2020

AB Lietuvos Geležinkeliai Annual Report

Contents

ABBREVIATIONS:

LTG – AB Lietuvos Geležinkeliai
LTG Group, Group, LTG Corporate Group – AB Lietuvos Geležinkeliai and its subsidiaries
LTG Cargo – AB LTG Cargo
LTG Link – UAB LTG Link
LTG Infra – AB LTG Infra
VLRD – UAB Vilniaus Lokomotyvų Remonto Depas
GTC – UAB Geležinkelio Tiesimo Centras
Gelsauga – LUAB Gelsauga
Saugos Paslaugos – UAB Saugos Paslaugos
RBS – UAB Rail Baltica Statyba
govt. – Government of the Republic of Lithuania
LTSA – Lithuanian Transport Safety Administration
EU – the European Union
SOE – State-owned enterprise

The annual and interim reports and financial statements are publicly available on the Company's website https://www.litrail.lt.

CEO foreword

Dear employees, partners, customers,

In reviewing the achievements of the LTG Group in 2020, I will not seem original by starting with the COVID-19 pandemic, which trembled the entire world, and its effects on the Group's activity. We have acquainted with it better than we have wished – it is doubtless that it has been an enormous challenge both to our team and to business processes which we comprehensively disclose in the report.

I would like to emphasise that the people of the LTG Group have banded together in an exemplary manner and not only have they taken care of each other's safety and health and have extended a helping hand but they also have remarkably handled business challenges and achieved excellent results. At the beginning of the pandemic, we were prepared for a substantially worse scenario; thus, we do not lack optimism in assessing operating results. This is a merit of an excellent team.

It is important to note that none of the significant investment projects of LTG has been suspended against the crisis, and the operating results reflect our ambition to become regional leaders. We are sure that the railway has a great future ahead, we are especially pleased about the initiative to announce the year 2021 as the European Year of Rail.

I am pleased we have asked all our employees for their opinion for the first time in the Company's recent history. In implementing the survey "Voice of Employees" we have received feedback from the three quarters of the Group's employees – we especially appreciate their views and turn them into actual changes.

Between the two waves of the pandemic, we have found a great opportunity to present the changed image of Lietuvos Geležinkeliai in July. The activity purification project and formation of the largest group of railway in the Baltic States have been completed by the new brands. Thereafter, each company has a clear mission - LTG Infra is engaged in management of the state railway network, LTG Link takes care of convenient travelling of people, and LTG Cargo focuses on freight transportation. Meanwhile, the company Lietuvos Geležinkeliai of more than a hundred years of history has obtained a new holding role and will take care of health of the entire LTG Group.

Already today, railway is the cleanest choice for travelling and business needs. In 2020, we laid foundation for significant projects which will not only bring economic benefits to the entire country but will also contribute with more than a million green kilometres – environmentally friendly travelling.

First of all, we have started an electrification project of the major state highway Vilnius – Klaipėda. Our goal is to make it available for electrically powered rolling stocks to travel it already at the end of 2023. Our transportation companies have been also preparing to finish this project – both LTG Link and LTG Cargo have been preparing for acquisition of electric tractions. The new passenger trains will ensure travelling to be convenient and, most importantly, with zero emission of CO_2.

MANTAS BARTUŠKA

CEO

AB Lietuvos Geležinkeliai

Business whose freights are transported by electric locomotives will also be able to use the same zero-emission advantages – this is a way of Lithuania benefiting against the markets of neighbouring countries and becoming a more significant player in the global market. I am pleased that LTG Cargo has been searching for opportunities not only in Lithuania but also abroad and has started active development in Poland and Ukraine.

I believe that the year 2020 which was full of complex lessons has taught the LTG team the skills necessary for future changes. Our businesses are prepared for changes, our people have professional knowledge to implement those changes. Therefore, I am sure that after the public life is back on track and economy of the country is back to growth trajectory, LTG will add even greater value to our shareholders – the people of Lithuania.

Basic information about the Group and the Company

Parent company AB Lietuvos Geležinkeliai

Company name	Company address	Date and place of registration*	Company code	Telephone, e-mail	Website	Core business
Public limited liability company **Lietuvos Geležinkeliai**	Mindaugo g. 12, Vilnius	24 12 1991	110053842	(+370 5) 269 2038 info@litrail.lt	http://www.litrail.lt	Increasing the Group's business value and efficiency of railway transport operations by ensuring the effective management, maintenance, renovation and development of the public rail infrastructure and effective provision of rail transport and related public services

LTG subsidiaries

Company name	Company address	Date and place of registration*	Company code	Telephone, e-mail	Website	A share held by LTG, %	Core business
Public limited liability company **LTG Cargo**	Geležinkelio g. 12, Vilnius	28 12 2018	304977594	(+370 5) 269 2745 cargo@litrail.lt	http://cargo.litrail.lt/	100%	Freight transportation and provision of freight-related services
Joint stock company **LTG Link**	Geležinkelio g. 16, Vilnius	28 02 2019	305052228	(+370 5) 269 3265 ltglink@litrail.lt	http://www.litrail.lt/keleiviams www.traukiniobilietas.lt	100%	Passenger and luggage transportation by rail and provision of related services
Public limited liability company **LTG Infra**	Geležinkelio g. 2, Vilnius	01 07 2019	305202934	(+370 5) 269 3353 LGinfrastruktura@litrail.lt	https://ltginfra.lt/	100%	Management, use and disposal of railway infrastructure, implementation of the functions of the manager of public railway infrastructure
Joint stock company **Vilniaus Lokomotyvų Remonto Depas**	Švitrigailos g. 39, Vilnius	21 08 2003	126280418	(+370 5) 269 2035 info@vlrd.lt	https://vlrd.lt/	100%	Manufacture of new switching diesel locomotives and track machinery, performing overhaul and routine repairs and maintenance of all types of rolling stock, wagon manufacture and repair
Joint stock company **Geležinkelio Tiesimo Centras**	Trikampio g. 10, Lentvaris, Trakų raj.	21 12 2001	181628163	(+370 5) 269 3202 info@gtc.lt	https://gtc.lt/	100%	Construction and repair of railway track infrastructure
Joint stock company under liquidation **Gelsauga**	Prūsų g. 1, Vilnius	11 12 2001	125825125	(+370 5) 269 2448 gelsauga@litrail.lt	http://www.gelsauga.lt/	100%	Maintenance of cleaning equipment and other services
Joint stock company **Saugos Paslaugos**	Prūsų g. 1, Vilnius	10 06 2019	305186992	(+370 5) 269 2448 saugospaslaugos@litrail.lt	http://www.gelsauga.lt/	100%	Installation, maintenance and repair services of physical and electronic security and technical security equipment
Joint stock company **Rail Baltica Statyba**	Mindaugo g. 12, Vilnius	23 01 2014	303227458	+370 614 18055 rbs@litrail.lt	http://www.rail-baltica.lt/	100%	Implementation of the functions of shareholder of the Joint Venture of the Baltic States, RB RAIL AS coordinating the Rail Baltica project
Public enterprise **Geležinkelių Logistikos Parkas**	Švitrigailos g. 39, Vilnius	07 10 2011	302674602	+370 612 02006 logisticspark@logisticspark.lt	https://www.logisticspark.lt	80%	An enterprise owned by Vilnius City Municipality and AB Lietuvos Geležinkeliai responsible for the development and management of Vilnius Public Logistic Hub

LTG associates and subsequent companies

Company name	Company address	Date and place of registration*	Company code	Telephone, e-mail	Website	Share controlled by LTG / its subsidiaries, %	Core business
Joint stock company **voestalpine Railway Systems Lietuva**	Sostinės g. 18, Valčiūnai, Vilniaus raj.	28 07 1995	110709524	(+370 5) 249 3261 office.lietuva@voestalpine.com	https://www.voestalpine.com/railway-systems-lietuva/lt/	LTG holds 34%	Manufacture of railway switches
Public enterprise **Transporto Inovacijų Centras**	Mindaugo g. 12, Vilnius	08 02 2019	305017405	info@mobilitytech.lt	https://mobilitytech.lt/lt/pradinis/	LTG holds 33%	Developing and presenting new technology oriented investment projects to the stakeholders
Public limited liability company **RB Rail AS**	K.Valdemāra iela 8-7, Ryga, the Republic of Latvia	12 11 2014	40103845025	info@railbaltica.org	http://www.railbaltica.org	LTG's subsidiary RBS holds 33%	Coordination of the implementation of the Rail Baltica project
Association of Lithuanian Railway Undertakings	Mindaugo g. 12, Vilnius	13 11 2018	304949011	+370 616 18841 irena.jankute-balkune@litrail.lt	–	–	Representing the rights and interests of the Association members-employers in the context of social partnership Association members: AB Lietuvos Geležinkeliai, LTG Cargo, LTG Link, LTG Infra, VLRD, GTC, RBS
Joint stock company **Lokomotyvai ir Transporto Komponentai**	Šeškinės g. 59A, Vilnius	09 09 2014	303388493	+370 616 46221	–	LTG's subsidiary VLRD holds 25%	No activity
Limited liability company **OOO Rail Lab**	Internatsionalnaya g. 36-1, Minsk, the Republic of Belarus	26 05 2020	192827267	+375 29 312 23 52, v.dervenkov@litrail.lt	–	LTG's subsidiary VLRD holds 99%, GTC – 1%	Manufacturing of locomotives and rolling stock, repairs and technical maintenance of vehicles, wholesale of other machinery and equipment
LTG Cargo Polska Sp.zo.o.	Ul. Rondo ONZ 1, floor 12, Warsaw, the Republic of Poland	21 07 2020	386573260	ltcargo.polska@litrail.lt	https://cargo.litrail.lt/	LTG's subsidiary LTG Cargo holds 100%	Activities of freight carrier and provision of related services in Poland
Joint stock company **LTG Wagons**	Geležinkelio g. 12, Vilnius	04 11 2020	305651295	+370 618 84991 vladas.ambrozevicius@litrail.lt	https://cargo.litrail.lt/	LTG's subsidiary LTG Cargo holds 100%	Lease of wagons and containers used for freight transportation by rail and provision of related services
LTG Cargo Ukraine LLC	Puškino g. 21, Kyiv, Ukraine	09 12 2020	43987945	+370 612 27634 saulius.stasiunas@litrail.lt	https://cargo.litrail.lt/	LTG's subsidiary LTG Cargo holds 100%	Activities of freight carrier and provision of related services in Ukraine

* Data on all the above-mentioned legal entities are collected and stored in the Register of Legal Entities RoL, except for the associated company RB Rail AS, which is registered in Latvia, OOO Rail Lab, which is registered in Belarus, LTG Cargo Polska, which is registered in Poland, LTG Cargo Ukraine, which is registered in Ukraine.

LTG representative offices

Representative office in the Russian Federation	Novo-Ryazanskaya Str. 12, office No. 414, 107228, Moscow
Representative office in the Republic of Belarus	Internatsionalnaya Str. 36-1, office No. 423, 220030 Minsk
Representative office in the People's Republic of China	XiaGuangLi 15, XiaoYun Centre B, office 2307, Chaoyang district, Beijing, 100125
Representative office in the Republic of Kazakhstan	Kunaev Str. 6, office No 310/10,10, Astana
Representative office in Poland	al. Jerozolimskie 65/79, 00-687, Warsaw

Membership in international organizations

The companies within the LTG Group are members of the following international organisations:
Community of European Railway and Infrastructure Companies (CER), Platform of Rail Infrastructure Managers in Europe (PRIME), International Union of Railways (UIC), International Rail Transport Committee (CIT), European Union Agency for Railways (ERA), Organization for Co-operation of Railways (OSJD), Railway Transport Council of CIS and Baltic State (GTT), Association of the European Rail Infrastructure Managers RailNetEurope (RNE), Intergovernmental Organisation for International Carriage by Rail (OTIF), Coordinating Council on Trans-Eurasia Transportation (CCTT), Association of Railway Security Managers and Railway/Transport Police Forces (COLPOFER), European Intermodal Association (EIA), Union of European Railway Engineering Associations (UEEIV), International Settlement Centre (BCC), North Sea - Baltic Rail Freight Corridors No.8 (RFC8), Strategic Partnership 1520.

Activity of the Group

The principal activity of the LTG Group comprises freight and passenger transportation by rail and management of the public railway infrastructure. The Group earns the major portion of revenue, i.e. more than 80%, from provision of freight transportation services.

The Group carries out special obligations imposed by the State in the activities of management of the public railway infrastructure and passenger transportation. Part of the activities is funded from the state budget. It is a significant contribution to sustainability of the Group's financial flows.

The Group has been investing in modernisation and development of the public railway infrastructure as well as in new rolling stocks. The Group has been planning to invest over EUR 6 billion in its developing activities and to become one of the regional leaders in sustainability until 2030 and, as a result, significantly contribute to implementation of the goals of the European Green Deal. The Group has been implementing such strategic projects of state importance as the Rail Baltica project and railway electrification the funding of which have been mainly ensured by the EU. The main investment directions are eco-friendliness and digitalisation.

Assets of railway transport concentrated within the LTG Group exceeds the amount of EUR 2 billion. The public railway infrastructure (rail tracks, security, electricity and telecommunication installations and structures), railway service installations (station buildings and other objects) owned as right-of-use assets and managed by the right of trust by the State of Lithuania, and assets used for their maintenance comprise 2/3 of the assets. Other assets consist of freight and passenger rolling stocks, their repair and maintenance bases, assets necessary to serve passengers and freights, information systems and their technical equipment.

9 thousand employees work for the Group companies, 1.2 thousand of them work for the parent company AB Lietuvos Geležinkeliai.

Principal activities of LTG Group companies

Freight transportation by rail

LTG Cargo is a licenced railway company engaged in transportation of domestic and foreign freights.

Passenger transportation by rail

LTG Link is a licenced railway company engaged in transportation of passengers on domestic and international routes.

Management of the public railway infrastructure

LTG Infra manages all the objects of the public railway infrastructure within the railway network of the Republic of Lithuania by the right of trust. The role of LTG Infra is ensuring effective functioning and development of the public railway infrastructure as well as providing indiscriminatory access to the public railway infrastructure for all railway undertakings legally operating in Lithuania.

Contract activities of the LTG Group companies

Production and repair of rolling stocks

VLRD is a licenced railway company engaged in production of new manoeuvring diesel locomotives, freight wagons and road vehicles and in carrying out of capital and current repairs and technical maintenance of all types of railway rolling stocks.

Construction and repair of railway

GTC is a licenced railway company engaged in construction and repair of railway infrastructure tracks, construction and maintenance of transport infrastructure objects, lease of machinery and plant, installation of engineering systems of transport infrastructure.

Markets

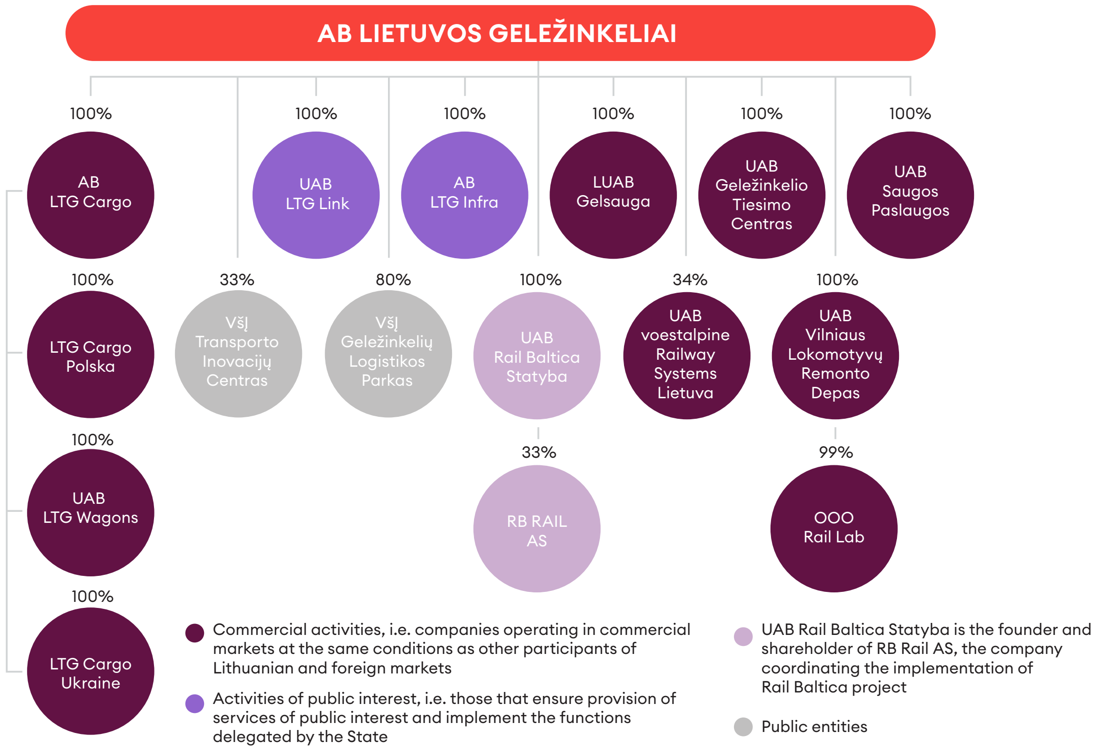
In 2020, the Group companies provided services to Lithuanian and foreign customers. Passengers and freights are transported on domestic and international transport routes, domestic and foreign freights are carried in the territory of the country according to a customer's needs; also, the services of property lease (of freight wagons and containers) and repair of rolling stocks are provided to Lithuanian and foreign customers. More information on principal activities carried out by the Group is provided in the Review of indicators of the Group's principal activities of the report.

First of all, the further international development included in the Group's long-term strategic activity development directions is related to development of freight transportation activity within foreign markets in Poland, Ukraine, Moldova and the Baltic States.

In 2020, the Group's subsidiary AB LTG Cargo established subsidiaries in Poland and Ukraine. Development initiatives of intermodal transportation are also highlighted in the strategic documents in order to increase freight flows to China / from China to Europe. International business development of contract undertakings is also included in the long-term perspective.

Group structure

AB Lietuvos Geležinkeliai is the largest State capital group of companies managing freight, passenger and infrastructure in the Baltic States. It consists of the parent company AB Lietuvos Geležinkeliai, its eight directly controlled companies, two public entities, one associated company, whose minority shareholder is the parent company AB Lietuvos Geležinkeliai, and five indirectly controlled companies (subsidiaries).



Information about shares as at 31 December 2020

Company	The amount of the authorised capital, EUR thousand	Number of shares, unit	Par value per share, EUR
Parent company			
AB Lietuvos Geležinkeliai	1,059,282	3,657,492	289.62
Subsidiaries			
AB LTG Cargo	43,936	208,584	210.64
AB LTG Infra	654,928	654,928	1,000
UAB LTG Link	143,590	156,237	919.05
UAB Vilniaus Lokomotyvų Remonto Depas	19,017	65,663	289.62
UAB Geležinkelio Tiesimo Centras	30,897	109,748	281.53
LUAB Gelsauga	4,191	14,471	289.62
UAB Saugos Paslaugos	454	1,566	289.62
UAB Rail Baltica Statyba	4,161	143,698	28.96
Associates and subsequent companies			
UAB voestalpine Railway Systems Lietuva	-	25,734	28.96
RB Rail AS	-	650,005	1
UAB Lokomotyvai ir Transporto Komponentai	72	250	289.62
OOO Rail Lab	450	-	-
LTG Cargo Polska Sp.zo.o.	PLN 2,225 thousand	2,225	PLN 1,000
UAB LTG Wagons	150	150	1,000
LTG Cargo Ukraine LLC	UAH 17,027 thousand	-	-

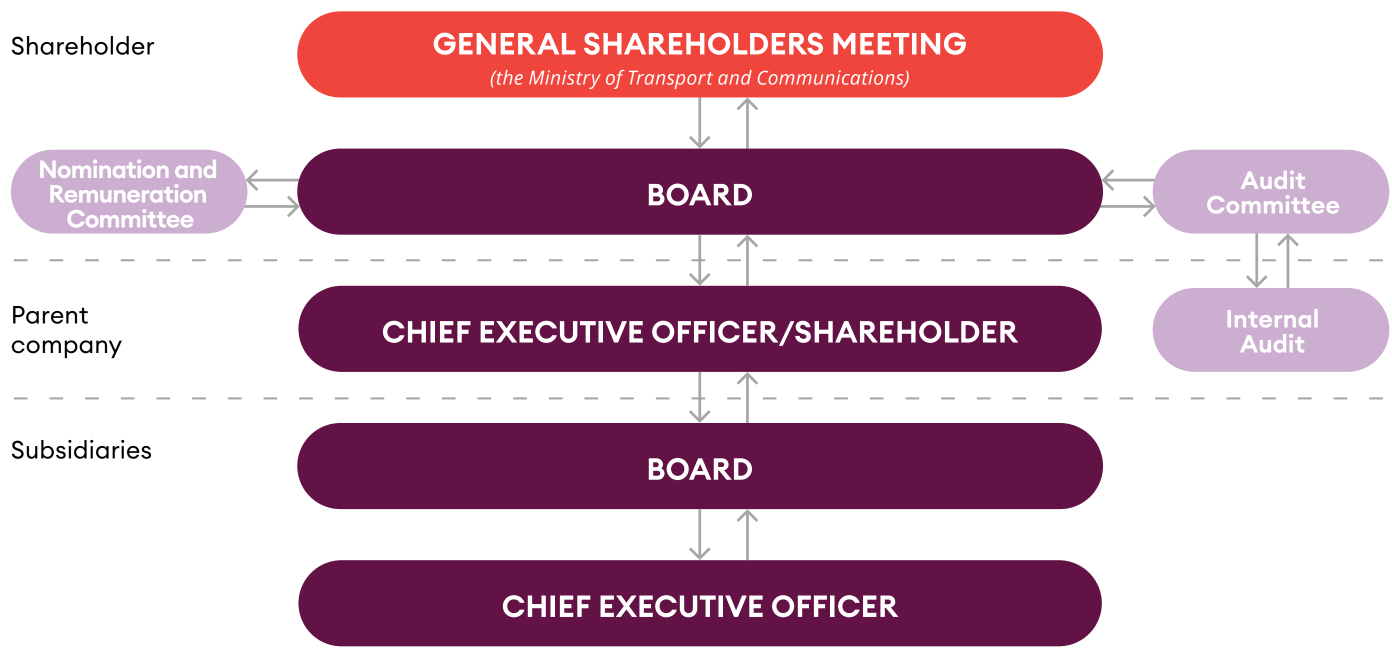
- As of 31 December 2019 the sole shareholder of AB Lietuvos Geležinkeliai was the Republic of Lithuania, whose property and non-property rights are exercised by the Ministry of Transport and Communications of the Republic of Lithuania (holding 100% of the shares).
- All shares of the Company and its subsidiaries are of a single class – ordinary registered shares. The shares are non-certified, and they are recorded in personal securities accounts following the procedure established by the legislation. The Company and its subsidiaries did not issue preference shares.
- The Company and its subsidiaries did not acquire their own shares during the reporting period.
- The subsidiaries and associated company did not acquire any shares of the Company during the reporting period.

Corporate governance

The corporate governance of LTG Corporate Group focuses on creation of a long-term value and ensures proper representation of the shareholder, alignment of interests of the parties concerned, refining of interaction among the management bodies and structural units of the Group, implementation of management and control functions. Effective and well-balanced corporate governance establishes stable, clear and comprehensible mutual relations, increases attractiveness of the Group to shareholders, customers, partners, employees, the society, and creates preconditions for growth of value and sustainable development of the Group in a long-term perspective.

The corporate governance is seen as a set of common rules, policies, practices and processes applied within LTG Corporate Group for management and control of the Group companies. The corporate governance of the Group is implemented by LTG in performance of its functions as a parent company.

Group's management structure



Corporate Governance of the Group is organized in accordance with the legislation of the Republic of Lithuania regulating the management of companies, including the state-owned enterprises, EU legal framework, and is based on the good governance practices outlined in the OECD Guidelines on Corporate Governance of State-Owned Enterprises and the OECD Principles of Corporate Governance, documents of the Baltic Institute of Corporate Governance defining the good practices and principles of corporate governance as well as the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius.

The corporate governance of the LTG Group is organized according to the following principles:

- Openness and transparency of activities;
- Adherence to the regulatory framework and the most advanced international practice of corporate governance;
- Meeting the expectations and representing the interests of the shareholders;
- Proper implementation of shareholder rights and control;
- Clarity and sustainability of goals;
- Operational efficiency;
- Sustainable development;
- Effective and ethical style of governance.

The Articles of Association of the Company

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

In 2020, the Articles of Association of LTG remained unchanged. The effective version of the Articles of Association of LTG is available at the Company's website https://www.litrail.lt/istatai.

The Articles of Association of LTG 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.

Bodies of the Company

The Articles of Association provide for the following bodies of the Company:

- The General Shareholders Meeting;
- The Board;
- Head of the Company (CEO).

The General Shareholders Meeting is the supreme body of the Company. The competence of the General Shareholders Meeting, the procedure of its convening as well as resolution-passing is established by the Law on Companies, other legislation and in the Articles of Association of the Company published on the website at https://www.litrail.lt/istatai.

The sole shareholder of LTG is the Republic of Lithuania the rights and obligations whereof are implemented by the Ministry of Transport and Communications, which adopts the main decisions related to implementation of the ownership rights and obligations.

The following property rights are conferred upon the owner of an ordinary registered share (shareholder):

- Receive a portion of the company's profit (dividend);
- Receive the company's funds when the capital of the company is reduced with a view to paying out the company's funds to the shareholders;
- Receive shares without payment if the capital is increased out of the company funds with exceptions specified by the Law on Companies;
- Lend to the company in the manner prescribed by laws; however, when borrowing from its shareholders, the company may not pledge its assets to the shareholders. When the company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect on the day of conclusion of the loan agreement. In such a case, the company and shareholders shall be prohibited from negotiating a higher interest rate;
- Receive a part of assets of the company in liquidation;
- Other property rights established by other laws of the Republic of Lithuania.

The following non-property rights are conferred upon the owner of an ordinary registered share (shareholder):

- Attend general meetings of shareholders;
- Submit to the company in advance the questions related to the issues on the agenda of the general meeting of shareholders;
- Vote at general meetings of shareholders according to voting rights carried by their shares; the shareholder's voting right is not restricted;
- Receive information on the company according to the procedure and terms specified by the Articles of Association;
- Refer to the court with a claim requesting to redress damage incurred on a company resulting from nonfeasance or malfeasance by the manager of the company and members of the board of their duties prescribed by these Articles of Association, the Law on Companies and other laws, as well as in other cases laid down by laws;
- Other non-property rights established by laws of the Republic of Lithuania.

The competence of the General Shareholders Meeting is provided for by the Law on Companies, also in the Articles of Association of LTG, published on the Company's website www.litrail.lt/istatai.

Main competences of the general meeting of shareholders are as follows:

- Amend the articles of association of the company;
- Elect/remove the board and (or) its members; establish a remuneration for independent board members;
- Elect and remove an auditor or an audit firm for the carrying out of the audit of a set of the annual financial statements and consolidated financial statements, establish conditions for payment for audit services;
- Approve the sets of the annual financial statements and consolidated financial statements;
- Approve the annual management report and the consolidated annual management report;
- Take a decision on profit/loss distribution;
- Take a decision on the allocation of dividends for a period shorter than the financial year;
- Take a decision on increase of the authorized capital;
- Take a decision on reduction of the authorized capital;
- Take a decision on reorganization, conversion, restructuring, liquidation of the company;
- Approve decisions of the Company's board on the investment, disposal or lease, pledge or mortgage of non-current assets the carrying amount whereof exceeds 1/20 of the authorized capital of the Company; suretyship or guarantee for the discharge of obligations of third parties; the acquisition of non-current assets.

Major decisions of the shareholder in 2020:

- Adopted decisions regarding election and removal of the board members;
- Adopted decisions regarding election and removal of the board *in corpore*;
- The Company's sets of the financial statements and consolidated financial statements for the year 2019 were approved;
- The Company's profit (loss) for the year 2019 to be distributed was distributed.

The shareholder's expectations

Following the Description of the Procedure for Implementation of Property and Non-Property Rights of the State in State-Owned Enterprises approved by Resolution No 665 of the Government of the Republic of Lithuania of 6 June 2012, the authority representing the state shall prepare and submit the letter to the state-owned enterprise regarding the objectives that the state pursues and raised expectations in the state-owned enterprise at least every 4 years.

In this regard, the letter regarding the objectives that the state pursues and raised expectations in the Company was approved by the Order of the Minister of Transport and Communications of 22 June 2020. The letter of expectations of the shareholder is available on the Company's website https://www.litrail.lt/veiklos-strategija.

According to the letter of expectations, the priorities of the state in the activity of LTG Corporate Group are as follows:

- Develop and manage safe and effective railway infrastructure;
- Efficient planning and carrying out of activity of freight transport by rail;
- Efficient allocation and use of capacities of the public railway infrastructure;
- Carrying out of special obligations:
  - Provision of services of public passenger transport by rail;
  - Provision of services making up the minimum access package.
- Implementation of strategic projects of public railway infrastructure.

The Board is a collegial governing body consisting of 7 members as set out by the Company's Articles of Association. The members of the Board are elected by the General Shareholders Meeting for a term of 4 years. The Management Board elects the chairman of the management Board from among its members. The number of terms of office of the Board Member is not limited.

Independent board members are elected following the Description for Selection of Candidates to the Board of the State-Owned or Municipality-Owned Enterprise and to the Collegial Supervisory or Management Body Elected by the General Meeting of Shareholders of the State-Controlled or Municipality-Controlled Enterprise (the Description for Selection), approved by Resolution No 631 of the Government of the Republic of Lithuania of 17 June 2015. When forming the Board, the provisions of the Description for Selection regarding versatility of competences of the Board members, requirements for compliance with general and special requirements are followed.

According to the Articles of Association of the Company, a person who is not eligible for serving as the Board member according to the legislation shall not be elected as the Board member. Each candidate to the Board member shall inform the General Shareholders Meeting electing him of his title and place of employment, how his other activity is related to the company and other legal entities related to the company.

The Board is accountable to the General Shareholders Meeting.

The competence of the Board is in line with the competence of the board provided for by the Law on Companies and other laws, additional competences of the Board are established in the Articles of Association of the Company.

The main functions of the Board:

- Approve the strategy of the LTG Corporate Group, set long-term goals and performance indicators;
- Adopt decisions regarding strategic matters of setting the lines of activities of LTG Corporate Group;
- Adopt decisions regarding conclusion of major transactions;
- Adopt decisions regarding participation or establishment of other legal entities;
- Be responsible for organizational and systemic development of the LTG Corporate Group;
- Monitor and control top-priority projects;
- Consider and approve the consolidated and annual, and interim reports the Company;
- Review consolidated, and annual, and interim financial statements of the Company;
- Elect/remove the head of the Company.

The term of office of the Board is 14/12/2016–14/12/2020. Based on Item 7^1 of the Selection Guidelines, by the decision of the sole shareholder dated 15 December 2020, the Board of this composition is elected until the LTG Board of a new composition is elected but the period shall not exceed 4 months.

Neither member of the Board holds shares of the Group companies.

During the reporting period 19 meetings of the Board took place.

Composition of the board

ROMAS ŠVEDAS

Chairperson of the Board,
Independent Board Member
Held the position from 14 December 2016 until 14 December 2020 and holds the position since 15 December 2020

Education

- Vilnius University, Faculty of Law;
- Political Democracy, University of Umea (Sweden);
- Foreign Trade Policy, World Trade Organization (Geneva, Switzerland);
- Negotiations on International Trade Contracts, International Law Institute (Washington D.C., USA);
- Board Member Studies, Baltic Institute of Corporate Governance (Vilnius, Riga, Tallinn);
- Studies for the Chairman of the Board, Baltic Institute of Corporate Governance (Stockholm).

Main employer, position

- Head of MB Romas Švedas ir partneriai, Nemenčinės pl. 10-10, Vilnius, company code 303150481.

Other positions held

- Lecturer at the Vilnius University, Institute of International Relations and Political Science, Universiteto g. 3, Vilnius, Company code 211950810;
- Member of the Supervisory Board of RB Rail AS, K. Valdemāra Str. 8, Riga, Republic of Latvia, company code 40103845025.

MONIKA RIMKŪNAITĖ – BLOŽĖ

Independent Board Member
Held the position from 14 December 2016 until 14 December 2020 and holds the position since 15 December 2020

Education

- Vilnius University, International Business School, Master in International Business Law;
- European Business Management School, University of Wales, Swansea;
- Vilnius University, Bachelor in Economics.

Main employer, position

- Expert of Financial Technologies/Banking sector.

Other positions held

-

ALDITAS SAULIUS

Independent Board Member
Held the position from 26 February 2018 until 14 December 2020 and holds the position since 15 December 2020

Education

- Joint Vienna Institute, Comprehensive Course in Applied Market Economics;
- Vilnius University, International Business School, Master in International Business Law;
- Vilnius University, Faculty of Physics.

Main employer, position

-

Other positions held

- Chairman of the Board of UAB Investicijų ir Verslo Garantijos (INVEGA), Konstitucijos pr. 7, Vilnius, company code 110084026;
- Member of the Board and Member of the Audit Committee of VĮ Valstybinių Miškų Urėdija (state forest enterprise), Savanorių pr. 176, Vilnius, company code 132340880;
- Independent Board Member of AB Lietuvos Paštas, J. Jasinskio g. 16, Vilnius, company code 121215587.

ROLANDAS ZUKAS

Independent Board Member
Held the position from 14 December 2016 until 14 December 2020 and holds the position since 15 December 2020

Education

- BICG Board Member Studies;
- ISM, Executive MBA;
- Vilnius Gediminas Technical University, Bachelor in Transport Engineering Economics and Management.

Main employer, position

- CEO of UAB EPSO G, Gedimino pr. 20, Vilnius, company code 302826889.

Other positions held

-

MATS HANSON

Independent Board Member
Held the position from 9 August 2019 until 14 December 2020 and holds the position since 15 December 2020

Education

- Umea University/Östersund (Sweden), Degree in Public Administration;
- Integrated Management and Accounting and Finance Studies – IFL at Stockholm School of Economics;
- Integrated Management Studies.

Main employer, position

- Current position – Independent consultant and owner of consulting company MBK Advisory;
- Earlier position - Vice president Marketing and Sales Green Cargo

Other positions held

-

Changes in composition of the Board during the reporting period

- On 6 February 2020, the LTG's sole shareholder - the Ministry of Transport and Communications of the Republic of Lithuania appointed Povilas Drižas, Advisor of the Law and Personnel Division of the Ministry, as a member of the LTG's Board. With effect from 30 July 2020, he resigned from the position of the Board member;

- With effect from 1 March 2020, the independent Board member Christian Kuhn resigned from the position of the Board member. The independent Board member held the office from 26 February 2018.

On 15 December 2020, the Board of a new term of office started its work, which consisted of 7 members 5 whereof were independent: Gediminas Vyšniauskas, Valdas Tekorius, Vygantas Sliesoraitis, Arijandas Šliupas and Mats Bo Knut Hanson, and 2 representatives of the shareholder: Virgilijus Poderys and Henryk Surovič. On 15 December 2020, the appointed Board of a new term of office was removed, and the following persons were elected as the Board members for a term no longer than 4 months: Romas Švedas, Monika Rimkūnaitė-Bložė, Alditas Saulius, Mats Hanson and Rolandas Zukas.

Major decisions adopted by the Board of the Company in 2020:

- A decision adopted in respect of conclusion of transactions related to electrification of the Vilnius-Klaipėda section;

- A decision adopted in respect of conclusion of transactions for procurement of contract works for building the gauge railway of the Rail Baltica Project in the section from Kaunas to the Lithuanian/Latvian border;

- A decision adopted in respect of changing the organizational structure of the Company;

- The main indicators of the Group companies as well as objectives of Chief Executive Officer of the Company were established;

- Decisions adopted in respect of development of activities in Poland and Ukraine;

- A decision adopted in respect of setting up the Nomination and Remuneration Committee;

- A decision adopted in respect of a proposal for the shareholder to amend the Articles of Association of the Company;

- Decisions adopted in respect of approval of the Company's policies;

- The Company's and the consolidated annual reports for 2019 were approved;

- A decision adopted in respect of separation of the lease activity of wagons;

- Updated growth strategy of LTG Group for 2030 was approved;

- The plan (budget) of LTG Group for 2021 was approved.

Self-assessment of the Board and its results

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

The results of the self-assessment were discussed at the Board Meeting: areas for improvement were identified: strategic planning and priorities, Board composition and competences, organization of the Board's work.

Significant suggestions of the Company's Board aimed at the improvement of the activities of the LTG Corporate Group:

- **Strategy:** considering the changes in the region's geopolitical situation, more attention should be given not only to intermediate stages of strategy implementation, but also to the final goals for 2030 by assessing market changes and preparation for the increase in competition.

- **Key performance indicators:** more attention should be given to key performance indicators and long-term indicators of financial activities.

- **Transformation:** more attention should be given by the Board to ensure the continuity of transformation processes at the LTG Corporate Group and their successful implementation.

- **Risk management:** the risk management area of the LTG Corporate Group should be further strengthened. The Audit Committee should be assigned the function of the supervision of risk management of the LTG Corporate Group.

- **Composition of the Board:** the competences of the Board should be further strengthened to ensure that the Board includes two members with the experience in the sector in which the LTG Corporate Group operates.

Committees of the board

According to the Articles of Association of LTG, seeking for efficient fulfilment of its functions and duties the Board adopts decisions to set up committees which are advisory bodies of the Board for relevant matters falling within the competence of the Board. In accordance with their competence the committees submit their conclusions, opinions and proposals to the Board of LTG, and the Nomination and Remuneration Committee also submits them to the Chief Executive Officer of LTG.

The committee shall consist of no less than 3 members. The Board members and other persons, who are not the Board members, can be appointed as members of the committee. Chairman of the committee shall be an independent member of the Board. Chairman of the Audit Committee shall be an independent member of the Board with competence in the field of finance.

Where non-members of the Board are appointed as members of the committee they shall comply with the general selection criteria and independent criteria of collegial and single-person bodies, elected by the General Shareholders Meeting of the Company, provided for by effective legislation of the Republic of Lithuania.

Chairmen and members of committees are appointed and removed by the Board. A committee is set up and its members are appointed for a period no longer than the term of office of the Board. The number of terms of office of committee members is not limited.

These committees of the Board are set up in the Company:

- Audit Committee;
- Nomination and Remuneration Committee.

If necessary other committees, provided for by legislation of the Republic of Lithuania or in accordance with the ad hoc principle (e.g. for resolution of special matters, preparation, supervision or coordination of strategic projects etc.) may be set up by a decision of the Board.

Audit committee, its composition and activity

On 28 February 2019, by the decision of LTG Board the Audit Committee was set up, which is an advisory body of the Board, and also the operational rules of the committee were approved. As at 31 December 2020, the committee consisted of 3 members, 2 whereof were independent Board members of LTG and 1 was an independent member.

The members of the current term of office of the Audit Committee are elected for a period no longer than the term of office of LTG Board.

The main functions of the Audit Committee are:

- Supervising the LTG Group financial reporting and auditing processes;
- Ensuring compliance with the principles of independence and objectivity of auditors and audit companies of the LTG Corporate Group, providing summary information to the Board;
- Monitoring the effectiveness of the LTG Group's internal control, internal audit systems, as well as business processes;
- Informing LTG's Board of Directors on problematic issues related to the audit of the Group's companies, especially when significant deficiencies in internal control related to financial statements are identified, making recommendations on how to eliminate these deficiencies and improve their prevention systems;
- Informing the LTG Board about the audits performed in the LTG Group by the State Audit Office of the Republic of Lithuania, the Ministry of Transport and Communications of the Republic of Lithuania or other institutions and providing information on the control over the implementation of recommendations made by the said institutions.

None of the members of the Audit Committee has shares of the Group companies.

During the reporting period, 11 meetings of the Audit Committee were held.

Composition of the Audit Committee

ALDITAS SAULIUS

Chairman of the Audit Committee,
Independent Board Member
Held the position from 28 February 2019 until 14 December 2020 and holds the position since 22 December 2020

Education

- Joint Vienna Institute, Comprehensive Course in Applied Market Economics;
- Vilnius University, International Business School, Master in International Business Law;
- Vilnius University, Faculty of Physics.

Main employer, position

-

Other positions held

- Chairman of the Board of UAB Investicijų ir Verslo Garantijos (INVEGA), Konstitucijos pr. 7, Vilnius, company code 110084026;
- Member of the Board and Member of the Audit Committee of VĮ Valstybinių Miškų Urėdija (state forest enterprise), Savanorių pr. 176, Vilnius, company code 132340880;
- Independent Board Member of AB Lietuvos Paštas, J. Jasinskio g. 16, Vilnius, company code 121215587.

IRENA PETRUŠKEVIČIENĖ

Independent Committee Member
Held the position from 28 February 2019 until 14 December 2020 and holds the position since 22 December 2020

Education

- Vilnius University, Faculty of Economics;
- Centre for International Accounting Development, University of Texas;
- DePaul School of Accountancy and MIS, DePaul University (Chicago, USA).

Main employer, position

-

Other positions held

- Chairperson of the Audit Committee, Independent Member of UAB Maxima Grupė, Savanorių pr. 5, Vilnius, company code 301066547;
- European Stability Mechanism (ESM), Member of the Board of Auditors;
- Chairperson of the Audit Committee under the Supervisory Board, Independent Member of UAB Ignitis, Žvejų g. 14, Vilnius, company code 301844044.

ROLANDAS ZUKAS

Committee Member,
Independent Board Member
Appointed on 22 December 2020

Education

- BICG Board Member Studies;
- ISM, Executive MBA;
- Vilnius Gediminas Technical University, Bachelor in Transport Engineering Economics and Management.

Main employer, position

- CEO of UAB EPSO G, Gedimino pr. 20, Vilnius, company code 302826889.

Other positions held

-

Changes in composition of the committee during the reporting period:

- On 30 July 2020, Povilas Drižas, who was in office from 7 April 2020, resigned from the office of LTG Board member and the member of the Audit Committee;
- On 22 December 2020, Rolandas Zukas was appointed as a member of the Audit Committee by the decision of LTG Board.

The term of office of the current Audit Committee coincides with the one of the temporarily appointed Board of LTG.

The main matters and proposals considered by the Audit Committee in 2020:

- Got acquainted with the financial statements for 2019, prepared by the management of AB Lietuvos Geležinkeliai and audited by KPMG Baltics, UAB, and found that no material circumstances were identified which would provide grounds for an assumption that the Board of AB Lietuvos Geležinkeliai could not submit these financial statements to the General Shareholders Meeting for approval;
- Proposed to the Board of AB Lietuvos Geležinkeliai to approve the Internal Audit Policy;
- Got acquainted with interim reports for 1st half of the year of the LTG Corporate Group and found that no material circumstances were identified which would provide grounds for an assumption that these reports could not be submitted to the management bodies of the companies following the procedure laid down by legislation;
- Pursuant to the requirements of Article 5(e) of EU Regulation No 537/2014 and the scope of works of the procurement, in regard whereof the auditor referred to the Audit Committee, a decision was adopted not to approve the participation of the auditor in the procurement for provision of advisory services;
- Got acquainted with the reports on implementation of the anti-corruption measures and the Policy of Social Responsibility and submitted proposals;
- Proposed to the Board of AB Lietuvos Geležinkeliai to approve the internal audit plan for 2021.

Internal audit

In order to ensure transparent and efficient operation of the LTG Corporate Group and a proper internal control system, a centralized Internal Audit Unit has been established in the Company. The internal audit functions as a third line of defence group-wide. The Unit reports directly to the Board, thus ensuring the independence and objectivity of internal audit, thereby facilitating the identification of operational weaknesses and areas for operational efficiency.

The mission of internal audit is to provide independent, objective assurance and consulting, and the function is organized in accordance with the basic principles set out in the International Standards for the Professional Practice of Internal Audit. The unit's staff carries out internal audits and regularly monitors the implementation of the recommendations made and the correction of other internal control weaknesses identified by the external auditors and supervisory authorities.

In 2020, the activities of the Internal Audit Unit covered areas that were selected on the basis of a risk assessment and the identification of priority activities and processes to be audited. The findings of the conducted audits were presented to the heads of the responsible units and the top management of the Company, as well as to the Audit Committee and the Board of LTG.

Nomination and remuneration committee, its composition and activity

On 21 April 2020, by the decision of the Board of LTG, the Nomination and Remuneration Committee was set up, which is an advisory body of the Board, and also the operational rules of the committee were approved. As at 31 December 2020, the committee consisted of 3 members – all independent members of LTG Board.

The members of the current term of office of the Nomination and Remuneration Committee are elected for a period no longer than the term of office of LTG Board.

The main functions of the Nomination and Remuneration Committee are:

- Organize and coordinate the selection process of the head of LTG, participate in the selection of the head of LTG;
- Submit an opinion, recommendations, proposals to the Board regarding the nomination of the most suitable candidate as the head of LTG, as well as the selection procedures;
- Make an assessment, provide an opinion, proposals to the Board of LTG regarding the terms and conditions of the employment contract of the head of LTG, including the remuneration;
- Make an assessment of candidates to positions of the board member, the head of a subsidiary of LTG, and provide an opinion, recommendations, proposals to the shareholder of these subsidiaries – the head of the parent LTG in respect of selection of the most suitable candidate;
- Make an assessment, provide an opinion to the Board regarding the principles and criteria for assessment of activity of the head of LTG;
- Make an assessment, provide an opinion, proposals to the Board of LTG regarding the remuneration policy.

Neither member of the Nomination and Remuneration Committee holds any shares of the Group companies.

During the reporting period 3 meetings of the Nomination and Remuneration Committee took place.

Composition of the Nomination and Remuneration Committee

MONIKA RIMKŪNAITĖ – BLOŽĖ

Chairperson of Nomination and Remuneration Committee, Independent Board Member
Held the position from 21 April 2020 until 14 December 2020 and holds the position since 22 December 2020

Education

- Vilnius University, International Business School, Master in International Business Law;
- European Business Management School, University of Wales, Swansea;
- Vilnius University, Bachelor in Economics.

Main employer, position

- Expert of Financial Technologies/Banking sector.

Other positions held

-

MATS HANSON

Committee Member,
Independent Board Member
Appointed on 22 December 2022

Education

- Umea University/Östersund (Sweden), Degree in Public Administration;
- Integrated Management and Accounting and Finance Studies – IFL at Stockholm School of Economics;
- Integrated Management Studies.

Main employer, position

- Current position – Independent consultant and owner of consulting company MBK Advisory;
- Earlier position - Vice president Marketing and Sales Green Cargo.

Other positions held

-

ROMAS ŠVEDAS

Committee Member,
Independent Board Member
Held the position from 21 April 2020 until
14 December 2020 and holds the position
since 22 December 2020

Education

- Vilnius University, Faculty of Law;
- Political Democracy, University of Umea (Sweden);
- Foreign Trade Policy, World Trade Organization (Geneva, Switzerland);
- Negotiations on International Trade Contracts, International Law Institute (Washington D.C., USA);
- Board Member Studies, Baltic Institute of Corporate Governance (Vilnius, Riga, Tallinn);
- Studies for the Chairman of the Board, Baltic Institute of Corporate Governance (Stockholm).

Main employer, position

- Head of MB Romas Švedas ir partneriai, Nemenčinės pl. 10-10, Vilnius, company code 303150481.

Other positions held

- Lecturer at the Vilnius University, Institute of International Relations and Political Science, Universiteto g. 3, Vilnius, Company code 211950810;
- Member of the Supervisory Board of RB Rail AS, K. Valdemāra Str. 8, Riga, Republic of Latvia, company code 40103845025.

Changes in composition of the committee during the reporting period:

- On 30 July 2020, Povilas Drižas, resigned from the office of the Board member of LTG, as well as from the member of the Nomination and Remuneration Committee, whose term of office lasted from 21 April 2020;
- By the decision of LTG Board of 22 December 2020, Mats Hanson was appointed as a member of the Nomination and Remuneration Committee.

The term of office of the current Nomination and Remuneration Committee coincides with the one of the temporarily appointed Board of LTG.

The main matters and proposals considered by the Nomination and Remuneration Committee in 2020:

- Submitted a proposal to the Board of AB Lietuvos Geležinkeliai to consider the competences of the Board for the term of office of 2020-2024;
- Submitted a proposal to the Board of AB Lietuvos Geležinkeliai to approve the remuneration policy of the Top-Level Management.

Information on the attendance of the meetings of the Board, of the Audit Committee and of the Nomination and Remuneration Committee in 2020

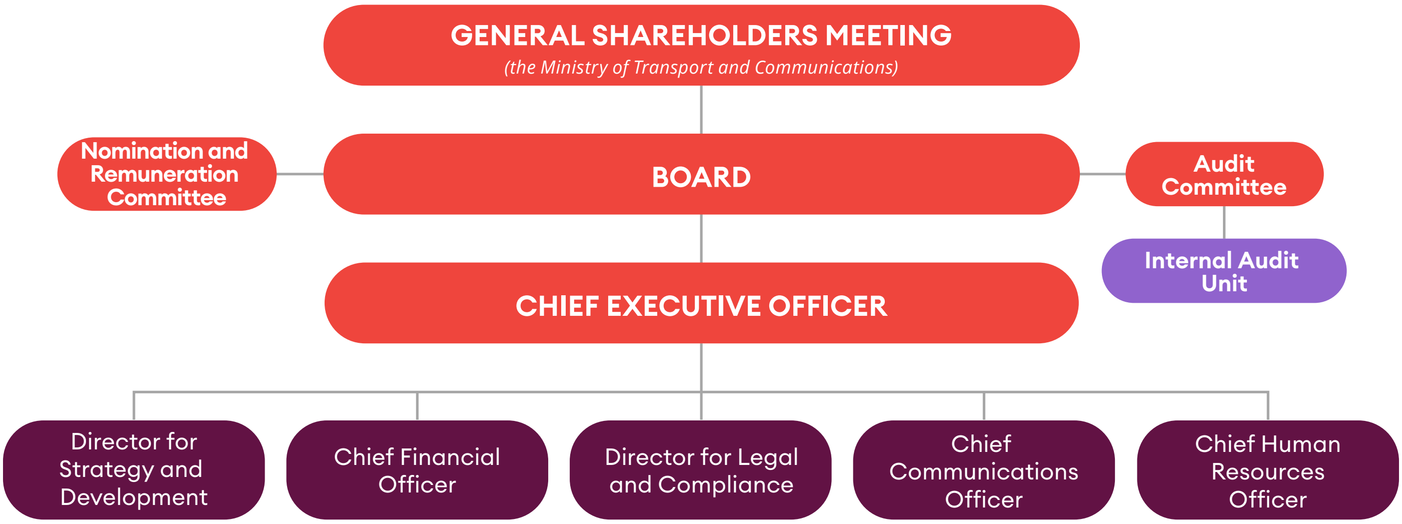
Name and surname of the member	Board meetings	Audit Committee meetings	Meetings of Nomination and Remuneration Committee
NUMBER OF MEETINGS (including external meetings, written vote in advance)	19	11	3
ROMAS ŠVEDAS	19	-	3
MONIKA RIMKŪNAITĖ-BLOŽĖ	19	-	3
ROLANDAS ZUKAS	19	-	-
ALDITAS SAULIUS	19	11	-
CHRISTIAN KUHN	2	-	-
MATS HANSON	19	-	-
POVILAS DRIŽAS	9	4	1
IRENA PETRUŠKEVIČIENĖ	-	11	-

The Chief Executive Officer (CEO) of the 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, the Articles of Association of the Company available at the Company's website https://www.litrail.lt/istatai. Based on the Law on Companies, 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 LTG's Chief Executive Officer began on 1 January 2018.

The essential functions and competences of the CEO:

- Responsible for arrangement of the activity, achievement of operational objectives and implementation of the set goals of LTG;
- Responsible for the preparation of consolidated documents of LTG Group, the annual financial statements and the interim financial statements of the Company;
- Implements the rights and duties of the shareholder in respect of the subsidiaries of LTG.

Corporate governance and organisational structure



Executives of the Company

MANTAS BARTUŠKA*	CEO	Appointed on 16 December 2016
ADAMAS ILKEVIČIUS	Director for Strategy and Development	Appointed on 29 January 2018
ANDREJ KOSIAKOV	Chief Financial Officer	Appointed on 02 October 2017
ODETA TRUČINSKAITĖ-ŠIUŠIENĖ	Director for Legal and Compliance	Appointed on 28 August 2017
IRENA JANKUTĖ-BALKŪNĖ	Chief Human Resources Officer	Appointed on 10 July 2017
MANTAS DUBAUSKAS	Chief Communications Officer	Appointed on 08 February 2017

* The CEO of LTG Mantas Bartuška also acts as a member of the Board of AB Klaipėdos Nafta (Burių g. 19, Klaipėda, company code 110648893).

Management of interests

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

Information on remuneration of Board members, Committee members and the Company‘s Chief Executive Officer

The remuneration of the members of the Board and the members of committees is related to the time allocated for the respective activities of the Board and the committees, which is provided for in the civil contracts concluded with the members.

The remuneration of Independent Board Members is set in accordance with the description of the procedure for determining the remuneration of the members of the boards and members of the committees of the public limited liability companies with their share owner being the Ministry of Transport and Communications and state-owned enterprises under the regulation of the Ministry of Transport and Communications approved by Order No 3-420 of 20 August 2018 of the Minister of Transport and Communications RoL.

The **Board Member's** annual remuneration including all taxes paid for the actual activities as the Board Member cannot exceed 1/4 of the total annual remuneration (the annual amount consisting of the fixed and variable components, annual bonus and salary related taxes) of the General Manager of a respective Company, in case of the **Chairperson of the Board** - 1/3 of the total annual remuneration (the annual amount consisting of the fixed and variable components, annual bonus and salary related taxes) of the General Manager of the respective Company. The **Committee Member's** annual remuneration including all taxes paid for the actual activities as the Committee Member cannot exceed 1/15 of the total annual remuneration (the annual amount consisting of the fixed and variable components, annual bonus and salary related taxes) of the General Manager of the respective Company, in case of the **Chairperson of the Committee** – 4/45 of the total annual remuneration (the annual amount consisting of the fixed and variable components, annual bonus and salary related taxes) of the General Manager of the respective Company.

The remuneration of the Board Member and the Committee Member is subject to reduction if the Members are absent from the Meetings, withdraw from the issues due to the conflicts of interests, fail to state their opinion with regard to the issues on the agenda, do not vote on them, fail to carry out activities of the Member, dedicate less amount of time than that indicated in the Agreements concluded with them or carry out activities improperly.

No remuneration is paid to LTG Board Members as well as committee members delegated by the shareholder, i.e. the Ministry of Transport and Communications, for their activities at the Board and committee.

Name, Surname of the Member	Annual remuneration for the activities of the Board Member in 2020, EUR	Annual remuneration for the activities of the Audit Committee Member in 2020, EUR	Annual remuneration for the activities of the Nomination Committee Member in 2020, EUR
ROMAS ŠVEDAS	26,827		311
MONIKA RIMKŪNAITĖ-BLOŽĖ	18,663		342
ROLANDAS ZUKAS	18,663		
ALDITAS SAULIUS	18,663	7,465	
CHRISTIAN KUHN	4,000		
MATS HANSON	24,000		
POVILAS DRIŽAS	-	-	-
IRENA PETRUŠKEVIČIENĖ		4,977	

* the remuneration of the Board / committee members is shown inclusive of all applicable / payable taxes.

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

1. **Basic monthly salary.** The Company's Chief Executive Officer's basic monthly salary set out in the employment contract amounted to EUR 9,305 as at the end of the reporting period. The basic monthly salary of the Company's Chief Executive Officer did not change in 2020.
2. **Annual incentives.** The annual variable remuneration (annual incentive) directly related to achievement of annual goals and dependent on actual achievement of the established annual indicators might be paid to the Company's Chief Executive Officer next to the basic monthly salary. Each year, the Board of the Company approves the structure of annual goals of the Group, threshold values for their achievement and benchmarks, and after the end of year the Board of the Company approves the results of achievement of these objectives and the possibility of paying annual incentive.

The maximum amount of the variable annual incentive is up to 30% of the annual basic salary. The maximum monthly proportion (i.e. 1/12) of the annual incentive shall not exceed EUR 2,792. In 2020, a monthly portion (1/12) of the annual incentive to the Company's CEO for achievement of the goals of the year 2019 amounted to EUR 2,289.

Strategy

The Group basis its activities on rational strategic planning and management. Three years have passed since the approval of the Group's **long-term corporate strategy for the year 2018–2030**, encompassing all the activities of the LTG Corporate Group: transportation of freight and passengers and provision of related services in domestic and international markets, infrastructure management, implementation of top-priority investment projects. Responding to changes in the market of transportation services and to changes in operating environments, each year, a thorough review of the strategy is performed, analysis is made on the progress in achieving the goals set out in the strategy.

At the end of 2020, the Board of the Company approved the updated LTG growth strategy for 2030. This time, when revising the long-term strategy of the Group companies, much attention was given to the **development for the direction of going green**, by efficient use of energy and natural resources, implementing initiatives that allow reducing the impact on the environment and climate change. Another important area is **strengthening of organizational culture** by contributing to the wellbeing of employees and enabling them to contribute to changes in the organization. When creating the organizational culture of highest results, the LTG Group ensures that its employees receive an adequate and competitive remuneration, considering the functions performed by them and added value to the Company as well as annual performance results. **Business development** is yet one more priority area, which is intended at the external revenue growth at the Group in the long term, diversifying operational risks, increasing the attractiveness of railways and strengthening of logistics supply chains.

The relevance, proper time frames and quality of all strategic planning papers across LTG Corporate Group are ensured with the help of the **strategic planning and governance model** which encompasses the Strategic Planning and Governance Policy - a fundamental document defining the general principles and goals of strategic planning and management across the LTG Corporate Group, as well as the processes and procedures for the strategic planning and governance.

Mission, vision, values and strategic directions

Mission: We connect people and businesses for a better future

Vision: Mobility and logistics leader in Central and Eastern Europe

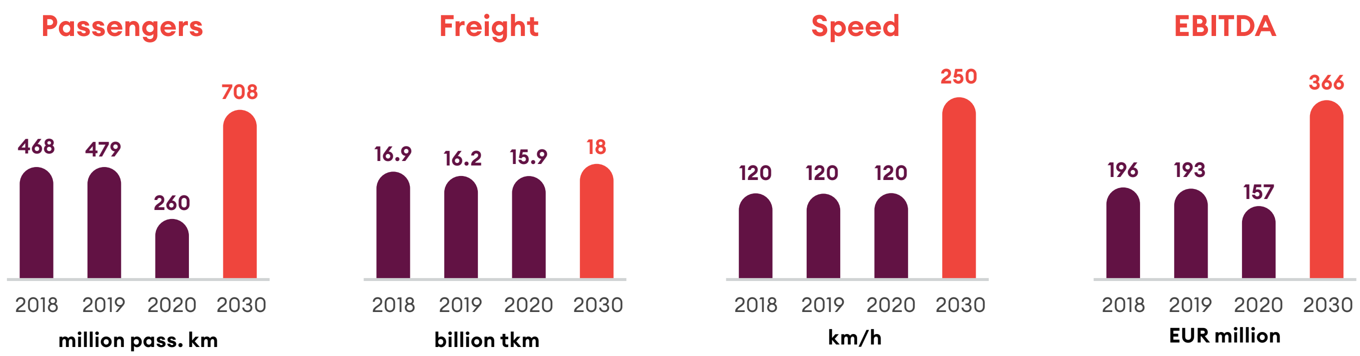
We are ambitious | We work for our clients | We respect each other | We promote integrity | We are responsible

Considering the latest trends of global railway industry, advantages inherent in the railway business, future challenges and opportunities for development, in the upcoming year, the LTG Corporate Group will seek for improvement in all business areas. **The purpose of the LTG Corporate Group** is sustainable growth and efficiency.

Strategic directions of activities

1. **Creating value to the shareholder and the people** – to increase EBITDA, establish in the regional market, promote the growth of industry and increase the competitiveness of Lithuania as the centre of the European transit and logistics.
2. **Leading freight carrier** – to increase freight flows, ensure competitiveness against other railway undertakings, potential "newcomers" to the market and car road transport companies.
3. **Preferred choice for travellers** – to improve the opinion of residents about the passenger transportation by rail and become the first choice for passengers appreciated for high-level services, operating efficiency and management.
4. **Safe and adequate infrastructure** – to become the top-level manager of railway infrastructure, ensuring safe connections and adequate freight and passenger transportation capacities.
5. **Development of new business** – to increase capacities and operate abroad seeking for a larger competitiveness in the market.
6. **Operational excellence and corporate governance** – to ensure financial stability by carrying out the activities in accordance with the highest corporate standards and optimising the use of assets.
7. **Respectful and environment-conscious organisation, caring about the society and each other** – to apply the "Safety above all" principle, become one of the most attractive employers in Lithuania, to develop a respectful and transparent business culture and to ensure the adaptation of railway services according to universal design principles.

Goals and priorities of the Group's growth strategy for the year 2030



For passengers
First choice for passengers and double number of passengers

For business
A logistics service provider that meets the customers needs in the region best

Infrastructure
Reliable and safe, speed up to 250 km/h

Efficiency
Double value of the Group

Strategy implementation measures

The long-term goals (2030) of LTG group and short-term strategic goals and tasks set-out in respect of the Company determined the development of a **strategic transformation portfolio** that includes programmes aimed at operational efficiency, passenger / freight transportation, business development, digitalisation, management of employees, financial stability and corporate governance aspects. The logical link is presented below which defines the relationship between the strategy and transformation portfolio.

LTG strategy

Strategic strands	Leading freight carrier	First choice for passengers	Safe and reliable infrastructure	Increasing business value of subsidiaries	Operational excellence and corporate governance	Respectful and environment-conscious organisation, caring about the society and each other

LTG transformation portfolio

Programmes	Cargo business optimisation	Passenger business development	Infrastructure excellence	Development of new business	Digital excellence	Financial excellence	Employee excellence
					Corporate governance excellence	Performance excellence	
					Asset excellence	Supply chain excellence	

LTG transformation projects

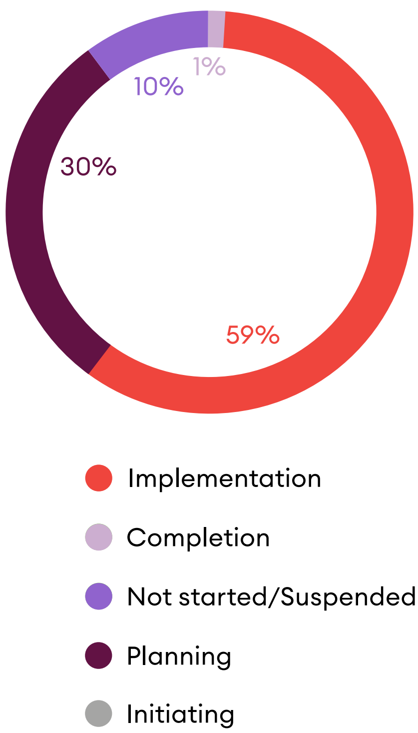
LTG transformation portfolio and its implementation

Seeking to ensure successful strategic changes in business processes of LTG Corporate Group, using the newest information technologies enabling the automation of business processes and increase of efficiency and reliability of information, **LTG Corporate Group created 11 programmes of transformation portfolio and formed strategic projects to achieve the changes.**

LTG transformation portfolio comprises around 70 projects. **The majority of them (62 projects) have already been initiated and are currently in planning (21 projects) or implementation (41 projects) stages.** Due to the constantly changing environment, new challenges and opportunities, the list of strategic projects is not exhaustive. Currently, the **transformation project management community** consists of **57 project managers** and about **400 team members** working on the implementation of these project activities.

The project activities of LTG's transformation portfolio are being actively implemented. Since the formation of the transformation portfolio, 29 projects have been implemented and completed. One programme was implemented – Corporate Governance Excellence.

49% of the planned transformation portfolio project outcomes have been delivered.



Most important achievements of transformation portfolio

01

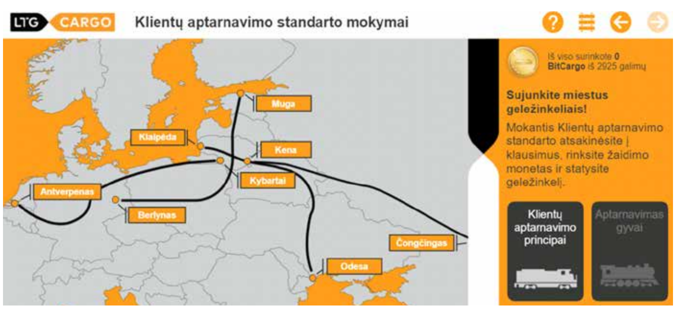
To increase the efficiency of train document management processes, the **train self-service document terminals were acquired and installed**. This is one of measures implemented when optimising processes related to document management. The project allowed to reduce the need for human resources.

Project: Train document management optimisation.

02

To improve the quality of client service and increase the efficiency of requests and services management, **LTG Cargo client service model was developed and is currently being implemented.**

Project: Development of client service model.



03

Implementing the strategic direction of expansion to foreign markets, **in Poland, LTG Cargo established a subsidiary company LTG Cargo Polska**. On 17 September 2020, the Polish company PKP Cargo and LTG Cargo Polska signed a joint-activity and shareholding agreement regarding the establishment of a joint entity.

Project: LTG Polska – Cargo.

04

To increase the passenger satisfaction with train travels, uninterrupted **WiFi connection** is being established. **WiFi connection is now available in trains traveling on 33 most popular routes.** WiFi will be available in all trains.

Project: Ensuring wireless internet access in trains.

05

Establishing a new image of LTG Corporate Group as of an open, modern, efficient and beneficial to the State, trusted by the clients, employees and the society, the **names and trademarks of group companies were updated.**

Project: Change of LTG Group's trademark.

06

Seeking to purify the activities of the Corporate Group and to implement the requirements of the European Union, the **Company's activities were separated and delegated to separate companies, the corporate group was established.**

Project: Purification of activities.

07

To optimise and properly plan rolling-stock fleets, **management models of train traction rolling-stock, passenger rolling-stock and wagon fleets were developed.** Based on the accurate and comprehensive data provided by the models, optimal acquisitions of rolling-stock will be planned.

Projects: Development of management models of freight wagon fleet, passenger rolling-stock fleet, traction rolling-stock fleet.

08

To constantly increase the efficiency of the use of LTG Group's resources and to automate the resource planning and management processes, **ERP business management system is being modernized, enhanced and updated to the latest version.** To date, project team has been formed, which started project works, consulting, installation services and necessary licences have been acquired.

Project: ERP modernization.

09

To form a solid team of managers and to ensure its ongoing education, an integrated model of the improvement of competences of LTG managers was developed. It enables the achievement of LTG's strategic goals, strengthens the Group's culture and the image of the employer. During the project, **the model of the development of competences of managers** was developed, the rules for the selection of managers were prepared and approved, assessment process of the competences of LTG managers was prepared, trainings on the standard of the LTG manager were prepared and organized (more than 750 LTG Group managers were trained).

Project: Development of the model of the manager's competences.

10

To increase the economic return of Vilnius railway station and its surroundings, to improve the social environment and to manage the assets efficiently, the **project of renewal of station territory is being implemented.** Territory planning works are being performed, the final report of the strategic assessment of the environmental-impact was prepared, the procurement for detailed subsoil testing and handling was completed.

Project: Vilnius Connect.

11

To increase the attractiveness of the LTG Corporate Group to employees, to attract young and talented employees, the internship programme "Growing talents" was created. In 2019-2020, **52 young and promising interns had their internships** at the Corporate Group. Part of them continue as employees of group companies.

Project: Development of the youth talent programme.

12

Seeking an optimal management of the funds of the LTG Corporate Group, a **cash-pool model was developed** which is actively used.

Project: Application of cash-pool model at the LTG Group.

13

Seeking a more efficient organising of the work of the Group's employees, to ensure smooth communication, document storage and compliance with the General Data Protection Regulation, the latest working tools and measures are being implemented. Computer equipment and phones used by employees are being modernized. **The work of employees is organized on the platform of new productivity tools** (almost half, i.e. more than 4,000 of all the employees of LTG Corporate Group already work on the platform of updated tools).

Project: Implementation of consumer productivity tools at the LTG Group.

14

To enhance the assortment of the services provided by the Group, VLRD seeks to start the production of wagons in Lithuania. **The first 2 trucks were manufactured.** To ensure the compliance of the wagons manufactured by VLRD with all their exploitation requirements, a subsidiary of VLRD and GTC was established in Belarus which **will start the wagon certification process.**

Project: Manufacture of freight wagons.

15

Seeking for the optimal and efficient management of the infrastructure diagnostic activities, the model of diagnostic activities management was developed and **railway infrastructure diagnostic equipment was acquired.** The acquired equipment is part of the project aimed at the development and modernization of the common model of organising diagnostic activities, renewal of the tools used.

Project: Modernization of infrastructure diagnostic activities and tools.

Goals achieved in 2020

At the beginning of 2020, LTG Board approved annual goals, indicators and their target values which are linked to the strategic strands. In line with the approved annual goals, **personal goals were set for LTG Group employees.** In this way, LTG Group employees are involved in the process of implementing the Group strategy by linking achievement of goals to employee career and training plans, performance incentive pays and review of base salary.

The global coronavirus (COVID-19) pandemic, which started in March 2020 had a significant effect on the activities of the LTG Group companies and achievement of goals. Considering the consequences of COVID-19 pandemic and possible scenarios related to the outbreak of the virus and expected effect on the activities, the guidelines for the goals to be achieved were adjusted.

Main goals	Goal achievement measures	Units	Planned to be achieved in 2020	2020 goal implementation ratios
FINANCE				
Creating value to the Shareholder and the public	Group revenue	million Eur	412 – 489	468
	Return on equity (ROE) of the Group	%	0% – 1.9%	3.1%
CLIENTS AND OPERATING EFFICIENCY				
Ensuring client satisfaction	Net promoter score of satisfaction with freight transportation activities	points	>27	46
	Customer satisfaction score with passenger transportation activities	%	>78%	88%
Increase of the operating efficiency at each business segment	Freight volumes	billion tons km	>13.7	15.9
	Passenger volumes	million pass. km	>197	260
	Train operational volumes	billion tkm	>27.4	32.6
INVESTMENTS				
Investments into asset base ensuring competitiveness and efficiency	Implementation of most important investment projects*	Plan implementation %	Implementation of approved projects	Achieved
SAFETY AND ENVIRONMENT				
Respectful and environment-conscious organisation, caring about the society and each other	Traffic safety	Threat to society	Increase the level of traffic safety	Exceptionally exceeded
	Environmental protection	CO_2 emissions	Reduce the pollution of ambient air	Partially achieved
	Occupational safety	Lost time due to injuries (LTIIR)	Increase the level of occupational safety	Exceptionally exceeded

* more information of the most important investment projects of the Group is presented in the Chapter Investments.

Most significant events in 2020

January

- **On 01 02 2020** LTG Group company LTG Link became a partner to the family card provided for by the Law on Family Card of the Republic of Lithuania. Family card owners are offered 20 percent discount for local train travel in Lithuania.

- **On 15 01 2020** the authorised capital of the LTG Group company LTG Infra was increased from EUR 150 thousand to EUR 654,928 thousand, issuing 654,778 units of ordinary registered shares. The par value of one share is EUR 1,000.

- **From 30 01 2020** the LTG Group company LTG Cargo continues its cooperation with Vakarų Medienos Group, which is planning to launch production in the chipboard factory under the final stages of construction from April. Currently, the volume of freight transported is not significant; however, with the acceleration of production, the volume of freight transported by railways is expected to reach up to 1 million tons per year.

February

- **On 06 02 2020** Povilas Drižas, a representative of the Ministry of Transport and Communications RoL, was appointed Member of the Board. The Board Member held the position until 30 July 2020.

- **On 12 02 2020** the representatives of LTG Group and the municipalities united by the Lithuanian Association of Municipalities met in pursuit of a common goal of discussing the intermediate results of LTG Group project to adapt train travel to the needs of all passengers and sharing insights on how to best adapt the environment to make rail travel services easily accessible, understandable and user-friendly for all passengers, including persons with disabilities, seniors, young families with minor children, etc.

- **On 15 02 2020** The first test freight train ran on the newly rebuilt railway section between Mažeikiai in Lithuania and Rengė in Latvia. LTG Cargo transported a freight of oil products of AB ORLEN Lietuva to Latvia. By a symbolic gesture of fastening screws into the railway the Lithuanian and Latvian Transport Ministers Jaroslav Narkevičius and Talis Linkaitis, the Chancellor of the Government of the Republic of Lithuania Algirdas Stončaitis, as well as CEOs of AB Lietuvos Geležinkeliai, PKN ORLEN and Latvijas dzelzceļš, marked the opening of the section.

- **On 20 02 2020** the Company's CEO Mantas Bartuška was elected to the Steering Committee of CER, the leading European railway organisation. This is the first time that a representative from Lithuania will participate in the activities of and contribute to decision-making by the Steering Committee of the Community that brings together 73 European railway undertakings.

- **On 24 02 2020** LTG Group announced a threefold increase in the capacity of utilisation of used old sleepers, thus making an even more active contribution to improving the area near the railway.

- **On 27 02 2020** the CEO of Lietuvos Geležinkeliai Mantas Bartuška, the CEO of the subsidiary LTG Infra Karolis Sankovski and the Director of UAB KMT Andrius Zaveskas 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

- **On 01 03 2020** Christian Kuhn resigned from the position of the Board Member. The independent Board Member held his mandate from 26 February 2018.

- **On 02 03 2020** the member of LTG Group – the passenger transportation company LTG Link took additional preventive actions to prevent the possible spread of the coronavirus disease. In response to the declared state of emergency and the first case of coronavirus identified, additional train ventilation was launched and from 29 February trains have been cleaned and disinfected at least once a day, those running to the airport or in the border areas – at least twice.

- **On 03 03 2020** the member of LTG Group – the infrastructure management company LTG Infra announced its intention to reconstruct one of the most important railway bridges in the country. The best tenderer in the published international procurement procedure to procure design and contract works for the project on Reconstruction of Jonava Railway Bridge (94 + 634 km) was the group of Eurovia (Czech Republic), Eurovia Lietuva and AS LNK Industries (Latvia) jointly acting under a joint venture agreement.

- **On 05 03 2020** LTG Infra took another step toward a cleaner environment by announcing that only the so-called green electricity will be used in the catenary network.

- **On 15 03 2020** LTG Link announced that from 15 March a limit on the number of passengers on local trains was introduced, as well as the requirement to keep a safe distance and to be seated one metre apart from each other. Moreover, due to the quarantine introduced in Lithuania, all international passenger trains were cancelled.

- **On 17 03 2020** LTG Link announced its intention to help the country's citizens left stranded on the German-Polish border get home by special train. On 18 March, a train with Lithuanian, Belarusian, Ukrainian and Latvian citizens arrived in Kaunas from Frankfurt to the Oder.

- **On 25 03 2020** UAB LTG Link, taking into account the situation regarding the COVID-19 virus, from March 29 optimized local train journeys: 76 out of the existing 226 were suspended. Trains continued to run between the cities and this is particularly relevant in the case when other carriers suspended interurban trips.

April

- **On 04 04 2020** a freight containing protective equipment for health workers arrived in Lithuania by rail. This is the first shipment of medical products delivered from the city of Chongqing in China by LG Cargo, a freight transportation company owned by Lithuanian Railways. The protective equipment required for medical workers to fight COVID-19 was delivered by the order of the „Hold on, doctors!" initiative and the entire logistics chain, i.e. supply and transportation, were taken care of by the Lithuanian Railways representative office in China. One container brought 300 thousand medical masks, and the cargo reached Lithuania within 9 days of the train's departure from China.

- **On 07 04 2020** Povilas Drižas, a representative delegated by the shareholder – the Ministry of Transport and Communications of the Republic of Lithuania, was appointed as the member of the Audit Committee.

- **On 09 04 2020** Lithuania's Minister of Transport and Communications approved the priority rules for the allocation of capacity in the congested section of the public railway infrastructure, which stipulate that the capacity is allocated primarily for providing the services of carriage of passengers and luggage by rail. In the field of freight transport, priority is given to European destinations - international transport to and from other EU countries. The new priority rules, harmonized with the requirements of the EU directives, have been prepared taking into account the practice of setting priority rules in force in other European Union countries and the aim to ensure the most efficient use of public railway infrastructure.

- **On 11 04 2020** for the first time in history, a train from China arrived in Europe with the freight consisting exclusively of mail, and it made a stop nowhere else but in Lithuania, at the Vilnius Intermodal Terminal. 42 mail containers that make up the train have delivered parcels intended not only for Lithuania but for Europe as a whole. They will be distributed throughout Europe by Lietuvos Paštas, AB (Lithuanian Post).

- **On 16 04 2020** LTG Cargo, a freight transportation company owned by the largest railway group in the Baltic States Lietuvos Geležinkeliai, and one of the largest rail freight companies in Poland PKP Cargo will promote intermodal transportation between Lithuania and Poland. The aim of this cooperation is to reduce environmental pollution and to increase road safety. This objective is set forth in the letter of intent signed by the companies on the establishment of a joint venture. On the basis of this document, the companies continue their negotiations, while the signed letter does not impose any obligations whatsoever upon them. The negotiations on the establishment of a joint company are expected to be completed in the nearest future.

- **On 17 04 2020** LTG Link, a passenger transport company belonging to LTG Group, was ranked first in the Transport/Travel industry according to the brands ranking by Sustainable Brand Index™.

- **On 21 04 2020** by decision of the LTG Board, the Nomination and Remuneration Committee was set up to function in the advisory capacity and its members were appointed.
- **On 21 04 2020** Povilas Dring Drižas, a representative delegated by the shareholder – the Ministry of Transport and Communications of the Republic of Lithuania, was appointed by the LTG Board as the member of the Nomination and Remuneration Committee acting under the LTG Board.

May

- **On 04 05 2020**, to improve train travel for passengers with different needs, LTG Group carried out an assessment of the accessibility of passenger trains and railway infrastructure for people with individual needs. The main focus of this assessment is to identify the existing barriers to accessibility and to choose solutions for best adapting the environment to make rail travel services easily accessible and user-friendly for all passengers, including persons with disabilities, seniors, young families with minor children, etc.
- **On 06 05 2020** the Company was informed about the change of the name and address of the associated company UAB voestalpine VAE Legetecha (address Draugystės g. 8, Valčiūnai, Juodšilių elderate, Vilnius district, LT-13220) to voestalpine Railway Systems Lietuva, UAB (address Sostinės g. 18, Valčiūnai, Juodšilių elderate, Vilnius district, LT-13221).
- **On 13 05 2020** LTG Infra, the country's railway infrastructure manager, announced to open up the country's railway infrastructure for foreign carriers. The Company signed the first-ever international agreement for the use of the country's public railway infrastructure with one of the largest European rail freight groups and the largest freight company in Poland, PKP Cargo. The agreement stipulates that LTG Infra will provide the services included in the minimum access package (MAP), as well as other services in accordance with separate agreements entered into between the infrastructure manager and the freight carrier.
- **On 14 05 2020** LTG Cargo together with its partners transported truck semi-trailers by rail for the first time. On 14 May, a train carrying 22 semi-trailers reached Šeštokai terminal in Lazdijai district after a two-day trip from the Central Europe. This was the first time ever that semi-trailers had been transported by rail in the Baltic States. This historic pilot carriage of semi-trailers was initiated by LTG Cargo together with its partners – PKP Cargo, one of the largest railway freight companies in Poland, and CargoBeamer, an intermodal transport operator.
- **On 26 05 2020** UAB Vilniaus Lokomotyvų Remonto Depas together with UAB Geležinkelio Tiesimo Centras established a subsidiary OOO Rail Lab in Belarus to engage in certification of manufactured wagons.
- **On 29 05 2020** the construction of a branch of the Pabradė – Pažeimenė railway line of national significance was completed to help ensure a more convenient relocation of military equipment and other equipment of NATO allies arriving in Lithuania to the General Silvestras Žukauskas Training Range near Pabradė (Švenčionys district). On the 51st kilometre of the branch of the Naujoji Vilnia – Turmantas – Latvian border, part of the railway infrastructure was renewed, a railway section of approximately one kilometre was built, as well as electricity, communications, signalling, and traffic management systems were installed.

June

- **On 09 06 2020** LTG Cargo has partnered with FORWARDIS the international freight forwarding entity from the French Group 'SNCF Logistics', to expand both companies' volume of transported freight in Europe. The commercial representation agreement was signed during a remote video conference.
- **On 17 06 2020** LTG Group's representatives had a virtual meeting with the organizations of people with disabilities. The purpose of quarterly meetings is to share the intermediate results of the project on Adaptation of Railway Services According to the Principles of Universal Design and to discuss further plans related to the project, as well as to receive feedback from the organizations.
- **On 22 06 2020** a letter was received from the shareholder, i.e. the Ministry of Transport and Communications regarding the goals to be achieved by the State and expectations from the Company.

- **On 25 06 2020** during the implementation of the Rail Baltica project, another crossing was removed at the Kaunas railway junction to be replaced by a new tunnel being opened. In the autumn of 2019, the existing problematic Amaliai crossing was removed in Kaunas, and four tunnels were constructed instead. Two of them are intended for cars, the other for cyclists and pedestrians. The second underground railway crossing point in Amaliai – in the same place as the former Amaliai crossing – a tunnel for pedestrians, cyclists, as well as for special transport such as police cars, medics' cars and other cars, was built in implementation of an individual project of Kaunas City Municipality.

- **On 25 06 2020** LTG Infra in charge of the construction of the Rail Baltica railway in Lithuania launched the contract works tenders to award contracts whereby winning contractors will construct the Kaunas – Panevėžys railway and engineering structures on the line, as well as the longest railway bridge in the Baltic States spanning the Neris river near Jonava.

- **On 30 06 2020** the restructuring of the Company's long-term loans was completed. The Company, LTG Cargo and the European Investment Bank (EIB) signed a loan restructuring agreement stipulating that the Company transfers its long-term credit obligations to EIB, i.e. a loan of EUR 29,590 thousand, to the subsidiary LTG Cargo. The debts of LTG Cargo to the Company were reduced by the same amount accordingly.

July

- **On 01 07 2020** the Company (as the guarantor) together with LTG Infra and Nordic Investment Bank (NIB) signed a binding offer which makes an inherent part of the Amended and Restated Loan Agreement entered into on 31 December 2019 between LTG Infra and NIB. Based on this Agreement, the interest due from LTG Infra was fixed for 2 years on a loan of EUR 50,000 thousand. On 3 July 2020, LTG Infra took the loan of EUR 50 million under the Amended and Restated Loan Agreement as signed in December 2019.

- **On 03 07 2020** a new image was presented on the occasion of the 101st birthday. Not only the logo of the main company is changing, but also the brands of all the companies in the group. The new image reflects the significant changes accomplished over the past few years and the most important priorities for the future - progress, sustainability and contributing to the welfare of Lithuania. The name of Lietuvos Geležinkeliai remains, but its new, more patriotic abbreviation LTG has been introduced. From now on it will unite all the companies in the group: passenger transportation company UAB LG Keleiviams became UAB LTG Link, freight transport AB LG Cargo became AB LTG Cargo (the names of these companies were amended in the Register of Legal Entities on the 20th of August), and the infrastructure development company AB Lietuvos Geležinkelių Infrastruktūra from now on will be called AB LTG Infra (the name and address of the company were changed on the 26th of August). The name changes had no effect on carrying out of liabilities, activities are continued in full scope.

- **On 07 07 2020** the freight company LTG Cargo started its expansion to the West. The company established a subsidiary LTG Cargo Polska which will develop the activity of freight transport by rail in Poland. This has been done in order to increase the attractiveness of freight transport by rail, strengthen the supply chains of logistics and improve mobility of large cargos between Lithuania and Poland. The expansion to Poland will also allow diversification of the operational risks of LTG Cargo, increase the cargo flow and achieve the objective set out in the strategy – 65-70 million of tons of cargos during a year.

- **On 14 07 2020** the passenger transportation company LTG Link announced about initiation of market consultations regarding renewal of the train fleet. The new rolling stock should ensure convenient journeys for passengers with different needs, and also significantly reduce the footprint of journeys left in the nature. Renewals started from market consultations. It is planned that the value of procurement will exceed EUR 200 million.

- **On 20 07 2020**, to eliminate the negative differences in the statement of financial position due to the reorganization, the authorized capital of LTG Link was reduced by EUR 12,647 thousand by reducing the nominal value per each ordinary registered share from EUR 1,000 to EUR 919.05 with certain amendments made to the Articles of Association of this company.

- **On 20 07 2020**, to eliminate the negative differences in the statement of financial position due to the reorganization, the authorized capital of LTG Cargo was reduced by EUR 16,474 thousand by reducing the nominal value per each ordinary registered share from EUR 289.62 to EUR 210.64 with certain amendments made to the Articles of Association of this company.

- **On 20 07 2020** the Ministry of Transport and Communications of the Republic of Lithuania, 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. The value of the agreement is EUR 1.66 million.

- **On 28 07 2020** LTG Infra and YIT Lietuva signed an agreement based on which, the problematic single-level crossing near Vievis 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.

- **On 30 07 2020** Povilas Držas, the representative of the shareholder, the Ministry of Transport and Communications, resigned from the office of the member of LTG Board and also the member of the Audit Committee and the Nomination and Remuneration Committee.

August

- **On 04 08 2020** the General Shareholders Meeting adopted a decision to liquidate the subsidiary UAB Gelsauga. The liquidation of the subsidiary has taken place since 1 November 2020.

- **On 12 08 2020** the passenger transportation company LTG Link announced the initiated public procurements for acquisition of the integrated management system for planning of resources and operational management. Two days later the freight transportation company LTG Cargo also announced the implementation of the same system.

- **On 31 08 2020** the Ministry of Transport and Communications of the Republic of Lithuania announced the selection to the position of independent Board members of AB Lietuvos Geležinkeliai. The collegial management body of the Company, the Board, consists of 7 members: five independent members and two public servants. The Board of the Company is appointed for a period of 4 years, the beginning of the term of office of new members is the date of appointment, and the end is after 4 years from the date of appointment.

September

- **On 11 09 2020** 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.

- **On 16 09 2020** the Ministry of Transport and Communications of the Republic of Lithuania, implementing the rights and duties of the Company's shareholder, approved the set of the financial statements for 2019, the set of the consolidated financial statements for 2019 and distribution of profit (loss) of AB Lietuvos Geležinkeliai.

- **On 17 09 2020** with the participation of the Prime Ministers of Poland and Lithuania, two important agreements were signed between Lietuvos Geležinkeliai (LTG) and the Polish Railway Company PKP. The first agreement establishes a commitment to connect the capitals of the two countries by comfortable passenger train service, the second one – a commitment of the two companies to start joint activities in rail freight transportation in Lithuania and Poland.

- **On 20 09 2020** the Company presented the review of the impact of the COVID-19 pandemic, which analysed the impact that was made by the global pandemic to the activity of the largest railway group in the Baltics, also what measures were taken in order to protect the group employees and customers and reduce the adverse impact on the economic indicators of the group.

- **On 29 09 2020** the freight transportation company LTG Cargo prepared for transportation of semi-trailers in Lithuania: the first semi-trailer was transported from the Seaport of Klaipėda to Vilnius Intermodal Terminal (VIT). During the trial transportation, the semi-trailer carried from Denmark by a ferry was loaded on a special train platform of LTG Cargo at the Central Klaipėda Terminal (CKT) and transported to VIT. A freight was loaded in the semi-trailer in Vilnius, and it was carried back to the Seaport of Klaipėda.

October

- **On 02 10 2020** 10 02 in Alytus, the CEO of AB Lietuvos Geležinkeliai Mantas Bartuška and the CEO of UAB Alkesta Rimantas signed a contracting works contract for the project "Reconstruction of railway viaduct over Naujoji street in Alytus". Contract value is EUR 1.75 million. At the same time, the CEO of LTG Infra Karolis Sankovski and the Mayor of Alytus City Municipality Nerijus Cesiulis signed an arrangement on cooperation in the implementation of the "Reconstruction of railway viaduct over Naujoji street in Alytus" project.

- **On 20 10 2020** in the Rail Baltica railway section from Kaunas to Palemonas the main works of the project were completed: having built the last European track gauge, the intermodal terminal of Kaunas was directly connected with the European railway network. The section from Kaunas Railway Station to Palemonas is one of the most important in the Rail Baltica project.

November

- **On 01 11 2020** the process of liquidation of the subsidiary Gelsauga began. The purpose of this decision was to refine the activities of companies of LTG Group and give up activities which are not directly related to railways. Previously, this company provided services of physical and technical security, management and cleaning of buildings to the Group companies. Seeking for more efficiency in 2018 it was decided to purchase these services on the market. At that time, contracts of the tender for maintenance and cleaning of buildings were awarded to companies specializing in this activity, and the contract of the tender for security of buildings was awarded to Gelsauga who made the best bidding. According to calculations, acquisition of services by tender allows saving of about EUR 3 million every year.

- **On 04 11 2020** the Company's subsidiary LTG Cargo established a subsidiary UAB LTG Wagons to which the lease activity of wagons, used for freight transport, will be transferred from LTG Cargo. This has been done in order to strengthen competitiveness of LTG Cargo, diversify services and generate higher returns on assets, and offer customers a transparent pricing by separating the services of transportation and wagon lease.

- **On 18 11 2020** the EU General Court reduced the fine for removal of Rengė rail track by EUR 7.8 million. The decision of the EC, whereby it was established that AB Lietuvos Geležinkeliai had abused the dominant position by removal of Rengė rail track, was left to stand by the court; however, the fine imposed on the Company for the breach was reduced from EUR 27.9 million to EUR 20.1 million.

- **On 19 11 2020** AB Lietuvos Geležinkeliai, which initiated the project Vilnius Connect, related to rearrangement of the territory of Vilnius Railway Station, announced of its plans to renew the building of the railway station and establish a new mobility centre. It is expected that the renewed building of the railway station will become the axis of this centre, and it is planned to build a new connection over the railway track, joining Naujininkai with the Old Town, and it will become a convenient connection for passengers to get access to trains.

- **On 24 11 2020** the quarterly meeting of LTG Group with organizations of people with disabilities and the Ministry of Transport and Communications of the Republic of Lithuania took place, the purpose whereof is to share the interim results of the project "Adaptation of railway services according to the principles of universal design" and discuss the further plans of the project, receive feedback. During the meeting, the progress of implementation of the project, the statuses of operation of companies LTG Link and LTG Infra and the next works related to the project were discussed.

- **On 24 11 2020** LTG Infra 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. Unloading and loading of equipment to trains will be convenient on these sites. Two sites are planned to be built close to the European-gauge railway line Polish and the Latvian border-Kaunas, close to Kazlų Rūda and Kaunas Intermodal Terminal in Palemonas.

- **On 27 11 2020** in response to requests of passengers and the urban self-government, LTG Link announced the railway station platforms as a non-smoking zone. A separate area for smoking was opened next to Vilnius Railway Station.

December

- **On 07 12 2020** the European Innovation and Networks Executive Agency (INEA) and the joint Baltic States company RB Rail AS, which coordinates the implementation of the Rail Baltica project, concluded two agreements on the EU funding, under which the amount of EUR 214.3 million, whereof EUR 182.1 million is allocated by the EU, is allocated for further development of the project in Lithuania, Latvia and Estonia. The activities in Lithuania under this package of agreements will amount to EUR 34.5 million, EUR 29.3 million whereof will be allocated from the EU funds. In Lithuania these funds will be used for planning of territories for the supplementing railway tracks of Rail Baltica and construction of the railway from Kaunas towards Jonava.

- **On 09 12 2020** the subsidiary of the Company LTG Cargo established a subsidiary in Ukraine, LTG Cargo Ukraine, which will be engaged in provision of lease of rolling stock, forwarding and other services of logistics in Ukraine.

- **On 10 12 2020** the subsidiary of the Group UAB Vilniaus Lokomotyvų Remonto Depas announced large-scale public procurements for acquisition of spare parts, special tools and services necessary for repair of rolling stock. These procurements are already in process in the central public procurement system.

- **On 10 12 2020** the partners in Latvia and Estonia of Rail Baltica, the largest project of railway infrastructure in the history of the Baltic States, made a decision and appointed the managers of the European railway gauge in their countries. SIA Eiropas Dzelzcela linijas and OU Rail Baltic Estonia will be responsible for the infrastructure of Rail Baltic in Latvia and Estonia, respectively.
- **On 15 12 2020** the Board of a new term of office started its work, which consisted of 7 members whereof 5 were independent: Gediminas Vyšniauskas, Valdas Tekorius, Vygantas Sliesoraitis, Arijandas Šliupas and Mats Bo Knut Hanson, and also 2 representatives of the shareholder: Virgilijus Poderys and Henryk Surovič. On 15 December 2020 the newly appointed Board was removed, and the following were elected for a period no longer than 4 months: Romas Švedas, Monika Rimkūnaitė-Bložė, Alditas Saulius, Mats Hanson and Rolandas Zukas.
- **On 23 12 2020** the authorized capital of the subsidiary UAB Geležinkelio Tiesimo Centras was reduced by EUR 888 thousand, by reducing the nominal value of each ordinary registered share from EUR 289.62 to EUR 281.53, and also the Articles of Association of the company were amended.
- **On 29 12 2020** LTG Link announced the first stage of public procurements – the requirements for suppliers' qualification were presented to the market. The ambitious plan of the company is to acquire the most environmentally friendly electric trains, which could run on non-electrified sections powered by batteries.

Events after the end of the reporting period

- **On 19 01 2021** LTG Board approved the merger of the Group company UAB Vilniaus Lokomotyvų Remonto Depas to AB LTG Cargo. This has been done in order to concentrate competences of two activities, strengthen the activity of the freight carrier of strategic importance and create bigger value to LTG Group.
- **On 22 02 2021** Belarus and Russia signed an arrangement regarding the export of Belarussian oil products through the ports of Russia at the Gulf of Finland bypassing the Klaipėda port, which was used before. Loading volumes in 2021-2023 amount to 10 million tons approximately.
- **On 04 03 2021** Vilnius City Municipality together with AB Lietuvos Geležinkeliai announced an international architecture tender for the renewal of the Vilnius Railway Station territory.

Information on impact of coronavirus (COVID-19) on the group of companies

In 2020, many sectors of the country were affected by the global coronavirus (COVID-19) pandemic. This had an effect on the activities and results of the LTG Group companies. The Group company UAB LTG Link, which carries out the activities of passenger transportation, was mostly affected by the pandemic. As of the middle of March 2020, after the announcement of quarantine, passenger transportation on international routes was stopped, during the quarantine (March to June of 2020 and November 2020 to December 2021) the majority of local train routes were cancelled, leading to the drop in the number of total passengers in 2020 by 39.5% if compared to 2019. The company's activities were uninterrupted; however, the need for state support increased.

In the middle of 2020, activity plans of Group companies were revised, updated activity forecasts prepared assessing the impact of COVID-19 on the activities and planned results. Cost optimisation plans were prepared at the Group companies and the Company, which were submitted to the boards of the companies, their implementation was monitored and quick response to the unfolding situation was ensured. Also, payment control was tightened, additional borrowing possibilities between the Group companies were assessed, the Group cooperated with the Ministry of Transport and Communications regarding the allocation of an additional subsidy to compensate for the losses of passenger transportation activities, other measures were applied to manage liquidity and credit risks.

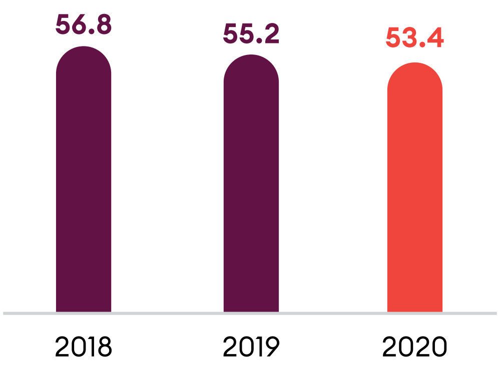
The tests of recoverable amount of non-current assets were prepared at the company carrying out the passenger transportation business UAB LTG Link and contract Group companies VLRD and GTC. No impairment indications were identified. According to the Company's Management, the negative circumstances related to the virus do not raise doubts about the business continuity of the Group companies and do not change the Group's long-term business plans and goals.

Overview of the Group's KPIs

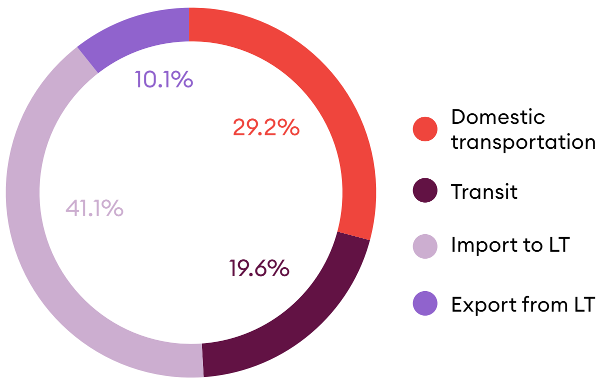
Transportation volumes		2018	2019	2020	2020/2019 Δ, %
Freight turnover	**in billion tons km**	**16.9**	**16.2**	**15.9**	**(2.0%)**
Average distance travelled per ton	**km**	**297.4**	**293.1**	**296.9**	**1.3%**
Freight carried	**in million tons**	**56.8**	**55.2**	**53.4**	**(3.2%)**
Freight transportation segments					
Domestic transportation	in million tons	15.1	15.7	15.6	(0.3%)
International transportation	in million tons	41.7	39.5	37.8	(4.4%)
Transit	in million tons	13.5	11.6	10.5	(9.7%)
Export from Lithuania	in million tons	4.5	5.0	5.4	7.7%
Import to Lithuania	in million tons	23.7	22.9	21.9	(4.3%)
Passenger turnover	**In million passenger km**	**468.1**	**479.4**	**260.0**	**(45.8%)**
Average distance travelled by passenger	**km**	**90.6**	**86.9**	**77.9**	**(10.4%)**
Passengers carried	**in millions of pass.**	**5.2**	**5.5**	**3.34**	**(39.5%)**
Domestic	in millions of pass.	4.3	4.5	3.17	(30.5%)
International	in millions of pass.	0.9	1.0	0.17	(82.5%)
Train operational volume	**bn tkm gross gross**	**33.5**	**32.5**	**32.6**	**0.3%**

Freight transportation by rail

Freight volumes (million tons)



Freight transportation segments in 2020, %



With effect from 1 May 2019, the activities of freight transport have been carried out by the Group company AB LTG Cargo.

In 2020 the freight flow amounted to 53.4 million tons and was 3.2% lower than during 2019. The decline in traffic volumes was driven by the decreased trade volumes, falling commodity prices in international markets and coronavirus (COVID-19) pandemic.

Railway transportation was dominated by the transportation of "heavy" loads – chemical and mineral fertilizers, oil and its products. These types of loads account for more than half of the total volume of freight transported by rail.

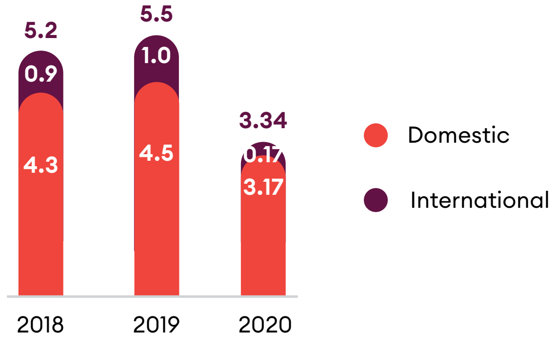
International transportation that represented 70.8% in the total freight transported recorded a 4.4% fall compared with 2019 and amounted to 37.8 million tons. During the reporting period, the transit cargo flow through the territory of the Republic of Lithuania decreased by 9.7%. The decrease in transit volumes was mainly determined by the reduced flow of coal and food products in the direction of the Kaliningrad region.

Meanwhile in 2020, the volume of incoming and outgoing cargo via Klaipėda port increased by 3.8%. During the analysed period the volume of Belarusian cargo, mainly chemical and mineral fertilizers and also oil products, transported through Klaipėda Seaport was bigger by almost one tenth. At the beginning of the year, transportation of crude oil carried to the Seaport of Klaipėda by tankers and intended for refinery plants in Belarus started. Although volumes of the Belarusian freight did not decrease during 2020, the level of geopolitical changes, caused by events in Belarus, has been extremely high recently. The flow of Russian freight transported through the port during 2020 went down by almost 24%, especially that of ferrous metals and crude oil and its products.

The volumes of domestic freight transportation, which accounted for 29.2% of the total volumes of freight transportation, slightly decreased during 2020, i.e. by 0.3%, and comprised 15.6 million tons. The decrease was caused by a decrease in oil transportation during the analysed period which was due to the complicated situation in the crude oil market. The decline was partially compensated by increased transportation of food products, especially local grain for export and construction materials.

Following the disruption of logistics chains during the global COVID-19 pandemic, in 2020 the flow of Chinese freight to Lithuania significantly increased. In 2020, the volume of Chinese freight was 51.6 thousand TEU (unit of measure, twenty-foot equivalent unit) and it was almost 5 times bigger if compared to 2019. The leap in Chinese cargo was due to reduced air and sea transport capacity, longer cargo delivery time and higher transportation costs. As a result, most businesses had to reorient their logistics and transport more freight by rail.

Paasenger transportation volumes (million of pass.)



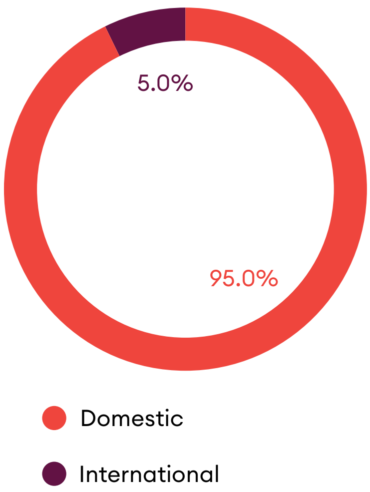
Passenger transportation by rail

With effect from 1 September 2019, the activities of passenger transportation have been carried out by the Group company AB LTG Link.

In 2020 the number of railway passengers decreased by 39.5% compared with 2019. There were fewer passengers on both domestic and international routes.

A significant decrease in the flow of travellers by train was due to the global COVID-19 pandemic, when in March-June and November-December 2020 the quarantine conditions were in force in Lithuania and as a result the majority of journeys of passenger trains was cancelled, and also the number of passengers on trains was restricted.

Passenger market segments in 2020, %

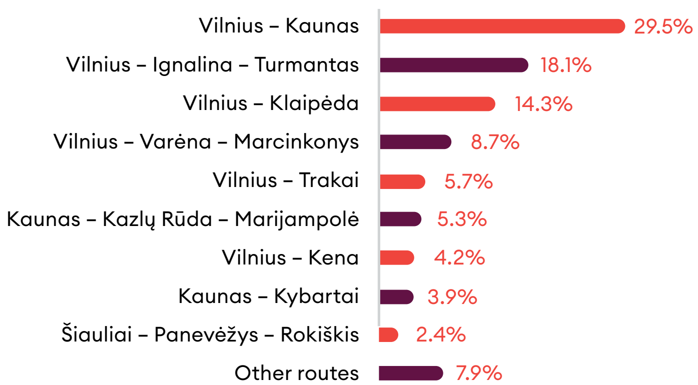


Transportation on domestic routes

in 2020 decreased by 30.5% and amounted to 3.2 million passengers. Due to coronavirus (COVID-19) pandemic, in March-April 2020 temporarily almost a half (106 out of 226) of domestic train journeys was suspended, which started to reopen gradually as late as only from the middle of May 2020. From 9 November, due to the second wave of coronavirus (COVID-19), 25 domestic train journeys were optimized, the frequency was changed for another 14. At the end of 2020, 103 out of 226 journeys of domestic trains were not reopened yet.

The route Vilnius-Kaunas (accounting for 29.5% of all domestic transportation) remains among the most popular routes. During 2020, 0.9 million passengers took this route. Due to the pandemic, the amount of travellers on this route decreased by 26.0% if compared to 2019.

Structure of domestic transportation in 2020, %



Transportation on international routes

in 2020 amounted to 0.2 million passengers. The number of passengers in this segment, as compared to 2019, decreased by 82.5%. By transit trains passengers are taken from and to Kaliningrad to Russia. The trains formed by the Company and other countries passengers provide passengers with a possibility to take international routes Vilnius-Minsk, Vilnius-Daugavpils, Kaunas-Bialystok, Kiev-Minsk-Vilnius-Riga. Due to the pandemic of coronavirus (COVID-19), from 16 March 2020, the traffic of international trains was suspended, whereas from 6 April the traffic of transit trains was suspended. At the end of 2020, only 6 out of 32 international transit journeys were resumed.

As all the international transportation was suspended due to coronavirus (COVID-19) pandemic, the structure of passenger transportation changed significantly as well: during 2020, 95.0% of travellers by rail and 5.0% of travellers of international routes were transported, whereas in 2019 the comparative share accounted for 81.8% and 18.2%, respectively.

Services of the Public Railway Infrastructure Manager

Total length of the railway

3,459.9 km

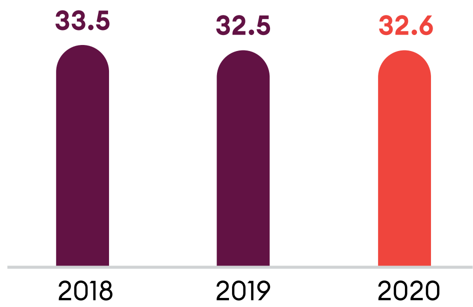
Of which electrified tracks

317.5

Stations

105

Train operational volume (Bn tkm gross gross)



AB LTG Infra started operating on 8 December 2019. The main activities cover management, use and disposal of the railway infrastructure and performance of the functions of the public infrastructure manager.

The functions of the public railway infrastructure manager are set out in the Railway Transport Code of the Republic of Lithuania and other legal acts regulating railway transport activities.

In performing the functions of the public railway infrastructure manager, LTG Infra provides the services within the minimum access package applied for the public railway infrastructure, the services of access to rail service facilities and services provided in rail service facilities, commercial services.

The public railway infrastructure network is used by railway undertakings (carriers) carrying passengers, luggage and goods, as well as repair undertakings. Railway undertakings (carriers) is charged for the minimum access package that is necessary for railway undertakings (carriers) if they provide the services of passenger, luggage and/or freight transport on domestic and/or cross-border routes. This charge is 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), which were applied in 2020. On 8 December 2019, after the requirements of the Railway Transport Code of the Republic of Lithuania came into effect, the manager of public railway infrastructure calculated the charges for the minimum access package for the 2021-2022 working timetable trains. 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). The tariff rates for charges for the minimum access package are publicly available at https://ltginfra.lt/viesosios-paslaugos.

LTG Infra also carries out the activities of an operator of railway service facilities, i.e. manages, uses and disposes of state-owned railway service facilities by the right of trust. The tariff rates of charge for the use of railway service facilities managed by the public railway infrastructure manager, railway tracks available in them and the basic rail-related services supplied in those facilities shall be set by LTG Infra in observance of the Railway Transport Code of the Republic of Lithuania. The list of access to railway service facilities and services supplied in those facilities is published on the website https://ltginfra.lt/gelezinkeliu-paslaugu-irenginiai1.

The activities carried out by LTG Infra are regulated by the railway transport market regulator whose functions, since the start of 2017, have been performed by the Communications Regulatory Authority of the Republic of Lithuania.

LTG Infra holds and maintains the assets with the value of EUR 1.6 billion.

The company implements high-value investment projects, some of which are recognized as economic projects of national significance. The implementation of the Rail Baltica project is moving forward, the project on electrification of the transport Corridor IX B is launched, the projects on doubling lines of the transport Corridor IX B are underway, as well as the installation of noise reduction panels, etc.

Traffic safety, efficiency and capacity building are the key priorities in the activities of the railway infrastructure manager.

Analysis of financial and operational performance

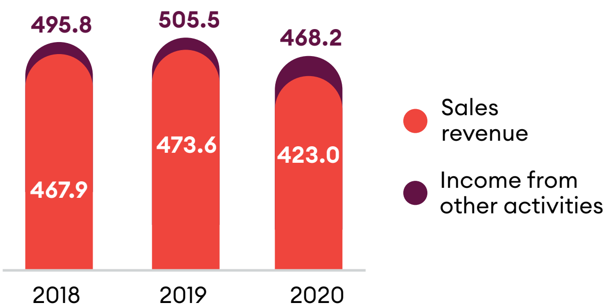
Group performance results

Group income

In 2020, the total income of the Group amounted to EUR 468.2 million, and compared to the total income of 2019, it was lower by EUR 37.3 million or 7.4%. Freight transportation operations represent a major share of income generated by the Group, i.e. 82.4%.

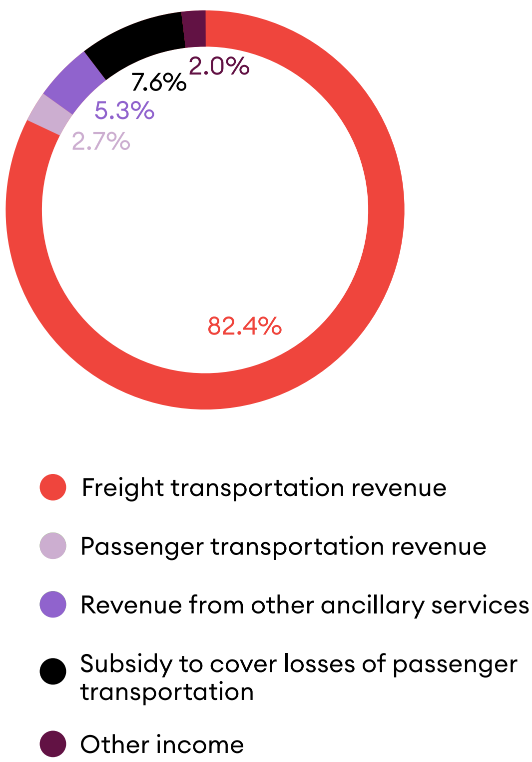
- **Group sales revenue** amounted to EUR 423.0 million, i.e. it was less by EUR 50.6 million, or 10.7% than in 2019:
  - **The freight transportation revenue**, compared to 2019, decreased by EUR 31.0 million or 7.4% and amounted to EUR 385.6 million. The changes in revenue were driven by the fall in volumes of freight transport due to the slow-down in sales volumes, drop in the markets of raw materials and the global coronavirus (COVID-19) pandemic.
  - **The passenger transportation revenue** in 2020 decreased by EUR 15.8 million or 55.8% and amounted to EUR 12.6 million. The revenue from passenger transportation activities accounted for 2.7% of generated income in the Group income structure. The changes were driven by a significant drop in passenger traffic due to the COVID-19 pandemic. From the middle of March the traffic of international trains was suspended, during the quarantine (in March-June and November-December of 2020) the major part of domestic trains was cancelled.
  - The Group also provides **other ancillary services**, including maintenance and repair of rolling-stock, the public railway infrastructure facilities, property lease, sale of scrap metal, and other services. The revenue generated from this group of services accounted for 5.3% of the total income structure and decreased by EUR 3.8 million or 13.2% down to EUR 24.8 million during the reporting period. The volumes of and income from sales of scrap metal decreased most significantly.

Group income, EUR million

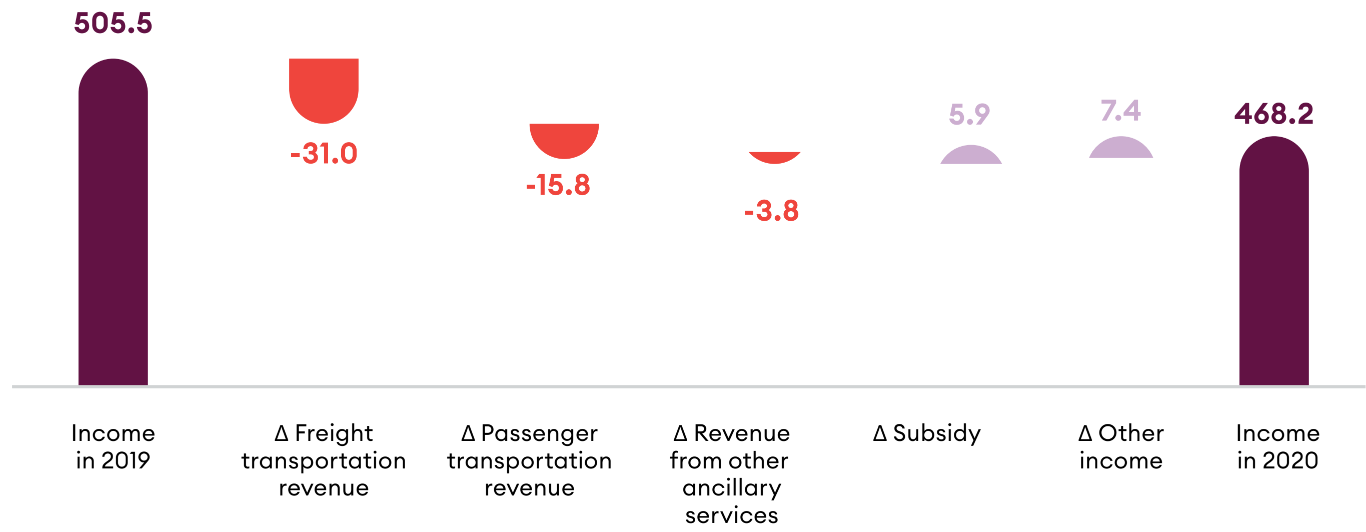


- **The Group's income from other activities** made EUR 45.2 million, i.e. it was bigger by EUR 13.3 million or 41.6% as compared to 2019:
  - A major share of this income, i.e. 79.6%, comprised state grants intended for compensation of losses due to passenger transportation on domestic routes. In 2020, to subsidize public passenger transportation activities EUR 36.0 million was allocated (in 2019: EUR 30.1 million). The larger grant resulted from incurred losses of provision of public passenger transport services which were higher than expected due to COVID-19;
  - The remaining income of the Group amounted to EUR 9.2 million (in 2019: EUR 1.8 million). The revenue increased after the EU General Court reduced and refunded a part of the fine amounting to EUR 7.8 million for the dismantling of Rengė section.

Group income structure in 2020, %



Change in Group's income, EUR million



Group costs

In 2020, the Group's costs related to operating and other activities amounted to EUR 421.8 million. If compared to 2019, the costs decreased by EUR 9.0 million or EUR 2.1%. The larger part of the Group's costs comprises personnel expenses (41.1%), depreciation (26.4%) and energy resources (13.2%).

- **In 2020, expenses of employee benefits** amounted to EUR 173.6 million and, if compared to 2019, decreased by EUR 3.0 million or 1.7%. If compared to 2019, the number of the Group's employees decreased by 2.1%; however, the annual salary review led to an increase in average remuneration at Group companies (see Chapter Employees of the Report) and remuneration fund did not change significantly. As more investment projects were implemented using Group's internal resources, a higher amount of remuneration was attributed to the value of non-current assets.

- **In 2020, depreciation expenses** amounted to EUR 111.3 million and, if compared to 2019, decreased by EUR 7.1 million or 6.0% reflecting the investment volumes for the renewal of assets made in the previous periods. The larger part of the Group's investment projects are long-term, their implementation period before the assets are put into operation exceeds one year.

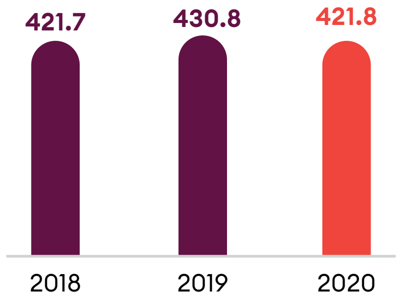
- **In 2020, expenses for energy resources** (fuel, electricity) amounted to EUR 55.7 million and, if compared to 2019, decreased by 10.4 million or 15.7%. The changes resulted from COVID-19 pandemic, which led to a significant decrease in the operational volumes of passenger trains and to the decrease in freight transportation as well as a drop in diesel price if compared to 2019.

- **In 2020, expenses of materials, repair and technical maintenance** amounted to EUR 38.8 million and, if compared to 2019, increased by EUR 8.8 million or 29.5%. Lower loads of railway network allowed for more active repair and modernization works hiring external contractors.

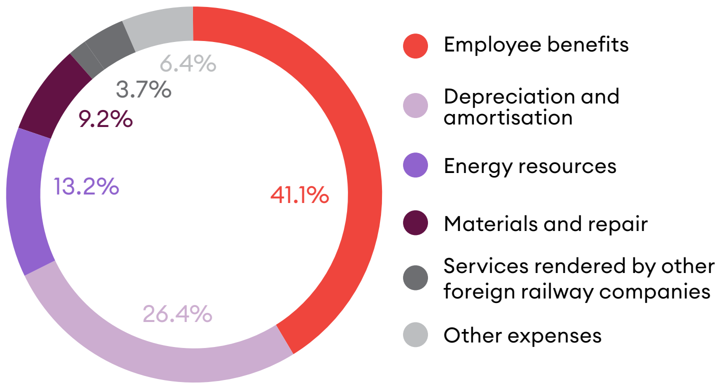
- **In 2020, expenses for services rendered by other foreign railway companies** amounted to EUR 15.6 million and, if compared to 2019, decreased by EUR 0.6 million or 3.9%. As the passenger transportation by international routes was stopped in March 2020, operational volumes of locomotives at border sections decreased.

- **In 2020, other expenses** amounted to EUR 26.8 million and, if compared to 2019, increased by EUR 3.3 million or 14.0%. More expenses were incurred for insurance services (all employees were insured by COVID-19 insurance), for acquisition of personal protective and other safety measures.

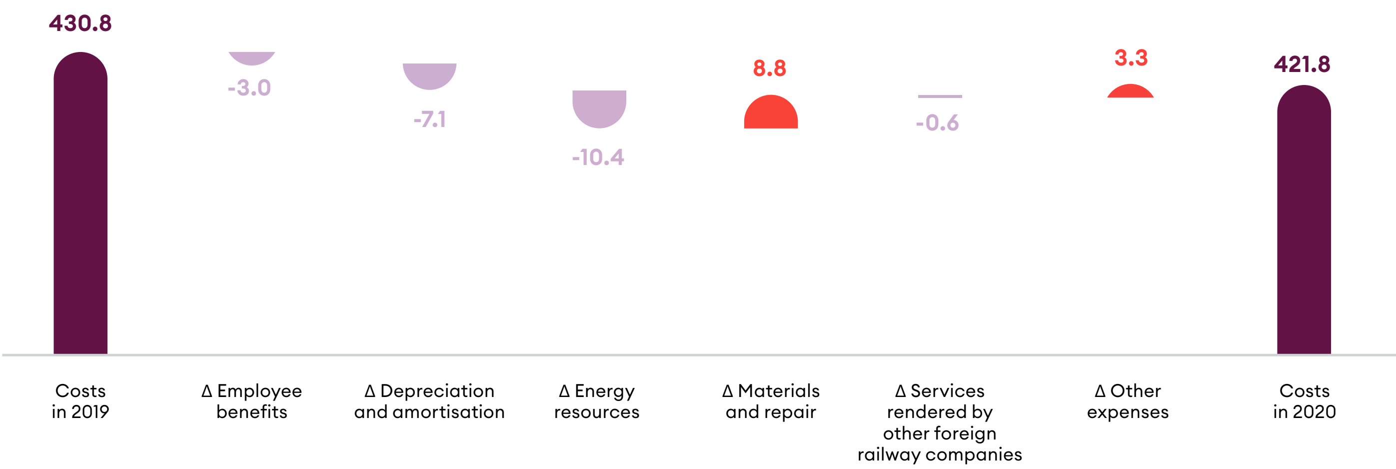
Group costs, EUR million



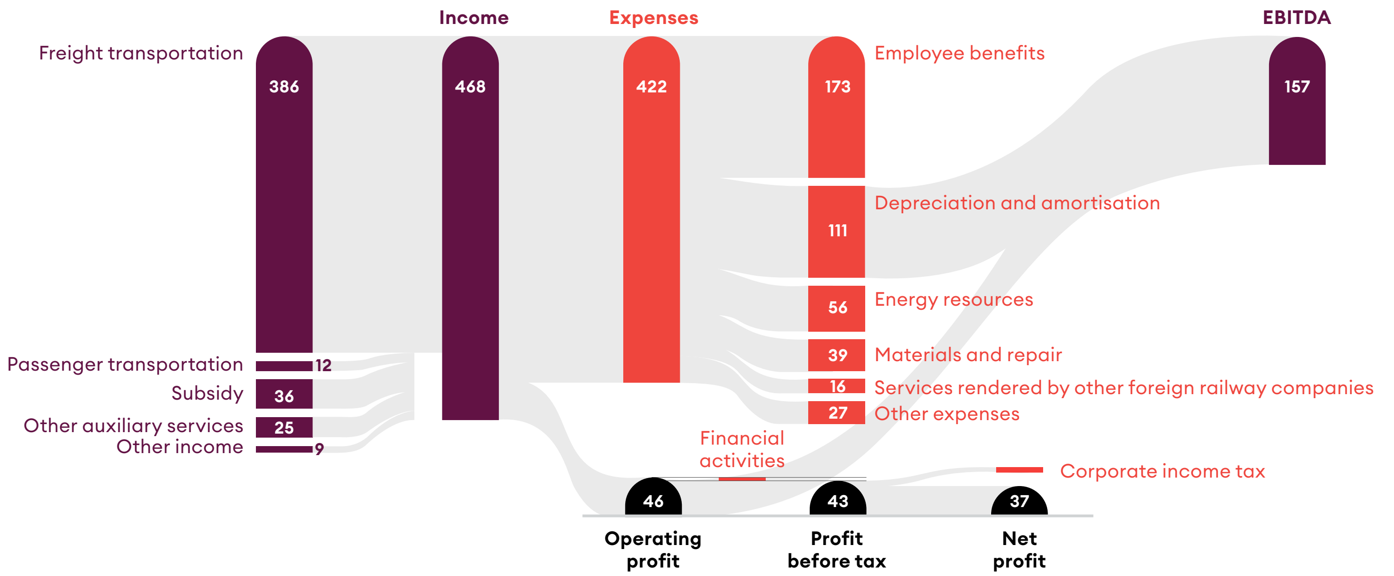
Group costs structure in 2020, %



Change in the Group's costs, EUR million

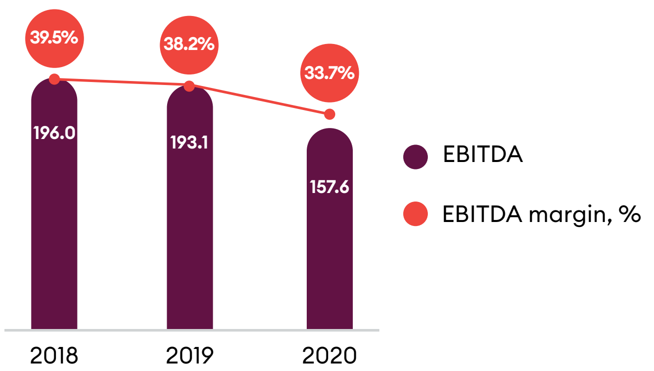


Group performance results

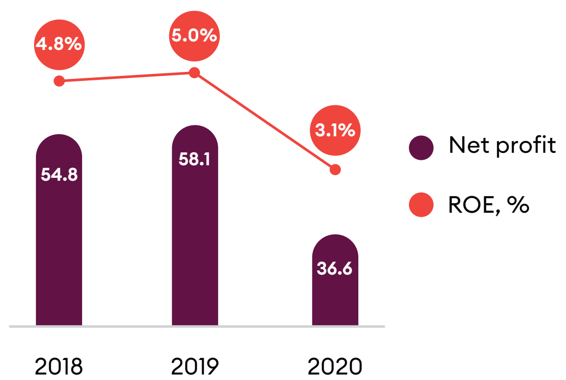


In 2020 the Group's EBITDA, if compared to 2019, decreased by 18.4% and amounted to EUR 157.6 million, net profit decreased by 37.1% to EUR 36.6 million. Worsened Group's results resulted from the reduction of the Group's revenue by 7.4% which resulted from lower transportation volumes and economic consequences of COVID-19 pandemic. However, the Group's costs decreased more slowly that revenue, i.e. the 2.1% Group's concentrated assets and their maintenance lead to a quite significant portion of regular costs.

Group EBITDA, EUR million



Group net profit, EUR million



Changes in the Statement of Financial position

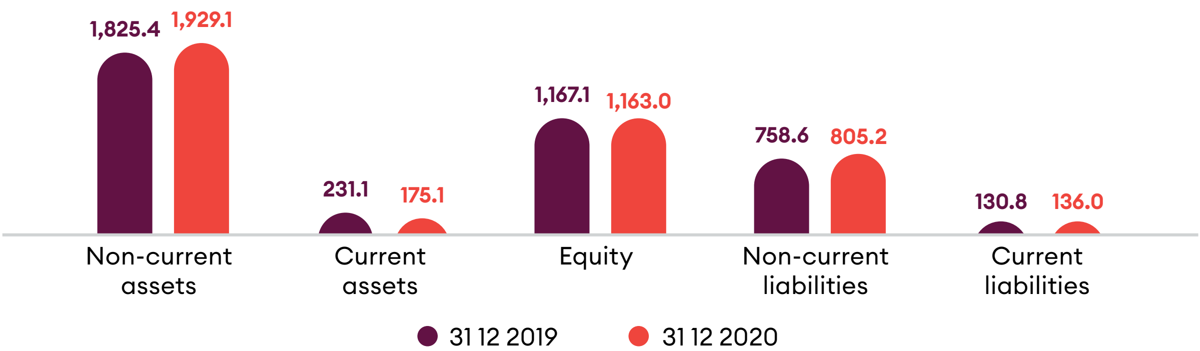
As at 31 12 2020, the Group's assets comprised EUR 2,104.2 million and, compared to 31 12 2019, increased by 2.3%. Non-current assets, which accounted for 91.7% of total asset structure, increased by 5.7% up to EUR 1,929.1 million. The growth resulted from large-scale investments into the renewal and modernization of non-current assets made during the reporting period. The largest increase (31.1%) was seen in construction in progress and prepayments due to the investment projects implemented by LTG Infra and advance payment made implementing the electrification project of Corridor IX B.

As at 31 12 2020, current assets amounted to EUR 175.1 million and, if compared to 31 12 2019, decreased by 24.2% As at 31 December 2020, the cash balance of the Group companies amounted to EUR 69.5 million, i.e. 33.9% less if compared to 31 December 2019. Changes in cash item resulted from significant advance payments made to contractors during the reporting period while implementing investment projects (electrification project, etc.), payments of dividends to the shareholder (EUR 38.0 million) and the loan taken by LTG Infra from the Nordic Investment Bank (EUR 50 million).

During the reporting period, the authorised share capital remained unchanged and amounted to EUR 1,059.3 million. There was a slight decrease in equity – by 0.4%, which amounted to EUR 1,163.0 million as at 31 December 2020. The changes reflect the decrease in the Group's result for the reporting period.

During the period, financial debt (including financial/operating leases) increased by 12.0% and amounted to EUR 207.3 million. The increase in financial debt resulted from the loan issued by the Nordic Investment Bank, repayments of current loans and increase in lease liabilities.

Changes in the main items of the statement of financial position, EUR million



Main financial indicators*

		Group			Company**		
		2018	2019	2020	2018	2019	2020
Revenue	million EUR	467.9	473.6	423.0	462.5	357.9	95.0
Other income	million EUR	27.9	31.9	45.2	30.5	20.7	(0.1)
Total income	million EUR	495.8	505.5	468.2	493.0	378.6	94.9
Costs	million EUR	421.7	430.8	421.8	421.7	329.3	103.4
EBITDA	million EUR	196.0	193.1	157.6	190.6	134.0	0.6
Adjusted EBITDA	million EUR	202.3	195.1	158.2	-	-	-
EBITDA margin	%	39.5%	38.2%	33.7%	38.7%	35.4%	0.7%
Adjusted EBITDA margin	%	40.8%	38.6%	33.8%	-	-	-
EBIT	million EUR	74.1	74.7	46.3	71.3	49.3	(8.5)
EBIT margin	%	14.9%	14.8%	9.9%	14.5%	13.0%	(9.0%)
Net profit	million EUR	54.8	58.1	36.6	53.5	39.3	17.3
Net profit margin	%	11.1%	11.5%	7.8%	10.9%	10.4%	18.2%
		31 12 2018	31 12 2019	31 12 2020	31 12 2018	31 12 2019	31 12 2020
Non-current assets	million EUR	1,846.9	1,825.4	1,929.1	1,881.2	1,108.3	1,086.1
Current assets	million EUR	178.8	231.1	175.1	136.4	110.7	79.1
Total assets	million EUR	2,025.7	2,056.5	2,104.2	2,017.6	1,219.0	1,165.2
Equity	million EUR	1,151.4	1,167.1	1,163.0	1,138.5	1,135.5	1,114.8
Financial debt	million EUR	211.8	185.1	207.3	211.7	39.2	8.4
Net debt	million EUR	119.0	79.9	137.8	156.9	(11.3)	(12.2)
Return on equity (ROE)	%	4.8%	5.0%	3.1%	4.7%	3.5%	1.5%
Return on assets (ROA)	%	2.7%	2.8%	1.8%	2.6%	2.4%	1.5%
Return on investment (ROI)	%	2.9%	3.0%	1.9%	2.8%	2.6%	1.5%
Financial debt / EBITDA	times	1.1	1.0	1.3	1.1	0.3	13.3
Financial debt / Equity (D/E)	times	0.2	0.2	0.2	0.2	0.0	0.0
Net debt / EBITDA	times	0.6	0.4	0.9	0.8	(0.1)	(19.2)
Net debt / Adjusted EBITDA	times	0.6	0.4	0.9	-	-	-
Debt servicing ratio	times	3.0	5.3	4.3	-	-	-
Equity ratio	%	56.8%	56.8%	55.3%	56.4%	93.2%	95.7%
Asset turnover rate	times	0.2	0.2	0.2	0.2	0.3	0.1
Quick liquidity ratio	times	1.1	1.5	1.1	0.8	1.9	1.7
Total liquidity rate	times	1.5	1.8	1.3	1.1	2.0	1.9

* For definitions of the indicators, see page 85 of the Report;

** The comparability of the Company's financial indicators of 2020 to those of the previous periods is highly affected by the strategic restructuring of the LTG Corporate Group in 2019, when cargo transportation, passenger transportation and railway infrastructure activities were transferred to newly established subsidiaries.

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 (link).

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.

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 conditions and circumstances set in the Dividend Policy.

Dividend payment ratio calculated on the Company's retained earnings depends on the Return on Equity (ROE) ratio at the end of the reporting period.

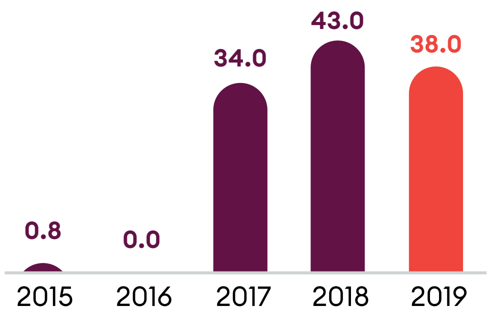
The Board of the Company may propose a higher share of profit to be distributed for dividends taking into account the implementation of financial plans, significant financial ratios (net profit, EBITDA, financial debt to EBITDA ratio, financial debt to equity ratio) at the end of the reporting period, 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 Company is insolvent or would become such after the payment of dividends.

Company's ROE (%)	Portion of profit for distribution allocated to dividends (%)
<=1	>=85
>1 ir <=3	>=80
>3 ir <=5	>=75
>5 ir <=10	>=70
>10 ir <=15	>=65
>15	>=60

LTG allocated dividends, EUR million



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 (link).

In 2020, AB Lietuvos Geležinkeliai paid EUR 38.0 million of dividends from the profit for distribution of 2019.

Dividends from the profit for distribution for 2019 as allocated by the parent company to UAB Vilniaus Lokomotyvų Remonto Depas amounted to EUR 7.7 million, AB LTG Infra – EUR 17.3 million, and those allocated by the associated company UAB voestalpine Railway Systems Lietuva – to EUR 0.2 million.

Group funding

As at 31 December 2020, the loan portfolio of the LTG Group to credit institutions amounted to EUR 201.9 million (31 12 2019: EUR 181.9 million). Long-term loans are used to finance the acquisition of rolling-stock and investment projects related to public railway infrastructure, the largest being the electrification of Corridor IX B.

As at 31 December 2020 the weighted interest rate of the Group's loan portfolio was 1.3%. The longest debt repayment period reached 12 years, and the last deadline for the repayment is year 2032.

On 8 December 2019 all loans concluded between the Company and the Nordic Investment Bank for EUR 144.4 million were transferred to AB LTG Infra by re-signing loan agreements. On 30 June 2020, all of the Company's loans from the European Investment Bank amounting to EUR 29.6 million were transferred to AB LTG Cargo.

On 30 June 2020, after the restructuring of the Company's long-term loans was complete, a guarantee agreement with the European Investment Bank (EIB) and the Nordic Investment Bank (NIB) came into effect, based on which the Company guarantees for the obligations of AB LTG Cargo and AB LTG Infra to EIB and NIB.

On 1 July 2020, the Company (as a guarantor) together with AB LTG Infra and the Nordic Investment Bank signed a Binding Offer, which is an integral part of the Amended and Restated loan agreement signed on 31 December 2019 between AB LTG Infra and the Nordic Investment Bank. Based on this agreement, the interest rate of LTG Infra was fixed for 2 years on the loan of EUR 50.0 million, which was granted on 3 July 2020.

During 2020, the LTG Group repaid EUR 29.8 million of loans and paid EUR 2.8 million of interest.

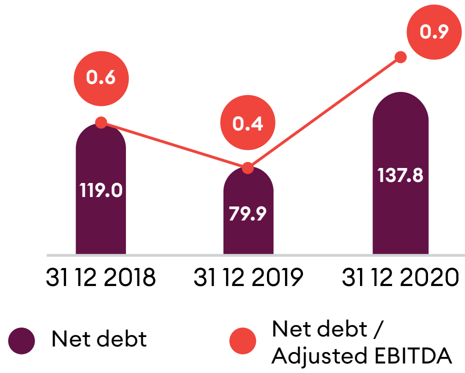
As at 31 December 2020, the Group's net debt amounted to EUR 137.8 million. Compared to 31 December 2019, the ratio increased by 72.4% or EUR 57.9 million. The net debt mainly increased due to the decrease in cash funds after the payment of advance payments during the implementation of the electrification project of Corridor IX B and due to payment of dividends to shareholder.

The ratio of the Group's net debt and adjusted EBITDA of the last 12 months increased from 0.4 as at 31 December 2019 to 0.9 as at 31 December 2020.

As at 31 December 2020, the Group's financial debt to equity (D/E) ratio amounted to 0.2. The debt level of the Group remains low in terms of both the profits earned and the capital structure.

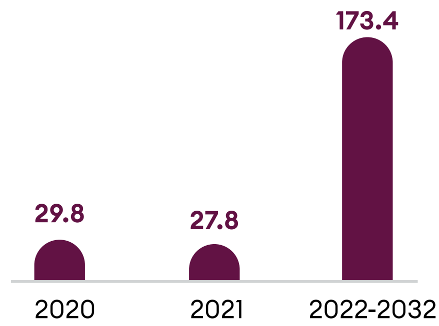
Compared to 31 December 2019, the Group's total liquidity ratio decreased from 1.8 to 1.3.

Group's net debt, EUR million



Ratios observed by the Group's institutional creditors	Measure-ment	2020	Established value
Net debt / Adjusted EBITDA	times	0.9	< 4.0
Equity ratio	%	55.3	≥ 35%
Debt servicing ratio	times	4.3	> 2

Repayment of the Group's loans, EUR million



LTG Group, seeking to ensure financing efficiency and to manage liquidity risk, has ensured the possibility to borrow from each other through cash-pool. The Group has entered into one Group's cash-pool agreement with a commercial bank and, accordingly, all LTG group companies have concluded borrowing arrangements. The signed arrangements between Group companies are effective until 31 December 2021. The arrangement conditions comply with usual market conditions,

The Group seeks to use own free funds; therefore, the priority is given to the use of funds from cash-pool.

Special obligations

Special obligations are 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.

Special obligations of LTG Corporate Group:

1. Public rail passenger services.
2. Maintenance, modernization and development of public railway infrastructure and provision of services forming the minimum access package.

The purposes of the special obligations:

- To ensure public passenger transportation by rail services and/or public combined passenger transportation on local routes;
- To maintain, modernize and expand the public railway infrastructure by implementing the projects provided for in the state investment program and ensuring the use of European Union funds and to provide services constituting the minimum access package to railway undertakings (carriers) on non-discriminatory terms.

1. Public rail passenger services

The function is performed in accordance with the annual public service agreement concluded between the Ministry of Transport and Communications of the Republic of Lithuania and AB Lietuvos Geležinkeliai (i.e., for the use of the State budget funds allocated for the LTG programme "Ensuring communication by rail"), the object of which is, among other obligations, the performance of public service obligations. State budget appropriations are allocated for the implementation of the special obligation.

Legislation entrusting SOEs with this special obligation: Article12 of the Railway Transport Code of the Republic of Lithuania.

Legislation establishing the conditions for the performance of this special obligation: Article 12 of the Railway Transport Code of the Republic of Lithuania, Regulation (EC) No 1370/2007 of the European Parliament and of the Council of 23 October 2007 on public passenger transport services by rail and by road and repealing Council Regulations (EEC) Nos 1191/69 and 1107/70, as last amended by Regulation (EU) 2016/2338 of the European Parliament and of the Council of 14 December 2016 amending Regulation (EC) No 1370/2007 concerning the opening of the market for domestic passenger transport services by rail, as well as the Resolution No 716 of 7 June 2010 of the Government of the Republic of Lithuania "Regarding the Approval of the Description of the Procedure for Compensation for Losses incurred in the Execution of Public Service Obligations" and Resolution No 1036 of 19 August 2004 of the Government of the Republic of Lithuania "Regarding the Amendment of the Granting of Obligations".

Legislation regulating pricing: Article 34 Part 1 of the Railway Transport Code of the Republic of Lithuania.

Indicators of implementation of special obligations harmonised with the manager of appropriations (Ministry of Transport and Communication of the Republic of Lithuania)	Measurement units	2020	To be achieved in 2021
The number of passengers carried on local routes	million	3.2	3.3
The number of passengers carried on local routes on preferential conditions	million	0.8	0.9

2. Maintenance, modernization and development of public railway infrastructure and provision of services forming the minimum access package

Legislation entrusting SOEs with the following special obligation:

- Provision of minimum access package services: Paragraph 1 of Article 23 and Item 6 of Paragraph 1 of Article 24 of the Railway Transport Code of the Republic of Lithuania;
- Maintenance, modernization and development of public railway infrastructure: Paragraph 1 of Article 23 and Items 1, 3, 4 of Paragraph 1 of Article 24 of the Railway Transport Code of the Republic of Lithuania.

Legislation establishing the conditions for the fulfilment of the special obligation and regulating pricing:

- Provision of minimum access package services: budget appropriations are not allocated, pricing is regulated by Article 25 of the Railway Transport Code of the Republic of Lithuania and the Rules for the Setting and Publication of Charges for the Minimum Access Package, and for the Calculation and Payment of Calculating the Fee for Allocated but not Used Public Railway Infrastructure Capacities approved by Resolution No. 610 of the Government of the Republic of Lithuania of 19 May 2004.
- Maintenance, modernization and development of public railway infrastructure: the function is performed in accordance with the annual agreement concluded by the Ministry of Transport and Communications RoL and AB Lietuvos Geležinkeliai on the use of state budget funds for the implementation of the LTG programme "Ensuring Railway Transport". The European Union Cohesion, CEF, ERDF, TEN-T, ISF funds are allocated for the implementation of the special obligation (modernization and development of public railway infrastructure). Pricing is not regulated.

Indicators of implementation of special obligations harmonised with the manager of appropriations (Ministry of Transport and Communication of the Republic of Lithuania)	Measurement units	2020	To be achieved in 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	18.3
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

Results of the Group's special obligations in 2020

Special obligations	Income from special obligation, EUR million	Costs from special obligation, EUR million	Profit before tax from special obligation, EUR million	Assets, EUR million
Public rail passenger services	45.9*	44.9	1.0	128.2
Maintenance, modernization and development of public railway infrastructure and provision of services forming the minimum access package	200.8	165.4	35.4	1,329.7

* Income of LTG Link special obligation is presented inclusive of the state subsidy received for the compensation of losses incurred while providing public passenger transportation services (amount of subsidy is EUR 36.0 million).

Performance of the main group companies

AB LTG Cargo

LTG CARGO

The Board	Position	Appointed on	Main employer, position
MANTAS BARTUŠKA	Chairman of the Board	29 11 2019	CEO of AB Lietuvos Geležinkeliai, Mindaugo g. 12, Vilnius, company code 110053842.
EGIDIJUS LAZAUSKAS	Board Member	21 12 2018	CEO of AB LTG Cargo, Geležinkelio g. 12, Vilnius, company code 304977594.
LUKAS DANIELEVIČIUS	Board Member	21 12 2018	Director of the Corporate Operations Department of AB LTG Cargo, Geležinkelio g. 12, Vilnius, company code 304977594
BRIGITA VALENČIENĖ	Board Member	29 11 2019	Head of HR Business Partner Group of AB Lietuvos Geležinkeliai, Mindaugo g. 12, Vilnius, company code 110053842.
ROKAS JANUTĖNAS	Board Member	29 11 2019	Director of the Strategy and Operational Efficiency Department of AB Lietuvos Geležinkeliai, Mindaugo g. 12, Vilnius, company code 110053842.

CEO – Egidijus Lazauskas, appointed on 01 May 2019.

Core business:

- Domestic and international freight transportation services.
- Transportation of semi-trailers by rail.
- Rental services of commercial wagons and containers in Lithuania and abroad.
- Loading and warehousing.
- Services related to the forwarding of freight as well as the services related to the carriage of freight, including by road, sea and air transport.
- Customs brokerage services.
- Domestic and cross-border work and coordination of locomotives and locomotive crews.

Implementing international expansion and diversifying activities, in 2020 LTG Cargo established three subsidiaries:

- LTG Cargo Polska Sp.zo.o.;
- LTG Cargo Ukraine LLC;
- UAB LTG Wagons.

Indicators, EUR million	2018	2019	2020
Revenue	-	297.8	396.5
Costs	0.1	275.3	377.2
EBITDA	(0.1)	45.8	43.5
Net profit/losses	(0.1)	18.7	16.3
Assets	30.0	285.5	286.9
Equity	29.9	58.2	74.5
Financial debts	-	158.7	149.1
Net debt	-	133.6	127.8
EBITDA margin, %	-	15.4%	11.0%
Net debt/EBITDA	-	2.9	2.9
Return on equity, %	-	32.1%	24.5%
Equity/Assets, %	-	20.4%	26.0%

Register of Legal Entities, to which the freight transportation operations of the Freight Transportation Directorate of AB Lietuvos Geležinkeliai were transferred as of 1 May 2019.

The annual and interim reports and financial statements of AB LTG Cargo are publicly available on the website https://cargo.litrail.lt/.

UAB LTG Link

The Board	Position	Appointed on	Main employer, position
MANTAS BARTUŠKA	Chairman of the Board	29 11 2019	CEO of AB Lietuvos Geležinkeliai, Mindaugo g. 12, Vilnius, company code 110053842.
LINAS BAUŽYS	Board Member	25 02 2019	CEO of UAB LTG Link, Geležinkelio g. 16, Vilnius, company code 305052228.
DAIVA PIVORIŪNIENĖ	Board Member	29 11 2019	Director of the Asset Management Services Centre of AB Lietuvos Geležinkeliai, Mindaugo g. 12, Vilnius, company code 110053842.
DOVILĖ ALEKSANDRAVIČIENĖ	Board Member	25 03 2019	Director of Business Development and Marketing of UAB LTG Link, Geležinkelio g. 16, Vilnius, 305052228.
MANTAS DUBAUSKAS	Board Member	29 11 2019	Chief Communications Officer of AB Lietuvos Geležinkeliai, Mindaugo g. 12, Vilnius, company code 110053842.

CEO – Linas Baužys, appointed on 28 February 2019.

Core business:

- Passenger transportation on domestic and international routes.
- Carriage of mail and luggage, bicycles and animals in the territory of Lithuania and abroad.
- Organization of charter routes.
- Rental and sale of rolling stock.
- Advertising services.
- Services at stations (luggage storage, carriage of parcels, sale of goods and services, travel ticket processing).
- Services at train (sale of travel tickets, sale of food and beverages).

Indicators, EUR million	2019	2020
Total income	19.7	49.7
Costs	18.4	50.2
EBITDA	5.4	12.0
Net profit/losses	1.2	(0.2)
Assets	154.0	155.2
Equity	143.9	143.7
Financial debts	0.3	1.0
Net debt	(7.0)	(16.4)
EBITDA margin, %	27.5%	24.1%
Net debt/EBITDA	(1.3)	(1.4)
Return on equity, %	1.6%	(0.1%)
Equity/Assets, %	93.4%	92.6%

On 28 February 2019 the Company was registered in the Register of Legal Entities, to which the passenger transportation operations of AB Lietuvos Geležinkeliai were transferred as of 01 September 2019.

The annual and interim reports and financial statements of UAB LTG Link are publicly available on the website https://www.litrail.lt/keleiviams/.

AB LTG Infra

LTG INFRA

The Board	Position	Appointed on	Main employer, position
ANDREJ KOSIAKOV	Chairman of the Board	27 11 2019	CFO of AB Lietuvos Geležinkeliai, Mindaugo g. 12, Vilnius, company code 110053842.
ILONA DAUGĖLAITĖ	Board Member	20 11 2019	Director of the Corporate Development Department of AB Lietuvos Geležinkeliai, Mindaugo g. 12, Vilnius, company code 110053842.
IRENA JANKUTĖ-BALKŪNĖ	Board Member	19 06 2019	Chief Human Resources Officer of AB Lietuvos Geležinkeliai, Mindaugo g. 12, Vilnius, company code 110053842.
KAROLIS SANKOVSKI	Board Member	19 06 2019	CEO of AB LTG Infra, Geležinkelio g. 2, Vilnius, company code 305202934.
ARENIJUS JACKUS	Board Member	19 06 2019	Director of Rail Baltica Coordination Department of AB LTG Infra, Geležinkelio g. 2, Vilnius, company code 305202934.

CEO – Karolis Sankovski, appointed on 01 July 2019.

Core businesses:

- Management of the state-owned public railway infrastructure and railway service equipment.
- Provision of a minimum package of access services to the public railway infrastructure, provision of access to and services in railway service facilities, provision of commercial services.
- Organization of rail traffic.
- Upgrade, maintenance and development of public railway infrastructure.

On 01 July 2019 the Company was registered in the Register of Legal Entities, to which the operations of the Railway Infrastructure Directorate of AB Lietuvos Geležinkeliai were transferred as of 08 December 2019.

The annual and interim reports and financial statements of AB LTG Infra are publicly available on the website https://ltginfra.lt/.

Indicators, EUR million	2019	2020
Revenue	13.8	222.6
Costs	15.3	196.9
EBITDA	4.6	103.1
Net profit/losses	(1.4)	27.6
Assets	1,463.9	1,548.6
Equity	672.3	679.8
Financial debts	145.8	179.6
Net debt	132.4	175.0
EBITDA margin, %	33.1%	46.3%
Net debt/EBITDA	28.8	1.7
Return on equity, %	(0.2%)	4.1%
Equity/Assets, %	45.9%	43.9%

UAB Vilniaus Lokomotyvų Remonto Depas

The Board	Position	Appointed on	Main employer, position
EGIDIJUS LAZAUSKAS	Board Member Chairman of the Board	25 03 2019 29 11 2019	CEO of AB LTG Cargo, Geležinkelio g. 12, Vilnius, company code 304977594.
AGNĖ GRAMBAITĖ	Board Member	29 11 2019	Director of the Planning and Management Accounting Centre of AB Lietuvos Geležinkeliai Mindaugo g. 12, Vilnius, 110053842.
LUKAS DANIELEVIČIUS	Board Member	25 03 2019	Director of the Corporate Operations Department of AB LTG Cargo, Geležinkelio g. 12, Vilnius, company code 304977594.
ROKAS JANUTĖNAS	Board Member	13 12 2017	Director of the Strategy and Operational Efficiency Department of AB Lietuvos Geležinkeliai, Mindaugo g. 12, Vilnius, company code 110053842.
GRETA KERNAGIENĖ	Board Member	29 11 2019	HR Business Partner of AB Lietuvos Geležinkeliai, Mindaugo g. 12, Vilnius, company code 110053842.

CEO – Albertas Bajorinas, appointed on 05 April 2017.

Core business:

- Manufacture and of new locomotives, railcars and track machinery.
- Overhaul and routine repairs, maintenance of rolling stock.
- Repair and manufacture of freight wagons.
- Repair of nodes, containers and units.

The annual and interim reports and financial statements of UAB Vilniaus Lokomotyvų Remonto Depas are publicly available on the website https://vlrd.lt/.

Indicators, EUR million	2018	2019	2020
Revenue	50.7	52.2	68.1
Costs	47.0	47.8	66.4
EBITDA	4.8	6.8	4.1
Net profit/losses	3.2	3.7	1.0
Assets	34.1	49.9	48.7
Equity	24.9	28.6	21.9
Financial debts	-	4.0	13.2
Net debt	(1.2)	(0.1)	12.8
EBITDA margin, %	9.5%	13.0%	6.0%
Net debt/EBITDA	(0.2)	(0.0)	3.1
Return on equity, %	13.7%	13.7%	3.8%
Equity/Assets, %	73.1%	57.3%	44.9%

UAB Geležinkelio Tiesimo Centras

The Board	Position	Appointed on	Main employer, position
LINAS BAUŽYS	Chairman of the Board	13 12 2017	CEO of UAB LTG Link, Geležinkelio g. 16, Vilnius, company code 305052228.
ROKAS JANUTĖNAS	Board Member	13 12 2017	Director of the Strategy and Operational Efficiency Department of AB Lietuvos Geležinkeliai, Mindaugo g. 12, Vilnius, company code 110053842.
SIGITAS KUBILIS	Board Member	13 12 2017	Director of the Investment Planning and Control Department of AB Lietuvos Geležinkeliai, Mindaugo g. 12, Vilnius, company code 110053842.
BRIGITA VALENČIENĖ	Board Member	29 11 2019	Head of HR Business Partner Group of AB Lietuvos Geležinkeliai, Mindaugo g. 12, Vilnius, company code 110053842.
VAIDOTAS DIRMEIKIS	Board Member	29 11 2019	Head of the Finance Management Unit of AB Lietuvos Geležinkeliai, Mindaugo g. 12, Vilnius, company code 110053842.

CEO – Vytautas Radzevičius, appointed on 12 April 2019.

Core business:

- Construction and repair of railway tracks.
- Maintenance of railways and structures.
- Repair, reconstruction, construction of other engineering structures.
- Rent of tamping machines, mechanisms and equipment.
- Installation of engineering systems within the transport and communications infrastructure.
- Design, consulting.

The annual and interim reports and financial statements of UAB Geležinkelio Tiesimo Centras are publicly available on the website https://gtc.lt/.

Indicators, EUR million	2018	2019	2020
Revenue	29.8	25.0	28.7
Costs	25.4	24.7	29.5
EBITDA	7.4	3.6	2.5
Net profit/losses	3.6	0.4	(0.4)
Assets	43.0	37.4	39.8
Equity	30.5	30.9	30.5
Financial debts	-	2.2	0.8
Net debt	(3.1)	0.8	(0.9)
EBITDA margin, %	24.9%	14.3%	8.6%
Net debt/EBITDA	(0.4)	0.2	(0.4)
Return on equity, %	14.1%	1.3%	(1.4%)
Equity/Assets, %	70.9%	82.6%	76.7%

LUAB Gelsauga

The Board*	Position	Appointed on	Main employer, position
ROKAS JANUTĖNAS	Chairman of the Board	13 12 2017	Director of the Strategy and Operational Efficiency Department of AB Lietuvos Geležinkeliai, Mindaugo g. 12, Vilnius, company code 110053842
ANDREJ KOSIAKOV	Board Member	13 12 2017	CFO of AB Lietuvos Geležinkeliai, Mindaugo g. 12, Vilnius, company code 110053842.
IRENA JANKUTĖ-BALKŪNĖ	Board Member	13 12 2017	Chief Human Resources Officer of AB Lietuvos Geležinkeliai, Mindaugo g. 12, Vilnius, company code 110053842.
SIGITAS KUBILIS	Board Member	13 12 2017	Director of the Investment Planning and Control Department of AB Lietuvos Geležinkeliai, Mindaugo g. 12, Vilnius, company code 110053842.
PAULIUS VOLEIKA	Board Member	13 12 2017	Senior Lawyer of the Commercial Law Unit, Legal Department, AB Lietuvos Geležinkeliai, Mindaugo g. 12, Vilnius, company code 110053842.

* the Board acted until 31 October 2020.

CEO – Daiva Pivoriūnienė, held the position from 12 April 2019 until 31 October 2020.

The company's liquidator Ramūnas Moroza was appointed on 1 November 2020.

The company was reorganised on 10 June 2019 by way of de-merger and UAB Saugos Paslaugos was established. On 4 August 2020, the General Meeting of Shareholders decided to liquidate the company on 1 November 2020.

Core business:

Cleaning plant maintenance and other related activities.

The annual and interim reports and financial statements of LUAB Gelsauga are publicly available on the website https://www.gelsauga.lt/.

Indicators, EUR million	2018	2019	2020
Revenue	17.7	4.3	0.8
Costs	16.1	5.0	0.8
EBITDA	2.4	(0.1)	0.3
Net profit/losses	1.3	(0.5)	(0.1)
Assets	10.5	5.0	4.2
Equity	6.9	3.9	3.8
Financial debts	0.2	0.3	0.2
Net debt	(3.6)	(2.6)	(2.5)
EBITDA margin, %	13.3%	(2.9%)	34.4%
Net debt/EBITDA	(1.5)	20.7	(9.1)
Return on equity, %	20.8%	(9.0%)	(2.1%)
Equity/Assets, %	65.4%	77.5%	91.9%

UAB Saugos Paslaugos

UAB Saugos Paslaugos was established on 10 June 2019. The Company started operating on 1 August 2019.

To simplify the management of the Company, based on the decision of the sole shareholder AB Lietuvos Geležinkeliai, the company's board was dissolved. On 6 March 2020, the new Articles of Association were registered with the Register on Legal Entities. The new Articles of Association do not include any items related to the Board and its competences at UAB Saugos Paslaugos.

CEO – Daiva Pivoriūnienė, appointed on 10 June 2019.

Core business:

- Provision of security services by physical and technical means.
- Maintenance and repair services of technical security devices - installation, maintenance and repair services of fire extinguishing systems, fire alarm systems, access control systems, video surveillance systems, security alarm systems.

The annual and interim reports and financial statements of UAB Saugos Paslaugos are publicly available on the website https://www.gelsauga.lt/.

Indicators, EUR million	2019	2020
Revenue	2.54	5.98
Costs	2.58	6.36
EBITDA	(0.00)	(0.31)
Net profit/losses	(0.03)	(0.40)
Assets	1.61	1.34
Equity	0.58	0.18
Financial debts	0.05	0.02
Net debt	(0.14)	(0.05)
EBITDA margin, %	(0.2%)	(5.1%)
Net debt/EBITDA	33.8	0.1
Return on equity, %	(5.3%)	(103.7%)
Equity/Assets, %	36.0%	13.7%

UAB Rail Baltica Statyba

The Board	Position	Appointed on	Main employer, position
KAROLIS SANKOVSKI	Chairman of the Board	13 12 2017	CEO of AB LTG Infra, Geležinkelio g. 2, Vilnius, company code 305202934.
ODETA TRUČINSKAITĖ-ŠIUŠIENĖ	Board Member	13 12 2017	Director of Legal and Compliance of AB Lietuvos Geležinkeliai, Mindaugo g. 12, Vilnius, company code 110053842.
ARENIJUS JACKUS	Board Member	13 12 2017	Director of Rail Baltica Coordination Department of AB LTG Infra, Geležinkelio g. 2, Vilnius, company code 305202934.

CEO – Karolis Sankovski, appointed on 01 June 2017.

UAB Rail Baltica Statyba was established to participate in the implementation process of the Rail Baltica project and in the management of RB Rail AS established by the Baltic States (33.33% of the shares are controlled).

Core business – management of RB Rail AS shares, implementation of the rights and obligations granted thereunder. Profitability and return indicators are not calculated.

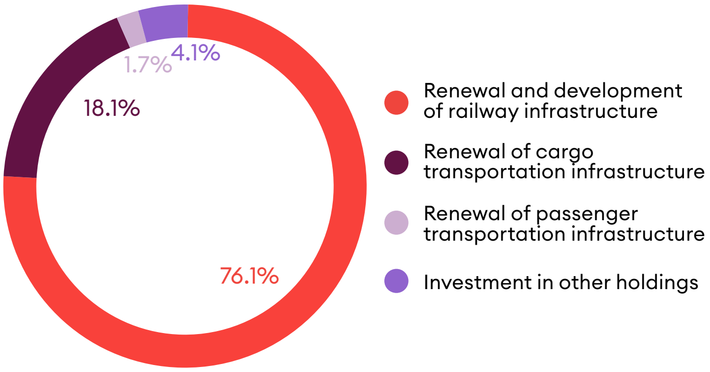
The annual and interim reports and financial statements of UAB Rail Baltica Statyba are publicly available on the website https://www.rail-baltica.lt/.

Indicators, EUR million	2018	2019	2020
Revenue	0.07	0.05	0.05
Costs	0.07	0.08	0.08
EBITDA	0.00	(0.03)	(0.03)
Net profit/losses	(0.48)	(0.48)	(0.03)
Assets	2.24	2.41	2.39
Equity	2.23	2.40	2.37
Financial debts	-	-	-
Net debt	(0.12)	(0.09)	(0.07)
Equity/Assets, %	99.6%	99.5%	99.1%

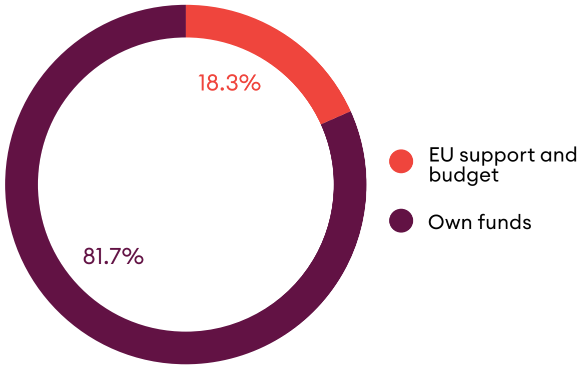
Investments

LTG Group invested EUR 228.9 million in 2020. 81.7% of LTG Group investments of 2020 were financed with own funds. EUR 42.0 million EU support and State budget funds were utilized over the reporting period. The majority of investments went to the upgrade and expansion of the railway infrastructure (76.1%).

Group's invetment structure in 2020, %



Group's investment funding structure in 2020, %



Group's investments (works completed and advances paid), EUR million	2018	2019	2020	2020/2019 Δ, %
Renewal and development of railway infrastructure	63.0	86.7	174.1	100.8%
Renewal of cargo transportation infrastructure	17.1	19.6	41.4	111.2%
Renewal of passenger transportation infrastructure	5.1	1.0	3.9	290.0%
Other investments (IT, etc.)	2.4	5.3	9.5	79.2%
Total	**87.6**	**112.6**	**228.9**	**103.3%**

Investments into asset renewal

LTG Corporate Group, to ensure smooth and safe continuity of principal activities, is investing into the renewal of non-current assets:

1. Projects/programmes of the renewal of public railway infrastructure are being implemented:
   - 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.
   - **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.
   - **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, in January 2021 the agreement on the modernization and maintenance of GSM-R core was signed.
   - **Other infrastructure renewal works:** renewal of railway level crossings, culverts, ramps and other objects.
2. **Major repair programmes of rolling-stock fleet are being implemented.** In 2020, works for the value of EUR 43.1 million have been performed:
   - 1,529 freight wagons were repaired;
   - 58 freight locomotives were repaired (including major repairs of 26 Siemens locomotives);
   - 31 passenger rolling-stocks were repaired.

The programmes for the renewal of railway infrastructure and rolling-stock will also run in 2021.

Main ongoing development and modernisation projects

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 to 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 modes 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 Kretinga and Giruliai, procurements were announced for the objects of Klaipėda. 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 was signed for one railway level crossing 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.

Development of freight transportation activities

1. In order to reduce dependency on traditional types of freight, LTG Group has commenced **freight transportation service development in Poland and Ukraine**. The subsidiary company LTG Cargo Polska has been established in Poland, and European gauge locomotives have been acquired. In Ukraine, LTG Cargo Ukraine was established.

2. Evaluating the development perspectives of freight transportation by rail and intentions of the State to promote freight transportation by the greener transport, **new projects to develop intermodal freight transportation** have been launched:

    - the project of *Acquisition of Technological Equipment for Transportation of Semi-trailers* has been commenced: purchasing procedures are currently in progress. Implementation of the project will enable the Company to provide new services within the network of the broad-gauge railway - i.e. to transport semi-trailers by trains;

    - to prepare for transportation of intermodal freights on European gauge (in connection with the Kaunas intermodal terminal), the *European gauge locomotives* have been acquired.

3. As electrification of infrastructure is in progress, the **electric freight locomotives have been acquired:** preparation work took place in 2020, and it is intended to announce a public procurement in 2021. Exploitation of the new locomotives is planned to be started in 2024.

4. Having assessed the challenges in the market of freight wagons, LTG has initiated the **project of Installation of Production Line of Freight Wagons**, after the implementation whereof the production of some type of wagons will take place in Lithuania. In 2020, the installation works of production bases were carried out, and the agreement of certification of wagons was concluded, certificates of semi-wagons were received, equipment for production of wagons was acquired, the procurements for acquisition of components were initiated. Production of the new wagons is planned to be started in 2021.

Development of passenger transportation activities

1. The project of **Smart Ticketing** is being implemented: in 2020, public procurement procedures took place, it is planned to conclude the contract in the beginning of 2021. Having implemented the new ticket sale system, train passengers will be able to buy tickets on an up-to-date mobile app, new website or ticket machines located at stations. The ticketing system will be adapted to passengers with disabilities, seniors, families with young children. This system will increase attractiveness of passenger rail transport and, also will allow decreasing costs of LTG Link.

2. The process of **acquisition of new passenger trains** was commenced. LTG Link plans to purchase the most environmentally friendly electric trains instead of the old diesel trains, some of which would be equipped with batteries, which would ensure ecological transportation of passengers on non-electrified sections. Trains will be adapted to the needs of the disabled. In 2020, the market consultations were performed and the first stage of public procurement was announced (requirements for supplier qualification), signing of the contract with the value of about EUR 200 million is expected to take place in 2021. The first new trains are expected to run in 2024-2025.

Development of information technologies

To achieve operating efficiency and safety, the LTG Corporate Group focuses on the IT systems used. In 2020, the Group continued with the **ERP (finance and management accounting system) modernization project**: system design works are implemented, licences were acquired, the procurement of Renewal Equipment of Data Transfer Network is ongoing, new IT systems are being implemented which are transforming the Group into a modern company, which growths together with the new digital technologies.

Employees

For the successful implementation of its strategy, to 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 to 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 73 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, work-place 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 at local individual structural units. The majority of improvement initiatives of this year is aimed at strengthening of mutual communication and cooperation.

- In 2020 Management Academy started its works. The aim of the academy is to strengthen specific leadership competences, respond to individual educational needs in the fields of team management, activity infrastructure, personal efficiency and client facing activities.

- Modernization and digitalization projects were launched, covering the preparation for the implementation of new personnel systems, transfer of training programmes to an e-training platform, ordering of staff services via automated solutions and other self-service solutions strengthening more effective working methods. The already implemented initiatives are continuously improved considering the results of employee satisfaction with the services received.

Number of employees of the Group companies and average salary

Group companies	31 12 2018*		31 12 2019		31 12 2020	
	Actual number of employees as of the end of the period	Average salary, EUR	Actual number of employees as of the end of the period	Average salary, EUR	Actual number of employees as of the end of the period	Average salary, EUR
AB Lietuvos Geležinkeliai	7,353	1,534	1,152	1,616	1,197	2,311
AB LTG Cargo	-	-	2,355	1,640	2,261	1,728
UAB LTG Link	-	-	710	1,571	675	1,661
AB LTG Infra	-	-	3,159	1,492	3,178	1,548
UAB Vilniaus Lokomotyvų Remonto Depas	1,055	1,364	940	1,478	935	1,500
UAB Geležinkelio Tiesimo Centras	551	1,459	461	1,532	373	1,669
UAB Saugos Paslaugos	-	-	387	1,056	373	1,230
LUAB Gelsauga	483	924	22	1,053	3	2,342
UAB Rail Baltica Statyba	4	2,059	4	2,657	4	2,931
Total	**9,446**		**9,190**		**8,999**	

* for data comparability purposes, average salary figures for 2018 have been recalculated under the new tax system by multiplying a coefficient of 1.289;

** 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.

Number of employees of LTG and average salary

Employee groups by position	31 12 2018*		31 12 2019		31 12 2020	
	Actual number of employees as of the end of the period	Average salary, EUR	Actual number of employees as of the end of the period	Average salary, EUR	Actual number of employees as of the end of the period	Average salary, EUR
CEO LTG Holdingas*	1	8,251	1	9,305	1	9,305
Managers Council of LTG Holdingas*	8	6,855	5	7,239	5	7,239
Top-level managers	28	5,336	11	5,832	13	6,241
Senior executives and specialists in exceptional fields	83	4,009	58	3,907	64	4,217
Middle-level managers and individual experts	359	2,708	258	2,722	335	3,030
Team leaders and experienced specialists	1,409	1,769	486	1,804	541	1,976
Specialists and experienced operational/service staff	2,334	1,564	187	1,520	140	1,527
Operational/service staff, qualified workers	3,131	1,163	146	1,198	98	1,274
Total	**7,353**	**1,534**	**1,152**	**1,616**	**1,197**	**2,311**

* fixed remuneration as of the end of the period is provided;

** for data comparability purposes, average salary figures for 2018 have been recalculated under the new tax system by multiplying a coefficient of 1.289;

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.

As at 31 December 2020, the number of the Company's employees was 1,197. Compared to the data as at 31 December 2019, the number of employees grew by 45, or 4%.

The average monthly salary, compared to 2019, changed from EUR 1,616 to EUR 2,311. The main reason for this change was the transfer of employees to the newly established legal entities – LTG Cargo, LTG Link and LTG Infra.

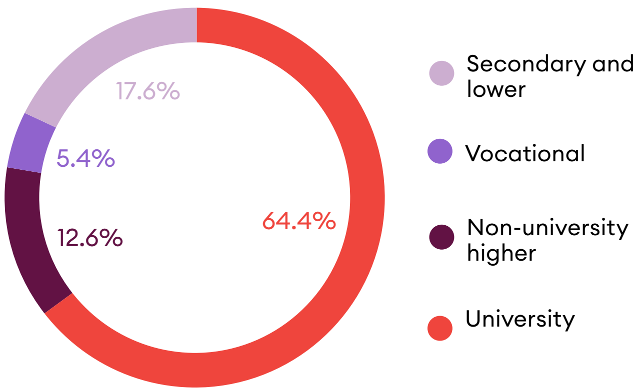
The total remuneration fund amounted to EUR 32.0 million. In addition, in April 2020, the annual incentives for performance in the amount of EUR 1.4 million were paid to the Company's employees as well as to the employees of other companies of the LTG Group.

As at 31 December 2020, the fixed monthly salary of the Company's CEO amounted to EUR 9,305, and the average actual salary, including the annual motivation bonus for performance results, amounted to EUR 11,600 in 2020.

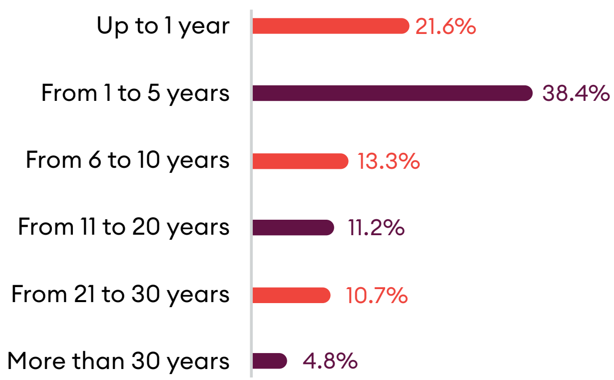
As at 31 December 2020, the fixed monthly salary of Managers Council of LTG Holdingas as stated in their labour contracts, amounted to EUR 7,239, and the average actual salary of these function groups, including the annual bonus for performance results, amounted to EUR 9,060 in 2020.

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

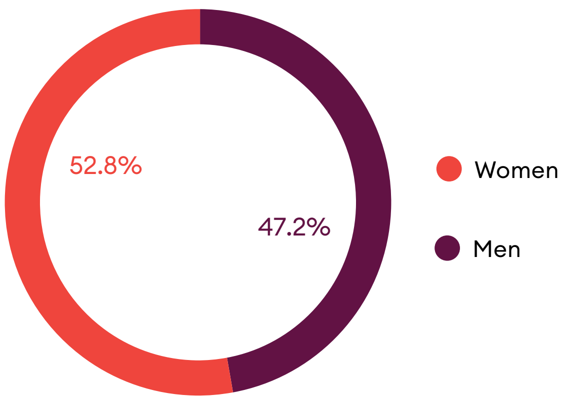
Employee distribution by education, %



Employee distribution by lenght of service, %



Employee distribution by gender, %



Age group	Average length of service, in years
Under 30	1.4
30-40	3.3
40-50	8.0
50-60	14.6
Over 60	19.3
Average length of service	**7.9**

Social partnership

In April 2020, AB Lietuvos Geležinkeliai work council was elected, which represents the employees of AB Lietuvos Geležinkeliai, protects their rights and lawful interests.

Seeking to strengthen the social dialogue of LTG Corporate Group 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 condition, structure, changes of LTG Corporate Group 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.

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 LTG Corporate Group; regular 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 LTG Corporate Group.

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 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 Group encourages the continuous professional and personal development of its employees. The organization 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, 8,403 employees of the LTG Corporate Group 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 22 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), 223 trainings were organized, 7,924 employees participated in the trainings, 479 employees took courses in external education institutions. The employees of other organisations working at the LTG territory are instructed on safe work at railway or their facilities risk zones. In total 811 employees of contract companies competed the programme in 2020.

The education process is becoming more modern, we are developing modern learning forms such as webinars, remote trainings, e-courses, we are developing a remote learning environment within Moodle platform. 6,500 employees participated in webinars on the topics of remote work and personal efficiency. As of 2019, the LTG club of internal lectors have been bringing together employees who are willing to share their knowledge, experience, who value the benefit of knowledge-sharing, to create and foster the knowledge-sharing culture in our organisation.

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 management, operational infrastructure, individual efficiency, working with clients. The internal training programme LTG Leader's Standard, concerning the main principles and standards of team management, is continued and taken by each new manager. 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, 374 managers participated in the feedback programme.

In 2020, 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 LTG Corporate Group operates and continuously improves the **unified risk management system of the 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 structural units of LTG administration, 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;
- 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 structural units of LTG administration, 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 entire Corporate Group in 2020 are presented below.

Name of risk	Level of risk	Description of the risk and its effects	Basic risk management measures
Long-term effect of COVID-19 pandemic on business environment	High	• Considerable decrease in the passenger flows caused by the pandemic. • Potential risk on business continuity. • Slow-down in economy might negatively affect freight flows in a long-term.	• Complex situation management actions (from systemic supply of personal protective measures and regulated internal rules to preparation and review of business continuity plans). • Optimization of passenger train routes, review of internal processes.
Risk of geopolitical changes	Highest	• The Group's activities depend directly on the political decisions in Lithuania, neighbouring countries, Russia and the EU. Import, export and transit comprise the largest part of the freights transported by the Group and the Group's revenue. Geopolitical factors create unpredictable changes in freight flows. • In 2020, the most important events that contributed to this risk were events in Belarus and, as a consequence, bilateral relations with Lithuania and the EU.	• Search for new markets. • Development projects.
Risk of decrease in competitiveness	High	After separate Group companies were recognised as purchasing organisations, negative effect on the competitive advantage is observed: subsidiaries cannot acquire services and goods in a fast and efficient way.	• Advance planning of public and commercial procurements; improvement of internal processes of procurement. • Development of the supply chain at Group level. • Consultations with market participants, checks of risky public procurements and transactions.
Legal risks	High	The risk might have the following effects on the Group: • Sanction imposed by supervisory authorities; • Claims of affected third parties regarding indemnification; • Damage to the Group's reputation; • Uncertainty resulting from changes in legal regulation.	• Cooperation with the European Commission on legal matters. • Regular representation of the interests of Group companies in legal proceedings. • Strengthening of internal LTG competences in the field of compliance.
Risk of safety of employees and traffic	Medium	In the Group's activity, the risk exists of railway traffic incidents or accidents at work may arise from activities or improper employee safety, which may result in injuries or fatalities of employees, passengers.	Implementation of long-term measures ensuring traffic and employee safety be developing a culture of safety and implementing technological solutions.

Information on the compliance with the guidelines on transparency

The Group companies follow 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 when disclosing the required information in annual and interim reports and ensuring the disclosure of information on their websites.

Structured information of the compliance with the guidelines on transparency

Point of Description	Description provision Disclosure of the Company's information	Yes/No
5.	The following data and information must be announced in the internet website of a state-owned enterprise:	
5.1.	Name;	Yes
5.2.	Code and register, where data about the company is filed and stored;	Yes
5.3	Headquarters (address);	Yes
5.4.	Legal status, if a state-owned enterprise is under reformation, reorganization (indicate the way of 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;	Yes
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;	Yes
7.2.	Statement from an institution representing the State regarding the establishment of the goals and expectations of the State in a state-owned enterprise;	Yes
7.3.	The business strategy or a summary thereof in cases where the business strategy contains confidential information or information which is considered a commercial (industrial) secret;	Yes
7.4.	Document establishing the remuneration policy, setting out the remuneration of the head of a state-owned enterprise and the remuneration of members of collegial bodies and committees formed in a state-owned enterprise, as detailed in the Code of Corporate Governance;	Yes
7.5.	Annual and interim reports of a state-owned enterprise, annual and interim activity reports of a state-owned enterprise for a period of at least five years;	Yes
7.6.	Annual and interim financial statements and auditor's reports on annual financial statements for a period of at least five years;	Yes

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.	Yes
9.	When a state-owned enterprise is a participant of legal entities other than those specified in Clause 8, the details of these legal entities specified in Clauses 5.1–5.3 of the Description as well as their website addresses must be posted on its website.	Yes
10.	If details specified in Clauses 5, 6, 7.1–7.4, 8 and 9 of the Description change or are found to be false, information and documents must also be immediately corrected on the website.	Yes
11.	A set of annual financial statements of a state-owned enterprise, an annual report of a state-owned enterprise, an auditor's report on the annual financial statements of a state-owned enterprise must be posted on the website of the state-owned enterprise within 10 business days after their approval.	Yes
12.	Sets of interim financial statements of a state-owned enterprise, interim reports of a state-owned enterprise must be posted on the website of the state-owned enterprise within 2 months after the end of the reporting period.	Yes
13.	Documents specified in Clause 7 of the Description must be posted in the PDF format with the option of printing.	Yes
	Preparation of sets of financial statements and reports	
14.	State-owned enterprises maintain their accounts in a manner that ensures the preparation of financial statements in accordance with international accounting standards.	Yes
15.	In addition to a set of annual financial statements, a state-owned enterprise must prepare a set of interim financial statements for periods of 6 months.	Yes
16.	A state-owned enterprise, considered to be a public interest company in accordance with the Law on the Audit of Financial Statements of the Republic of Lithuania, apart from the annual report must additionally prepare a 6-month interim report.	Yes
17.	The following additional details must be provided in an annual report of a state-owned enterprise or an annual activity report of a state enterprise:	
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 Preparation of sets of financial statements and reports	Yes/No
19.	If the information specified in Clause 17 of the Description is considered a commercial (industrial) secret or confidential information of a state-owned enterprise, the state-owned enterprise is entitled not to disclose such information; however, it must specify in its annual report or the annual activity report that this information is not being disclosed and specify reasons for nondisclosure.	Yes
20.	Other information not specified in the Description may be provided in an annual report of a state-owned enterprise.	Yes
21.	A state-owned enterprise, which is a parent company, must provide the structure of the group of companies, the details of each subsidiary specified in Clauses 5.1–5.3 of the Description, the equity interest in the subsidiary (the percentage share), the financial and non-financial performance results of a fiscal year in its consolidated annual report, and if it is not obliged to prepare a consolidated annual report, in its annual report. If a state-owned enterprise, which is a parent company, prepares a consolidated annual report, the requirements of Clause 17 of the Description apply to it *mutatis mutandis*.	Yes
22.	An interim report of a state-owned enterprise or an interim activity report of a state enterprise must contain a short description of the operating model of the state-owned enterprise, the analysis of financial performance for a reporting period, information on major event, which had occurred during the reporting period, and also profitability, liquidity, assets negotiability, debt indicators and their changes in comparison with the respective period of the previous year.	Yes

Information on external audit

Audit of the financial statements of the Company and of the Group companies is conducted in accordance with International Standards on Auditing.

The public procurement tender for the audit of the consolidated and financial statements of the Company and separate subsidiaries, prepared in accordance with International Financial Reporting Standards, as 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 services of translation of the financial statements into the English language to the Group companies and the Company; in addition, the auditor audited compliance certificates of the reporting period to credit institutions regarding compliance by LTG Group and its subsidiaries with the special and other financial covenants under long-term loan agreements, provided advisory services on asset transfer matters upon the merger of UAB Vilniaus Lokomotyvų Remonto Depas to AB LTG Cargo, audited the report prepared by the manager of public railway infrastructure (AB LTG Infra) on the revenue received from the use of assets transferred by the right of trust to the manager of public railway infrastructure and from assets managed on other legal grounds, and on the costs incurred to earn the mentioned revenue.

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

The fee for the audit of the financial statements for the year 2020

Group companies	Fee, EUR thousand (excluding VAT)
AB Lietuvos Geležinkeliai	40.0
AB LTG Cargo	44.0
UAB LTG Link	36.0
AB LTG Infra	49.0
UAB Vilniaus Lokomotyvų Remonto Depas	23.0
UAB Geležinkelio Tiesimo Centras	23.0
LUAB Gelsauga	7.0
UAB Saugos Paslaugos	5.0
UAB Rail Baltica Statyba	8.0

Corporate social responsibility report

Occupational safety and health

- The most important goals in ensuring occupational safety and health (OSH) 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, LTG Group'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 450001:2018, we ensured the implementation in daily activities of the **methodology for ensuring occupational safety and health**, 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 LTG Group companies 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 Microsoft Teams platform, where relevant information on the employees' safety and health is shared.
- New **Committees of the Safety and Health of Employees** were formed; the Committees form a safety culture of every Group company, that improves the state of safety and health of employees, analyse the indicators of safety and health of employees, implement prevention measures and recommendations.
- Involving all employees, on the first working day **Safety Days** were organized, during which unit managers discussed with their employees such topics as competences for safe work, sobriety, personal protective measures at work, recommendations related to COVID-19, safe working place, first aid in case of fever, musculo-skeletal diseases and their prevention, global instructing and other relevant topics.
- LTG Group 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.
- To ensure safe and healthy conditions, adequate numbers of employees specialising in occupational health and safety are employed, professional risk assessment, inspection of contractors, units, clients are prepared and after their implementation, implementation plans of preventive measures are prepared and monitored at Planner platform. In 2020, **inspection questionnaires were standardized and digitalised** thus ensuring proper data management and analytics.

- **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, matrices of competences in the field of safety and of practical skills were prepared for all LTG Group companies, during the quarantine, occupational health and safety specialists organised remote trainings, the process of practical skills at working place was prepared and approved. In 2020 5,172 employees (including 363 heads of units, 121 representatives for safety and health, 1,958 employees before performing dangerous works, 2,730 other employees) participated in trainings regarding occupational safety and health.

- In 2020, LTG Group 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, 107 instructions of the safety and health of employees were approved.

- Considering the market supply of flu vaccines, the service for flu **vaccination** (1,592 employees vaccinated) and tick-borne encephalitis vaccination (1,571 employees vaccinated) was provided.

- 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 performed for 1,934 employees. At the initiative of the Occupational Safety and Health Team, about 20 employees of the Lietuvos Geležinkeliai group participated in the project-training to increase the mental health competencies of corporate employees implemented by the Vilnius Public Health Bureau.

- Employees have an opportunity to use **the services of psychologists** free of charge in case of psychological trauma at work or after accidents.

- **The COVID-19 situation was managed:**

  - The prevention of COVID-19 is ensured by the group of the management of extreme situations formed by the 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) was 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 termovisors 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 Microsoft Teams platform 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 Microsoft Teams platform 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 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 lists of personal protection measures of LTG Group companies 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.
- **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 leaflet about risk factors and compulsory compliance with safety requirements in provision of services/goods in the territory of the LTG Group companies was prepared for contractors, suppliers of goods and services, a questionnaire of inspection of safe activity was prepared for contractors.
- 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 Group's internal webpage mano.litrail.lt.

Traffic safety

The LTG Corporate Group daily implements technical and organisational measures aimed to ensure that employees, passengers, other traffic participants and other persons, as well as railway infrastructure, rolling stock and carried cargo and luggage, are protected against any railway transport incidents, accidents, catastrophes, and their consequences.

The LTG Group's vision in the field of traffic safety is simple and still all-inclusive: 0 (zero) incidents, i.e., safe society and the Company, when no railway transport incidents accidents, catastrophes take place.

At the Group, traffic safety is managed centrally and for each company, unified traffic safety systems have been prepared and approved. Based on them the LTG group companies:

- Have defined relevant safety objectives oriented to the highest operational risks; the companies have outlined and implemented plans of complex measures aimed at reaching them;
- Managed the risks related to railway transport traffic safety by implementing measures aimed at eliminating or mitigating the risks to the lowest acceptable level;
- Carried out targeted traffic safety inspections and performed periodic audits of the elements comprising the safety management system;
- Ensured continuous monitoring of the state of the traffic safety based on safety indicators, enabling proactive prevention of railway accidents, incidents, catastrophes, and their consequences.

In order to ensure proper functioning of traffic safety management systems, the LTG Corporate Group fosters an integrated safety culture, which has a direct effect on the state of traffic safety. Traffic safety management systems implemented at Group companies reflect a competence in the field of traffic safety; however if employees, even though temporarily, believe that safety is not a priority, they will make unsafe decisions. In fostering the culture of safety, top-level managers have assumed the safety leadership and have committed themselves to constantly improve the state of traffic safety; mid-level managers constantly teach their subordinates on the principles of safe traffic and all employees together proactively address the challenges related to traffic safety.

In addition, in 2020 the LTG Corporate Group focused on:

- Implementation of initiatives aiming at the increase of awareness of employees and the public;
- Implementation of technical and organisational measures aimed at the improvement of maintenance systems of railway infrastructure and railway rolling-stock;
- Update of regulatory technical documentation related to technical maintenance of railway infrastructure and railway rolling-stock and traffic management;
- Improvement of qualifications and competences of employees related to railway transport traffic;
- Tightening of control over suppliers and contractors;
- Improvement of draft legislation related to the safety of railway transport traffic.

Prevention of corruption and bribery

LTG Corporate Group adheres to the **principle of zero tolerance for corruption**, which means that corruption will not be tolerated in any form whatsoever. LTG Group and the Company have a set of measures and procedures that are put in place to ensure that the LTG Group and the Company operate in a transparent and smooth manner and have an impeccable reputation. Fair and responsible behaviour is also expected from employees; therefore, all employees of the Group in their daily work follow the ethical principles and standards provided for in the **Code of Ethics for Employees**, which was approved in 2020.

The Company 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 mano.litrail.lt. 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 impose a conflict of interest using the electronic functionality implemented in 2020.

The Group companies and the Company follow 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 – it 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, employees are enabled 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 https://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 transactions or compliance of amendments to important concluded transactions with the interests of national security.

The Group conducts a targeted survey of employees' resistance to corruption every year - the opinion of each employee matters, 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

LTG Corporate Group takes care of the protection of personal data and protects the information entrusted to it by its employees, customers and partners. The Group strictly follows the requirements of the EU 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 field of data protection:

- Matters related to employee awareness in the field of personal data protection were taken care of by organising data protection trainings, sending to the Group's employees leaflets on data protection including the fundamental information that the Group's employees should know about 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;
- Much attention was given to the review and revision of the mandatory data processing activities entries of the Group companies. The responsible employees were included in 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;
- Requests of 13 persons to implement their rights under the General Data Protection Regulation were implemented;
- 9 data protection breaches that occurred in 2020 were managed.

Environmental protection

Railway transport is one of the most environmentally friendly modes of transport which consumes up to ten times less fuel than road transport. Along with the continuous improvement of the legal framework of the European Union and well-balanced financial support it creates the preconditions for developing a more nature friendly railway transport business, improving technical-technological and organizational mechanisms for interaction of the railway transport and other modes of transport. In this context LTG Corporate Group can enjoy its successful development.

The Group, being socially responsible, carries out its activities in compliance with its environmental obligations - we efficiently use energy and natural resources, seek for solutions allowing to reduce the negative impact of our activities on the environment and the climate change.

Climate protection

LTG Corporate Group assumed the updated railway climate responsibility pledge of the International Union of Railways (UIC) at the end of 2019, which is aimed at the strengthening of the targets in the combat against climate change: by 2030, to reduce the amount of CO_2e[1] emitted from freight and passenger transportation by 30%, and to reduce specific CO_2e emissions by 40% by 2020, and by 50% until 2030 compared to 2005. The LTG Group is consistently approaching the implementation objectives in its efforts while renewing and modernizing its traction rolling stock and applying energy-saving measures. In 2020, 179 thousand tons of CO_2e were emitted from the freight transportation operations – almost a third less than in 2005, and specific freight transportation emissions CO_2e were reduced by 40% to 11.23 gCO_2e/tkm.

One of the most important implemented projects that will have a significant effect contributing to the reduction of CO_2 emissions by railway transport is the electrification of Kaišiadorys – Klaipėda section. After the completion of this project, the electrified railway network will be significantly enhanced, electrically powered rolling stock will be put in operation. The electrification projects implemented will create opportunities to transport passengers and freight by way of electric traction from the Belarusian border 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. The electrification projects with allow saving up to 80 thousand tons of CO_2e from freight and passenger transportation.

Seeking to further reduce its environmental impact and impact on climate change, as of 2025, the Group will put into use electric traction rolling-stocks for freight transportation; these rolling-stocks will use energy from renewable sources. With gradual increase in freight transportation by electric traction and decreasing the use of diesel traction, CO_2 emissions are planned to be reduced twice by 2030. As of 2018, electric traction has been using energy generated from renewable sources only. Use of green energy allowed saving 4.3 thousand tons of CO_2e.

The goal of LTG Corporate Group is to become a climate-neutral mode of transport by 2050.

Reduction of air pollution

To reduce emissions, in 2020, the Company started reconstruction project of **Bugeniai rolling-stock washing plant**. During the project, much attention will be given to the implementation of environmental-protection measures which will allow reducing the emissions of pollutants by more than one third. One of the project stages is equipment of an anti-pollution device in the system of washing tank wagons. After the equipment of an anti-pollution device, emissions of pollutants will be reduced by 95% when heat-washing tank wagons. The total quantities of pollutants at Bugeniai rolling-stock washing plant will be reduced by at least one third, and after renewal of other engineering networks and optimization of processes, an even larger environmental-protection effect is expected. The reduction in emissions of volatile organic compounds will reduce the environmental impact of Bugeniai rolling-stock washing plant. In addition, the project will provide for the reduction of pollutants and fragrances in the ambient air thus improving not only the quality of life of the public, but also of working conditions of employees.

Waste management

The waste management priorities of the LTG Group are to reduce the amount of waste generated, to ensure the safe management of waste for human health and the environment, and the rational use of waste, thus reducing the use of natural and other resources and landfilling. In 2020, the share of recyclable waste in the LTG Corporate Group was 94%, i.e.4% more than in 2019.

As of 2019, reusable industrial wipes have been replacing disposable wipes. The use of reusable wipes reduces the quantities of hazardous waste. During the first year, quantities of hazardous waste at production units decreased by more than 30%. This increased the employees' awareness in sorting waste, speeded-up the production process, as the reusable wipe cleans up to 5 times more surface when compared to a disposable wipe.

In 2020, to facilitate the sorting of waste and recyclable materials, new sorting containers with two compartments made of recycled glass were equipped in all electric trains.

[1] CO_2e – Greenhouse gas, expressed in carbon dioxide equivalent.

Protection of water and subsoil

In order to protect the environment from pollution during wastewater discharges and to ensure compliance with the requirements of environmental protection legislation, discharges from the LTG Group are treated in wastewater treatment plants. In order to ensure the efficient operation of these facilities, the maintenance of the discharged domestic, industrial and surface (rain) wastewater treatment facilities and the laboratory control of the discharged wastewater are periodically performed. In 2019, the laboratory control network was expanded, in which the laboratory control was continued in 2020.

In 2020, there were 7 events with the threat of environmental damage. In all cases, no damage was done to the environment due to timely preventive measures.

In 2020, much attention was given to the identification of previously polluted areas, to the inspections and to the preparation of handling programmes. Vilnius railway station territory (Vilnius Connect project) was researched, ecogeological researches were started in Vaidotai railway station. During the reconstruction of Rail Baltica railway section Kaunas – Palemonas, a large area (50 years ago, production of asphalt was carried out in the territory) was detected to be polluted by bitumen, the territory was handled. The Company, in cooperation with the state and municipal authorities, will continue to focus on handling of polluted areas.

Noise prevention

The concern of LTG Group is to reduce the 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 rail traffic does not exceed the noise and vibration limits. To achieve this goal, the Group companies have been implementing measures provided for in municipal action plans for noise prevention: they have been carrying out electrification projects, improving railway infrastructure and performing its regular monitoring, controlling train speed, repairing wagons (in 2020, more than 1,200 wagons were repaired) and implementing other noise suppression measures. A total of 35.3 km of noise barriers have been installed on the public railway infrastructure managed by LTG Infra. In addition, 9 projects are ongoing that plan to additionally install 17.2 km noise absorbing barriers in 2021, dikes should be installed, windows and doors replaced. In 2021, even more measures reducing noise and vibration should be installed implementing railway construction and reconstruction projects in Plungė-Šateikiai, Livintai-Gaižiūnai sections, etc.

Cooperation with education providers

In 2020, the LTG Corporate Group actively tried to attract young talents to railway sector. For the second consecutive year, in summer, an **internship programme Growing Talents** was implemented, during which students studying in Lithuanian universities and abroad were able not only to educate their specialties, but also their leadership skills. Out of 224 candidates, 29 students were selected who later worked at all LTG Group companies for two months. In addition to their functional duties, the students created remote learning programmes intended at increasing computer-literacy, thus adding value to our employees. After the completion of this programme, as many as 18 participants were employed by LTG Group, 7 of them have studied or are still studying at foreign universities.

In 2020, students from 31 different universities have applied for the Growing Talents Programme, the students included students from Leeds, Manchester, Coventry, Edinburgh universities as well as students of Stockholm School of Economics in Riga. Among candidates studying in Lithuania, students applied from 24 different education institutions such as Vilnius Gediminas Technical University, Kaunas University of Technology, Mykolas Romeris University, ISM, Vytautas Magnus University and University of Vilnius.

Every year LTG Corporate Group participates in the biggest **Career Day** events. 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 Corporate Group 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.

84 students performed internship at the LTG Corporate Group in 2020. The most talented ones are now employed by LTG Group companies.

The Company’s specialists in the field of occupational health and safety participate in the project “I will work safely” implemented by the State Labour Inspectorate at the country’s schools. In doing so, they introduce to the students of 5-6 grades the particularities of wearing personal protective measures, emphasize the necessity for their use and introduce the activities of railways.

Openness to the society

The Group seeks to carry out its activities in an open manner, involving stakeholders and taking into consideration the needs of all members of society. All services provided by the Group's companies are developed in cooperation with stakeholders, in accordance with the legislation of the country and creating benefits for the shareholder - the State of Lithuania.

At Vilnius railway station, LTG Group manages **a Railway museum**, being the only such museum in the country open to visitors. Inside and outside, visitors can get acquainted with the history of Lithuanian railways, different events, as well as educational programmes for kids are organised. In 2020, renovation of this museum was started seeking to attract attention to the museum's exhibits, to interactively tell the railway stories stored here.

AB LTG Infra, the company of the Group that manages the national railway network, ensures the involvement of all market participants in the development of the network, repair planning, and development of innovations. For this reason, the Company **organizes regular annual meetings with its contractors and suppliers**, in which procurement and investment plans of the Company are presented in detail. In this way, the market participants are provided with the possibility to properly prepare for forthcoming projects. The Company also actively participates and initiates **meetings with communities** affected by nearby railways. Discussions allow finding out the needs of communities and together with municipalities to look for solutions which could help to improve the quality of life of these people.

In 2020, the event of such nature was also organized by LTG Digital, the Group's centre of informational technologies. During the pandemic **a remote event for IT market participants** was organised, during which the nearest plans were introduced and participants were invited to participate in public procurements announced by the Group's centre of information technologies. Companies operating in Lithuanian IT sectors as well as world's major IT companies participated in the event.

LTG also maintains an active social dialogue with residents of Vilnius station area, carries out the project **Vilnius Connect** in cooperation with the city municipality, the purpose of which is to involve residents of this area, as in the nearest future this area with its attractive location is going to go through major transformation in the implementation whereof the residents are also involved.

Various companies of LTG Group actively joined this initiative: from the passenger transportation company LTG Link or the manager of infrastructure LTG Infra, to the parent company AB Lietuvos Geležinkeliai or VLRD. The latter company opened its doors to the territory of Vilnius depot not only for tours but also for cultural events. An episode of the electronic music project Antidote was filmed in the unique surroundings of the returning wheel, and a work by artists participating in Vilnius Connect project was born in the depot hangars - a painted wagon "Back to Nature", later exhibited at the Railway Museum.

Every year, LTG joins the **Open House** festival. Although the buildings could not be opened to visitors in 2020 due to the pandemic, this did not prevent the opening of the most interesting open-air railway facilities in Vilnius. Tours were organized in the yard of the building at Mindaugo g. 12 in, in the territories of Vilnius railway station and VLRD Vilnius depot or return wheel. The route „By the railway" gained enormous popularity - places for excursions were filled in just in 15 minutes from the beginning of registration.

LTG Link was active in encouraging **social dialogue with people with special needs**. Every quarter, meetings were held with organisations, during which initiatives to adapt trains and station platforms to people with mobility disabilities were discussed, considering the recommendations of other groups as well. This advice and open dialogue was very beneficial for the preparations for acquisition of new trains, which will be added to LTG fleet at the end of 2023.

LTG Link **continued its cooperation with the organisation Renkuosi Mokytis (I choose studying)**: educators from various schools could take their pupils to have their lessons on trains instead of classrooms. The initiative was aimed at enhancing the status of a teacher as a representative of the creative profession.

In addition, LTG Link contributed to addressing the challenges presented by the pandemic – after the neighbouring countries closed their borders, it helped the people to reach their home safely. Necessary intercity connections were ensured during the entire period of the pandemic, even though the passenger flows dropped by over 80%.

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 pedestrian viaduct 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

Employees of LTG Group faced major cultural changes when most of the employees of administrative functions moved to work from home due to the pandemic. However, the work kept on going. Firstly, thanks to technological solutions implemented at the Group level, especially the **Microsoft Teams platform**. All meetings and discussions were relocated to this platform, the implementation whereof began as early as in 2019.

However, without the cultural change, the technological change would not be that successful; therefore in addition to the use of remote work devices, **ModerniKomanda (Modern Team) project** was being implemented. The project was the first of Mobile-first cloud-first strategy projects. ModerniKomanda brough many changes in daily work organizing and, together with these changes, part of internal processes were adjusted

Since the start of ModerniKomanda project, 11.3 million of Teams messages were sent, 150,000 remote meetings were held, 2,250 teams were formed and are currently active, 1,200 surveys were organised, 40.5 millions of files were stored in clouds. In addition, the Group managed to protect itself from over 100 cyber-attacks, and at the end of 2020 Teams app replaced the e-mail in mobile phones. At the end of the year, around 4,500 people had joined the Teams platform.

Platforms of remote communication were enabled not only by supporting the internal communication of teams but also to a greater extent, by introducing services and projects to concerned parties. Both LTG Infra and also the group technology centre LTG Digital and VLRD organized **remote events to clients** or suppliers, and introduced the projects carried out and the future plans to them.

Cutting-edge solutions were also implemented by optimizing business processes: in the Group company VLRD, **All device – the tool of planning of facility failures and repairs** - was fully enabled: more than 300 facilities were tagged with NFC sensors, which allows managing the current facilities more efficiently and increasing productivity.

At the Group, we actively implemented remote learning platforms and encouraged all Group employees to use them. 10 webinars were organised for employees and 10 for managers on the topics of remote work and personal efficiency. 6,500 participants attended these events.

In addition, we encouraged employees to choose and learn the topics of interest at **Moodle environment**, where we provided them a possibility to join 38 different training courses.

The **project No Paper** is continued at the Group level, the purpose whereof is to reduce consumption of paper, conserve natural resources, and also make the work process in the organization more efficient. The results of 2019 were already optimistic; however, in 2020, the project gained its momentum. At the entire Group, within two years, the use of electronic documents increased by almost ten times: from 9 thousand in 2018 to 83 thousand in 2020. The proportion of electronic to paper documents increased from 9% in 2018 (more paper documents) to 74% in 2020 (more electronic documents).

In order to reorganise the planning and operational management of freight transportation activity, LTG Cargo initiated implementation of the **operational management centre** project through certain advanced IT systems. Upon completion of the project, Upon implementation of the project, the whole LTG Cargo allocation of work of trunk road transportation co-workers, including the use of wagons and locomotives, will be conducted as efficiently as possible. The new system will enable to increase in efficiency of use of LTG Cargo rolling stocks, to plan freight transportation in a more quality and precise manner, to ensure control of freight transportation activity, to respond to changes and inform the Company's employees and customers about them faster

In order to improve the quality of customer service, in April 2020 LTG Cargo introduced an innovation - **self-service document terminals**. Such terminals operating as post terminals have allowed customers to take and leave freight transportation documents independently and safely - at a convenient time and without direct contact with employees as terminals operate 24 hours. In the meantime, all freight transportation documents used to be handed over to LTG Cargo employees directly, and customers could only deliver documents during business hours - from 8 AM to 5 PM. This was inconvenient to customers, and, in the event of outbreak of the COVID-19 pandemic in spring, an outdoor terminal solution also helped in protection of employees by reducing the number of direct contacts. As at 31 December 2020, terminals were established in 44 stations in Lithuania.

In order to improve performance efficiency and the Company's competitiveness, LTG Cargo started **Robotic Process Automation** (RPA) in 2020. Robotic process automation facilitates to save employees' time, significantly reduce repetitive routine activities, purify processes in detail, identify business and system gaps. During 2020, LTG Cargo already automated the processes of documentary check, implementation of applications, statistical data collection, and other processes.

In 2020, LTG Link made great progress with the ticketing system **project "Smart ticketing"**. The new ticketing system will allow passengers to purchase train tickets on a mobile app, an updated website or from ticket machines in stations. The system will be adapted to passengers with different needs. In 2020, suppliers were selected according to the set criteria, a contract will be signed with one of them in 2021 and the implementation works will be started. The new ticketing system is expected to be launched in the second half of 2021.

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.

LTG Infra continued works of the **self-propelled diagnostic vehicle project**. In 2020, AB LTG Infra signed a Purchase and Sale Agreement regarding this vehicle, the contract value is EUR 6.5 million. 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.

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 LTG Corporate Group; e. g. recruitment, performance assessment, remuneration review, ensuring social security, etc. The LTG Corporate Group does not tolerate any forms of direct or indirect discrimination, nor instructions to discriminate and any form of harassment, psychological violence, bullying or abuse of authority.

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.

AB Lietuvos Geležinkeliai is member of the Diversity Charter, it encourages equal opportunities, openness and inclusion. In addition, the Company is an active participant of the WiR (Women in Railway), an initiative of European railways, and SOPA projects.

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

Total income	Revenue + Income from other activities excluding income from financial activities
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
Adjusted 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
Adjusted 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
Debt 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
Turnover of freight transportation (tonne-kilometre)	Freight transport indicator, which is the product of the amount of transported freight (tons) and the distance travelled (kilometres)
Passenger turnover (passenger-kilometre)	Passenger transportation indicator, calculated by multiplying the trip of each transported passenger by the travelled distance
Train operational volume (gross-gross tonne-kilometre)	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

* The measurements of LTG Group and UAB LTG Link ratios use total income, considering subsidies granted for passenger transportation services, which are carried under income from other activities.

AB Lietuvos Geležinkeliai

Financial statements

prepared in accordance with international financial reporting standards as adopted by the European Union, presented together with the independent auditor's report

For the financial year ended
31 December 2020

LTG LIETUVOS GELEŽINKELIAI

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

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

Independent Auditor's Report

To the Shareholders of AB Lietuvos Geležinkeliai

Report on the Audit of the Separate and the Consolidated Financial Statements

Opinion

We have audited the separate financial statements of AB Lietuvos Geležinkeliai ("the Company") and the consolidated financial statements of AB Lietuvos Geležinkeliai and its subsidiaries ("the Group"). The Company's separate and the Group's consolidated financial statements comprise:

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

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the unconsolidated financial position of the Company and the consolidated financial position of the Group as at 31 December 2020, and of their unconsolidated and consolidated financial performance and their unconsolidated and consolidated 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 Separate and Consolidated Financial Statements section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (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.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Each audit matter and our respective response are described below.

Company code: 111494971
VAT code: LT114949716

Useful lives and residual values of property, plant and equipment	
The carrying amount of Group's property, plant and equipment as at 31 December 2020: EUR 1,889,275 thousand; depreciation and amortization expense for the year then ended: EUR 111,272 thousand. We refer to the financial statements: *Significant accounting policies – "2 Property, plant and equipment", "3 Use of estimates and judgments in the preparation of financial statements", Note 7 „Property, plant and equipment and investment property"*	
The key audit matter	**How the matter was addressed in our audit**
Property, plant and equipment, comprised primarily of buildings and structures and vehicles, represents a major part of the total assets reported in the consolidated statement of financial position. One of the key aspects of accounting for property, plant and equipment is the determination of the useful lives and residual values of these assets. Subsequent to initial determination, the estimated useful lives and residual values are reviewed by the Group annually taking into consideration various market and technical factors, which may affect the useful life expectancy of the assets (e.g. technological changes, plans for future use of the assets, their physical condition), and expectation of selling prices affecting the residual values, and therefore could have a material effect on the depreciation charge for the year or any impairment charges.	Our audit procedures in the area included, among others: • Considering the appropriateness of the Group's accounting policy relating to determination of useful life of property, plant and equipment and assessing compliance of the policy with the relevant requirements of the financial reporting standards; • Gaining our understanding of the Group's useful lives estimation methodology and assessing its compliance with the relevant requirements of the financial reporting standards. As part of the above, we identified the relevant methods, assumptions and sources of data, and assessed whether such methods, assumptions, data and their application are appropriate in the context of the said requirements; • Evaluating the design and implementation of selected key controls within the process of accounting for property, plant and equipment, including those over the determination and subsequent revision of useful life of items of property, plant and equipment; • Performing a retrospective evaluation of the accuracy of the Management Board's estimates with respect to useful life of significant items of property, plant and equipment, by inspecting net book values of sold assets and related sales proceeds and also investigating the reasons for major items of property, plant and equipment with nil book values yet still in operation; • Making inquiries of the Group's technical staff as to whether for significant items of property, plant and equipment their depreciation periods are in line with their useful lives, considering both economic and technical factors; • Assessing the objectivity and the professional qualifications of management's experts who assisted the Management Board in assessment of useful lifetime and residual values;

The Management Board's assessment of useful lives and residual values of property, plant and equipment, supported, where relevant, by the work of external experts, involves significant judgement. As a result of the EU Directive No 1300/2014 (the "EU Directive"), which includes technical specifications for wagons regarding their suitability for passengers with disabilities, some of the key assumptions applied in the Management Board's assessment relate to e.g. possibility of further use of the rolling stock (carriages, wagons etc.) after the EU Directive comes into force in 2025 and the selling prices of the rolling stock, as further described in Note 3 *Use of estimates and judgments in the preparation of financial statements*. Due to the above-mentioned factors, the area required our increased attention in the audit and as such was considered by us to be a key audit matter.	• Inquiring the Management as to any plans to dispose, write-off or replace significant items of property, plant and equipment and assessing consistency of these plans with the estimated useful life of such assets. Also, inspecting minutes from meetings of the Management Board and other relevant internal documents for any indications of such plans; • For a sample of 2020 acquisitions of items of property plant and equipment, testing whether depreciation rates determined for these items were in line with the Management Board's estimate of those assets' useful lives, as tested by us as part of the preceding procedures; • Evaluating the adequacy of the Group's disclosures in relation to the use of significant judgements regarding the useful lives of intangible assets and property, plant and equipment against the relevant requirements of the financial reporting standards.

Other Information

The other information comprises the information included in the consolidated annual management report, including the Corporate Social Responsibility Report, but does not include the separate and consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the separate and consolidated 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 separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated 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 consolidated annual management report for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements and whether consolidated annual management report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of the separate and consolidated financial statements, in our opinion, in all material respects:

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

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation of the separate and consolidated 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 separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Under order of the Minister of Transport and Communications of the Republic of Lithuania we were appointed on 17 January 2018 for the first time to audit the Company's and the Group's separate and consolidated financial statements. Our appointment to audit the Company's and the Group's separate and consolidated financial statements is renewed each year under decision of the general shareholders' meeting, and the total uninterrupted period of engagement is 5 years.

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the additional report presented on 31 March 2021 to the Company and the Group and its Audit Committee.

We confirm that to the best of our knowledge and belief, we have not provided to the Company and the Group any prohibited non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In addition to services provided to the Company and the Group in the course of audit and disclosed in the consolidated annual management report or the separate and consolidated financial statements, we have provided the services of translation of the separate and consolidated financial statements into English language.

On behalf of KPMG Baltics, UAB

Rokas Kasperavičius
Partner
Certified Auditor

Vilnius, the Republic of Lithuania
31 March 2021

(all amounts are in EUR thousand unless otherwise stated)

Statements of financial position

	Notes	Group		Company	
		2020	2019	2020	2019
NON-CURRENT ASSETS					
Property, plant and equipment	7	1,889,275	1,795,281	41,292	47,913
Land		153,785	150,847	-	-
Buildings and structures		907,175	880,273	26,468	28,006
Machinery and plant		156,036	156,110	5,371	7,039
Vehicles		347,857	340,724	427	1,347
Other equipment, fittings and tools		80,903	81,589	6,795	8,512
Construction in progress and prepayments		243,519	185,738	2,231	3,009
Right-of-use assets	8	4,879	2,983	8,150	2,045
Intangible assets	9	21,477	18,681	2,342	2,261
Software		19,931	18,289	1,336	2,058
Licences and similar rights		1,007	210	1,006	203
Other intangible assets		539	182	-	-
Investment property	10	2,754	248	6,492	8,284
Financial assets		6,252	4,945	1,025,528	1,046,329
Investments in subsidiaries	11	55	-	901,633	901,906
Investments in associates	11	4,703	4,685	783	784
Loans to related and other companies		-	160	121,617	143,539
Trade and other receivables	13	1,494	100	1,495	100
Deferred income tax asset	30	4,453	3,307	2,260	1,476
Total non-current assets		**1,929,090**	**1,825,445**	**1,086,064**	**1,108,308**
CURRENT ASSETS					
Inventories	12	30,569	38,642	4,388	5,649
Non-current assets held for sale	12	8,146	2,368	1,520	138
Contract assets	14	408	176	-	-
Loans to related and other companies		160	-	10,630	15,142
Trade and other receivables	13	59,016	78,007	39,325	38,064
Prepayments	14	7,336	6,724	2,652	1,169
Cash and cash equivalents	15	69,499	105,153	20,596	50,533
Total current assets		**175,134**	**231,070**	**79,111**	**110,695**
TOTAL ASSETS		**2,104,224**	**2,056,515**	**1,165,175**	**1,219,003**

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

(all amounts are in EUR thousand unless otherwise stated)

Statements of financial position (continued)

	Notes	Group 2020	Group 2019	Company 2020	Company 2019
EQUITY					
Authorised share capital	16	1,059,282	1,059,282	1,059,282	1,059,282
Legal reserve	18	32,987	31,020	32,987	31,020
Other reserves	18	5,235	5,863	5,235	5,863
Retained earnings (losses)		65,473	70,966	17,295	39,339
Total equity		**1,162,977**	**1,167,131**	**1,114,799**	**1,135,504**
LIABILITIES					
Non-current liabilities					
Grants	19	581,384	556,015	641	725
Loans and borrowings	20	173,442	153,641	-	23,849
Lease liabilities	21	3,549	1,843	6,860	1,223
Employee benefits	22, 28	10,360	10,738	860	1,102
Trade and other payables	24	2,820	2,703	-	-
Provisions	23	14,470	15,900	-	1,500
Deferred tax liabilities	30	19,158	17,748	-	-
Total non-current liabilities		**805,183**	**758,588**	**8,361**	**28,399**
Current liabilities					
Loans and borrowings	20	28,492	28,343	-	13,202
Lease liabilities	21	1,803	1,254	1,561	917
Corporate income tax liabilities		5,760	4,194	-	2,861
Employee benefits	22, 28	33,213	32,132	6,561	6,064
Trade and other payables	24	52,190	43,261	33,622	30,172
Contract liabilities	25	3,771	175	-	-
Prepayments received	25	10,031	19,945	271	1,169
Provisions	23	804	1,492	-	715
Total current liabilities		**136,064**	**130,796**	**42,015**	**55,100**
TOTAL LIABILITIES		**941,247**	**889,384**	**50,376**	**83,499**
TOTAL EQUITY AND LIABILITIES		**2,104,224**	**2,056,515**	**1,165,175**	**1,219,003**

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

Financial statements and explanatory notes on pages from 93 to 167 were approved and signed on 31 March 2021 by:

Chief Executive Officer	Mantas Bartuška
Chief Financial Officer	Andrej Kosiakov
Director of Accounting Services Centre	Odeta Švažienė

(all amounts are in EUR thousand unless otherwise stated)

Statements of profit or loss and other comprehensive income

	Notes	Group		Company	
		2020	2019	2020	2019
Revenue	26	422,953	473,541	95,004	357,870
Other income	27	45,203	31,933	(156)	20,693
Total income		**468,156**	**505,474**	**94,848**	**378,563**
Employee benefits costs	22, 28	(173,557)	(176,581)	(34,885)	(115,769)
Depreciation and amortisation		(111,272)	(118,373)	(9,172)	(84,746)
Fuel		(48,483)	(58,878)	(365)	(20,691)
Materials		(24,257)	(19,746)	(44,048)	(44,681)
Services rendered by other foreign railway companies		(15,634)	(16,266)	-	(5,739)
Electricity consumption		(7,215)	(7,174)	(615)	(6,298)
Repairs and maintenance		(14,598)	(10,251)	(2,422)	(17,842)
Increase (decrease) in the value of non-current assets		(102)	99	-	(118)
Write-down of inventories to net realisable value		(255)	(405)	237	(21)
Increase (decrease) in the value of investments		(171)	(467)	(498)	(432)
Increase (decrease) in the value of receivables		(604)	(926)	(19)	(78)
Change in provisions		1,505	(1,466)	1,500	207
Other expenses		(27,169)	(20,334)	(13,098)	(33,072)
Profit (loss) from operations		46,344	74,706	(8,537)	49,283
Finance income	29	247	199	26,637	3,309
Finance costs	29	(3,877)	(3,535)	(962)	(3,180)
Share of profit of equity accounted investees		180	322	-	-
Profit (loss) before taxation		42,894	71,692	17,138	49,412
Corporate income tax	30	(6,338)	(13,597)	157	(10,073)
Net profit (loss)		**36,556**	**58,095**	**17,295**	**39,339**
Other comprehensive income (expenses)		-	-	-	-
TOTAL COMPREHENSIVE INCOME (EXPENSES)		**36,556**	**58,095**	**17,295**	**39,339**

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

(all amounts are in EUR thousand unless otherwise stated)

Statements of changes in equity

Group	Notes	Authorised share capital	Share premium	Legal reserve	Other reserves	Retained earnings (loss)	Total
Balance as at 31 December 2018		1,058,632	-	28,344	6,784	57,626	1,151,386
Net profit (loss)		-	-	-	-	58,095	58,095
Other comprehensive income after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		**-**	**-**	**-**	**-**	**58,095**	**58,095**
Increase in share capital	16	650	-	-	-	-	650
Formed reserves	18	-	-	2,676		(2,676)	-
Reserves used	18			-	(921)	921	-
Dividends	17	-	-	-	-	(43,000)	(43,000)
Total transactions with owners of the Company		**650**	**-**	**2,676**	**(921)**	**(44,755)**	**(42,350)**
Balance as at 31 December 2019		1,059,282	-	31,020	5,863	70,966	1,167,131
Net profit (loss)		-	-	-	-	36,556	36,556
Other comprehensive income after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		**-**	**-**	**-**	**-**	**36,556**	**36,556**
Profit (loss) not recognised in the statement of profit or loss and other comprehensive income		-	-	-	-	(2,710)	(2,710)
Increase in share capital	16	-	-	-	-	-	-
Formed reserves	18	-	-	1,967		(1,967)	-
Reserves used	18	-	-	-	(628)	628	-
Dividends	17	-	-	-	-	(38,000)	(38,000)
Total transactions with owners of the Company		**-**	**-**	**1,967**	**(628)**	**(42,049)**	**(40,710)**
Balance as at 31 December 2020		**1,059,282**	**-**	**32,987**	**5,235**	**65,473**	**1,162,977**

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

(all amounts are in EUR thousand unless otherwise stated)

Statements of changes in equity (continued)

Company	Notes	Authorised share capital	Share premium	Legal reserve	Other reserves	Retained earnings (loss)	Total
Balance as at 31 December 2018		1,058,632	-	28,344	6,784	44,755	1,138,515
Net profit (loss)		-	-	-	-	39,339	39,339
Other comprehensive income after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		**-**	**-**	**-**	**-**	**39,339**	**39,339**
Increase in share capital	16	650	-	-	-	-	650
Formed reserves	18	-	-	2,676		(2,676)	-
Reserves used	18	-	-	-	(921)	921	-
Dividends	17	-	-	-	-	(43,000)	(43,000)
Total transactions with owners of the Company		**650**	**-**	**2,676**	**(921)**	**(44,755)**	**(42,350)**
Balance as at 31 December 2019		1,059,282	-	31,020	5,863	39,339	1,135,504
Net profit (loss)		-	-	-	-	-	-
Other comprehensive income after tax		-	-	-	-	17,295	17,295
Total comprehensive income (expenses)		**-**	**-**	**-**	**-**	**17,295**	**17,295**
Increase in share capital	16	-	-	-	-	-	-
Formed reserves	18	-	-	1,967		(1,967)	-
Reserves used	18	-	-	-	(628)	628	-
Dividends	17	-	-	-	-	(38,000)	(38,000)
Total transactions with owners of the Company		**-**	**-**	**1,967**	**(628)**	**(39,339)**	**(38,000)**
Balance as at 31 December 2020		**1,059,282**	**-**	**32,987**	**5,235**	**17,295**	**1,114,799**

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

(all amounts are in EUR thousand unless otherwise stated)

LTG LIETUVOS GELEŽINKELIAI

Statements of cash flows

	Notes	Group		Company	
		2020	2019	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES					
Net profit (loss)		36,556	58,095	17,295	39,339
ADJUSTMENT TO NON-CASH ITEMS					
Depreciation and amortisation expenses	7,8,9,10	131,126	136,822	9,303	99,450
(Depreciation) of grants	19	(16,159)	(16,078)	(131)	(14,704)
(Gain) loss from disposal/write-off of non-current assets		(3,100)	(745)	(109)	4,892
Decrease (increase) in the value of non-current assets		102	(99)	-	118
Write-down of inventories to net realisable value		255	405	(237)	21
Decrease (increase) in the value of investments		171	467	498	432
Decrease (increase) in the value of amounts receivable		604	926	19	78
Change in accrued income/expenses		(3,332)	(1,693)	2,789	3,215
Interest (income) expenses		2,795	3,239	(951)	1,990
Increase (decrease) in provisions		(1,505)	1,467	(1,500)	(207)
Effect of currency exchange fluctuations		(182)	38	(99)	118
Interest on lease liabilities		151	84	179	63
Corporate income tax expenses (income)	30	6,338	13,597	(157)	10,073
(Profit) loss of an associated company		(180)	(322)	-	-
Cash flows from operating activities after adjustment to non-cash items		**153,640**	**196,203**	**26,899**	**144,878**
CHANGES IN WORKING CAPITAL					
Decrease (increase) in inventories		2,029	5,782	3,681	28,407
Decrease (increase) in trade and other receivables and prepayments		22,389	(21,142)	(6,851)	15,534
Increase (decrease) in current and non-current trade payables and received prepayments		(4,490)	7,943	1,701	(36,424)
Increase (decrease) in employment related liabilities		1,081	5,263	255	(22,215)
Increase (decrease) in other non-current and current payables		(4,783)	(736)	(20,731)	(26,116)
(Paid) income tax		(3,153)	(24,873)	(874)	(24,296)
Net cash from operating activities		**166,713**	**168,440**	**4,080**	**79,768**
CASH FLOWS FROM INVESTING ACTIVITIES					
(Acquisition) disposal of non-current assets and change in prepayments for non-current assets		(217,881)	(112,099)	(906)	(38,824)
(Acquisition) disposal of investments		-	-	(225)	(386)
Dividends received		248	227	7,938	2,077
Interest received		-	-	642	437
Loans granted		-	(60)	(11,724)	(1,547)
Recovery of loans		-	-	-	-
Net cash used in investing activities		**(217,633)**	**(111,932)**	**(4,275)**	**(38,243)**

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

Statements of cash flows (continued)

	Notes	Group		Company	
		2020	2019	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES					
Loans received		50,000	-	-	-
Loans (repaid)		(29,955)	(29,711)	(7,151)	(29,664)
Grants received (repaid, used)		37,601	32,993	47	31,015
Interest on lease liabilities		(151)	(84)	(179)	(63)
Payment of lease liabilities		(1,398)	(1,002)	(1,082)	(679)
Interest (paid)		(2,831)	(3,383)	(706)	(3,375)
Dividends (paid)	17	(38,000)	(43,000)	(20,671)	(43,000)
Net cash flows from financing activities		**15,266**	**(44,187)**	**(29,742)**	**(45,766)**
Increase (decrease) in net cash flows		**(35,654)**	**12,321**	**(29,937)**	**(4,241)**
Cash and cash equivalents at the beginning of the period		**105,153**	**92,832**	**50,533**	**54,774**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**69,499**	**105,153**	**20,596**	**50,533**

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

Explanatory notes

1. General information

AB Lietuvos Geležinkeliai (the Company, LTG) was registered in the Register of Legal Entities of the Republic of Lithuania on 24 December 1991 after the reorganization of SPAB Lietuvos Geležinkeliai. In its activities the Company follows the Constitution of the Republic of Lithuania, Law on Companies of the Republic of Lithuania, Railway Transport Code of the Republic of Lithuania, and other valid legal acts of the Republic of Lithuania.

The Company is a legal entity independently organising economic, financial, organisational and legal activities. The Company is an authorised capital Company and the Republic of Lithuania acts as a shareholder of the Company. The Company's registration code 110053842, VAT payer's code LT100538411, legal (registration) address: Mindaugo St. 12, LT-03603 Vilnius.

The main activities of AB Lietuvos Geležinkeliai (LTG group) are freight and passenger transportation by rail, administration of railway network, management, supervision and development of public railway infrastructure.

The main activities of the Company are management, RSE (railway service equipment) and commercial services.

Based on the amendments to Railway Transport Code adopted by the Parliament of the Republic of Lithuania, regulating the separation of the activities of freight and passenger, baggage transportation by rail, and management of public railway infrastructure, in 2019 the Company implemented a new reorganization programme, which included purification of main activities and during which three new entities were separated from AB Lietuvos Geležinkeliai – AB LTG Cargo, UAB LTG Link and AB LTG Infra by transferring to them the main activities from three directorates: Freight, Passenger and Railway Infrastructure. On 1 May 2019 transfer of the activity of freight transportation by rail was implemented. On 1 September 2019 activities of passenger and baggage transportation by rail were transferred, and on 8 December 2019 activities of the manager of public railway infrastructure were transferred. Also, during 2019 new legal entities of the Group company were established: VšĮ Transporto Inovacijų Centras on 8 February 2019, UAB Saugos Paslaugos on 10 June 2019.

On 3 July 2020 the Company introduced an updated brand of Lietuvos Geležinkeliai (LTG) and new brands of its passenger and freight transportation, and public railway infrastructure management subsidiaries. The Company's name remains the same; however, a new abbreviation LTG was introduced. This abbreviation will unite the names of all the main companies of the LTG group: AB LG CARGO becomes AB LTG Cargo, UAB LG Keleiviams – UAB LTG Link, and AB Lietuvos Geležinkelių Infrastruktūra – AB LTG Infra.

On 20 July 2020 the name of AB LG CARGO was changed into AB LTG Cargo in the Register of Legal Entities, UAB LG Keleiviams – into UAB LTG Link, and the name of AB Lietuvos Geležinkelių Infrastruktūra was changed into AB LTG Infra on 26 August 2020. New Articles of Association of these companies were registered on these dates.

As at 31 December 2020, the sole shareholder of the companies newly established during 2019, i.e. AB LTG Cargo, UAB LTG Link and AB LTG Infra, was the parent company AB Lietuvos Geležinkeliai, which controlled 100% of shares of these companies.

As at 31 December 2020, the following subsidiaries established in 2020 were added to the AB LTG Cargo group: LTG Cargo Polska Sp.zo.o, which will carry out the activities of cargo transportation on railways in Poland, UAB LTG Wagons, which will carry out commer-cial activities of wagon lease, and LTG Cargo Ukraine LLC, which will carry out the activities of cargo transportation on railways in Ukraine.

As at 31 December 2020 and 2019, the Republic of Lithuania represented by the Ministry of Transport and Communications was the sole shareholder of the Company.

As at 31 December 2020 the Company's share capital comprised 3,657,492 ordinary registered shares with the nominal value of EUR 289.62 each. The share capital comprised EUR 1,059,282 thousand. The Company had not acquired own shares.

(all amounts are in EUR thousand unless otherwise stated)

1. General information (continued)

As at 31 December 2020, the Group comprised the Company and its subsidiaries, as presented below:

Company name	Registered address	Owned share, % 2020	Owned share, % 2019	Main activities
AB LTG Cargo	Geležinkelio St. 12, Vilnius	100	100	Freight transportation by rail
UAB LTG Link	Geležinkelio St. 16, Vilnius	100	100	Passenger transportation by rail
AB LTG Infra	Geležinkelio St. 2, Vilnius	100	100	Management of public railway infrastructure and implementation of functions of the manager of public railway infrastructure
UAB Geležinkelio Tiesimo Centras	Trikampio St. 10, Lentvaris	100	100	Public railway infrastructure road repairs and construction
UAB Vilniaus Lokomotyvų Remonto Depas	Švitrigailos St. 39/16, Vilnius	100	100	Repairs and manufacturing of railway rolling stock
LUAB Gelsauga	Prūsų St. 1, Vilnius	100	100	Security services. In liquidation.
UAB Saugos Paslaugos	Prūsų St. 1, Vilnius	100	100	Physical and electronic security, installation, monitoring and repairs of technical security surveillance devices
UAB Rail Baltica Statyba	Mindaugo St. 12, Vilnius	100	100	Implementation of shareholder's functions of the joint Baltic States company RB Rail AS, which monitors implementation of the Rail Baltica 2 project.
Lietuvos Geležinkelių Įmonių Asociacija	Mindaugo St. 12, Vilnius	-	-	Representation of members of association – rights of employers and interests in social partnership
VšĮ Geležinkelių Logistikos Parkas	Švitrigailos St. 39, Vilnius	79.61	79.61	Responsible for the development and management of Vilnius Public Logistics Centre Fleet. The Company is not significant thus not material for consolidation.
OOO Rail Lab	Internacionalnaja St. 36-1, Minsk, the Republic of Belarus	100	-	Manufacturing of locomotives and rolling stock, repairs and technical maintenance of vehicles, wholesale of other machinery and equipment
LTG Cargo Polska Sp.zo.o.	ul. Rondo ONZ, 12 Piętro, 00-124, Warszawa, Polska	100	-	Activities of freight carrier and provision of related services
UAB LTG Wagons	Geležinkelio St. 12, Vilnius	100	-	Lease of wagons and containers used for freight transportation by rail and provision of related services
LTG Cargo Ukraine LLC	Puškino St. 21, Kyiv, Ukraine	100	-	Lease, repair forwarding of rolling stock used for freight transportation by rail and provision of other logistic services

(all amounts are in EUR thousand unless otherwise stated)

1. General information (continued)

Investments to the associated companies are specified below:

Company name	Registered address	Owned share, %		Main activities
		2020	2019	
voestalpine Railway Systems Lietuva, UAB	Sostinės St. 18, Valčiūnai, Juodšiliai municipality, Vilnius district	34	34	Manufacture of railway switches
RB Rail AS	K. Valdemara 8, LV-1010, Riga, Latvia	33.33	33.33	Implementation of Rail Baltica project and of functions of central project coordinator. Controlled through UAB Rail Baltica Statyba
VšĮ Transporto Inovacijų Centras	Mindaugo St. 12, Vilnius	33.33	33.33	Development of innovation testing possibilities in transport sector infrastructure
UAB Lokomotyvai ir Transporto Komponentai	Švitrigailos St. 39, Vilnius	25	25	Provision of railway transport services (activities are not being implemented). Controlled through UAB Vilniaus Lokomotyvų Remonto Depas

As at 31 December 2020 the listed number of active employees of the Group and the Company at the end of the period (excluding the employees on parental leave, employees doing military service, long-term incapacity) was 8,999 and 1,197 respectively (as at 31 December 2019: 9,190 and 1,152 employees respectively).

The Company's management authorised these financial statements on 31 March 2021. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

2. Significant accounting policies

Basis of preparation. The Group's and the Company's financial statements have been prepared in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (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 Group's and the Company's financial year coincides with the calendar year.

Changes in accounting policies. The Group and the Company have consistently applied the accounting policies set out in Note 2 to all periods presented in these consolidated and separate financial statements.

Use of estimates and judgements. The preparation of the financial statements in conformity with the IFRS and IAS 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. When preparing the financial statements in accordance with IFRS, as adopted by the European Union, the Group and the Company have to make estimates and assumptions on assumptions that affect the application of accounting policies and figures related to assets and 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.

Judgements made by the management in the application of IFRSs and IAS that have significant effect on the consolidated and separate financial statements and estimates with a significant risk within the next financial year are discussed in paragraph No. 5 Significant changes in accounting policies.

Going concern. These financial statements for the financial year ended 31 December 2020 have been prepared under the assumption that the Group and the Company will continue as a going concern.

2. Significant accounting policies (continued)

Consolidated financial statements. The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjust-ments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. AB Lietuvos Geležinkeliai controls Group companies, to which it invests, when it may have or has a right to receive variable returns from its investee and may have an effect on this return using its power over the investee, according to IFRS 10 Consolidated Financial Statements, the purpose of which is to set the principles of presentation and preparation of consolidated financial statements for entities that control one or several entities.

Associates. Associates are entities over which the Group and the Company have significant influence (directly or indirectly), but not control. Generally, it is assumed that when owning a shareholding of between 20 and 50 per cent of the voting rights a significant influence can be made.

Investment in associates is accounted for using equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence ceases. Dividends received from associates reduce the carrying amount of the investments in associates.

Functional and presentation currency. The amounts presented in these financial statements are presented in euro, unless otherwise stated. The functional currency of the Company and its subsidiaries is euro. In these financial statements, all amounts are 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 at functional currency applying the effective exchange rate on the date of the transaction. Monetary assets and monetary liabilities in foreign currencies are translated into functional currency as at the date of the preparation of the financial statements applying the exchange rates set and announced by the European Central Bank. Currency exchange gains or losses are stated as profit or loss in the statements of profit or loss and other comprehensive income. Non-monetary assets and liabilities, denominated in foreign currency and measured at fair value, are translated into functional currency using exchange rates valid at the date when the fair value was determined. Non-monetary assets and liabilities denominated in a foreign currency and measured at cost are translated into functional currency applying the exchange rates effective as at the date of recognition of assets and liabilities in the statements of financial position. Currency exchange gains or losses are stated as profit or loss in the statements of profit or loss and other comprehensive income.

Property, plant and equipment. Property, plant and equipment are non-current tangible assets which: a) are intended for use in the production or supply of goods or services or for administrative purposes; and b) expected 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: a) the entity reasonably expects a flow of economic benefits from such asset in future periods; and b) the entity can reliably measure the acquisition (production) cost of the asset.

Property, plant and equipment are attributed to non-current tangible assets and are stated at cost less accumulated depreciation and accumulated impairment losses. 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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (components) of property, plant and equipment. The cost of replacing part of an item of property, plant and equipment is capitalised only if it is probable that the part will generate economic benefit and its cost can be measured reliably. The carrying amount of the replaced part is written off. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

At the end of each reporting period, if any indication of impairment exists, property, plant and equipment are tested for impairment. If any indication of impairment exists, the recoverable amount, which is the higher of the fair value less costs to sell and its value in use, is estimated. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the statements of profit or loss and other comprehensive income. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or 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 prior to the accounted impairment, assessing the estimated depreciation.

(all amounts are in EUR thousand unless otherwise stated)

2. Significant accounting policies (continued)

Subsequent to their recognition, property, plant and equipment shall be stated at cost less any accumulated depreciation and any accumulated impairment losses.

The costs of repair are added to the carrying amount of property, plant and equipment, if it is probable that the Group and 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 repairs and maintenance costs are expensed when incurred.

Gains or losses from disposal of property, plant and equipment are determined comparing the income from disposal with their carrying amount and are recognised in the statements of profit or loss and other comprehensive income.

As at 31 December 2020, the Group had assets managed under the right of trust; more details are provided in Notes 3 and 7.

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

Groups of property, plant and equipment	Useful life	
	Group	Company
Buildings and structures	5-110	8–80
Machinery and plant	4-50	5–50
Road transport	4-15	4–15
Rolling stock (including wagons)	5-46	8–30
Computers and hardware	3-15	4–15
Other equipment, fittings and tools	3-70	4–16

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

Construction in progress. Construction in progress is stated at cost. This includes the cost of construction, plant and equipment and other directly attributable costs. Construction in progress is not depreciated until the relevant assets are completed and put into operation.

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 adjusted for impairment loss, if any. Depreciation is calculated on the straight-line method over the estimated useful life: 10–50 years. Transfers to and from investment property are made only when there is an evidence of change in an asset's use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying value of investment property at the date of change in use. If owner-occupied property becomes an investment property the Company and the Group account for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The deemed cost for subsequent investment property accounting is the carrying amount at the time of assets' transfer.

Investments in subsidiaries. Investments in subsidiaries in the Company's separate financial statements are carried at acquisition cost, less impairment. Investments in subsidiaries in the Group's financial statements are carried using equity method. Under equity method, investment is recognised at acquisition cost initially. Subsequently, investments in subsidiaries are adjusted to reflect shareholder's share in net profit or loss.

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

Development costs that are directly associated with identifiable and unique software controlled by the Group and the Company are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. The Group's and the Company's capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

Intangible assets are amortised using the straight-line method over their useful lives, lasting between 3 and 10 years. Amortisation period shall be reviewed at the end of each financial year.

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

2. Significant accounting policies (continued)

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

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

Assets held-for-sale. The Group and the Company classify non-current assets as held-for-sale if their carrying amount will be recoverable from disposal rather than their continued utilisation. Such non-current assets classified as held-for-sale, are assessed at the lower of their carrying amount and fair value less costs to sell. Costs to sell are expenses directly attributed to sales, except for finance costs and income tax 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.

Impairment of property, plant and equipment and intangible assets. At each statements of financial position date, the Group and the Company review the carrying amounts of their property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, the Group's and 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 Group 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are immediately recognised in the statements of profit or loss and other comprehensive income.

Financial instruments

Financial assets. The financial assets of the Group and the Company include cash, trade and other receivables.

Trade receivables are recognised initially when they occur. At the time of initial recognition, all other financial assets are recognised when the Group and the Company become party to the contractual terms of the instrument. Financial assets (other than trade receivables without significant financing 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. Trade receivables without significant financing component are initially recognised at transaction price.

Financial assets are divided into three groups according to their measurement:

a) financial assets that are measured at amortised cost in subsequent periods;

b) financial assets that are subsequently measured at fair value through other comprehensive income;

c) financial assets that are subsequently measured at fair value through profit or loss.

The classification of financial assets depends on the financial asset management business model (assessing how the entity manages the financial assets to generate cash flows) and the characteristics of the contractual cash flows of the financial asset (whether the contractual cash flows only include solely principal and interest payments).

The Group and the Company have no financial assets measured at fair value through other comprehensive income in subsequent periods, and no financial assets measured at fair value through profit or loss in subsequent periods.

2. Significant accounting policies (continued)

A financial asset is stated at amortised cost if the following two conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets measured at amortised cost in subsequent periods are measured using the effective interest rate method. Amortised cost is reduced due to impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised through profit or loss. Any gains or losses on derecognition are carried in the statements of profit or loss and other comprehensive income.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period.

Financial assets measured at fair value through profit or loss are initially recognised at fair value. Subsequently, gains and losses from the change in fair value, including all interest and dividends, are recognised in profit or loss 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 Group and the Company retain the right to receive cash flows from the asset, but have assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement;
- the Group and the Company have transferred the rights to the cash flows and/or:
  - a) have transferred substantially all the risks and rewards of the asset, or
  - b) have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset and have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's and the Company's continuing involvement in the asset. The Group's and 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 Group and the Company could be required to repay.

The Group and the Company reduce the gross carrying amount of the financial asset if they cannot reasonably expect to recover all or part of the financial asset. Writing down is an event of derecognition.

Financial liabilities. The Group's and the Company's financial liabilities comprise loans and other borrowings, liabilities from contracts with customers, trade and other payables.

At the time of initial recognition, financial liabilities are recognised when Group and the Company become 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 at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition of financial liabilities. A financial liability is derecognised by the Group and the Company when contractual liability is discharged, or cancelled or expires. The Group and the Company also cease 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 a 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 in profit or loss in the statement of profit or loss and other comprehensive income.

2. Significant accounting policies (continued)

Offsetting of financial assets and liabilities. Financial assets and financial liabilities are offset when, and only when, the Group and the Company have a legally enforceable right to record the amounts and intend to make an offsetting, or dispose 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 Group and the Company hold under the contract and the cash flows the Group and the Company expect to receive). ECL are discounted applying an effective interest rate.

At the end of each reporting period, the Group and the Company recalculate and record the provision for expected credit losses in accordance with past events, current market conditions and future prospects. The Group and the Company apply a simplified method to calculate the expected lifetime credit losses over the period of validity and use a provisioning matrix for all trade and other receivables. For calculation of the expected credit losses using the provisioning matrix, trade receivables are analysed by the number of days past due.

At the end of each reporting period, the Group and the Company assess 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 asset. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss (credit-impaired) has occurred:

- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- a breach of contract such as default or payment delay:
- the counterparty considers bankruptcy or taking measures for a 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 that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

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 derecognised when the Group and the Company have 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 statements 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 Group and 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 Group and the Company become 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.

2. Significant accounting policies (continued)

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.

Financial guarantees. Financial guarantees are irrevocable contracts that require the Group and the Company to make specified payments to reimburse the holder of the guarantee for a loss they incur 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 the amount of fees 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 Group and the Company are lessees

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

The Group and the Company do 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 Group and the Company assess each asset separately. In deciding whether the value of an asset is low, lease charges over the entire lease period are not assessed. Assets with a value of up to EUR 4 thousand are considered low value assets. The Company does not apply the lease recognition provisions to all intangible assets. The Company applies the provisions of IAS 38 Intangible Assets to such assets.

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

Initial assessment of right-of-use assets. On the lease commencement date, the Group and the Company measure right-of-use assets at cost. The cost of a right-of-use asset 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 Group and the Company; and an estimate of the costs that the Group and the Company will incur in dismantling and disposing of the leased asset, maintaining its location or restoring the leased asset to the condition required by the lease conditions, unless those costs are incurred in producing the inventories. The Group and the Company assume a liability relating to these costs on the commencement date or after using the leased assets for a specific period. The Group and the Company 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 Group and the Company assess the right-of-use assets applying the cost method. By applying the cost method the Group and the Company 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 applies the depreciation requirements of IAS 16 *Property, Plant and Equipment*.

Initial assessment of the lease liability. On the commencement date the Group and the Company 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 this rate cannot be readily determined, the Group and the Company use the borrowing rate published by the Bank of Lithuania.

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

2. Significant accounting policies (continued)

Leases, where the Group and the Company are lessors

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

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

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted by the end of the reporting period. The income tax charge comprises current tax and deferred income tax and is recognised in the statements of profit or loss and other comprehensive income, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Income tax rate for the companies in Lithuania for the years 2020 and 2019 was 15%.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than income tax are recorded within operating expenses.

Deferred income tax is 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 for financial reporting purposes. 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 income tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred income tax assets and deferred tax liabilities may be carried 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 Group and the Company expect, 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 statements 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.

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 Group and the Company change their activities that resulted in the losses, unless the Group and the Company change activities due to reasons beyond their 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 not more than 70 per cent of the taxable profit of a taxable period according to Lithuanian laws.

Inventories. Inventories are measured at acquisition (production) cost, and subsequently are carried at the lower of cost or net realisable value. Net realisable value is a sale price under normal business conditions less expenses of completion and possible costs to sell. 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 applicable 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 authorised 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 authorised capital account. If the share issue price exceeds the nominal value, the surplus over the nominal value is recorded under share premium account.

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 Group's and the Company's equity is the assets value less value of all liabilities. The Group's and 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;
- retained earnings (loss).

Provisions. Provisions are accounted for only when the Group and the Company have a present obligation (legal or irrevocable) as a result of past event, 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 Group and the Company re-evaluate provisions at each reporting date and adjust them in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses which are expected to be incurred to settle the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest.

Employee benefits. The Group and the Company do not have any adopted defined contribution and benefit plans and have 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.

2. Significant accounting policies (continued)

Provisions for retirement benefits. According to 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 past service costs are recognised as an expense on a straight-line basis in profit or loss immediately after the assessment of such liability. Any gains or losses appearing as a result of curtailment and/or settlement are recognised as incurred. The abovementioned employment benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. Obligation is recognised 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 gains and losses are recognised in other comprehensive income as incurred. 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 Group and the Company recognise a liability and an expense for bonuses where it is contractually obliged or where there is a past practice that has created a constructive obligation. Based on the provisions of Collective Agreement, the liabilities are recognised for possible benefits to employees reaching the jubilees of 50 and 60.

Provisions for warranty repairs. Liabilities related to rolling stock warranty repairs are recognised as provisions under the signed contracts and the essential requirements for the repair and upgrading of tractive rolling stocks, nods and aggregates. The Group is legally obliged to provide rolling stock warranty services and to fulfil this obligation has to utilise economic resources and will not be relieved of accumulated costs. Warranty costs are attributed to the period when warranty services were sold rather than the period when warranty repair of rolling stocks is performed; therefore, these costs are recognised in the reporting period when the income is earned. Calculation of provisions for warranty repairs is based on the Group's experience in providing rolling stock repair services, established practise of common malfunctions of specific parts of rolling stocks after specific types of repairs performed and knowledge about additional work to be carried out after the sale of warranty service, and specialists' estimates and calculations. Provisions for warranty repairs are charged to current liabilities, and provision formation costs are attributed to operating expenses.

Revenue recognition. Revenues of the Group and the Company are recognised in accordance with IFRS 15, i. e, the Group and the Company recognise income at the time and to such an extent that the transfer of committed goods or services to customers would represent an amount that corresponds to the consideration that the Group and the Company expect to obtain in exchange for those goods or services. In applying this Standard, the Group and the Company take into account the terms of the contract and all relevant facts and circumstances. For such purpose, the Group's and the Company's revenue is recognised using the 5-step model:

Step 1 - Identify Customer Agreements.

Agreement between two and/or more parties (depending on the conditions of purchase or sale), which creates implemented rights and liabilities, is recognised as contract. A contract with a customer will be within the scope of IFRS 15 if all the following conditions are met:

- 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;
- there is a possibility to identify the rights of each party regarding the transferable goods and/or services;
- there is a possibility to identify the payment terms provided for the transferable goods and/or services;
- the contract has commercial substance; and
- it is probable that the consideration to which the Group and the Company are entitled to in exchange for the goods or services will be collected.

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

Step 2 - Identify performance obligations in the contract.

The contract establishes a commitment to deliver goods and/or services to the customer. When goods and/or services can be distinguished, the commitments are recognised separately. A promise in a contract with a customer to transfer to the customer either:

- the product and/or service is separate;
- a set of individual goods and/or services that are essentially the same and passed on to the customer in a uniform model.

2. Significant accounting policies (continued)

Step 3 - Determine the transaction price.

Transaction price may be fixed, variable or both.

Transaction price is equal to the amount of consideration indicated in the contract, which the Group and the Company expect to receive in exchange of goods or services transferred to the customer. Transactions concluded by the Group and the Company are subject to fixed prices for both ongoing services and services performed at a point of time or over time (calendar month), when the services are being rendered. Transaction price might comprise a fixed amount of remuneration paid by the customer; however, sometimes it may also comprise variable remuneration. 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 Group and the Company apply the following sales price calculation methods: adjusted market assessment approach, expected cost plus margin approach and residual approach. Similar transactions are measured equally.

Step 4 - Assigning a transaction price to performance obligations.

Normally, the Group and the Company attribute the transaction price to each performance obligation, based on relative separate sales prices of each contractually committed to transfer 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 Group and the Company satisfy a performance obligation.

The Group and the Company recognise revenue when they satisfy a performance obligation by transferring committed goods or services to the customer (i.e. when the customer obtains control of the mentioned goods or services). The recognised amount of revenue is equal to the amount of satisfied performance obligation. Performance obligation may be satisfied at a point of time or over time (calendar month). The Group and the Company recognize revenue over time assessing the result of completion until the performance obligation is satisfied.

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

Service sales revenue

Revenue from sales of the services is recognised based on invoices issued to customers for services rendered. The invoices are issued based on work completion certificates. At the end of the period, income from services that were not invoiced but provided is accumulated on an accrual basis.

Sales of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Group and the Company have transferred ownership control to a buyer;
- The Group and the Company retain neither continuing managerial involvement to the degree usually associated with owner-ship nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the Group and the Company will get economic benefit and transaction-related expenses incurred or to be incurred may be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenue from sales is recognised net of VAT and discounts, including accrued expected discounts for the year.

The Group's and the Company's revenue is recognised in accordance with provisions of IFRS 15, i.e. the Group and the Company recognise 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.

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time– requires judgement.

Operating revenue generated by the Group includes the following:

The revenues generated by the Group's operating activities comprise:

- Revenue earned from freight and services related to freight transportation;
- Passenger transportation and related services;
- Use of public railway infrastructure;
- Revenue from repair and maintenance;
- Other additional income.

2. Significant accounting policies (continued)

Other income from operating activities generated at the Company:

- Resale;
- Management services;
- Lease of assets;
- Work of locomotives and locomotive crews abroad;
- Technical maintenance and repairs;
- Supply of electricity, gas, steam and water;
- Other services.

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.

Income from freight transportation and services related to freight transportation (as of 1 May 2019, freight transportation activities are carried out by AB LTG Cargo)

Income from freight transportation and services related to freight transportation is recognised after the service has been rendered, after the freight has been delivered to the destination agreed in freight document. Freight transportation includes import, export and transit.

The service of freight transportation on international routes is a service of freight transportation by rail, when a train and all its wagons cross the border of at least one European Union Member State.

The service of freight transportation on local routes is a service of freight transportation by rail, when a train does not cross the border of a European Union Member State.

Income from services related to freight transportation is recognised after the service has been rendered and after a client or its representative have received benefits from the services rendered.

Passenger transportation income (as of 1 September 2019, passenger transportation activities are carried out by AB LTG Link)

Passenger transportation income reflect income received from transportation of passengers, luggage and post. Income from transportation of passengers, luggage and post is recognised after the services have been rendered, after delivery has taken place to a destination specified in freight document of after the validity period of freight document has expired.

Sales of advanced tickets comprise a small part in the sales revenue from all tickets and the ticket purchase date usually coincides with the date of service provision.

Income for the use of public railway infrastructure (as of 8 December 2019, the activities of the management of the public railway infrastructure are carried out by AB LTG Infra)

Income for the use of public railway infrastructure reflects income received from the use of public railway infrastructure. Income related to the use of public railway infrastructure and from related additional services is recognised over time (calendar month), after the services have been rendered, as the client receives benefits from the use of public railway infrastructure.

(all amounts are in EUR thousand unless otherwise stated)

2. Significant accounting policies (continued)

Type of services	Nature, timing and payment conditions of operating liabilities	Revenue recognition under IFRS 15
Income from freight transportation, services related to freight transporta-tion and passenger transportation	Invoices for freight transportation and related additional services are issued periodically, as agreed with customer (daily, every ten days, monthly). Invoices are prepared after the service has been rendered based on primary documents of freight transportation and additional services: in case of transit freight transportation - based on dispatch date from Lithuania, in case of import - date of transfer of fright to a customer; in case of exports and transportation in Lithuania - date of freight dispatch, in case of additional services - actual date of rendering the service. Having assessed the reliability of a service customer, payment conditions are set in the agreements: • Prepayment; • After provision of services applying collaterals (cash deposit, bank guarantee, commercial credit); • After provision of services without collaterals (up to 30 days, mostly 7 to 10 days); • A common term for payment of invoices is 30 days. Passenger and freight transportation services based on train tickets sold. The major part of ticket sales coincides with the date of transportation. The major part of income is paid immediately, upon the purchase of a ticket. Invoices for passenger transportation and related additional services are issued periodically, as contractually agreed with a customer; the invoices are formed according to initial passenger transportation and additional service documents after the service has been rendered. Most invoices are to be paid within 15 calendar days; a 30-calendar day period is applied to separate customers.	Income from services related to freight transportation is recognised at a point in time, when services have been rendered, i.e. after the freight has been delivered to a destination agreed in freight document. Freight transportation usually takes up to 24 hours; therefore, income is recognised at a point in time. The amount of recognised income is assessed at the price indicated in freight documents and additional services documents. Advances received are included into contractual liabilities. If services under one agreement are rendered in different reporting periods, then the consideration is allocated based on their relative independent sales prices. The separate sales price is determined based on service prices indicated in the agreement. Income from transportation of passengers, luggage and post is recognised at a point of time, as once the carriage is completed, the control of the service is transferred to the customer. The customer acquires the control over the service when it receives all benefit related to the carriage service. Revenue is recognised after the services have been rendered, after delivery has taken place to a destination specified in freight document of after the validity period of freight document has expired. Sales of advanced tickets comprise a small part in the sales revenue from all tickets and the ticket purchase date usually coincides with the date of service provision.
Use of public railway infrastructure	Invoices for the use of public railway infrastructure and related additional services are issued periodically, as contractually agreed with a customer (daily, every ten days, monthly); the invoices are formed according to initial and additional service documents after the service has been rendered or over time when the services are being rendered applying a rate: • Prepayment; • After provision of services applying collaterals (cash deposit, bank guarantee, commercial credit); • After provision of services without collaterals (up to 30 days, mostly 7 to 10 days); • A common term for payment of invoices is 7 to 10 days.	Income related to the use of public railway infrastructure and from related additional services is recognised over time (calendar month), after the services have been rendered, as the client receives benefits from the use of public railway infrastructure. The amount of recognised income is assessed following the procedure set out in the service provision rules and at the price indicated in additional services documents. Advances received are included into contractual liabilities. If services under one agreement are rendered in different reporting periods, then the consideration is allocated based on their relative independent sales prices. The separate sales price is determined based on a rate for service prices.

2. Significant accounting policies (continued)

Type of services	Nature, timing and payment conditions of operating liabilities	Revenue recognition under IFRS 15
Income from repairs and maintenance	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. Invoices are issued after the service has been provided and the deed of acceptance-transfer of the performed works has been signed. Standard invoice payment term is 30 days. Dependent on a type of repair, a repairing period of a locomotive usually lasts from 1 to 25 calendar days, and repairing of a wagon usually lasts for 3 calendar days. Payments for removal of private wagons are subject to a 10-day term, a cash deposit may also be applied.	Revenue is recognised over a time on a monthly or calendar quarterly basis or when services are transferred to the customer (the deed of transfer-acceptance of the performed works is signed) based on stage of completion method, assessing the result of fulfilment when services or works are completed. The related costs are recognised in profit or loss and other comprehensive income when incurred. Expected contract related loss was recognised immediately in the statement of profit or loss and other comprehensive income. Advances received are included into contractual liabilities. If services under one agreement are rendered in different reporting periods, then the consideration is allocated based on their relative stand-alone sales prices. It is determined based on service prices indicated in the agreement.
Other additional income	Invoices for additional services provided are issued immediately after the services are provided. Income from the sale of goods is recognized when the goods are loaded from the warehouse. The normal payment term is 30 days. 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.	Income is recognized at a point of time, as the customer acquires the control over goods and services once the goods have been removed from the warehouse, and the services have been rendered. Services are considered provided when the deed of acceptance-transfer of the performed works is signed. The customer acquires the control over the good and service when it receives all benefit related to the good and service. 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. 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.

2. Significant accounting policies (continued)

Lease income

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.

Invoices are issued after services have been rendered or the deed of acceptance and delivery of works has been signed. Standard invoice payment term is 30 days.

Payments for uncoupling repair of private wagons are subject to a settlement period of 10 days, and a cash deposit might be additionally applied.

Recognition of expenses. 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.

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

Dividend income from subsidiaries is recognised in the Company's stand-alone financial statements when the dividends are declared by the subsidiary.

Contingent assets and liabilities. Contingent liabilities are not recognised in the financial statements, except for contingent liabilities associated with acquisitions. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits are probable.

Government grants. Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. Government grant can be provided in a variety of forms which may differ both in nature of granting and conditions which are normally determined providing the 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). Assets received free of charge are also allocated to this group of grants. The amount of the asset-related grants is recognised in profit and loss gradually according to the depreciation rate of the assets associated with this grant. In profit or loss, a depreciation expense account is reduced by the amount of grant amortisation.

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 recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant. Grants intended for compensation of not received income is recognised in the statements 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.

Business combinations. The Group and the Company account for business combinations applying the acquisition method when the acquired integrated set of activities and assets constitutes a business. When determining whether a certain integrated set of activities and assets constitutes a business the Group and the Company assess whether the integrated set of activities and assets comprises, at the very least, an input and a substantive process that together significantly contribute to the ability to create outputs. The Group and the Company can apply a 'concentration test' in order to facilitate assessment whether the acquired set of activities and assets is not a business. A concentration test is positive when substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets.

2. Significant accounting policies (continued)

The Group and the Company apply 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 Group's and 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 Group and the Company 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 Group and Company are the acquirers, they determine the acquisition date at which they acquire 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. Applying the acquisition method requires:

a) identifying the acquirer;

b) determining the acquisition date;

c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and

d) recognising and measuring goodwill or a gain from a bargain purchase.

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 measurements appropriately reflect consideration of all available information as of the acquisition date.

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.

The business combination of the Group and the Company was carried out in accordance with the principles of a joint venture. IFRS 3 does not apply to jointly controlled entities in a business combination. The business transfer to the Company took place at carrying amounts.

Subsequent events. Subsequent events are events which provide additional information on the Group's and 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.

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 Group, 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. Critical accounting estimates and judgements

Significant judgements

Subsequent events. 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.

Moment of revenue recognition. The management assesses the moment of revenue recognition, i.e. whether revenue is recognised over time or at a point in time. The Group's income from the use of public railway infrastructure is recognised over time, as a customer receives benefits from the use of public railway infrastructure; and income from freight and passenger transportation is recognised at a point of time, when the services have been rendered, when the freight or passengers have been transported to a place specified in the transportation document.

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

Assets managed under the right of trust. The Group manages public railway infrastructure facilities and state-owned service facilities and land plots beneath those facilities (hereinafter collectively referred to as the public railway infrastructure facilities). Under the Trust agreement with the Ministry of Transport and Communications of the Republic of Lithuania and in accordance with the Railway Transport Code, the Group's subsidiary, AB LTG Infra, operates, manages and disposes the public railway infrastructure facilities, while the Government of the Republic of Lithuania retains legal title (before the reorganization explained below, these functions were fulfilled by AB Lietuvos Geležinkeliai). AB LTG Infra and the Group accounts for these assets as property, plant and equipment in accordance with IAS 16 based on the following:

- AB LTG Infra is entitled to use public railway infrastructure facilities free of charge for an indefinite period, the state may re-voke this right only by amending legislation;
- Having transferred that right to AB LTG Infra, the state has also transferred the significant risks and rewards of ownership – AB LTG Infra uses the public railway infrastructure facilities to generate revenue and incurs expenses for its maintenance; alt-hough the state is to ensure that the general public has access to the railway transportation in the country, the state does not retain direct financial risks associated with the public railway infrastructure facilities;
- Although some rights that are generally associated with the ownership of the public railway infrastructure facilities are restrict-ed (e.g. AB LTG Infra cannot sell or pledge these assets), similar restrictions are common in private and privatised infrastruc-ture and utility companies – including entities that are subject to strict cost-of-service forms of rate regulation.

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.

Consolidation of AB LTG Infra. During 2019, following the amendments to the Code adopted by the Parliament of the Republic of Lithuania, the Group has implemented a new reorganization programme. As a result, three new entities – AB LTG Cargo, UAB LTG Link and AB LTG Infra – were demerged from AB Lietuvos Geležinkeliai and became its 100% subsidiaries; the public railway infrastructure facilities, referred to above, have been transferred to AB LTG Infra. The amendment to the Code also established certain restrictions on how income, generated from the use of public railway infrastructure facilities, can be utilised. Under the Code, this income should be either spent on the development, modernization and maintenance of the public railway infrastructure facilities or remitted to the State. In addition, the state maintains all owner of public railway infrastructure facilities rights, including deciding how development of the new public railway infrastructure facilities has to be financed, charged and used in case these facilities are no longer necessary for the needs of AB LTG Infra.

Management considered the following factors:

a) Being the sole shareholder of AB Lietuvos Geležinkeliai before and after reorganization, the state controls the Group, including, indirectly, AB LTG Infra, through its voting rights. The state does not utilize its rights, provided by the Code, to manage the relevant activities of AB LTG Infra bypassing AB Lietuvos Geležinkeliai. Therefore, these rights are deemed protective.

b) Although the Code has established certain restrictions on how the income derived from the use of the public railway infrastructure facilities can be utilized, the AB Lietuvos Geležinkeliai is entitled to receive dividends from income of AB LTG Infra generated from its activities and is also exposed to variable returns arising from other sources (e.g. management fee, financial guarantees issued in relation to the loans received by AB LTG Infra etc.). Accordingly, AB Lietuvos Geležinkeliai benefits itself from its investments.

Based on the above, the management concluded that neither the reorganization nor the changes to the Code affect the AB Lietuvos Geležinkeliai control over AB LTG Infra.

The Group prepares the consolidated financial statements applying the same accounting policies for similar transactions and other events occurring under similar conditions to all Group companies.

3. Critical accounting estimates and judgements (continued)

Significant estimates and assumptions

Information on significant estimates and assumptions is provided below:

Useful lives of intangible assets and property, plant and equipment. The useful lives are reviewed on an annual basis and, if necessary, are adjusted to reflect the current estimate of remaining useful life, considering technological changes, future economic use of assets and their physical condition. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate in accordance with IAS 8.

Review of remaining useful life and residual values of non-current assets

As at 31 December 2019, the Group had rolling stock with the value of EUR 23,911 thousand which did not meet the legislative requirements of the EU as of 2025. The EU Directive No 1300/2014 includes technical specifications for wagons regarding their suitability for passengers with disabilities. As to the management, this rolling stock might potentially be used on less busy sections.

In 2020, the possibilities of further use of this rolling stock was assessed and its remaining useful life was determined. The depreciation rates for part of the rolling stock which will not be used after 2025 were reduced. Part of the rolling stock will be used on less busy sections; its quantity and remaining useful life were determined.

In 2020, the review of these wagons was performed (expert valuation). Such review is performed annually regarding residual values or selling prices. Upon the moment of sales (before auctions) asset valuation is performed by external valuators.

The effect of changes in useful life and residual values on the statement of profit or loss and other comprehensive income for the year 2020: EUR 1,458 thousand of additionally accounted depreciation expenses.

Impairment losses of property, plant and equipment. The carrying amounts of the Group's and the Company's property, plant and equipment are reviewed at each reporting date to determine, whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The carrying amounts of the Group's and the Company's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit).

The recoverable amount is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount of an asset that does not generate cash flows is estimated based on the recoverable amount of a cash-generating unit to which the asset belongs.

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

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

3. Critical accounting estimates and judgements (continued)

Impairment losses of amounts receivable. The Group and the Company assess the impairment of amounts receivable at least quarterly. In determining whether an impairment loss should be recorded in profit or loss, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment debtors, national or local economic conditions that influence the receivables. The management evaluates probable cash flows from the debtors based on historical loss experience related to the debtors with a similar credit risk. Methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Write-down of inventories to net realisable value. The Group reviews its list of inventories at least annually to establish their net realisable value. Inventories acquired earlier than one year before, are reviewed in order to determine whether they will be realisable in the future. In case of slow moving spare parts and other materials, the write-down is registered for the entire acquisition cost of the inventories, if inventories have been on the list of inventories for longer than 2 years and have not been used since then.

Provisions and contingent liabilities. The Group and the Company exercise considerable judgement in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed or a liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily related to internal specialists, such as legal counsel. Revisions to the estimates may significantly affect future operating results of the Group and the Company.

Deferred income tax. Deferred tax is calculated using the balance sheet method, providing for temporary differences between the financial and tax values of assets and liabilities. The amount of deferred tax provided is based on the expected manner of realisation of assets and settlement of liabilities. A deferred tax asset is recognised only to the extent that it is probable that sufficient future taxable profits will be available against which temporary difference can be utilised. Values of deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4. New standards 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 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 amend-ments 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.

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 in 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.

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

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 in 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.

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.

Significant changes in accounting policies

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

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

The preparation of financial statements in accordance with IFRS and IAS requires the management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. Future events may cause changes in the assumptions used in estimates. The effect of any changes in estimates will be recorded in the financial statements, when determined. Significant decisions made by the management regarding application of accounting policies and main sources for contingencies applied in preparation of the financial statements were the same as those applied in preparation of the financial statements for the year ended 31 December 2019, except for those accounting estimates which are subject to an increased level of contingency due to the COVID-19 pandemic. Except for the COVID-19 pandemic, there were no other areas where significant and complex judgements were required or areas in regard to which applicable assumptions and accounting estimates significantly affected these financial statements, in comparison to the financial statements for the year 2019. The key areas taken into consideration by the management in assessing the impact of COVID-19 are presented below.

For the first time, the coronavirus COVID-19 was officially announced on 31 December 2019 in China, and it spread rapidly all over the world in the first quarter of 2020. The Government of the Republic of Lithuania officially declared the first quarantine in the country on 16 March 2020 which continued until 16 June. Decisions made in order to tackle COVID-19 have complicated activities in business sectors and caused high uncertainty all over the world. Due to the increase in number of infections in October, the second quarantine was declared in Lithuania from 7 November 2020 to 17 December 2020; yet, business is less restricted than it was during the period of the first quarantine.

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

Going concern. In assessing, all publicly available information on the COVID-19 related threats was used. The final impact of COVID-19 pandemic on the Group's and the Company's activities cannot yet be assessed; however, the Group's and the Company's management, when assessing the potential impact of COVID-19 factors on the Group's and the Company's results, did not identify any threats to the Group's and the Company's ability to continue as a going concern.

The Group and the Company took actions to manage the risks:

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

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

Carrying amount and useful life property, plant and equipment. The Group's and the Company's management reviewed the useful life of non-current assets to evaluate whether they comply with the intended nature of use and purpose of non-current assets taking into consideration potential impact of COVID-19 on that asset. The review of useful life was based on expected events and economic conditions which may be created by the COVID-19 pandemic in the future. The review carried out by the management did not lead to identification of any use discrepancies of property, plant and equipment both in a long-time and short-time periods.

Measurement of fair value and impairment losses of property, plant and equipment. The Group's and the Company's management assessed internal and external indications of impairment and carried out impairment tests for possible impairment related to COVID-19. The management has reviewed the key assumptions which are used in the measurement of fair value and for impairment testing of property, plant and equipment:

- There were no changes in the legal framework due to COVID-19, which might significantly affect the fair value of property, plant and equipment;
- The Group and the Company did not identify a significant gap between the expected and actually incurred costs and earned income, which might have been affected by COVID-19. In addition, the management does not expect any significant fluctua-tions between the budgeted and actually incurred amounts in the future;

(all amounts are in EUR thousand unless otherwise stated)

5. Impact of COVID-19 on key accounting estimates, assumptions and estimation uncertainties (continued)

- The management did not identify significant change in the discount rate used for discounting of cash flows;
- After the review of main assumptions, the Group's and the Company's management did not identify any significant circumstances related to COVID-19 leading to the necessity to measure the fair value (for assets carried at revaluation amounts) or perform impairment tests (for assets carried at acquisition cost less accumulated depreciation and impairment).

Net realisable value of inventories. Based on the management's assessment, as COVID-19 has not caused activity discrepancies, the carrying amount of inventories is equal to at least their net realisable value as at 31 December 2020.

Compliance with contracts and potential losses. The Group and the Company have properly evaluated information on loss from compliance with lease, sale and other similar contracts, especially when the loss was caused by decrease in business capacity as a result of the pandemic. As at the date of preparation of the financial statements, the amount of inevitable losses arising from compliance with contracts effective as at the end of the financial statements was calculated, and it was evaluated whether any provisions should have been formed for the mentioned losses. Past events, the Company's current activity conditions and the expected economic situation were taken into consideration by the Company in assessing the potential losses.

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

6. Financial instruments and risk management

Financial instruments. Fair value

The Group's and the Company's main financial instruments not carried at fair value are trade and other receivables, contract assets, trade and other payables, contract liabilities, cash and long-term and short-term borrowings. In the opinion of the management of the Company, the carrying amounts of these financial instruments approximate their fair values as the borrowing costs are related to interbank borrowing interest rate EURIBOR and other financial assets and liabilities are short-term thus the fluctuation in their fair value is insignificant.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group and the Company have access at that date, irrespective of whether this price is directly observable or measured using valuation methods.

The Group's and the Company's financial instruments according to their types:

	Group		Company	
	2020	2019	2020	2019
Financial assets				
Contract assets	408	176	-	-
Loans and other borrowings	160	160	132,247	158,681
Trade and other receivables	30,157	34,938	24,410	23,213
Cash and cash equivalents	69,499	105,153	20,596	50,533
Total	**100,224**	**140,427**	**177,253**	**232,427**
Financial liabilities				
Contract liabilities	3,771	175	-	-
Loans and borrowings	201,934	181,984	-	37,051
Lease liabilities	5,352	3,097	8,421	2,140
Trade and other payables	41,478	37,662	19,129	22,318
Total	**252,535**	**222,918**	**27,550**	**61,509**

(all amounts are in EUR thousand unless otherwise stated)

6. Financial instruments and risk management (continued)

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 in 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).

Comparison of the values of all the Group's financial instruments is presented below:

	Net carrying 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								
Contract assets	408	-	-	408	176	-	-	176
Loans and other borrowings	160	-	-	160	160	-	-	160
Trade and other receivables	30,157	-	-	30,157	34,938	-	-	34,938
Cash and cash equivalents	69,499	69,499	-	-	105,153	105,153	-	-
Total	**100,224**	**69,499**	**-**	**30,725**	**140,427**	**105,153**	**-**	**35,274**
Financial liabilities								
Contract liabilities	3,771	-	-	3,771	175	-	-	175
Loans and borrowings	201,934	-	201,934	-	181,984	-	181,984	-
Lease liabilities	5,352	-	-	5,352	3,097	-	-	3,097
Trade and other payables	41,478	-	-	41,478	37,662	-	-	37,662
Total	**252,535**	**-**	**201,934**	**50,601**	**222,918**	**-**	**181,984**	**40,934**

(all amounts are in EUR thousand unless otherwise stated)

6. Financial instruments and risk management (continued)

Comparison of the values of all the Company's financial instruments is presented below:

	Net carrying 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								
Loans and other borrowings	132,247	-	-	132,247	158,681	-	-	158,681
Trade and other receivables	24,410	-	-	24,410	23,213	-	-	23,213
Cash and cash equivalents	20,596	20,596	-	-	50,533	50,533	-	-
Total	**177,253**	**20,596**		**156,657**	**232,427**	**50,533**	**-**	**181,894**

	Net carrying 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 liabilities								
Loans and borrowings	-	-	-	-	37,051	-	-	37,051
Lease liabilities	8,421	-	-	8,421	2,140	-	-	2,140
Trade and other payables	19,129	-	-	19,129	22,318	-	-	22,318
Total	**27,550**	**-**	**-**	**27,550**	**61,509**	**-**	**-**	**61,509**

The classification and measurement of the Group's and the Company's financial instruments as at 31 December 2020 are disclosed in a table below:

	Measurement	
	Group	Company
Financial assets		
Contract assets	Amortised cost	Amortised cost
Loans and other borrowings	Amortised cost	Amortised cost
Trade and other receivables	Amortised cost	Amortised cost
Cash and cash equivalents	Amortised cost	Amortised cost
Financial liabilities		
Contract liabilities	Amortised cost	Amortised cost
Loans and other borrowings	Amortised cost	Amortised cost
Lease liabilities	Amortised cost	Amortised cost
Trade and other payables	Amortised cost	Amortised cost

The Group and the Company had no financial assets measured at fair value.

6. Financial instruments and risk management (continued)

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

Loans and borrowings. The fair value of non-current loans is measured on the basis of the market price or interest rate of the same or similar loan effective at the time to the loans of the same maturity. The fair value of loans is attributed to Level 2 within the fair value hierarchy model. The fair value of loans received corresponds to their carrying amount.

Amounts receivable and payable. The carrying amount of current trade receivables, current trade creditors approximates their fair value.

Risk management

The Group and the Company are exposed to uncertainty due to external and internal factors, identify risks (strategic, financial, operating and compliance) related to activity, evaluate their effects and probabilities in advance and aim to mitigate them at least partly. The management of activity risks of the Group and the Company is regulated by the Description of Management Process of Activity Risks approved by the legal acts of the Company. Pursuant to the description, risk managers are appointed and regularly trained, regular risk evaluation is carried out using the implemented Risk Management Information System. The results of the evaluation are presented to the management of the Company. Management plans are approved for unacceptable risks and their implementation is monitored. The risk management policies and frameworks are reviewed on a regular basis to make sure they comply with the market terms and changes in the Group's and the Company's activities. The Group and the Company seek to establish a disciplined and constructive risk management environment where all employees know their roles and obligations.

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

The Group and the Company face the following financial risks: credit, liquidity, currency exchange, interest rate and capital risks. This note contains the information on the impact of these risks on the Group and the Company, the aims, policy and processes related to the assessment and management of these risks.

Credit risk. Credit risk arises due to cash at banks, loans granted and trade receivables.

Credit risk is the risk that the Group and 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 the Group's and the Company's customers.

Financial guarantees. The Company has signed guarantee agreements with the European Investment Bank (EIB) and Nordic Investment Bank (NIB), based on which it provides guarantees for obligations of AB LTG Cargo and AB LTG Infra under the transferred and amended contracts of AB LTG Cargo and LTG Infra with the EIB and NIB. The amount of guarantee is equal to the loan outstanding, including all interest, rick charge (if applicable), termination expenses, charges, fees, indemnification or any other amount that AB LTG Cargo, AB LTG Infra or the Company is required to pay to the EIB and NIB based on the conditions set in the guarantee and financing agreements with banks.

The Group and the Company manage credit risk through procedures. The basis of management of credit risk arising from trade receivables is evaluation of client reliability. The Group and the Company constantly evaluate creditworthiness of current and prospective service buyers/providers. If a service buyer is evaluated as risky or if the client is new and does not have history of collaboration with the Group and the Company, prepayment conditions are applied. When payments are deferred in settlements with clients, legal credit risk mitigation instruments are used – credit insurance or pledge. Various means of credit management and mitigation are provided in bilateral agreements between the Group and the Company and service buyers/providers: limitations, guarantee for discharge of contract obligations and other instruments that protect the interests of the Group and the Company. Credit risk is constantly monitored.

Credit risk is measured as the maximum credit exposure for each group of financial instruments and is equal to their carrying amount. The major credit risk relates to the carrying amount of each group of assets.

The COVID-19 pandemic did not lead to a significant increase in credit risk of the Group and of the Company. The clients did not request the extension of payment terms. However, as the COVID-19 pandemic unfolds, the market situation is being monitored and the Credit Control Policies, procedures and processes in place at the LTG Group and the Company are being revised.

(all amounts are in EUR thousand unless otherwise stated)

6. Financial instruments and risk management (continued)

The Group's and the Company's trade amounts receivable from main external customers comprised:

	Group		Company	
	2020	2019	2020	2019
Client A	6,337	4,877	6,337	4,877
Client B	2,712	2,633	630	800
Client C	2,269	2,363	447	678
Client D	1,105	1,811	370	222
Client E	1,029	1,668	146	182
Client F	753	1,576	42	95
Other	11,242	13,980	145	101
Total	**25,447**	**28,908**	**8,117**	**6,955**

The Group and the Company allocate each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies. An ECL rate is calculated for each credit risk grade based on actual credit loss experience.

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

Group	Initial value	Expected credit loss, %	Impairment	Net carrying amount
Low risk	28,840	0.00%	-	28,840
Fair risk	610	0.49%	(3)	607
Increased risk	400	13.00%	(52)	348
High risk	8,240	95.61%	(7,878)	362
Total	**38,090**		**(7,933)**	**30,157**

Company	Initial value	Expected credit loss, %	Impairment	Net carrying amount
Low risk	24,332	0.01%	-	24,332
Fair risk	24	0.04%	-	24
Increased risk	66	24.24%	(16)	50
High risk	4,324	99.91%	(4,320)	4
Total	**28,746**		**(4,336)**	**24,410**

Low risk – none of the customer's invoices are past due;

Fair risk – at least one of the customer's invoices is past due up to 30 days;

Increased risk – at least one of the customer's invoices is past due up to 120 days;

High risk – at least one of the customer's invoices is past due over 120 days.

(all amounts are in EUR thousand unless otherwise stated)

6. Financial instruments and risk management (continued)

The Group and the Company apply 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. For calculation of the expected credit losses using the provisioning matrix, trade receivables and other receivables are categorised into separate groups according to credit risk characteristics. The amounts for each group are analysed by the number of days past due. As trade and other receivables usually do not include deposit or other collaterals, the ratio of expected losses coincides with the probability of default.

The Group and the Company determine credit risk based on historical data, considering past due payments.

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

Group	Expected credit losses, %	Gross carrying amount	Impairment	Net carrying amount
Not past due	0.00%	29,690	-	29,690
Past due for 1 to 30 days	0.54%	373	(2)	371
Past due for 31 to 60 days	16.39%	61	(10)	51
Past due for 61 to 120 days	79.59%	98	(78)	20
Past due for over 120 days	99.68%	7,868	(7,843)	25
Total		**38,090**	**(7,933)**	**30,157**

Company	Expected credit losses, %	Gross carrying amount	Impairment	Net carrying amount
Not past due	0.01%	24,332	-	24,332
Past due for 1 to 30 days	0.04%	24	-	24
Past due for 31 to 60 days	0.07%	19	-	19
Past due for 61 to 120 days	34.04%	47	(16)	31
Past due for over 120 days	99.91%	4,324	(4,320)	4
Total		**28,746**	**(4,336)**	**24,410**

Impairment accounted for by the Group and the Company reflects the estimated losses from doubtful trade receivables. The principal component of impairment is individually assessed losses from significant doubtful trade receivables. Impairment assessment methods are constantly reviewed to ensure that the difference between the estimated and actual losses is as low as possible.

The Group's and the Company's movement of impairment allowance of doubtful trade receivables:

	Group		Company	
	2020	2019	2020	2019
Balance at the beginning of the period	(3,004)	(2,065)	(33)	(1,771)
Effect of reorganization	-	-	-	1,816
Impairment of amounts written off	123	-	-	-
Change in impairment allowance for trade receivables	(671)	(939)	(21)	(78)
Balance at the end of the period	**(3,552)**	**(3,004)**	**(54)**	**(33)**

(all amounts are in EUR thousand unless otherwise stated)

6. Financial instruments and risk management (continued)

The Group's and the Company's movement of impairment allowance of loans, other amounts receivable within one year and after one year:

	Group		Company	
	2020	2019	2020	2019
Balance at the beginning of the period	(4,437)	(7,276)	(4,284)	(7,269)
Effect of reorganization	-	-	-	159
Impairment of amounts written off	-	2,826	-	2,826
Change in impairment allowance for receivables	67	13	2	-
Balance at the end of the period	**(4,370)**	**(4,437)**	**(4,282)**	**(4,284)**

As at 31 December 2020, the Group's and the Company's change in impairment allowance for receivable debts is presented in the statements of profit or loss and other comprehensive income, under items of increase (decrease) in value of receivables. The Group's and the Company's amounts written off are considered as amounts with no possibility or right of recovery.

Although the economic circumstances may have an impact on the recoverability of borrowings, as to the Company's management, the Group and the Company are not exposed to material risk to incur loss which would exceed the impairment that has already been recognised.

Cash and cash equivalents comprise cash and cash at bank; therefore, the related credit risk is minimal. Diversification principle is applied for the monetary resources held by the Group and the Company, the funds are at banks that have international credit ratings of BBB-/Baa3 and higher.

	Group		Company	
	2020	2019	2020	2019
Aa2,AA	8,363	21,938	1,891	7,508
A+,A1	-	-	-	-
A1-,A+	-	-	-	-
AA-, Aa3	35,165	37,538	10,071	9,754
A2,A	121	-	121	-
Baa1, BBB+	25,631	45,540	8,374	33,180
Baa2, BBB	38	-	-	-
BBB-, Baa3	88	-	88	-
Below BBB-/Baa3	75	92	51	90
Cash in hand	18	45	-	1
Total	**69,499**	**105,153**	**20,596**	**50,533**

If the rating requirement is not met, net amount of cash trusted to the entity cannot exceed the maximal limit of deposit hedged by the state, i.e., EUR 100 thousand.

Liquidity risk. Liquidity risk is a risk that the Group and the Company will be unable to fulfil their financial liabilities at maturity. Risk management ensures that the Group and the Company always have sufficient liquid assets and are able to meet liabilities in a timely manner. Management of liquidity and solvency risk is related to cash flow planning and control and forecast of unforeseeable events that may have a negative effect on cash flows and pose a threat to solvency and liquidity. Liquidity and solvency risk is assessed by monitoring and analysing relative liquidity and solvency ratios which are used to assess the state of current and non-current liabilities and the efficiency of cash flow management. The Group's and the Company's shortage of operating capital is balanced using credit facilities if necessary. In addition, according to the Group's and the Company's standard policy, payment period for suppliers is 45 days.

(all amounts are in EUR thousand unless otherwise stated)

6. Financial instruments and risk management (continued)

The COVID-19 pandemic did not have a significant negative effect on the Group's and the Company's liquidity. The Group had signifi-cant balances of cash and cash equivalents during the year and ensured the liquidity of all Group companies through cash-pool. In addition, seeking a pro-active response to the threats imposed by the pandemic, in April, credit institutions with which the Group coop-erates were surveyed regarding the possibility to receive a binding credit line or overdraft with maturity of 12 months or more. Offers were received suggesting favourable pricing; however, as no need for borrowing existed, no agreements were signed with credit insti-tutions.

As at the date of the financial statements, the Group and the Company did not face any liquidity issues.

The following financial ratios are monitored in the Group in accordance with the financial terms of credit contracts:

Group	2020	Value set by the bank	2019	Value set by the bank
Net debt/adjusted EBITDA*	comply	Not higher than 4.0	comply	Not higher than 3.0
Debt/adjusted EBITDA*	not observed	-	comply	Not higher than 3.0
Equity ratio	comply	Not lower than 35 per cent	comply	Not lower than 40 per cent
Loan servicing ratio	comply	Not lower than 2	comply	Not lower than 2
Debt/Equity	not observed	-	comply	Not higher than 40.0 per cent
Financial loan of subsidiaries	not observed	-	not observed	Not higher than 10.0 per cent
Financial loan of the group	not observed	-	comply	Not higher than EUR 400 million

*Adjusted EBITDA: profit (loss) before taxation + Interest expenses - Interest income + Depreciation and amortisation + Increase (decrease) in the value of non-current assets, inventories and investments + Increase (decrease) in the value of amounts receivable and contract assets + Expenses of provisions not related to typical activities.

Based on financial terms of credit agreements, as of 30 June 2020, these financial covenants of both AB LTG Infra and AB LTG Cargo are monitored. The financial covenants are calculated considering the financial performance of AB LTG Infra and AB LTG Cargo.

The COVID-19 pandemic did not affect the compliance with covenants. As at 31 December 2020, no breaches to the compliance with the financial or non-financial covenants under loan agreements were identified.

The table below shows the information about maturity dates for non-derivative financial liabilities as per agreements. The information has been prepared on the basis of non-discounted flows of financial liabilities taking into consideration the earliest maturity dates for the Group and the Company to cover these liabilities. The balances of liabilities, the maturity term of which is up to 12 months, approximately correspond to their carrying amounts.

The Group's maturities of financial liabilities by undiscounted cash flows method as at 31 December 2020:

Financial liabilities	Total:	Within one year	One to five years	After five years
Loans and other borrowings	213,783	30,285	85,824	97,674
Lease liabilities	5,941	1,874	4,067	-
Trade and other payables	41,478	38,658	2,820	-
Total	**261,202**	**70,817**	**92,711**	**97,674**

(all amounts are in EUR thousand unless otherwise stated)

6. Financial instruments and risk management (continued)

The Group's maturities of financial liabilities by undiscounted cash flows method as at 31 December 2019:

Financial liabilities	Total:	Within one year	One to five years	After five years
Loans and other borrowings	195,457	30,358	79,633	85,466
Lease liabilities	3,421	1,304	2,117	-
Trade and other payables	39,835	37,132	2,703	-
Total	**238,713**	**68,794**	**84,453**	**85,466**

The Company's maturities of financial liabilities by undiscounted cash flows method as at 31 December 2020:

Financial liabilities	Total:	Within one year	One to five years	After five years
Loans and other borrowings	-	-	-	-
Lease liabilities	10,366	1,851	4,250	4,265
Trade and other payables	19,129	19,129	-	-
Total	**29,495**	**20,980**	**4,250**	**4,265**

The Company's maturities of financial liabilities by undiscounted cash flows method as at 31 December 2019:

Financial liabilities	Total:	Within one year	One to five years	After five years
Loans and other borrowings	38,608	13,736	24,872	-
Lease liabilities	2,246	984	1,262	-
Trade and other payables	22,318	22,318	-	-
Total	**63,172**	**37,038**	**26,134**	**-**

Currency risk. Currency exchange risk is the risk that changes in market prices due to fluctuations in foreign currency exchange rates will impact the Group's and the Company's results or the value of financial instruments held.

The main sources of foreign currency exchange risk for the Group and the Company are various transactions denominated in foreign currencies (CHF, USD, RUB, BYN), the carrying out of which poses a risk of incurring losses due to fluctuations of foreign currency exchange rates against the euro: sale/ purchase of goods and services, repayment of loans obtained in foreign currency, payment of interest etc. This risk is minimal as the major part (95%) of the Group's and the Company's settlements are denominated in euro. Foreign currency exchange risk was managed by using internal means, i.e., by balancing funds received and spent in foreign currencies.

In 2020 and 2019, the Group and the Company did not conclude derivative financial transactions with banks in order to manage currency exchange risk.

Interest rate risk. The Group's and the Company's loans granted and received and other borrowings are subject to variable interest rates related to EURIBOR.

Long-term loans have the greatest impact on the increase of interest rate risk. On 30 June 2020 restructuring of LTG long-term loans was completed. LTG transferred long-term credit obligations to the European Investment Bank (EIB) to its subsidiary AB LTG Cargo – EUR 29,591 thousand, loans amounting to EUR 144,364 thousand were transferred to AB LTG Infra at the end of 2019.

The Company has no long-term loans as at 31 December 2020, and as at 31 December 2019, the portfolio of long-term loans amounted to EUR 36,743 thousand.

As at 31 December 2020 the weighted interest rate of the Group's loan portfolio was 1.3%, and as at 31 December 2019 was 1.6%. If the interest rate grew by 0.5 percentage points during 2021, the annual interest expenses would increase by EUR 882 thousand.

6. Financial instruments and risk management (continued)

In 2020 and 2019, the Group and the Company did not use derivative financial instruments to manage interest rate risk. The Group and the Company have a provision that 30% and more of the total amount of the Group's and 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 Group and the Company have cash in large banks of Lithuania that have credit ratings of BBB-/Baa3 and higher as assigned by international rating agencies.

The Group and the Company are not exposed to significant interest rate risk, currency exchange or price index fluctuation risks related to banking products.

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

Pursuant to the Law on Companies of the Republic of Lithuania, authorised capital of a public limited company has to be EUR 40 thousand or higher (EUR 2.5 thousand or higher of a private limited company) and equity - not less than 50% of the authorised capital of the Company.

The management of the Company controls adherence to the provisions of the Law on Companies of the Republic of Lithuania which state that if a company's equity capital becomes less than 1/2 of the size of the authorised capital set out in the company's articles of association, the board, no later than in 3 months since the day they learned or had to be made aware of the situation, shall convene the general meeting of shareholders which shall consider questions on decisions as set out in Article 59, Section 10, Clause 2 and Section 11 of the aforementioned law. The situation in the company has to be resolved in no more than 6 months since the day the board learned or had to be made aware of the situation.

As at 31 December 2020 and 31 December 2019, the Group and the Company were in compliance with the above-mentioned requirements of the provisions of the Law on Companies of the Republic of Lithuania.

In addition, the Group and the Company, by managing capital risk in the long-term, aim to maintain an optimum capital structure which would ensure a harmonised implementation of objectives for capital costs and risk minimisation. The Group and the Company form the capital structure by evaluating internal factors of regular operations, investments and expansions planned of the companies, and by taking into account operational strategies of the Group and the Company, external current and anticipated factors of markets regulation and country environment which are significant for the operations.

(all amounts are in EUR thousand unless otherwise stated)

7. Property, plant and equipment

Property, plant and equipment of the Group comprised:

	Land	Buildings and structures	Machinery and plant	Vehicles	Other equipment, fittings and tools	Construction in progress and prepayments	Total
ACQUISITION COST							
31 December 2018	**146,792**	**1,155,518**	**248,311**	**502,345**	**120,807**	**167,007**	**2,340,780**
- acquisitions for the year	4,084	2,205	765	17,023	449	86,972	111,498
- sold, written off, disposed assets	(23)	(3,842)	(2,034)	(278)	(1,847)	(7,368)	(15,392)
- reclassification from/to current assets	(6)	1	(56)	(645)	176	(943)	(1,473)
- reclassifications*	-	49,075	2,400	(1,155)	900	(50,683)	537
31 December 2019	**150,847**	**1,202,957**	**249,386**	**517,290**	**120,485**	**194,985**	**2,435,950**
- acquisitions for the year	2,857	944	1,419	44,620	484	179,563	229,887
- sold, written off, disposed assets	(29)	(49,520)	(7,738)	(3,506)	(7,253)	(174)	(68,220)
- reclassifications from/(to) current assets	-	(480)	(1,399)	(2,673)	(1,052)	16,172	10,568
- reclassifications (to) intangible assets	-	-	-	-	-	(3,705)	(3,705)
- reclassifications*	110	108,113	15,127	1,169	7,237	(134,452)	(2,696)
31 December 2020	**153,785**	**1,262,014**	**256,795**	**556,900**	**119,901**	**252,389**	**2,601,784**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
31 December 2018	**-**	**(254,722)**	**(77,017)**	**(142,315)**	**(31,868)**	**(15,348)**	**(521,270)**
- depreciation	-	(67,943)	(18,034)	(37,568)	(8,645)	-	(132,190)
- impairment reversal for the year	-	(134)	117	455	(8)	6,101	6,531
- sold, written off, disposed assets	-	290	1,554	2,543	1,580	-	5,967
- reclassifications from/(to) current assets	-	-	107	316	46	-	469
- reclassifications*	-	(175)	(3)	3	(1)	-	(176)
31 December 2019	**-**	**(322,684)**	**(93,276)**	**(176,566)**	**(38,896)**	**(9,247)**	**(640,669)**
- depreciation	-	(66,829)	(16,199)	(35,079)	(8,668)	-	(126,775)
- impairment reversal for the year	-	40	(4)	1	-	377	414
- sold, written off, disposed assets	-	34,525	7,782	1,624	7,384	-	51,315
- reclassifications from/(to) current assets	-	60	938	977	1,182	-	3,157
- reclassifications*	-	49	-	-	-	-	49
31 December 2020	**-**	**(354,839)**	**(100,759)**	**(209,043)**	**(38,998)**	**(8,870)**	**(712,509)**
CARRYING AMOUNT							
31 December 2018	**146,792**	**900,796**	**171,294**	**360,030**	**88,939**	**151,659**	**1,819,510**
31 December 2019	**150,847**	**880,273**	**156,110**	**340,724**	**81,589**	**185,738**	**1,795,281**
31 December 2020	**153,785**	**907,175**	**156,036**	**347,857**	**80,903**	**243,519**	**1,889,275**

*The reclassification balance of non-current assets was transferred to investment property.

(all amounts are in EUR thousand unless otherwise stated)

7. Property, plant and equipment (continued)

Property, plant and equipment of the Company comprised:

	Land	Buildings and structures	Machinery and plant	Vehicles	Other equipment, fittings and tools	Construction in progress and prepayments	Total
ACQUISITION COST							
31 December 2018	**146,786**	**1,132,667**	**216,703**	**491,778**	**119,387**	**167,134**	**2,274,455**
- acquisitions for the year	4,083	436	607	877	188	64,484	70,675
- sold, written off, disposed assets	-	(103)	(1,191)	(283,632)	(1,176)	(8,854)	(294,956)
- disposal of assets due to reorganization	(150,869)	(1,138,481)	(203,324)	(206,084)	(99,837)	(168,501)	(1,967,096)
- transferred to investment property	-	(3,696)	-	-	-	-	(3,696)
- reclassifications	-	48,421	1,849	(9)	852	(51,113)	-
31 December 2019	**-**	**39,244**	**14,644**	**2,930**	**19,414**	**3,150**	**79,382**
- acquisitions for the year	-	2	28	4	96	1,364	1,494
- sold, written off, disposed assets	-	(493)	(1,302)	(1,687)	(3,715)	(1,976)	(9,173)
- transferred to investment property	-	2,106	-	-	-	-	2,106
- reclassifications	-	120	37	-	9	(166)	-
31 December 2020	**-**	**40,979**	**13,407**	**1,247**	**15,804**	**2,372**	**73,809**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
31 December 2018	**-**	**(249,897)**	**(63,945)**	**(138,169)**	**(30,921)**	**(15,348)**	**(498,280)**
- depreciation	-	(61,273)	(14,432)	(11,444)	(7,744)	-	(94,893)
- transfer of depreciation due to reorganization	-	298,725	70,179	52,362	27,045	-	448,311
- impairment reversal for the year	-	(134)	125	393	23	6,053	6,460
- impairment reversal for the year due to reorganization		143	3	107	1	9,154	9,408
- sold, written off, disposed assets	-	7	468	95,165	695	-	96,335
- transferred to investment property	-	1,190	-	-	-	-	1,190
- reclassifications		1	(3)	3	(1)	-	-
31 December 2019	**-**	**(11,238)**	**(7,605)**	**(1,583)**	**(10,902)**	**(141)**	**(31,469)**
- depreciation	-	(2,490)	(1,229)	(185)	(1,813)	-	(5,717)
- impairment reversal for the year	-	-	-	-	3	-	3
- sold, written off, disposed assets	-	51	798	948	3,703	-	5,500
- transferred to investment property	-	(834)	-	-	-	-	(834)
- reclassifications	-	-	-	-	-	-	-
31 December 2020	**-**	**(14,511)**	**(8,036)**	**(820)**	**(9,009)**	**(141)**	**(32,517)**
CARRYING AMOUNT							
31 December 2018	**146,786**	**882,770**	**152,758**	**353,609**	**88,466**	**151,786**	**1,776,175**
31 December 2019	**-**	**28,006**	**7,039**	**1,347**	**8,512**	**3,009**	**47,913**
31 December 2020	**-**	**26,468**	**5,371**	**427**	**6,795**	**2,231**	**41,292**

7. Property, plant and equipment (continued)

The Group's depreciation charge included to the statement of profit or loss and other comprehensive income of the Group amounted to EUR 109,495 thousand (EUR 114,428 thousand in 2019). This amount included EUR 128,673 thousand (EUR 132,190 thousand in 2019) depreciation expenses which were reduced by depreciation of grants of EUR 15,428 thousand (EUR 15,393 thousand in 2019) as disclosed in Note 19. Capitalised depreciation amounted to EUR 3,863 thousand (EUR 2,369 thousand in 2019).

The Company's depreciation charge included to the statement of profit or loss and other comprehensive income amounted to EUR 5,714 thousand (EUR 80,935 thousand in 2019). This amount included EUR 5,717 thousand (EUR 94,893 thousand in 2019) depreciation expenses which were reduced by depreciation of grants of EUR 3 thousand (EUR 14,065 thousand in 2019) as disclosed in Note 19. Capitalised depreciation amounted to EUR 0 thousand (EUR 18 thousand in 2019).

As at 31 December 2020, the carrying amount of assets managed under the right of trust at the Group comprised EUR 980,406 thousand (at 31 December 2019: EUR 982,986 thousand). As at 31 December 2019, the Company had no assets managed under the right of trust. All of the Company's assets managed under the right of trust based on the Trust Agreement were transferred to the new manager of public railway infrastructure AB LTG Infra on 8 December 2019.

The acquisition cost of fully depreciated but still used property, plant and equipment of the Group was EUR 60,108 thousand (EUR 47,405 thousand in 2019) and the Company EUR 8,693 thousand (EUR 7,892 thousand in 2019). Most of fully depreciated property, plant and equipment comprised other equipment, fittings and tools.

The Group and the Company have no assets pledged.

The Company did not perform a test of recoverable amount of its property, plant and equipment as no indications of impairment existed; the operating results are better than planned. The test or recoverable amount performed by the Group showed that the recoverable amount exceeds the carrying amount; therefore, no impairment was accounted for.

(all amounts are in EUR thousand unless otherwise stated)

8. Right-of-use assets

As at 31 December 2020 the Group's right-of-use assets consisted of:

	Land	Buildings and structures	Machinery and plant	Vehicles	Other equipment, fittings and tools	Total
ACQUISITION COST						
1 January 2019	**156**	**189**	**-**	**982**	**-**	**1,327**
- acquisitions for the year	-	100	325	2,263	84	2,772
31 December 2019	**156**	**289**	**325**	**3,245**	**84**	**4,099**
- acquisitions for the year	-	933	27	1,758	629	3,347
- disposed assets	(156)	-	-	-	-	(156)
- reclassifications	-	-	-	-	-	-
31 December 2020	**-**	**1,222**	**352**	**5,003**	**713**	**7,290**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
1 January 2019	**-**	**-**	**-**	**-**	**-**	**-**
- depreciation	(3)	(62)	(175)	(865)	(11)	(1,116)
31 December 2019	**(3)**	**(62)**	**(175)**	**(865)**	**(11)**	**(1,116)**
- depreciation	-	(62)	(34)	(1,567)	(94)	(1,757)
- depreciation reversal of disposed assets	3	-	-	459	-	462
- reclassifications	-	-	-	-	-	-
31 December 2020	**-**	**(124)**	**(209)**	**(1,973)**	**(105)**	**(2,411)**
CARRYING AMOUNT						
1 January 2019	**156**	**189**	**-**	**982**	**-**	**1,327**
31 December 2019	**153**	**227**	**150**	**2,380**	**73**	**2,983**
31 December 2020	**-**	**1,098**	**143**	**3,030**	**608**	**4,879**

(all amounts are in EUR thousand unless otherwise stated)

8. Right-of-use assets (continued)

As at 31 December 2020 the Company's right-of-use assets consisted of:

	Buildings and structures	Machinery and plant	Vehicles	Other equipment, fittings and tools	Total
ACQUISITION COST					
1 January 2019	**189**	**-**	**720**	**-**	**909**
- acquisitions for the year	226	20	1,605	84	1,935
- disposal of assets due to reorganization	(25)	-	-	-	(25)
31 December 2019	**390**	**20**	**2,325**	**84**	**2,819**
- acquisitions for the year	16,733	10	1,955	272	18,970
- disposed assets	(11,457)	-	(141)	(10)	(11,608)
- reclassifications	-	-	-	-	-
31 December 2020	**5,666**	**30**	**4,139**	**346**	**10,181**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
1 January 2019	**-**	**-**	**-**	**-**	**-**
- depreciation	(86)	(1)	(681)	(11)	(779)
- transfer of depreciation due to reorganization	5	-	-	-	5
31 December 2019	**(81)**	**(1)**	**(681)**	**(11)**	**(774)**
- depreciation	(1,087)	(12)	(1,041)	(49)	(2,189)
- depreciation reversal of disposed assets	781	-	141	10	932
- reclassifications	-	-	-	-	-
31 December 2020	**(387)**	**(13)**	**(1,581)**	**(50)**	**(2,031)**
CARRYING AMOUNT					
1 January 2019	**189**	**-**	**720**	**-**	**909**
31 December 2019	**309**	**19**	**1,644**	**73**	**2,045**
31 December 2020	**5,279**	**17**	**2,558**	**296**	**8,150**

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

During 2020, the Company generated income of EUR 1,197 thousand (2019: EUR 137 thousand) from the sublease of the right-of-use assets.

(all amounts are in EUR thousand unless otherwise stated)

9. Intangible assets

As at 31 December 2020 intangible assets of the Group comprised the following:

	Software	Licences and similar rights	Other intangible assets	Total
ACQUISITION COST				
31 December 2018	**30,177**	**2,084**	**879**	**33,140**
- additions	963	122	70	1,155
- sales, disposals, write-offs	(101)	(8)	(17)	(126)
31 December 2019	**31,039**	**2,198**	**932**	**34,169**
- additions	44	949	552	1,545
- sales, disposals, write-offs	(4,986)	(34)	(171)	(5,191)
- transferred from property, plant and equipment	3,775	27	(97)	3,705
31 December 2020	**29,872**	**3,140**	**1,216**	**34,228**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES				
31 December 2018	**(10,043)**	**(1,498)**	**(574)**	**(12,115)**
- amortisation	(2,813)	(496)	(188)	(3,497)
- impairment for the year	-	(1)	2	1
- sales, disposals, write-offs	106	7	10	123
31 December 2019	**(12,750)**	**(1,988)**	**(750)**	**(15,488)**
- amortisation	(2,200)	(169)	(84)	(2,453)
- impairment for the year	939	-	-	939
- sales, disposals, write-offs	4,070	24	157	4,251
31 December 2020	**(9,941)**	**(2,133)**	**(677)**	**(12,751)**
CARRYING AMOUNT				
31 December 2018	**20,134**	**586**	**305**	**21,025**
31 December 2019	**18,289**	**210**	**182**	**18,681**
31 December 2020	**19,931**	**1,007**	**539**	**21,477**

(all amounts are in EUR thousand unless otherwise stated)

9. Intangible assets (continued)

As at 31 December 2020 intangible assets of the Company comprised the following:

	Software	Licences and similar rights	Other intangible assets	Total
ACQUISITION COST				
31 December 2018	**29,983**	**2,082**	**474**	**32,539**
- additions	965	123	-	1,088
- sales, disposals, write-offs	(11)	(6)	(19)	(36)
- disposal of assets due to reorganization	(23,371)	(169)	(420)	(23,960)
31 December 2019	**7,566**	**2,030**	**35**	**9,631**
- additions	25	949	-	974
- sales, disposals, write-offs	(977)	-	-	(977)
31 December 2020	**6,614**	**2,979**	**35**	**9,628**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES				
31 December 2018	**(9,797)**	**(1,496)**	**(257)**	**(11,550)**
- amortisation	(2,572)	(493)	(100)	(3,165)
- transfer of amortisation due to reorganization	6,799	157	304	7,260
- impairment for the year	-	(1)	2	1
- impairment reversal for the year due to reorganization	52	-	-	52
- sales, disposals, write-offs	10	6	16	32
31 December 2019	**(5,508)**	**(1,827)**	**(35)**	**(7,370)**
- amortisation	(747)	(146)	-	(893)
- impairment for the year	939	-	-	939
- sales, disposals, write-offs	38	-	-	38
31 December 2020	**(5,278)**	**(1,973)**	**(35)**	**(7,286)**
CARRYING AMOUNT				
31 December 2018	**20,186**	**586**	**217**	**20,989**
31 December 2019	**2,058**	**203**	**-**	**2,261**
31 December 2020	**1,336**	**1,006**	**-**	**2,342**

The Group and the Company do not have internally generated intangible assets.

Amortisation costs of intangible assets of the Group which in 2020 amounted to EUR 1,777 thousand (EUR 2,812 thousand in 2019) are accounted for in the statement of profit or loss and other comprehensive income, under depreciation and amortisation. Amounts of EUR 2,453 thousand (EUR 3,497 thousand in 2019) included into amortisation expenses which were reduced by amortisation of grants of EUR 676 thousand (EUR 685 thousand in 2019) as disclosed in Note 19.

Amortisation costs of intangible assets of the Company which in 2020 amounted to EUR 765 thousand (EUR 2,526 thousand in 2019) are accounted for in the statement of profit or loss and other comprehensive income, under depreciation and amortisation. Amounts of EUR 893 thousand (EUR 3,165 thousand in 2019) included into amortisation expenses which were reduced by amortisation of grants of EUR 128 thousand (EUR 639 thousand in 2019) as disclosed in Note 19.

The Group's fully amortised intangible assets still in use amounted to EUR 6,966 thousand (EUR 4,593 thousand in 2019). The Company's fully amortised intangible assets still in use amounted to EUR 5,441 thousand (EUR 3,892 thousand in 2019). Most of fully amortised assets was software.

The reversal of impairment of the Group's and the Company's intangible assets during 2020 comprised written off software which is not used and for which impairment was recognised in prior years.

(all amounts are in EUR thousand unless otherwise stated)

10. Investment property

The investment property of the Group and the Company comprised the following:

	Group	Company
ACQUISITION COST		
31 December 2018	**853**	**9,886**
- acquisitions for the year	-	-
- sold, written off, disposed assets	-	-
- disposal of assets due to reorganization	-	(2,067)
- transferred from property, plant and equipment	(537)	3,696
31 December 2019	**316**	**11,515**
- acquisitions for the year	-	-
- sold, written off, disposed assets	-	(25)
- transferred from property, plant and equipment	2,696	(2,106)
31 December 2020	**3,012**	**9,384**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES		
31 December 2018	**(227)**	**(2,296)**
- depreciation	(17)	(506)
- sold, written off, disposed assets	-	-
- transfer of depreciation due to reorganization	-	761
- transferred from property, plant and equipment	176	(1,190)
31 December 2019	**(68)**	**(3,231)**
- depreciation	(141)	(504)
- sold, written off, disposed assets	-	9
- transferred from property, plant and equipment	(49)	834
31 December 2020	**(258)**	**(2,892)**
CARRYING AMOUNT		
31 December 2018	**626**	**7,590**
31 December 2019	**248**	**8,284**
31 December 2020	**2,754**	**6,492**

The Group's and the Company's investment property comprised leased buildings. Average non-cancellable term of the lease is 3 years with possibility to prolong.

Part of the Group's investment property with the acquisition cost as at 31 December 2020 of EUR 1 thousand (EUR 11 thousand as at 31 December 2019) was fully depreciated but still used in operations.

Part of the Company's investment property with the acquisition cost as at 31 December 2020 of EUR 341 thousand (EUR 260 thousand as at 31 December 2019) was fully depreciated but still used in operations.

During 2020, the Group and the Company received EUR 551 thousand and EUR 1,968 thousand of income from the lease of investment property (2019: EUR 614 thousand and EUR 1,937 thousand, respectively).

(all amounts are in EUR thousand unless otherwise stated)

11. Investments

The movement of investments of the Group to associates and other companies:

Company name	Owned share, %	2020			2019		
		Investment value	Accounted impairment	Carrying amount	Investment value	Accounted impairment	Carrying amount
Shares of associates							
voestalpine Railway Systems Lietuva, UAB	34	745	-	745	745	-	745
VšĮ Transporto Inovacijų centras	33.33	116	-	116	86	-	86
RB Rail AS	33.33	3,900	-	3,900	3,900	-	3,900
UAB Lokomotyvai ir transporto komponentai	25	72	(72)	-	72	(72)	-
		4,833	(72)	4,761	4,803	(72)	4,731
Long-term investments							
VšĮ Logistikos parkas	79.61	460	(405)	55	265	(265)	-
Brussels Centralised Payment Centre	1.34	2	-	2	2	-	2
		462	(405)	57	267	(265)	2
Application of equity method		-	-	(60)	-	-	(48)
Total				**4,758**			**4,685**

(all amounts are in EUR thousand unless otherwise stated)

11. Investments (continued)

The movement of investments of the Company to subsidiaries and other companies:

Company name		Owned share, %	2020 Investment value	2020 Accounted impairment	2020 Carrying amount	2019 Investment value	2019 Accounted impairment	2019 Carrying amount
Shares of subsidiaries								
AB LTG Cargo	c)	100	39,602	-	39,602	39,602	-	39,602
UAB LTG Link	d)	100	142,778	-	142,778	142,778	-	142,778
AB LTG Infra	a)	100	673,668	-	673,668	673,668	-	673,668
UAB Geležinkelio Tiesimo Centras	e)	100	24,752	-	24,752	24,752	-	24,752
UAB Vilniaus Lokomotyvų Remonto Depas		100	15,252	-	15,252	15,252	-	15,252
LUAB Gelsauga		100	3,002	-	3,002	3,002	-	3,002
UAB Saugos Paslaugos		100	454	(269)	185	454	-	454
UAB Rail Baltica Statyba		100	4,804	(2,465)	2,339	4,804	(2,406)	2,398
VšĮ Geležinkelių Logistikos Parkas	b)	79.61	460	(405)	55	265	(265)	-
			904,772	(3,139)	901,633	904,577	(2,671)	901,906
Shares of associates								
voestalpine Railway Systems Lietuva, UAB		34	745	-	745	745	-	745
VšĮ Transporto Inovacijų Centras	f)	33.33	115	(79)	36	86	(49)	37
			860	(79)	781	831	(49)	782
Long-term investments								
Brussels Centralised Payment Centre		1.34	2	-	2	2	-	2
			2	-	2	2	-	2
Total			**905,635**	**(3,218)**	**902,416**	**905,410**	**(2,720)**	**902,690**

(all amounts are in EUR thousand unless otherwise stated)

11. Investments (continued)

The financial position of investments in associates carried using equity method:

2020	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity
voestalpine Railway Systems Lietuva, UAB	4,180	7,171	7	1,695	9,649
RB Rail AS	1,156	32,971	7,542	19,649	6,936
VšĮ Transporto Inovacijų Centras	1	113	-	4	110
UAB Lokomotyvai ir Transporto Komponentai	-	294	-	-	293

2019	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity
voestalpine Railway Systems Lietuva, UAB	4,597	7,674	3	2,583	9,685
RB Rail AS	688	12,694	5,319	1,151	6,912
VšĮ Transporto Inovacijų Centras	1	109	-	-	110
UAB Lokomotyvai ir Transporto Komponentai	-	322	-	-	322

Investments in associates using equity method in the statement of profit or loss and other comprehensive income:

	2020		
	Revenue	(Expenses)	Profit or loss
voestalpine Railway Systems Lietuva, UAB	10,063	(9,370)	693
RB Rail AS	10,782	(10,900)	(118)
VšĮ Transporto Inovacijų Centras	3	(91)	(88)
UAB Lokomotyvai ir Transporto Komponentai	12	(42)	(30)

	2019		
	Revenue	(Expenses)	Profit or loss
voestalpine Railway Systems Lietuva, UAB	10,237	(9,296)	941
RB Rail AS	7,189	(9,626)	(2,437)
VšĮ Transporto Inovacijų Centras	-	(37)	(37)
UAB Lokomotyvai ir Transporto Komponentai	-	(7)	(7)

(all amounts are in EUR thousand unless otherwise stated)

11. Investments (continued)

As at 31 December 2020 the AB Lietuvos Geležinkeliai group (LTG group) consisted of the Company, the new Group companies established during 2019 the main activities of which were separated from the Company when implementing the reorganization programme and transferred to: AB LTG Cargo (on 1 May 2019 – the activity of freight transportation by rail), UAB LTG Link (on 1 September 2019 – activities of passenger and baggage transportation by rail) and AB LTG Infra (on 8 December 2019 – activities of the manager of public railway infrastructure).

The LTG group also comprises UAB Geležinkelio Tiesimo Centras (2001), UAB Vilniaus Lokomotyvų Remonto Depas (2001), LUAB Gelsauga (2001), VšĮ Geležinkelių Logistikos Parkas (2011), UAB Rail Baltica Statyba (2014), UAB Saugos Paslaugos (2019), VšĮ Transporto Inovacijų Centras (2019) and associate voestalpine Railway Systems Lietuva, UAB (1995).

a) On 15 January 2020, the share capital of AB Lietuvos Geležinkelių Infrastruktūra was increased by a non-monetary contribution of EUR 654,928 thousand by issuing 654,928 ordinary registered shares with a nominal value of EUR 1,000, and on 26 August 2020 the name of the AB Lietuvos Geležinkelių Infrastruktūra was changed in the Register of Legal Entities into AB LTG Infra. The new name and Articles of Association were registered, which had no effect on the change in investments in related parties and other companies;

b) On 10 July 2020, the Company paid an additional shareholder's contribution of EUR 194 thousand to VšĮ Geležinkelių Logistikos Parkas.

c) On 20 July 2020, the new Articles of Association of AB LTG Cargo were registered which included the reduction of the authorized capital by EUR 16,474 million, followed by reduction of the nominal value per each ordinary registered share from EUR 289.62 to EUR 210.64, which had no effect on the change in investments in related parties and other companies;

d) On 20 July 2020, the new Articles of Association of UAB LTG Link were registered which included the reduction of the authorized capital by EUR 12,647 thousand, followed by reduction of the nominal value per each ordinary registered share from EUR 1,000 to EUR 919.05, which had no effect on the change in investments in related parties and other companies;

e) On 23 December 2020, the authorised capital of the subsidiary UAB Geležinkelio Tiesimo Centras was reduced by EUR 888 thousand by reducing the nominal value of each ordinary registered share from EUR 289.62 to EUR 281.53. The Articles of Association were amended accordingly, which had no effect on the change in investments in related parties and other companies;

f) On 28 December 2020, the Company paid an additional shareholder's contribution of EUR 30 thousand to VšĮ Transporto Inovacijų Centras.

In 2020, cargo transportation company AB LTG Cargo established new subsidiaries: in July 2020 LTG Cargo Polska Sp.zo.o which will develop rail freight transportation operations in Poland, in October 2020 UAB LTG Wagons which will carry out commercial wagon lease activities, and in December 2020 – LTG Cargo Ukraine LLC, which will develop the activities freight transportation by rail in Ukraine.

Movement of the Company's investments in related parties and other companies:

	Investment value
Acquisition value as at 31 December 2018	76,338
Effect of reorganization	825,748
Increase (+)	1,035
Decrease (-)	(431)
Acquisition value as at 31 December 2019	902,690
Increase (+)	224
Decrease (-)	(381)
Acquisition value as at 31 December 2020	**902,533**

(all amounts are in EUR thousand unless otherwise stated)

12. Inventories

As at 31 December 2020 the Group's and the Company's inventories comprised:

	Group		Company	
	2020	**2019**	**2020**	**2019**
Spare parts	4,189	12,305	210	10
Materials of the upper railway part	4,683	13,761	-	43
Materials	3,180	4,705	851	146
Fuel	4,627	5,453	3,077	4,387
Other inventories	761	1,323	153	439
Total raw materials, materials and component parts	17,440	37,547	4,291	5,025
Goods for resale	13,128	1,095	97	624
Total goods for resale	13,128	1,095	97	624
Non-current assets held-for-sale	8,147	2,368	1,520	138
Total non-current assets held-for-sale	8,147	2,368	1,520	138
Total	**38,715**	**41,010**	**5,908**	**5,787**

The carrying amount of the Group's inventories of EUR 44,127 thousand was reduced by EUR 5,412 thousand to the net realizable value as at 31 December 2020 (the carrying amount of EUR 46,157 thousand was reduced by EUR 5,147 thousand to the net realizable value as at 31 December 2019).

The carrying amount of the Company's inventories of EUR 6,736 thousand was reduced by EUR 828 thousand to the net realizable value as at 31 December 2020 (the carrying amount of EUR 6,829 thousand was reduced by EUR 1,042 thousand to the net realizable value as at 31 December 2019).

Change in write down of net realisable value of inventories of the Group and the Company is shown in write-down to the net realizable value in the statements of profit or loss and other comprehensive income.

The net carrying amount of non-current assets held-for-sale of the Group and the Company as at 31 December 2020 amounted to EUR 8,147 thousand and EUR 1,520 thousand respectively (at 31 December 2019: EUR 2,368 thousand and EUR 138 thousand).

The write down to the fair value less cost to sell of non-current assets held-for-sale of the Group and the Company is shown in article of impairment and write down expenses in the statements of profit or loss and other comprehensive income. The major part of the Group's non-current assets held-for-sale comprises locomotives, wagons and buildings held-for-sale.

(all amounts are in EUR thousand unless otherwise stated)

13. Trade and other receivables

Trade and other receivables of the Group and the Company comprised:

	Group		Company	
	2020	2019	2020	2019
Gross external trade debtors	28,999	31,898	8,171	6,988
Impairment (-)	(3,552)	(3,004)	(54)	(33)
Total external trade receivables	25,447	28,894	8,117	6,955
Receivables from related parties	-	14	13,996	15,384
Impairment (-)	-	-	-	-
Total receivables from related parties	-	14	13,996	15,384
Receivable VAT	4,854	27,747	-	-
Other amounts receivable from the budget	14,090	13,201	10,376	12,427
Accrued other amounts receivable from related parties	-	-	6,034	2,524
Accrued income	11,409	2,221	-	-
Other receivables	9,091	10,454	6,579	5,158
Impairment (-)	(4,381)	(4,424)	(4,282)	(4,284)
Total other receivables	35,063	49,199	18,707	15,825
Total	**60,510**	**78,107**	**40,820**	**38,164**

In 2020 the Group's trade and other receivables compared to 2019 decreased by EUR 19,091 thousand (in 2020, the Company's trade and other receivables increased by EUR 2,656 thousand compared to 2019).

The Company accrued other amounts receivable from related parties of EUR 5,829 thousand for management services rendered to Group companies (EUR 2,524 thousand as at 31 December 2019).

14. Prepayments and contract assets

Prepayments of the Group and the Company comprised:

	Group		Company	
	2020	2019	2020	2019
Prepayments	2,839	4,973	981	98
Guaranties paid to suppliers	-	40	31	30
Deferred costs	4,497	1,711	1,640	1,041
Total	**7,336**	**6,724**	**2,652**	**1,169**

The Group's and the Company's contract assets comprised:

	Group		Company	
	2020	2019	2020	2019
Accrued income	381	157	-	-
Guaranties paid to customers	27	19	-	-
Total	**408**	**176**	**-**	**-**

(all amounts are in EUR thousand unless otherwise stated)

15. Cash and cash equivalents

Cash and cash equivalents of the Group and the Company comprised:

	Group		Company	
	2020	2019	2020	2019
Cash in banks	69,480	105,108	20,596	50,533
Cash in hand	19	45	-	-
Total	**69,499**	**105,153**	**20,596**	**50,533**

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

In order to ensure more efficient fund management and ensure the liquidity of the Group's companies on market conditions, on 21 December 2018 the Group's cash-pool agreement was signed with Swedbank, AB. 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. As at 31 December 2020, the Group companies had a debt to the Company under the cash-pool agreement of EUR 10,470 thousand (EUR 1,486 thousand as at 31 December 2019). During 2020, the Group's members used cash-pool funds based on their needs, interest of EUR 56 thousand was calculated (EUR 14 thousand as at 31 December 2019).

As at 31 December 2020, due to bank guarantees issued, the use of cash and cash equivalents of EUR 104 thousand was restricted (EUR 116 thousand as at 31 December 2019).

16. Share capital

The nominal value per share is EUR 289.62. Change in the share capital is presented in the table below:

	Authorised share capital	Number of shares, items
Subscribed capital		
31 December 2018	1,058,632	3,655,247
Increase	650	2,245
Decrease	-	-
31 December 2019	1,059,282	3,657,492
Increase	-	-
Decrease	-	-
31 December 2020	1,059,282	3,657,492
Capital structure at the end of reporting period		
By type of shares		
Ordinary shares	1,059,282	3,657,492
Privileged shares	-	-
Total	**1,059,282**	**3,657,492**

Contributions for increase of share capital

On 1 July 2019, the Minister of Transport and Communications of the Republic of Lithuania issued Order No. 3-325 and increased the authorised capital of the Company by a contribution of EUR 650 thousand, issuing 2 245 ordinary registered shares.

The authorised capital was increased implementing Resolution No. 607 of the Government of the Republic of Lithuania as of 19 June 2019. The increase of the authorised capital was registered on 25 July 2019.

The Company's Articles of Association were not amended during 2020.

(all amounts are in EUR thousand unless otherwise stated)

17. Dividends

Payment of dividends by the state controlled companies is regulated by the Government of the Republic of Lithuania Resolution No. 786 which states what share of profit shall be attributed to pay the dividends depending on the return on equity (ROE). Amount of dividends to be paid varies from 85% to 60% of the total amount of retained earnings depending on the achieved levels of ROE (from 1% to more than 15%). Also, the Resolution regulates cases when the Government of the Republic of Lithuania may set a lower share of profits for distribution, if a company implements or participated in the implementation of an important economic project to the State. In case of the Company, important projects are Rail Baltica and Lithuanian part of the East West Transport Corridor (the infrastructure complex of Klaipėda State Sea Port, roads and railways).

Based on Order No 3-549 of the Minister of Transport and Communications dated 16 September 2020, a decision to allocate to dividends EUR 38,000 thousand from the Company's retained earnings of 2019 was taken; payments were made on 21 September 2020 – EUR 10,000 thousand, 20 October 2020 – EUR 10,000 thousand, 21 December 2020 – EUR 671 thousand; UAB LTG Infra, based on the trilateral agreement, paid EUR 17,329 thousand of dividends directly to the budget of the Republic of Lithuania. Dividends per share amounted to EUR 10.39.

Drafts of profit (loss) appropriation of the Company and subsidiaries are prepared only based on the decision of the General Meeting of Shareholders after the set of annual financial statements has been approved; the shareholder will allocate the profit (loss) for distribution of the Company and subsidiaries considering the external and internal legal acts regulating the payment of dividends and other conditions.

18. Reserves

Legal reserve. The legal reserve means a reserve which is required by the provisions of legal acts of the Republic of Lithuania. This reserve must be annually renewed by at least 5 per cent of the net profit up to the extent equal to 10 per cent of the authorised capital. The legal reserve cannot be distributed as dividends, but can be used to cover future losses.

Other reserves. As at 31 December 2020, the Company's other reserves' balance consisted of reserves for investments of EUR 5,235 thousand.

19. Grants

Movement of grants of the Group and the Company:

	Group		Company	
	2020	2019	2020	2019
Balance at the beginning of the period	556,015	538,882	725	538,815
Received during the year	51,395	39,064	47	36,826
Used for reduction of depreciation costs of non-current assets	(16,158)	(16,078)	(131)	(14,704)
Used for reduction of other expenses	(1,666)	(1,301)	-	(992)
Repaid/transferred	(8,202)	(4,552)	-	(4,552)
Effect of reorganization	-	-	-	(554,668)
Balance at the end of the period	**581,384**	**556,015**	**641**	**725**
Including assets managed under 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.

20. Loans and borrowings

As at 31 December 2020 borrowings of the Group and the Company comprised:

	Group		Company	
	2020	2019	2020	2019
Non-current loans	173,442	153,641	-	23,849
Current loans	27,818	27,574	-	12,894
Interest	674	769	-	308
Total	**201,934**	**181,984**	**-**	**37,051**

The Group's loans comprised:

	Loan currency	2020	2019
Bank EIB - 2, total [2]	EUR	-	4,409
Bank EIB - 3, total [2]	EUR	3,182	5,000
Bank EIB - 4, total [1]	EUR	20,667	27,334
Nordic Investment Bank-2, total [5]	EUR	5,667	9,444
Nordic Investment Bank-3, total [3]	EUR	84,580	91,936
Nordic Investment Bank-4, total [4]	EUR	39,545	42,984
Nordic Investment Bank-5, total [6]	EUR	47,619	-
AB Šiaulių Bankas[7]	EUR	-	108
Loan interest	EUR	674	769
Total		**201,934**	**181,984**

During 2020 the Group repaid EUR 29,955 thousand of loans and lease liability and paid EUR 2,831 thousand of interest and EUR 299 thousand of commitment fee and other charges.

[1] EIB-4 is the loan for the procurement of new railway rolling stock. During the 1st half of 2020, the Company repaid EUR 3,333 thousand of the loan and paid EUR 342 thousand of interest and EUR 100 thousand of commitment fee. In the 2nd half of 2020, AB LTG Cargo paid EUR 3,333 thousand of the loan and EUR 301 thousand of interest

[2] EIB-2 and EIB-3 are the loans for the procurement of new railway rolling stock. During 2020 the Company repaid EUR 3,818 thousand of the loan and paid EUR 130 thousand of interest and EUR 134 thousand of commitment fee. In the 2nd half of 2020, AB LTG Cargo repaid EUR 2,409 thousand, paid EUR 70 thousand of interest. During 2020, the entire loan EIB-2 was repaid.

[3] Two loan agreements have been signed with the Nordic Investment Bank (NIB-3) for the renovation and development of the public railway infrastructure. During 2020 AB LTG Infra repaid EUR 7,355 thousand of the loan and EUR 1,319 thousand of interest.

[4] A loan agreement has been signed with the Nordic Investment Bank (NIB-4). The loan was granted to ensure co-financing of the national part of the public railway infrastructure project Rail Baltica, which is financed by the EU support funds for 2007-2013. During 2020 AB LTG Infra repaid EUR 3,439 thousand of the loan and EUR 525 thousand of interest.

[5] A loan of the Nordic Investment Bank (NIB-2) for the renovation and development of the public railway infrastructure. During 2020 AB LTG Infra repaid EUR 3,778 thousand of the loan and EUR 92 thousand of interest.

[6] (NIB-5) loan is intended for the implementation of the investment projects for 2014–2020 and the Rail Baltica project. On 3 July 2020, the entire loan of EUR 50,000 thousand was issued. During 2020, AB LTG Infra paid EUR 2,381 thousand of the loan, EUR 52 thousand of interest and EUR 65 thousand of commitment fee.

[7] On 16 March 2018, LUAB Gelsauga signed a tripartite agreement with UAB Vensva and AB Šiaulių Bankas. Under the terms of the finance lease agreement, assets worth EUR 206 thousand were transferred to LUAB Gelsauga. In February 2020 LUAB Gelsauga redeemed special vehicles and there were no outstanding lease debts as at 31 December 2020.

Loan interest rates, maturity terms and financial covenants to be complied with by the Group and the Company are disclosed in Note 6. As at 31 December 2020 and 2019, the Group and the Company complied with all the financial debt covenants.

20. Loans and borrowings (continued)

The Company's loans comprised:

	Loan currency	2020	2019
Bank EIB - 2, total	EUR	-	4,409
Bank EIB - 3, total	EUR	-	5,000
Bank EIB - 4, total	EUR	-	27,334
Loan interest	EUR	-	308
Total		**-**	**37,051**

During 2020, the Company repaid EUR 7,151 thousand of loans and paid EUR 472 thousand of interest, EUR 203 thousand of liabilities and other charges to the European Investment Bank. After the reorganisation, i.e. on 30 June 2020, all of the Company's loans from the European Investment Bank were transferred to AB LTG Cargo.

On 8 December 2019 all loans concluded between the Company and the Nordic Investment Bank for EUR 144,364 thousand were transferred to AB LTG Infra by re-signing loan agreements. On 30 June 2020, all of the Company's loans from the European Investment Bank amounting to EUR 29,591 thousand were transferred to AB LTG Cargo.

On 30 June 2020, after the restructuring of the Company's long-term loans was complete, a guarantee agreement with the European Investment Bank (EIB) and the Nordic Investment Bank (NIB) came into effect, based on which the Company guarantees for the obligations of AB LTG Cargo and AB LTG Infra to EIB and NIB.

After the agreement on the transfer and amendment of the agreements, signed between the Company, AB LTG Cargo and EIB came into effect, the outstanding loan amount under the loan agreement dated 12 March 2019 was reduced by the amount of credit liabilities to the EIB, and, based on the separate agreement with the EIB dated 30 June 2020, the loan of AB LTG Cargo and the Company is considered subordinate to the EIB loans, i.e. no loans or interest payments can be made until the maturity of EIB loans in 2024.

After the assessment of the changed conditions of the loan dated 12 March 2019, the risk profile, after the completion of the restructuring of the Company's long-term loans on 30 June 2020, on 5 November 2020 an agreement was signed between the Company and AB LTG Cargo regarding the change of the loan interest rate and the compensation payable by the Company to AB LTG Cargo resulting from the change in loan conditions, assuming the EIB loans transferred by the Company.

As at 31 December 2020 the Group's accrued interest amounted to EUR 674 thousand, the Company had no accrued interest (as at 31 December 2019 the Group's and the Company's accrued interest amounted to EUR 769 thousand and EUR 308 thousand respectively).

(all amounts are in EUR thousand unless otherwise stated)

21. Lease liabilities

The Group and the Company lease buildings and other assets (mainly vehicles). 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. 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). 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).

Short-term leases of 12 months or less and lease payments for low-value assets are recognized directly as expenses in the statement of profit or loss and other comprehensive income.

Impact on the Group's and the Company's statement of financial position (increase / (decrease)) as at 31 December 2020:

	Group		Company	
	2020	2019	2020	2019
Assets:				
Right-of-use assets	4,879	2,983	8,150	2 045
Non-current liabilities:				
Lease liabilities	(3,549)	(1,843)	(6,860)	(1 223)
Current liabilities:				
Lease liabilities	(1,803)	(1,254)	(1,561)	(917)
Effect of the previous year on the statement of profit or loss	**(114)**	**-**	**(95)**	**-**
Impact on the statement of profit or loss	**(359)**	**(114)**	**(176)**	**(95)**

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

	Group		Company	
	2020	2019	2020	2019
Depreciation expenses	(1,757)	(1,116)	(1,258)	(774)
Lease expenses	1,549	1,086	1,261	742
Profit (loss) from operations	(208)	(30)	3	(32)
Finance costs:				
Interest	(151)	(84)	(179)	(63)
Profit (loss) for the reporting period	**(359)**	**(114)**	**(176)**	**(95)**

(all amounts are in EUR thousand unless otherwise stated)

21. Lease liabilities (continued)

Impact on the Group's and the Company's statement of cash flows (increase / (decrease)) as at 31 December 2020:

	Group		Company	
	2020	**2019**	**2020**	**2019**
Net profit (loss)	(359)	(114)	(176)	(95)
Depreciation and amortisation expenses	1,757	1,116	1,258	774
Interest on lease liabilities	151	84	179	63
Cash flows from (to) investing activities				
Payment of lease liabilities	(1,398)	(1,002)	(1,082)	(679)
Interest on lease liabilities	(151)	(84)	(179)	(63)
Net increase (decrease) in cash flows	**-**	**-**	**-**	**-**

If the discount rate applicable at the Company increased or decreased by 1 percent, the amount of lease liabilities as at 31 December 2020 would accordingly make up EUR 8,035 thousand and EUR 8,844 thousand (EUR 2,113 thousand or EUR 2,162 thousand ac-cordingly as at 31 December 2019).

The Group and the Company have amounts payable for short-term leases and leases of low value assets that are recognised in the statement of profit or loss and other comprehensive income for the amounts of EUR 3,492 thousand and EUR 3,162 thousand in 2020, respectively (2019: EUR 1,738 thousand and EUR 1,444 thousand, respectively).

22. Employee benefits

According to the legislative requirements of the Republic of Lithuania, each employee of the Company at the age of retirement is entitled to a one-off payment in the amount of 2-month salary. In addition, under the effective collective agreement, payment of up to 1 month average remuneration is paid to an employee who has served for 25 years or more. Jubilee payments also comprise provisions for pensions and similar liabilities. Under the collective agreement effective at the Group and the Company, a payment of EUR 300 is paid to members of trade unions when they reach the ages of 50 and 60 years.

Change in non-current provisions for pensions and similar liabilities is provided in the table below:

	Group	**Company**
Balance as at 31 December 2018	9,728	8,517
Change (+)	1,010	1,132
Effect of reorganization (-)	-	(8,547)
Balance as at 31 December 2019	10,738	1,102
Change (-)	(378)	(242)
Balance as at 31 December 2020	**10,360**	**860**

(all amounts are in EUR thousand unless otherwise stated)

22. Employee benefits (continued)

Main assumptions applied in assessment of the Company's non-current employee benefit liability are provided below:

	2020	2019
Discount rate, %	0.40	0.65
Staff turnover ratio, %	8.16	7.38
Salary increase rate, %	2.00	3.00

Change in the Group's employee benefits during 2020 by type:

	2019	Calculated to the statement of profit or loss and other comprehensive income	Calculated capitalised costs	Paid	2020
Non-current liabilities					
Provisions for pensions and similar obligations	10,738	(250)	-	(128)	10,360
Total non-current liabilities:	10,738	(250)	-	(128)	10,360
Current liabilities					
Vacation pay accrual	12,852	9,514	-	(10,403)	11,963
Payable remuneration	6,501	91,584	16,097	(107,203)	6,979
Payable social insurance contributions	3,479	39,153	300	(39,328)	3,604
Payable personal income tax contributions	2,247	26,129	-	(25,968)	2,408
Other employment related liabilities	7,053	7,427	-	(6,221)	8,259
Total current liabilities:	32,132	173,807	-	(189,123)	33,213
Total	**42,870**	**173,557**	**16,397**	**(189,251)**	**43,573**

(all amounts are in EUR thousand unless otherwise stated)

22. Employee benefits (continued)

Change in the Company's employee benefits during 2020 by type:

	2019	Calculated to the statement of profit or loss and other comprehensive income	Calculated capitalised costs	Paid	2020
Non-current liabilities					
Provisions for pensions and similar obligations	1,102	(232)	-	(10)	860
Total non-current liabilities:	1,102	(232)	-	(10)	860
Current liabilities					
Vacation pay accrual	2,073	2,826	-	(2,822)	2,077
Payable remuneration	1,201	15,602	272	(15,725)	1,350
Payable social insurance contributions	891	7,917	5	(8,143)	670
Payable personal income tax contributions	418	6,789	-	(6,738)	469
Other employment related liabilities	1,481	1,983	-	(1,469)	1,995
Total current liabilities:	6,064	35,117	277	(34,897)	6,561
Total	**7,166**	**34,885**	**277**	**(34,907)**	**7,421**

Current employee benefits by type:

	Group		Company	
	2020	2019	2020	2019
Vacation pay accrual	11,963	12,852	2,077	2,073
Payable remuneration	6,979	6,501	1,350	1,201
Payable social insurance contributions	3,604	3,479	670	891
Payable personal income tax contributions	2,408	2,247	469	418
Other employment related liabilities	8,259	7,053	1,995	1,481
Total	**33,213**	**32,132**	**6,561**	**6,064**

(all amounts are in EUR thousand unless otherwise stated)

23. Provisions

Other provisions of the Group and the Company comprised:

	Group		Company	
	2020	**2019**	**2020**	**2019**
Non-current provisions	14,470	15,900	-	1,500
Current provisions	804	1,492	-	715
Total	**15,274**	**17,392**	**-**	**2,215**

In 2020 and 2019, the non-current provisions are related to potential liabilities.

The movement in provisions could be specified:

	Group	Company
Balance as at 31 December 2018	17,038	16,467
Formed additionally (+)	383	355
Used (-)	(29)	(207)
Effect of reorganization (-)	-	(14,400)
Balance at 31 December 2019	17,392	2,215
Formed additionally (+)	358	-
Used (-)	(2,476)	(2,215)
Balance at 31 December 2020	**15,274**	**-**

24. Trade and other payables

Trade and other payables of the Group and the Company comprised:

	Group		Company	
	2020	**2019**	**2020**	**2019**
Trade payables	31,932	26,003	7,270	9,555
Trade payables to related parties	590	1,084	8,500	8,182
Cash guarantees received	5,427	4,714	2,742	2,978
Other taxes payable to the budget	5,408	6,129	1,189	905
Accumulated service costs of foreign railways	1,373	1,243	-	-
Accrued other amounts payable from related parties	-	-	12,935	6,731
Other accrued costs	6,751	930	369	218
Other amounts payable and liabilities	3,529	5,861	617	1,603
Total	**55,010**	**45,964**	**33,622**	**30,172**

Under other accrued expenses, the Group and the Company accounted for audit service expenses of EUR 235 thousand (2019: EUR 214 thousand) and EUR 40 thousand (2019: 33 thousand), respectively.

At the Company, accrued expenses comprised accruals of not invoiced management services to related parties.

(all amounts are in EUR thousand unless otherwise stated)

25. Received prepayments and contract liabilities

	Group		Company	
	2020	**2019**	**2020**	**2019**
Received prepayments, non-current portion	-	-	-	-
Received prepayments, current portion	10,031	19,945	271	1,169
Total	**10,031**	**19,945**	**271**	**1,169**

In 2020, the major part of the prepayments received by the Group comprised EUR 4,052 thousand of project implementation funds received in advance, which, after having signed a grant agreement, will be accounted for as grants. In 2019, the Group's project im-plementation funds received in advance comprised EUR 13,000 thousand.

The Group's and the Company's contract liabilities comprised:

	Group		Company	
	2020	**2019**	**2020**	**2019**
Received prepayments, non-current portion	-	-	-	-
Received prepayments, current portion	3,771	175	-	-
Total	**3,771**	**175**	**-**	**-**

(all amounts are in EUR thousand unless otherwise stated)

26. Sales

Sales revenue of the Group and the Company comprised:

	Group		Company	
	2020	**2019**	**2020**	**2019**
Freight transportation income:	385,615	416,600	-	137,274
Freight transportation on local routes	83,985	85,326	-	25,769
Freight transportation on international routes	196,223	212,838	-	70,865
Provision of services related to freight transportation	105,407	118,436	-	40,640
Income for the use of public railway infrastructure	1,385	571	-	131,191
Passenger transportation income:	12,554	28,402	-	19,961
Passenger transportation on local routes	9,475	13,530	-	9,400
Passenger transportation on international routes	2,733	14,573	-	10,357
Provision of services related to passenger transportation	346	299	-	204
Other revenue:	23,399	27,968	95,004	69,444
Leased assets	1,575	1,116	3,869	3,678
Locomotive and locomotive crew work abroad	4,337	4,874	-	1,798
Maintenance and repairs	6,572	4,304	342	1,198
Electricity, gas, vapour and water supply	1,072	941	54	2,185
Resale	-	-	43,711	39,334
Management services	-	-	41,331	13,012
Other services	9,843	16,733	5,697	8,239
Total	**422,953**	**473,541**	**95,004**	**357,870**

The Group's and the Company's revenue according to the moment of revenue recognition comprised the following:

	Group		Company	
	2020	**2019**	**2020**	**2019**
Recognised at a point in time	413,245	467,306	90,793	221,803
Recognised over time	9,708	6,235	4,211	136,067
Total	**422,953**	**473,541**	**95,004**	**357,870**

(all amounts are in EUR thousand unless otherwise stated)

27. Other income

In 2020, the Group's other income comprised EUR 45,203 thousand (EUR 31,933 thousand in 2019). Loss compensation for passenger transportation on local routes comprised the major part of other operating income of EUR 35,979 thousand (2019: EUR 30,086 thousand). In 2020, the Company's other income comprised EUR (156) thousand (EUR 20,693 thousand in 2019. Loss compensation for passenger transportation on local routes comprised the major part of other income).

28. Employee benefits costs

The Group's employee benefits costs by type:

	2020	2019
Wages and salaries	(161,913)	(165,313)
Social security costs	(2,380)	(2,430)
Vacation accrual	(9,514)	(7,641)
Pensions and similar obligations	250	(1,197)
Total	**(173,557)**	**(176,581)**

The Company's employee benefits costs by type:

	2020	2019
Wages and salaries	(34,415)	(111,245)
Social security costs	(708)	(2,209)
Vacation accrual	(4)	(1,183)
Pensions and similar obligations	242	(1,132)
Total	**(34,885)**	**(115,769)**

29. Result from financing activities

Result from financing activities of the Group and the Company comprised:

	Group		Company	
	2020	2019	2020	2019
Total finance income	247	199	26,637	3,309
Interest	-	-	1,368	1,087
Currency exchange gain	-	38	-	118
Dividends	-	-	25,267	2,077
Fines and penalties	161	209	2	74
Other income	86	(48)	-	(47)
Total finance costs	(3,877)	(3,535)	(962)	(3,180)
Interest	(2,795)	(3,239)	(417)	(3,077)
Currency exchange loss	(182)	-	(99)	-
Expenses of fines and interest on late payment	(432)	(199)	(15)	(40)
Other expenses	(468)	(97)	(431)	(63)
Total	**(3,630)**	**(3,336)**	**25,675**	**129**

(all amounts are in EUR thousand unless otherwise stated)

29. Result from financing activities (continued)

During 2020, the Company received EUR 248 thousand dividends from voestalpine Railway Systems Lietuva, UAB and EUR 7,690 thousand from UAB Vilniaus Lokomotyvų Remonto Depas. Based on the Company's decision, AB LTG Infra paid the dividends of EUR 17,329 calculated in distribution of profit (loss) for 2019 directly to the budget of the Republic of Lithuania.

30. Corporate income tax and deferred tax

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
Income tax for the year	5,600	6,007	-	2,861
Adjustment to income tax of the previous year	292	(2,612)	627	(2,612)
Deferred tax expenses (income)	446	10,202	(784)	9,824
Total corporate income tax expenses (income) recognised in profit or loss	**6,338**	**13,597**	**(157)**	**10,073**

Corporate income tax expenses (income) of the Group and the Company comprised:

	Group		Company	
	2020	**2019**	**2020**	**2019**
Profit (loss) before tax	42,894	71,692	17,138	49,412
Corporate income tax	6,434	10,754	2,571	7,412
Non-deductible expenses (+)/ Additional allowable (-) deductions	1,436	(3,852)	611	(3,431)
Non-taxable income (-)	(2,013)	(731)	(3,966)	(704)
Income tax of the previous year	21	390	627	249
Change in deferred tax due to reorganisation	460	7,036	-	6,547
Total corporate income tax (income) expenses	**6,338**	**13,597**	**(157)**	**10,073**
Effective rate, %	14.78%	18.97%	(0.92%)	20.39%

(all amounts are in EUR thousand unless otherwise stated)

30. Corporate income tax and deferred tax (continued)

Deferred tax assets (liabilities)

Calculation of the deferred tax of the Group and the Company is provided herein:

	Group		Company	
	2020	2019	2020	2019
Deferred income tax assets:				
Impairment of amounts receivable and write-off of bad debts	465	380	9	6
Write down of inventories	932	860	124	156
Vacation and bonus accruals	2,579	2,593	610	533
Liabilities of long-term employee benefits	1,043	1,075	129	165
Accrued expenses	88	16	-	5
Difference between accounting and tax value of non-current assets	322	499	-	-
Other provisions	83	300	-	107
Tax losses carried forward	5,289	270	1,080	-
Deferred income tax assets	10,801	5,993	1,952	972
Deferred income tax liabilities:				
Difference between accounting and tax value of non-current assets	(18,793)	(12,845)	356	564
Difference in grants	(6,713)	(7,589)	(48)	(60)
Deferred tax liability	(25,506)	(20,434)	308	504
Net deferred tax assets (liabilities)	**(14,705)**	**(14,441)**	**2,260**	**1,476**
Recognised as deferred tax assets in the statement of financial position	4,453	3,307	2,260	1,476
Recognised as deferred tax liabilities in the statement of financial position	(19,158)	(17,748)	-	-

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

(all amounts are in EUR thousand unless otherwise stated)

31. Related party transactions

The parties are deemed as being related when one of them could control another or could have significant influence on the other party when making financial and operating decisions.

As defined by IAS 24 Related Party Disclosures, the entity is related to a reporting entity if any of the following conditions applies:

- The Lithuanian Government in its capacity as the owner of all shares in AB Lietuvos Geležinkeliai;
- Companies or enterprises subject to the control of the Lithuanian Government;
- Subsidiaries of the parent company AB Lietuvos Geležinkeliai;
- Affiliated, non-consolidated and associated companies as well as joint ventures of AB Lietuvos Geležinkeliai;
- The members of the management Board and their close relatives;
- Members of the key management staff of the reporting entity and their close relatives.

For entities operating in an environment in which government control is pervasive, many counterparties are also government-related and therefore are related parties. IAS 24 allows a reporting entity to reduce the level of disclosures about transactions and outstanding balances, including commitments, with:

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

Due to the above-mentioned reasons, the Group and the Company do not disclose the transactions with Lithuanian Government and other entities controlled by the Lithuanian Government.

Statements of financial position of the Group's subsidiaries and associates:

2020	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Ownership
AB LTG Cargo	210,369	76,570	147,011	65,461	74,467
UAB LTG Link	134,724	20,431	1,539	9,882	143,734
AB LTG Infra	1,491,473	57,126	776,537	92,263	679,799
UAB Geležinkelio Tiesimo Centras	26,797	12,961	786	8,491	30,481
UAB Vilniaus Lokomotyvų Remonto Depas	18,691	30,036	1,954	24,898	21,875
LUAB Gelsauga	-	4,173	-	340	3,833
UAB Saugos Paslaugos	96	1,243	139	1,016	184
UAB Rail Baltica Statyba	2,312	80	-	20	2,372
voestalpine Railway Systems Lietuva, UAB	4,180	7,172	7	1,696	9,649
VšĮ Transporto Inovacijų Centras	1	112	-	3	110
OOO Rail Lab	11	314	-	1	324
LTG Cargo Polska Sp.zo.o.	3	485	-	14	474
UAB LTG Wagons	-	150	-	-	150
LTG Cargo Ukraine LLC	-	489	-	-	489

(all amounts are in EUR thousand unless otherwise stated)

31. Related party transactions (continued)

2019	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Ownership
AB LTG Cargo	191,276	94,252	149,348	77,989	58,191
UAB LTG Link	142,023	12,011	847	9,246	143,941
AB LTG Infra	1,396,144	67,782	723,274	68,380	672,272
UAB Geležinkelio Tiesimo Centras	29,101	8,279	754	5,729	30,897
UAB Vilniaus Lokomotyvų Remonto Depas	14,253	35,653	3,521	17,776	28,609
LUAB Gelsauga	-	5,048	-	1,134	3,914
UAB Saugos Paslaugos	182	1,429	156	875	580
UAB Rail Baltica Statyba	2,304	107	-	13	2,398
voestalpine Railway Systems Lietuva, UAB	4,597	7,674	3	2,583	9,685
VšĮ Transporto Inovacijų Centras	1	109	-	-	110

The Company's related party transactions before elimination during 2020 and as at 31 December 2020:

	2020			
	Company's purchases	Company's sales	Company's receivables	Company's payables
AB LTG Cargo	10,248	76,473	129,043	6,936
UAB LTG Link	3,824	12,215	1,405	273
AB LTG Infra	2,643	37,017	4,951	157
UAB Geležinkelio Tiesimo Centras	202	1,198	98	14
UAB Vilniaus Lokomotyvų Remonto Depas	-	5,414	10,908	766
LUAB Gelsauga	422	270	11	12
UAB Saugos Paslaugos	5,380	16	2	1,067
UAB Rail Baltica Statyba	-	8	1	-
voestalpine Railway Systems Lietuva, UAB	-	-	-	-
Total	**22,719**	**132,611**	**146,419**	**9,225**

(all amounts are in EUR thousand unless otherwise stated)

31. Related party transactions (continued)

The Company's related party transactions before elimination during 2019 and as at 31 December 2019:

	2019			
	Company's purchases	Company's sales	Company's receivables	Company's payables
AB LTG Cargo	19,668	385,572	166,304	5,899
UAB LTG Link	3,417	7,405	3,004	1,240
AB LTG Infra	-	2,246	2,711	-
UAB Geležinkelio Tiesimo Centras	20,953	1,794	1,582	58
UAB Vilniaus Lokomotyvų Remonto Depas	3,883	4,855	290	998
LUAB Gelsauga	3,743	67	14	78
UAB Saugos Paslaugos	2,230	-	-	1,071
UAB Rail Baltica Statyba	50	9	1	-
voestalpine Railway Systems Lietuva, UAB	2,800	2	-	-
Total	**56,744**	**401,950**	**173,906**	**9,344**

The Company's accrued income and expenses with related parties recognised in the statement of financial position as at 31 December 2020:

	2020		2019	
	Accrued receivables	Accrued payables	Accrued receivables	Accrued payables
AB LTG Cargo	154	8,947	687	6,613
UAB LTG Link	3,092	-	292	118
AB LTG Infra	4	3,988	454	-
LUAB Gelsauga	92	-	224	-
UAB Saugos Paslaugos	173	-	-	-
UAB Geležinkelio Tiesimo Centras	437	-	366	-
UAB Vilniaus Lokomotyvų Remonto Depas	2,082	-	501	-
Total	**6,034**	**12,935**	**2,524**	**6,731**

Accrued payables mainly comprised management service accruals to related parties.

According to the methodology of the LTG companies' group, all transactions with related parties are carried out under market conditions and comply with the arm's length principle.

On 25 February 2019 the Company adopted a decision to establish a company of the same legal form – UAB Saugos Paslaugos. Under the implemented model of LUAB Gelsauga and split-off of activities of a split-off company, after the split-off LUAB Gelsauga continues the activities of professional trainings, maintenance of cleaning equipment, and UAB Saugos Paslaugos carries out the activities of physical and electronic security and installation, maintenance and repairs of technical security monitoring devices.

On 4 August 2020 the General Meeting of Shareholders decided to liquidate, as of 1 November 2020, the subsidiary LUAB Gelsauga. On 3 November 2020 the liquidation fact of LUAB Gelsauga was registered in the Centre of Registers. As of November 2020 activities of maintenance of cleaning equipment were transferred to the Company's Asset management service centre (AMSC).

In 2020, profit of associates by equity method comprised EUR 233 thousand, loss – EUR 53 thousand (EUR 334 thousand, loss – EUR 12 thousand in 2019).

(all amounts are in EUR thousand unless otherwise stated)

31. Related party transactions (continued)

The Group's and the Company's loans to related companies comprised:

	Group		Company	
	2020	**2019**	**2020**	**2019**
Loans granted to related parties	-	160	121,617	143,539
Total non-current part	-	160	121,617	143,539
Loans granted to related parties	160	-	160	13,656
Cash-pool	-		10,470	1,486
Total current part	160	-	10,630	15,142
Total	**160**	**160**	**132,247**	**158,681**

More details on the borrowing from cash-pool and on loans granted to related parties are presented in Notes 15 and 20, respectively.

Management salary and other benefits. As at 31 December 2020, the number of managers of the Company was equal to 6, i.e., 1 Chief Executive Officer, 1 Chief Financial Officer, 1 Director of Strategy and Development, 1 Director of Legal and Compliance, 1 Director of Human Resources, 1 Director of Communications.

Company	2020	2019
Management salary	550	655
Incentive payments*	139	246
Accrued non-current benefits at the end of the year**	4	3
Number of managers	6	6
Benefits to Board members	111	84
Number of Board members	5	6
Payments to audit committee members	12	9
Number of audit committee members	2	2

* Incentive payments are additional payment for performance results and one-off payments.

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

In 2020 and 2019, the management of the Company was not granted with loans, provided with guarantees or other paid or accrued benefits or disposed assets, except as disclosed above.

32. Contingent assets and liabilities, potential disputes

Based on the decision of the Board dated 1 October 2019, as of 8 December 2019, the business of public railway infrastructure management was transferred to AB LTG Infra, including assets and employees necessary for the performance of these activities, and all liabilities related to public railway infrastructure management activities. All rights and obligations arising from the activities of public railway infrastructure manager have been transferred to AB LTG Infra. The issue of the removed Rengė rail track connecting Mažeikiai with the Latvian border and damage compensation is firstly related to the activities, rights and obligations (including liability) of public railway infrastructure manager. In October 2017, the European Commission imposed a fine of EUR 27,873 thousand for the removed Rengė rail track connecting Mažeikiai with the Latvian border and damage compensation for the period when the track was not in use. The Company paid a fine and committed to rebuild the railway track, which was implemented. On 18 November 2020, a notice was received from the European Union General Court which instructed to reduce the amount of the fine imposed from EUR 27,873 thousand to EUR 20,068 thousand.

On 30 August 2018, VAS Latvijas dzelzcelš and SIA LDZ CARGO applied to the Company in writing demanding compensation for the damage incurred by these companies. According to these companies, they incurred the damage because the Company removed a rail track connecting Mažeikiai with the Latvian border, and the amount of damage is 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 an assignee of procedural rights, disagrees with these claims and considers them unjustified. By its decision dated 18 November 2020, the European Union General Court upheld the decision of the European Commission; however, on 27 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.

33. Investment commitments

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 the Company signed a contract with the partners of a joint-activity agreement, i.e., UAB Hidrostatyba, LEONHARD WEISS RTE AS and UAB Autokausta. On 8 December 2019, due to the transfer of public railway infrastructure manage-ment activities, AB LTG Infra took over all contractual rights and obligations. The value of works is EUR 58 725 thousand (excluding VAT). The expected maturity term of the contract is in 2021. The Companies committed to build a European track gauge from Kaunas railway station until intermodal terminal located in Palemonas.

On 20 December 2019 AB LTG Infra entered into a contract regarding the electrification of railway track Vilnius-Klaipėda with joint-activity partners Elecnor S.A. and Instalaciones Inabensa S.A., which submitted the best proposal at the international tender. Contract value is EUR 363.1 million. The works are planned to be completed in 2023 and electric trains are planned to start operations on Vilnius-Klaipėda route in 2024. The electrification is expected to bring large environmental benefits: each year, the use of diesel is estimated to decrease by 46 thousand tonnes annually and emissions are estimated to decrease by approximately 150 thousand tonnes annually. Based on the trilateral agreement, the commitment for the implementation of the project was transferred to AB LTG Infra. During 2020, EUR 2,620 thousand advance was transferred to project partners for contracting and design work.

34. Information on the impact of coronavirus (COVID-19) on the activities of the LTG Corporate Group

In 2020, many sectors of the country were affected by the global coronavirus (COVID-19) pandemic. On 11 March 2020 the World Health Organization declared an outbreak of coronavirus as a pandemic, and since 16 March 2020 the Government of the Republic of Lithuania has announced a quarantine and related public life restrictions. The restrictions imposed during the periods of quarantine (March to June of 2020 and November 2020 to February 2021) are related to movement of foreign citizens, movement through the state border, activities of companies and organizations of the public and private sectors, organization of work of educational and health institutions, and other areas of economic and social life.

The Group company UAB LTG Link, which carries out the activities of passenger transportation was mostly affected by the pandemic. As of the middle of March 2020, passenger transportation on international routes was stopped, the majority of local train routes were cancelled during the quarantine, leading to the drop in the number of total passengers in 2020 by 39.5% if compared to 2019. At the end of 2020, as many as 103 out of 226 local train routes were not reopened, while 26 out of 32 international train routes were not reopened. The Company's activities were uninterrupted; however, the need for state support increased.

The situation at the Group companies is constantly monitored, measures to ensure activity as a going concern as well as prevention measures are implemented:

- The prevention of COVID-19 at the Group companies is ensured by the Emergency Management Group. The employees were designated to assume the responsibility for the monitoring of the situation and for the timely provision of information to the Com-pany's management and employees. Information is provided on the decisions of the Government of the Republic of Lithuania, the latest recommendations of the World Health Organization, threats related to the outbreak of the virus and the measures to mitigate the risks;

34. Information on the impact of coronavirus (COVID-19) on the activities of the LTG Corporate Group (continued)

- Additional occupational safety and preventive measures are applied for employees working at the stations, trains, locomotive depots. Employees are supplied with the protection measures for COVID-19 prevention, work in shifts is organized;
- All employees of the Group hold Covid-19 insurance;
- Preventive actions are being implemented at the stations and passenger trains: disinfection, safe distance between passengers;
- Restrictions have been imposed related to the movement of employees, work at the offices of Group companies and other facilities;
- Working places have been computerized and technical measures have been implemented providing for a possibility to work remotely;
- Units and employees performing critical functions and administering main systems have been identified; technical and dele-gation measures have been planned in case of the outbreak;
- The plans for the management of emergency are being revised, preparations are ongoing to ensure uninterrupted function-ing of critical activities.

In the middle of 2020, activity plans of Group companies were revised, updated activity forecasts prepared assessing the impact of COVID-19 on the activities and planned results. Cost optimisation plans were prepared at the Group companies and the Company, which were submitted to the boards of the companies, their implementation was monitored and quick response to the unfolding situation was ensured.

The tests of recoverable amount of non-current assets were prepared at the company carrying out the passenger transportation business UAB LTG Link and contract Group companies VLRD and GTC. No impairment indications were identified.

The COVID-19 pandemic did not have a significant negative effect on the liquidity and creditworthiness of the Group companies, during the year, the Company implemented measures to manage the following risks:

- The balances of the Group's cash and cash equivalents were adequate, the liquidity of all Group companies was ensured through cash-pool;
- In April 2020, the credit institutions were surveyed regarding the possibility to get a binding credit line or overdraft for a period of 12 months or more; however, there was no need for borrowing during the year;
- Payments control was tightened;
- Cost control was tightened;
- Cooperation was taking place with the Ministry of Transport and Communications regarding the allocation of additional sub-sidy to compensate the losses of passenger transportation activities. The Ministry of Transport and Communications re-allocated the unused (by the end of 2020) appropriations for the implementation of programmes "Implementation of Transport and Communication Policies" and "Ensuring Rail Transport" and allocated EUR 9,2 million to ensure passenger transportation on preferential conditions and provision of services by the routes which are not commercially viable to carriers, and yet necessary for the public. In total, EUR 36.0 was allocated to this measure. Also, possibilities to receive additional State support for UAB LTG Link for 2021 are being considered;
- Financial covenants under credit agreements did not exceed the values agreed;
- At the moment of preparation of financial statements, payments were made as usual, the Company paid dividends to the shareholder from the distributed profit of 2019.

According to the Company's Management, the negative circumstances related to the virus do not raise doubts about the business continuity of the Group companies and do not change the Group's long-term business plans and goals. However, the Management cannot deny the possibility that long "closure" periods, increase in rigidity of the measures or an adverse effect of those measures on economic environment, where the Group companies operate, will have an adverse effect on the Group's financial position and performance results in the medium and long term. The management continues to monitor the situation closely and will respond to mitigate the impact of such events and circumstances as they occur.

The Group, when continuing works and implementing its liabilities emphasizes that at all times, it acts in a socially responsible manner. Health and safety of clients, partners, employees and their family members are a top priority.

During the pandemic, railway transport remains the most reliable mode of transport. The Group acts in a strategic and one of the safest sectors of the State and, if necessary, may expect to receive State support or guarantees.

35. Subsequent events

On 19 January 2021, the Company's management agreed to the merger of UAB Vilniaus Lokomotyvų Remonto Depas to UAB LTG Cargo.