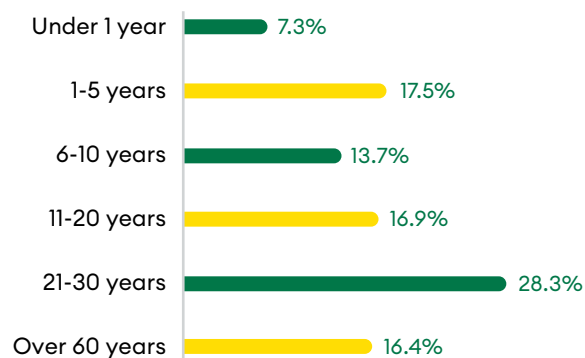
Employee distribution by age group, %



Employee distribution by education, %



Employee distribution by length of service, %



Age group	Average length of service, in years
Under 30	2.8
30-40	7.1
40-50	16.0
50-60	22.1
Over 60	27.2
Average length of service	17.1

Social partnership

Seeking to strengthen the Company's social dialogue with representatives of employees and implementing the provisions of industry collective agreement, the LTG Corporate Group organized training for chairmen of the trade unions regarding improvement of skills in company management, communication and cooperation.

In September 2020, a regular provision of information and consultation was performed to the employees' representatives during which the information regarding the Company's condition, structure, changes, which took place and are planned, was introduced. The development plans of the Company and its departments, changes in remuneration and expected trends thereof, the results of implementation of occupational safety and health, which help to improve the working environment were introduced and fulfilment of the collective agreement for the year 2019 was reported.

Remuneration and performance management

The general principles of the remuneration package are developed for:

- Attraction, motivation and retention of highly qualified and competent employees;
- Encouragement for improvement of employees;
- Adherence to the principle of internal justice in rewarding for work and efforts of employees;
- A continuous improvement of working conditions in order to increase productivity;
- Motivation of employees by granting a package of additional benefits;
- Contribution to the efficient management of staff costs.

In order to achieve the specified objectives, classical elements of remuneration management are used: methodological evaluation of functions; periodic comparison of internal

In September 2020, the representatives of LTG Corporate Group together with social partners reviewed the industry collective agreement of the Lietuvos Geležinkeliai Corporate Group, which is currently in force, and agreed on extending it for another period of 2 years, until 31 December 2022.

To build close social partnership, efforts are taken to cooperate and maintain regular contacts with the representatives of the trade unions that are in the Company; periodic meetings are held to discuss day-to-day issues related to work and to address matters, which are important to employees and which have relevance for their social and economic situation. Information relevant to trade unions is provided in accordance with the procedure laid down by the legislation, they are also consulted when decisions are made regarding changes in the Company.

remuneration data with the market and implementation of the review; direct connection of the possibility of change of remuneration with the efficiency of the employee's activity - the results of achieving the annual goals.

Despite of uncertainties due to the pandemic, in the spring of 2020 the periodic review of remuneration was implemented and the annual incentive was paid to employees for the results of 2019. From the second half of 2020, the evaluation results of all functions were expressed in corporate levels, they are published and available to all employees of the Company. In such manner, the principles of transparency, internal justice and open culture are consistently assessed, the internal culture is encouraged. In April 2020, the package of additional benefits to employees was quickly supplemented by the employees' Covid-19 insurance, guaranteeing additional financial support in cases of serious illnesses. During the emergency (quarantine) downtown, full salary was guaranteed to employees whose salary did not exceed EUR 1,300, and the salary of 50%, however not lower than EUR 1,300, was guaranteed to employees whose salary was higher.

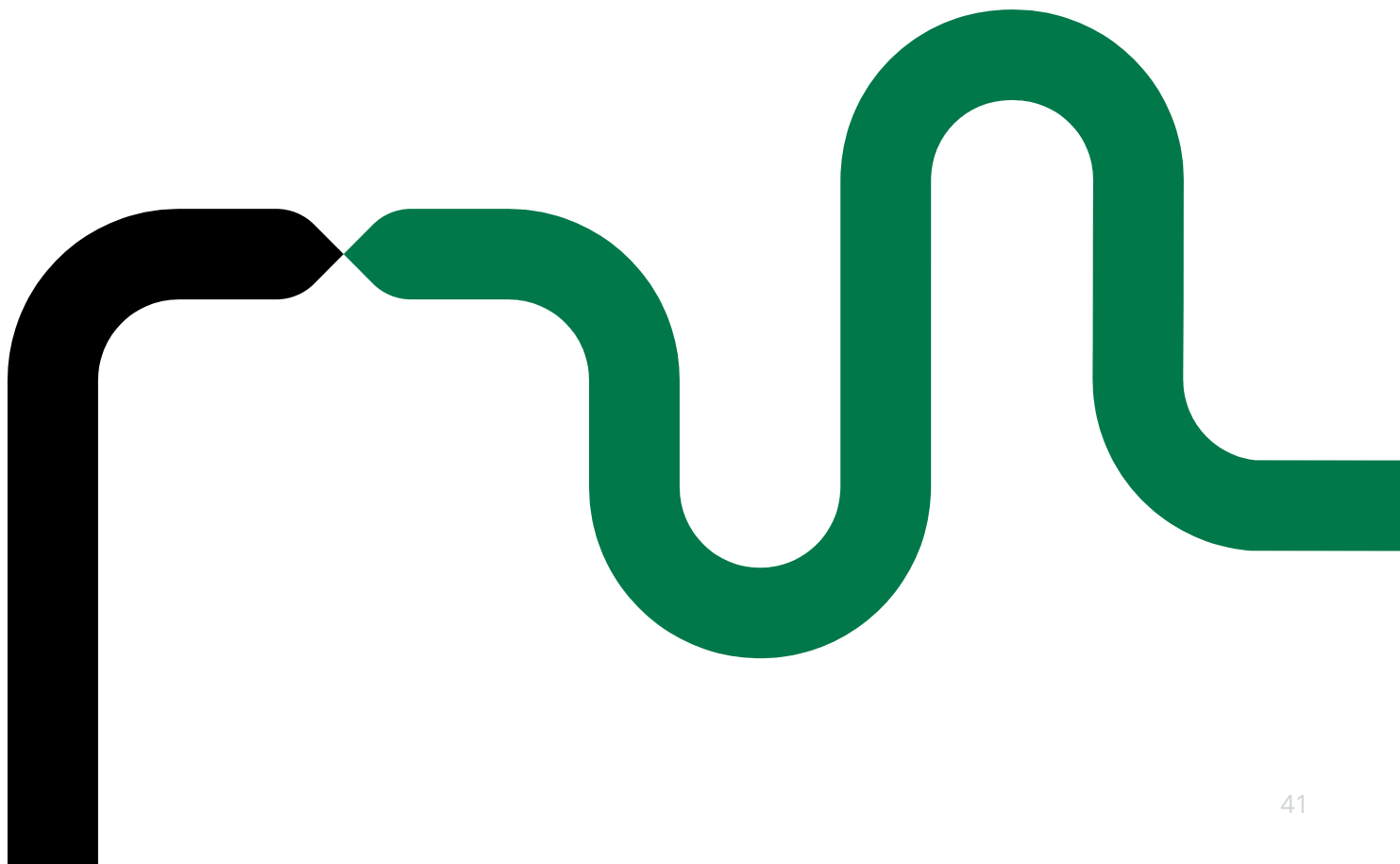
Training and development of competences

To encourage the employees to use their full potential and career opportunities, LTG Infra encourages the continuous professional and personal development of its employees. The Company gives priority to personal development, on-the-job learning and internal training. The Company holds regular internal training and periodic certifications for its employees to acquire or update professional knowledge, develop or test their existing skills related to Company's specific technological processes and equipment, and to maintain a high level of excellence. In 2020, 4,040 employees of the company participated in internal and external mandatory professional and in-service trainings. Employees performing high-risk work, working with and maintaining potentially hazardous equipment have been trained for safe working methods. According to the internal professional learning programmes regarding traffic safety and occupational safety and health (prepared in accordance with provisions of the Law on Railway Transport Traffic Safety of the Republic of Lithuania and the European regulations), 2,368 employees were trained, 357 employees took courses in external education institutions.

Strengthening of leadership is one of the priority axes of the LTG Group. In 2020, the Leaders' Academy was introduced, the purpose of which is to strengthen particular leadership competences, responding to individual educational needs of managers in the fields of operational efficiency, team leadership,

operational infrastructure, individual efficiency, working with clients. The internal training programme LTG Leader's Standard, concerning the main principles and standards of team leading, is continued and taken by each new manager of LTG Infra. In organization much attention is given to the culture of feedback. For the third year in row a 360-degree feedback survey on managerial competencies is conducted, during which managers are provided with comprehensive and high-quality feedback on their leadership competences from the immediate work environment – direct supervisor, colleagues and subordinates, they identify their strengths and areas for improvement and create individual self-development plans. In 2020, 125 managers of LTG Infra participated in the feedback programme.

This year, the Company's employees were offered webinars oriented towards remote work. The webinars allowed the managers and employees to better adapt to the changed working principles. Also, the trainings on personal effectiveness at work were organized, which covered time planning, creativity and communications. We strengthened not only professional competences, but also those of personal effectiveness, which include organisational skills, emotional intellect, stress management, psychological resilience. The latter was particularly important, as working conditions have changed for many, which leads to the increased tension.



Risks and their management

The Company operates and continuously improves the **unified risk management system of the LTG Corporate Group**. It is defined in the risk management policy of the LTG Corporate Group and developed taking into account the international ISO 31000 (International Organization of Standardisation) and COSO ERM (Committee of Sponsoring Organizations of the Treadway Commission, Enterprise Risk Management) risk management standards and examples of best risk management practices. The policy sets out the regulations, principles and main areas of responsibility for carrying out these activities. The mission of risk management activities is to ensure a consistent and common risk management system of LTG Corporate Group. Vision is an effective risk management system that helps maintain and increase the value of the LTG Corporate Group.

In practice, the risk management policy guidelines are followed according to the Three Lines of Defence Model. According to it: Level 1 risk management activities are carried out by a company of LTG Corporate Group and LTG corporate functions, which identify, assess and manage risks. Level 2 risk management activities are performed by the LTG Risk Management Division, which performs the risk management coordination and control function in the LTG Corporate Group. This department develops and improves the risk management system of the LTG Corporate Group, performs monitoring; the Level 3 risk management activities are performed by the Internal Audit Division of the LTG, which performs an independent assessment of the effectiveness of the risk management Levels 1 and 2, provides comments and recommendations on possible improvement of the overall risk.

Risks of the LTG Corporate Group are managed in stages, each of which involves employees with different roles, individuals and collegial bodies. The risk management cycle consists of the following main steps: 1. Identification of risk appetite, 2.

Identification and assessment of risks, 3. Systematization and calibration of risks, 4. Development of risk management plans, 5. Implementation of risk management plans, 6. Monitoring of risk management.

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

Strategic risks are risks related to changes in the environment and the ability of the LTG group companies to properly use these changes in their operations or to prepare for them. Strategic risks are relevant for most LTG group companies and can have a direct impact on the achievement of the goals set in the corporate strategy of LTG Corporate Group;

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

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

Compliance risks are possible events or circumstances that may lead to non-compliance by the LTG Corporate Group with LTG Corporate Group's and external legal requirements.

Considering the history, specifics and the current context of the LTG Corporate Group, the following main risks relevant to the Company in 2020 are presented below.

Name of risk	Level of risk	Description of the risk and its effects	Basic risk management measures
Failure to ensure adequate funding for the implementation of Rail Baltica project	High	<ul style="list-style-type: none"> The risk of inadequate funding from the EU to complete the Rail Baltica project by 2025. This might increase the need for national funding or lead to the revision of project scope, deadlines or other parameters. 	<p>To manage this risk, the Company:</p> <ul style="list-style-type: none"> cooperates with the Ministry of Transport and Communications of the Republic of Lithuania seeking to ensure the eligibility of the Connecting Europe Facility Fund budget and of financing conditions in the EU's multi-annual financial perspective for 2021-2027; together with project partners, submits applications regarding the allocation of additional EU support from the EU's multi-annual financial perspective for 2014-2020, thus reducing the need for financing in the future period; constantly searches for new measures, additional opportunities and sources to finance the Rail Baltica project (e.g. from Recovery and Resilience Facility); cooperates with the authorities of the Republic of Lithuania on the state co-financing possibilities.
Inadequate EU funding for the electrification project	High	<p>The risk arises due to the following:</p> <ul style="list-style-type: none"> In the project context, Natura 2000 protection goals standard issues are being resolved and they are relevant to Lithuania; this may prolong the project assessment procedures. Prolonged project assessment procedures pose a risk of not receiving the EU grant on time. 	<p>To manage this risk, the Company:</p> <ul style="list-style-type: none"> solved the issue of state support by coordinating action plan with the EC DG Competition; prepared all the necessary Environmental Impact Assessment selections and Natura 2000 declarations; prepared project applications and submitted them to the JASPERS ACN procedure, the same documents will also be used for IQR procedures; managed the risk of the loss of the EU grant by coordinating the terms for contracting of electrification project; implements a continuous control of the project, assesses the situation and searches for necessary solutions; cooperates with the stakeholder authorities of the Republic of Lithuania; provides the necessary information to the EC.

Name of risk	Level of risk	Description of the risk and its effects	Basic risk management measures
Failure to ensure uninterrupted traffic management (resulting in particular from COVID-19 pandemics)	Average	<p>The risk arises due to the following:</p> <ul style="list-style-type: none"> • Not fully functional business continuity plan; • Failures in traffic management and control system; • Failure to ensure adequate human resources (in particular in case of high morbidity of employees). <p>Therefore, the threat arises to effectiveness, significant delays are possible.</p>	<p>To manage this risk, the Company:</p> <ul style="list-style-type: none"> • prepares the business continuity plan, reviews and updates it when necessary; • controls the implementation of the agreement on technical maintenance of the traffic management and control system as well as extension of the agreement; • organizes regular trainings for employees; • implements the alignment of employees' positions; • re-allocates the functions, improves the organization of work; • supplies the necessary protection measures to employees (respective protection measures are installed in working places).
Failure to ensure an adequate traffic safety level on the public railway infrastructure	Average	<p>The risk arises due to the following:</p> <ul style="list-style-type: none"> • inadequate traffic safety on public railway infrastructure; • unsafe behaviour of the public. <p>Therefore, the risk of train traffic disturbances, injuries of people or deaths, traffic accidents, unplanned financial costs arises.</p>	<p>To manage this risk and seeking to improve the culture of safety, the Company:</p> <ul style="list-style-type: none"> • implements modern safety systems; • implements the infrastructure projects ensuring an adequate level of traffic safety; • organizes education campaigns for the public; • cooperates with the authorities of the Republic of Lithuania and other agencies; • organises employee trainings.

Information on the compliance with the guidelines on transparency

The Company follows the requirements of the description (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 on the approval of the description of the guidelines for ensuring transparency of state-owned enterprises when disclosing the required information in annual and interim reports and ensuring the disclosure of information on its website <https://ltginfra.lt/>.

Structured information of the compliance with the guidelines on transparency

Point of Description	Description provision	Yes/No
	Disclosure of the Company's information	
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
5.5.	Operating goals, vision and mission;	Yes
5.7.	Structure;	Yes
5.8.	Data about the head of the enterprise;	Yes
5.9.	Data about the chairman and members of the Board, if formed according to the Articles of Association;	Yes
5.10.	Data about the chairman and members of the Supervisory Council, if formed according to the Articles of Association;	Not formed
5.11.	Names of committees, if formed; data about their chairmen and members;	Disclosed in the website of the parent company LTG
5.12.	The sum of the nominal values of the state-owned shares (in euro to the nearest euro cent) and the share (in percentage) in the 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;	Yes
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
7.	The following documents shall be announced in the website of a state-owned enterprise:	-
7.1.	Articles of Association;	
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

Information on the compliance with the guidelines on transparency

Point of Description	Description provision	Yes/No
Disclosure of the Company's information		
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, and consolidated annual reports.	The structure of LTG Corporate Group is available at the LTG website. LTG Infra has no subsidiaries
9.	When a state-owned enterprise is a participant of legal entities other than those specified in Clause 8, the details of these legal entities specified in Clauses 5.1–5.3 of the Description as well as their website addresses must be posted on its website.	LTG Infra is not a member of other legal entities
10.	If details specified in Clauses 5, 6, 7.1–7.4, 8 and 9 of the Description change or are found to be false, information and documents must also be immediately corrected on the website.	Yes
11.	A set of annual financial statements of a state-owned enterprise, an annual report of a state-owned enterprise, an auditor's report on the annual financial statements of a state-owned enterprise must be posted on the website of the state-owned enterprise within 10 business days after their approval.	Yes
12.	Sets of interim financial statements of a state-owned enterprise, interim reports of a state-owned enterprise must be posted on the website of the state-owned enterprise within 2 months after the end of the reporting period.	Yes
13.	Documents specified in Clause 7 of the Description must be posted in the PDF format with the option of printing.	Yes
Preparation of sets of financial statements and reports		
14.	State-owned enterprises maintain their accounts in a manner that ensures the preparation of financial statements in accordance with international accounting standards.	Yes
15.	In addition to a set of annual financial statements, a state-owned enterprise must prepare a set of interim financial statements for periods of 6 months.	Yes
16.	A state-owned enterprise, considered to be a public interest company in accordance with the Law on the Audit of Financial Statements of the Republic of Lithuania, apart from the annual report must additionally prepare a 6-month interim report.	Yes
17.	The following additional details must be provided in an annual report of a state-owned enterprise or an annual activity report of a state enterprise:	-
17.1.	A short description of the operating model of the state-owned enterprise;	Yes
17.2.	Information about major events, which had occurred during a fiscal year and later (prior to the preparation of the annual report or the annual activity report) and which were of primary importance to the activities of the state-owned enterprise;	Yes
17.3.	The results of implementation of the targets specified in the established business strategy of the state-owned enterprise;	Yes
17.4.	The profitability, liquidity, assets negotiability, and debt indicators;	Yes
17.5.	The fulfilment of the specific obligations;	Yes
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

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

Audit information

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

The public procurement tender for the audit of the consolidated and financial statements of AB Lietuvos Geležinkeliai and separate subsidiaries, prepared in accordance with International Financial Reporting Standards, adopted by the EU, for the year 2020–2022, was won by KPMG Baltics, UAB. The candidacy of auditors was confirmed by the LTG Audit Committee, 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 the service of translation of financial statements to the Company. The auditor did not provide any other additional services that are not related to the audit of financial statements.

The fee for the audit of the financial statements for the year 2020 amounts to EUR 49 thousand.

Corporate social responsibility report

Darbuotojų sauga ir sveikata

- The most important goals in ensuring occupational safety and health are to strengthen the leadership and culture of employees and to improve processes and measures regulating occupational safety and health with a view to reducing the risk of health disorders or occupational accidents.
- To achieve an independent corporate safety culture, AB LTG Infra's activities are standardised and organised in line with the **PDCA elements (plan-do-check-adjust)**, while additionally enabling the leadership of each employee and ensuring social dialogue, allocation of duties, rights, and responsibilities in the area of safety.

Management of OSH risks in 2020

01 Strengthening of employees' OHS competences

02 COVID-19 prevention and provision of personal safety equipment

03 Update of manuals and legislation

04 Digitalization in OHS area

05 Update of professional risk assessment, management of psychosocial risk

06 Protection of employees' health

- Following the management guidelines 'Occupational safety and health management systems. Requirements and application instructions' contained in standard ISO 45001:2018, we ensured the implementation in daily activities of the **methodology for ensuring occupational safety and health** was drawn up, along with the processes ensuring safe and healthy conditions (instructing, occupational risks assessment, provision of personal protection measures for employees, alcohol testing, traineeships, etc.), ensured the compliance of legislation of AB LTG Infra on occupational safety and health with the set requirements.
- For the development of social dialogue between the employer and employees, new **elections of employee representatives for safety and health** were initiated in 2020, and conditions were created for participation in internal trainings conducted by occupational safety and health professionals. The groups for the safety and health of the representatives of employees were formed for the remote communication in Teams channel, where relevant information on the employees' safety and health is shared.
- In 2020, **the Committee of the Safety and Health of Employees** was approved; the Committee forms a safety culture that improves the state of safety and health of employees, analyses the indicators of safety and health of employees, implementation of prevention measures and recommendations.
- All employees are involved in **Safety days** which take place on the first day of each month, heads of units discuss the submitted information with their employees. In 2020, Safety days were organized regarding competences for safe work, sobriety, personal protection measures at work, recommendations during the COVID virus, safe work place, first aid for heat exhaustion, musculoskeletal disorders and their prevention, global instruction and other relevant topics.
- AB LTG Infra carries out prevention of work-related incidents and accidents at work and on the way to and back from work, prevention of health disorders and occupational diseases, and investigates all the occurring accidents. Employees are **additionally insured** against accidents at the employer's expense.
- **Management** and improvement of the employee safety **competences** is ensured: 7 remote training programmes of the employee safety and health were prepared (compulsory first aid, cargo handling with hands, works at height, for safety and health of the heads of units, representatives of employees, etc.), programme tests "Moodle" were designed. The matrix for the management of safety competences was revised allowing the heads of units to assess, which safety trainings are necessary for a new employee.

- Considering the fact that newly hired employees do not possess the necessary competences to perform the works with higher risk, the process of practical skills at working place and the matrix with minimum durations were prepared.
- In 2020, AB LTG Infra implemented the **Global Instruction Project** setting the unified period of compulsory periodic instruction at work place and eliminating the risk of work without instructions, by making an opportunity to test the knowledge of employees in "Moodle" system, to instruct remotely and to sign using an electronic signature. Intensive amendments were made to related legislation, the process of instructing at working place was revised, optimizing the old legislation, 68 instructions of the safety and health of employees were approved, the Instruction for Initial Instruction on the Safety and Health of Employees was prepared for newly hired employees with translation to the English and Russian languages, videos were made.
- Considering the market supply of flu vaccines, the service for flu vaccination was organised and, considering the risk factors at the working place - tick-borne encephalitis vaccination.
- In 2020, the Company focused on the assessment and management of **psychosocial risks** of employees: digital questionnaires for the assessment of the psychosocial risks were prepared, psychosocial risk assessment was prepared for 53 units.
- Employees have an opportunity to use **the services of psychologists** free of charge in case of psychological trauma at work or after accidents.
- **Regulation of contractual relations** with contractors, clients, suppliers of goods and services was revised: safety provisions were revised, fines were set in the agreements for goods and services provision. The Code of Behaviour of Suppliers was prepared, which sets the implementation of liabilities regulating the safety and health of employees. A questionnaire for testing the safe activities was prepared for contractors.
- **The COVID-19 situation was managed:**
 - The prevention of COVID-19 is ensured by the group of the management of extreme situations formed by Lietuvos Geležinkeliai group;
 - The possibility to work remotely considering the professional risks of **remote work** (remote work was organized for 2,205 employees, related internal legislation was amended, business continuity ensured);
 - **Assessment of the risk of biological factors was performed;**
 - The behaviour of employees was regulated, leaflets, posters, information on safe behaviour were prepared and are available at internal website mano.litrail.lt;
- Employees were given personal protection measures for COVID-19 prevention, thermometers and thermovisors were acquired to measure the body temperature of employees and third persons;
- Employees were additionally insured against COVID risks on health;
- The training on safe conduct was organized by the National Public Health Centre to employees who are in contact with customers;
- Periodic inspections were carried out on implementation of COVID-19 prevention.
- Having assessed the **risks posed by COVID-19** and seeking to improve communication with personnel, ensure the least possible physical contact, the following have been completed:
 - A channel was created on TEAMS programme in which members of the occupational safety and health committee and representatives were involved. All relevant information is shared on the channel, related legislation is coordinated, consultations take place;
 - A channel was created on TEAMS programme where incompliances in the departments are expeditiously presented to their heads, as well as plans for prevention;
 - Seeking for a timely improvement of qualification of employees, remote training is organised related to OSH matters;
 - The initial instruction process was updated on the basis whereof a remote initial instruction process is carried out.
- All employees are provided with high-quality collective and **personal protection measures**, ensuring rental services of work clothing with periodical cleaning and repairing, acquisition of work footwear and other personal protection measures. In 2020, the Company's lists of personal protection measures were updated, performance of public procurement was ensured guaranteeing an uninterrupted provision of personal protection measures to employees. Employees are involved in decision making with regard to selection and procurement of more convenient personal and other protection measures.
- Seeking to provide clear and integrated information, documents related to the occupational safety and health to all employees, a column of the Occupational Safety and Health was created on the internal group website of AB Lietuvos Geležinkeliai (mano.litrail.lt).

Ensuring of railway transport traffic safety

AB LTG Infra implements technical and organizational measures to ensure that the managed railway infrastructure as well as the railway traffic participants, are protected from railway catastrophes, railway transport accidents and incidents and their consequences.

The vision of AB LTG Infra in the field of traffic safety is simple and all-encompassing – 0 (zero) incidents, i.e. safe society and company without any railway catastrophes, accidents and incidents.

In 2020, in order to ensure high level of the railway traffic safety, AB LTG Infra:

- Identified relevant safety objectives focused on the highest operational risks, developed and implemented a comprehensive plan of measures to achieve them;
- Fosters an integrated safety culture model that raises safety awareness among employees.

In addition, AB LTG Infra manages the risks related to railway traffic safety by implementing measures to eliminate or reduce the risks to the lowest acceptable level, performs targeted railway transport traffic safety inspections to ensure railway traffic safety and periodic audits of the elements of the

Prevention of corruption and bribery

AB LTG Infra adheres to the principle of zero tolerance for corruption, which means that corruption will not be tolerated in the Company in any form whatsoever. AB LTG Infra has a set of measures and procedures that are put in place to ensure that the Company operates in a transparent and smooth manner and has an impeccable reputation (Company's webpage: <https://ltginfra.lt/kas-mes-esame>). Fair and responsible behaviour in the Company is also expected from its employees; therefore, all employees of AB LTG Infra in their daily work follow the ethical principles and standards provided for in the Code of Ethics for Employees, which was approved in 2020.

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

Company's railway transport traffic safety management system, ensures continuous monitoring of the state of railway traffic safety based on railway transport traffic safety indicators, which allows to proactively prevent railway transport accidents, railway transport traffic accidents, incidents and their consequences.

In addition, in 2020, AB LTG Infra:

- Implemented technical and organisational measures for the improvement of railway infrastructure technical maintenance system;
- Updated part of regulatory technical documentation related to technical maintenance of railway infrastructure and railway transport traffic management;
- Increased the competences of employees related to railway transport traffic;
- Strengthened the control of suppliers and contractors;
- Initiated and implemented the initiatives of the increase of public awareness;
- Initiated the preparation of draft legislation related to the traffic safety of railway transport.

impose a conflict of interest using the electronic functionality implemented in 2020.

AB LTG Infra follows legislative requirements in screening job applicants for legislative compliance and impeccability of reputation. At the same time, the Company requires integrity from its partners too – AB LTG Infra scrutinizes and evaluates the solvency and reputation of its business partners with a view to identifying risks that may arise.

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

Implementing the provisions of the Law of the Republic of Lithuania on the Protection of Objects of Importance to Ensuring National Security, enquiries are submitted to the Commission for Coordination of Protection of Objects of Importance to Ensuring National Security, to the Ministry of National Defence of the Republic of Lithuania regarding the initiated procurements, planned transaction or compliance of amendments to important concluded transactions with the interests of national security.

The Company conducts a targeted survey of employees' resistance to corruption every year - the opinion of each employee is important, which helps to strengthen the transparency of the Company's activities. The results of the survey performed in 2018 – 2020 show that the level of honesty and awareness of employees not to give illegal remuneration/gifts is extremely high and employees rarely

face corruption in their activities. Employee involvement in the corruption prevention activities is improved by other means as well – employees are familiarized with the most important documents regulating these activities, trainings are organized in cooperation with the Special Investigation Service and other institutions, other educational measures are implemented.

Data protection

AB LTG Infra takes care of the protection of personal data and protects the information entrusted to it by its employees, customers and partners. In doing so, the Company strictly follows the requirements of the General Data Protection Regulation and other data protection legislation as regards the protection of data subjects. In 2020, when implementing the requirements of data protection legislation, the following actions were carried out in the Company in the field of data protection:

- The most important personal data protection document came into effect; i.e. the Methodology of Personal Data Processing, which replaced the Rules of Personal Data Processing previously in effect;
- Privacy Notice was prepared and announced on the Company's website;
- Matters related to employee awareness in the field of

personal data protection were taken care of by sending to the Company's employees leaflets on data protection including the fundamental information that the Company's employees should know about data protection;

- Much attention was given to the review and revision of the Company's mandatory data processing activities entries. The responsible employees were included into the process;
- Seeking to comply with the requirements of the General Data Protection Regulation, data protection risks were identified and measures to reduce these risks were set;
- 2 data protection breaches were managed (all that occurred in 2020);
- No claims of data subjects regarding the implementation of their rights under the General Data Protection Regulation were received.

Environmental protection

The Company ensures an efficient management, technical maintenance, modernisation and development of the public railway infrastructure in compliance with the general environmental protection obligations of AB Lietuvos Geležinkeliai Group companies: the Company efficiently uses energy and natural resources, seeks for solutions to reduce its negative impact on the environment and climate change.

The implementation of Company's environmental protection functions is centralised. To ensure operational compliance with the requirements of the environmental legislation, the Company carries out internal environmental inspections and periodic control of pollutants emitted and discharged into the environment, and submits reports on the impact of operations on the environment.

As a public railway infrastructure manager, the Company carries out electrification projects regularly, thereby ensuring the public railway infrastructure capacities needed for the growth of freight and passenger traffic, while at the same time reducing the negative impact on the environment and climate change. One of the most important implemented projects that will have a significant effect contributing to the reduction

of CO₂ emissions by railway transport is the electrification of Kaišiadorys – Klaipėda railway line. After the completion of this project, the electrified railway network will be significantly enhanced allowing the carriers of freight and passengers to use electrically powered rolling stock. The electrification projects implemented will create opportunities to transport passengers and freight by way of electric traction from the Lithuanian border with Belarus to Klaipėda. Electric traction vehicle is more energy efficient than diesel, it does not pollute the ambient air with nitrogen oxides and particulate matter and helps reduce noise levels resulting from rail transport.

One of the Company's goals is to ensure that traction vehicle is supplied with electricity produced from renewable energy sources. In this way, the Company enables travelling by train with no impact on the climate. By increasing the level of railway electrification and providing green energy to traction rolling stock, the Company is contributing to climate change mitigation and in 2020, this resulted in 4.3 thousand tonnes of CO₂e saved in passenger transport. Through the implementation of electrification project, LTG Infra will enable savings of as much as 80,000 tonnes of CO₂e per year in freight and passenger transport.

The Company's concern is to reduce the number of people exposed to noise and vibration from rail transport. This problem has been identified as one of the most poignant by the International Union of Railways (UIC), which has set a goal to achieve by 2050 that noise and vibration are no longer a challenge for rail transport, and that rail traffic does not exceed the noise and vibration limits. To achieve this goal, the Company has been implementing measures provided for in municipal action plans for noise prevention: it has been carrying out electrification projects, improving the quality of railway infrastructure and performing its regular control, and implementing noise suppression measures. A total of 35.286 km of noise barriers have been installed in the public railway infrastructure managed by the Company. In addition, 9 projects are ongoing that plan to additionally install more than 17.2 km noise absorbing barriers in 2021, dikes should be installed. In 2021, even more measures reducing noise and vibration should be installed implementing railway construction and reconstruction projects in Plungė-Šateikiai, Livintai-Gaižiūnai tracks, etc.

The Company aims to protect natural and energy resources by saving materials and raw materials used. The generated waste is sorted to ensure high recycling potential. As much as 99% of the waste generated by the Company last year was suitable for recycling and only less than 1% of waste was landfilled. Ferrous metal scrap accounted for the largest part of the recycled waste. In 2020, the Company focused on the handling of wood sleepers and during the year handled more than 2,700 tons of such waste. The Company is also involved in the LTG group-wide No Paper Project, which focuses on more efficient document management and elimination of paper documents.

Given the growing public concern about climate change and environmental pollution, the Company remains committed to reducing the environmental impact of its operations, to sustainably using natural and energy resources, to the mitigation goals for climate change and environment pollution, and to ensuring sustainable development of the infrastructure of the Lithuanian railway network.

AB LTG Infra continued the handling of wooden sleepers. The Company tripled the capacities for removal of old sleepers and thus contributed even more actively to the improvement of the environment surrounding the railway tracks. As of 2020, the larger part of sleepers is reclaimed at the German woodworking company Pfeleiderer, and the number of reclaimed old sleepers increased from 700 tons to 2,000 tons per year. In addition, seeking a more clean and neat environment surrounding railway tracks, the Company reduced the storage places of wooden sleepers more than twice – from 43 storage places at the beginning of the year to 20.

Close to Kaunas, handling of land polluted by oil products 50 years ago was started. AB LTG Infra together with the Environmental Protection Department under the Ministry of Environment of the Republic of Lithuania assessed the

damage and prepared the management plan, based on which the polluted primer will be removed and the territory will be equipped so that no more pollution can affect it. In total, around 20 thousand cubic meters of the polluted primer will be excavated and reclaimed.

In 2020, AB LTG Infra took one step forward towards a cleaner environment – the catenary electric network will use only green electricity from renewable sources. The procurement winner offered 93,890,845 kWh of green energy from renewable sources, which comprises 100% of the electricity consumed by the Group.

At the end of the previous year it was announced that LTG Infra had ensured adequate electricity resources to meet the demands of the entire LTG Group in 2021 – the Company implemented its commitment to purchase only green electricity, and the price offered by the winner will allow the Company to save up to half million EUR. In 2021, the procurement winner will supply green electricity generated in the European Union. In total, LTG Corporate Group consumes almost 100 million kWh electricity per year. If the list of largest consumers of electricity were prepared in Lithuania, LTG Group would be among the leaders.

As of 2018 for electric trains and as of 2019 for all objects of LTG Group, AB LTG Infra uses the electricity from renewable sources. By refusing to use fossil fuel, we are carrying out an important mission – we contribute to the reduction of CO2 emissions and to the creation of sustainable environment.

Last year, LTG Infra started implementing a large scope project of the renewal of lighting networks. The project will include the replacement of lamps and floodlights. This step will not only allow the renewal of equipment and improvement of the quality of lighting but will also significantly reduce electricity consumption.

The review of lighting networks conducted last year showed that the equipment is aged. It was found that railway tracks use energetically inefficient lamps and floodlights, and the design of part of the lamps (filament lamps and halogen lamps) is already prohibited. As of 2025, following the requirements of the EU for environmental pollution, the use of lamps themselves will be prohibited; therefore, LTG Infra decided to fundamentally change this situation. The project was launched, during which the replacement of more than 1,000 lamps and 336 floodlights is planned. Modern LED lights are much more cost-efficient and their useful lives are at least 5 times longer; therefore, we will incur much less costs for lighting network maintenance.

Currently, stage I is being implemented - LTG Infra already acquired 711 LED lights which will replace the current lights of old technologies and will install them in 19 railway stations, 33 stops, 19 railway level crossings and 1 pedestrian viaduct. The planned duration of the project is approximately three years, thus the entire lighting infrastructure will be renewed in 2022.

Safety of residents

We took care of the users of track crossings. We marked 5 most dangerous crossings in Vilnius, Šiauliai, Radviliškis and Mažeikiai by informational horizontal signs "Choose life – stop, look around, listen".

In 2020, the works of painting in yellow of sleepers located close to railway level crossings were continued – in total 7 railway level crossings were marked by such a non-standard safety measure.

Cooperation with education providers

In 2020, LTG Infra was actively seeking to attract the young talents in order to ensure sufficient future resources for maintenance of safe infrastructure. Actively participating in activities of universities and colleges that prepare the needed professionals, LTG Infra promoted the sector of railway as an attractive and perspective workplace ensuring long-term career opportunities. During this year, in cooperation with educational institutions, 38 students were recruited for internship, during which they gained good practical skills related to railway infrastructure, got familiarized with the company's structure, principal activities and career opportunities. The internship programme Growing Leaders took place in summer for two consecutive years, which allowed students from Lithuanian and foreign universities to develop not only their professional but also leadership skills, attracted 5 students studying in universities in Lithuania and abroad. In addition to performance

of their functional tasks in daily activities, the youth in separate groups created remote studying programmes for improvement of computer literacy contributing value to our employees in such a way. After the summer internship, two students joined the team as permanent employees.

Every year LTG Infra participates in the biggest Career Day events. Unfortunately, these events were organised in a slightly different manner due to the pandemic - for the first time in history, Kaunas University of Technology has organised a virtual Career Day event. Over 10 thousand participants watched the event. Also, LTG Infra participated in the fair for high school students, "Studies 2020", as a future employer. As many as 30,200 visitors attended this fair. Both during this fair and over the year, social campaigns encouraging students to choose railway professions were carried out.

Openness to the society

In 2020, several meetings were held between the LTG Group, organisation of people with disabilities and the representatives of the Ministry of Transport and Communications of the Republic of Lithuania. During the meetings the progress of the implementation of "Adaptation of railway services according to universal design principles" project, the status of activities of LTG Infra and LTG Link as well as project-related works were discussed.

Seeking that travels on trains are easily accessible and convenient for all passengers, including passengers with disabilities, seniors, young families with kids, LTG Infra continues with the "Adaptation of route without obstacles for people with disabilities in the station territory" project, the aim of which is to renovate station accesses, where it is necessary to install new ramps, repair paths around the stations, install warning tapes and perform other works. After the receipt of the approval

of the LTG Infra Board, procedures of public procurement were started. Also, the Company continues the project of modernization of pedestrian bridges, currently, inspections are performed of 9 pedestrian bridges in (Kena, Naujoji Vilnia, Paneriai, Kybartai, Palemonas, Gaižiūnai, Radviliškis, Šiauliai) over railway tracks, design works for the reconstruction of Vilnius pedestrian viaduct are being performed, and the procurement of the design works for the reconstruction of Kaišiadorys has been successfully completed.

The procurement is ongoing regarding the "Stations Information System", during which 50 information stations will be acquired and installed in the stations. During the project, the measures with real-time information will be implemented depending on the number of passengers at the station. New information systems will be installed in platforms or waiting halls.

Innovations

In 2020, AB LTG Infra signed a Purchase and Sale Agreement regarding the self-propelled diagnostic vehicle. In the international procurement tender, best bid was offered by joint-activity partners UAB KMT (Lithuania), Graw Sp.zo.o. (Poland), Sperry Rail Limited (Great Britain) and Tesmec SPA (Italy). The value of the contract

is EUR 6.5 million. This project is of significant importance to AB LTG Infra and is important implementing further fundamental changes related to an increase in operating efficiency and cost reduction. The acquisition of the self-propelled diagnostic vehicle is necessary to ensure the continuance of other strategic projects.

This self-propelled vehicle will ensure effective diagnostics of the infrastructure condition and timely repairs of railway tracks, which will allow for annual savings of around EUR 650 thousand. In addition, high-quality railways will ensure train speed and the competitiveness of the country's railways in the region. The fleet of manual flaw detectors currently used at the Company is technically and technologically aged. The main drawback of diagnostic equipment which currently analyses railway superstructures, is its functional limitation: this equipment does not allow automatic assessment of changes in parameters and discrepancies, results are often subjective, the management of process control is complex and the data of the measurements performed is not digitalised. In addition, the equipment does not have forecasting functions, which significantly impact the conditions for ensuring train traffic safety and property exploitation. To ensure the successful transition to the new diagnostic model, complex diagnostics of linear railway infrastructure and regular data analysis are necessary. To achieve this goal acquisitions of new diagnostic equipment and IT systems are necessary.

In the new self-propelled diagnostic vehicle, 6 diagnostic systems will be integrated: rail surface defect detection system, ultrasonic rail defect detection system, laser rail corrugation detection

system, laser rail profile measurement system, track elements video surveillance system and track geometry measurement system.

The modernization of railway infrastructure diagnostics and equipment will allow for the effective inspection of various track parameters, diagnose and forecast how the condition of railway surface will change over time. The use of complex diagnostic systems and analytics platform will significantly contribute to the reduction of funds allocated for rail surface diagnostics. Diagnostics will be more effective – data will be transferred to data processing centres in real time, and the level of depreciation and potential flaws or risks of rail surface will be detected in advance. This will also allow minimising direct financial losses due to delays which are caused by obstacles in railway infrastructure due to failure to perform the assessment of track condition in due time or due to improper assessment.

In 2020, LTG Infra transitioned to working at digital space: it refused last minute requests to allocate public railway infrastructure capacities and paper forms of conclusions of technical assessment. As of now, this work is carried out in digital space.

Equal opportunities

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

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

abuse of authority.

For several years now, the Company has the Trust Line in place (by phone and email) for employees to report on experience of discrimination or harassment or inform on such breaches.

The LTG Corporate Group initiated an "Adaptation of railway services according to universal design principles" project, the aim of which is to implement, by 2024, the requirements of the Regulation (EC) No 1371/2007 of the European Parliament and of the Council of 23 October 2007 on rail passengers' rights and, to formulate long-term goals and direction regarding the adaptation of railway services according to universal design principles. In 2020, during the meetings, the representatives of the LTG Corporate Group and of the municipalities belonging to the Lithuanian Association of Municipalities, as well as the representatives of Lithuanian Disability Forum, Lithuanian Association of People with Disabilities, the Lithuanian Association of the Blind and Visually Handicapped, Association "Independent Life, Charity and Support Fund "Together we are stronger", the Lithuanian Association of the Deaf and representatives of other organisations representing people with disabilities discussed the interim results of the "Adaptation of railway services according to universal design principles" project and shared their insights on how to best adapt the environment to make railway trips easily accessible and convenient for all passengers, including persons with disabilities, seniors, young families with kids etc.

Definitions

Sales revenue	Sales revenue, excluding income from financial and other activities
Costs	Costs, excluding the corporate tax and financial activities expenses
Financial debt	Interest-bearing financial debt, including finance leases
Net debt	Interest-bearing financial debt, including finance leases, less cash, and cash equivalent investments
Return On Equity (ROE)	Net profit/loss for the period of the last 12 months / average equity for the reporting period
Return On Assets (ROA)	Net profit/loss for the period of the last 12 months / average assets for the reporting period
Return On Investment (ROI)	Net profit/loss for the period of the last 12 months / average assets for the reporting period - average short-term liabilities for the reporting period
EBIT	Profit (loss) before the corporate tax – the result of financial investment activities
EBITDA	Profit (loss) before the corporate tax – the result of financial investment activity + depreciation and amortization
Normalized EBITDA	Profit (loss) before the corporate tax + interest expenses – interest income + depreciation and amortisation + (decrease) increase in the value of non-current assets, inventories and investments + (decrease) increase in the value of amounts receivable and contract assets + costs of provisions not related to operating activities
EBIT margin	EBIT/sales revenue
EBITDA margin	EBITDA/sales revenue
Normalized EBITDA margin	Adjusted EBITDA / sales revenue
Net profit margin	Net profit (loss) / sales revenue
Equity ratio	Equity at the end of the period / total assets at the end of the period
Loan servicing ratio	(Net profit/(loss) for the period of the last 12 months + amortisation, depreciation and grant costs of the last 12 months + interest expenses of the last 12 months (adjusted considering the non-monetary items of the statement of financial position)) / debt for interest amortisation and interest payable for the last 12 months
Asset turnover ratio	Sales revenue for the period of the last 12 months / total assets at the end of the reporting period
Quick liquidity rate	Current assets at the end of the period – inventories / current liabilities at the end of the period
Total liquidity rate	Current assets at the end of the period / current liabilities at the end of the period
Train operational volume (gross-gross ton/km)	Unit of measure representing the movement over a distance of one kilometre of one tonne of rail vehicle including the weight of tractive vehicle
Number of employees	The number of listed active employees as of the end of the period (excluding the employees on parental leave, military service, long-term incapacity)
Average salary	Average gross salary per employee



AB LTG Infra
Financial statements

Prepared in accordance with international financial reporting standards as adopted by the European Union and the independent auditor's report

For the financial year
ended 31 December 2020





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Independent Auditor's Report

To the Shareholders of AB LTG Infra

Opinion

We have audited the financial statements of AB LTG Infra ("the Company"). The Company's financial statements comprise:

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

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

Basis for Opinion

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

Other Information

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

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

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



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

Rokas Kasperavičius
Partner
Certified Auditor

Vilnius, the Republic of Lithuania
9 March 2021

Statement of financial position

	Notes	2020	2019
NON-CURRENT ASSETS			
Property, plant and equipment	7	1,467,128	1,376,057
Land		153,785	150,737
Buildings and constructions		860,332	827,972
Machinery and plant		133,725	130,440
Vehicles		11,075	12,495
Other assets, equipment, fittings and tools		72,717	71,502
Construction in progress and prepayments		235,494	182,911
Right-of-use assets	8	1,656	948
Intangible assets	9	18,528	15,862
Software		18,245	15,774
Licences and similar rights		1	6
Other intangible assets		282	82
Investment property		4,161	3,277
Total non-current assets		1,491,473	1,396,144
CURRENT ASSETS			
Inventories	11	5,853	17,288
Non-current assets held for sale	11	5,750	-
Trade and other receivables	12	39,312	36,087
Prepayments	13	1,645	957
Cash and cash equivalents	14	4,566	13,450
Total current assets		57,126	67,782
TOTAL ASSETS		1,548,599	1,463,926

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

Statement of financial position (continued)

	Notes	2020	2019
EQUITY			
Share capital	15	654,928	150
Legal reserve		15	-
Other reserves		-	-
Retained profit (loss)	16	24,856	672,122
Total equity		679,799	672,272
LIABILITIES			
<i>Non-current liabilities</i>			
Grants	17	580,728	555,248
Loans and borrowings	18	158,078	129,792
Lease liabilities	18	983	584
Employee benefits	19, 23	4,646	4,233
Trade and other payables	20	2,808	2,703
Provisions	21	14,470	14,400
Deferred income tax liabilities	25	14,824	16,314
Total non-current liabilities		776,537	723,274
<i>Current liabilities</i>			
Loans and current portion of non-current loans	18	19,804	15,033
Lease liabilities	18	736	398
Income tax liability		5,129	771
Employee benefits	19, 23	11,270	9,789
Trade and other payables	20	55,134	42,389
Provisions	21	190	-
Total current liabilities		92,263	68,380
TOTAL EQUITY AND LIABILITIES		1,548,599	1,463,926

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

Financial statements and explanatory notes on pages 65-109 were approved and signed on 9 March 2021 by:

Chief Executive Officer



Karolis Sankovskis

AB Lietuvos Geležinkeliai
 Accounting Services Centre
 Head of Report Drafting Team
 acting under Power of Attorney No [G(LGI)-104
 of 10 February 2020



Sandra Narkevičienė

Statement of profit or loss and other comprehensive income

	Notes	2020	2019
Revenue	22	222,607	13,844
Other income	22	7,919	2
Total income	22	230,526	13,846
Remuneration and social insurance costs	19, 23	(61,835)	(4,260)
Depreciation and amortisation		(69,505)	(6,039)
Fuel		(1,140)	(64)
Materials		(10,275)	(486)
Electricity		(5,407)	(669)
Repairs and maintenance		(17,006)	(1,021)
Management services		(19,418)	(1,889)
Decrease (increase) in the value of non-current assets		(102)	-
(Decrease) increase in inventory amounts		(101)	-
(Decrease) increase in the value of receivables		(363)	(12)
Decrease (increase) in provisions and accruals		(260)	-
Other		(11,471)	(856)
Operating profit (loss)		33,643	(1,450)
Finance income	24	11	-
Finance costs	24	(2,335)	(182)
Profit (loss) before taxation		31,319	(1,632)
Income tax	25	(3,753)	237
Net profit (loss)		27,566	(1,395)
Other comprehensive income (expenses)		-	-
Total comprehensive income (expenses)		27,566	(1,395)

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

Statement of changes in equity

	Notes	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings (losses)	Total
Balance as at 31 December 2018		-	-	-	-	-	-
Net profit (loss) for the period		-	-	-	-	(1,395)	(1,395)
Other comprehensive income (expenses), after tax		-	-	-	-	-	-
Total comprehensive income (expenses)	15	-	-	-	-	(1,395)	(1,395)
Unrecognized profit (loss) for the reporting year	15	-	-	-	-	673,517	673,517
Increase in share capital		150	-	-	-	-	150
Reserves formed		-	-	-	-	-	-
Dividends		-	-	-	-	-	-
Total transactions with owners of the Company		150	-	-	-	673,517	673,667
Balance as at 31 December 2019		150	-	-	-	672,122	672,272
Net profit (loss) for the period		-	-	-	-	27,566	27,566
Other comprehensive income (expenses), after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		-	-	-	-	27,566	27,566
Unrecognized profit (loss) for the reporting year	7	-	-	-	-	(2,710)	(2,710)
Increase in share capital by an asset contribution	15	654,778	-	-	-	(654,778)	-
Reserves formed	15	-	-	15	-	(15)	-
Dividends	16	-	-	-	-	(17,329)	(17,329)
Total transactions with owners of the Company		654,778	-	15	-	(674,832)	(20,039)
Balance as at 31 December 2020		654,928	-	15	-	24,856	679,799

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

Statement of cash flows

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit (loss) for the period		27,566	(1,395)
ADJUSTMENT TO NON-CASH ITEMS			
Depreciation and amortization	7,8,9,10	85,505	7,386
Grants (amortisation)	17	(16,000)	(1,347)
(Profit) loss from disposal / write-off of non-current assets		479	-
(Reversal) of impairment losses		566	11
Change in accumulated income/costs		(2,394)	4,392
Interest income (costs)		2,032	167
Lease liability interest		45	-
Increase (reduction) in provisions		260	-
Effect of currency exchange fluctuations		-	-
Income tax expenses (income)		3,753	(237)
Cash flows from operating activities after adjustment to non-cash items		101,812	8,977
CHANGES IN WORKING CAPITAL			
Decrease (increase) in inventories		1,022	1,245
Decrease (increase) in trade and other receivables and prepayments		8,924	14,399
Increase (decrease) in current and non-current trade payables and received prepayments		(640)	5,731
Increase (decrease) in employment related liabilities		1,894	3,858
Increase (decrease) in other non-current and current payables		(675)	2,186
Income tax (paid)		(1,327)	-
Net cash from operating activities		111,010	36,396
CASH FLOWS FROM INVESTING ACTIVITIES			
(Acquisition) disposal of non-current assets		(100,085)	(7,178)
Change in prepayments for non-current assets		(70,469)	(17,870)
Net cash from investing activities		(170,554)	(25,048)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans received	18	50,000	-
Loans (repaid)	18	(16,952)	-
Interest paid	18	(2,053)	-
Grants received (repaid, used)		37,554	1,952
Payment of lease liability interest	18	(45)	-
Payment of lease liabilities	18	(515)	-
Dividends paid		(17,329)	-
Cash flows related to owners		-	150
Net cash flows from financing activities		50,660	2,102
Net increase (decrease) in cash and cash equivalents		(8,884)	13,450
Cash and cash equivalents at the beginning of the period		13,450	-
Cash and cash equivalents at the end of the period		4,566	13,450

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

Explanatory notes

1. General information

AB LTG Infra (the Company) was registered in the Register of Legal Entities of the Republic of Lithuania on 1 July 2019. In performing its activities the Company is governed by the Constitution of the Republic of Lithuania, the Law of the Republic of Lithuania on Companies, the Code of Railway Transport of the Republic of Lithuania and other legislation effective in the Republic of Lithuania.

The Company is a private legal entity of limited civil liability independently organising economic, financial, organisational, and legal activities. AB LTG Infra is part of AB Lietuvos Geležinkeliai Group and its sole shareholder is AB Lietuvos Geležinkeliai. Company registration code: 305202934, VAT code: LT100012666211, legal (registration) address: Geležinkelio St. 2, LT-02100 Vilnius.

The Company follows the established strategy and strategic strands of the Group of companies, as well as the approved policies that the companies of the Group must take into account in their activities, as well as the Constitution of the Republic of Lithuania, the Civil Code of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania, the Code of Railway

Transport of the Republic of Lithuania, other laws and legal acts regulating the activities of the Company, decisions of the bodies of the Company, articles of association and internal documents of the Company.

The Company's main activity is railway infrastructure management and public railway infrastructure manager services.

As of 31 December 2020 and 2019, the parent company AB Lietuvos Geležinkeliai was the sole shareholder of the Company. The Ministry of Transport and Communications of the Republic of Lithuania holds 100 percent of shares of AB Lietuvos Geležinkeliai.

The Company has no branches and representative offices.

As of 31 December 2020, the listed number of active employees at the end of the period (excluding the employees on parental leave, employees doing military service, long-term incapacity) was 3,178.

2. Significant accounting policies

Basis of preparation. The Company's financial statements have been prepared in accordance with the International Accounting Standards (hereinafter referred to as the IAS) and the International Financial Reporting Standards (hereinafter referred to as the IFRS) as adopted within the European Union. The main accounting policies applied during preparation of these financial statements of the Company are presented below. The said accounting policies are applied for all reporting periods presented in the financial statements unless stated otherwise.

The financial statements are prepared on the historical cost basis. The Company's financial year coincides with the calendar year.

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 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.

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

All currently available information on threats posed by COVID-19 has been considered during the assessment. It should be noted that the ultimate impact of the COVID-19 pandemic on the Company's activities cannot yet be assessed; however, the Company's management did not determine threats to the Company's business continuity when assessing the possible impact of the key factors related to the

COVID-19 pandemic on the Company's results. The Company has taken actions to manage the risk. More details are disclosed in Note 5. Key accounting estimates.

As at 31 December 2020, the Company's current liabilities exceed its current assets; when calculating and measuring liquidity ratio, the specifics of the calculation of this ratio should be considered. The specifics arises due to the Company's activity and its accounting.

The Company carries out construction works at Rail Baltica railway sections and continues other projects that are partly funded by the State budget and by the EU structural funds. Therefore, part of liabilities, EUR 38,111 thousand, will be covered from the EU structural funds in 2021. More details are disclosed in Note 6. Financial instruments and risk management.

Explanatory notes (continued)

2. Significant accounting policies (continued)

Functional and presentation currency. The amounts in these financial statements have been presented in euros, unless otherwise stated. The functional currency of the Company is euro. In these financial statements all amounts have been expressed in euros and rounded down to the nearest thousand (EUR '000). Because of rounding figures between tables may not coincide. Such inconsistencies are considered insignificant in the financial statements.

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 statement 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. The Company manages a share of assets, i.e. land and public railways, by the right of trust. See Note 3 for more details: Significant judgements.

Property, plant and equipment are attributed to non-current tangible assets and 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 old constituent part is written off. The costs of the day-to-day servicing of property, plant and equipment are accounted

for as profit or loss as incurred.

At the end of each reporting period, if any impairment indications exist, property, plant and equipment are tested for impairment. If any indications 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 are 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 recognized in the statement of profit or loss and other comprehensive income.

Depreciation. 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 in years
Buildings and structures	8–110
Machinery and plant	5–40
Road transport/vehicles	4–15
Rolling stock	8–20
Computers and hardware	4–15
Other assets, equipment, fittings and tools	4–70
Land	Indefinite

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.

Explanatory notes (continued)

2. Significant accounting policies (continued)

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

Investment property. Investment property, including part of buildings and structures, is held for earning rentals and/or for capital appreciation rather than for use in the production, provision of services, or for administration purposes or sale. Investment property is stated at historical cost less accumulated depreciation and impairment loss, if any. Depreciation is calculated by applying the straight-line method during estimated useful life. Transfers to and from investment property are made only when there is an obvious change in intended use of assets. When transferring the assets from investment property to property, plant and equipment used for own needs, apparent cost of those assets is deemed the carrying amount of investment property on the date of transfer. If property, plant and equipment are transferred to investment property, the Company accounts for those assets according to accounting principles applicable to property, plant and equipment up to the date of transfer. The apparent cost of transferred investment property is considered the carrying amount of that property on the date of transfer.

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.

Expenditures, which are directly related to development of unique software controlled by the Company, are recorded as intangible assets, where it is expected that future economic benefit will exceed expenditures incurred. Capital expenditures include costs of a software development team and related overhead costs. Any other software-related costs, e.g. software maintenance works, are recognized costs when 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.

Impairment of property plant and equipment, and intangible assets. On every date of the statements of financial position the Company reviews the carrying amount 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.

Property, plant and equipment may have finite or indefinite useful lives. Depreciation is calculated only on assets with finite useful lives. The Company has no property, plant and equipment with indefinite useful lives. The useful life of land is indefinite, but its use does not reduce its value; therefore, land is not depreciated.

The recoverable amount is the higher of fair value less costs to sell and value in use. When assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate, assessed under current market conditions, an existing time value of money and risks specific to the asset, which have not been considered in the estimates of future cash flows. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of profit or loss and other comprehensive income.

Financial instruments

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

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

Explanatory notes (continued)

2. Significant accounting policies (continued)

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

- financial assets that are measured at amortised cost in subsequent periods;
- financial assets that are subsequently measured at fair value through other comprehensive income;
- 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:

- 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
- due to contractual conditions of the financial asset cash flows may occur on set dates, which represent solely payments of principal and interest.

The financial asset which does not include cash flows that are solely payments of principal and interest on the principal amount outstanding is measured at fair value through 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 through profit or loss.

The effective interest method is the method used to calculate the amortized cost of a financial asset or liability and distribute interest income or expense during the respective period. The

effective interest rate is the rate that allows discounting future cash payments accurately during the specified period of validity of financial liability or during shorter period, where appropriate.

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

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:

- the rights to receive cash flows from the asset have expired;
- 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;
- the Company transfers its right to receive the cash flows and/or:
 - a) transfers substantially all risks and rewards of the asset,
 - b) 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 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.

Explanatory notes (continued)

2. Significant accounting policies (continued)

Financial liabilities. The Company's financial liabilities comprise loans and other financial debts, contract liabilities, trade and other payables.

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

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

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

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

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

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

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

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

Offsetting of financial assets and liabilities. Financial assets and financial liabilities are offset when, and only when, the Company has a legally enforceable right to record the amo-

unts and intends to make an offsetting, or realize the asset to offset the liability.

Credit-impaired financial assets. Impairment losses on credit-impaired 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 simplified method to calculate the lifetime expected credit losses over the period of validity and uses a provisioning matrix for all trade and other receivables. For calculation of the expected credit losses using the provisioning matrix, trade and other receivables are categorized into separate groups according to credit risk characteristics. The amounts for each group are analysed by the number of days past due.

The Company assumes that the major risk of default occurs when the outstanding amounts are delayed for more than 120 days of the due date of payment.

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 (credit-impaired) has occurred:

- the counterparty experiences a significant financial difficulty as evidenced by financial information it provides;
- a breach of contract such as default or payment delay;
- the counterparty considers bankruptcy or intends to take measures for financial reorganization;
- 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;
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

Explanatory notes (continued)

2. Significant accounting policies (continued)

Losses on financial assets measured at amortised cost are recognised as provisions affecting the net carrying amount 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.

Write-off of financial assets. Impairment for financial assets is formed in consideration of provisions of IFRS 9, the Company's accounting policies and by carrying out the assessment of possible risks according to the possibility of their occurrence, taking into consideration the likely internal and external factors which include significant financial difficulties of customers, liabilities more than 120 days overdue and the likely case of bankruptcy of the customer.

Gross carrying amount of financial assets is written off when the Company does not have reasonable expectations to recover all assets or a part thereof. Unrecoverable assets are written off according to the recognized impairment if all necessary actions were taken to recover the assets and the amount of losses has been determined.

For financial assets which are written off and are also subject to the activity of securing fulfilment, the Company takes actions related to legal regulation so that the amounts were recovered to the maximum extent.

The amounts previously written off and recovered during subsequent periods are accounted for under the item of depreciation losses of the statement of profit or loss and other comprehensive income.

Derivative financial instruments. During 2020 and 2019, the Company had no 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 at bank accounts and on hand. 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 at bank and on hand, deposits with current accounts and other short-term highly liquid investments.

Non-current assets held for sale. Non-current assets and disposal groups classified as held for sale, if the carrying amount is substantially covered by the amount of sales transaction rather than by its continuous use. Assets held for sale are measured at the lower of carrying amount and fair value, less selling expenses. One of the conditions to be met in order to classify assets as held for sale is the existence of a highly probable possibility to sell the asset (or disposal group) quickly considering its current condition. One of the criteria allowing to consider sales highly probable is a commitment by management of the respective level to sell the assets or disposal groups considering their current condition. In determining whether and when non-current assets or disposal groups should be classified as assets held for sale requires management's judgement considering all facts and circumstances related to the transaction; therefore parties and markets as well as entities may draw different conclusions in accordance with IFRS.

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

Lease

Lease means a contract or part of a contract that gives the right to use the asset (leased property) for a certain period of time for consideration.

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

Explanatory notes (continued)

2. Significant accounting policies (continued)

The Company shall not apply the lease recognition provisions to short-term leases (leases of up to one year) and leases with low value property (computers, telephones, printers, furniture, etc.). In deciding whether the value of an asset is low, the Company shall assess each asset separately. In deciding whether the value of an asset is low, lease fees over the entire lease period are not assessed. Assets with a value of up to EUR 4 thousand are considered low value assets. Payments related to short-term lease or lease of low-value property are directly recognised as costs in the Statement of Profit or Loss and Other Comprehensive Income. The Company shall not apply the lease recognition provisions to all intangible assets. The Company shall apply the provisions of IAS 38 "Intangible Assets" to such assets. The Company shall recognise the right-of-use assets and the lease liability in the Statement of Financial Position at the commencement of the lease.

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

On the commencement date the Company shall measure the 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 adjusted due to any revaluation of the liability. 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.

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

Initial assessment of right-of-use assets. The cost of a ri-

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

Subsequent assessment of right-of-use assets. After the commencement date, the Company shall assess the right-of-use assets applying the cost method. By applying the cost method the Company shall measure the 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 shall apply the depreciation requirements of IAS 16 "Property, Plant and Equipment".

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

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

Explanatory notes (continued)

2. Significant accounting policies (continued)

Leases where the Company is 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.

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

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

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

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

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

For financial reporting purposes deferred taxes are provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

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

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income 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 company.

Deferred tax liabilities and assets 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.

Explanatory notes (continued)

2. Significant accounting policies (continued)

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. Operating losses carry forward is disrupted if the Company ceases its activities which caused the losses, unless the Company ceases activities due to reasons beyond its control. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

From 2014 tax losses carried forward can cover no more than 70 percent of taxable profit of a taxable period according to applicable Lithuanian laws.

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 cost of inventories is net of volume discounts and rebates, received from suppliers during the reporting period, but it applies to the inventories still held in stock. The inventories that may not be realised are fully written off.

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

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

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

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

- 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;
- 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;
- Legal reserve - According to Lithuanian legislation an annual transfer of 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;
- Other reserves - Other reserves are formed according to the decision of the shareholder for specified purpose. Other reserves comprise reserves for social needs, investments, bonuses and other possible reserves for carrying out economic activities, legal reserve, reserves for capital increase (reduction) from profit, other distributable reserves and reserves for acquiring own shares;
- Retained earnings (loss);
- When the reserves for capital increase (reduction) are reduced or eliminated, the share capital is increased by a respective amount, and the nominal value of shares is increased in proportion to the nominal value of AB LTG Infra shares owned by shareholders or new shares are issued.

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 adjusts 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.

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Explanatory notes (continued)

2. Significant accounting policies (continued)

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.

Provisions for retirement benefits. Following the legislative requirements of the Republic of Lithuania, each employee at the age of retirement is entitled to a one-off payment in the amount of 2-month salary. The historical cost is recognised as expenses in the Profit and Loss statement and other comprehensive income immediately after the assessment of such liability. Any profit or losses which have appeared as a result of a change in benefit conditions are recognised immediately. The above-mentioned employment benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. The obligation is recorded in the statements of financial position and reflects the present value of these benefits on the preparation date of the statements of financial position. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government securities 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 accounted for 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 recognized for possible benefits to employees reaching the jubilees of 50 and 60.

Revenue recognition. The Company's revenue is accounted for following the provisions of IFRS 15, i.e. the Company recognises revenue to depict transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Applying this standard, the Company takes into account the terms of the contract and all relevant facts and circumstances. For that purpose the Company's revenue is recognised using the 5-step model:

Step 1 - Identify the contracts with a customer.

Agreement between two and/or more parties (depending on the conditions of purchase or sale), which creates enforceable

rights and liabilities, is recognised as a contract. A contract is only recognized if the following criteria are satisfied:

- 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;
- each party's rights in relation to the goods and/or services to be transferred can be identified;
- the payment terms for the goods and/or services to be transferred can be identified;
- the contract is of commercial nature;
- 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 - Identify 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:

- good and/or a service is distinct;
- 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 - Determine 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. Transactions concluded by the Company are subject to fixed prices for both ongoing services and services performed at a moment in time or over time (calendar month). Transaction price might comprise a fixed amount of consideration paid by the customer; however, sometimes it may also comprise variable consideration. The transaction price is also adjusted considering the time value of money, if the contract includes a significant financing component, 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.

Explanatory notes (continued)

2. Significant accounting policies (continued)

Step 4 - Allocate the transaction price to each performance obligation.

Normally, the Company attributes the transaction price to each performance obligation over time, 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 - Recognise revenue when (or as) the Company satisfies performance obligations over time.

The Company recognises revenue when it satisfies a performance obligation by transferring promised goods or services to the customer over time (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 (calendar month). The Company recognizes revenue over time assessing the result of completion until the performance obligation is satisfied.

The Company relies on historical results, taking into account the customer type, the transaction type and the characteristics of each agreement.

Revenue is recognized by using the methods described below:

Output methods recognise revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract.

Service sales revenue

Revenue from sales of the services is recognized based on invoices issued to customers for services rendered. The invoices are issued based on work completion certificates. At the end of the period revenue, for which invoices have not been issued, but the services have been provided, is accrued based on the accrual principle.

Goods sales revenue

Revenue for the goods sold is recognized if all conditions below are met:

- The Company has transferred ownership control to a buyer;
- The Company retains neither further possession of the sold goods to the extent that is usually associated with ownership nor effective control;

- Amount of revenue may be reliably measured;
- It is probable that the Company will get economic benefit and transaction-related expenses incurred or to be incurred may be reliably measured.

Revenue is recognized at fair value of consideration obtained or to be obtained. Revenue is reduced by measured amounts of customer returns, discounts and other similar deferrals. Sales revenue is recognized after deducting the VAT and discounts, including accrued probable discounts for a reporting year.

Company's revenue is recognized in accordance with provisions of IFRS 15, i.e. the Company recognizes revenue to depict transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

After the customer gets control over goods and services revenue is recognized in accordance with IFRS 15. Establishment of the time of control transfer (at a point of time or over time) has to be decided.

Operating revenue generated by the Company includes the following:

- Use of public railway infrastructure;
- Use of railway service equipment;
- Other income.

Nature of revenue recognition:

- At a point of time after rendering of services;
- Over time (calendar month) when services are rendered under contractual service fees, and revenue is recognised at the end of the month based on stage of completion of carried out works or after the service has been rendered, and the deed of acceptance and delivery of works has been signed.

Revenue from the use of public railway infrastructure and facilities is recognised over time (calendar month), when the services are being rendered, as a customer receives benefit from the use of railway infrastructure.

Explanatory notes (continued)

2. Significant accounting policies (continued)

Type of services	Nature, timing of satisfaction of performance obligations and payment conditions	Revenue recognition under IFRS 15
Use of public railway infrastructure	<p>Invoices for the use of public railway infrastructure and relating additional services are issued once per reporting month generating them based on primary and additional service documentation and applying the respective rate as soon as the service is provided or over time when the services are provided;</p> <p>Payment conditions:</p> <ul style="list-style-type: none"> • Prepayment made by the 5th day of the month following the reporting month; <p>Invoices for the use of public railway equipment and related additional services are issued once per reporting month having agreed on the scope of the services with the customer based on primary and additional service documents;</p> <p>Payment conditions:</p> <p>The customer pays for the services provided within 10 calendar days following the day of receipt of the VAT invoice.</p>	<p>Income from the use of public railway infrastructure and related additional services is recognized over time when the services are provided (calendar month), when services have been provided, as the client gets benefits from the use of railway infrastructure.</p> <p>Revenue is recognised directly using the cost method, which can be applied to the Company's progress seeking to fully satisfy performance obligation and measure it over time, on the basis of measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract.</p> <p>The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs. The amount of recognized income is in accordance with the procedure laid down in the Rules on the provision of services and the price is specified in documents for additional services. Prepayments received are included into contractual obligations.</p> <p>If services under one agreement are provided in different reporting periods, the consideration is allocated according to their relative independent selling prices. The individual selling price is set at a rate based on the service prices specified.</p>
Use of railway service facilities	<p>Invoices for the use of railway service facilities and related additional services are issued one per reporting month having agreed on the scope of the services with the customer based on primary and additional service documents;</p> <p>Payment conditions:</p> <p>The customer pays for the services provided within 10 calendar days following the day of receipt of the VAT invoice.</p>	<p>Income from the use of railway service facilities and related additional services is recognized over time (calendar month) when the services are provided and the client gets benefits from the use of railway service facilities over time.</p> <p>Revenue is recognised directly using the cost method, which can be applied to the Company's progress seeking to fully satisfy performance obligation and measure it over time, on the basis of measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract.</p> <p>The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.</p> <p>The amount of recognized income is in accordance with the procedure laid down in the Rules on the provision of services and the price is specified in documents for additional services. Prepayments received are included into contractual obligations.</p> <p>If services under one agreement are provided in different reporting periods, the consideration is allocated according to their relative independent selling prices. The individual selling price is set at a rate based on the service prices specified.</p>

Explanatory notes (continued)

2. Significant accounting policies (continued)

Type of services	Nature, timing of satisfaction of performance obligations and payment conditions	Revenue recognition under IFRS 15
Other income	<p>Other income: Invoices are issued after the service has been rendered and the deed of acceptance and delivery of works has been signed. A common term for payment of invoices is 30 days. Payments for one-off works are subject to a 7-to-30-day term, a cash deposit may also be applied. Lease revenue: Invoices are issued after the service has been rendered and the deed of acceptance and delivery of works has been signed. A common term for payment of invoices is 30 days.</p>	<p>Revenue is recognized on a monthly basis or over time when the services are rendered. The amount of revenue recognized is estimated on the basis of the signed service provision deeds.</p> <p>Revenue is recognised directly using the cost method, which can be applied to the Company's progress seeking to fully satisfy performance obligation and measure it over time, on the basis of measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract.</p> <p>The amount of recognised income is estimated based on signed deeds of services rendered. If services under one agreement are provided in different reporting periods, the consideration is allocated according to their relative independent selling prices. The individual selling price is determined on the basis of the service prices specified in the contract.</p>

Lease revenue

Revenue is recognised every month or over time when services are rendered. The amount of recognised revenue is estimated based on signed deeds of rendered services.

The amount of revenue from lease of wagons is calculated on the basis of registered recording cards measuring the number of leased wagons and lease period.

If services under the same agreement are rendered at different reporting periods, the consideration is then distributed according to their relative independent selling prices. A separate selling price is determined based on the contractual service prices.

Recognition of expenses. 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.

In financial reporting expenses are recognised in the event of decrease in assets or increase in liabilities which cause a decrease in equity, except for decreases related to allocations to the owners of the shares.

Expenses are usually estimated by the amount of money paid or payable, excluding VAT. In cases where a long settlement period and interest are not allocated, the expenses are estimated by discounting the settlement amount at the market interest rate.

Financial income and costs. Finance income comprises interest income. Interest income is recognized on an accrual basis, using the effective interest rate method. Finance expenses comprise interest expense. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized 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.

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

Explanatory notes (continued)

2. Significant accounting policies (continued)

Government grants. State grants are state aid that is made in the form of a transfer of resources to an entity, provided that the entity has complied or will comply with certain conditions relating to the entity's principal activities. A state grant is not recognized until there is reasonable assurance that the entity will comply with the relevant conditions and that the grant will be received. A state grant may take a variety of forms, which may vary both in the nature of the grant and in the conditions normally attached to the grant.

Grants related to income and expenses. Grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. The income-related grants are recognized as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant. Grants intended for compensation of not received income is recognized in the statement of profit or loss and other comprehensive income, under other income. Grants intended for compensation of specific expenses are carried in the statement of profit or loss and other comprehensive income, by reducing the amount of related expenses by the amount of grant.

Asset-related grants. Grants and subsidies (hereinafter "grants") intended for the purchase, construction or other acquisition of non-current assets are considered as asset-related grants (mainly received from the EU and other structural funds). The amount of asset-related grants is recognised in profit and loss gradually according to the depreciation rate of the assets associated with this grant and, in profit or loss, an asset depreciation expense account is reduced by the amount of grant amortisation.

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.

Business combinations. The Company applies the accounting policy methodology to business combinations, the purpose of which is to determine how business combinations should be accounted for and presented in the financial statements, as well as to improve the relevance, reliability and comparability of the Company's information on business combinations and their impact. The methodology applies to a transaction or other event that meets the definition of a business combination, i.e. acquisition of business control. A jointly controlled entity or business combination is a business combination in which all the combining entities or business units are controlled by the same party or parties before and after the business combination and that control is not temporary.

If the acquired assets do not meet the definition of a business, the company shall account for the transaction or other event as an acquisition of the assets. A business combination is a transaction or other event in which the acquirer obtains control of one or more businesses. When the Company is the acquirer, it shall determine the acquisition date at which it acquires control of the acquiree. A business combination may be grouped in a variety of ways for legal, tax or other reasons. In a business combination that occurs primarily by transferring cash or another asset or incurring a liability, the acquirer is usually the entity that transfers the cash or another asset or incurs a liability. In a business combination that is primarily an exchange of shares the acquirer is usually the entity that issues its shares. In a business combination that involves an exchange of ownership, other relevant facts and circumstances also need to be considered in identifying the acquirer.

The Company accounts for each business combination using the acquisition method. The acquisition method requires

- a) to identify the acquiring entity;
- b) to set the acquisition date;
- c) to recognize and measure the identifiable assets acquired, the liabilities assumed and any non-controlling interests in the acquiree;
- d) to recognize and measure goodwill or a gain on a purchase below market price.

In accordance with IFRS, before acquiring a gain arising on a purchase below the fair value of the net assets of the acquiree, the acquirer shall reassess whether it has correctly identified all the assets acquired and all the liabilities assumed, and shall recognize any additional assets or liabilities identified during such a review. The acquirer shall then review the procedures used to measure the amounts that IFRS requires to be recognized at the acquisition date for the following items: identification of the assets acquired (including contingent assets or assets not recognized in the balance sheet of the acquiree) and liabilities (including contingent liabilities) and the non-controlling interest in the acquiree, if there is an interest in the acquiree's previously held ownership interest in the acquiree and the consideration transferred in a business combination achieved in stages. The objective of the review is to ensure that the estimates adequately reflect all the information available at the date of acquisition.

The accounting policy for business combinations does not apply to jointly controlled entities or business combinations in which the same group of entities has a common right, under contractual arrangements, to govern the financial and operating policies of each of the merging entities in order to benefit from the activities of those operators, and that joint management is not temporary.

Explanatory notes (continued)

2. Significant accounting policies (continued)

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 accounting estimates and judgements

Significant judgements

On 20 December 2018, amendments to the Railway Transport Code of the Republic of Lithuania (hereinafter the Code) were adopted amending the provisions of the Code specifying the public railway infrastructure manager. Following the mentioned amendments effective as of 8 December 2019, the public railway infrastructure, by the right of trust, is managed, used and disposed of, the services related to the management and maintenance of the public railway infrastructure management are provided by the public railway infrastructure manager, i.e. a subsidiary established by AB Lietuvos Geležinkeliai - AB LTG Infra to perform the functions of public railway infrastructure manager.

On 22 November 2019, AB LTG Infra concluded a trust agreement with the Ministry of Transport and Communications of the Republic of Lithuania concerning public railway infrastructure assets owned by the State of Lithuania by property right, except for the state land occupied thereby, and railway service equipment owned by the State of Lithuania by property right, except for the state land occupied thereby. The trust agreement transfers assets to be managed, used and disposed of under the right of trust in accordance with the laws of the Republic of Lithuania and the requirements set out in the Agreement for the performance of the functions of the public railway infrastructure manager and the railway service equipment operator until 7 December 2039. The Civil Code (CC) provides that the Trust Agreement shall not be concluded for a period longer than twenty years. The Code also gives a clear priority to other laws, specifying that the law in regulation of the matters of property trust agreement, related to the management of state-owned assets by the right of trust, may set a different regulation than that set by the CC. The Code states that the rights to manage the assets are transferred to AB LTG Infra, which has led to the conclusion that the assets by the right of trust are transferred for the term of exercising such function; the exercise of the function as such does not have a finite term; therefore, the management of assets by the right of trust is also indefinite.

According to the Resolution of the Government of the Republic of Lithuania No 1677 of 30 December 2004 on the approval of the procedure for transfer of state land to the Company under the right of trust to be used public railway infrastructure facilities, the municipalities transferred to the Company a part of land plots located near railways. The Company controls those land plots by the right of trust. Considering the aforementioned facts, the management is of the opinion that the assets controlled by the right of trust, i.e. the land and public usage railways or assets that under the law may only be property of the State,

Subsequent events. Subsequent events 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.

shall be accounted for in the statements of financial position. Therefore, the Company recognises the assets controlled by the right of trust as the property, plant and equipment.

The management has adopted a significant judgement on whether, in accordance with both the Trust Agreement and the Code, the Company controls public railway infrastructure assets and whether it therefore may recognise such assets in the relevant statement of financial position of the Company as the property, plant and equipment. The Company's management has adopted a significant judgement on the period of the Trust Agreement and has come to the conclusion that the Trust Agreement is concluded essentially for an indefinite period and that period is not limited by the provisions of the Civil Code.

Assets managed under the right of trust. The Company manages public railway infrastructure facilities and service facilities and state land plots under such facilities owned by the state (thereafter "the infrastructure facilities"). Based on the Trust Agreement with the Ministry of Transport and Communications of the Republic of Lithuania and based on the Railway Transport Code, the Company uses, manages and disposes the infrastructure facilities and the Government of the Republic of Lithuania retains their legal ownership. AB LTG Infra carries such assets as property, plant and equipment under IAS 16 based on the following:

- The Company has a right to use the infrastructure facilities free-of-charge for an indefinite period of time; this right may only be withdrawn by the State by amending legal acts;
- Upon the transfer of this right, the State has also transferred significant risks and benefits related to the ownership: AB LTG Infra uses infrastructure facilities to generate revenue and incurs costs for their maintenance; although the State must ensure the availability to the public of railway transport, it does not retain the direct financial risks related to infrastructure facilities;
- Although some rights that are generally linked to the ownership of infrastructure facilities are restricted (e. g. the Company is not allowed to sell or pledge such assets), similar restrictions are common in private, privatised companies and companies providing utility services, including entities subject to strict tariff regulation for services.

Explanatory notes (continued)

3. Significant accounting estimates and judgements (continued)

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

Events after the reporting period. After the end of the reporting period the management had discussed significant non-adjusting events and their impact on disclosures of the financial statements and possible impact on continuity of the operations.

Date of putting the equipment into operation. The asset is put into operation and its depreciation begins when the asset is ready for its intended use, i.e. when it is in that place and conditions which enable it to be used in the manner intended by management are guaranteed. The assets are put into operation after they have been properly tested and all permits for operation have been obtained.

Business combinations. The transfer of the business to the Company was treated as a transaction of joint ventures and took place at carrying amounts. IFRS 3 Business Combinations has not been used for this business transfer, as the standard does not apply to jointly controlled entities or business combinations. AB Lietuvos Geležinkeliai controls the Company that is invested to if it can or has the right to obtain variable return from its relations with the Company that is invested to and may affect that return by using its power to manage the Company that is invested to.

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

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

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

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

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

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

Write down of inventories to net realizable value. The Company reviews its inventory list at least annually to determine the net realizable value of inventories. Inventories acquired earlier than a year ago are reviewed to determine whether they can be realized in the future. In the case of slow-moving spare parts and other materials, impairment is recognized at the full cost of the inventories if the inventories have been on the inventory for more than 2 years and have not been used since.

Explanatory notes (continued)

3. Significant accounting estimates and judgements (continued)

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

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

4. New Standards, amendments and interpretations not yet adopted

The new standards, amendments to standards and interpretations that are effective for annual periods beginning on or after 1 January 2021 and have not been applied in the preparation of these financial statements are set out below:

Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

The amendments are effective for annual periods beginning on or after 1 January 2022. The amendments apply for contracts which are effective as at the initial application date of these amendments. As at the date of initial application, the overall impact of the amendments is recognised as an adjustment of retained earnings (losses) or other appropriate equity components at the beginning of the period. Comparative information is not recalculated.

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.

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments are effective as of 1 January 2021. Early application is permitted. The amendments address the effects of the interest rate benchmark reform on financial statements, including changes to contractual cash flows or hedging relationships that arise when an interest rate benchmark used to calculate interest on a financial

asset is replaced with an alternative benchmark rate. The amendments offer relief from certain requirements of IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 related to:

- Change of the basis for determining the contractual cash flows of a financial asset, financial or lease liability;
- Hedge accounting.

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.

Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)

In May 2020 the International Accounting Standards Board published Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16) which prohibit an entity to deduct from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

Explanatory notes (continued)

4. New Standards, amendments and interpretations not yet adopted (continued)

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.

First-time Adoption of International Financial Reporting Standards – Subsidiary as a First-time Adopter (Amendments to IFRS 1)

When carrying out the annual improvements process to IFRS standards 2018–2020, the International Accounting Standards Board published First-time Adoption of International Financial Reporting Standards – Subsidiary as a First-time Adopter (Amendments to IFRS 1). These amendments permit a subsidiary which has chosen to apply the provisions of IFRS 1 (16), to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRS Standards. These amendments are also applied to associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

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.

Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendments to IFRS 9)

When carrying out the annual improvements process to IFRS standards 2018–2020, the International Accounting Standards Board published Amendments to IFRS 9 Financial Instruments. The amendments clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only the fees paid, or received from, the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

An entity applies the amendments to financial liabilities which are modified or adjusted at the beginning of the period of initial application of the financial period.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

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.

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 applied 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 recognize 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 recognizes 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 75 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.

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

Explanatory notes (continued)

4. New Standards, amendments and interpretations not yet adopted (continued)

Other standards

COVID-19-Related Rent Concessions (Amendment to IFRS 16)

On 28 May 2020 the International Accounting Standards Board published COVID-19-Related Rent Concessions (Amendment to IFRS 16). The amendments provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. As a practical expedient, a lessee may elect not to assess whether a rent concession, occurring as a direct consequence of the COVID-19 pandemic, is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same

way it would account for the change applying this standard if the change were not a lease modification.

The amendments are effective for annual periods beginning after 1 June 2020. Early application is permitted.

The amendments have no impact on the Company's financial statements.

The standards and amendments effective as of 1 January 2020 did not have a significant impact on the financial statements for 2020.

5. Key accounting estimates

Impact of COVID-19 on key accounting estimates, assumptions and estimation uncertainties

When preparing these financial statements the management assessed accounting estimates the uncertainty of which has increased due to the COVID-19 pandemic and which the Company's management took into consideration when assessing the impact of COVID-19.

Business continuity

This year, numerous business sectors in the country were affected by the global coronavirus pandemic (COVID-19). However, it did not have a significant effect on the Company's performance results, the impact of the achievement of the planned results for the year 2020 is minimal. In the 1st half of 2020, the Company revised its activity plans, prepared updated activity forecasts considering the impact of COVID-19 on the activities and planned results. Accordingly, seeking to minimise the effect of the coronavirus pandemics, plans for cost optimisation and other measures were prepared. This plan was presented to the board, its implementation is being monitored and prompt actions are taken as a response to the changing situation. The negative effect of COVID-19 on AB LTG Infra: decrease in revenue from passenger transportation companies. In March, due to COVID-19 pandemic one third of local train services (76 out of 226) were temporarily suspended;

part of them were later resumed. In November, due to the second wave of COVID-19 in Lithuania, 25 services were optimised, the frequency of 14 was changed. At the end of 2020, 103 local train services out of 226 were still suspended. International train services were suspended as of mid-March, only 6 transit services were resumed by the end of the year. However, monitoring changes in neighbouring markets, the Company takes a positive stance of the situation and does not change its long-term strategic directions or goals; however, it revises the measures that ensure the achievement of these goals. The final impact of the COVID-19 pandemics on the operation conducted by the Company cannot be established yet; however; when making estimates of the likely impact of major factors of COVID-19 on the results of the Company, the management of the Company has not identified any threats to the going concern of the Company.

Explanatory notes (continued)

5. Key accounting estimates (continued)

Impairment losses of property, plant and equipment.

During the reporting financial year, COVID-19 had no significant negative effect on the activities and financial results; no indications were determined for the need to perform an impairment test of non-current assets.

Impairment losses of amounts receivable.

COVID-19 had no effect on the Company's credit, liquidity risks, no special financial measures related to COVID-19 were applied. State support to mitigate the consequences of COVID-19 pandemics was not granted.

6. Financial instruments and risk management

Financial instruments. Fair value

The Company's main financial instruments not carried at fair value are trade and other receivables, trade and other payables, cash and long-term and short-term borrowings. According to the management of the Company, the carrying amounts of these financial instruments are close to their fair values because the borrowing costs are linked to the interbank borrowing rate EURIBOR, while other financial assets and liabilities are short-term and 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 a 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	2020	2019
Trade and other receivables	37,657	36,078
Cash and cash equivalents	4,566	13,450
Total	42,223	49,528

Financial liabilities	2020	2019
Loans and other financial debts	177,882	144,825
Lease liabilities	1,719	982
Trade and other payables	34,653	25,619
Total	214,254	171,426

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).

Explanatory notes (continued)

6. Financial instruments and risk management (continued)

The following is a comparison of the values of financial instruments:

	Net carry- ing amount 2020		Fair value 2020			Net carrying amount 2019		Fair value 2019	
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	
Financial assets									
Trade and other receivables	37,657	-	-	37,657	36,078	-	-	36,078	
Cash and cash equivalents	4,566	4,566	-	-	13,450	13,450	-	-	
Total	42,223	4,566	-	37,657	49,528	13,450	-	36,078	
Financial liabilities									
Loans and other financial debts	177,882	-	-	177,882	144,825	-	-	144,825	
Lease liabilities	1,719	-	-	1,719	982	-	-	982	
Trade and other payables	34,653	-	-	34,653	25,619	-	-	25,619	
Total	214,254	-	-	214,254	171,426	-	-	171,426	

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

Loans and borrowings. The fair value of long-term loans shall be determined on the basis of the market price or interest rate applicable to debt of the same or similar maturity at the time. The fair value of loans is assigned to the second level in the fair value model. The fair value of the loans received corresponds to the carrying amount.

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

Risk management

The Company faces uncertainty about external and internal factors, identifies operational risks (strategic, financial, operating and compliance), anticipates their impact and likelihood, and seeks to mitigate them at least in part.

The Company is exposed to the following financial risks: credit, liquidity, currency exchange, interest rate and capital risks. 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 from the credit risk incurred by money banks and trade receivables.

Credit risk is the risk that the Company will incur a financial loss if a buyer or other party fails to meet its contractual obligations. This risk is mostly related to receivables from Company's customers.

The COVID-19 pandemics did not lead to a significant increase in credit risk. Clients did not request the extension of payment terms. However, as the COVID-19 pandemics is ongoing, the Company actively monitors the situation in the market, applies credit control policies, revises procedures and processes.

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. When payments with customers are deferred, legal credit risk mitigation measures are used, such as credit insurance or pledging. 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 default during the initial recognition of financial assets and on each reporting date, considering whether the credit risk has not grown substantially since initial recognition.

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

Explanatory notes (continued)

6. Financial instruments and risk management (continued)

The Company's receivables from related parties amounted to EUR 20,622 thousand (2019: EUR 26,858 thousand), no debt was overdue and no provision was booked.

The Company's trade amounts receivable from main customers comprised:

	2020	2019
Customer A	599	2 633
Customer B	579	1 668
Customer C	140	599
Customer D	93	593
Others	720	757
Impairment	(1,609)	(1,290)
Total	522	4 960

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 default and conforms to external definitions of credit ratings. The expected

credit loss rate that is calculated based on experience of actual impairment has been established of each credit risk level.

No impairment was formed for low risk amounts as the larger part of other amounts receivable comprises amounts receivable from related parties or accrued income; therefore, the expected credit loss is considered to be close to 0%. For details see Note 12.

The Company's exposure to credit risk and ECLs for trade and other receivables as at 31 December 2020:

	Gross carrying amount	Expected credit losses, %	Provision	Net carrying amount
Low risk	37,382	0.01%	(3)	37,379
Fair risk	126	0.95%	(1)	125
Increased risk	72	15.99%	(12)	60
High risk	1,794	94.80%	(1,701)	93
Total	39,374		(1,717)	37,657

Bendrovės prekybos ir kitoms gautinoms sumos, kurioms yra taikytina kredito rizika ir tikėtinas kredito nuostolis 2019 m. gruodžio 31 d. sudarė:

	Gross carrying amount	Expected credit losses, %	Provision	Net carrying amount
Low risk	31,593	0.01%	-	31,593
Fair risk	4,344	0.01%	-	4,344
Increased risk	122	19.67%	(24)	98
High risk	1,445	96.72%	(1,402)	43
Total	37,504		(1,426)	36,078

Low risk – the buyer does not have any past due invoices;

Fair risk – the buyer has at least one past due invoice up to 30 days;

Increased risk – the buyer has at least one past due invoice up to 120 days;

High risk – the buyer has at least one past due invoice over 120 days.

Explanatory notes (continued)

6. Financial instruments and risk management (continued)

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

The gross carrying amount of a financial asset is written off

when the Company has no reasonable expectation of recovering all or part of the asset. Uncollectible assets are written off against the related impairment loss allowance after all the necessary procedures to recover 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 account within the statement of profit or loss and other comprehensive income

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 and other receivables as at 31 December 2020:

	Expected credit losses, %	Gross carrying amount	Provision	Net carrying amount
Not past due	0.01%	37,382	(3)	37,379
1-30 days past due	0.95%	126	(1)	125
31-60 days past due	4.67%	16	(1)	15
61-120 days past due	19.27%	56	(11)	45
More than 120 days past due	94.80%	1,794	(1,701)	93
Total		39,374	(1,717)	37,657

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables as at 31 December 2019:

	Expected credit losses, %	Gross carrying amount	Provision	Net carrying amount
Not past due	0.01%	31,544	-	31,544
1-30 days past due	0.01%	49	-	49
31-60 days past due	0.01%	4,344	-	4,344
61-120 days past due	19.27%	122	(24)	98
More than 120 days past due	96.72%	1,445	(1,402)	43
Total		37,504	(1,426)	36,078

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

6. Financial instruments and risk management (continued)

The Company's movement of provision for doubtful trade and other receivables:

	2020	2019
Balance at the beginning of the period	1,426	-
Impairment of receivables carried forward during the reorganization	-	1,426
Impairment of amounts written off	(5)	-
Change in impairment for trade receivables	296	-
Balance at the end of the period	1,717	1,426

Provision for receivables at the Company as of 31 December 2020 has been reflected in the Statements of profit or loss and other comprehensive income, in receivables and contract asset value (reduction) increase items. The Company's amounts written off are considered as amounts with no possibility or right of recovery.

Although economic circumstances may affect the recovery of debts, in the opinion of the Company's management, the Com-

pany is not exposed to a significant risk of incurring losses that would exceed the already recognised impairment.

Cash and cash equivalents consist of cash and cash at banks, so the credit risk associated with them is minimal. The Company's cash resources are subject to the principle of diversification, the funds are held in banks with an international credit rating of not less than Baa1.

	2020	2019
Aa2,AA credit rating Aa2; A+ ; AA	212	42
AA-,Aa3 credit rating Aa3; AA-; AA-	4,354	13,408
Total	4,566	13,450

Explanatory notes (continued)

6. Financial instruments and risk management (continued)

Although economic circumstances may affect the recovery of debts, in the opinion of the Company's management, the Company is not exposed to a significant risk of incurring losses that would exceed the already recognized impairment.

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. According to the Company's standard policy, the payment period for suppliers is 45 days.

In 2020, grants received from the State budget and the EU structural funds amounted to EUR 47,343 thousand. Accordingly, for the project implementation in 2021, the Company expects to receive grants, the limits of which are approved in the State budget and the State Investment Programme for 2021-2023 and amount to EUR 239,730 thousand.

Additional liquidity is ensured by cash pool, which allows borrowing funds from other Group companies to manage working capital and liquidity. In 2020, the Company faced no solvency or liquidity issues. . More details are disclosed in Note 2. Significant accounting policies. More details are disclosed in Note 2. Significant accounting policies.

As cargo transportation volumes remained unchanged, COVID-19 had no significant effect on the liquidity of AB LTG Infra. As a result of favourable changes in infrastructure fees in 2020 (if compared to 2019), the Company received more income from infrastructure fees.

Pursuant to the decision of the management of AB Lietuvos Geležinkeliai dated 1 October 2019, the business of the public railway infrastructure manager was transferred from AB Lietuvos Geležinkeliai to AB LTG Infra on 8 December 2019, including all the assets needed for performing this activity, personnel and liabilities relating to management of public railway infrastructure including liabilities under financing agreements and performance thereof. Restructuring of long-term loans of AB Lietuvos Geležinkeliai was completed on 30 June 2020. Simultaneously, guarantee agreement with the Nordic Investment Bank (NIB) came into effect, based on which AB Lietuvos Geležinkeliai has undertaken to guarantee fulfilment of all liabilities arising from the financing agreements of AB LTG Infra.

Monitoring of the following financial indicators under financial conditions of credit contracts of AB LTG Infra is carried out:

	2020	2019	Value set by the bank
Net debt/ Adjusted EBITDA*	ongoing	-	Less than 4.0
Equity ratio	ongoing	-	More than 40%.
Loan servicing ratio	ongoing	-	More than 2

*Adjusted EBITDA - Profit (loss) before income tax + interest expenses – interest income + depreciation and amortisation + increase (decrease) in value of non-current assets, inventory and investments + increase (decrease in value of receivables and asset contracts + provision expenses unrelated to ordinary activity.

The table below shows contractual repayment dates of the Company's non-derivative financial liabilities. This information is prepared on the basis of undiscounted flows of financial liabilities taking into account the earliest dates when the Company is obliged to repay those liabilities. Balances of liabilities with the repayment period shorter than 12 months approximate their carrying values.

Explanatory notes (continued)

6. Financial instruments and risk management (continued)

The Company's loans, trade creditors and lease liabilities repayment terms using the undiscounted flow method:

	2020			
	Total	Within one year	From one to five years	After five years
Trade and other financial debts	177,412	19,334	64,110	93,968
Interest	11,503	1,932	5,865	3,706
Lease liabilities	1,812	784	1,028	-
Trade and other payables	34,653	31,845	2,808	-
Total	225,380	53,895	73,811	97,674

The Company's maturities of financial liabilities using the undiscounted flow method as at 31 December 2019:

	2019			
	Total	Within one year	From one to five years	After five years
Trade and other financial debts	144,364	14,571	48,841	80,952
Interest	12,364	1,929	5,921	4,514
Lease liabilities	1,030	429	601	-
Trade and other payables	25,619	22,916	2,703	-
Total	183,377	39,845	58,066	85,466

Currency risk. Exchange rate risk is the risk that changes in market prices due to changes in foreign exchange rates will affect the Company's results or the value of available financial instruments.

This risk is minimal as the major part (99,9%) of the Company's settlements are denominated in euro.

During 2020 and 2019, the Company did not enter into derivative financial transactions to manage the risk of exchange rate fluctuations with servicing banks. Most transactions are in euro and the impact of exchange rate fluctuations is low.

Interest rate risk. Variable interest, related to EURIBOR, is charged on all loans granted to the Company and other financial debts.

Long-term loans mostly affect increase in the interest rate risk. As at 31 December 2020 the value of the Company's long-term loan portfolio was EUR 177,412 thousand, as at 31 December 2019 amounted to EUR 144,364 thousand.

If the interest rate goes up by 0.5 percentage points during the year 2021, annual interest costs would increase by EUR 876 thousand.

In 2020 and 2019, the Company did not use derivative financial instruments to manage interest rate risk. The Company has a provision that 30% and more of the total amount of the Company's financial resources shall be invested in highly liquid financial instruments: funds in current accounts in commercial banks, call deposits and term deposits the maturity of which is less than 12 months. The Company has cash in large banks

of Lithuania that have credit ratings of BBB-/Baa3 and higher as assigned by international rating agencies.

Capital management. The purpose of capital management policy is to maintain a sufficient share of equity to justify the confidence of investors, creditors and the market and to expand the business in the future. The Company's management and the Board monitor the return on capital and, taking into account the Company's financial results and strategic plans, make proposals for the payment of dividends.

According to the Republic of Lithuania Law on Companies, the share capital of a joint-stock company must be at least EUR 40 thousand (private limited liability companies – at least EUR 2.5 thousand), and equity at least 50 percent of the Company's share capital.

The Company's management controls compliance with the provisions of the Republic of Lithuania Law on Companies 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.

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

Explanatory notes (continued)

7. Property, plant and equipment

The Company's property, plant and equipment consisted of:

	Land	Build-ings and struc-tures	Machin-ery and equip-ment	Vehicles	Other equip-ment, fittings and tools	Construc-tion in progress and pre-payments	Total
ACQUISITION COST							
31 December 2018	-	-	-	-	-	-	-
- acquisitions per year	-	-	15	-	14	24,057	24,086
- receipt of assets due to reorga-nization	150,870	836,023	131,008	12,631	71,994	159,394	1,361,920
- assets sold, written off, disposed	(23)	-	-	-	-	-	(23)
- reclassifications to investment property	(110)	(2,609)	540	-	-	(540)	(2,719)
31 December 2019	150,737	833,414	131,563	12,631	72,008	182,911	1,383,264
- acquisitions per year	2,967	745	698	-	48	173,604	178,062
- assets sold, written off, disposed	(29)	(3,114)	(37)	(68)	(144)	(89)	(3,481)
- transferred from current assets	-	-	2	-	1	10,570	10,573
- transferred to current assets	-	(400)	(129)	-	(131)	(259)	(919)
- transferred to intangible assets	-	-	-	-	-	(3,705)	(3,705)
- transferred to investment prop-erty	-	(6,874)	-	-	-	-	(6,874)
- reclassifications	110	105,110	15,091	-	7,227	(127,538)	-
31 December 2020	153,785	928,881	147,188	12,563	79,009	235,494	1,556,920
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
31 December 2018	-	-	-	-	-	-	-
- depreciation	-	(5,450)	(1,123)	(136)	(506)	-	(7,215)
- reclassifications to investment property	-	8	-	-	-	-	8
31 December 2019	-	(5,442)	(1,123)	(136)	(506)	-	(7,207)
- depreciation	-	(63,296)	(12,482)	(1,364)	(5,950)	-	(83,092)
- impairment during the year	-	(94)	(4)	-	(4)	-	(102)
- assets sold, written off, disposed	-	171	17	12	36	-	236
- transferred to current assets	-	21	129	-	132	-	282
- transferred to investment prop-erty	-	91	-	-	-	-	91
31 December 2020	-	(68,549)	(13,463)	(1,488)	(6,292)	-	(89,792)
CARRYING AMOUNT							
31 December 2018	-	-	-	-	-	-	-
31 December 2019	150,737	827,972	130,440	12,495	71,502	182,911	1,376,057
31 December 2020	153,785	860,332	133,725	11,075	72,717	235,494	1,467,128

Explanatory notes (continued)

7. Property, plant and equipment (continued)

The sum of the Company's depreciation costs included in the statement of profit or loss and other comprehensive income was EUR 67,637 thousand (2019: EUR 5,914 thousand). That amount includes depreciation costs of EUR 83,089 thousand (2019: EUR 7,215 thousand) that were reduced by grant depreciation costs of EUR 15,452 thousand (2019: EUR 1,301 thousand) as described in Note 17. Capitalised depreciation amounted to EUR 3 thousand (none in 2019). As at 31 December 2020, the value of the Company's assets managed by the right of trust was EUR 980,046 thousand (2019: EUR 982,986 thousand). The cost of the Company's fully depreciated but still used property, plant

and equipment amounted to EUR 4,757 thousand (2019: EUR 1,023 thousand). A major share of fully depreciated but still used property, plant and equipment was buildings and structures, machinery and equipment. In 2020, the Company transferred assets of EUR 2,710 thousand belonging to Structures class to municipalities based on the accounting principles applicable to property, plant and equipment before the transfer date, when the value of transferred assets is considered the carrying amount of such assets as at the transfer date, and the transfer transaction of such assets is considered a joint control transaction with owners and is accounted for as not recognized profit or loss.

8. Right-of-use assets

The Company's right-of-use assets consisted of:

	Buildings and structures	Vehicles	Other equipment, fittings and tools	Total
ACQUISITION COST				
31 December 2018	-	-	-	-
- acquisitions per year	20	-	-	20
- receipt of assets due to reorganization	-	958	4	962
31 December 2019	20	958	4	982
- acquisitions per year	-	1,251	-	1,251
- assets sold, written off, disposed	-	-	-	-
- reclassifications	-	-	-	-
31 December 2020	20	2,209	4	2,233
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES				
31 December 2018	-	-	-	-
- depreciation	(1)	(33)	-	(34)
31 December 2019	(1)	(33)	-	(34)
- depreciation	(6)	(536)	(1)	(543)
- assets sold, written off, disposed	-	-	-	-
- reclassifications	-	-	-	-
31 December 2020	(7)	(569)	(1)	(577)
CARRYING AMOUNT				
31 December 2018	-	-	-	-
31 December 2019	19	925	4	948
31 December 2020	13	1,640	3	1,656

Explanatory notes (continued)

9. Intangible assets

The Company's intangible assets consisted of:

	Software	Concessions, patents, licences, trade marks and similar rights	Other intangible assets	Total
ACQUISITION COST				
31 December 2018	-	-	-	-
- acquisitions per year	-	-	-	-
- receipt of assets due to reorganization	15,897	8	89	15,994
31 December 2019	15,897	8	89	15,994
- acquisitions per year	19	-	291	310
- assets sold, written off, disposed	(1)	-	(7)	(8)
- transferred from property, plant and equipment	3705	-	-	3,705
- reclassifications	-	27	(27)	-
31 December 2020	19,620	35	346	20,001
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES				
31 December 2018	-	-	-	-
- amortization	(123)	(2)	(7)	(132)
31 December 2019	(123)	(2)	(7)	(132)
- amortization	(1,252)	(21)	(73)	(1,346)
- assets sold, written off, disposed	-	-	5	5
- reclassifications	-	(11)	11	-
31 December 2020	(1,375)	(34)	(64)	(1,473)
CARRYING AMOUNT				
31 December 2018	-	-	-	-
31 December 2019	15,774	6	82	15,862
31 December 2020	18,245	1	282	18,528

The Company does not have internally generated intangible assets. Amortization costs of the Company's intangible assets, which made up EUR 1,346 thousand in 2020 (2019: EUR 132 thousand), are accounted for in the statements of profit or loss and other comprehensive income, under depreciation and amortization; they dropped by EUR 548 thousand (2019: EUR 46 thousand) attributable to grant amortization as described in Note 17.

The Company's fully amortised intangible assets still used in operations amounted to EUR 296 thousand (2019: EUR 9 thousand). Most of fully amortised assets was software.

Explanatory notes (continued)

10. Investment property

The Company's investment property consisted of:

	Buildings and structures	Total
ACQUISITION COST		
31 December 2018	-	-
- acquisitions per year	-	-
- receipt of assets due to reorganization	571	571
- transferred from property, plant and equipment	2,719	2,719
31 December 2019	3,290	3,290
- acquisitions per year	-	-
- assets sold, written off, disposed	-	-
- transferred to current assets	(5,772)	(5,772)
- transferred from property, plant and equipment	6,874	6,874
31 December 2020	4,392	4,392
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES		
31 December 2018	-	-
- depreciation	(5)	(5)
- reclassifications	(8)	(8)
31 December 2019	(13)	(13)
- depreciation	(527)	(527)
- impairment during the year	-	-
- assets sold, written off, disposed	-	-
- transferred to current assets	400	400
- transferred from property, plant and equipment	(91)	(91)
31 December 2020	(231)	(231)
CARRYING AMOUNT		
31 December 2018	-	-
31 December 2019	3,277	3,277
31 December 2020	4,161	4,161

Investment property consisted of buildings leased to third parties. Management assessed that the changes in the real estate market during 2019 and 2020 did not have significant impact of the fair value of the investment property. The fair value measurement for investment property has been categorised as a Level 3 fair value.

Explanatory notes (continued)

11. Inventories

The Company's inventories consisted of:

	2020	2019
Superstructure materials	3,871	12,544
Fuel	769	132
Spare parts	865	1,770
Materials	86	2,611
Other inventories	262	231
Total raw materials, supplies and components	5,853	17,288
Goods purchased for resale	-	-
Total goods purchased for resale	-	-
Non-current assets held for sale	5,750	-
Non-current assets held for sale, total	5,750	-
Total	11,603	17,288

During 2020, the inventories of EUR 10,275 thousand (2019: EUR 486 thousand) (without fuel) were written off to operating expenses. The carrying amount of EUR 11,704 thousand of the Company's inventories was reduced to the net realisable value amounting to EUR 101 thousand (was not reduced in 2019). The change in the write-down of the Company's inventories to net realisable value is reflected in the item of expenses of write-down to net realisable value in the Statement of profit or loss and other comprehensive income.

Inventories amounting to EUR 10,570 thousand meeting the

requirements of IFRS 16 were reclassified to non-current assets.

The Company decided to transfer investment assets amounting to EUR 5,750 thousand managed by the right of trust, i.e. complex of structures located at Mindaugo g. 12 and Bansanavičiaus g. 14 to VĮ Turto Bankas. Following the requirements of IFRS 5, this investment property was reclassified to assets held for sale. After the Government of the Republic of Lithuania adopts the resolution regarding the transfer of this property, such transfer transaction will be considered a joint control transaction with owners and will be accounted for as not recognised profit or loss.

12. Trade and other receivables

The Company's trade and other receivables included:

	2020	2019
External trade receivables, gross value	2,131	6,250
Impairment (-)	(1,609)	(1,290)
Total external trade receivables	522	4,960
Receivables from related parties	20,622	26,845
Impairment (-)	-	-
Total receivables from related parties	20,622	26,845
Other receivables from the budget	1,655	9
Accrued income	7,870	-
Accrued income from related parties	4,980	91
Other receivables	3,771	4,318
Impairment (-)	(108)	(136)
Total other receivables	18,168	4,282
Total	39,312	36,087

Explanatory notes (continued)

12. Trade and other receivables (continued)

Accrued income of EUR 7,804 thousand comprises the repayable fine related to the court decision on the dismantling of Rengė (Mažeikiai-Latvian border) railway section (2019: accrued income of EUR 91 thousand for electric traction). For more details see Notes 22 and 28.

The change in impairment of trade and other receivables is disclosed in Note 6.

13. Prepayments

The Company's prepayments consisted of:

	2020	2019
Prepayments to external suppliers	1,382	864
Prepayments to related parties	-	50
Guarantees paid to suppliers	38	-
Deferred charges	225	43
Total	1,645	957

As at 31 December 2020, the major part of prepayments to external suppliers comprise an advance payment of EUR 1,348 thousand to the joint venture RB Rail AS of Lithuania, Latvia and Estonia, which coordinates implementation of the

Rail Baltica project under the service contract on Rail Baltica project management (in 2019, comprised other prepayments under contracts).

14. Cash and cash equivalents

The Company's cash and cash equivalents consisted of:

	2020	2019
Money in the bank	4,566	13,450
Total	4,566	13,450

As at 31 December 2020 and 31 December 2019, the Company had no term deposits. Cash was not pledged. In order to manage funds more effectively and ensure liquidity of the Group companies, the Group account (Cash-pool) agreement was signed with AB Swedbank on 19 December 2018. The Company signed an agreement to join the Group's account.

Under this agreement, the members of the Group may borrow and lend funds to the members of the Group on a mutual borrowing platform for a maximum period of one year under market conditions. As at 31 December 2020 and 31 December 2019 the Company had no receivables or liabilities under this agreement.

Explanatory notes (continued)

15. Share capital

The nominal value per share of the Company is EUR 1,000. The change in the share capital is presented in the following table:

	Share capital	Number of shares, units
SUBSCRIBED SHARE CAPITAL		
31 December 2019	150	150
Increase	654,778	654,778
Decrease	-	-
31 December 2020	654,928	654,928
CAPITAL STRUCTURE AT THE END OF THE REPORTING PERIOD		
By type of shares	654,928	654,928
Ordinary shares	654,928	654,928
Privileged shares	-	-
Total	654,928	654,928

During implementation of the LG Changes programme on 8 December 2019 AB Lietuvos Geležinkeliai fully completed the reorganization related to railway infrastructure business and transferred the business of the Railway Infrastructure Directorate to the Company. The business transferred to the Company included assets related to railway infrastructure use activities, liabilities and employees. Business transfer to AB LTG Infra was considered as joint control transaction and was carried out at carrying amounts of assets and liabilities of the public railway infrastructure business as at the transfer date, and the procedure of transfer of activities lead to formation of retained earnings.

Accordingly, as at 31 December 2019, not recognised profit (loss) amounted to EUR 673,517 thousand:

- On 19 November 2019, the Company's shareholder adopted a decision to increase the authorised capital by asset contribution, i.e. at the fair value of assets transferred based on the independent valuation of business, the value of which was EUR 654,778 thousand. However, the increase in capital was only registered in 2020; therefore, the amount of EUR 654,778 thousand (fair value of transferred assets) before the increase in capital was accounted for under the retained earnings (losses) of the Company.
- In addition, the positive difference between the fair and carrying amount of assets received and liabilities assumed (reorganization result) amounting to EUR 18,739 thousand was accounted for under the retained earnings (losses) of the Company.

Explanatory notes (continued)

16. Dividends

The Company pays dividends pursuant to the laid down procedures to the extent it complies with the requirements of the Railway Transport Code of the Republic of Lithuania. Based on the decision of shareholders dated 15 December 2020, dividends were paid for the year 2019 amounting to EUR 17,329 thousand or EUR 26 per share.

17. Grants

The movement of the Company's grants is presented below:

	2020	2019
Opening balance	555,248	-
Received per year	47,343	2,238
Received free of charge (land, assets)	3,926	-
Receipt due to reorganisation	-	554,666
Used to reduce depreciation costs of property, plant and equipment	(15,452)	(1,301)
Used to reduce amortisation costs of non-current intangible assets	(548)	(46)
Used to reduce other costs	(1,587)	(309)
Repaid / transferred	(8,202)	-
Closing balance	580,728	555,248
Including assets managed under the right of trust	234,685	228,248

Grants are related to the financing of investment programmes, assets received under the Trust Agreement and subsidies earmarked for compensating costs. After the project partner properly implemented the grant aimed at the implementation of Rail Baltica project, land acquisition for the needs of the

society, a grant of EUR 8,202 thousand was transferred the Ministry of Transport and Communications, which was used to pay the compensations to land owners at market values and related expenses, and the land taken was transferred to AB LTG Infra for the management under the right of trust.

18. Loans and other financial debts

The Company's financial debts consisted of:

	2020	2019
Long-term loans	158,078	129,792
Short-term loans	19,334	14,572
Loan interest	470	461
Total	177,882	144,825

Restructuring of long-term loans of AB Lietuvos Geležinkeliai was completed in 2020. Simultaneously, guarantee agreement with the Nordic Investment Bank (NIB) came into effect,

based on which AB Lietuvos Geležinkeliai has undertaken to guarantee fulfilment of all liabilities arising from financing agreements of AB LTG Infra.

Explanatory notes (continued)

18. Loans and other financial debts (continued)

The Company's loans consisted of:

	Loan currency	2020	2019
Nordic Investment Bank 3 ¹	EUR	84,581	91,936
Nordic Investment Bank 4 ²	EUR	39,545	42,984
Nordic Investment Bank 2 ¹	EUR	5,667	9,444
Nordic Investment Bank 5 ³	EUR	47,619	-
Loan interest	EUR	470	461
Total		177,882	144 825

¹During the reorganisation the Company took over all loan agreements concluded by AB Lietuvos Geležinkeliai with Nordic Investment Bank (NIB-3) and (NIB-2). The loans are intended for the renovation and development of railway infrastructure. During 2020 the Company repaid EUR 7,355 thousand of (NIB-3) loan and paid EUR 1,319 thousand of interest. During 2020 the Company repaid EUR 3,777 thousand of (NIB-2) loan and paid EUR 92 thousand of interest.

²(NIB-4) loan was granted for securing the national share of co-financing of the public railway infrastructure project Rail Baltica financed with the EU support funds in 2007-2013. During 2020 the Company repaid EUR 3,439 thousand of the loan and paid EUR 524 thousand of interest.

³(NIB-5) loans is intended for the implementation of the public railway infrastructure project Rail Baltica and investment projects of the years 2014-2020. The total amount of the loan EUR 50,000 was paid on 3 July 2020. During 2020 the Company repaid EUR 2,381 thousand of the loan and paid EUR 53 thousand of interest and EUR 65 thousand of liability tax.

In 2020, the Group's cash pool, the agreement of which was concluded with AB Swedbank on 21 December 2018, is used by the Company under market conditions for a more effective management of funds and ensuring of liquidity of the Group companies. As at 31 December 2020, the Company had no liabilities (2019: it had no liabilities).

Monitoring of the following financial indicators under financial conditions of credit contracts of AB LTG Infra is carried out:

	2020	2019	Banko nustatyta reikšmė
Net debt/ Adjusted EBITDA*	meeting	meeting	Less than 4.0
Equity ratio	meeting	meeting	More than 35%.
Loan servicing ratio	meeting	meeting	More than 2

*Adjusted EBITDA - Profit (loss) before income tax + interest expenses - interest income + depreciation and amortisation + increase (decrease) in value of non-current assets, inventory and investments + increase (decrease in value of receivables and asset contracts + provision expenses unrelated to ordinary activity).

Explanatory notes (continued)

18. Loans and other financial debts (continued)

Lease liabilities

The Company leases buildings and other assets (vehicles and dredgers). Building lease agreements are usually concluded for a fixed 36-month period with a possibility to extend them. Vehicle lease agreements are concluded for 36 months without a possibility to extend them. When determining the lease period, the management evaluates all facts and circumstances, which give rise to economic incentives to avail themselves of the possibility to extend or terminate the contract. 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). Possible future cash payments were not included in the lease liabilities as there is no reason to be certain that the leases will be extended (or not terminated).

The discount rate applied for lease agreements in 2020 comprises 6-month EURIBOR and market research, market margin determined under the current market conditions.

Impact on the statement of financial position (increase / (decrease)) as at 31 December 2020:

	2020	2019
ASSETS:		
Right-of-use assets	1,656	948
NON-CURRENT LIABILITIES:		
Lease liabilities	(983)	(584)
CURRENT LIABILITIES:		
Lease liabilities	(736)	(398)
Previous year impact on the statement of profit or loss and other comprehensive income	(34)	-
Impact on the statement of profit or loss and other comprehensive income	(29)	(34)

Impact on the statement of profit or loss and other comprehensive income (increase / (decrease)) as at 31 December 2020:

	2020	2019
Depreciation costs	(544)	(34)
Lease costs	560	-
Operating profit (loss)	16	(34)
FINANCE COSTS:		
Interest	(45)	-
Profit (loss) for the reporting period	(29)	(34)

Impact on the statement of cash flows (increase / (decrease)) as at 31 December 2020:

	2020	2019
Net profit (loss)	(29)	(34)
Depreciation and amortization	544	34
Lease liability interest	45	-
CASH FLOW FROM INVESTING ACTIVITIES		
Payment of lease liabilities	(515)	-
Payment of lease liability interest	(45)	-
Net increase (decrease) in cash and cash equivalents	-	-

Explanatory notes (continued)

19. Employee benefits

According to the laws of the Republic of Lithuania, an employee of the Company who retires at retirement age is entitled to a benefit in the amount of 2 months' salary. In addition, under a valid collective agreement, an employee with 25 years of service is paid a benefit of up to 1 month's average salary.

Provisions for pensions and similar liabilities also include anniversary benefits. According to the collective agreement in force in the Company, a benefit of EUR 300 is paid to the members of the trade union at the age of 50 and 60.

The key assumptions used in estimating the Company's long-term employee benefit obligation are set out below:

	2020	2019
Discount rate	0.40%	0.56%
Employee turnover rate	5.69%	5.17%
Salary accrual rate	2.50%	3.00%

Change in employee benefits during 2020 by type:

	2019	Added to the statement of profit or loss and other comprehensive income	Paid	2020
NON-CURRENT LIABILITIES				
Provisions for pensions and similar liabilities	4,233	438	(25)	4,646
Total non-current liabilities:	4,233	438	(25)	4,646
CURRENT LIABILITIES				
Accumulated leave	4,442	5,658	(5,615)	4,485
Wages and salaries payable	1,748	28,200	(27,553)	2,395
Social security contributions payable	793	13,757	(13,433)	1,117
Personal income tax payable	615	11,281	(11,058)	838
Other employment-related liabilities	2,191	2,501	(2,257)	2,435
Total current liabilities:	9,789	61,397	(59,916)	11,270
Total	14,022	61,835	(59,941)	15,916

Explanatory notes (continued)

20. Trade and other payables

The Company's trade and other payables consisted of:

	2020	2019
Trade accounts payable	22,309	12,002
Trade accounts payable to related parties	9,031	8,096
Prepayments received	4,127	13,053
Received prepayments from related parties	40	-
Cash guarantees received	1,685	898
Cash guarantees received from related parties	606	75
VAT payable	2,411	1,836
Prepayments received for use of railway infrastructure	2,267	495
Accumulated costs	221	107
Accumulated costs from related parties	4	454
Accumulated liabilities for the use of railway infrastructure	38	-
Accumulated liabilities for the use of railway infrastructure from related parties	14,181	3,528
Other amounts payable and liabilities	1,022	4,548
Total	57,942	45,092

The Company actively performs construction works in the Rail Baltica railway sections; also, works related to other projects are

continuing; therefore, liabilities for contracting works comprised the largest part of trade accounts payable.

21. Provisions

The Company's other provisions consisted of:

	Non-current p rovisions	Current provisions	Total
Balance as at 31 December 2018	-	-	
Effect of reorganisation	14,400	-	14,400
Used	-	-	-
Balance as at 31 December 2019	14,400	-	14,400
Additionally formed	70	190	260
Used	-	-	-
Balance as at 31 December 2020	14,470	190	14,660

Non-current provisions related to contingent liabilities.

Explanatory notes (continued)

22. Sale proceeds

The Company's revenue consisted of:

	2020	2019
Revenue from use of railway infrastructure	192,938	12,018
Revenue from use of railway service facilities	18,511	1,163
Revenue from other operating activities	11,159	663
Total revenue from operating activities	222,607	13,844
Income from other activities	7,919	2
Total income from other activities	7,919	2
Total	230,526	13,846

The issue of the dismantling of the Rengė (Mažeikiai-Latvian border) railway section and the compensation for the damage suffered are primarily related to the activities, rights and obligations (including the liability) of the infrastructure manager. Therefore, the General Court of the European Union,

exercising unlimited jurisdiction over fines and considering other circumstances of the case, reduced the fine imposed to AB Lietuvos Geležinkeliai by EUR 7,804 thousand, which was accounted for as income from other activities by AB LTG Infra

The Company's income according to the moment of income recognition consisted of:

	2020	2019
Recognized at a point of time	3,701	13
Recognized over time	226,825	13,833
Total	230,526	13,846

23. Employee benefits

Employee benefits by type:

	2020	2019
Wages and salaries	60,309	4,002
Social security contributions	1,070	71
Accrued vacation reserve	43	219
Pensions and similar liabilities	413	(32)
Total	61,835	4,260

Explanatory notes (continued)

24. Net finance income

The result of the Company's financial activity consisted of:

	2020	2019
Total finance income	11	-
Penalties and default interest for overdue trade receivables	11	-
Total finance costs	(2,335)	(182)
Interest	(2,032)	(168)
Penalties and default interest	(258)	-
Negative impact of currency exchange fluctuations	-	-
Other costs	(45)	(14)
Total	(2,324)	(182)

25. Income tax and deferred tax

Income tax was calculated at a rate of 15 percent.

	2020	2019
Income tax for the reported year	5,129	771
Adjustment of the income tax of the previous year	114	-
Deferred tax expenses (benefit)	(1,490)	(1,008)
Total income tax expenses (income) recognized in profit or loss	3,753	(237)

The Company's income tax expenses (income) consisted of:

	2020	2019
Profit or loss before tax	31,319	(1,632)
Income tax	4,698	(245)
Costs increasing income tax	360	9
Income reducing income tax	(1,419)	(1)
Income tax of the previous year	114	-
Total corporate income tax expenses (income)	3,753	(237)
Effective rate	11.98%	(14.51%)

Explanatory notes (continued)

25. Income tax and deferred tax (continued)

Below is the calculation of the Company's deferred corporate income tax:

	2020	2019
DEFERRED CORPORATE INCOME TAX ASSETS:		
Impairment of receivables and write-off of bad debts	241	194
Write-off of inventories	532	587
Accrual of leave and bonuses	1,038	995
Long-term employee benefits liabilities	697	635
Total deferred tax assets:	2,508	2,411
DEFERRED INCOME TAX LIABILITY:		
Difference in the value of non-current assets with tax value	(11,016)	(11,195)
Differences in grants	(6,316)	(7,530)
Total deferred income tax liability:	(17,332)	(18,725)
Deferred tax asset (liability), net	(14,824)	(16,314)

Deferred tax assets and deferred income tax liabilities are offset to the extent that the deferred income tax liability is realized at the same time as the deferred income tax assets. In addition, they are affiliated with the same tax administration authority.

Explanatory notes (continued)

26. 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 defined in IAS 24 "Related party disclosures", an entity is related to a reporting entity if at least one of the following conditions is met:

- The Government of the Republic of Lithuania acts as the owner of all shares in AB LTG Infra;
- Companies or institutions are managed by the Government of the Republic of Lithuania;
- Parent company AB Lietuvos Geležinkeliai;
- Subsidiaries of the parent company AB Lietuvos Geležinkeliai;
- AB Lietuvos Geležinkeliai related, non-consolidated associated and joint ventures;
- Board members and their close relatives;
- Members of the key management staff of the reporting entity.

For entities operating in an environment where state control is extensive, most counterparties are also related to the state and are therefore considered to be related parties. IAS 24 permits a reporting entity to reduce disclosures about transactions and balances, including liabilities with:

- The government that controls, has joint control over, or has significant influence over, the reporting entity; and
- Another entity that is a related party because the same government controls, has joint control over, or has significant influence over both the reporting entity and the other entity.

Due to the abovementioned reasons, the Company does not disclose transactions with the Government of the Republic of Lithuania and other economic entities controlled by the Government of the Republic of Lithuania.

Related party transactions of the Company:

	2020		2020 12 31	
	Purchases	Sales	Receivables	Payables
AB Lietuvos geležinkeliai	37,017	2,643	157	4,951
AB LTG Cargo	482	217,294	19,759	395
UAB LTG Link	411	6,317	567	47
UAB Geležinkelio tiesimo centras	18,313	1,048	108	3,878
UAB Vilniaus lokomotyvų remonto depas	461	845	31	56
UAB Gelsauga	-	16	-	-
UAB Rail Baltica statyba	49	2	-	14
UAB voestalpine VAE Legetecha	5,434	-	-	335
Total	62,168	228,165	20,622	9,677

Explanatory notes (continued)

26. Related party transactions (continued)

	2019		2019 12 31	
	Purchases	Sales	Receivables	Payables
AB Lietuvos geležinkeliai	2,246	-	-	2,711
AB LTG Cargo	32	13,892	25,436	128
UAB LTG Link	28	486	1,133	30
UAB Geležinkelio tiesimo centras	2,993	104	163	4,179
UAB Vilniaus lokomotyvų remonto depas	1	74	112	22
UAB Gelsauga	-	2	2	2
UAB Rail Baltica statyba	-	-	-	15
UAB voestalpine VAE Legetecha	587	-	12	1084
Total	5,887	14,558	26,858	8,171

The Company's accumulated revenue and costs as well as transactions with related parties are booked in the statement of financial position of 31 December 2020:

	2020	
	Accrued receivables	Accrued payables
AB LTG Cargo	32	14,181
UAB LTG Link	909	-
AB Lietuvos geležinkeliai	3,988	4
UAB Vilniaus lokomotyvų remonto depas	40	-
UAB Gelsauga	1	-
UAB Geležinkelio tiesimo centras	10	-
Total	4,980	14,185

	2019	
	Accrued receivables	Accrued payables
AB LTG Cargo	-	3,292
UAB LTG Link	91	236
AB Lietuvos geležinkeliai	-	454
Total	91	3,982

Following the procedure of LG Group of Companies, all transactions with related parties are made under market conditions and conform to the arm's length principle.

Explanatory notes (continued)

27. Management remuneration and other benefits

As of 31 December 2020, the number of executives was 10 people, i.e. Chief Executive Officer, Corporate Activities Director, Director of the Operative Management Department, Director of the Capacity Planning Department, Director of the

Sale and Customer Service Department, Director of the Rolling Stock Technologies Department, Director of the Performance Monitoring Department, Director of the Business Development Department, Director of the Technical Integration Department.

	2020	2019
Management remuneration	708	48
Incentives*	124	5
Accrued non-current payments**	19	-
Number of executives	10	9
Allowances for members of the Board	-	-
Number of Board members	5	5

* Incentives are performance bonuses and lump sums.

** Accrued non-current payments are provisions for pension and similar liabilities, accrued as at the end of the year.

As of 31 December 2020, no loans, guarantees, or other disbursements or accruals or disposals of assets were made to the Company's management other than as set forth above.

28. Contingent assets and liabilities, potential liabilities

On 8 December 2019, the business of the public railway infrastructure manager was transferred to the Company, including the assets required for the implementation of these activities, also employees and obligations related to the public railway infrastructure management. All rights and obligations arising from the activities of the infrastructure manager have been transferred to the Company.

The issue of the dismantled Rengė (Mažeikiai–Latvian border) railway section and indemnification is primarily related to the activities, rights and obligations (including

liability) of the railway infrastructure manager. In October 2017, the European Commission imposed a fine of EUR 27,873 thousand on the Company regarding the dismantled Rengė (Mažeikiai–Latvian border) railway section and indemnification for the period, when the section was not in use. The Company paid the fine and committed to reconstruct the dismantled section, which was implemented. On 18 November 2020, a notice was received from the European Union General Court instructing to reduce the fine from EUR 27.873 thousand to EUR 20,068 thousand.

Explanatory notes (continued)

28. Contingent assets and liabilities, potential liabilities (continued)

On 30 August 2018, VAS Latvijas dzelzceļš and SIA LDZ CARGO wrote to AB Lietuvos Geležinkeliai demanding compensation for the damage incurred by these companies. The companies claim that they incurred the damage because the Company had dismantled the rail track connecting Mažeikiai with the Latvian border, and the amount of damage was EUR 82,340 thousand. The above-mentioned companies also demand the payment of 6% interest for the period from the occurrence of damage until the date of indemnification. AB LTG Infra, as a company assuming procedural rights, does not agree with these claims and considers them unfounded.

By its decision dated 18 November 2020, the European Union General Court upheld the decision of the European Commission; however on 17 January 2021 an appeal was lodged with the European Union Court of Justice seeking a full annulment of the decision of the European Commission.

Considering the statistics of the cases being heard, the final decision of the European Union Court of Justice can be expected only at the end of 2022.

The applicants AB Kauno tiltai, Trakcja S.A., AB Panevėžio keliai, UAB Mitnija, RAB BELAM-RIGA (hereafter jointly referred to as Applicants) - as assignees of procedural rights of AB Lietuvos geležinkeliai - appealed to the Regional Court of Vilnius with the claim against the defendant joint stock company LTG Infra regarding recognition of additional work and the claim for debt for the performed work; whereas, AB LTG Infra claims for delay interest from the Applicants by a revised counterclaim. By the judgment of the Regional Court of Vilnius dated 18 September 2020 the Applicants' claim was rejected as unfounded, and AB LTG Infra partially fulfilled the counterclaim. By interim judgment dated 26 March 20220 regarding the ground of the claim (the appeal) the Court of Appeal of Lithuania recognised the Applicants' right to compensation for additional work. In 2020, both the Applicants and AB LTG Infra as well as the designer of works appealed in cassation against the partial judgment of the Court of Appeal of Lithuania. On 30 December 2020, the Supreme Court of Lithuania referred the case back to Vilnius Regional Court.

29. Investment liabilities

For the implementation of Rail Baltica project stage "Reconstruction of the current railway track Kaunas-Palemonas by building the 1,435 mm track gauge", in 2018 AB Lietuvos Geležinkeliai signed a contract with the partners of a joint-activity agreement UAB Hidrostatyba, LEONHARD WEISS RTE AS and UAB Autokausta. On 8 December 2019 during the transfer of public railway infrastructure management activity AB LTG Infra took over all the rights and obligations provided for in the Contract. The value of works is EUR 58,725 thousand (excluding VAT). The expected maturity term of the contract is in 2021. The companies having signed the Contract are committed to build a European track gauge from Kaunas railway station to intermodal terminal located in Palemonas.

On 20 December 2019, ABLTG Infra signed a contract for the electrification of the Vilnius-Klaipėda railway section with the joint venture partners Elecnor S.A. and Instalaciones Inabensa S.A., which submitted the best bid in the international tender. The value of the contract is EUR 363.1 million. The works are expected to be completed in 2023 and electric trains to be running on the route Vilnius - Klaipėda as early as 2024. The electrification is estimated to bring marked environmental benefits: railway diesel consumption will be 46 000 tonnes less each year and emissions will decrease by an average of about 150 000 tonnes a year. According to the tripartite agreement, the responsibility for the project implementation has been transferred to AB LTG Infra. The advance payment equal to EUR 72,620 thousand was made to project partners for contract and designing works.

30. Events after the reporting period

By its Order dated 6 January 2021, the Communications Regulatory Authority of the Republic of Lithuania set the obligations to the Company regarding the assessment of the train traffic organization and actual use of capacities and the preparation of the accounting description. The Company lodged a complaint with the Vilnius Regional Administrative Court regarding the annulment of the said Order. By its Ruling

dated 18 February 2021, the Court upheld the Company's request to apply collaterals and suspended the validity of the Order until the Court's decision comes into effect.

After the end of the reporting period, there were no other significant events which should be recognised or disclosed in the financial statements for the year 2020.