2021

AB Lietuvos Geležinkeliai
ANNUAL REPORT

CONTENTS

ABBREVIATIONS:

LTG, Company – AB Lietuvos Geležinkeliai
LTG Group, Group – AB Lietuvos Geležinkeliai and its subsidiaries
LTG Cargo – AB LTG Cargo
LTG Link – UAB LTG Link
LTG Infra – AB LTG Infra
GTC – UAB Geležinkelio Tiesimo Centras
RBS – UAB Rail Baltica Statyba
govt. – Government of the Republic of Lithuania
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.

CONSOLIDATED ANNUAL REPORT

CEO'S FOREWORD

Dear colleagues, clients and partners,

The year 2021 was full of both challenges and achievements for the group of Lietuvos Geležinkeliai. We summarise them all in this report and invite you to read it.

Last year, LTG Group companies continued to operate in an environment of uncertainty which was significantly influenced by external factors such as the worldwide pandemic of COVID-19 disease and the geopolitical tension. However, even in a constantly changing and challenging environment, the Group companies have demonstrated their ability to adapt, ensuring the movement of passengers and freight on green kilometres, and continuing to actively develop strategic projects.

The Group's passenger transport company LTG Link was perhaps the worst hit by the pandemic. However, by the end of 2021, most of domestic train routes had already been resumed. The prolonged recovery of demand for certain products due to the pandemic had a negative impact on the company LTG Cargo. LTG Infra, the infrastructure manager, has also been affected by this through falling revenues from passenger and freight companies.

However, despite the challenges posed by the pandemic, we have focused on diversifying our cargo flows, developing new services and expanding internationally. In the second half of the year, Kaunas Intermodal Terminal was connected to the European-standard Rail Baltica railway, with trains from the Netherlands, loaded with semi-trailers, already operating there. We are already planning to increase the number of services in this direction and introduce new routes. LTG Cargo Polska is also strengthening its position in Poland. These achievements encourage us to keep moving forward - we are working hard to find new opportunities. The importance of these opportunities is particularly acute following the suspension of service provision to the Belarusian company Belaruskalij.

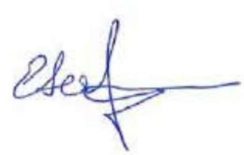
In the beginning of 2022, taking into account the decisions on threats to national security, the LTG Group complied with the decision of the Government of the Republic of Lithuania regarding the contract with Belaruskalij by discontinuing the provision of services as of 1 February.

In 2021, the Group companies continued focusing on the implementation of important strategic projects. The Vilnius-Klaipėda motorway electrification project was launched to allow for the future operation of electric rolling stocks. As Rail Baltica, the largest railway infrastructure project that will connect the Baltic countries to the European gauge rail network is moving forward, so are the purchase of new passenger trains and the project of installation of a modern ticketing system. All this makes the environmentally friendly rail transport even more attractive to people and businesses, both in Lithuania and abroad, and helps achieving the Green Deal goals.

In achieving these goals as well as the climate-related goals, the year 2021 contributed as the European Year of Rail. We have marked this occasion in Lithuania as well - for the first time, the Baltic capitals were linked by the Connecting Europe Express Baltic route, which was carried out by the train of LTG Link. At the European Rail Awards held this year, Lietuvos Geležinkeliai was awarded a certificate for outstanding achievements in organising the Connecting Europe Express Baltic route.

I am proud of the team of nearly 8,000 professionals working on the Group's ambitious projects and overcoming challenges one by one. Thanks to all of you together and to each one individually. I believe that by staying focused, we will successfully move towards our most important goals in 2022 and continue to create value for those we work for - the people of Lithuania.

EGIDIJUS LAZAUSKAS
CEO
AB Lietuvos Geležinkeliai



(all amounts are in EUR million unless otherwise stated)

BASIC INFORMATION ABOUT THE GROUP AND THE COMPANY

PARENT COMPANY AND ITS SUBSIDIARIES

Company name	Company address	Date and place of registration*	Company code	Telephone, e-mail	Website	Ownership, %	Core business
Parent company Public limited liability company **Lietuvos Geležinkeliai**	Geležinkelio g. 16, Vilnius	24-12-1991	110053842	(+370 5) 269 2038 info@ltg.lt	https://www.litrail.lt	The Republic of Lithuania, represented by the Ministry of Transport and Communications, owns 100%	Efficient management of the LTG group entities
Public limited liability company **LTG Cargo**	Geležinkelio g. 12, Vilnius	28-12-2018	304977594	(+370 5) 202 1515 info@ltgcargo.lt	http://ltgcargo.lt	LTG owns 100%	Freight transport by rail, rolling stock repair and related services (from 01-04- 2021, following the acquisition of the activities of UAB Vilniaus Lokomotyvų Remonto Depas)
Joint stock company **LTG Link**	Geležinkelio g. 16, Vilnius	28-02-2019	305052228	+370 700 55 111 info@ltglink.lt	http://www.litrail.lt/keleiviams http://www.traukiniobilietas.lt	LTG owns 100%	Passenger transport by rail on domestic and international routes
Public limited liability company **LTG Infra**	Geležinkelio g. 2, Vilnius	01-07-2019	305202934	(+370 5) 269 3353 info@ltginfra.lt	https://ltginfra.lt/	LTG owns 100%	Management, use and disposal of railway infrastructure and performance of the functions of a public railway infrastructure manager
Joint stock company **Geležinkelio tiesimo centras**	Trikampio g. 10, Lentvaris, Trakai r.	21-12-2001	181628163	+370 655 37023 info@gtc.lt	https://gtc.lt	LTG owns 100%	Construction and repair of railway track infrastructure
Joint stock company under liquidation **Saugos paslaugos**	Prūsų g. 1, Vilnius	10-06-2019	305186992	-	-	LTG owns 100%	Under liquidation
Joint stock company **Rail Baltica statyba**	Geležinkelio g. 16, Vilnius	23-01-2014	303227458	+370 614 18055 rbs@litrail.lt	https://www.rail-baltica.lt/	LTG owns 100%	Implementation of the functions of shareholder of the Joint Venture of the Baltic States RB RAIL AS
Joint stock company **voestalpine Railway Systems Lietuva**	Sostinės g. 18, Valčiūnai, Vilnius r.	28-07-1995	110709524	(+370 5) 249 3261 office.lietuva@voestalpine.com	https://www.railwaysystems.lt	LTG owns 34%	Manufacture of railway switches

(all amounts are in EUR million unless otherwise stated)

SUBSEQUENT SUBSIDIARIES AND COMPANIES

Company name	Company address	Date and place of registration*	Company code	Telephone, e-mail	Website	Ownership, %	Core business
Joint stock company **RB Rail AS**	Satekles iela 2B, Riga, the Republic of Latvia	12-11-2014	40103845025	+371 6696 7171 info@railbaltica.org	https://www.railbaltica.org	LTG subsidiary RBS owns 33.33%	Coordinating the implementation of the Rail Baltica project
Limited liability company **OOO Rail Lab**	Internacionalnaja g. 36-1, Minsk, the Republic of Belarus	26-05-2020	192827267	+375 (29) 312 23 52 vladimir.dervenkov@ltg.lt	-	LTG subsidiary LTG Cargo owns 99%, GTC – 1%	Manufacture, repair and maintenance of locomotives and rolling stock, wholesale
LTG Cargo Polska Sp.zo.o.	Rondo ONZ g. 1, 12th Floor, Warsaw, the Republic of Poland	21-07-2020	386573260	Contact details at http://ltgcargo.pl	http://ltgcargo.pl	LTG subsidiary LTG Cargo owns 100%	Cargo transport and related services in Poland
Joint stock company **LTG Wagons**	Geležinkelio g. 12, Vilnius	04-11-2020	305651295	+370 618 84991 info@ltgwagons.lt	http://ltgcargo.lt	LTG subsidiary LTG Cargo owns 100%	Lease of wagons for freight transport
LLC LTG Cargo Ukraine	Puškino g. 21, Office No. 3, Kiev, Ukraine	09-12-2020	43987945	Contact details at http://ltgcargo.ua	http://ltgcargo.ua	LTG subsidiary LTG Cargo owns 100%	Freight activity and provision of related services in Ukraine

PUBLIC ENTERPRISES AND ASSOCIATION

Company name	Company address	Date and place of registration*	Company code	Telephone, e-mail	Website	Ownership, %	Core business
Public enterprise **Geležinkelių logistikos parkas**	Švitrigailos g. 39, Vilnius	07-10-2011	302674602	+370 612 02006 logisticspark@logisticspark.lt	https://www.logisticspark.lt/	LTG owns 79.61%	An enterprise belonging to Vilnius City Municipality and AB Lietuvos Geležinkeliai, responsible for the development and management of the logistics park of Vilnius Public Logistics Centre
Public enterprise **Transporto inovacijų centras**	Mindaugo g. 12, Vilnius / Gedimino pr. 44A, @Spaces Vilnius	08-02-2019	305017405	info@mobilitytech.lt	https://mobilitytech.lt	LTG owns 33.33%	Developing and presenting new technology oriented investment projects to the stakeholders
Association of Lithuanian Railway Undertakings	Mindaugo g. 12, Vilnius	13-11-2018	304949011	+370 616 18841	-	-	Representing the rights and interests of the Association members-employers in the context of social partnership Association members: LTG, LTG Cargo, LTG Link, LTG Infra, GTC, RBS

* Data on all the above-mentioned legal entities are collected and stored in the Register of Legal Entities of the State Enterprise Centre of Registers, except for AB RB Rail AS, which is registered in Latvia, OOO Rail Lab which is registered in Belarus, LTG Cargo Polska Sp.z.o.o. which is registered in Poland, and LLC LTG Cargo Ukraine which is registered in Ukraine.

(all amounts are in EUR million unless otherwise stated)

REPRESENTATIVE OFFICES ABROAD

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 Tower B, office 2307, Chaoyang district, 100125, Beijing
Representative office in the Republic of Kazakhstan	Kunaev Str. 6, office No 310/10,010000, Astana
Representative office in Poland	Rondo ONZ Str. 1, floor 12, 00-124, Warsaw

MEMBERSHIP IN INTERNATIONAL ORGANISATIONS

International Settlement Centre (BCC)
http://bcclearing.eu/

The Union of European Railway Engineering Associations (UEEIV)
http://www.ueeiv.eu/

European Intermodal Association (EIA)
http://www.eia-ngo.com

Association of Railway Security Managers and Railway/Transport Police Forces (COLPOFER)
http://www.colpofer.org/

Coordinating Council on Trans-Eurasia Transportation (KSTP)
http://icctt.com/

International Rail Transport Committee (CIT)
http://www.cit-rail.org/

Community of European Railway and Infrastructure Companies (CER)
http://www.cer.be

Organisation for Co-operation of Railways (OSJD)
http://en.osjd.org

European Union Agency for Railways (ERA)
http://www.era.europa.eu

International Union of Railways (UIC)
http://www.uic.org/

Strategic Partnership 1520
http://forum1520.com

Intergovernmental Organisation for International Carriage by Rail (OTIF)
http://www.otif.ch/

Railway Transport Council of CIS and Baltic States (GTT)
http://www.sovetgt.org/

Association of the European Rail Infrastructure Managers RailNetEurope (RNE)
http://www.rne.eu/

North Sea - Baltic Rail Freight Corridors No.8 (RFC8)
http://rfc8.eu/

Platform of Rail Infrastructure Managers in Europe (PRIME)
https://webgate.ec.europa.eu/multisite/primeinfrastructure/prime-news_en

GROUP STRUCTURE AND GOVERNANCE MODEL

The group of companies of AB Lietuvos Geležinkeliai is a group of state-owned railway freight and passenger transport and public railway infrastructure management companies, consisting of the parent management company AB Lietuvos Geležinkeliai and its directly and indirectly owned subsidiaries, subsequent companies, public enterprises and the association.

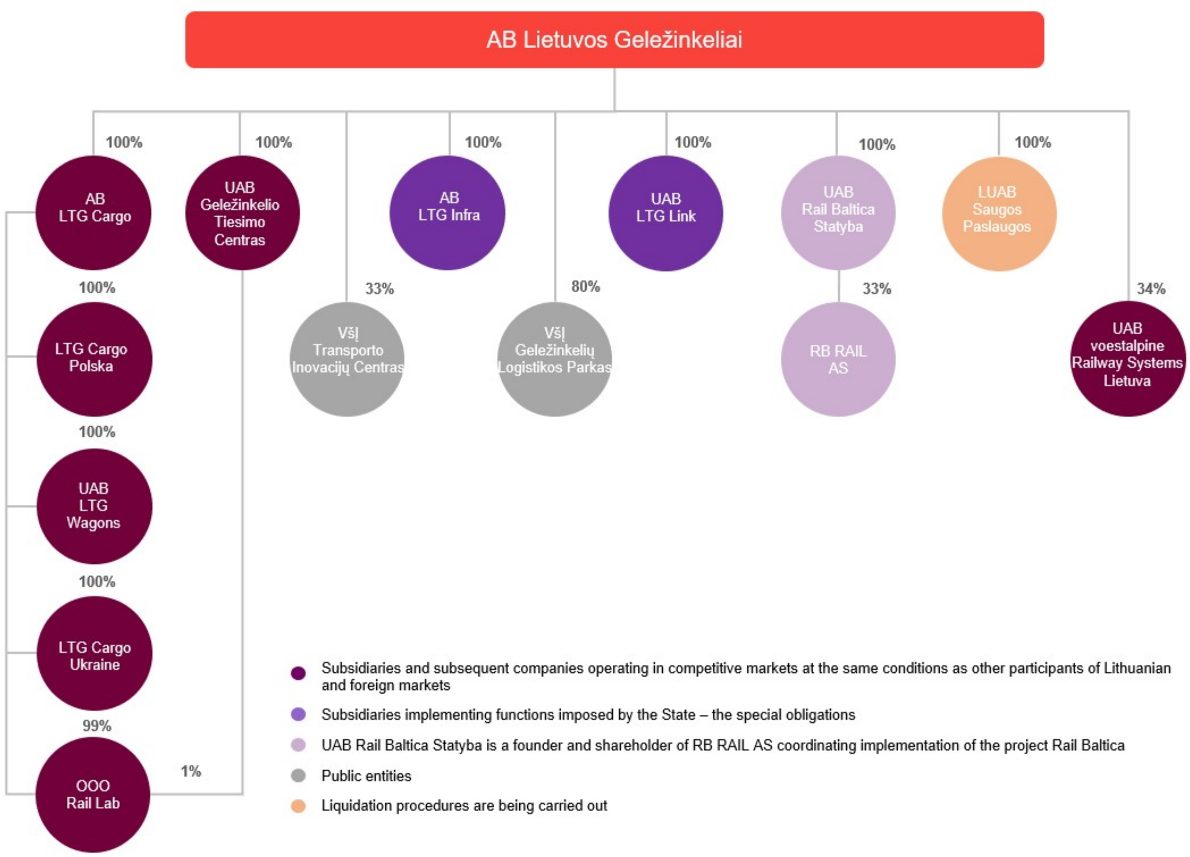
Taking into account the structural changes carried out in the LTG Group during 2018-2021 and the purification and separation of the activities of the carriers and the infrastructure manager into separate legal entities in accordance with EU requirements, preconditions are created for the companies providing transport services to operate in a competitive environment and ensuring the liberalisation of the rail market.

Following the structural changes implemented in the LTG Group, there is a clear dividing line according to the activities carried out by the companies: companies carrying out activities of a commercial nature (operating in a competitive market under the same conditions as other Lithuanian and foreign market participants); companies carrying out activities of public interest and ensuring the provision of services of public interest (performing functions entrusted to them by the state); and companies carrying out other kinds of activities.

In order to achieve the common goals of the LTG Group and the parent company, the LTG Group's governance model is based on the **LTG Group's consolidated business strategy** and functional leadership. The parent company's collegial management body considers and approves the LTG Group's consolidated operating strategy/budget, consolidated performance targets, their measurement indicators and target values, makes key management decisions within the Group, and oversees and controls the activities of subsidiaries.

As part of the LTG Group, LTG's subsidiaries are responsible for the execution of core activities and the achievement of defined performance targets. In order to achieve their objectives and to ensure proper management, the subsidiaries act independently in their activities, take appropriate decisions and ensure accountability and responsibility for performance.

LTG Group applies the **functional leadership** model which means that added value is created by centralising business support (corporate) functions, consolidating competencies and introducing functional excellence. The Parent Company coordinates the finance, legal, planning and monitoring, human resources, risk management, audit, technology, communication and other general areas of LTG Group companies through common policies, regulations and norms that apply to all LTG Group companies. Each corporate function or activity has an assigned function or activity owner who is responsible for the planning, organisation, implementation and control of the area under his/her responsibility.



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- On 14 July 2021, the Unified State Register of Legal Entities and Individual Proprietors of the Republic of Belarus registered data on LTG Cargo AB as the new shareholder of Rail Lab OOO, to which the shares were transferred on 30 March 2021, in the context of the of sale - purchase of the main activity of UAB VLRD, i.e. repair of rolling stock and provision of related services, by UAB VLRD to LTG Cargo AB.
- On 26 August 2021, UAB Vilniaus Lokomotyvų Remonto Depas registered its reorganisation into a joint stock company – AB Vilniaus Lokomotyvų Remonto Depas. On 30 November 2021, AB Lietuvos Geležinkeliai, the sole shareholder of AB Vilniaus Lokomotyvų Remonto Depas, adopted a decision to merge AB Vilniaus Lokomotyvų Remonto Depas, which is being reorganised, into AB Lietuvos Geležinkeliai, which is taking part in the reorganisation, and to approve the terms and conditions of the reorganisation of AB Lietuvos Geležinkeliai and AB Vilniaus Lokomotyvų Remonto Depas. After the reorganisation, AB Lietuvos Geležinkeliai took over all the assets, rights and obligations of AB Vilniaus Lokomotyvų Remonto Depas. On 16 December 2021, AB Vilniaus Lokomotyvų Remonto Depas was deregistered from the Register of Legal Entities of the State Enterprise Centre of Registers.
- On 14 May 2021, the decision of AB Lietuvos Geležinkeliai, the sole shareholder of UAB Saugos paslaugos, on the liquidation of the company was adopted and the legal status of UAB Saugos paslaugos as a company in liquidation was registered in the Register of Legal Entities of the State Enterprise Centre of Registers on 4 August 2021.
- On 25 February 2022, LUAB Gelsauga was deregistered from the Register of Legal Entities of the State Enterprise Centre of Registers.

INFORMATION ON SHARES AS AT 31 DECEMBER 2021

Company	The amount of the authorised capital, thousand EUR	Number of shares, unit	Par value per share, EUR
Parent company			
AB Lietuvos Geležinkeliai	1,059,282	3,657,492	289.62
Subsidiaries of the Parent company			
AB LTG Cargo	44,087	209,299	210.64
AB LTG Infra	654,928	654,928	1,000
UAB LTG Link	143,590	156,237	919.05
UAB Geležinkelio Tiesimo Centras	30,897	109,748	281.53
LUAB Saugos Paslaugos	454	1,566	289.62
UAB Rail Baltica Statyba	4,161	143,698	28.96
UAB voestalpine Railway Systems Lietuva	2,192	25,734	28.96
Subsidiaries and subsequent companies			
RB Rail AS	1,950	650,005	1
OOO Rail Lab	BYN 1,186 thousand	-	-
LTG Cargo Polska Sp.zo.o.	PLN 2,225 thousand	2,225	PLN 1,000
UAB LTG Wagons	150	150	1,000
LLC LTG Cargo Ukraine	UAH 17,027 thousand	-	-

- As at 31 December 2021, the sole shareholder of AB Lietuvos Geležinkeliai was the Republic of Lithuania, the property and non-property rights of which are exercised by the Ministry of Transport and Communications of the Republic of Lithuania (owns 100% shares).
- The 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 in accordance with the legal procedure. The Company and its subsidiaries have not issued any preference shares.
- The Company and its subsidiaries did not acquire any treasury shares during the reporting period.
- Subsidiaries and associates did not acquire any shares of the Company during the reporting period.

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 LTG Group earns the major portion of comprehensive revenue, i.e. 80%, from provision of freight transportation services.

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

The LTG Group has been investing in modernisation and development of the public railway infrastructure as well as in new rolling stocks. The LTG 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.

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.

7.4 thousand employees work for the Group companies, 1.1 thousand of them work for the parent company AB Lietuvos Geležinkeliai.

PRINCIPAL ACTIVITIES OF LTG GROUP COMPANIES

Management of Group companies

LTG is the parent company the activity of which is effective management of the companies of the LTG Group.

Besides the provision of management services of the LTG Group companies, the Company provides the following services to the Group companies: fuel resale, other services provided in railway service facilities (lease of loading docks, washing and disinfection of rolling stocks, etc.), lease of property and vehicles.

Freight transportation by rail

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

Subsequent to acquisition of activities carried out by UAB Vilniaus Lokomotyvų Remonto Depas by LTG Cargo on 1 April 2021, the services of repair and maintenance of locomotives and wagons have been provided under the brand LTG Tech.

Passenger transportation by rail

LTG Link is a licenced railway company engaged in transportation of passengers on domestic and international routes. The Company also ensures transit trips from the Belarussian border to the Kaliningrad region.

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, exercises the duties of the public railway infrastructure management ensuring effective functioning, upgrading 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.

Construction and repair of railway

GTC is a licenced railway company engaged in construction, repair and maintenance of railway infrastructure tracks, lease of machinery, plant and equipment, provision of engineering and consultation services.

For more information on the services and performance of the Group's companies see the Chapter *Performance of the main Group companies*.

CORPORATE GOVERNANCE

The corporate governance of the LTG 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 LTG Group, implementation of management and control functions. Effective and well-balanced corporate governance establishes stable, clear and comprehensible mutual relations, increases attractiveness of the LTG Group to shareholders, customers, partners, employees, the society, and creates preconditions for growth of value and sustainable development of the LTG Group in a long-term perspective.

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

LTG GROUP'S MANAGEMENT STRUCTURE

Corporate Governance of the LTG Group is organised 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 ORGANISED 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.

During the reporting period, the Articles of Association were amended twice.

In the version of the Articles of Association registered on 10 June 2021:

- shareholder's rights have been extended allowing the shareholder to receive information not only about the Company but also about its subsidiaries;
- increased responsibility of the Board by providing it supervisory functions has been laid down;
- a provision that the Company's Board shall approve consolidated documentation (e. g. consolidated operational strategy, consolidated goals, their measurement indicators and target values, consolidated budget and business plans) only after they are approved by subsidiaries has been laid down;

- it has been provided that the Company's Board is obliged to inform the shareholder within a reasonable time about the approval / amendment of the Company's and the consolidated documents (e. g. the Company's and the consolidated operational strategy, goals, budget, interim report, etc.);
- provisions related to acquisition of own shares, the reserve for acquisition of own shares and issuance of convertible bonds have been waived.

In addition, the right of the CEO to hold other positions or have another job, including the positions in the Company, only after the receipt of the prior written consent of the Board has been laid down in the version of the Articles of Association registered on 16 December 2021 which has been approved taking into consideration the reorganisation of AB Vilniaus Lokomotyvų Remonto Depas by merging it to AB Lietuvos Geležinkeliai.

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 of the Republic of Lithuania;
- the pre-emptive right to acquire the shares issued by the Company, except for the case when the General Shareholders Meeting decides to revoke the pre-emptive right of all shareholders in accordance with the procedure established by the Law on Companies of the Republic of Lithuania;
- 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 the Company resulting from nonfeasance or malfeasance by the manager of the Company and members of the board of their duties prescribed by the Articles of Association, the Law on Companies of the Republic of Lithuania 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 https://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 annual management report and the consolidated annual management report;
- take a decision on profit/loss distribution;
- approve a set of interim financial statements prepared in order to take a decision on the allocation of dividends for a period shorter than the financial year;
- to take a decision on the allocation of dividends for a period shorter than the financial year;
- take a decision on issuing of bonds;

- take a decision on increase / reduction of the authorised capital;
- take a decision on reorganisation, 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, price or amount whereof is equal to or exceeds 1/20 of the authorised 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 2021:

- adopted decision regarding election of the board members;
- adopted decision regarding the change of the head office address;
- adopted decisions regarding reorganisation conditions and amendment of Articles of Association;
- the Company's sets of the financial statements and consolidated financial statements for the year 2020 were approved;
- the Company's profit (loss) for the year 2020 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 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 in accordance to the legislation of the Republic of Lithuania. The Management Board elects the chairman of the management Board from among its members. More than a half of Board members shall not have employment relationships with the Company. The number of terms of office of the Board Member is not limited.

During the reporting period, the Board of the Company consisted of 7 members, thereof 5 members are independent, and 2 members are delegated representatives of the shareholder.

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 Company and consolidated strategy of the Group companies, set goals, their measurement indicators and target values;
- approve the budget of the Company and the consolidated budget of the Group.
- adopt decisions regarding strategic matters of setting the lines of activities of the LTG Corporate Group;
- adopt decisions regarding conclusion of major transactions;
- adopt decisions regarding participation or establishment of other legal entities;
- be responsible for organisational 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;
- supervise the activities of the CEO.

The term of office of the Board is 20/07/2021–20/07/2025. During the reporting period, neither member of the Board held shares of the LTG Group companies. During the reporting period 16 meetings of the Board took place.

COMPOSITION OF THE BOARD

KĘSTUTIS ŠLIUŽAS

Chairman of the Board, Independent Board Member
Holds the position from 20 July 2021

Education

– Vilnius University, Master's degree;
– IMD Business School (Lausanne, Switzerland), Leadership, Strategy, Innovation;
– London Business School, Leadership programme;
– BICG (Vilnius, Lithuania), Corporate governance;
– MCE Management Centre Europe (Belgium).

Main employer, position

CEO of IPI srl/COESIA Group (Perugia, Italy).

Other positions held

– Supervisory Board member and Audit Committee member of PayRay Bank, UAB, Lvivo St. 25, Vilnius, company code 304862948;
– Member of the council of Kaunas University of Technology, K. Donelaičio St. 73, Kaunas, company code 111950581;
– Mentor at LTG Big Brother.

EUGENIJUS PREIKŠA

Independent Board Member
Holds the position from 20 July 2021

Education

– Stockholm University, Master's degree in social sciences (banking);
– Vilnius University, Bachelor's degree in economics (banking and finance);
– INSEAD (Fontainebleau, France), Leadership programme.

Main employer, position

Chief Risk Officer at UAB European Merchant Bank.

Other positions held

Adviser to the Board of UAB Imlitex Holdings.

DR. AURIMAS VILKELIS

Independent Board Member
Holds the position from 20 July 2021

Education

- Vilnius Gediminas Technical University, Doctorate in Technological Sciences;
- ETH Zurich (Switzerland), Post doctoral research in areas of transport and logistics.

Main employer, position

Head for Transport at Swiss Post (Switzerland).

Other positions held

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BERNARD GUILLELMON

Independent Board Member
Holds the position from 20 July 2021

Education

– Ecole Polytechnique Fédérale de Lausanne, Master's degree in energy;
– INSEAD (Fontainebleau, France, Master's degree in Business Administration, Leadership Challenge Course;
– Management Insitute (In London), certificate in corporate governance.

Main employer, position

– Vice president and Board member of JJM (a family-owned real estate company);
– Co-owner of Bridge The Gap GmbH.

Other positions held

– Board member and Chairman of the Safety and Security Committee of Ermewa Group (lease of railway wagons, locomotives and tank-containers) (held theposition until 22 October 2021);
– Senior Adviser at Nexxiot AG.

DALIA ANDRULIONIENĖ

Independent Board Member
Holds the position from 20 July 2021

Education

– Vilnius University, Master's degree in economics and management;
– ISM University of Management and Economics, Master's degree in management;
– BI Norwegian Business School, Master's degree in management.

Main employer, position

– CEO of UAB Omberg group, Gynėjų St. 16, Vilnius, company code 303566387.

Other positions held

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ROMAS ŠVEDAS

Board Member
Holds the position from 20 July 2021

Education

– Vilnius University, Master's degree in law;
– Umea University (Sweden), the course on political democracy;
– The World Trade Organisation (Geneva, Switzerland), Foreign Trade Policy Course;
– International Law Institute (Washington D.C., USA), the course on international trade;
– Baltic Institute of Corporate Governance (Vilnius, Riga, Tallinn, Stockholm), trainings for Board Members and Chairmen of the Board.

Main employer, position

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

Other positions held

– Supervisory Board member of RB Rail AS, Satekles iela 2B, Riga, the Republic of Latvia, company code 40103845025;
– Lecturer at the Vilnius University, Institute of International Relations and Political Science, Universiteto St. 3, Vilnius, Company code 211950810;
– Board member of the European Movement Lithuania (non-governmental organisation);
– Facilitator at Business Executive Training Centre.

AGNĖ AMELIJA MIKALONĖ

Board Member
Holds the position from 20 July 2021

Education

– Mykolas Romeris University, Bachelor's degree in law, Master's degree in international law;
– Baltic Institute of Corporate Governance (Vilnius, Riga, Tallinn), trainings for Board Members.

Main employer, position

Principal adviser at the Ministry of Transport and Communications of the Republic of Lithuania, Gedimino pr. 17, Vilnius, company code 188620589.

Other positions held

– Board member of AB Kelių priežiūra, Savanorių pr. 321C, Kaunas, company code 232112130;
– Board member at State Enterprise Lithuanian Road Administration, J. Basanavičiaus St. 36, Vilnius, company code 188710638.

Changes in composition of the Board during the reporting period

- The term of office of the previous LTG Board ended on 15 April 2021. It consisted of 5 independent members – Romas Švedas, Monika Rimkūnaitė – Bložė, Alditas Saulius, Rolandas Zukas, Mats Hanson;
- during the reporting period, the selection of new members of the Board was carried out. On 20 July 2021, under the decision of the sole shareholder (the Ministry of Transport and Communications of the Republic of Lithuania), the new Board of LTG was elected.

Major decisions adopted by the Board of the Company in 2021:

- a decision adopted regarding acquisition of electric freight locomotives;
- a decision adopted regarding acquisition of electric passenger rolling stocks;
- the main indicators of the Group companies as well as objectives of Chief Executive Officer of the Company were established;
- a decision adopted regarding merging of UAB Vilniaus Lokomotyvų Remonto Depas to AB LTG Cargo;
- a decision adopted in respect of reorganisation procedures of UAB Vilniaus Lokomotyvų Remonto Depas;
- decisions adopted in respect of election of the Audit Committee and the Nomination and Remuneration Committee members;

- a decision adopted in respect of a temporary suspension of the project "The construction of the second track on Plungė-Šateikiai";
- decisions adopted in respect of approval of the Company's policies;
- a decision adopted in respect of granting support to the State Border Guard Service under the Ministry of the Interior of the Republic of Lithuania;
- decisions adopted regarding resignation of the Company's CEO and election of the new CEO;
- the Company's and the consolidated annual reports for 2020 were approved;
- updated the Sustainable Growth Strategy of LTG Group for 2040 was approved;
- the plan (budget) of LTG Group for 2022 was approved;
- a decision adopted in respect of business development in the Western Europe by anticipating investments into acquisition of a machinery fleet and development of the services of the subsidiary in Poland - LTG Cargo Polska - controlled by LTG Cargo.

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 beginning of 2022 the Board carried out a self-assessment of its performance in 2021.

The results of self-assessment were discussed at the Board Meeting where areas for improvement and necessary measures were identified for respective areas.

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

- **Strategy:** given the complicated geopolitical situation, ensure not only regular monitoring of implementation of the strategy but also take immediate ad hoc measures as the situation evolves, by reconsidering current objectives and priorities, assessing the need of long-term funding and sources. Also, improve the strategy 1520 and 1435 seeking for optimal balance between development of the new infrastructure and long-term maintenance thereof.
- **Governance:** following the best practices, perform the external analysis of corporate governance and propose respective governance changes to the shareholder.
- **Risk management:** strengthen the risk of compliance in the Company, use external experts and, taking into account the changing geopolitical situation, reconsider the risk management related to operations abroad. Integrate ESG matters into the strategy by identifying possible risks and the measures for mitigation thereof. Also, pay additional attention to substitution of key positions of LTG Group.
- **Communication:** promote proactive communication on behalf of LTG Group regarding achievement of the Company, special features of the business and challenges to the public, the shareholder and decision makers.
- **Board meetings:** dedicate the most of time of the Board meetings only to briefing of the essential information and alternatives of the proposed solutions. Initiate amendments to the rules of procedure related to improvement of the Board's work.

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.

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

Members of committees are appointed and removed by the Board. Chairmen of committees are elected by members of committees. 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.

During the reporting period, the following committees of the Board were 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

The Audit Committee operates as an advisory body of the LTG Group, the main objective of which is to submit conclusions, proposals regarding functioning of external and internal audit, risk management and control systems in the LTG and its subsidiaries to the Board of LTG.

During the reporting period, the committee consisted of 4 members. The term of office of the LTG Audit Committee members started on 23 August 2021. All members of the Audit Committee are members of the 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 had shares of the LTG Group companies.

During the reporting period, 10 meetings of the Audit Committee were held.

COMPOSITION OF THE AUDIT COMMITTEE

EUGENIJUS PREIKŠA

Chairman of the Audit Committee
Holds the position from 23 August 2021

Independent Board member

Education
– Stockholm University, Master's degree in social sciences (banking);
– Vilnius University, Bachelor's degree in economics (banking and finance);
– INSEAD (Fontainebleau, France), Leadership programme.

Main employer, position
Chief Risk Officer at UAB European Merchant Bank.

Other positions held
Adviser to the Board of UAB Imlitex Holdings.

DR. AURIMAS VILKELIS

Committee member
Holds the position from 23 August 2021
Independent Board member

Education
- Vilnius Gediminas Technical University, Doctorate in Technological Sciences;
- ETH Zurich (Switzerland), Post doctoral research in areas of transport and logistics.

Main employer, position
Head for Transport at Swiss Post (Switzerland).

Other positions held
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BERNARD GUILLELMON

Committee member
Holds the position from 23 August 2021
Independent Board member

Education
– Ecole Polytechnique Fédérale de Lausanne, Master's degree in energy;
– INSEAD (Fontainebleau, France, Master's degree in Business Administration, Leadership Challenge Course;
– Management Insitute (In London), certificate in corporate governance.

Main employer, position
– Vice president and Board member of JJM (a family-owned real estate company);
– Co-owner of Bridge The Gap GmbH.

Other positions held
– Board member and Chairman of the Safety and Security Committee of Ermewa Group (lease of railway wagons, locomotives and tank-containers) (held theposition until 22 October 2021);
– Senior Adviser at Nexxiot AG.

ROMAS ŠVEDAS

Committee member
Holds the position from 23 August 2021
Board member

Education
– Vilnius University, Master's degree in law;
– Umea University (Sweden), the course on political democracy;
– The World Trade Organisation (Geneva, Switzerland), Foreign Trade Policy Course;
– International Law Institute (Washington D.C., USA), the course on international trade;
– Baltic Institute of Corporate Governance (Vilnius, Riga, Tallinn, Stockholm), trainings for Board Members and Chairmen of the Board.

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

Other positions held
– Supervisory Board member of RB Rail AS, Satekles iela 2B, Riga, the Republic of Latvia, company code 40103845025;
– Lecturer at the Vilnius University, Institute of International Relations and Political Science, Universiteto St. 3, Vilnius, Company code 211950810;
– Board member of the European Movement Lithuania (non-governmental organisation);
– Facilitator at Business Executive Training Centre.

Changes in composition of the committee during the reporting period:

- the term of office of the previous LTG Board ended on 15 April 2021. The term of office of the Audit Committee coincided with the one of the LTG Board; i. e. the Audit Committee conducted its activities until 15 April 2021. It consisted of 3 independent members – Alditas Saulius, Irena Petruškevičienė, Rolandas Zukas;
- on 20 July 2021, under the decision of the sole shareholder – the Ministry of Transport and Communications of the Republic of Lithuania- the new LTG Board was elected. Following the decision of the LTG Board, the Audit committee was formed on 23 August 2021.

The main matters and proposals considered by the Audit Committee in 2021:

- got acquainted with the financial statements for 2020, 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 updated Internal Audit Policy;
- 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;
- recommended the Board of AB Lietuvos Geležinkeliai to approve the Internal Audit strategy;
- adopted a decision regarding the implementation plan of the Internal Audit recommendations.

INTERNAL AUDIT

In order to ensure transparent and efficient operation of the LTG Group and a proper internal control system, a centralised Internal Audit Unit has been established in the Company. The internal audit functions as a third line of defence at the LTG Group. 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 organised 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 2021, 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

The Nomination and Remuneration Committee is an advisory body of the LTG Board, the main objective of which is to submit conclusions, opinions, recommendations and proposals to the Board of LTG, in respect of such issues as election of the LTG CEO and establishment of the LTG remuneration policy as well as selection of members of governance bodies of the Group's subsidiaries.

During the reporting period, the Committee consisted of 3 members. The term of office of the Nomination and Remuneration Committee started on 23 August 2021. All members of the Nomination and Remuneration Committee are members of the LTG Board.

Essential functions of the committee:

- 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 held any shares of the LTG Group companies. During the reporting period 8 meetings of the Nomination and Remuneration Committee took place.

COMPOSITION OF THE NOMINATION AND REMUNERATION COMMITTEE

DALIA ANDRULIONIENĖ

Chairwoman of the Nomination and Remuneration Committee
Holds the position from 23 August 2021

Independent Board member

Education

– Vilnius University, Master's degree in economics and management;
– ISM University of Management and Economics, Master's degree in management;
– BI Norwegian Business School, Master's degree in management.

Main employer, position

– CEO of UAB Omberg group, Gynėjų St. 16, Vilnius, company code 303566387.

Other positions held

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KĘSTUTIS ŠLIUŽAS

Committee member
Holds the position from 23 August 2021

Chairman of the LTG Board, independent Board member

Education

- Vilnius University, Master's degree;

- IMD Business School (Lausanne, Switzerland),Leadership,Strategy, Innovation;

- London Business School, Leadership programme;

- BICG (Vilnius, Lithuania), Corporate governance;
- MCE Management Centre Europe (Belgium).

Main employer, position

CEO of IPI srl/COESIA Group (Perugia, Italy).

Other positions held

– Supervisory Board member and Audit Committee member of PayRay Bank, UAB, Lvivo St. 25, Vilnius, company code 304862948;
– Member of the council of Kaunas University of Technology, K. Donelaičio St. 73, Kaunas, company code 111950581;
– Mentor at LTG Big Brother.

AGNĖ AMELIJA MIKALONĖ

Committee member
Holds the position from 23 August 2021
Board member

Education

– Mykolas Romeris University, Bachelor's degree in law, Master's degree in international law;
– Baltic Institute of Corporate Governance (Vilnius, Riga, Tallinn), trainings for Board Members.

Main employer, position

Principal adviser at the Ministry of Transport and Communications of the Republic of Lithuania, Gedimino pr. 17, Vilnius, company code 188620589.

Other positions held

– Board member of AB Kelių priežiūra, Savanorių pr. 321C, Kaunas, company code 232112130;
– Board member at State Enterprise Lithuanian Road Administration, J. Basanavičiaus St. 36, Vilnius, company code 188710638.

Changes in composition of the committee during the reporting period:

- the term of office of the previous LTG Board ended on 15 April 2021. The term of office of the Nomination and Remuneration Committee coincided with the one of the LTG Board; i. e. the Nomination and Remuneration Committee conducted its activities until 15 April 2021. It consisted of 3 independent members - Monika Rimkūnaitė – Bložė, Romas Švedas ir Mats Hanson;
- on 20 July 2021, under the decision of the sole shareholder – the Ministry of Transport and Communications of the Republic of Lithuania- the new LTG Board was elected. Following the decision of the LTG Board, the Nomination and Remuneration Committee was formed on 23 August 2021.

The main matters and proposals considered by the Nomination and Remuneration Committee in 2021:

- 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 for Top Level Employees and the Personnel Policy;
- submitted proposals in respect of election of CEOs of AB Lietuvos Geležinkeliai and AB LTG Cargo until the selection procedures are completed.

(all amounts are in EUR million unless otherwise stated)

INFORMATION ON THE ATTENDANCE OF THE MEETINGS OF THE BOARD, OF THE AUDIT COMMITTEE AND OF THE NOMINATION AND REMUNERATION COMMITTEE IN 2021

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)	16	10	8
Romas Švedas	16	5	2
Monika Rimkūnaitė-Bložė	4	-	2
Rolandas Zukas	4	5	-
Alditas Saulius	4	5	-
Mats Hanson	4	-	2
Irena Petruškevičienė	-	5	-
Kęstutis Šliužas	12	-	6
Eugenijus Preikša	12	5	-
Dr. Aurimas Vilkelis	12	5	-
Bernard Guillelmon	12	5	-
Dalia Andrulionienė	12	-	6
Agnė Amelija Mikalonė	12	-	6

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 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

(all amounts are in EUR million unless otherwise stated)

EXECUTIVES OF THE COMPANY

MANTAS BARTUŠKA	CEO	Held the position from 16 December 2016 to 3 January 2022
EGIDIJUS LAZAUSKAS*		Appointed on 4 January 2022
ADAMAS ILKEVIČIUS **VYTAUTAS RADZEVIČIUS**	Director for Strategy and Development	Held the position from 29 January 2018 to 31 March 2022 Appointed on 5 April 2022
ANDREJ KOSIAKOV	Chief Financial Officer	Appointed on 2 October 2017
ODETA TRUČINSKAITĖ-ŠIUŠIENĖ	Director for Legal and Compliance	Held the position from 28 August 2017 to 17 October 2021
VIKTORIJA SEMIONOVA		Held the position from 18 October 2021 to 21 February 2022
IRMANTAS BERŽAUSKAS		Appointed on 22 February 2022
IRENA JANKUTĖ-BALKŪNĖ	Chief Human Resources Officer	Appointed on 10 July 2017
MANTAS DUBAUSKAS	Chief Communications Officer	Appointed on 8 February 2017

* Before being appointed as the CEO of LTG, Egidijus Lazauskas has acted as the CEO of AB LTG Cargo – the subsidiary of the LTG – from 1 May 2019. Egidijus Lazauskas has a university degree in environmental engineering gained at Vilnius Gediminas Technical University.

MANAGEMENT OF INTERESTS

As at the end of the reporting period, members of the LTG Board, the CEO and the Company's managers have submitted declarations on private interests, which can be found in the Register of Private Interests of the Chief Official Ethics Commission. 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 Resolution No 3-154 of 18 March 2021 of the Minister of Transport and Communications of the Republic of Lithuania "*Regarding the Activities of the Members of the Board and Committees of the joint stock company Lietuvos Geležinkeliai*".

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.

(all amounts are in EUR million unless otherwise stated)

Name, Surname of the Member	Remuneration for the activities of the Board Member in 2021, Eur	Remuneration for the activities of the Audit Committee Member in 2021, Eur	Remuneration for the activities of the Nomination Committee Member in 2021, Eur
Romas Švedas	18,661	1,431	187
Monika Rimkūnaitė-Bložė	5,988	-	560
Rolandas Zukas	6,221	1,658	-
Alditas Saulius	6,221	2,488	-
Mats Hanson	8,000	-	-
Irena Petruškevičienė	-	1,658	-
Kęstutis Šliužas	16,589	-	2,787
Eugenijus Preikša	9,582	2,915	-
Dr. Aurimas Vilkelis	11,465	2,393	-
Bernard Guillelmon	11,465	2,094	-
Dalia Andrulionienė	8,517	-	2,266

* the remuneration is shown inclusive of all payable taxes and charges.

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 9,770 as at the end of the reporting period. During the reporting period, the basic monthly salary of the Company's Chief Executive Officer increased by 5% from EUR 9,305 to 9,770.
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 2,931. In April 2021, a monthly portion (1/12) of the annual incentive to the Company's CEO for achievement of the implemented goals of the year 2020 amounted to EUR 2,419.

STRATEGY

The LTG Group basis its activities on rational strategic planning and management. The **long-term corporate strategy of LTG**, encompassing all the activities of the LTG Group was approved in 2018: transportation of freight and passengers and provision of related services in domestic and international markets, railway 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.

The essential factors and circumstances that conditioned the revision of the Strategy:

- the pandemic COVID-19 that has had especially adverse impact on the activity of passenger transportation and efficient functioning of the supply chain;
- complicated geopolitical situation with Belarus that has caused elimination of Belarussian freight flows from Strategy forecasts and increased the need for activity diversification even more;
- changing types of freight: decreasing flows of the main freight types (coal, metals, oil, etc.) and rapidly increasing intermodal transportations;
- the need for projection of the value created by major projects being implemented in the LTG Group (Rail Baltica, electrification of railway lines, business development abroad, etc.) for a period longer than until 2030;
- the direction of eco-friendliness effectively promoted by the European Union and Lithuania to be applied in activities of organisations.

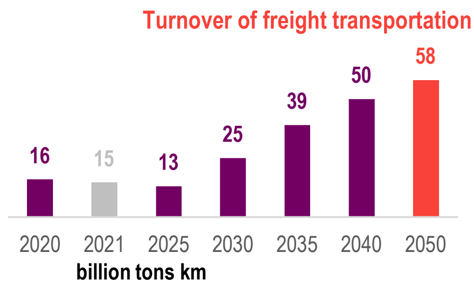
In 2021, strategic directions of LTG were revised and refined, the Strategy formation horizon was extended, forecasts of freight transportation flows were adjusted, investments were reviewed with emphasis on performance efficiency and cancellation of unnecessary investments, high focus was placed on rapid and quality implementation of solutions regarding activity diversification focusing especially on business development opportunities in Poland and Ukraine.

As at the end of 2021, the LTG Board approved the updated the **LTG Sustainable Growth Strategy 2040.**

MISSION, VISION, VALUES AND STRATEGIC DIRECTIONS

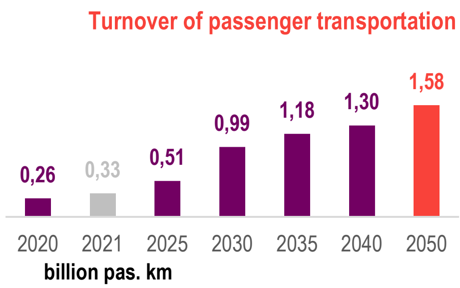
In a long-term perspective, the LTG seeks for becoming a leading railway undertaking in the Central and Eastern Europe in accordance with quality and efficiency, the main provider of the services of freight transportations from the starting point to the final one, and a carrier to be chosen by passengers, the infrastructure thereof is safe and able to ensure freight and passenger flows. Approaching towards the chosen vision, the LTG is becoming a continuously improving organisation that is able to adapt to the changing environment and applies the most current methods allowing to enhance efficiency and customer experience.

STRATEGIC GUIDELINES OF THE LTG GROUP UP UNTIL 2050



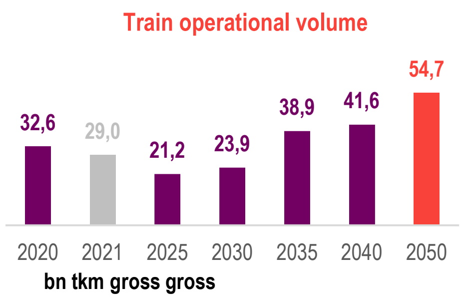
Assumptions:

- Intermodal projects.
- Development in foreign markets: Poland, Ukraine (as a result of the military actions in Ukraine, the activity of the LTG Group company LTG Cargo Ukraine has been suspended from 1 March 2022).
- Upgrade of traction fleet with electric eco-friendly locomotives.
- Digitalisation of operations, customer-specific solutions, new services and products.



Assumptions:

- New routes (domestic and international).
- From-door-to-door – integration with other modes of transport.
- Optimisation and modernisation of rolling stocks.
- Automation, digitalisation of daily operations.
- International partnership.



Assumptions:

- Implemented Rail Baltica project.
- Increase of use of 1,520 wide gauge.
- Development of intermodal terminals.
- Digitalisation of operations.

DIRECTIONS OF ACTIVITIES

1. **The Green Deal** – to establish a standard of sustainability and eco-friendliness in the area of freight and passenger transport by contributing to climate neutrality objective of the EU and the Republic of Lithuania.
2. **Operational efficiency** – to ensure financial stability by increasing operational efficiency, by carrying out the activities in accordance with the highest corporate standards and optimising the use of assets.
3. **Business development** – to increase capacities and operate abroad seeking for activity diversification and larger competitiveness in the independent market.
4. **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 as well as to ensure adaptation of railway services according to universal design principles.
5. **Preferred choice for logistic services** – to increase freight flows, ensure competitiveness and partnership with other railway undertakings, potential market newcomers, and road transport undertakings.
6. **Infrastructure for smooth movement** – to become the top-level manager of railway infrastructure, ensuring adequate freight and passenger transportation capacities.
7. **Comprehensive safety** – to apply the “Safety above all” principle ensuring high-level of traffic safety, occupational safety and business safety.
8. **Strong organisational culture** – become one of the most attractive employers in Lithuania, to develop a respectful and transparent business culture and to increase organisational maturity that would enable successful implementation of the Strategy.

Given the complicated geopolitical situation as at the moment of issue of these statements due to the military actions of the Russian Federation in the territory of Ukraine, the revision of the approved long-term strategy of the LTG Group was initiated, including reconsideration of the current strategic objectives and priorities, investment directions, the need for and sources of funding and application of ad hoc measures to manage the situation.

STRATEGY IMPLEMENTATION MEASURES

Taking into account long-term and short-term strategic goals and objectives set for the LTG Group, **the strategic initiatives have been formed and are being implemented** including all companies of the LTG Group and the key strategic directions of the LTG: the Green Deal, operational efficiency, business development, enhancement of organisational culture, and ensuring comprehensive safety.

THE MOST SIGNIFICANT ACHIEVEMENTS OF THE IMPLEMENTED STRATEGIC INITIATIVES

Project: Optimisation of train document management.

In improving efficiency of train document management **processes, document management operations in stations have been centralised, "Cargomachines" of train documents have been 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. The project resulted in decrease in the need for human resources by 170 employees. The total expected effect of the project is the reduction of the need for human resources by 200 employees.

Project: Development of customer service model

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: LTG Polska – Cargo.

In carrying out the 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. **Carrier's operating licences have been obtained, transportation of semi-trailers through Poland to Tilburg has been carried out.**

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

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 have been started in LTG Cargo and LTG Link.

Project: ERP modernisation.

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 modernised, enhanced and updated to the latest version**. The system design has been created, the implementation and the HR model Success Factors have been started.

Project: Supply chain.

In actively managing categories, supply, logistics, and contracts and developing digitalisation and automation, **the supply chain strategy has been prepared and is being implemented, purchasing function has been reorganised, the supply chain function has been developed, employees have been employed and trained, and category management has been established** in order to ensure reliable, timely, and economically effective supply of necessary materials and services within the LTG Group.

Project: Focus on the core activities.

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

Project: Change of LTG Group's trademark.

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: Vilnius Connect.

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.** Memorandums of Understanding have been signed with Vilnius city municipality and the intercity bus station. The concept has been prepared. The project has been granted a status of Regional Significance. Architectural procurement has been held.

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

Seeking for 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 modernised. **The work of employees is organised on the platform of new productivity tools** (all employees of LTG Corporate Group already work on the platform of updated tools).

Project: Manufacture of freight wagons.

To expand the assortment of the services provided by the Group, LTG Tech seeks to start the production of wagons in Lithuania. **The first 2 semi-trucks were manufactured which were tested, certified and included in Wagon Directory**. This enables to start series-production. In addition, the production lines have been installed in Vilnius and Radviliškis.

Project: Modernisation of infrastructure diagnostic activities and tools.

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, a diagnostic wagon has been received**.

GOALS ACHIEVED IN 2021

At the end of 2020, the LTG Board approved the Group's consolidated budget for 2021 and annual goals, their measurement indicators and target values which are linked to the strategic strands. In line with the approved annual goals, **personal goals were set for the LTG Group employees**. In this way, the LTG Group employees are involved in the process of implementing the LTG Group strategy by linking achievement of goals to employee career and training plans, performance incentive pays and review of base salary.

Main goals	Goal achievement measures	Units	Planned to be achieved in 2021	2021 goal implementation ratios
FINANCE				
Creating value to the Shareholder and the public	Group revenue	EUR million	435 – 497	465
	EBITDA margin of the Group	%	27% – 33%	30%
	Net profit of the Group	EUR million	17.9 – 30.7	23.5
	Return on equity (ROE) of the Group	%	1.5% – 2.6%	2.0%
CLIENTS				
Ensuring client satisfaction	Net promoter score of satisfaction with freight transportation activities	Score	>33	35
	Customer satisfaction score with passenger transportation activities	%	>78%	84%
OPERATIONAL VOLUMES AND EFFICIENCY				
Increase of the operating efficiency at each business segment	Freight volumes	billion tkm	>15.2	14.6
	Efficiency of expenses of LTG Cargo	EUR / tkm	<0.014	0.013
	Passenger volumes	billion pass. km	>260	329
	Efficiency of expenses of LTG Link	EUR thousand / train km	<8.7	8.0
	Train operational volumes	billion tkm	>30.6	29.0
	Efficiency of expenses of LTG Infra	EUR thousand / road length km	<60.2	56.1
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	Partially achieved

THE RISK OF CLIMATE CHANGE AND ITS IMPACT ON THE GROUP ACTIVITIES

In fulfilment of the strategic goals and priorities of management of sustainability, established in **LTG Sustainable Growth Strategy 2040,** the LTG Group is especially committed to environmental protection. One of the main strategic activity areas of the Group and its individual companies is the Green Deal.

In 2021, the LTG Group approved the **Environmental Protection Strategy 2030+,** which identifies the LTG Group's environmental priorities and areas in which the LTG Group companies have or may have an impact due to their activities, and sets specific targets the achievement whereof would reduce this impact. The strategy is based on the national legislation, international agreements (Paris Agreement on Climate Change, the European Green Deal) on the environment, including climate change.

One of the goals set out in the Environmental Strategy is climate change mitigation and adaptation – the LTG Group is committed to sustainable development, reducing CO_2 emissions and adapting to climate change. Until 2030 it is planned to reduce total CO_2e emissions from rail transport by 30% and to reduce specific CO_2e emissions from freight and passenger transport by 50% compared to 2005. The LTG Group aims to become climate neutral in all of its activities until 2050.

Rail transport is recognised in the EU as one of the most environmentally friendly modes of transport. In the long run, the gradual increase in the preference of private and business customers for more sustainable and environmentally friendly products and services is likely to have a positive impact on the operations of the LTG Group companies. Stricter environmental and charging requirements may give rail transport a competitive advantage over other, less environmentally friendly modes of transport in the long run.

The LTG Group companies have not currently identified any assets used in their operations that may be affected by events or factors related to the climate change. The **Environmental Protection Strategy 2030+** also sets out the objective of assessing measures to adapt to climate change and its effects.

The main strategic provisions, directions and goals have been transferred to the strategies of the individual companies of the LTG Group, and their implementation will contribute to implementation of the common EU and national sustainability goals. Environmental goals are included in the annual goals of the LTG Group companies' managers and employees, the implementation of indicators measuring them is monitored and it is significant in assessing the company's activities and performance.

According to the Group's long-term strategy, investments into "green" projects, which would significantly reduce the impact on the climate change and environment, are planned:

- investment projects related to electrification of the rail network (infrastructure, rolling stocks) reducing CO2 emissions;
- railway development projects (Rail Baltica,development of intermodal terminals, etc.) intended to attract and move freight and passengers from roads to a much more eco-friendly railway transport;
- other projects of assets renovation (modernisation of rolling stock washing units, etc.) to reduce pollution.

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

Environmental activities on the LTG Group level are implemented by a centralised corporate Environmental Protection function, which, together with the Risk Management function, monitors changes in the regulatory framework. During the reporting period, no risks and uncertainties have been identified in relation to the changing legal framework (likely to result in stricter environmental requirements) and there is no doubt about the LTG Group companies' ability to continue as a going concern.

MOST SIGNIFICANT EVENTS IN 2021

JANUARY

- LTG Cargo, the LTG Group's freight forwarding company, as part of its international expansion strategy and in order to diversify its activities, at the end of 2020 established a company in Ukraine – LLC LTG Cargo Ukraine. The management team of this company was formed in the beginning of the year.
- The LTG Board approved the merger of the Group's company UAB Vilniaus Lokomotyvų Remonto Depas into LTG Cargo. The aim is to concentrate operational competences, strengthen the activities of a strategic freight carrier and create more value for the railway group.

FEBRUARY

- Belarus and Russia signed an agreement on the export of Belarusian oil products through Russian ports in the Gulf of Finland, bypassing the port of Klaipėda, which has been used for this purpose so far. The volume of cargoes for the period 2021-2023 is estimated at approximately 10 million tons.
- The LTG Group has a zero tolerance approach to corruption and implements transparency measures. In 2020, the focus was on the alignment of public and private interests, while in 2021, the intention is to focus on the regulation and implementation of the regulation of gifts received and made by employees. On 6 January 2021, the Methodology for the Acceptance and Provision of Gifts was adopted, which sets out which gifts may be accepted or provided by staff members, which ones are prohibited, the registration of gifts and other provisions.
- LTG Infra, which manages Lithuania's railway infrastructure, has announced that it will build new noise-barrier walls in the noisiest areas of seven cities as part of the programme "Installation of Noise Mitigation Measures on Railways". The total cost of the noise reduction programme is EUR 24 million, 85% of which will be financed by EU Structural Funds. The remaining 15% will be financed by LTG Infra and municipalities.

MARCH

- Since 1 March, the former head office of AB Lietuvos Geležinkeliai at 12 Mindaugo St. in Vilnius was transferred to Turto Bankas. The LTG Group is moving its operations closer to the Vilnius railway station area, and Turto Bankas is planning an important public function for the 11,000 square metre building that adorns the skyline of the capital.
- Vilnius City Municipality together with AB Lietuvos Geležinkeliai announced an international architectural competition to renovate the territory of Vilnius Railway Station.
- LTG Digital, the information technology centre of LTG Group, has signed a EUR 2.95 million contract with cloud computing experts Crayon. The Norwegian IT company will assist in building the technological foundations for LTG Group's various businesses to move to a safer and more secure environment.
- The Ministry of Transport and Communications of the Republic of Lithuania announced an international search for independent candidates to fill the positions of members of the Board of Directors of AB Lietuvos Geležinkeliai for a new four-year term of office of the Board.

APRIL

- UAB Vilniaus Lokomotyvų Remonto Depas became part of LTG Cargo and now operates as one company. Rolling stock repair and modernisation services are offered on the market under a new brand – LTG Tech. The new and easy-to-remember identity is part of the LTG Group's renewal and marks a new phase aimed at strengthening the Group's position in the competition for rolling stock maintenance orders in Central and Eastern Europe.
- The activities of LTG Group also create value for the whole Lithuania. Suppliers contribute significantly to the successful development of LTG Group's business, and LTG Group has adopted a Supplier Code of Conduct which aims to clarify the requirements that suppliers must always follow when doing business with LTG Group companies.
- LTG Infra has set up a special website www.elektrifikavimas.lt, where all the information about the progress of the Vilnius-Klaipėda electrification project, the works in progress and answers to questions about electrification and its benefits are available at.
- AB Lietuvos Geležinkeliai announced its intention to issue green bonds. The initiation of the bond issue preparation process was approved by the LTG Board. A large part of the investments to be raised are related to the Green Deal – both the electrification project and the purchase of electric rolling stocks.

MAY

- In order to divest non-railway functions and after UAB Ekskomisarų Biuras was declared the winner in the tender for physical protection, monitoring and response services, the shareholder's decision to terminate the activities of UAB Saugos Paslaugos, a subsidiary of the LTG Group, has been made with the initiation of a winding-up procedure as from 2 August 2021.
- Special Investigation Service and AB Lietuvos Geležinkeliai signed an agreement whereby they undertook to cooperate in the areas of prevention, detection and investigation of corruption and other related criminal offences.

- LTG staff received training on *Whistle-blower Protection in Lithuania - Practical Aspects of the Application of the Law* from the Internal Investigations Division of the General Prosecutor's Office of the Republic of Lithuania.

JUNE

- The “SafeTracks” campaign was launched to raise awareness among pedestrians and motorists about the dangers of crossing railways. The basics of railway safety and the safety situation in Lithuania are also available on the website saugusbegiai.lt.
- The LTG Group has assessed the impact of the EU Regulation's sanctions on railway operations against Belarus.
- The first phase of overhaul of Siemens mainline locomotives used by LTG Cargo was completed – 44 locomotives have been overhauled by LTG Cargo's technical service unit LTG Tech in less than 2 years. It is estimated that the direct cooperation with component manufacturers and the use of the company's experts to carry out the work saved EUR 20.5 million.

JULY

- Kaunas Intermodal Terminal welcomes the first train from the Netherlands, loaded with containers and semi-trailers, which arrived at the terminal by European-standard rail. The terminal has officially become the easternmost point in the European rail system that can be reached by freight trains using European-standard rolling stocks.
- The container and semi-trailer train on the route Kaunas – Tilburg has started regular service.
- A new LTG Board was elected by the decision of the Ministry of Transport and Communications of the Republic of Lithuania, the sole shareholder. The Board consists of 7 members, 5 of whom are independent – Dalia Andrulionienė, Barnard Guillelmon, Eugenijus Preikša, Kęstutis Šliužas, Dr. Aurimas Vilkelis, and 2 representatives of the shareholder – Romas Švedas and Agnė Amelija Mikalonė. The term of office of the Board is 4 years.
- Based on the decision of AB Lietuvos Geležinkeliai, the sole shareholder of UAB Vilniaus Lokomotyvų Remonto Depas, it has been decided to restructure UAB Vilniaus Lokomotyvų Remonto Depas into a joint stock company. After the restructuring, the shareholder, the authorised capital, the structure and composition of the governing bodies of the new legal entity will remain unchanged.

AUGUST

- Kęstutis Šliužas was elected as the Chairman of the LTG Board for a new term of office.
- The planned bridge across the river Neris near Jonava has been granted a building permit. It will be the most complex engineering installation of Rail Baltica and the longest railway bridge in the Baltic States.
- The US announces new sanctions against Belarusian legal and natural persons, including Belaruskalij, a producer of potash fertilisers. Once the sanctions come into force, banks will not be able to make or receive payments if they are linked (directly, indirectly and through intermediaries) to Belarusian legal or natural persons newly included in the US sanctions lists. The new sanctions prohibit the start of new transactions and allow the completion of existing ones with Belarusian potash fertiliser producer Belaruskalij by 8 December 2021.

SEPTEMBER

- An LTG Link train performed a trip between Vilnius-Tallinn-Vilnius. The trip was to mark the European Year of Rail.
- One of the LTG Link team's most important projects - the acquisition of new electric trains – is moving forward. The Lithuanian Court of Appeal has rejected the supplier's appeal and upheld the original court's decision – LTG Link has won the legal challenge in full, defending its claims and seeking to acquire new trains that are comfortable, safe and suitable for all passengers, including those with individual needs, reduced mobility, families with toddlers or seniors.
- The LTG Cargo subsidiary LTG Cargo Ukraine officially opened its office in Kiev.

OCTOBER

- The International Transport Innovation Forum (ITIF) awarded the prizes for the “Towards Green Transport” competition for sustainable logistics solutions and initiatives. The awards, initiated by AB Lietuvos Geležinkeliai, recognised Lithuanian companies, public sector, creative and social organisations that have chosen the green course.
- The Board of LTG Infra took a decision to temporarily suspend the construction of a second railway track worth EUR 60 million in the section Plungė-Šateikiai. The feasibility of the project will be assessed in accordance with the procedures and deadlines set out in the Railway Transport Code of the Republic of Lithuania, in the context of the capacity analysis and capacity enhancement plan for the service period 2021-2022.
- The Ministry of Transport and Communications of the Republic of Lithuania, LTG Infra and other public sector institutions and telecommunication operators have signed a memorandum committing to cooperate in the implementation of 5G connectivity in Lithuania.
- LTG Infra has launched a public tender for the installation of an X-ray control system infrastructure for trains at Kena railway station.

NOVEMBER

- AB Lietuvos Geležinkeliai signed an agreement, based on which a support in the amount of EUR 14.5 thousand was provided to the State Border Guard Service. This exceptional decision was approved by the LTG Board. Following the decision of the Board, the Company suspended any donation in December 2016, since when no LTG Group company has provided any donation. This principle will remain in place for the foreseeable future, as no support is currently being provided and there are no plans to resume any support in the near future.

- On 30 November 2021, AB Lietuvos Geležinkeliai, the sole shareholder of AB Vilniaus Lokomotyvų Remonto Depas, adopted a decision to merge AB Vilniaus Lokomotyvų Remonto Depas, which is being reorganised, into AB Lietuvos Geležinkeliai, which is taking part in the reorganisation, and to approve the terms and conditions of the reorganisation of AB Lietuvos Geležinkeliai and AB Vilniaus Lokomotyvų Remonto Depas. After the reorganisation, AB Lietuvos Geležinkeliai took over all the assets, rights and obligations of AB Vilniaus Lokomotyvų Remonto Depas.

DECEMBER

- The new LTG Link annual timetables came into force as of 12 December, with approximately 90% of the full annual timetable restored. The timetables have been refined following an assessment of passenger demand, a careful analysis of passenger flows and forecasts for 2022. The new annual timetables have been further developed with a focus on more convenient connections to major cities, smoother frequencies and faster journeys.
- The certification in Poland, which lasted nearly 2 years, was completed - LTG Cargo will now be able to operate in Poland with its own rolling stock and qualified staff.
- LTG Cargo Ukraine has become the operator of the intermodal train Viking Train in Ukraine. The route is a joint railway project between Lithuania, Belarus, Ukraine, Moldova, Sakartvel and Azerbaijan, connecting the seaports of Klaipėda, Odessa and Chernomorsk.
- The service train timetable of LTG Infra for 2021-2022 has entered into force, providing for public railway infrastructure capacity for as many as four applicants - UAB LTG Link, AB LTG Cargo, UAB Gargždų Geležinkelis and UAB LGC CARGO.
- The Ministry of Transport and Communications of the Republic of Lithuania and LTG Link signed an amendment to the Agreement on the Use of State Budget Funds, according to which the total funding allocated to LTG Link in 2021 to compensate the losses in passenger transport operations amounted to EUR 39.1 million.
- According to the transparency assessment of the largest companies operating in Lithuania, performed by the Lithuanian branch of Transparency International, LTG Cargo and LTG Infra were awarded the maximum score (100). This study assesses how much information they disclose about the ways of preventing corruption, how much information they disclose about shareholders, structure and finances.
- On 8 December, the US enforced sanctions on Belarusian legal and natural persons, including Belaruskalij, the potash fertiliser producer.
- US sanctions against Belarusian legal and natural persons, including Belaruskalij, a producer of potash fertilisers, came into force on 8 December. They are not binding on Lithuanian entities and apply only if the transaction substantially meets the following conditions: the transaction involves a US person; the transaction is denominated in US dollars; and the transaction is conducted through a US correspondent bank. Under the contract, Belaruskalij pays for the services in euro.
- On 9 December, it was announced that LTG Cargo, the LTG Group's rail freight company, will continue providing fertiliser transport services to Belaruskalij for a certain period of time. Under the existing contract, the Belarusian company has paid for the services in advance.
- On 14 December, the LTG Board assessed the actions of the Company's management with regard to the transportation of Belaruskalij cargo in Lithuania. A decision was made to provide for a transitional period, after which the CEO Mantas Bartuška, will resign. Subsequently, it was decided that from 4 January 2022 and until the appointment of a new CEO of the Company AB Lietuvos Geležinkeliai will be temporarily managed by Egidijus Lazauskas, the CEO of LTG Cargo.
- On 17 December, AB Lietuvos Geležinkeliai received an official clarification from the US Treasury Department's Office of Foreign Asset Control (OFAC) on how it should treat the sanctions imposed on Belarusian company Belaruskalij. The information contained in the letter sent to LTG confirms that the decisions taken by the Company are in compliance with the applicable regulations - in other words, there is no violation of the US sanction requirements.

SUBSEQUENT EVENTS

JANUARY

- On 4 January, Egidijus Lazauskas, formerly the General Director of LTG Cargo, takes up the position of acting CEO of AB Lietuvos Geležinkeliai.
- On 4 January, Eglė Šimė who previously headed the company's service delivery unit, takes up the position of acting CEO of LTG Cargo.
- On 12 January, the Government of the Republic of Lithuania approved the decision of the Coordination Commission for the Protection of Objects of Importance for National Security, based on which the contract between AB Lietuvos Geležinkeliai and the Belarusian company Belaruskalij is not in the interests of national security. According to the decision of the Government of the Republic of Lithuania, the contract will be considered invalid as of the enforcement date of the decision - 1 February.
- On 12 January, AB Lietuvos Geležinkeliai announced that, taking into account the decisions on threats to national security, it is ready to comply with the decision of the Government of the Republic of Lithuania concerning the contract with Belaruskalij and to discontinue the provision of services from 1 February.
- LTG Cargo Polska, a subsidiary of LTG Cargo, strengthens its position in Poland. The company has leased two locomotives for its international operations, which will be used to increase the volume of intermodal freight transport from Kaunas Intermodal Terminal to the Netherlands.

FEBRUARY

- LTG Group received a notification from the council for rail transport of CIS countries, Estonia, Latvia, Lithuania and Bulgaria about the decision adopted by Belarus to ban the transit of oil products and fertilizers by rail from Lithuania as of 7 February.
- LTG Cargo Polska, the subsidiary of the cargo freight company LTG Cargo, planned investments in Poland for expansion to Western Europe, development of existing and new services and acquisition of machinery. To this end, the investment of over EUR 47 million is projected to be made within two-three years.
- Irmantas Beržauskas took office of Director for Law and Compliance of LTG, and Marius Staponas became Director of LTG Digital, the centre of information technology of LTG Group.
- On 25 February 2022, LUAB Gelsauga was deregistered from the Register of Legal Entities of the State Enterprise Centre of Registers.

MARCH

- On 24 February 2022, Russia started an active military campaign in the Ukrainian territory. As a result of the military actions of the Russian Federation in Ukraine, the activity of the LTG Group company – LLC LTG Cargo Ukraine has been suspended from 1 March 2022.
- As of 1 March, LTG Link, the passenger carrier, offered free transport for domestic routes in Lithuania to citizens of Ukraine.
- LTG is prepared to offer a stay in the former holiday dwellings of the company in Klaipėda, Radviliškis, Šilėnai and Ignalina to the Ukrainian people fleeing from war. In total about 300 places have been prepared for this purpose.
- In response to the war of the Russian government against Ukraine and having considered new sanctions imposed by the European Union, LTG Cargo, the company of cargo freight of the LTG Group, suspends the freight of production of companies under sanctions to Klaipėda Seaport.
- In response to the war of the Russian government against Ukraine, LTG Cargo, the cargo freight company of LTG Group, suspended the rent of platform wagons. As of 7 March, the company's platform wagons must not be carried directly to both Russia or Belarus and by transit to other countries, except for Latvia and Estonia. The aim of this decision is to limit possibilities to use platform wagons in Russia and Belarus for military purposes. A bit later in March, LTG Cargo suspended the supply of all wagons for common use owned by it for loading and carriage to both Russia and Belarus and also other countries by transit through those countries. The Company also terminated the transport of wagons leased to customers to Russia, which means that movement of the entire wagon fleet of LTG Cargo to Russia has been suspended.
- On 18 March, AB Lietuvos geležinkeliai announced a selection for the office of Chief Executive Officer.
- On 30 March, LTG Link, the passenger carrier, introduced a new ticketing system – it is now available to plan a trip, purchase a ticket and find all relevant information on the new website at www.ltglink.lt.
- On 31 March, LTG Infra that is responsible for implementation of the Rail Baltica project in Lithuania signed a construction agreement with an Italian company Rizzani de Eccher for construction of Rail Baltica railway bridge over the Neris river near Jonava.

APRIL

- LTG Cargo, the freight carrier of the LTG Group, has started transportation of intermodal cargoes to Duisburg, Germany, the first regular train left on 4 April,

- On 6 April, the public railway infrastructure manager LTG Infra and the Ministry of Transport and Communications of the Republic of Lithuania concluded an agreement for funding of the railway infrastructure. State funding of the company of the LTG Group will allow ensuring maintenance of the infrastructure, improving service quality and offering attractive price tariffs to businesses. Long-term commitment of the State to balance revenues and expenses of the infrastructure manager has been enshrined in the EU and Lithuanian legislation.

INFORMATION ON THE IMPACT OF CORONAVIRUS (COVID-19) AND GEOPOLITICAL DEVELOPMENTS ON THE GROUP'S ACTIVITIES

IMPACT OF COVID-19

The ongoing global coronavirus (COVID-19) pandemic in 2021 has also impacted the LTG Group's operations and results. The company most significantly affected by the pandemic was LTG Link, the LTG Group's passenger transport business. In January-June 2021, Lithuania was subject to changing quarantine conditions, inter-city movement controls during the festive period, and restrictions on the number of passengers on local trains. International train services have been suspended from mid-March 2020. International services in 2021 were limited to transit routes, with 6 of the 32 transit train trips restored. At the end of 2021, 21 out of 211 domestic train routes were not yet restored. Although the passenger market has recovered significantly in 2021 as a result of the milder COVID-19 restrictions, the company's pre-pandemic level of transport volumes and revenues has not yet been reached. The company's activities were continuous. In 2021, the State fully compensated the losses from the provision of public passenger transport services. The pandemic also delayed the recovery of demand for certain products, which had a negative impact on LTG Cargo's volumes and revenues. At the same time, the negative impact of COVID-19 on LTG Infra, the LTG Group company acting as infrastructure manager, was manifested in reduced revenues from passenger and freight transport companies.

The prevention of COVID-19 in the LTG Group is ensured by the Emergency Management Group, which coordinates the implementation of measures and actions in all LTG Group companies. Employees are provided with personal protective equipment, cleaning and disinfection services are organised, possibilities to work remotely and constant communication with employees are ensured. In cooperation with city municipalities, vaccination of employees against COVID-19 was organised. The overall immunisation rate of LTG Group employees is around 92%. With the spread of Omicron, the Company's management has taken additional measures to manage the situation. Shifts in the production units have been divided into smaller groups, keeping their composition constant and with non-contact shift changes, unnecessary visitors/guests have been kept to a minimum, and training has been carried out remotely. In administrative units, work has been organised remotely or, where this is not possible, by installing physical walls to separate the staff, requiring to wear masks, maintaining distances, ventilating and disinfecting the premises.

The Company's management has taken steps to manage costs – operational efficiency plans were drawn up in the LTG Group entities and presented to the boards of the Company and the group entities, and their implementation has been monitored periodically in order to react promptly to the changing situation. LTG Group companies strengthened payment controls, evaluated additional inter-company borrowing opportunities within the LTG Group, cooperated with the Ministry of Transport and Communications of the Republic of Lithuania on full subsidisation of passenger transport activities, and took other measures to manage liquidity and credit risks.

In the opinion of the Company's management, the adverse virus-related circumstances do not call into question the continuity of the LTG Group's business operations and do not change the LTG Group's long-term plans and objectives.

IMPACT OF SANCTIONS AGAINST BELARUS

April 2021, the US imposed sanctions on nine Belarusian companies, including Grodno Azot, a Belarusian fertiliser producer and a client of the LTG Group company UAB LTG Cargo. After the sanctions came into force, cargoes of this client are no longer transported on Lithuanian territory.

At the end of June 2021, the European Union imposed sectoral sanctions on imports of fertilisers and oil products from Belarus. These sanctions apply only to contracts concluded after 25 June 2021. As the shipments are carried out on the basis of long-term contracts, the LTG estimated that the EU sanctions would only affect the Group's operations and results after 2023, when the long-term contracts expire, and would affect approximately 20% of the total volume of fertiliser shipments and half a million tons of petroleum products shipments.

However, on 9 August 2021, the US announced new sanctions against Belarusian legal and natural persons, including Belaruskalij, a producer of potash fertilisers. The new sanctions prohibit the start of new transactions and allow the completion of existing transactions with Belarusian potash fertiliser producer Belaruskalij by 8 December 2021. The Company consulted with the relevant Lithuanian and US governmental authorities on the application of sanctions, Lithuanian and US lawyers were also engaged to clarify the situation. LTG has received an official clarification from the US Treasury Department's Office of Foreign Asset Control (OFAC) on how it should treat the sanctions imposed on Belarusian company Belaruskalij. The information in the letter sent to the Company confirmed that the decisions taken by the LTG were in line with the regulatory framework and did not violate the US sanctions requirements. The US sanctions on Belaruskalij are not binding on Lithuanian entities and only apply if the transaction substantially complies with the following conditions: the transaction involves a US person; the transaction is in US dollars; and the transaction is executed through a US correspondent bank. Under the contract, Belaruskalij pays for services in euro.

In mid-January 2022, the Government of the Republic of Lithuania approved the decision of the Coordination Commission for the Protection of Objects Critical to National Security, which stipulates that the LTG contract with Belaruskalij is a threat to national security and that the transit of fertilisers through Lithuania must be suspended from 1 February 2022. In accordance with the decision of the Government of the Republic of Lithuania, the provision of services under this contract was suspended as of 1 February 2022.

At the beginning of February 2022, AB Lietuvos Geležinkeliai received an official notification from the Railway Transport Council (RTC) of the CIS countries, Estonia, Latvia, Lithuania and Bulgaria about the ban imposed by Belarusian railways on the transit of oil products and fertilisers from Lithuania via Belarus as of 7 February 2022.

These decisions and circumstances will have a significant impact on the operations and results of the LTG Group and its companies - LTG Cargo, the freight carrier, and LTG Infra, the infrastructure manager. The total Belarusian cargo accounts for about one third of the total cargo traffic of LTG Cargo, the majority of which is fertilisers. LTG Cargo earned an average annual revenue of about EUR 60 million from transporting approximately 10 million tons of Belaruskalij cargoes. The sanctions also apply to the transit of oil products.

Given the geopolitical situation, the LTG's long-term corporate strategy, which was approved by LTG's Board at the end of 2021, is based on the assumption that the cargo flow of Belaruskalij is zero. Similarly, the LTG Group's budget for 2022, as approved by the LTG Board, is planned without Belaruskalij freight.

LTG Group has always considered Belarusian freight transport activities to be extremely high-risk and has previously focused on diversification solutions. LTG Cargo has established subsidiaries in Poland and Ukraine, and intermodal projects are being developed intensively.

As Belarusian freight stops using the country's rail network, the infrastructure manager LTG Infra will also lose a significant part of its revenue due to reduced rail infrastructure charges. These fees are used to cover maintenance costs and development projects.

The State Budget for 2022 adopted by the Parliament of the Republic of Lithuania takes into account the provision for the Ministry of Finance of the Republic of Lithuania to borrow additional funds on behalf of the State for the maintenance of the railway infrastructure in the event that these costs are incurred as a result of the sanctions against Belarus.

IMPACT OF MILITARY ACTIONS OF THE RUSSIAN FEDERATION IN THE TERRITORY OF UKRAINE

On 24 February 2022, the Russian Federation started active military actions in Ukraine. The military actions in Ukraine have led to a situation that is difficult to predict not only in Ukraine but also in many countries, by which a part of business sectors will be affected.

A decree of the President of the Republic of Lithuania imposes a state of emergency on the entire territory of Lithuania from 24 February 2022. The Government is proposed to take a decision to deploy the State Reserve and ensure enhanced protection, including cyber protection, of significant enterprises, installations and assets of national security importance, as well as of objects of national importance and risk.

On 24 February 2022, the United States, the United Kingdom and the European Union imposed sanctions against Russia. The European Union sanctions include punitive measures against the financial, energy and transport sectors of the Russian Federation, as well as trade restrictions on dual-use goods, export and its financing.

Given the unpredictable nature of the situation related to the military action in Ukraine and the rapidly evolving nature of the actions of the Lithuanian and other governments, it is difficult to reliably assess the potential impact on the operations and results of the LTG Group. The Company's management cannot exclude the possibility that the sanctions imposed on the Russian Federation, the increase in their severity, or the negative impact of such measures on the economic environment in which the Group companies operate will not have a negative impact on the financial position and results of operations in the medium to long term. The LTG Group has recently been closely following and analysing not only the Belarusian transit context, but also the overall geopolitical situation in Eastern Europe. The LTG Group is cooperating with the Lithuanian authorities, sharing information and is ready to respond immediately when necessary decisions have to be taken.

A significant portion of the revenue of LTG Cargo, the LTG Group company, consists of income from freight transportation of the Russian Federation and the Republic of Belarus (in 2021, it comprised around 40% of the revenue) as well as freight transportation to the eastern direction to Kazakhstan, Ukraine and other countries. The announced sanctions, as well as disconnection of the Russian Federation and the Republic of Belarus from the international settlement system SWIFT, just as the entire uncertain political situation may affect LTG Cargo's freight transportation flows, financial results and liquidity. As at the moment of issue of the statements, the activity of LTG Cargo performed in Ukraine through the subsidiary LLC LTG Cargo Ukraine was suspended.

A significant portion of the revenue of LTG Link, the Group company, comprises income from passenger transportation by transit trains to (from) Kaliningrad (in 2021, it comprised more than 30% of the revenue).

The essential portion of the revenue of LTG Infra, the Group company, consists of fees for use of infrastructure received from cargo carriers, i.e. LTG Cargo. The situation in Ukraine may also affect the supply of materials and affect the implementation of ongoing projects.

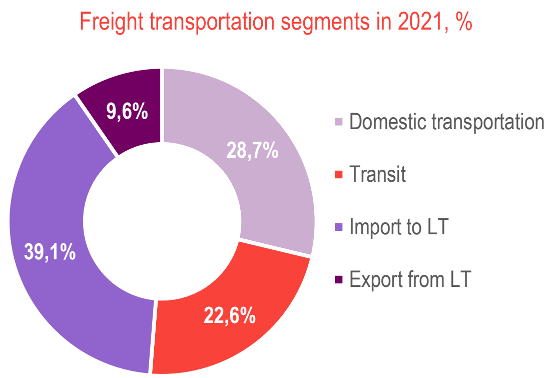
In the opinion of the Company's management, the borrowing capacity and the operating cash flow generated by companies of the LTG Group will be sufficient to service existing loan agreements and commitments to partners.

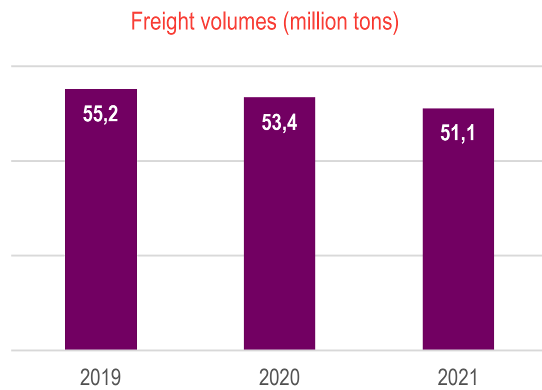
Given the current political situation and its further dynamics and influence on cargo transportation to the Russian Federation and the Republic of Belarus, the management of LTG will, if necessary, review the investment programme, tighten the cost control and optimize operations. According to the management of LTG, as military operations are evolving, their financial impact cannot be reliably assessed at this time.

OVERVIEW OF THE GROUP'S KPIS

Transportation volumes		2019	2020	2021	2021/2020 Δ, %
Freight turnover	**in billion tons km**	**16.2**	**15.9**	**14.6**	**(8.2%)**
Average distance travelled per ton	**km**	**293.1**	**296.9**	**285.2**	**(3.9%)**
Freight carried	**in million tons**	**55.2**	**53.4**	**51.1**	**(4.4%)**
Freight transportation segments					
Domestic transportation	in million tons	15.7	15.6	14.7	(6.1%)
International transportation	in million tons	39.5	37.8	36.4	(3.7%)
Transit	in million tons	11.6	10.5	11.5	10.1%
Export from Lithuania	in million tons	5.0	5.4	4.9	(8.9%)
Import to Lithuania	in million tons	22.9	21.9	20.0	(8.9%)
Passenger turnover	**in million passenger km**	**479.4**	**260.0**	**328.8**	**26.5%**
Average distance travelled by passenger	**km**	**86.9**	**77.9**	**79.6**	**2.1%**
Passengers carried	**in millions of pass.**	**5.51**	**3.34**	**4.13**	**23.8%**
Domestic	in millions of pass.	4.56	3.17	3.95	24.5%
International	in millions of pass.	0.95	0.17	0.18	11.0%
Train operational volume	**bn tkm gross**	**32.5**	**32.6**	**29.0**	**(11.0%)**

FREIGHT TRANSPORTATION BY RAIL





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

In 2021, the freight flow amounted to 51.1 million tons and was 4.4% lower than during 2020.

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

The decline in transportation has been mainly influenced by the decrease in transportation of oil products as well as the decreased volumes of grain transportation due to poorer harvest. The decrease in transportation volumes of oil products has been caused by the decision of the Belarussian company BNK to cease transportation of oil products to the Klaipėda port.

International transportation that represented 71.3% in the total transported freight reduced by 3.7% compared with 2020 and amounted to 36.4 million tons. The volumes of transit cargo incoming and outgoing via Klaipėda seaport decreased by 16.5% in 2021. The decrease in transit volumes was mainly determined by the fact that Belarussian oil products have no longer been transported via the port since February 2021 that has also caused a decrease in total volumes of Belarussian cargo transported via the port by 13.6%. Meanwhile in 2021, transit volumes transported in the direction of the Kaliningrad region increased by 10.1% compared to 2020. There has been an increase in transportation of construction materials, ferrous metals and food products in this direction.

The volumes of domestic freight transportation, which accounted for 28.7% of the total volumes of freight transportation, decreased during 2021, i.e. by 6.1%, and comprised 14.7 million tons. The decline was caused by a decrease in transportation of plant products, fertilisers, and construction materials.

The freight volumes of containers transported from China to Lithuania continue to increase. In 2021, TEU 139 thousand (unit of measurement, the equivalent of a container of 20 feet length) were transported in 2021 which is almost 3 times more than in 2020.

Total volume of intermodal transportation increased by 70.5% in 2021 and equals to TEU 255 thousand. It is forecast that the demand of this type of transportation will continue to increase. Kaunas intermodal terminal opened for the commercial traffic and connected to the European standard gauge railway will have a positive impact on the increase.

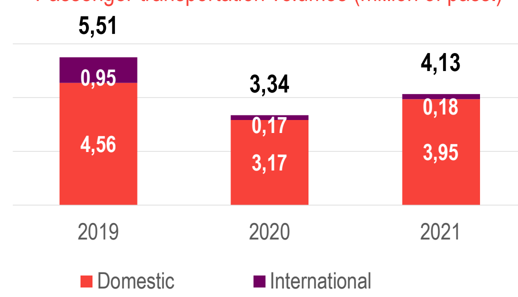
The level of the risk of geopolitical changes influenced by events in Belarus and Russia is currently especially high; thus, it is focused on international development in the EU (Poland, the Netherlands, Germany) and other European countries as well as on freight flow diversification and development of new services.

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 2021, the total number of railway passengers increased by 23.8% compared with 2020; yet, it has not reached the level of the year 2019. The growth of traveller numbers has still been restricted by the ongoing worldwide pandemic COVID-19.

Passenger transportation volumes (million of pass.)



Transportation on domestic routes, compared to 2020, increased by 24.5% and amounted to 3.95 million passengers. The increase resulted from milder quarantine conditions than the ones effective in 2020 and the increased amount of served routes and journeys. Due to the pandemic COVID-19, not all train routes that were suspended in 2020 were reopened as at the end of 2021 – 21 routes out of 211 were not yet reopened.

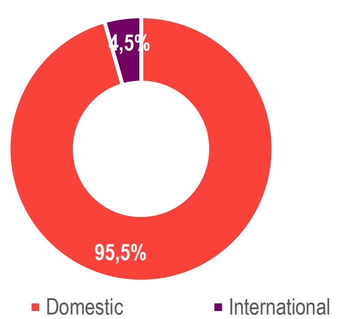
The route Vilnius–Kaunas remains among the most popular domestic routes (29.7% of all domestic transportations), which was taken by 1.2 million passengers in 2021.

Transportation on international routes in 2021 amounted to 0.18 million passengers who travelled by transit trains through the territory of the Republic of Lithuania to / from the Kaliningrad region to Russia. The number of passengers in this segment, as compared to 2020, increased by 11.0%.

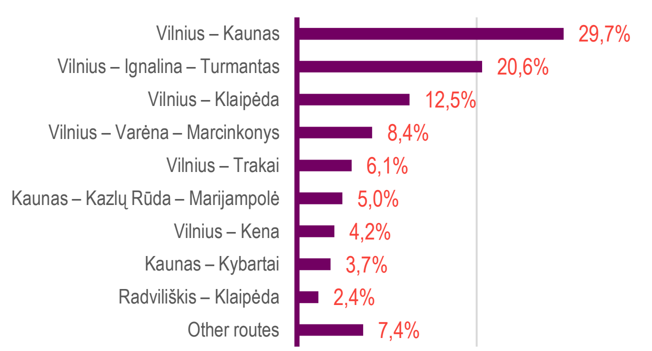
Due to the pandemic of coronavirus (COVID-19), from 16 March 2020, the traffic of international trains was suspended, whereas from 6 April the traffic of transit trains was suspended. The traffic of International trains was not resumed as at the end of 2021; whereas, before the beginning of the quarantine, the trains formed by LTG Link and other countries provided passengers with a possibility to travel on international routes Vilnius – Minsk, Vilnius – Daugavpils, Kaunas – Bialystok, Kiev – Vilnius – Riga. In 2021, international transportation was carried out only on transit routes having 6 transit journeys reopened out of 32.

As international transportation was suspended, the structure of passenger transportation has changed significantly. During 2021, 95.5% of travellers by rail and 4.5% of travellers of international routes were transported, whereas in the previous periods before the pandemic of COVID-19, the share of domestic and international transportation accounted approximately for 82% and 18% of all transported passengers, respectively.

Passenger market segments in 2021, %



Structure of domestic transportation in 2021, %



SERVICES OF THE PUBLIC RAILWAY INFRASTRUCTURE MANAGER

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 by railway transport, as well as repair undertakings having the right to use the public railway infrastructure. 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.

Total length of the railway
3,464.6 km
Of which the length of overhead contact lines
317.5
Stations
131

The manager of public railway infrastructure approved the rates of charges for the 2021–2022 working timetable of trains by Order No ĮS-PAJ(LGI)-467 of 11 December 2020, and they are available at https://ltginfra.lt/minimaluji-prieigos-paketa-sudarancios-paslaugos. The set charges were calculated based on the rules for the calculation and payment of charges for the access to the public railway infrastructure as part of the minimum access package and calculation and payment rules of the fee for allocated but not used public railway infrastructure capacities, approved by the Government of the Republic of Lithuania by Resolution No 610 of 19 May 2004 "Regarding Payment for the Minimum Access Package, and Approval of Calculation and Payment Rules of the Fee for Allocated but not Used Public Railway Infrastructure Capacities" (version of the Resolution No. 356 of 8 April 2020 of the Government of the Republic of Lithuania) 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.

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 and the ones owned by LTG Infra by the right of trust. The tariff rates of charge for the use of railway service facilities managed by the railway service facilities operator, railway tracks available in them and the basic and additional 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 are available at https://ltginfra.lt/gelezinkeliu-paslaugu-irenginiai.

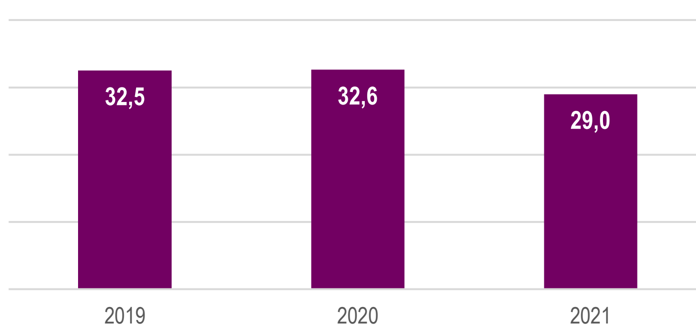
The activities carried out by LTG Infra are monitored by the railway transport market regulator whose functions, since the start of 2017, have been performed by the Communications Regulatory Authority of the Republic of Lithuania.

LTG Infra holds and maintains the assets with the value of EUR 1.5 billion.

The company implements high-value investment projects, some of which are recognised 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 continued, the projects on doubling lines of the transport Corridor IX B are underway, as well as the installation of noise reduction panels, etc.

More information about ongoing investment projects are provided in the section *Investments* of the report.

Train operational volume (Bn tkm gross gross)



ANALYSIS OF FINANCIAL AND OPERATIONAL PERFORMANCE

GROUP PERFORMANCE RESULTS

GROUP REVENUE

In 2021, the revenue of the Group amounted to EUR 465.1 million, and compared to the revenue of 2020, it was lower by EUR 3.1 million or 0.6%. Freight transportation operations represent a major share of revenue generated by the Group, i.e. 80.2%.

- **Operating revenue of the Group** amounted to EUR 420.7 million, i.e. it was less by EUR 2.3 million, or 0.5% than in 2020. Specification of the revenue is disclosed in Note 27 in the explanatory notes to the financial statements:

– **The freight transportation revenue**, compared to 2020, decreased by EUR 12.7 million or 3.3% and amounted to EUR 372.9 million. The changes in revenue were driven by the 8.2% fall in turnover of freight transportation and the relatively higher share of cheaper freight in the total freight flow that resulted from the decreased transportation volumes of oil and its products;

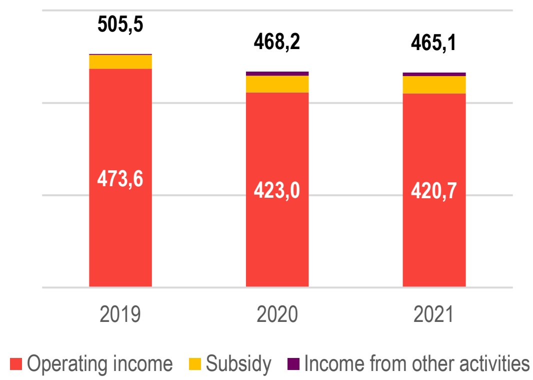
– **The passenger transportation revenue** in 2021 increased by EUR 6.1 million or 48.6% and amounted to EUR 18.7 million. The revenue from passenger transportation activities accounted for 4.0% of generated income in the Group income structure. The increase in revenue was influenced by the increasing passenger flow as restrictions related to management of the pandemic of COVID-19 applicable to the field of transport were milder in 2021. In addition, the increase in transportation fees in the second half of 2021 also had its effects.

– **Revenue generated from the use of the public railway infrastructure** not of the Group companies are insignificant within the total revenue structure and amounted to EUR 0.5 million or 0.1% of revenue earned by the Group;

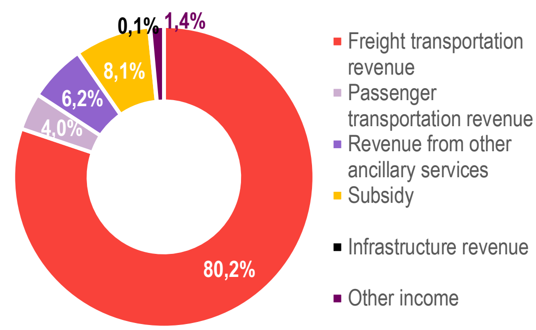
– The Group also provides **other ancillary services**, including maintenance and repair of rolling-stock, the public railway infrastructure facilities, property lease, sale of scrap metal, and other services. The revenue generated from this group of services accounted for 6.2% of the total income structure and, compared to 2020, increased by EUR 5.2 million or 22.3% up to EUR 28.6 million. As the construction project of the seconds tracks on Plungė-Šateikiai had been suspended, income from sales of scrap metal increased, and inventories were realised.

- The state **subsidy** provided for funding of public services of passenger transportation by rail transport amounted to EUR 37.6 million in 2021 (2020: EUR 36.0 million). The State budget funds are used to compensate losses incurred by LTG Link resulting from passenger transportation on domestic routes, i. e. carrying out of the special obligation delegated by the State.

Group income, EUR million

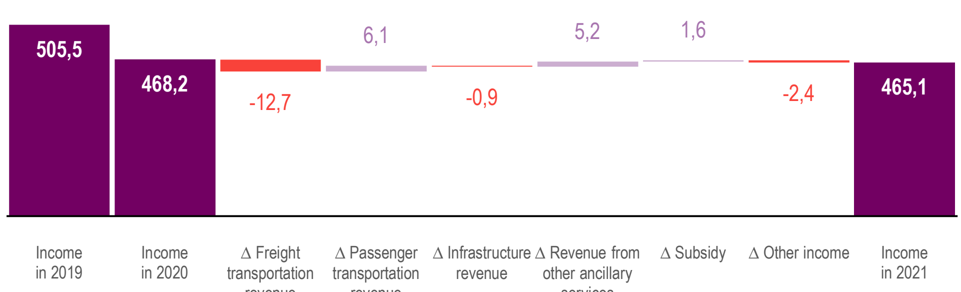


Group income structure in 2021, %



The Group's **other operating income** made EUR 6.8 million, i.e. it was lower by EUR 2.4 million or 26.7% as compared to 2020. In 2021, a major share of revenue comprised the amount received for disposal of real estate objects in Giruliai and Vilnius owned by the Company. Meanwhile, in 2020, other operating income comprised EUR 9.2 million, the major share thereof was received 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.

Change in Group's income, EUR million

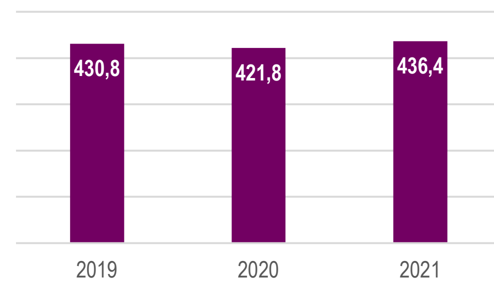


GROUP COSTS

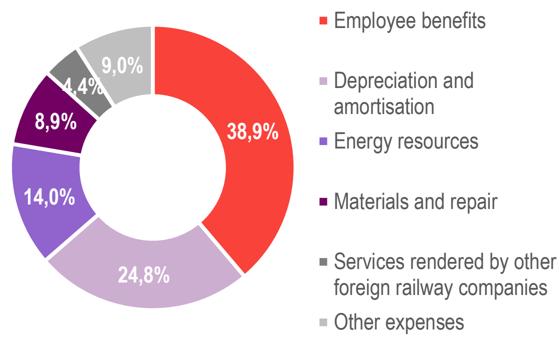
In 2021, the Group's costs related to operating and other activities amounted to EUR 436.4 million. If compared to 2020, the costs increased by EUR 14.6 million or 3.5%. The larger part of the Group's costs comprises personnel expenses (38.9%), depreciation (24.8%) and energy resources (14.0%).

- In 2021, **expenses of employee benefits** amounted to EUR 169.6 million and, if compared to 2020, decreased by EUR 4.0 million or 2.3%. The decrease in expenses was influenced by the decrease of 13.3% in the number of the Group's employees. The most significant change in the number of employees resulted from the liquidation of the Group company UAB Saugos Paslaugos, implementation of operational efficiency initiatives.
- In 2021, **depreciation expenses** amounted to EUR 108.1 million and, if compared to 2020, decreased by EUR 3.2 million or 2.9% 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. Due to geopolitical tensions during the year, having revised the investment portfolio, implementation of several investment projects was suspended.
- In 2021, **expenses for energy resources** (fuel, electricity) amounted to EUR 61.2 million and, if compared to 2020, increased by 5.5 million or 9.8%. The changes resulted from a significant increase in prices of energy resources, especially during the year.
- In 2021, **expenses of materials, repair and technical maintenance** amounted to EUR 39.1 million and remained at the same level as in 2020 when they amounted to EUR 38.8 million.
- In 2021, **expenses for services rendered by other foreign railway companies** amounted to EUR 19.2 million and, if compared to 2020, increased by EUR 3.6 million or 23.0%. The expenses reflect the volumes of international transportation and operational volumes of locomotives at border sections. The increase of expenses resulted from the increased flow of containers from China and launching of activities in Poland.

Group costs, EUR million

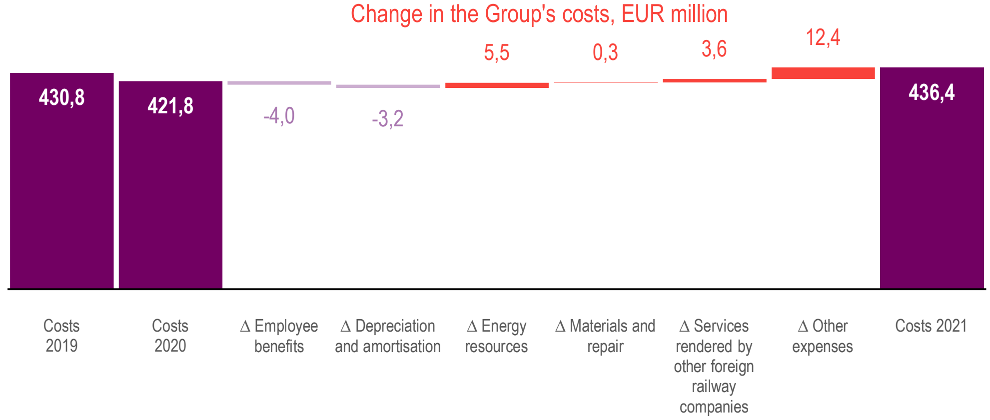


Group costs structure in 2021, %



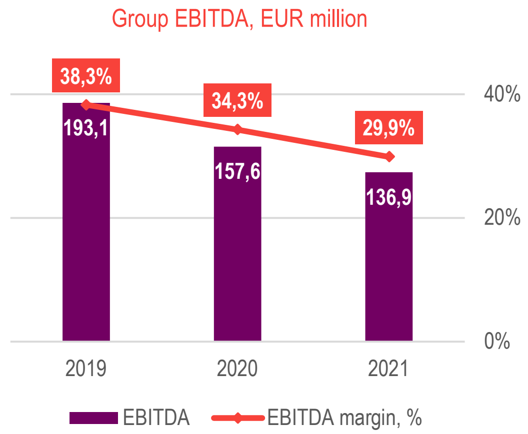
- In 2021, **other expenses** amounted to EUR 39.2 million and, if compared to 2020, increased by EUR 12.4 million or 46.2%. Having decided to liquidate UAB Saugos Paslaugos, the Group companies' expenses related to acquisition of protection services increased in 2021. In addition, expenses related to lease of IT equipment, consultation, installing ERP system, etc. increased during the analysed period. Having written off the projects of construction in progress and fixed stocks after the inventory of non-current assets, impairment of non-current assets had a material impact on the increase of expenses.

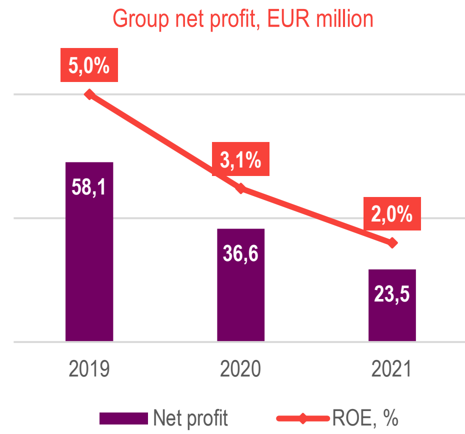
Change in the Group's costs, EUR million



GROUP PERFORMANCE RESULTS

In 2021, the Group's EBITDA, if compared to 2020, decreased by 13.2% and amounted to EUR 136.9 million. The Group operated at profit, net profit of EUR 23.5 million was earned. Worsened Group's results resulted from the increase of 3.5% in the Group's expenses, the causes thereof are specified in the section *Group costs* of the report.





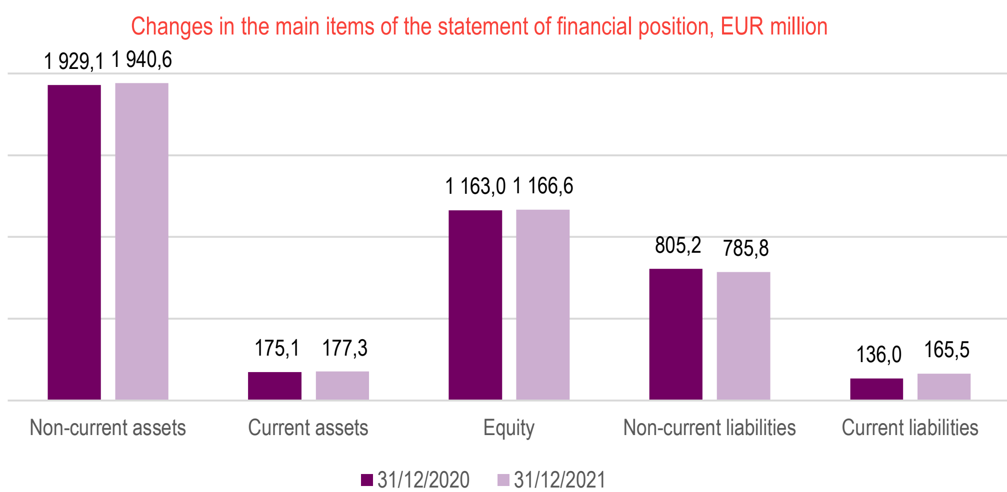
CHANGES IN THE STATEMENT OF FINANCIAL POSITION

As at 31 December 2021, the Group's assets comprised EUR 2,117.9 million and, compared to 31 December 2020, increased by 0.6%. Non-current assets, which accounted for 91.6% of total asset structure, increased by 0.6% up to EUR 1,940.6 million. As the Group companies carry out investment projects the implementation thereof exceeds one year, the largest increase was seen in construction in progress.

As at 31 December 2021, current assets amounted to EUR 177.3 million and, if compared to 31 December 2020, increased by 1.2% As at the end of the period, the cash balance amounted to EUR 84.7 million. In December 2021, the total annual subsidy was received from the State budget to compensate the incurred losses of passenger transportation activity.

During the reporting period, the authorised share capital remained unchanged and amounted to EUR 1,059.3 million. There was an increase in equity – by 0.43%, which amounted to EUR 1,166.6 million as at 31 December 2021.

During the period, financial debt (including financial/operating leases) decreased by 13.1% and amounted to EUR 180.1 million. The decrease in financial debt resulted from repayments of non-current loans; during the reporting period, the Group did not enter into new long-term financing contracts.



(all amounts are in EUR million unless otherwise stated)

MAIN FINANCIAL INDICATORS*

		Group			Company**		
		2019	2020	2021	2019	2020	2021
Operating income	million EUR	473.6	423.0	420.7	357.9	95.0	102.1
Subsidy for compensation of passenger transportation losses	million EUR	30.1	36.0	37.6	-	-	-
Other operating income	million EUR	1.8	9.2	6.8	20.7	(0.1)	6.5
Total income	million EUR	505.5	468.2	465.1	378.6	94.9	108.6
Costs	million EUR	430.8	421.8	436.4	329.3	103.4	109.2
EBITDA	million EUR	193.1	157.6	136.9	134.0	0.6	7.4
Adjusted EBITDA	million EUR	195.1	158.2	139.1	-	-	-
EBITDA margin	%	38.3%	34.3%	29.9%	35.4%	0.7%	7.2%
Adjusted EBITDA margin	%	38.7%	34.5%	30.3%	-	-	-
EBIT	million EUR	74.7	46.3	28.7	49.3	(8.5)	(0.6)
EBIT margin	%	14.8%	10.1%	6.3%	13.0%	(9.0%)	(0.6%)
Net profit	million EUR	58.1	36.6	23.5	39.3	17.3	3.4
Net profit margin	%	11.5%	8.0%	5.1%	10.4%	18.2%	3.4%

		31 12 2019	31 12 2020	31 12 2021	31 12 2019	31 12 2020	31 12 2021
Non-current assets	million EUR	1,825.4	1,929.1	1,940.6	1,108.3	1,086.1	1,080.4
Current assets	million EUR	231.1	175.1	177.3	110.7	79.1	84.7
Total assets	million EUR	2,056.5	2,104.2	2,117.9	1,219.0	1,165.2	1,165.1
Equity	million EUR	1,167.1	1,163.0	1,166.6	1,135.5	1,114.8	1,108.3
Financial debt	million EUR	185.1	207.3	180.1	39.2	8.4	10.4
Net debt	million EUR	79.9	137.8	95.4	(11.3)	(12.2)	(27.5)

Return on equity (ROE)	%	5.0%	3.1%	2.0%	3.5%	1.5%	0.3%
Return on assets (ROA)	%	2.8%	1.8%	1.1%	2.4%	1.5%	0.3%
Return on investment (ROI)	%	3.0%	1.9%	1.2%	2.6%	1.5%	0.3%
Financial debt / EBITDA	times	1.0	1.3	1.3	0.3	13.3	1.4
Financial debt / Equity (D/E)	times	0.2	0.2	0.2	0.0	0.0	0.0
Net debt / EBITDA	times	0.4	0.9	0.7	(0.1)	(19.2)	(3.7)
Net debt / Adjusted EBITDA	times	0.4	0.9	0.7	-	-	-
Debt servicing ratio	times	5.3	4.3	4.7	-	-	-
Equity ratio	%	56.8%	55.3%	55.1%	93.2%	95.7%	95.1%
Asset turnover rate	times	0.2	0.2	0.2	0.3	0.1	0.1
Quick liquidity ratio	times	1.5	1.1	0.9	1.9	1.7	1.7
Total liquidity rate	times	1.8	1.3	1.1	2.0	1.9	1.8

* For definitions of the indicators, see page 59 of the Report;
** The comparability of the Parent company's LTG financial indicators to those of the corresponding period in 2019 is highly affected by the strategic restructuring of the LTG Corporate Group as at the end of 2019, when cargo transportation, passenger transportation and railway infrastructure activities were transferred to newly established subsidiaries.

DIVIDEND POLICY

The payment of dividends and the amount of profit contributions of state-owned enterprises is regulated by Resolution No. 665 of the Government of the Republic of Lithuania dated 6 June 2012 *On the Approval of the Description of the Procedure for the Implementation of the Property and Non-property Rights of the State in State-owned Enterprises* and its amendments (link). The summary version has been valid since 28 December 2021.

Allocation and payment of dividends of the LTG Group companies are regulated by the Dividend Policy of LTG Group.

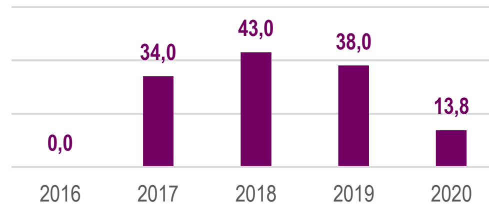
Allocation of dividends for the financial year or a shorter period than the financial year is planned taking into consideration the level of return on equity, net profit earned, financial ability to pay dividends, implementation of economic projects of state importance, as well as other conditions and 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.

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

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

LTG allocated dividends, EUR million



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 recognised 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 authorised 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.

AB LTG Infra, performing the functions of public railway infrastructure manager, pays dividends calculated in accordance with the procedure laid down in the Dividend Allocation Policy of the LTG Group 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).

Under the Order No. 3-265 "Regarding Approval of a Set of Financial Statements of 2020 and a Set of Consolidated Financial Statements of 2020 of a Joint Stock Company Lietuvos Geležinkeliai and Allocation of Profit (Loss)"of the Minister of Transport and Communications dated 7 May 2021, the annual financial reporting of AB Lietuvos Geležinkeliai for the year 2020 was approved, and profit (loss) of 2020 was distributed. EUR 13.8 million of the Company's distributable profit were allocated to dividends.

Dividends from the profit for distribution for 2020 as allocated by the parent company from UAB Vilniaus Lokomotyvų Remonto Depas amounted to EUR 1.0 million, and those allocated from the associated company UAB voestalpine Railway Systems Lietuva – to EUR 0.7 million.

GROUP FUNDING

As at 31 December 2021, the loan portfolio of the LTG Group to credit institutions amounted to EUR 174.0 million (31/12/2020: EUR 201.9 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 2021, the weighted interest rate of the Group's loan portfolio was 1.2%. The longest debt repayment period reached 11 years, and the last deadline for the repayment is year 2032.

As at 31 December 2021, the parent company AB Lietuvos Geležinkeliai did not have any long-term debt liabilities to external credit institutions; however, it has surety agreements concluded with the European and the Nordic investment banks for the liabilities of the Group companies to creditors.

During 2021, the LTG Group repaid EUR 27.8 million of loans and paid EUR 2.5 million of interest. During the reporting period, the Group did not enter into any new long-term financing agreements.

In 2021, in order to ensure liquidity management, the Company had a short-term overdraft agreement for the amount of EUR 35.0 million signed with Swedbank AB that matured on 26 January 2022. As at the end of the year, the Company did not have any outstanding liabilities according to this agreement.

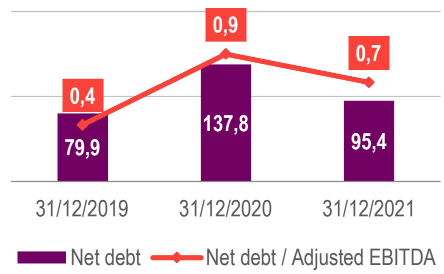
As at 31 December 2021, the Group's net debt amounted to EUR 95.4 million. Compared to 31 December 2020, the ratio decreased by 30.8% or EUR 42.4 million.

As at 31 December 2021, the Group's financial debt to equity (D/E) ratio amounted to 0.2. The debt level of the Group remains low.

During the reporting period, the indicators monitored by the institutional creditors were met, the Group companies did not breach any financial and non-financial obligations.

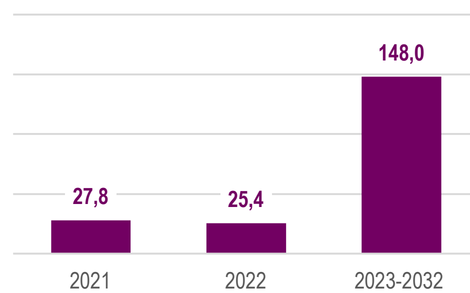
LTG Group, seeking to ensure financing efficiency and to manage liquidity risk, has ensured the possibility for the companies to borrow from each other through cash-pool. The Parent company AB Lietuvos Geležinkeliai has entered into one Group's cash-pool agreement with a commercial bank and, accordingly, all LTG group companies have concluded borrowing arrangements. The Group companies sign borrowing arrangements on an annual basis. The arrangement conditions comply with usual market conditions.

Group's net debt, EUR million



Ratios observed by the Group's institutional creditors	Measu-rement	2021	Establi-shed value
Net debt / Adjusted EBITDA	times	0.7	< 4.0
Equity ratio	%	55.1%	≥ 35%
Debt servicing ratio	times	4.7	≥ 2

Repayment of the Group's loans, EUR million



(all amounts are in EUR million unless otherwise stated)

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.

The relevant list of special obligations performed by SOEs and their subsidiaries was approved on 16 March 2021 under the Order No 4-193 of the Minister of Economy and Innovation of the Republic of Lithuania (link).

Special obligations performed by LTG Corporate Group:

1. Public rail passenger services – the special obligation is performed by the company UAB LTG Link.
2. Maintenance, modernisation and development of public railway infrastructure and provision of services of the minimum access package - the special obligation is performed by the company AB LTG Infra.

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, modernise 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 of the minimum access package to railway undertakings (carriers) on non-discriminatory terms.

1. PUBLIC RAIL PASSENGER SERVICES

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) No 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" (the recast and its subsequent amendments to the Resolution No 944 of 26 August 2020 of the Government of the Republic of Lithuania in respect of 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.

The function is performed in accordance with the annual agreement on the use of state budget funds concluded between the Ministry of Transport and Communications of the Republic of Lithuania and UAB LTG Link. State budget appropriations are allocated for the implementation of the special obligations.

Indicators of implementation of special obligations harmonised with the manager of appropriations (Ministry of Transport and Communication of the Republic of Lithuania)	Measurement units	2021	To be achieved in 2022
The number of passengers carried on local routes	million	3.9	3.9
The number of passengers carried on local routes on preferential conditions	million	0.9	0.9

2. PROVISION OF SERVICES OF THE MINIMUM ACCESS PACKAGE AND MAINTENANCE, MODERNISATION AND DEVELOPMENT OF PUBLIC RAILWAY INFRASTRUCTURE

Legislation entrusting SOEs with the following special obligation:

- Provision of minimum access package services: Article 3 (51), Article 23 (1) and item 6 of Article 24 (1) of the Railway Transport Code of the Republic of Lithuania;
- Maintenance, modernisation and development of public railway infrastructure: Article 3 (51), Article 23 (1), and items 1, 3 and 4 of Article 24 (1) 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: currently, state budget appropriations are not allocated; however, the possibility of such allocation is provided in the Article 23 (12) of the Railway Transport Code of the Republic of Lithuania (on the basis of the agreement on ensuring quality and funding of the public railway infrastructure and state-owned railway service facilities concluded between the Ministry of Transport and Communications of the Republic of Lithuania and the manager of the public railway infrastructure). The pricing is regulated by Articles 25 – 25^2 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

"Regarding Payment for the Minimum Access Package, and Approval of Calculation and Payment Rules of the Fee for Allocated but not Used Public Railway Infrastructure Capacities".

- Maintenance, modernisation and development of public railway infrastructure: the function is performed in accordance with the annual agreement on the use of state budget funds concluded by the Ministry of Transport and Communications of the Republic of Lithuania and AB LTG Infra, the European Structural and Investment Funds (ESIF) and the Connecting Europe Facility funds are allocated and the own funds of LTG infra are used. 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	2021	To be achieved in 2022
Share of electrified railway lines of the total railway length	%	8%	8%
Length of electrified tracks	km	317.5	317.5
Length of noise barrier walls	km	2.7	18.3
Traffic organisation and safety measures implemented	units	1	11
Objects of public railway infrastructure with LED lights	units	4	10
Volumes of works at railways and their facilities protection zone greenery planting, restoration, maintenance, installation of fire-break, renewal	km	1,261	1,474

RESULTS OF THE GROUP'S SPECIAL OBLIGATIONS

Results of special obligations	Public rail passenger services		Services of the minimum access package and maintenance, modernisation and development of public railway infrastructure	
	2020	2021	2020	2021
The Statement of Profit or Loss, EUR million				
Income*	45.9	49.8	200.8	163.9
Expenses	44.9	46.3	163.1	162.3
Results of financing activity	-	-	(2.3)	(3.0)
Profit (loss) before tax	1.0	3.5	35.4	(1.4)
Income tax	0.4	0.5	4.3	(0.6)
Net profit (loss)	0.6	3.0	31.1	(0.8)
Balance, EUR million**				
Total assets	144.0	150.5	1 359.2	1 378.6
Equity	118.4	120.6	603.6	593.7
Grants	-	-	498.7	509.5
Liabilities	25.6	29.9	256.9	275.4
Total equity and liabilities	144.0	150.5	1 359.2	1 378.6

* Income of LTG Link from the special obligation of public rail passenger services is presented inclusive of the state subsidy received for the compensation of losses incurred while providing public passenger transportation services (the amount of subsidy was EUR 36.0 million in 2020 and EUR 37.6 million in 2021);

** The values of balance sheet items of special obligations of 2020 have been adjusted retrospectively taking into consideration the rules for distribution of a company's balance sheet to operating segments.

PERFORMANCE OF THE MAIN GROUP COMPANIES

AB LTG Cargo

The Board	Position	Appointed on	Main employer, position
Egidijus Lazauskas	Board Member	21/12/2018	CEO of AB Lietuvos geležinkeliai, Geležinkelio St. 16, Vilnius, company code 110053842.
Brigita Valenčienė	Board Member	29/11/2019	Head of HR Business Partner Group of AB Lietuvos Geležinkeliai, Geležinkelio St. 16, Vilnius, company code 110053842.

A new version of the Articles of Association of LTG Cargo was registered on 30 November 2021, according to which the number of the Board members was reduced to 3.

CEO – Eglė Šimė, appointed on 4 January 2022.

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;
- Services of repair and maintenance of railway rolling stocks, manufacture of locomotives and freight wagons (from 1 April 2021).

Subsidiaries of LTG Cargo:

- LTG Cargo Ukraine LLC (controlled share – 100%);
- UAB LTG Wagons (controlled share – 100%);
- OOO Rail Lab (controlled share – 99%).

Indicators, EUR million	2020	2021
Sales income	396.5	389.8
Costs	377.2	363.4
EBITDA	43.5	51.2
EBITDA margin, %	11.0%	13.1%
Net profit/losses	16.3	21.3
Assets	286.9	315.8
Equity	74.5	95.4
Financial debt	149.1	149.5
Net debt	127.8	144.5
Net debt/EBITDA	2.9	2.8
Return on equity, %	24.5%	25.0%
Equity/Assets, %	26.0%	30.2%

The Company started its operations on 1 May 20219.

On 30 March 2019, UAB Vilniaus Lokomotyvų Remonto Depas and AB LTG Cargo concluded a sale/purchase contract of the business of provision of railway rolling stock repair and related services according to which VLRD has transferred to LTG Cargo whereas LTG Cargo has taken over the business of railway rolling stock repair inclusive of activities related to repair of these rolling stocks from 1 April 2021, and the business in conducted under the trademark of LTG Tech.

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

UAB LTG Link

The Board	Position	Appointed on	Main employer, position
Daiva Pivoriūnienė	Board Member	29/11/2019	Head for the Asset Management Services Centre of AB Lietuvos Geležinkeliai, Geležinkelio St. 16, Vilnius, company code 110053842.
Mantas Dubauskas	Board Member	29/11/2019	Chief Communications Officer of AB Lietuvos Geležinkeliai, Geležinkelio St. 16, Vilnius, company code 110053842.

A new version of the Articles of Association of LTG Link was registered on 22 November 2021, according to which the number of the Board members was reduced to 3.

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.
- Organisation 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	2020	2021
Income	49.7	57.2
Costs	50.2	52.6
EBITDA	12.0	17.4
EBITDA margin, %	24.1%	30.4%
Net profit/losses	(0.2)	3.9
Assets	155.2	162.3
Equity	143.7	147.7
Financial debt	1.0	2.3
Net debt	(16.4)	(26.8)
Net debt/EBITDA	(1.4)	(1.5)
Return on equity, %	(0.1%)	2.7%
Equity/Assets, %	92.6%	91.0%

The Company started its operations on 1 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

The Board	Position	Appointed on	Main employer, position
Andrej Kosiakov	Chairman of the Board	27/11/2019	CFO of AB Lietuvos Geležinkeliai, Geležinkelio St. 16, Vilnius, company code 110053842.
Irena Jankutė-Balkūnė	Board Member	19/06/2019	Chief Human Resources Officer of AB Lietuvos Geležinkeliai, Geležinkelio St. 16, Vilnius, company code 110053842.

A new version of the Articles of Association of LTG Infra was registered on 25 November 2021, according to which the number of the Board members was reduced to 3.

CEO – Karolis Sankovski, appointed on 1 July 2019.

Core businesses:

- Management, use and disposal of public railway infrastructure under the right of trust;
- Upgrade, maintenance and development of public railway infrastructure;
- Organisation of rail traffic;
- 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.

Indicators, EUR million	2020	2021
Sales income	222.6	191.9
Costs	196.9	195.0
EBITDA	103.1	65.0
EBITDA margin, %	46.3%	33.9%
Net profit/losses	27.6	(2.9)
Assets	1 548.6	1 554.1
Equity	679.8	670.9
Financial debt	179.6	160.2
Net debt	175.0	149.3
Net debt/EBITDA	1.7	2.3
Return on equity, %	4.1%	(0.4%)
Equity/Assets, %	43.9%	43.2%

The Company started its operations on 8 December 2019.

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

UAB Geležinkelio Tiesimo Centras

The term of office of the Board of GTC expired on 13 December 2021.

A new version of the Articles of Association of GTC was registered on 29 December 2021 which does not provide for a collegial governance body – the Board.

CEO – Vytautas Žirgutis, appointed on 5 April 2022.

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.

UAB Geležinkelio tiesimo centras has a subsidiary OOO Rail Lab (controlled share – 1%).

Indicators, EUR million	2019	2020	2021
Sales income	25.0	28.7	30.9
Costs	24.7	29.5	30.6
EBITDA	3.6	2.5	3.1
EBITDA margin, %	14.3%	8.6%	10.0%
Net profit/losses	0.4	(0.4)	0.4
Assets	37.4	39.8	35.7
Equity	30.9	30.5	30.8
Financial debt	2.2	0.8	0.4
Net debt	0.8	(0.9)	0.4
Net debt/EBITDA	0.2	(0.4)	0.1
Return on equity, %	1.3%	(1.4%)	1.2%
Equity/Assets, %	82.6%	76.7%	86.4%

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

UAB Rail Baltica Statyba

The term of office of the Board of RBS expired on 13 December 2021.

A new version of the Articles of Association of RBS was registered on 29 December 2021 which does not provide for a collegial governance body – the Board.

CEO – Karolis Sankovski, appointed on 1 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).

The specific object of the Company's activities leads to the fact that the Company does not have operational activities; i. e. entry-exit logistics, market and sales, after-sale service, etc. UAB Rail Baltica does not participate in the market and competitive environment. Because of the nature of the activities carried out, profitability and return indicators are not calculated.

Core business – management of RB Rail AS shares, implementation of the rights and obligations granted thereunder.

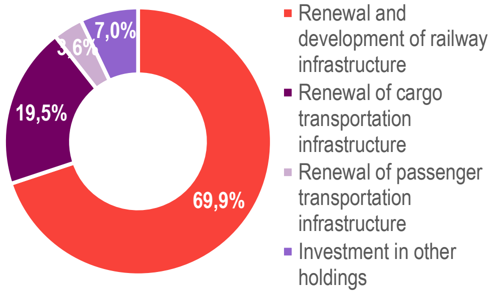
Indicators, EUR million	2019	2020	2021
Income	0.05	0.05	0.06
Costs	0.08	0.08	0.08
EBITDA	(0.03)	(0.03)	(0.02)
Net profit/losses	(0.48)	(0.03)	(0.10)
Assets	2.41	2.39	2.30
Equity	2.40	2.37	2.28
Financial debts	-	-	-
Net debt	(0.09)	(0.07)	(0.05)
Equity/Assets, %	99.5%	99.1%	99.0%

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

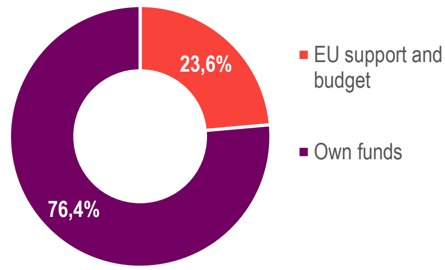
INVESTMENTS

LTG Group invested EUR 155.4 million in 2021. 76.4% of LTG Group investments were financed with own funds. EUR 36.7 million EU support and State budget funds were utilised over the reporting period. The major share of investments went to the upgrade and expansion of the railway infrastructure (69.9%).

Group's invetment structure in 2021, %



Group's investment funding structure in 2021, %



Group's investments (works completed and advances paid), EUR million	2019	2020	2021
Renewal and development of railway infrastructure	86.7	174.1	108.6
Renewal of cargo transportation infrastructure	19.6	41.4	30.2
Renewal of passenger transportation infrastructure	1.0	3.9	5.6
Other investments (IT, etc.)	5.3	9.5	11.0
Total	**112.6**	**228.9**	**155.4**

INVESTMENTS INTO ASSET RENEWAL

The 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 has been executed since 2018. The value of works completed during the reporting period amounts to EUR 29.7 million, 67.6 km of road were overhauled;
- Renewal of railway bridges, the completion of which will lead to safe train operation. The largest projects are the following:
  – reconstruction project of Jonava railway bridge, which is the longest bridge in Vilnius-Klaipėda corridor (200 m). Based on the contract on design and contracting works, signed in 2020, the value of which is EUR 12.5 million, the design work was carried out during the reporting period and contracting work is ongoing;
- *Project for reconstruction of the Lyduvėnai bridge*. The contraction works are being carried out in accordance with the contraction agreement signed in 2020 by the value EUR 2.8 million;
- GSM-R core renewal. The GSM-R core upgrade and maintenance contract was signed at the beginning of 2021, with design work and deployment underway during the reporting period. The new equipment will provide the connectivity needed for safe train operation throughout the rail network;
- Other infrastructure renewal works: renewal of level crossings, turnouts, culverts, platforms and other facilities.

2. Rolling stock fleet overhaul programmes. The value of works performed in 2021 amounts to EUR 30.6 million:

- 2,110 freight wagons repaired;
- 97 freight locomotives were repaired (out of which, 11 Siemens locomotives were overhauled, completing the overhaul programme for 44 Siemens locomotives);
- 49 passenger rolling stock repaired.

Railway infrastructure and rolling stock renewal programmes will be continued in 2022.

MAIN DEVELOPMENT AND MODERNISATION DIRECTIONS OF THE LTG GROUP

Development of railway infrastructure

1. Continuation of Rail Baltica, the largest rail infrastructure project to connect the Baltic countries to the EU dominant European gauge rail network. The progress of the project 2021:

- *Completion of the railway section Kaunas-Palemonas, the* value of which amounted to EUR 58.1 million and EUR 12 million of the amount relate to works performed during the reporting period. From July 2021, the European track can be used for freight transportation to the public Kaunas intermodal terminal in Palemonas;

- *The state border in the railway section Kaunas-LT/LV*:

– purchase of the land to build a new European rail line. 62 plots have been formed, all registered in the name of the State and transferred to LTG Infra under the right of trust, which has acquired the right to act as the builder on this section. Land acquisition procedures required for the construction of access roads for the public needs have been completed - all 1,580 land acts have been registered in the name of the State;

– technical design of the railway line is ongoing and planned to be finished in 2022;

– preparation for announcement of specific procurements for contraction works regarding installation of the section earthwork and engineering structures; potential suppliers were selected;

– finalisation of the procurement for the construction of the bridge over the Neris River in Jonava. It will be the longest bridge of 1.5 km in the Baltic States;

– other contract works are planned to be initiated in 2022 on the basis of the approved technical designs.

- the development plan and environmental impact assessment for the engineering infrastructure of the Kaunas-Vilnius railway line Rail Baltica is being prepared, and the optimum alternative has been approved;
- *Preparation of a specific plan for the acceleration of the border section Kaunas-PL/LT*.

2. Continuation of the rail electrification programme to improve the competitiveness of the Lithuanian transport sector and significantly to reduce air pollution:

- *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. Design works were continued in 2021.The electrification of Vilnius junction and of railway line from Kaišiadorys to Klaipėda (Draugystė station) (366 km) will allow carrying freights and passengers on route Vilnius-Šiauliai-Klaipėda using an ecologic and effective electric traction;
- Performed market analysis of the Kaunas-Kybartai overhead contact line for the purchase of modelling and study preparation services.

3. Infrastructure capacity enhancement projects are being implemented to eliminate the most restrictive “bottle necks”:

- Continuation of 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. It is expected that the project will be completed in 2022;
- Installation of interlocking stations at Batakiai and Lauksargiai sites in order to double the maximum train capacity on the Radviliškis-Pagėgiai section and to reduce the congestion on the Radviliškis-Klaipėda section;
- Completion of the design for reconstruction of *track III at Radviliškis railway station and commencement of contraction works.* Implementation of the project will enable Radviliskis station to accommodate long freight trains (71 notional wagons), increase the efficiency of rolling stock utilisation and reduce line occupancy.

4. Investing in railway stations to make them more attractive to the public:

- Continuation of the Vilnius Railway Station reconstruction project, which will increase the attractiveness of Vilnius Station for passengers and adapt the station for commercial purposes;
- Continuation of the project to *connect Plungė railway and bus stations*. A contract has been signed for the renovation of the indoor facilities and technical design of the outdoor infrastructure is underway. The interconnection is expected to create a common transport hub, which will allow for more convenient passenger connections by different modes of transport. The project is expected to be completed in 2022;
- A contract signed for the development of the Station Information System. The project involves the installation of a modern passenger information system and equipment at 50 stations;
- The Barrier-Free Route project has been launched to make train journeys easily accessible for passengers with disabilities in the station area. By 2024, station accesses will be renovated, ramps will be built, walkways will be repaired, warning strips and other measures will be installed.

5. Performance of the project by the value of EUR 6.5 million to modernise the infrastructure diagnostics activities. A self-propelled diagnostic vehicle was received in 2021 and is currently being tested. The vehicle will carry out a condition check of the railway, allow early identification of potential faults, and allow more efficient planning and organisation of repairs.

6. In 2021, LTG Group aiming to be an environmentally friendly company carried out projects that were focused on meeting the public needs – noise reduction and safety:

- In order to reduce the noise caused by railways to the residents, a project for the installation of noise attenuation walls is underway: contraction works have been completed at the Lentvaris, Šiauliai (Margių St.) and Kaišiadorys sites, and works are continuing at the Mažeikiai, Radviliškis, Šiauliai (Žaliukų St.), Klaipėda, Giruliai and Kretinga sites. In total, the project will install 9 noise attenuation walls in 7 municipalities at a cost of EUR 24 million;
- Improving safety at rail and road crossings:

– *10 priority level crossings on the Vilnius-Klaipėda railway corridor* are being upgraded, with one crossing installed in 2021. Market studies have been carried out. It is planned that procurement for upgrading of 9 level crossings will be launched in 2022. The project will provide technical safety measures in accordance with the International Railway Union standard;

– for implementation of the project *Installation of two-level railway and motorway crossings on the sections Lentvaris-Vievis (38+855 km) and Kyviškės-Valčiūnai (18+419 km)*, technical designs and preparatory contraction works were carried out in 2021. The implementation of the project at 2 level crossings, where both train and road traffic is intense, will virtually eliminate traffic safety problems.

Development of freight transport activities

1. In order to reduce dependence on traditional freight modes, the development of freight services in Poland and Ukraine was started. In Poland, LTG Cargo established its subsidiary LTG Cargo Polska and started the acquisition of European-gauge locomotives and the lease of T-3000 wagons and semi-trailer platforms. LTG Cargo Ukraine, a subsequent subsidiary of LTG Cargo, was established in Ukraine, and negotiations are underway for the lease of locomotives in Ukraine.

2. In view of the prospects for the development of rail freight transport and the State's ambition to promote green freight transport, new projects are being launched to develop intermodal freight transport activities:

- The project for the acquisition of semi-trailer handling equipment is launched: the technical design of the semi-trailer handling equipment has been prepared and a contract for the production of a prototype has been signed. The project will enable the company to offer a new service on the broad gauge rail network - semi-trailer transport by train;
- As part of the preparations for intermodal freight transport on the European track (connection with Kaunas Intermodal Terminal), the purchase of European track locomotives has started.

3. The electrification of the infrastructure will be accompanied by the purchase of freight electric locomotives. Preparatory work and the selection of potential qualified bidders took place in 2021, and a public procurement is planned for early 2022. The new locomotives are scheduled to enter service in 2024.

4. As part of the upgrade of the existing fleet, the purchase of new grain wagons (100 units - 60 feet and 128 units - 80 feet) and 500 units of flat wagons.

5. The acquisition of the business of Vilniaus Lokomotyvų Remonto Depas by LTG Cargo as of 1 April 2021 resulted in the provision of rolling stock repair and modernisation services in the market under the new brand name - LTG Tech. During the reporting period, investment projects initiated by Vilniaus Lokomotyvų Remonto Depas were continued within the scope of LTG Cargo:

- A project to set up a production line for freight wagons, which will allow certain types of wagons to be produced in Lithuania. In 2021, the workshops were prepared and the equipment was manufactured and delivered. In 2022, it is planned to carry out the tuning work and to start the production of semi-wagons;
- Completion of the TEM2 shunting locomotive re-motorisation project. The upgraded locomotive will help to solve the problem of old locomotives on the market that do not meet current needs. The re-motorised locomotive will save up to 30% on fuel consumption and significantly reduce harmful nitrogen oxides (NOx) emissions;
- To increase the efficiency of rolling stock utilisation, the Operational Control Centre was set up in 2021. The project will result in the planning and management of freight transport activities through uniform business processes, automation and digitalisation, data exchange with LTG systems.

Development of passenger transport activities

1. Implementation of the Smart Ticketing project: the deployment contract was signed in 2021 and the design phase was completed. With the new ticketing system, train passengers will be able to buy tickets via a modern mobile app, a new website or ticket vending machines at stations. The ticketing system will be adapted for passengers with disabilities, seniors and families with young children. This system will increase the attractiveness of the train passenger service and reduce LTG Link's costs.

2. Acquisition of new passenger trains. LTG Link plans to replace old diesel trains with the most environmentally friendly electric trains, some of which will be battery-powered to provide environmentally friendly passenger transport on non-electrified sections. The trains will be adapted to the needs of people with disabilities. Public procurement procedures were carried out during the reporting period and a contract worth around EUR 200 million is expected to be signed in 2022. The first new trains are expected to start running between 2024 - 2025.

3. In order to increase the efficiency of LTG Link's operational management activities and to ensure control over operational activities, the Operational Control Centre (OCC) deployment project was implemented in 2021. The planning and procurement phases of the project were completed.

Development of information technologies

1. The LTG Group pays much attention to the IT systems used in the company in order to achieve operational efficiency and security. During the reporting period, the Group continued the modernisation project of financial and management accounting system ERP with the implementation of the system and the completion of Phase I as of 1 January 2022. LTG Cargo started using the new system in its daily operations.

2. Purchase of equipment to *upgrade the data transmission network and implementation of new IT systems*, which transform the Group into a modern company that evolves with new digital technologies.

Development of GTC

1. During the reporting period, the Technical Renewal Project continued. An excavator and a dump truck were purchased and road machinery was modernised. The project will result in the provision of quality track maintenance services.

2. The project for the *installation of security systems at the GTC bases in Lentvaris and Šilėnai* was implemented. This project improves the level of safety of employees and assets by introducing technical measures and optimising the company's costs for physical security.

3. During the reporting period, the project for the acquisition of Engineering Systems Equipment was launched. The aim of this project is to increase the “basket of services” provided.

Given the complicated geopolitical situation as at the moment of issue of these statements due to the military actions of the Russian Federation in the territory of Ukraine, the revision of the approved long-term strategy of the LTG Group was initiated, including reconsideration of the current strategic objectives and priorities, investment directions, the need for and sources of funding and application of ad hoc measures to manage the situation.

(all amounts are in EUR million unless otherwise stated)

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.

INITIATIVES AND MATERIAL EVENTS IN 2021:

- The year 2021 remained fraught with challenges of the pandemic of COVID-19, emphasis was placed on ensuring adequate working conditions and the provision of all protective equipment to employees engaged in operational activities, and the administrative functions switched to a hybrid working model.
- Continued operational efficiency initiatives by refining functions, identifying redundant and overlapping activities;
- In 2021, the focus was on developing organisational culture. The expanded "Employees' Voice" survey of factors influencing organisational culture was repeated and actions were taken to improve areas for improvement. Also, during the year, it has been moved away from the usual definitions of structural units such as 'department', 'centre', 'unit', towards unit names that reflect the functions of the units. The titles of managerial positions have also abandoned differentiating definitions such as "Director of a Department" or "Head of Unit", while retaining a single designation of the head of a specific function.
- Continued deployment of IT and digitisation of technology: processes are being digitised, new innovative solutions are being introduced, employees are provided with mobile devices.

The number of employees in the LTG Group as at 31 December 2021 was 7,804. Compared to 31 December 2020, the number of the Group's employees decreased by 1,195 employees or by 13.3%. The change in the employee number resulted mainly from the reorganisation of UAB Vilniaus Lokomotyvų Remonto Depas and the liquidation of UAB Saugos Paslaugos. From April 2021, a new division of AB LTG Cargo has been established where part of the employees of UAB Vilniaus Lokomotyvų Remonto Depas was transferred to following the acquisition of the business. Meanwhile, in order to eliminate functions that are not related to railway activities and following the adoption of the decision to discontinue the activities of UAB Saugos Paslaugos, employee dismissal procedures have been started in this company. The change in the number of employees of other Group companies has been influenced by the activity refinement and the initiatives of eliminating overlapping functions.

NUMBER OF EMPLOYEES OF THE GROUP COMPANIES AND AVERAGE SALARY

Group companies	31 12 2019		31 12 2020		31 12 2021	
	Number of employees as of the end of the period	Average salary, EUR	Number of employees as of the end of the period	Average salary, EUR	Number of employees as of the end of the period	Average salary, EUR
AB Lietuvos Geležinkeliai	1,152	1,616	1,197	2,311	1,080	2,432
AB LTG Cargo companies group	2,355	1,640	2,261	1,728	2,822	1,772
UAB LTG Link	710	1,571	675	1,661	595	1,726
AB LTG Infra	3,159	1,492	3,178	1,548	2,961	1,613
UAB Vilniaus Lokomotyvų Remonto Depas (reorganised)	940	1,478	935	1,500	-	-
UAB Geležinkelio Tiesimo Centras	461	1,532	373	1,669	340	1,819
LUAB Saugos Paslaugos	387	1,056	373	1,230	2	-
LUAB Gelsauga	22	1,053	3	2,342	-	-
UAB Rail Baltica Statyba	4	2,657	4	2,931	4	3,057
Total	**9,190**		**8,999**		**7,804**	

The number of employees of the parent company LTG was 1,080 as at 31 December 2021. Compared to the data as of 31 December 2020, the number of the Company's employees decreased by 117 employees or 9.8%.

The average monthly salary of employees of the Parent company LTG changed from EUR 2,311 to EUR 2,432 compared to 2020. The change in remuneration was mainly influenced by salary revision which took place in the LTG Group in April.

The total remuneration fund amounted to EUR 32.8 million. In addition, just as in other companies of the LTG Group, the annual incentives for performance in the amount of EUR 1.9 million were paid to the Company's employees in April 2021.

(all amounts are in EUR million unless otherwise stated)

NUMBER OF EMPLOYEES OF LTG AND AVERAGE SALARY

Function groups	31/12/2019		31/12/2020		31/12/2021**					
	Number of employees as of the end of the period	Average salary, EUR	Number of employees as of the end of the period	Average salary, EUR	Number of employees as of the end of the period			Average salary, EUR		
					Total	Women	Men	Total	Women	Men
CEO LTG Holdingas*	1	9,305	1	9,305	1	-	1	9,770	-	9,770
Managers Council of LTG Holdingas*	5	7,239	5	7,239	4	1	3	7,400	-	-
Top-level managers	11	5,832	13	6,241	11	6	5	6,393	6,599	6,207
Senior executives and specialists in exceptional fields	58	3,907	64	4,217	66	31	35	4,258	4,210	4,302
Middle-level managers and individual experts	258	2,722	335	3,030	312	165	147	3,061	2,942	3,192
Team leaders and experienced specialists	486	1,804	541	1,976	485	305	180	2,053	1,937	2,236
Specialists and experienced operational/service staff	187	1,520	140	1,527	135	55	80	1,642	1,545	1,714
Operational/service staff, qualified workers	146	1,198	98	1,274	66	7	59	1,341	1,171	1,386
Total	**1,152**	**1,616**	**1,197**	**2,311**	**1,080**	570	510	**2,432**	2,332	2,542

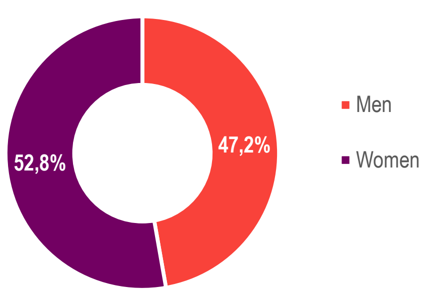
* a fixed remuneration as of the end of the period is provided;
** since 2021, the Company has started to publicly announce remuneration data according to gender. For confidentiality reasons, if a particular function group includes less than 5 employees of the same gender, the information on the average wage and the difference of the average wage are not disclosed.

The monthly remuneration set for the CEO of LTG Holdingas as at 31 December 2021 was EUR 9,770, and the average actual salary, taking into account the annual incentive for performance, amounted to EUR 12,053 in 2021.

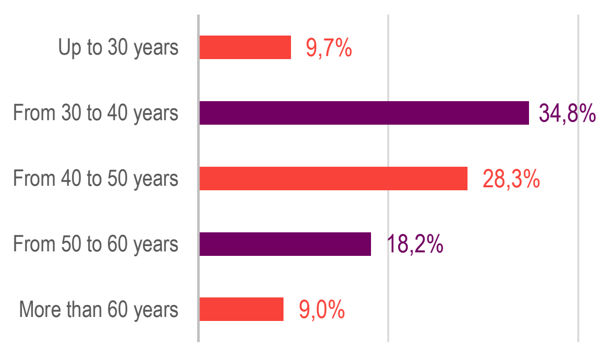
The average monthly salary of the Managers Council of LTG Holdingas established in their employment contracts as at 31 December 2021 amounted to EUR 7,400, and the average actual salary of this group of employees, taking into account the annual incentive, amounted to EUR 9,238.

The charts below show distribution of employees by age, gender, length of service and education as at 31 December 2021

Employee distribution by gender, %

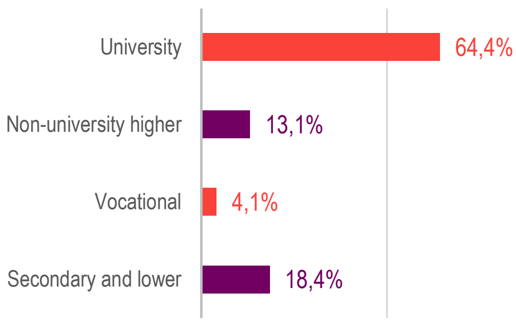


Employee diatribution by age group, %

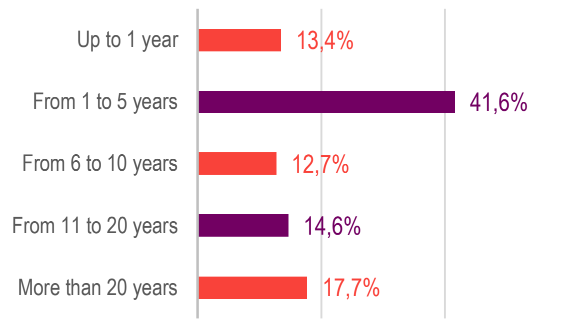


(all amounts are in EUR million unless otherwise stated)

Employee distribution by education, %



Employee distribution by lenght of service, %



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**

RISKS AND THEIR MANAGEMENT

In managing risks that may affect the day-to-day operations of the LTG Corporate Group and the achievement of strategic goals the Group companies rely on **a unified risk management system of the LTG Group** (for more information on risk management system refer to the *Sustainability Report*).

The risks of the Group and individual companies are periodically reviewed, control over the implementation of applicable management measures is performed, and quarterly risk management status reports are prepared and submitted to the top management and governance bodies.

Taking into account the specificity, external context of activity and history of the LTG Corporate Group, the main risks, relevant in the year 2021, are identified and presented below.

Name of risk	Level of risk	Description of the risk and its effects	Basic risk management measures
The risk of political / geopolitical instability in LTG operating markets (especially outside the EU)	High	• Business relations under development are restricted or terminated as a result of political decisions (unilateral decisions, sectoral sanctions, etc.) • Business relations with partners are disrupted due to deteriorating relationships, incidents, unrests. • Sudden decrease in the Group's revenue.	• Monitor and analysis of the market. • Search for alternative markets and clients.
The risk of losing market share due to increasing competition	Highest	• Loss of customers. • Adverse impact on revenue earned by the Group.	• Analysis of the market and competitors. • Introduction of new products. • Implementation of development projects.
The risk of a shortage of human resources in the market	Moderate	• Possible fall in potential (especially when new activities are developed), shortage of employees in particular areas.	• Improvement of the image of an employer. • Improvement of organisational culture.

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, 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 2021

Group companies	Fee, EUR thousand (excluding VAT)
AB Lietuvos Geležinkeliai	52.0
AB LTG Cargo	52.5
UAB LTG Link	31.0
AB LTG Infra	49.0
UAB Geležinkelio Tiesimo Centras	23.0
UAB Rail Baltica Statyba	8.0

(all amounts are in EUR million unless otherwise stated)

DEFINITIONS

Income	Sales revenue + Income from other activities excluding Income from financial activities
Subsidy	Subsidy issued by the State for compensation of losses related to passenger transportation
Sales revenue / operating revenue	Revenue, excluding Subsidy, Income from other activities and Income from financial activities
Costs	Costs, excluding the Corporate tax and Expenses from financial activities
Financial debt	Interest-bearing financial debt, including financial/operating leases
Net debt	Interest-bearing financial debt, including financial/operating leases, less cash, and cash equivalent investments
Return On Equity (ROE)	Net profit/loss for the period of the last 12 months / Average equity as at the beginning and the end of the reporting period
Return On Assets (ROA)	Net profit/loss for the period of the last 12 months / Average assets as at the beginning and the end of the reporting period
Return On Investment (ROI)	Net profit/loss for the period of the last 12 months / Average assets as at the beginning and the end of the reporting period – Average short-term liabilities as at the beginning and the end of the reporting period
EBIT	Profit (loss) before the corporate tax – The result of financial activities
EBITDA	Profit (loss) before the corporate tax – The result of financial activities + Depreciation and amortisation
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 reporting period / Assets at the end of the reporting period
Loan servicing ratio	(Net profit/(loss) for the period of the last 12 months + Amortisation, depreciation and grant costs of the last 12 months + Interest expenses of the last 12 months (adjusted considering the non-monetary items)) / (Debt for interest amortisation + Interest payable for the last 12 months)
Asset turnover ratio*	Sales revenue for the period of the last 12 months / Assets at the end of the reporting period
Financial debt / EBITDA	Financial debt / EBITDA of the period of the last 12 months
Net debt / EBITDA	Net debt / EBITDA of the period of the last 12 months
Quick liquidity rate	Current assets at the end of the reporting period – Inventories at the end of the reporting period / Current liabilities at the end of the reporting period
Total liquidity rate	Current assets at the end of the reporting period / Current liabilities at the end of the reporting period
Turnover of freight transportation (ton/km)	Freight transport indicator, which is the product of the amount of transported freight (tonnes) and the distance travelled (kilometres)
Passenger turnover (passenger kilometres)	Passenger transportation indicator, calculated by multiplying the trip of each transported passenger by the travelled distance
Train operational volume (gross-gross ton/km)	Unit of measure representing by multiplying the gross weight of the train, including the weight of the running locomotive, by the distance travelled
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

* When measuring financial ratios of LTG Group and UAB LTG Link, the Subsidy is included in the Sales revenue.

2021

SUSTAINABILITY REPORT
(unaudited)

SUSTAINABILITY REPORT

The global transport system and supply chains are undergoing major changes due to the rapidly changing demographic, social, macroeconomic and geopolitical environment. The European Commission's target of crucial importance is to become the first climate-neutral continent until 2050, which requires major changes in the area of transport as well. Railways are the transport of the future, and their importance in Europe will only increase with the change in the concept of mobility, the era of fossil fuels giving way to clean power and the attraction of other renewable energy sources. Fostering sustainable performance will help organisations build a competitive advantage in the transport sector, encourage a range of stakeholders to choose more sustainable modes of transport.

For these reasons, the LTG Group, the operation whereof is based on environmental protection, social partnership, good governance and economic progress, as well as the creation of value for the state, seeks to contribute to a more sustainable future through its actions. To achieve this goal, the LTG Group started to develop a Sustainability Policy in 2021 - a document aimed at setting the LTG Group's goals and objectives of sustainability activities, sustainability principles and priorities, governance model, defining key sustainability-related activities and procedures. This policy sets out the priorities for the relevant areas of sustainability in which the LTG Group has the greatest impact on the environment and seeks to create the greatest value. Given the significant contribution and impact of the LTG Group activities at the national level, sustainable activities aim to contribute not only to the organisation of the LTG Group's activities, but also to the state's progress in the field of sustainability.

Sustainable activities in LTG Group are based on the principles of the United Nations Global Compact, the resolutions of the Paris Agreement, the European Union Strategy Papers (the European Commission's Communication on Promoting Corporate Social Responsibility, the Green Paper). In addition, the International Labour Organisation Declaration on Fundamental Principles and Rights at Work, recommendations of the State Coordination Centre established by the Government of the Republic of Lithuania ensuring implementation of the Good Governance principles in state-owned enterprises are essential to the sustainability activities.

STAKEHOLDERS

Close and proactive communication and cooperation with stakeholders is a high priority in the activities of the LTG Group. The LTG Group identifies 10 key stakeholders in its activities and bases its sustainability activities on their expectations, assessing potential impacts.

The companies of the LTG Group carry out activities relevant to the society and the whole country: the LTG Group manages and develops the state railway infrastructure, ensures smooth transport of passengers and freight in environmentally friendly transport, ensures traffic safety, is one of the country's largest employers and taxpayers. Due to the nature of its activities and its impact on the society, it is particularly important for the LTG Group to identify, assess and respond to the expectations of all stakeholders. Sustainability management throughout the LTG Group is centralised and equally important for all the Group companies and activities.

Main stakeholders in activity of LTG Group:

- Employees
- The Ministry of Transport and Communications of the Republic of Lithuania (shareholder)
- State authorities, regulators
- Non-governmental, international institutions, associations
- Business partners
- Private customers
- Suppliers
- Partners
- Communities
- Media

LTG Group plans to conduct regular reviews of its environmental, economic and social impacts and priorities, taking into account stakeholders' expectations and the latest available scientific information. Also, based on the good practice and recommendations, the LTG Group is committed to regularly improving its performance and compliance with sustainability standards.

The information presented in this report details the wide-ranging impact of the LTG Group activities on all environmental, social and governance stakeholders in the identified priority areas for sustainability.

SUSTAINABLE DEVELOPMENT GOALS AND OTHER INTERNATIONAL AGREEMENTS

The LTG Group implements its strategic goals and sustainability management priorities, seeks to make a direct contribution to implementation of the global Goals for Sustainable Development established by the United Nations Global, with a particular emphasis on:

- good health and well-being (goal 3);
- decent work and economic growth (goal 8);
- industry, innovation and infrastructure (goal 9);
- sustainable cities and communities (goal 11);
- responsible consumption and production (goal 12);
- climate change mitigation (goal 13) priorities.

LTG Group contributes to the implementation of the European Green Deal and the Paris Agreement, committing to reduce net CO2 emissions to zero by 2050

In addition to the stated goals, the LTG Group also contributes to other global priorities such as efficient use of energy and natural resources, gender equality, the aim to reduce hunger and poverty, to ensure access to quality education, etc.

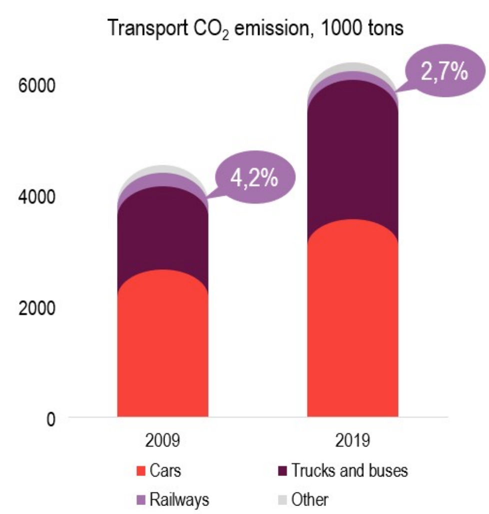
Through its actions and initiatives, the LTG Group contributes to the implementation of the European Green Deal and the Paris Agreement, committing to reduce net CO2 emissions to zero by 2050. The aim is to gradually reduce CO_2 and particulate emissions, therefore the goal has been set to reduce overall CO_2 emissions from rail transport by 30% and reduce specific CO_2 emissions by 50% through freight and passenger transport by the year 2030, compared to 2005.

LTG Group is committed to the principles of the Global Compact in the areas of human rights, employee rights, non-discrimination, environmental protection, the development of environmentally friendly technologies and the fight against corruption.

ENVIRONMENTAL AREA

Rail transport is one of the environmentally friendliest modes of transport, consuming up to ten times less fuel for freight and passengers transportation than road transport. Together with the constantly improved legal framework of the European Union and balanced financial support, this creates preconditions for the development of environmentally friendlier railway transport business, improving the technical-technological and organisational mechanisms of railway transport interaction with other modes of transport. In this context, the LTG Group can be proud of its successful development results.

The modern economy is inseparable from the transport sector. Railways are one of the greenest modes of transport and have not lost their relevance and importance for many years. However, transportation by different vehicles leaves a different footprint in nature. For example, when travelling on the route Vilnius-Kaunas by an electric train, CO2 emission per passenger seat is 0 kg, by a bus – 1.57 kg, by a car – 3.49 kg. According to the data of the Lithuanian Department of Statistics, trains accounted for only 2.7% of the total greenhouse gas emissions of transport in Lithuania in 2019, even though this way of transportation comprises about 67% of freight turnover according to the data of Eurostat.



There are two main sustainability priorities in the environmental area identified by the LTG Group:

- reduction of environmental impact;
- digitalisation and promotion of innovation.

Travelling on the route Vilnius-Kaunas by an electric train, CO2 emission per passenger seat is 0 kg, by a bus – 1.57 kg, by a car – 3.49 kg

With reduction of climate change impact, digitalisation of processes and installation of innovative solutions, the LTG Group contributes to the following global Sustainable Development Goals:

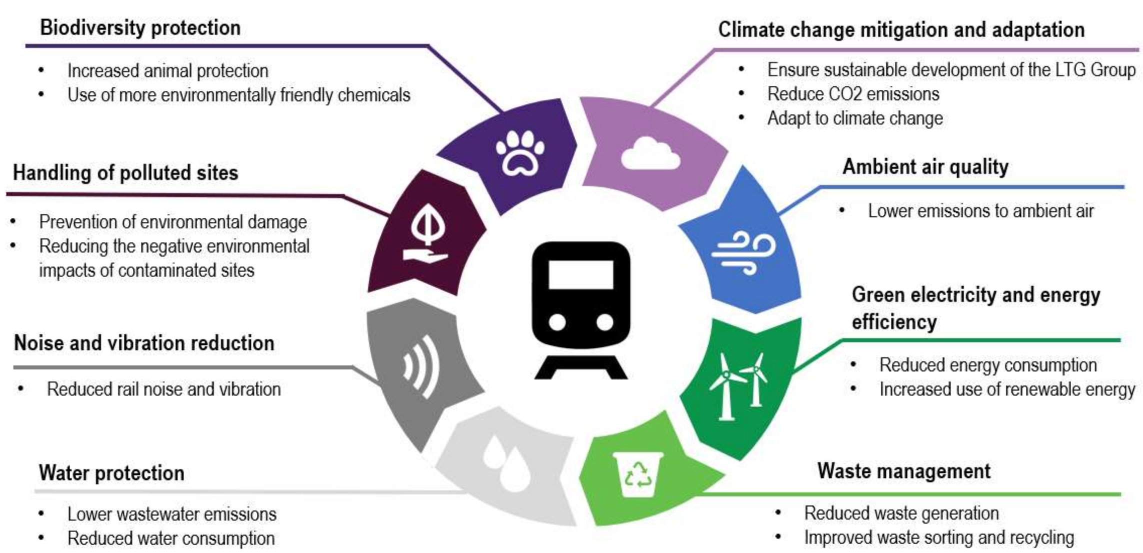
REDUCTION OF ENVIRONMENTAL IMPACT

WE TAKE CARE OF THE ENVIRONMENT: WE SEEK TO BECOME A CLIMATE-NEUTRAL ORGANISATION BY 2050.

- Lower CO_2 emissions compared to road transport: 1,901,801 tons
- 100% of electricity from renewable energy sources
- Total amount of CO_2e from rail transport: –31% compared to 2005
- Energy efficiency: +37% compared to 2005
- 99% of waste is used in recycling and for energy recovery
- 37.3 km of noise barrier walls

The LTG Group, being socially responsible, operates in compliance with its environmental obligations: it uses energy and natural resources efficiently and seeks solutions to reduce the negative impact of its activities on the environment and climate change. In this context, the Environmental Protection Strategy 2030+ of the LTG Group, the essence of which is to set the environmental protection objectives of LTG Group until 2030, and provide for measures to implement them in order to reduce the negative effects on the environment and climate change in a targeted manner and become a climate-neutral organisation by 2050, was prepared and approved in 2021.

The Environmental Protection Strategy specifies 8 main priorities:



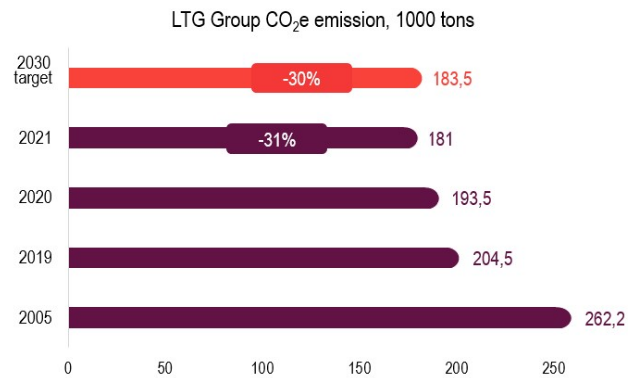
To achieve the ambitious goals and mitigate its environmental and climate-related impact, LTG Group implements numerous environment friendly projects, such as electrification of railways, acquisition of electric rolling stocks, optimisation projects of fuel consumption and lighting, initiatives promoting waste sorting, waste reuse, etc.

Climate change mitigation

Taking into account international commitments, the Strategy sets objectives that enable mitigating climate change and adapting to it:

- By 2030, reduce the total greenhouse gas emissions (CO2e) from rail transport by 30%, compared to 2005.
- By 2030, reduce specific CO2e emissions (emissions directly related to such activity volumes as passenger or freight turnover) by 50% for freight and passenger transport, compared to 2005.
- To assess the measures of adaptation to climate change and its impacts and to improve resilience of railway infrastructure to climate change and its effects.

In 2021, the total amount of CO_2e emissions from railway transport was 181 thousand tons and, compared to 2005, it decreased by 31%. The decrease resulted from lower volumes of freight and passenger transportation. Compared to 2005, specific CO2e emissions decreased by 39% to 11,410 gCO2e/pkm for freight transport and by 28% to 47,096 gCO_2e/pkm for passenger transport. However, compared to 2020, specific CO_2e emissions from freight transport slightly increased (i. e. by 1.6%) in 2021. The increase resulted from the changing flows of freight. The specific CO2 emissions from passenger transport decreased by 22.6% compared to the year 2020 which was especially difficult for reduction of specific CO_2 emissions due to travel restrictions imposed due to COVID-19.



To achieve these goals, the LTG Group is developing strategic projects significantly contributing to climate change mitigation and to the LTG Group's ambition to become a climate-neutral organisation by 2050:

- Electrification of tracks - electrification of the main Vilnius-Klaipėda corridor is planned, allowing to replace old diesel locomotives and trains with electric locomotives and trains, thus reducing pollution and cost of traction.
- Re-electrification of previously electrified tracks to modernise those that are reaching the end of their useful life. The Vilnius-Kaišiadorys reconstruction is planned in the first place.
- Rail Baltica is a greenfield rail transport infrastructure project that aims to integrate the Baltic countries into the European rail network by linking Helsinki, Tallinn, Perm, Riga, Panevėžys, Kaunas, Vilnius and Warsaw. The European track to Kaunas has now been built and the connection to the Kaunas intermodal terminal has been completed.
- Acquisition of electric trains - the aim of the project is to replace the non-compliant diesel trains with modern, environmentally friendly electric rolling stock, which will substantially reduce emissions in passenger transport operations, ensure compliance with the Passenger Rights Regulation, and improve customer satisfaction.
- Acquisition of electric locomotives - it is planned to renew and optimise the traction rolling stock fleet by 2025 by replacing locomotives with new electric locomotives, which have energy and maintenance costs about 40% lower than those of diesel locomotives.
- in 2021, LTG Cargo started intermodal freight services from Kaunas Intermodal Terminal to Western Europe. Intermodal freight, especially when transported by electrified rail, produces significantly lower CO2 emissions. The ongoing development of the service creates new preconditions for promoting more sustainable logistics. Multimodal transport makes it possible to shift an increasing proportion of freight onto rail under competitive conditions, thereby reducing environmental impact, freeing up road transport routes and addressing other environmental challenges.
- Creating an infrastructure of charging batteries for passenger trains.
- Preparation of freight rolling stock management strategy.

In 2021, it was highly focused on vehicle management policy and its update where clear directions regarding fleet electrification and the development of a fleet renewal programme were enshrined.. Taking into account the goals of purchasing electric vehicles, their charging infrastructure should also be development. There was a strong encouragement to employees to use car-sharing services to ensure efficient vehicle use and reduce environmental pollution.

In 2021, in accordance with the Act on Promoting Green Procurement, the LTG Group purchased 10 hybrid cars under operating lease to reduce emissions which resulted in an increase in the number of hybrid cars from 14% to 18% of the total passenger car fleet.

Seeking to assess measures to adapt to climate change and its effects and increase the resilience of railway infrastructure to climate change and its effects, in 2022 the analysis of the adaptation of railway infrastructure to climate change will be initiated and appropriate solutions for infrastructure managed by LTG will be sought.

Green power and energy efficiency

LTG is one of the largest consumers of electricity in Lithuania. In 2021, the LTG Group spent EUR 9 million on electricity; thus, energy efficiency solutions are especially relevant. Particularly because environmental protection is one of the three principal sustainability priorities of the present-day LTG; the Group commits to invest in innovative, energy-saving and environmentally friendly technologies.

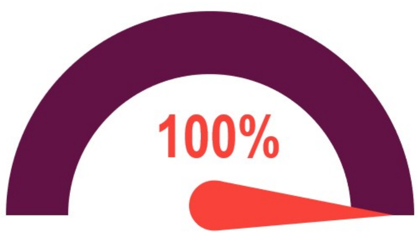
The Strategy defines the following energy efficiency targets:

- to reduce energy consumption in passenger and freight transport by 50% by the year 2030, and to reduce energy consumption by 40%, by the year 2050, compared to the year 2005.
- by the year 2030, to achieve 30% of rail transport energy consumption from RES (renewable energy sources);
- by 2030, the share of RES in energy production shall comprise 45%, and by 2050 – 80%.

The Group commits to invest in development of innovative, energy-saving and environmentally friendly technologies

Energy efficiency of freight transport was equal to 0,044 kWh/tkm and that of passenger transport was equal to 0,217 kWh/pkm in 2021 and, compared to 2005, increased by 37% and 3%, respectively. However, changes in freight flows reduced energy efficiency of freight transport by 3% compared to 2020. Meanwhile, energy efficiency of passenger transport increased by even 21% compared to 2020. This resulted from the increasing flow of passengers and various energy saving measures applied in train management.

Consumption of green energy in LTG Group



In 2021, RES energy comprised only 8.4% (7% in freight transportation and 22.5% in passenger transportation) of total energy necessary for freight and passenger transport. RES comprises part of bio-additives in diesel fuel and the green energy. Already since 2019, 100% of green power, i.e. electricity generated from renewable energy sources, is used throughout the LTG Group, both for electric traction and for other applications such as lighting or heating. The use of green electricity in electric traction for passenger transport saved 4,300 tonnes of CO_2e in 2021 (3.8% more than in 2020). In 2021, the use of green electricity in electric traction saved 4.3 thousand tons of CO_2e and 34.4 thousand tons of CO_2e because of its use in other activities of the LTG Group.

The following projects are being carried out to achieve the energy efficiency objectives:

- Establishing a performance appraisal system for drivers;
- Preparation of train control maps to maintain fuel rates;
- Structuring and improving the motivational system and training programme for drivers;
- Modernisation is panned in respect of the lighting systems of buildings - the buildings owned by LTG are already being renovated and reconstructed by replacing lighting with more economical and environmentally friendly LED light fittings. In the future, the same modernisation of lighting systems is planned for other LTG-owned buildings.

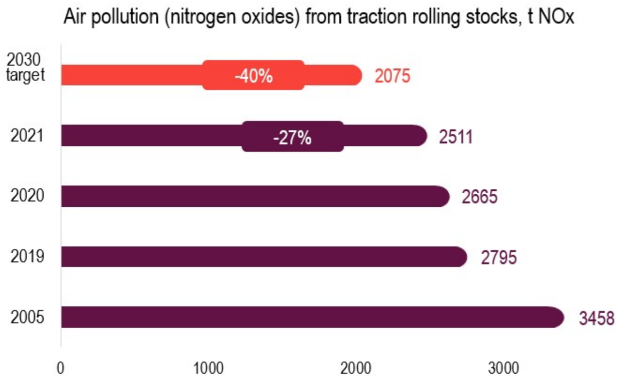
In May 2020, during the economic conference "Lithuanian Davos", LTG and the Ministry of Energy of the Republic of Lithuania signed a cooperation agreement, which commits to energy savings - by the end of 2030, the Group plans to save 1.3 TWh of final energy. The agreement is part of the measures set out in the Energy Efficiency Improvement Act, which aims to save at least 27 TWh of final energy over the next decade. In order to achieve the energy savings, the LTG Group has committed to modernise equipment, electrify rolling stock, optimise real estate, modernise buildings and boiler houses, and renew its vehicle fleet. All major LTG Group companies – the infrastructure manager LTG Infra, the freight company LTG Cargo and the train travel operator LTG Link - will contribute to these savings.

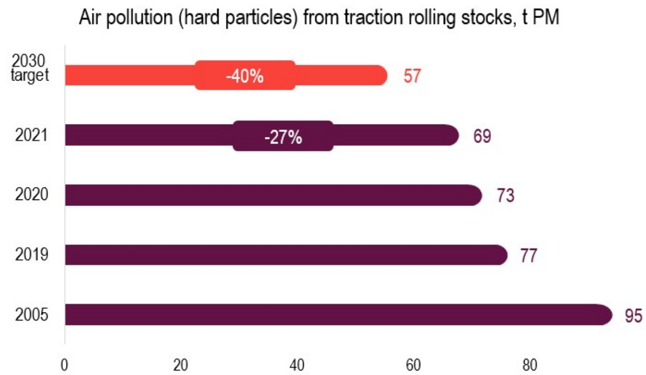
Projects to achieve climate change mitigation objectives will also make a significant contribution to improving energy efficiency, in particular the acquisition and operation of electric traction rolling stock on the extended electrified rail network.

Ambient air quality

In addition to mitigating the impact of its activities on climate change, the LTG Group's Strategy commits to improving the quality of ambient air and has set a target to ensure that the LTG Group's emissions of pollutants to ambient air from traction rolling stock in 2030 are 40% lower than in 2005. The main pollutants emitted by traction vehicles are hard particles and nitrogen oxides. These pollutants are particularly harmful to public health and the environment, and can form toxic smog under unfavourable dispersion conditions. Emissions to ambient air will be significantly reduced through the renewal of the traction rolling stock through the acquisition of electric traction rolling stock, the timely implementation of electrification projects and the increased use of renewable energy sources.

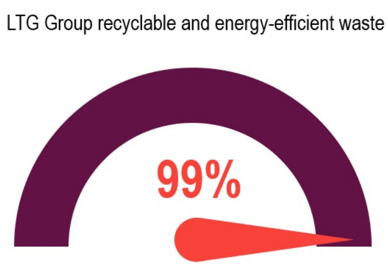
In 2021, rail transport emitted 2,511 tons of nitrogen oxides and 69 tons of hard particles – a decrease by 27% compared to 2005 and a decrease of 6% compared to 2020. The quantity of these pollutants depend directly on the amount of fossil fuel used in railway transport; therefore, the volumes of freight and the amount of emissions were decreasing simultaneously (92% of these pollutants are emitted from transportation of freight).





The LTG Group constantly monitors the emissions of pollutants from stationary sources of air pollution into the ambient air. 125 stationary sources of air pollution are monitored – no exceedances of pollutants were identified in 2021.

Waste management and the circular economy



Waste management priorities of the LTG Group are to reduce the amount of waste generated, to ensure safe management of waste for human health and the environment, and the rational use of waste, raw materials and energy resources, thus reducing the use of natural and other resources and landfilling. The target is to achieve by 2030 that 98% of the waste generated by LTG Group was suitable for recycling or energy recovery. In 2021, the LTG Group can be proud of its great achievements - recyclable and energy-efficient waste increased from 90% to 99% over the past two years.

The growing focus on the circular economy, e. g. the reuse of wooden and reinforced concrete railway sleepers, track ballast, has contributed to the excellent results. Used oil, scrap metal, batteries, paper and cardboard and plastic waste and packaging are sorted and collected separately and transferred to waste managers for reuse or recycling. Also, one of the important factors to improve waste sorting and recycling is the education of employees: in 2021, trainings were organised for all employees of the LTG Group, also the heads of the divisions had an opportunity to find out about the waste management process in the hazardous waste incineration company UAB Toksika.

Since 2019, reusable industrial wipes and oil-absorbent floor coverings have been introduced in manufacturing which have replaced disposable wipes. The use of reusable industrial wipes allows reducing the quantity of hazardous waste. Every year, deployment of this tool is increasing. In 2021, this service was introduced in 15 divisions of LTG Infra. In this way, employees' awareness regarding waste sorting is growing, and production rate is increasing because of the fact that up to 5 times more of soiled surfaces is cleaned using reusable wipes as compared to the use of disposable ones. In 2021, the reusable industrial wipes contributed to saving 486,200 units of industrial wipes and 15,990 units of oil-absorbent floor coverings, or approximately 9,724 kg of cloths and 610 kg of sorbent. Therefore, the LTG Group reduced the amount of hazardous waste by more than 10,000 kg.

Since 2019, we have been significantly reducing the amount of paper used for printers and documents on the level of the entire LTG Group. Thanks to the "No Paper" project, in 2021 we achieved remarkable results, with 91% of all Group documents being digital, signed only with an electronic signature and using no paper.

Waste management priorities of LTG Group are to reduce the amount of waste generated, to ensure safe management of waste for human health and the environment, and the rational use of waste, raw materials and energy resources, To improve the conditions for passengers to sort waste and recyclables, new two-compartment sorting containers made of recycled plastic have been introduced on all electric trains. Also this year, recycling bins have been installed in the waiting areas of passenger service of 41 stations.

Water protection

Seeking to protect the environment from contamination by discharge of wastewater, to improve the quality of surface water and ensure compliance with the environmental protection legislation, wastewater discharged by the LTG Group is treated in the wastewater treatment plants. In order to ensure effectiveness of these plants, maintenance of household, industrial and surface (rainwater) wastewater treatment plants and laboratory control of discharged wastewater are carried out on a regular basis. A total of more than 200 waste outlets are monitored highly focusing on monitoring of wastewater discharged by stations and loading platforms as well as other industrial objects.

The LTG Group supplies drinking water and technical water for residents' and its own needs. In order to ensure the quality of drinking water, a microbiological and chemical water analysis is performed in accordance to the control plans agreed with the State Food and Veterinary Service.

Noise prevention

The LTG Group pays particular attention to reducing noise and vibration caused by railway transport. This problem has been identified as one of the most important ones by the International Union of Railways (UIC), which has also set a target for 2050 to achieve that noise and vibration would no longer be an issue for rail transport, i.e. that is, railway traffic would be operated within the established noise and vibration limits. To achieve this goal, companies of the LTG Group implement the measures provided for in the municipal noise prevention action plans: implement electrification projects, improve and constantly monitor the railway infrastructure, control the speed of trains, organise freight train traffic as often as possible during the day rather than evening or night, repair wagons (710 wagons having wheel failures were repaired in 2021), implement noise reduction measures. Noise barriers of 37,315 km in total are installed in the public railway infrastructure. 9 projects are in progress, according to which it is planned to additionally build more than 17.2 km of noise barriers, as well as to install embankments and the replacement of windows and doors. In 2021, during the implementation of projects, noise barriers were built in Šiauliai, Margių str. (840 m) and Lentvaris (1,189 m). In 2021 when implementing of one of the national transport development plans for 2014-2022, a strategic noise map for public railway infrastructure was developed. During 2022 it is planned to perform an analysis of the existing noise map and determine the number of people exposed to excessive noise caused by rail transport and to select noise reduction measures in the priority areas.

Cleaning up contaminated sites

In 2021, the identification, investigation and development of management programmes for historically contaminated sites continued to be a major focus. Groundwater monitoring is being carried out at 10 sites in the LTG Group to manage already identified contaminated sites. In 2021, the Nemunas embankment in Kaunas was investigated in detail, and cooperation with the Lithuanian Geological Survey under the Ministry of Environment, the Ministry of Environment and other governmental institutions is being pursued to stop contamination of this area (financing restoration and application of new technologies). Eco geological surveys were carried out at Vaidotų railway station, and preliminary eco geological surveys were carried out at Švitrigailos Street 39 in Vilnius. Together with municipalities and state institutions, LTG plans to continue focusing on the clean-up of historically contaminated sites.

The objective of LTG Group is to identify contaminated sites managed by the LTG Group and to remediate priority contaminated sites by 2030:

- Collecting information on contaminated sites in cooperation with state institutions.
- Establishment of a programme for the management of contaminated sites, identifying priority contaminated sites, the type of handling and financing needs.
- Eco geological surveys of priority contaminated sites and preparation of management/monitoring plans.

Biodiversity protection

Not only does the LTG Group aims to reduce environmental pollution but it also contributes to the protection and restoration of biodiversity. In 2021, the restoration plantation project at Baisogala railway station was developed and implemented: in the area of 2.19 ha 232 pcs. of ornamental trees and shrubs were planted. The planting has been carried out to ensure the protection of the railway from the effects of wind and snow, as well as reduce noise and air pollution, improve the landscape, and strengthen the natural framework with the help of greenery. Areas of restorative greenery have also been prepared and implemented in other regions according to the project prepared by the forest management - Vilnius-Kena-State border, Kaišiadorys-Kybartai, Tytuvėnai-Viduklė, Kužiai-Mažeikiai-Bugeniai. It is planned to plant a total of 7,105 pcs of seedlings in the area of 2.59 ha. In 2021, 8 incidents with a threat of environmental damage occurred during transportation of freight. In all cases, no environmental damage has been made as all the necessary preventive measures have been applied in a timely manner.

DIGITALISATION AND PROMOTION OF INNOVATION

WE SEEK FOR EFFECTIVE USE OF RESOURCES: WE DIGITALISE PROCESSES AND INSTAL MODERN SOLUTIONS.

- LTG Tech has modernised of a locomotive
- „Move“ – SAP ERP Modernisation Programme is being implemented
- „Cargomachines” installed at 50 railway stations
- 91% of all LTG documents is digital
- 8,071 employee accounts moved to Cloud database
- Approximately 20,000 virtual meetings per month

The Company is undergoing digital transformation, which helps to use resources of the LTG Group more efficiently, reduces the amount of waste and pollutants generated and directly contributes to environmental protection and lower pollution. Digitisation also provides a wider opportunity to enter new areas of activity, increase and diversify revenue flows and make a significant contribution to increasing productivity and efficiency. The aim is to ensure smooth delivery of services, essential business processes and the competence of employees and enable the development of an innovation ecosystem, especially in the fields of the environment and the circular economy. Moving of many day-to-day complex processes to the digital space allowed to make the most of resources, increase the speed and validity of decisions, reduce the likelihood of errors and strengthen security.

The following are examples of projects:

The Ministry of Transport and Communications of the Republic of Lithuania, LTG Infra and other public sector institutions and telecommunications service operators have signed a memorandum committing themselves to cooperating in the development of 5G communications in Lithuania. The development of 5G connection in Lithuania will be carried out in three stages. In 2025, in the final phase, 5G connection will cover the territories of all cities, the international transport corridors Via Baltica, Rail Baltica, national roads, railways and airports and seaports.

In 2021, the initiative called DataLabs was launched in the LTG Group, the aim of which is to promote the culture of experiment and to create the idea sharing platform where all employees of the Group would be able to propose data-based and analysis based solutions and to test their potential. Over the year, participants of the initiative were solving numerous challenges and were implementing the following experimental projects in many areas related to railway activity: wheel vibration analysis, creation of autonomous train and metrology wagon journey planning algorithms, monitoring of railway level crossing and platform, analysis of people movement in station and scanning of licence plates using neural networks, realisation of the idea of a computing cluster based on a personal computer network, as well as monitoring and analysis of pantograph data. Such a format when proactive and competitive employees have an opportunity to realise their ideas increases the competitive advantage of LTG in the labour market, attracts young specialists and helps to retain the current ones.

LTG Infra has acquired a self-propelled diagnostic vehicle for railway track quality control. Until now, in Lithuania, only the parameters of railway track geometry were measured automatically, and all other parameters were measured by mechanical means of measurement and control. The new vehicle is equipped with 6 integrated diagnostic systems: detection of rail surface defects, ultrasonic detection of rail defects, laser track corrugation and rail profile measurement, track element image monitoring and track geometry measurement. With the help of the modernisation of railway infrastructure diagnostic activities and tools, it will be possible to effectively check various road parameters, diagnose and predict how the upper condition of the railway track will change over time.

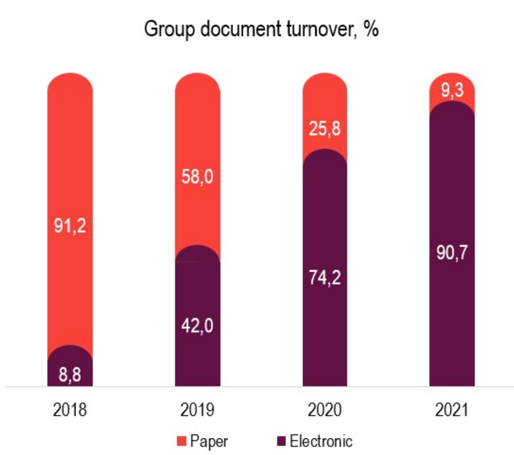
LTG Link continued the implementation of the Smart Ticketing project in 2021. The new ticketing system will allow passengers to buy train tickets via a mobile app, an updated website or ticket vending machines at stations. The system will be tailored to different passenger needs. The system will help to keep customers seamlessly informed about possible changes to their journeys, increase the efficiency and digitalisation of the service and is expected to lead to higher levels of customer satisfaction. The new ticketing system is expected to be launched in the first half of 2022.

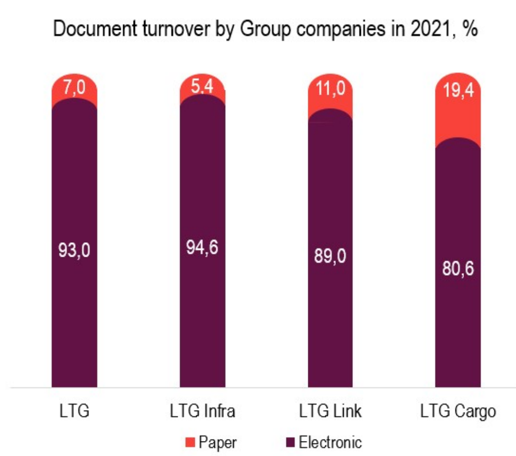
As of 1 January 2022, LTG has renounced the status of a fixed line operator and the wired connection is no longer working (as many as 3,400 wired connection points were smoothly switched off). The service has been provided since 2005, i.e. for more than 17 years. LTG communications were not only used by employees, it was also provided to other companies and individuals. This initiative has led to the abandonment of another indirect non-railway activity, while allowing a greater focus on the company's core activities.

"Move" (SAP ERP Modernisation Programme) is the largest change program in the LTG Group launched in 2021, helping to implement the principles of modern work: it will be the backbone, connecting all operations from sales, customer management, to assets, production, finances. This programme is necessary due to the current fragmented business processes, the absence of a single correct source of information, the limited capabilities of the current system, and will provide operations with efficiency, integrity, flexibility, and a competitive advantage in the market. In 2021, the SAP/Move change has been launched in LTG HR and is focused on facilitating the use of HR services, such as taking leave or reviewing work schedules. In addition, SAP/Move has been launched in the company LTG Cargo as well, where one of the most important change areas is the supply chain management which is one of the biggest challenges of the organisation (for continuous operation it is necessary to have working locomotives, wagons, loading equipment, and maintained infrastructure in time and in place). Planned achievements are in the areas of quality management, inventory planning and procurement. Changes are also planned for LTG Infra, LTG Link, GTC and LTG by the end of 2023.

In 2021, the optimisation project of train document management (TDM) – "Cargomachines" - was completed. The main goal of this project is the more convenient and expeditious customer service which leads to uninterrupted work with train documents. Special out-door self-service document terminals – "Cargomachines" – where customers can leave and take transport documents have been installed in 50 stations. Project results: customer service 24/7; contactless customer service which is especially relevant during a pandemic; 50 centralised stations; 2 station service centres in Klaipėda and Kaunas; increased turnover of electronic documents; increase in the share of electronic transport documents from 19% to 47%; increased performance efficiency; decreased operational expenses.

The implementation of the project "No Paper" is continued throughout LTG Group, the aim whereof is reduction of paper costs, sustainable use of natural resources as well as streamlining of work processes in the organisation. After optimisation of business processes and a careful review of the turnover of all documents, it has already been achieved that the main business documents were mostly signed electronically by managers and employees, and in 2021 the share of paper documents decreased to as much as 9% of the total document turnover.





LTG Tech has implemented unique modernisation of a locomotive - the first project of such type in the Baltics that potential foreign customers are already interested in. LTG Tech has essentially modernised the locomotive TEM2UM-1000 (hereinafter – TEM2), belonging to a popular series of shunting locomotives: the frame of the locomotive was modified to make it possible to install components and assemblies, a new diesel engine was installed, mechanical gears were converted into electric ones, a remote fuel metering system, video cameras, etc. were installed. This has proved that having invested about 60% of the price of a new diesel locomotive, it is possible to have a vehicle which is compliant with current requirements and has modern equipment and a new economical diesel engine. The project is significant because an increasing number of locomotive fleet managers are facing the issue that the existing older locomotives do not meet the modern needs – they are polluting, and their operational and maintenance costs are high; therefore, it has been concerned how to prolong their useful life and reduce environmental impact at the same time. Modernisation of the TEM2 is an excellent example of how to solve such issues – it is not only financially beneficial but also allows to reduce fuel consumption by up to 30% and significantly decrease the amount of hazardous nitrogen oxides.

Digitalisation of the repair department of LTG Link – in order to digitalise all work processes in the department, in 2021, paper journals were no longer used, all employees of the department were provided with smartphones with access to the unique system developed on their own. Thanks to this digitisation, it is possible to distribute the loads evenly, make decisions based on actual statistics and thus improve the entire process chain.

Successful and timely implementation of the project "Modern Team" of the entire LTG Group is the first of the Mobile-first cloud-first strategy projects. 2.5 years after the start of the project, aspirations have become a reality: all old e-mail systems were turned off, all data were transferred to the cloud, all employees have access to the Microsoft 365 platform. The implementation required the transfer of 8,071 employee accounts to the cloud, replacement of 4,000 laptops and desktops, and more than 5,400 Microsoft Teams-enabled phones. Now employees have the opportunity to work comfortably and efficiently from all devices at any time, easily reach colleagues, schedule meetings, organise video conferences. The result: 2,474 teams were created on Teams, an average of 20,000 virtual meetings take place per month, 125,000 calls and 5,000,000 minutes are spent in virtual meetings.

In 2021, the joint LTG team successfully organised the procurement of GSM-R core modernisation and support. GSM-R (Global Standard for Mobile Communications - Railways) is a second-generation mobile communication standard that is adapted to railway operations. The core equipment of the current GSM-R system is obsolete and the manufacturer has announced the end of its life cycle, which increases the likelihood and duration of malfunctions of GSM-R services, as well as the higher operating costs of the system. The project will upgrade GSM-R cores, further increase their reliability by implementing load sharing functionality, and reduce maintenance costs for GSM-R cores (excluding base station subsystems) by as much as 33%.

In the second half of 2021, LTG Digital, a company of the LTG Group, started to create a cyber security operational centre. The Centre will take care not only of technical IT security measures and respond to the attacks that have already taken place, but it will also take operational and preventive actions: monitor and analyse information and virtual space, identify potential threats and preventive measures to prevent threats (which is not usually done by cyber security centres in companies). In the initial stages of the project, a team is formed, tools are tested and the development of processes begins. The establishment of the Cyber Security Operational Centre is of great importance in order to protect the operation of the Lithuanian railways as one of the most important infrastructures in the country.

In order to ensure centralised and efficient management, administration and control of IT services, the unified IT service management tool ServiceNow has been implemented in the Information Technology Centre during the ITSM project carried out by LTG Digital and used ever since 2020, continues to be successfully developed in the stages planned for 2021. Based on this tool, ITC services are provided to the entire LTG Group and it provides an opportunity to take the management of IT services to a new level by using one of the best rated products on the market. The main goal and the biggest benefit is a unified system that combines the management of IT services into one ServiceNow interface. This allows IT services to be provided in accordance with the best practices in the world, based on the ITIL methodology. This project addresses the lack of specialised tools or the management of IT services in different tools.

SOCIAL AREA

The LTG Group is one of the largest employers in Lithuania and a huge infrastructure business. The Company strives to be a national company that generates the greatest economic benefits for the state and also the one that employees and the society are proud of. Only transparent, open, efficient activities based on modern management principles promote the progress of the state economy. Responsibility is felt not only in respect of the shareholder with whom the financial returns are shared through dividends but also in respect of the employees and society as a whole.

The goal of sustainable growth of the LTG Group is unimaginable without sustainable integration into society, so social partnership is an area to which a special attention is paid. The Company seeks to provide society with not only financial but also social benefits, so considerable investments are made in education, social initiatives and campaigns and communication with the public is based on the principles of equal opportunities, social welfare, security and human rights.

…not only a national company that generates the greatest economic benefits for the state and also the one that employees and the society are proud of

In the social area, the LTG Group emphasises three main priorities that its activities and initiatives are based on:

- ensuring well-being of employees and development of the organisational culture that seeks for high results;
- openness to the public and cooperation with communities;
- comprehensive safety.

The LTG Group seeks to implement the social area objectives that are provided in the Personnel management strategy of LTG, Safety management policy, Employees' personal data protection policy, Work Principles of LTG as well as in action plans and other documents.

The LTG Group cares about the well-being of employees, seeks to keep relationships with communities and to meet their expectations by striving for the highest safety level. By its actions in the social area, the LTG Group aims at contributing to the following global Sustainable Development Goals:

ENSURING WELL-BEING OF EMPLOYEES AND DEVELOPING AN ORGANISATIONAL CULTURE OF HIGH PERFORMANCE

WE CREATE VALUE FOR EMPLOYEES: WE HELP TO IMPROVE AND, MEANWHILE, ENHANCE THE ORGANISATIONAL CULTURE OF HIGH RESULTS.

- The number of employees – 7,804
- Employees of the Group: 47.2% and 52.8% of men and women, respectively
- SAP SuccessFactors virtual training environment has been launched
- 146 different learning programmes
- Engagement of employees - 57%
- Satisfaction of employees – 77%

LTG Group pays a special attention to ensuring the well-being and functional competencies of its employees, as well as to raising human capital and encouraging employees to become engaged in the activities of LTG Group. The aim is to develop an effective social dialogue with employees and create more comfortable working conditions by implementing advanced technological solutions and providing employees with the necessary work tools and benefits. The leadership of employees and managers is encouraged and the importance of digital competencies for both current and potential employees is actively promoted through educational initiatives with social and educational partners. A high-performance organisational culture is formed and maintained, the aim is to create the employee behaviour based on the LTG Group's values in daily activities, increase employees' engagement and loyalty and develop employees' honesty and respect for people.

Social partnership

The LTG Group has 24 trade unions and the Works Council which represents all employees of the Group companies. All companies of the LTG Group apply the sectoral collective agreement of the LTG Group, and the general procedure of additional benefits for employees is in force in all the companies: employees are provided with voluntary complementary health insurance service, insurance against accidents, a possibility of commuting or travelling in free-time by trains free-of-charge is provided to employees, medical examination costs are compensated, etc.

At the beginning of 2021, information on the LTG Group's financial position, structure, past and planned changes was presented to representatives the employees' trade unions, business plans, wage changes and expected trends, relevant issues related to occupational safety and health were discussed, and the fulfilment of the collective agreement in 2020 was reported.

In order to strengthen the social dialogue with the employees' representatives and implement the provisions of the sectoral collective agreement, the LTG Group organised trainings for the chairmen of the trade unions on the topics of remuneration and feedback.

Meetings with employees' representatives are held on a regular basis to discuss issues of importance to employees. The LTG Group's planned projects and projected changes are introduced to employees' representatives, and issues affecting the social and economic situation of employees are discussed.

Remuneration and performance management

The general principles of remuneration formation are focused on:

- attracting, motivating and retaining highly qualified and competent employees;
- encouraging employees to improve;
- ensuring internal justice in remuneration for work and employees' efforts;
- continuous improvement of employees' conditions;
- motivating employees through a package of added benefits;
- effective personnel cost management.

Classical elements are used to achieve the identified tasks through remuneration management: methodological appraisal of positions; periodic comparison of internal remuneration data with the market and implementation of the review; the direct link between the possibilities of the change in remuneration and the efficiency of the employee's activities - the results of achieving the annual goals.

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

Every year, a periodic review of remuneration is conducted, which is linked to the comparison of the existing remuneration of employees with the market, the Company's financial results and the budget allocated for the review, as well as the assessment of the annual performance of each employee. The periodic review of remuneration generally takes effect on April 1 of each year.

At the end of the financial year and after evaluating the results achieved by the Company, an annual incentive fund is allocated to employees. Such fund is an incentive for employees at the initiative of the employer for a job well performed and positive results of the Company, as specified in Article 139(2)(6) of the Labour Code of the Republic of Lithuania. This incentive is also forward-looking as an incentive for employees, and individual annual incentive opportunities are linked to the corporate levels of positions and the evaluation of each employee's annual performance.

The decision on both the budget for the periodic review of remuneration and the annual incentive fund is adopted by the Board of the Company after a detailed assessment of all the circumstances.

The package of additional benefits includes one-off benefits for the birth of an employee's child or death of a close family member, support in the event of a natural disaster, loyalty benefits for employees leaving the organisation at the retirement age, additional leave and other benefits provided for by the Sectoral Collective Agreement and the Remuneration Methodology of the LTG Group. Employees are also provided with accident insurance and additional voluntary health insurance, which compensates employees for outpatient and inpatient treatment and diagnostics, preventive health check-ups and vaccinations, prescription drugs and medical aids. In addition, staff can choose between dental, rehabilitation or optician services. Each year about 80% of employees choose to take out supplementary voluntary health insurance.

Remuneration principles and additional benefits are defined in the Sectoral Collective Agreement, Personnel Policy, Remuneration Methodology of the LTG Group. The principles of formation of the remuneration of the top management are defined in the Remuneration Policy for Top Level Employees approved by the Board of the Company.

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

Training and development of competences

The LTG Group promotes professional and personal development of its employees by creating a work environment that promotes continuous professional growth and a culture of continuous learning. In the organisation, priority is given to self-education, learning at a workplace, and internal training.

In the LTG Group, training is carried out in accordance with a mixed approach. In 2021, seeking for implementation of this methodology and administration of training within the Group, the platform SAP SuccessFactors virtual learning management system, based on global best practices, was launched. By applying the standards of international organisations, each employee is encouraged to independently plan the timeliness of mandatory training, independently register for the published training in the virtual training library. Each manager has the tools to monitor their team's training plans, the progress of each employee and a plan for the future competencies of individual employees and their development.

Throughout the LTG Group, qualification of employees is supported and improved by digitalised solutions - electronic-based learning, remote case analyses, etc. For this purpose, almost one third of training compulsory material was digitalised in 2021. More than 2,000 employees have independently completed e-training on the use of the most popular MS programs Word, Excel, PowerPoint, and Outlook, on remote working for managers and employees in Moodle learning platform.

In order to ensure effective development, LTG Group has changed presentation of compulsory training programs: individual training plans for positions have been drawn up, providing only that training material which is relevant to the specific position.

The LTG Group regularly organises internal and external training and periodic certifications in order for the employees to acquire or update professional knowledge, strengthen the required skills and maintain a high professional level. In 2021, employees of the LTG Group had training according to 146 different programmes that were given both by internal lecturers and by lecturers of external suppliers. 8,250 employees of the LTG Group participated in mandatory vocational and in-service training. Workers performing high-risk work, working with and maintaining potentially hazardous equipment have been trained in safe working methods. According to the 22 internal mandatory vocational training programmes on traffic safety and occupational safety and health (prepared in accordance with the provisions of the Law on Railway Safety of the Republic of Lithuania and European regulations), 223 trainings have been organised that 7,722 employees participated therein, and 528 employees studied at external training institutions.

In the organisation, priority is given to self-education, learning at a workplace, and internal training.

The LTG Internal Lecturers' Club, established in 2019, brings together employees who want to share their knowledge, experience, value the benefits of knowledge sharing and create and nurture a culture of knowledge sharing in our organisation. In 2021, employees learned from each other the basics of feedback, strategic planning and management, change and project management, performance management, and more. Over 1,000 employees took part in these trainings.

The LTG Group cares about safety and competence of their partners. Employees of other organisations who are working in the territory of companies of the LTG Group are provided with training on safe behaviour in the protection zones of railway tracks and their facilities. A total of 1,448 employees of construction companies completed internal safe traffic programs in 2021.

Strengthening leadership is one of LTG Group's priorities. Managers strengthened their leadership competencies in the training of LTG Management Academy, which has been operating since 2019, and improved their knowledge in the areas of operational efficiency, team leadership, operational infrastructure, personal efficiency, and work with clients. In 2021, the academy received 553 participants. The internal training programme "LTG Manager Standard" on the basic principles of team leadership, which is taken by each new manager, continues. It was attended by 103 new executives of the company.

Much attention is paid to the feedback culture in the organisation. For the third year in a row, a 360-degree feedback survey of leadership competencies has been conducted, during which each leader receives comprehensive and high-quality feedback on their leadership competencies from the immediate work environment - immediate supervisor, colleagues and subordinates, identifies strong and improved behaviours and develops individual learning plans. In 2021, 574 executives participated in the feedback survey.

Not only professional competencies but also social, emotional competencies and abilities are strengthened. Training programmes for personal effectiveness at work have been supplemented with current topics on feedback, emotional intelligence, creative thinking, innovation, adaptability to change (adaptability) and lifelong learning. Almost 1,000 employees of the LTG Group took part in this training. In 2021, the Company's employees were offered remote lectures focused on strengthening well-being at work, psychological resilience, psychological and physical health.

Development of organisational culture

Focus on employees and the development of organisational culture is one of the strategic directions of the LTG Group, primarily implemented through the development of organisational culture. In March 2021, the LTG Group Management Committee reviewed and approved 5 priority cultural goals of the LTG Group organisation: leadership, openness and trust, talents and career, focus on high results, physical work environment.

Every year, the LTG Group conducts an extended survey of the factors influencing the culture of the organisation – Employees' Voice. The survey evaluates 3 key indicators: employees' engagement, satisfaction, loyalty (eNPS). In addition, other critical areas influencing organisational culture, such as collaboration, careers and education, organisational values, performance management, customer orientation, leadership, diversity management, empowerment, the workplace, and occupational safety are evaluated.

In 2021, more than 7,700 LTG Group employees (87%) participated in the Employee's Voice survey. The extremely high activity rate shows the willingness of employees to talk about how satisfied they are at work and what they would like to change. Such high activity ensures the reliability of the test results.

We were delighted by the results of the survey:

- Employees' engagement: 57%. Employees' engagement increased by 12 percentage points over the year. This indicator shows what proportion of employees is confidently proud of their workplace, constantly and proactively striving to do more for the company than is required and is true ambassadors of their organisation. Employees' engagement in excess of 60% is generally considered to be extremely high in companies. Therefore, a significantly increased participation rate of the LTG Group in recent years has brought it closer to the best organisations.
- Employees' satisfaction: 77%. Employee satisfaction increased by 11 percentage points over the year. This result is also extremely positive, as it is higher by 7% than the average of Lithuanian companies and shows that almost 6,000 LTG Group employees are completely satisfied with their organisation.
- Employees' Loyalty (eNPS): +6. The employer's NPS indicator (net promoter score) shows how likely it is that employees will recommend the organisation to others as a place of employment. This indicator increased by 22 points compared to last year (in 2020: 16 points).

Based on the results of the Employees' Voice Survey, individual priorities for the development of the organisation's culture that are significant for specific activities have been identified. In summary, most of this year's initiatives focus on improving collaboration, internal communication, preparing for change and internal career development.

Equal opportunities

The LTG Group follows the Equal Opportunities Policy, the LTG Group's Rules of Procedure and the Code of Ethics which define the principles of ensuring equal opportunities and diversity and the measures for their implementation.

We value a person's uniqueness by paying a special attention to his or her competencies and experience, therefore we promote diversity and the implementation of equal opportunities in order to create a work environment in which everyone has equal opportunities to succeed. We strive to treat all existing and potential employees fairly and respectfully at all stages of their employment, to ensure that no employees are discriminated against in any way, and that all employees have equal opportunities to contribute and realise their potential, regardless of personal differences.

We promote diversity and the implementation of equal opportunities in order to create a work environment in which everyone has equal opportunities to succeed.

The LTG Group does not tolerate direct or indirect discrimination, instructions to discriminate, any form of harassment, psychological violence, bullying or abuse of position.

Reports of equal opportunities or other violations may be submitted to Personnel Management employees by e-mail manrupi@ltg.lt or through the hotline channels - phone (8 5) 269 3600 or e-mail prevencija@bekorupcijos.lt.

Cooperation with educational institutions

In 2021, successful cooperation with Kaunas University of Technology (KTU) has been continued": KTU WANTed, presentation of LTG Group activities to students, announcement of the LTG internship program "Growing Leaders" were presented. During the virtual KTU WANTed Career Day, it was spoken about career opportunities in the LTG Group, transformation projects and great attention was paid to the largest railway infrastructure project Rail Baltica. The broadcast was watched live by almost 9,000 people in the KTU academic community.

In 2021, close relationship with Vilnius Tech University maintained**.** Meetings with freshmen who chose to study Transport Engineering were organised, a lot of attention was paid to the railway sector, promising career opportunities in the Corporate Group and, as the project Rail Baltica has reached an advanced stage, on the increasing demand for engineering specialists.

As a part of collaboration with Vilnius College of Technologies and Design, trainees who are seeking to apply the theoretical knowledge gained at the university in practice were willingly accepted in the organisation.

In July-August 2021, project of paid internship "Growing Leaders" was held for the third time. During the project, the young specialists had the opportunity to apply the theoretical knowledge gained at the university in practice, contribute their ideas and real work to the Group processes, participate in interesting excursions to get acquainted with LTG Group activities and work in groups to develop LTG strategic goals.in 2021, we received 136 applications from candidates out of which we selected 29 most talented and motivated interns. Most of the selected interns are students of Kaunas University of Technology (13) and Vilnius University (6). The most popular areas are transport engineering and information technologies – even 8 interns were accepted in each of them. At the end of the internship project, 16 project participants – more than half of total interns participated in the project - remained in the LTG Group to continue the works that were started.

We have cooperated with an education and higher education magazine "Reitingai" and have prepared an article on the topic "Future Career: What It Is Important to Know before Choosing It?". We talked to employees of LTG about their chosen careers and discussed on the extent to which knowledge and skills acquired at university are useful in their everyday work and reviewed what future competences are necessary for the young specialists.

In 2021, 18 students participated in an internship in the LTG Group. Most of internships were compulsory; yet we had one student who participated in a voluntary internship. Most interns we accepted to the areas of engineering and HR.

Club of Ambassadors

At the beginning of 2021, the LTG Club of Ambassadors, which invites every active employee to join it and jointly create and organise various initiatives for the benefit of the entire LTG Group and colleagues, was restored. The main goal of this club is to increase employees' involvement and promote employees' commitment to the collective goals of the LTG Group, strengthen internal communication in LTG Group companies and individual divisions, promote employee feedback and cooperation between divisions and volunteering. The Club had a significant challenge to find ways to surprise, cheer and engage LTG colleagues during quarantine and pandemic.

The Club can be proud of many successful projects:

- lectures were organised that promoted physical and psychological health (12 lectures on health were organised together with the Vilnius Public Health Bureau, there also were lectures on psychological and physical health given) and 300 interactive sports programmes with books were given to our employees;
- In cooperation with the organisers of the walk15 initiative, an unprecedented campaign was prepared in LTG Group – "Step with LTG". The Group's employees have stepped almost 340 million steps thereby "growing" 1,500 virtual trees;
- the club organised the LTG Summer Festival;
- 7 competitions were also organised, children's drawings exhibitions at the railway station passenger hall, 6 "Meeting on the Platform" events during which employees had the opportunity to get to know the leaders of the LTG Group better. "LTG train of minds ", in which as many as 239 teams registered, and other initiatives.

OPENNESS TO SOCIETY AND COOPERATION WITH THE COMMUNITIES

WE ARE OPEN: WE LISTEN TO THE EXPECTATIONS OF THE SOCIETY AND PROACTIVELY SHARE OUR PLANS AND ACHIEVEMENTS.

- "SafeTracks" social campaign
- Almost 32 thousand passengers were attracted by the Christmas train
- Satisfaction of LTG Link clients reaches up to 84%
- The re-selection rate of LTG Cargo is equal to 8.6 points
- The Railway Museum is being modernised

Informing of communities and other social groups concerned about the processes that are important to them, their involvement in sustainability-related and other initiatives are considered by the LTG Group to be one of their priorities. The LTG Group informs these persons about their activities, sectoral events, the implemented or to-be-implemented projects proactively and on a regular basis and actively promotes and develops mutual dialogue. Initiatives of the Group companies comprise a wide and meaningful range of activities – such as collaboration with communities seeking to improve life quality of people living in areas next to railways, promotion of sustainable logistic solutions, education on safe behaviour at railways, as well as striving for telling the history of railways in a modern way and introducing the society to the work of professionals of this field.

In this way, the Group is continuously improving reporting and cooperation with all the social groups concerned, is fostering the culture of openness and transparency. The Group understands that only such activity that is transparent, open, effective and based on modern management principles leads to progress and can create most value for those whom it is responsible to – i. e. all the society.

Communities

LTG Infra is actively involved and initiates meetings with communities neighbouring the railway. During the discussions, their needs are heard and solutions are sought together with the municipalities to improve the quality of life of people living near the railway.

For example, during the remote meeting, when the alternatives of the future Rail Baltica railway route Kaunas - Vilnius were presented to the public, additional meetings were organised with the communities that will be most affected by the newly built railway. All concerned parties were invited to comment and make suggestions on the future route of the railway. During the meetings, representatives of LTG Group, the Ministry of Transport and Communications of the Republic of Lithuania and the authors of the Rail Baltica project seek to answer questions from members of the community and representatives of the municipality. Liaison with communities will be maintained throughout the project by providing up-to-date information and answering new questions.

LTG Infra has started planting and restoration projects with increasing attention to the environment. The reforestation projects launched by the Company contribute to the main goal - to create a sustainable infrastructure that will not only protect the railway from the effects of wind and snow, but will also reduce noise for the population, improve the landscape and strengthen the natural framework. Projects are implemented in close collaboration with communities. During reforestation works, trees and shrubs that contain inferior hunting vegetation, dead, dry or intensely drying trees that endanger safe train traffic are removed. In their place, depending on the habitats and their individual characteristics, new trees and shrubs will be planted, which will form a safe, eye-catching, dense green area. In 2021–2022, LTG Infra plans to carry out the restoration works of dead and overripe greenery in Raseiniai, Šiauliai, Kaišiadorys, Akmenė, Radviliškis, Kėdainiai districts and Kena.

Promoting sustainable logistics

Railways are recognised in the European Union as the environmentally friendliest mode of transport with the lowest GHG emissions from passenger and freight transport. The year 2021 has been declared the European Year of Railways in Europe. In 2021, LTG Group contributed to the promotion of more sustainable, ecological travel and freight transport vehicles by actively communicating the green and environmental friendliness of trains.

The International Transport Innovation Forum presented awards of the competition "Towards the Green Communication" aimed at sustainable logistics solutions and initiatives. During the awards initiated by LTG, Lithuanian companies, public sector, creative and public organisations that chose the green course were rewarded. The awards were presented in six categories: "Greenest Municipality", "Greenest Start-up for Mobility", "Green Exports", "Design Solutions for Better Connectivity and Intersectoral Cooperation", "Promoting Sustainable Mobility" and "Digital Transport and Logistics Solution".

LTG Link continuously implements solutions promoting travelling by rail and, thus, contributing to reduced environmental impact of transport sector. During the summer season in 2021, the Company continued organising the routes of the Seaside Express that allow passengers to travel to the seaside in a convenient and safe way; it is possible to travel from the capital to Kretinga or Klaipėda by rail and to continue the trip to the resort by specially provided buses. During the Christmas period, the Company also proposed to travel by festive trains – two trains travelling on the routes Vilnius-Kaunas-Vilnius and Vilnius-Klaipėda-Vilnius were decorated with festive decorations. It has been estimated that this project, which has come to public attention, has attracted almost 32 thousand passengers to the festive trains, and it has encouraged almost 6 thousand people to change their own vehicles to trips by trains. In spring – summer of 2020, LTG Link initiated a campaign #Žalumo LINK which has communicated an important message to both loyal and potential customers: if you travel by train without a trace of pollution, you contribute to reduction of the effects of climate change.

Every year, RB Rail AS organises the Rail Baltica Academy for the society and students who are interested in railway transport engineering, planning, innovations, virtual designing, construction, environmental protection and other issues related to the Rail Baltica project. The team members of LTG Infra are continuously participating in the initiative and presenting the news and objectives of the project. Sharing of the expert experience is one of the objectives set by the LTG Infra team that is responsible for implementation of this strategic project in Lithuania.

Customer satisfaction

The companies of the LTG Group LTG Link and LTG Cargo aim at meeting customer needs; thus, it proactively measured the Net Promoter Score (NPS) and the Customer Satisfaction Score (CSAT). The aim of those surveys is to directly receive customers' needs and expectations.

According to the results of the surveys conducted by LTG Link for the fourth year, customer satisfaction equals to 84%, and recommendations – 62%. Taking into consideration the results, the actions of improvement of customer satisfaction have been taken, including solutions ensuring better wireless internet connection in trains and more convenient journeys by adjusting part of trips of an annual schedule. Constant measurement of customer satisfaction also helps to assess operating areas for improvement and to look for solutions how to improve such facilities as conditioning in trains informing of customers, etc. Taking into consideration customers' needs, a public procurement for acquisition of modern and comfortable trains has been already started. In addition, the Company is actively enhancing customer service culture. It has been sought for travel attendants to be constantly assisting and attentive to people during the entire trip. The survey results indicate that the service quality indicator is consistently increasing – in 2021, it was equal to 9.6 points (it has increased by 0.5 points since 2020).

In order to maintain transparent relationship with customers and consult them, LTG Link has established the Customer Information Centre. During 2021, almost 70 thousand calls were answered, more than 3.6 thousand email requests and approximately 600 messages on the Facebook app were responded. A total customer evaluation after the call is equal to even 4.93 points out of 5.

By measuring Net Promoter Score, LTG Cargo improves and meets customer needs. In 2021, the Company maintained a stable measurement rate of 7.9 points, and the re-selection rate is equal to even 8.6 points. In implementing its activities, the Company educates customers about the alternatives of more sustainable freight transportation. In the range of 10-7 points, 48% of customers acknowledge the fact that freight transportation by rail is perceived as an environmentally friendly solution. Culture and thoughtfulness of employees, freight transportation safety, service quality of customs brokers, competence of supporting staff and user-friendliness of the system "E-Cargo" dominate among the best-rated aspects of customer experience.

Ensuring opportunities for people with individual needs

LTG Group actively promotes social dialogue with people with individual needs. Meetings with organisations uniting people with individual needs and representatives of the Ministry of Transport and Communications of the Republic of Lithuania were organised on a quarterly basis. During them, the progress of the implementation of the project "Adaptation of railway services according to the principles of universal design", the status of the activities of LTG Link and the upcoming works related to the project were discussed. During the meetings and the whole project, a dialogue is maintained with the organisations participating in the project, the aim is to take into account their recommendations.

In order to ensure and meet the needs of all passengers, a public procurement of new electric trains has been started. It is expected that the new CO2-free trains will complement the Company's train fleet by the year 2025. The renewal of the train fleet is one of the most important priorities of the Company, which will enable ensuring green and sustainable mobility more efficiently. They will be in compliance with high requirements of sustainability, long-term operation and convenience for all passengers, including persons with individual needs.

When preparing documentation for public procurement, the Company actively consulted with a variety of organisations uniting persons with individual needs, and the acquired trains will have to meet all the requirements established in the Commission Regulation (EU) No 1300/2014 on the technical specifications for interoperability relating to accessibility of the Union's rail system for persons with disabilities and persons with reduced mobility.

In 2021, LTG Link joined the global Hidden Disabilities Sunflower initiative. This year, it has been cooperated with the Lithuanian Association of the Blind and Visually Handicapped (LASS) regarding compliance of passenger stations marking for customers with individual needs.

In June 2021, LTG signed a memorandum initiated by the Ministry of Transport and Communications on the adaptation of vehicles and transport physical and information infrastructure to people with individual needs. According to the action plan agreed in the Letter of Intent on Cooperation signed in 2019 by the Ministry of Transport and Communications of the Republic of Lithuania, Lietuvos Geležinkeliai and the Lithuanian Disability Forum, the goals of the aforementioned memorandum of 2021 are being implemented.

LTG Group actively promotes social dialogue with people with individual needs

Members of the PRM (Passengers with Reduced Mobility) project of LTG Link have participated in an organised trip “PRM: Experiential Journey by Train”, aiming at experiencing and evaluating adaptability of infrastructure and services provided by LTG Link for persons with individual needs and with reduced mobility. Observations made during the trip have been submitted to managers of the responsible divisions with a commitment to remove obstacles faced by passengers.

In order to make train travel easily accessible, comprehensible and convenient for all passengers, including people with individual needs, seniors, young families with young children, LTG Infra continues to develop the project “Adapting a barrier-free route for people with disabilities in the station area” the purpose whereof is to renovate the entrances to the station, where it is necessary to install new ramps, repair paths near the stations, install warning lanes and perform other works. Following the approval of the Board of LTG Infra, public procurement procedures were initiated.

The modernisation project of pedestrian bridges is also in progress, where the expert analysis of 9 pedestrian bridges (in Kena, Naujoji Vilnia, Paneriai, Kybartai, Palemonas, Gaižiūnai, Radviliškis, Šiauliai) over the railway tracks are conducted, design works for the reconstruction of Vilnius pedestrian viaduct are carried out and the procurement of design services for reconstruction of Kaišiadorys pedestrian viaduct was completed successfully.

A public procurement of the project “Station Information System” is continued to be carried out; during the procurement, 50 units of station information system will be acquired and installed. The new information systems will be installed in railway platforms or in waiting rooms.

Railway Museum

Vilnius Railway Station has the Railway Museum, which is the only one of its kind in Lithuania. The indoor and outdoor expositions of the museum present the history of the Lithuanian railways, various events and education activities for children take place.

In view of the fact that the modern museum must both inform and create experiences, the concept of the museum has been updated and in 2020 the modernisation of the museum, financed by the European Union Structural Funds, was started. The aim is to present the museum’s exhibits in an even more attractive way, to tell the history of the railways from the 19th century to the present day in an interactive and modern way, and introduce the work of railway specialists to the public. The renovation of the museum is expected to help maintain and even increase visitors’ flows.

The outdoor exposition, which is open while the museum is undergoing modernisation, is located on the first platform of Vilnius railway station. It contains more than 30 exhibits of historical railway equipment: road cars, wagons, locomotives, an old steam locomotive.

Prior to the modernisation, the museum received over 30 thousand visitors a year from the indoor and outdoor expositions. After closing the indoor exposition for modernisation and leaving opened only the outdoor exposition, in 2021 it was visited by about 11 thousand people. It is planned that after the implementation of the modernisation project, the number of visitors of the museum will increase by about 1.5 times – up to about 50 thousand visitors per year.

The Railway Museum is included in the Register of Lithuanian Cultural Institutions and is a member of the Lithuanian Museums Association.

Programmes to promote safe behaviour

A special website https://saugusbegiai.lt/ has been created to notify the public of the basics of safe railway behaviour and the safety situation in Lithuania

In 2021 the campaign of LTG Infra on safe behaviour at railway crossings continued together with the special educational program "Safe Rails". On the International Day of Safe Behaviour at Railway Crossings, LTG Group employees and police officers held campaigns at the most dangerous crossings in the country - reminding drivers and pedestrians about the basics of safe traffic at railway crossings, and memorable posters of the Safe Rails campaign were displayed in cities. A special website https://saugusbegiai.lt/ has been created to notify the public of the basics of safe railway behaviour and the safety situation in Lithuania.

Throughout the year, LTG employees, together with officials of the Lithuanian Road Police Service, carried out campaigns of safe traffic at crossings, organised at the most dangerous railway crossings where incidents have recently occurred and where extremely high traffic flows are observed.

Safety campaigns encourage drivers and pedestrians to comply with the road traffic regulations and remind them to cross the level crossings safely, especially at a time when the weather is getting worse and it gets darker earlier. During the campaign, information material, reflective vests for cyclists and reflectors for pedestrians are distributed.

The most common observed violations are ignored road signs or traffic lights at level crossings.

"Vilnius Connect"

In 2021 a significant project of modernisation and development of the Vilnius railway station territory "Vilnius Connect" was continued to be implemented, which aims to create a modern multifunctional communication, business and leisure centre. It will shape the image of the modern city gate, increase the economic return of Vilnius railway station and the surrounding area, improve the social environment and create greater value for current and future train passengers.

Currently, detailed spatial planning works are carried out for the territory of Vilnius railway station. In 2020, a strategic environmental assessment report was prepared and the spatial planning concept was approved. In 2021, the solutions of the detailed plan of the territory were presented to the public, publicity procedures were performed; the detailed plan was coordinated with the Territorial Planning Commission and submitted to the State Territorial Planning and Construction Inspectorate for inspection.

In the spring of 2021, LTG and Vilnius City Municipality invited architects from all over the world to submit ideas for the transformation of passenger halls of Vilnius railway station of 19th century and their accesses in an international architectural competition. 33 proposals were submitted for one of the largest urban spatial renewal projects in Lithuania in 21st century, which were evaluated by an international evaluation commission. In September 2021, preliminary winners of the competition were announced and published, all proposals are available to the public in a virtual exhibition (https://vilniusconnect.lt/).

It is worth mentioning that after the implementation of the project Rail Baltica, new Vilnius railway station will become the new axis of Vilnius from which it will be possible to reach Kaunas in 30 minutes, Riga in 2 hours, and Tallinn in 4 hours, therefore it will be one of the most important places in the capital. This change, which affects the territories of the Old Town, Naujamiestis and Naujininkai, will become an impulse for the development of the whole of Vilnius, provide economic and social benefits for the entire Vilnius region.

COMPREHENSIVE SECURITY

WE SEEK FOR SAFETY IN ALL ACTIVITY AREAS: WE ASSESS AND MANAGE RISKS, EDUCATE EMPLOYEES AND THE SOCIETY.

- The vision of traffic safety of the LTG Group – 0 incidents
- Security Academy – 65 lectures and discussions on safety
- 7 training programmes of occupational safety and health
- Preventive campaigns in cooperation with the Lithuanian Police and the Lithuanian Transport Safety Administration

LTG Group companies aim to eliminate accidents through sustainable, digitisation and other appropriate measures, and various training programmes are carried out. A priority shall be given to the road safety in order to protect road users and passengers, as well as the infrastructure, rolling stocks, cargo and luggage from rail traffic accidents, unauthorised interference and related consequences; this results in centralised safety management, audits of elements of the management system, traffic safety inspections, safety training, and other measures that meet the highest standards. The LTG Group seeks to ensure the transparency of transactions and their compliance with the national security interests, responsibly manage critical information systems and ensure data security. All this is done through the dissemination of information and educational, organisational, technical measures to prevent cyber incidents.

In spring of 2021, the first Security Academy was launched in the LTG Group - i. e. a variety of events, trainings, discussion forums related to all types of security (railway traffic safety, occupational safety and health, asset safety, business safety, environmental protection, object safety) lasting for one week per quarter that are organised by the safety management team. The initiative aims to involve all employees of the LTG Group into safety management, introduce them to the most relevant safety-related issues and challenges and their possible solutions, to train employees in the area of safety. All the events were carried out using the MS Teams platform and in accordance with the ordinary procedures for remote meetings and events established by LTG. The trainings were conducted by specialists of the LTG Group as well as by experts invited from various organisations. Over the year, 65 trainings have been organised on different safety topics. A total of 14.6 thousand participants took part in the trainings and discussions, who have appreciated the initiative for the opportunity to communicate and for a good knowledge and experience transfer.

Data protection

The LTG Group cares about protection of personal data and values the information that it is entrusted to by its employees, customers and partners. The LTG Group strictly follows the requirements of the General Data Protection Regulation of the EU and other data protection legislation for the protection of data subjects.

In order to implement the requirements of data protection legislation, in 2021 in the field of data protection:

- it has been concerned with employees' awareness of personal data protection issues. Data protection training was organised for employees of the Group companies and the Company, and data protection memos that provided essential information on data protection were distribute;
- either new or updated internal legal acts, process standards, privacy notices of the Company and the companies of the LTG Group related to the field of personal data protection have been prepared. Among them, the most important documents are as follows: the rules for processing video data, the rules for processing recordings of telephone conversations, the assessment process of management of personal data protection breaches, enforcement of data subjects' rights, the impact on data protection.
- A lot of attention to the review and updating of mandatory data processing activity records of the Company and companies of the LTG Group, involving the responsible employees of the LTG Group companies in the ongoing processes has been paid;
- in order to comply as far as possible with the requirements of the General Data Protection Regulation, data protection risks were identified, and measures to mitigate these risks have been set;
- in order to ensure compliance with the requirements of the General Data Protection Regulation, data processing operations were subject to data protection impact assessments, balances of legitimate interests, conclusions, risks and risk mitigation measures were identified in the Company and the LTG Group, as appropriate.
- Standard data processing and data transfer agreements were concluded with data controllers and co-controllers;
- recommendations and consultations to employees of the Company and companies of the LTG Group regarding the performed data processing operations, legal acts, agreements, compliance with the General Data Protection Regulation and other legal acts regulating the protection of personal data were provided;
- requests of 16 persons for the exercise of their rights under the General Data Protection Regulation were implemented;
- 3 personal data breaches that occurred in 2021 were managed.

Occupational safety and health

The most important goals in ensuring occupational safety and health (hereinafter - OSH) in the LTG Group are to strengthen the leadership and culture of employees and improve processes and measures regulating OSH. With a view to reducing the risk of health disorders or occupational accidents and to develop an independent corporate safety culture, the 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.

In 2021, 8 092 times employees participated in safety trainings

Management of OSH risks in 2021

01 Management of employees' safety competences and implementation of safety culture

02 COVID-19 prevention and provision of personal protective equipment (PPE)

03 Update of manuals and legislation

04 Digitalisation 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, selection and provision of personal protection measures for employees, alcohol testing, management of accounts-permissions etc.), also ensured the compliance of legislation of the LTG Group companies on occupational safety and health with the set requirements.

For the development of a social dialogue between the employer and employees, employees' representatives for safety and health elected by the Group companies are cooperated with on the Microsoft Teams platform, as well as are the members of the Committees of employees' safety and health – they are notified of employees' safety and health indicators, the progress of implementation of preventive measures and recommendations.

In 2021, the Management's handbook for safety was prepared for the practical use of LTG Group's unit managers, and Safety forums took place, Safety academies were held with the participation of all the LTG Group's employees where the following topics were introduced: hearing protection and exposure to noise, respiratory protection, protection against falls from a height, head protection and the importance of wearing PPE (Personal Protective Equipment), eye and face protection, management of psychosocial risks, prevention of suicide in the immediate environment and other relevant topics.

Management and improvement of employee safety competencies has been ensured, the Safety Competence Matrices of each company of the LTG Group have been updated. LTG occupational safety and health specialists periodically taught 7 occupational safety and health training programmes in a remote manner (compulsory first aid, manual handling, work height, department heads, occupational safety and health representatives, etc.). In 2021, 8,092 times employees participated in safety trainings (whereof, trainings for unit managers – 283 times, for employees' representatives for safety and health – 14 times, before starting precarious works – 1,958 times, and other trainings on occupational safety and health issues – 5,678 times).

Prevention of work-related incidents, accidents at work and on the way to and from work, health disorders and occupational diseases is carried out by the LTG Group, and all incidents are investigated. Employees of the LTG Group are additionally insured against accidents at the employer's expense.

In order to create safe and healthy conditions, a sufficient number of occupational safety and health and occupational health specialists is ensured, plans for occupational risk assessment, inspection of departments, contractors and clients are drawn up, and after their implementation, preventive measures are implemented and monitored. Standardisation and digitisation of inspection questionnaires has ensured proper data management and analysis.

In 2021, the entire LTG Group implemented the Global Instruction, during which employees were mandatorily instructed periodically at workplaces, thus eliminating the risk of work without being instructed, enabling them to instruct remotely and sign electronically. Changes were actively made to the relevant legislation: the initial instruction process, the instruction assignment matrices created by each company of the LTG Group were renewed, 128 instructions on occupational safety and health at work, technological instructions, and instructions on the work equipment were updated, ensuring their compliance with the Machinery Directive.

The process of preventive periodic health examinations of employees and candidates was ensured. After taking over this function from the Personnel Management, the legal acts regulating the process were amended accordingly, the conclusion of new preventive health examination contracts was initiated. Depending on the influenza vaccination service available on the market, an influenza vaccination service (384 employees were vaccinated) and a tick-borne encephalitis vaccination service (1,356 employees were vaccinated) were organised.

Upon preparation of all necessary documents for the procurement, the update of sobriety testing process and the principles of work, acquisition of new alco-testers with the function of biometric dentification has been initiated.

In 2021, a strong focus on assessing and managing the psychosocial risks of workers: an assessment of the psychosocial risks of 2,356 workers has been updated. Employees have a free access to psychologists at work in case of a psychological trauma after an accident or incident.

COVID-19 related situation under management:

- The prevention of COVID-19 is ensured by the Group of Management of Emergencies formed by the Group;
- The possibility to work remotely considering the professional risks of remote work (remote work was organised for 2,331 employees, business continuity ensured) was ensured;
- Vaccination of employees from COVID-19 in cooperation with vaccination busses was organised, the general level of immunisation of LTG Group's employees is around 92%;
- a risk assessment of biological factors has been performed;
- The behaviour of employees was regulated, isolation was ensured, leaflets, posters, information on safe behaviour were prepared and are available on internal website of LTG;
- Employees were given personal protection measures for COVID-19 prevention, thermometers and thermovisors were acquired to measure the body temperature of employees and third persons;
- Periodic inspections were carried out on implementation of COVID-19 prevention.
- seeking to improve communication with personnel and heads of units, consultations on vaccination, testing and work organisation are carried out through specially designed channels on the Microsoft Teams platform, which includes members of the Occupational Safety and Health Committee and representatives.

All employees are provided with high-quality collective and personal protective equipment, ensuring rental services of work clothing with periodical cleaning and repairing, acquisition of work footwear and other personal protection measures. In 2021, the LTG Group companies' lists of personal protection measures were updated, performance of public procurement was ensured guaranteeing an uninterrupted provision of personal protection measures to employees. Employees are involved in decision making with regard to selection and procurement of more convenient personal and other protection measures.

We cooperate with contractors, customers, suppliers of goods providing information on risk factors and ensuring mandatory safety requirements when providing services/goods in the territory of LTG Group companies, we control the implementation of safety provisions provided for by the agreements. An instruction for safe work of contractors in the catenary network has been prepared, which sets out the documents defining the limits of liability of LTG and the contractors.

Seeking to provide clear and relevant information and 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 LTG website.

Traffic safety

The LTG Group implements technical and organisational measures to ensure protection of employees, passengers, other road users and other society members as well as the railway infrastructure, railway rolling stocks and transported cargo and luggage from railway catastrophes, accidents and incidents and their consequences on a daily basis.

The vision of the LTG Group in the field of traffic safety is simple and all-encompassing – 0 (zero) incidents

The vision of the LTG Group in the field of traffic safety is simple and all-encompassing – 0 (zero) incidents, i.e. safe society and the Corporate Group without any railway catastrophes, accidents and incidents. Traffic safety management in the LTG Group is centralised, and unified traffic safety management systems have been prepared and approved for each company.

Taking them into account, the companies of the LTG Group:

- identified relevant safety objectives focused on the highest operational risks, developed and implemented a comprehensive plan of measures how to achieve them;
- managed the risks related to railway traffic safety, implemented the measures intended for elimination of the risks or their reduction to the lowest acceptable level;
- carried out targeted road safety inspections and periodic audits of the elements of the road safety management system;
- ensured continuous monitoring of the road safety status based on safety indicators, which allows to proactively prevent railway catastrophes, accidents and incidents and their consequences;
- conducted emergency management exercises.

In 2021, the LTG Group paid much attention to raising the safety awareness of employees, thus fostering an integrated safety culture model. A safety culture reflects the interaction between the requirements of a safety management system and how people make sense of them and implement them based on their attitudes, values and beliefs, how they behave and what decisions they make in their daily activities. A positive safety culture is characterised by a shared commitment by all employees to behave safely at all times.

In 2021, for the first time, employees of the LTG Group had the opportunity to participate in the survey on the level of safety maturity of all railway companies (carriers), infrastructure managers, safety authorities and other companies / institutions / organisations involved in railway transport in the European Union, organised by European Union Agency for Railway. Taking into account the results of the survey on the maturity level of safety culture carried out, the elements of the safety culture to be improved were identified and an action plan was prepared for further fostering of the safety awareness of the employees.

In addition, in order to foster a positive safety culture, in 2021 the LTG Group:

- organised security academies on a quarterly basis, during which educational meetings were held with LTG security experts and guest speakers to present safety advice and solutions to the most important safety-related issues, discussing security issues for employees - from cyber security to health assurance;
- developed a safety ambassadorship, during which employees are consulted rather than inspected, dangers related to traffic safety in structural units are analysed and the aim is to reduce them;
- Prepared a safety book for managers, which summarizes the functions of managers in the field of safety, providing what each manager must know in each safety area, together with relevant references to the most important safety documents;
- Rewarded employees who made the greatest contribution to improving safety through their personal contributions.
- A lot of attention was paid to raising public safety awareness. In order to ensure that persons crossing railway tracks or who are present in the railway danger zone, users of level crossings are aware of the traffic safety risks:
- A social education campaign SafeTracks (SaugūsBėgiai) (https://saugusbegiai.lt/) was implemented, which aimed to inform the public about dangers of crossing railway tracks or being in a dangerous railway zone, ensuring proper dissemination of safety information.
- Cooperation took place with the Ministry of Education of the Republic of Lithuania, municipal administrations, schools, driver and train driver training centres in preparing training material for students, future drivers and train drivers, while, at the same time, ensuring proper dissemination of this training material.
- Preventive campaigns were organised at the most dangerous railway crossings and level crossings with the Lithuanian Police and the Lithuanian Transport Safety Administration.
- Warning signs were placed in the access areas of the most risky level crossings and crossings, stating that before crossing the railway one must Stop, Look around, Listen and that nothing is more important than life. In addition, special crossing markings were carried out at level crossings and crossings to ensure that persons crossing the tracks were able to make a better assessment of the remaining distance to the approaching vehicle and its speed.
- A project for fencing of stations and intermediate stations was launched with the aim of installing technical security measures to restrict unauthorised access to railways.

In order to reduce the risks related to railway transport in the LTG Group, a lot of attention has been placed on standardisation and improvement of activities and procedures related to traffic safety:

- Traffic safety management systems and related procesures have been updated;
- Traffic management instructions for access roads have been updated and standartised;
- Traffic management instructions for access roads for customers have been digitalised;
- Maintenance activities of railway rolling stocks have been standartised and certified, and upgrading of the maintenance system has been started;
- Uniform acquaintance of employees with documents related to traffic safety has been carried out;
- The train driver's manual has been updated;
- The competence of the employees has been ensured, and regular trainigs have been organised;
- Employees are informed on threats related to traffic safety on a regular basis.

GOVERNANCE AREA

The LTG Group has successfully transformed the corporate governance of the Group companies and is constantly striving to improve its governance. In order to achieve long-term value growth, rational and efficient use of funds, assets and other resources, fulfilment of shareholder's expectations and interests of the LTG Group companies, the corporate operating model is focused on refining and concentrating core activities in subsidiaries. The LTG Group follows a clear and transparent operating architecture aimed at the implementation of long-term and short-term LTG strategic goals, interoperability and possible synergies. The LTG Group ensures independence of the management, seeks to isolate the Corporate Group from any political impact and also commits to improve governance of the LTG Group by seeking to ensure management that is effective and in line with the best governance practice; thus, it is constantly taking into consideration the good practices and recommendations to improve governance. The Company receives positive assessments of its governance from Governance Coordination Centre and is constantly responding to recommendations on how it can further improve its performance in this area.

State capital and a strong relationship with the state reduce the risk of the LTG Group's defaulting, as well as improve the attitudes of creditors and potential financiers towards LTG Group's prospects and will enable to obtain a high investment credit rating, which will also contribute to ensuring better financing conditions. Obtaining of an investment credit rating will oblige LTG Group to apply high standards of governance and transparency, which will contribute to higher performance and better access to finance LTG Group's investment projects and development.

In the governance area, the LTG Group has two key priorities:

- Creation of long-term value for the state and the society.
- Ensuring of business continuity and risk management.

The LTG Group also aims at implementing other activities and goals related to governance, such as ensuring the good governance and effective corporate management, zero tolerance for corruption, transparency fostering, legal regulation of state-owned enterprises, management structures that are in line with the good governance practice as well as upholding of remuneration system as it is provided in the Corporate Governance Policy, Remuneration Policy for Top Level Employees, Corruption-resistance policy, also in strategies, action plans and other documents of the LTG Group.

The LTG Group seeks for the highest level of efficiency and transparency in its governance and, by its initiatives and values in this area, it contributes mostly to these global Sustainable Development Goals:

CREATING LONG-TERM VALUE FOR THE STATE AND THE SOCIETY

WE ENSURE RETURN TO THE STATE AND THE SOCIETY: WE CONTINUOUSLY IMPROVE AND INVEST IN SUSTAINABLE SOLUTIONS.

- We only invest in projects that are environmentally friendly
- A new corporate governance structure
- Green Public Procurements – more than 10% with perspective of increase
- Dividends – almost EUR 130 million for the period of 2017-2020

The LTG Group aims to be a competitive, growing corporate group that generates sustainable returns for its shareholder and creates long-term value for the society. In the LTG Group, corporate governance structure and investments are focused on creation of long-term value, sustainable borrowing resources are used for strategic projects. The LTG Group also pays much attention to creation of socio-economic value for the society: following the principles of sustainability, measures are consistently implemented to promote sustainable mobility of citizens, increase convenience and use more sustainable means of transport, it is constantly aimed at reducing the negative impact on the environment and society, the Green Public Procurements are carried out, contribution to increasing public welfare and strengthening of citizenship is made.

The corporate governance of the LTG Group is focused on creating sustainable, long-term value and ensures proper shareholder's representation, compatibility of the interests of stakeholders, refinement of the interaction between the management bodies, as well as the Group's structural units, implementation of management and control functions. Effective and balanced corporate governance establishes stable, clear and understandable relationships, increases the Group's attractiveness to the shareholder, customers, partners, employees, society and creates preconditions for value growth and sustainable development of the Group in the long run.

By the year 2030, the Company plans to make significant investments in the businesses it is developing and aims to become one of the leaders in sustainability in the region, thus making a significant contribution to achieving the goals of the European Green Agreement

Corporate governance is understood as a set of general rules, principles, practices and processes applied in the LTG Group, according to which the Group companies are managed and controlled. The corporate governance of the Group is exercised by LTG as a parent.

In order to achieve long-term value growth, rational and efficient use of funds, assets and other resources, fulfilment of shareholder's expectations and interests, LTG Group's operating model focuses on refining and concentrating the core activities in subsidiaries and streamlining, standardising and providing centralised services to the Group companies.

The aim is to obtain a high investment credit rating, which would help to ensure better financing conditions for operations. To meet its strategic commitments the organisation uses other financial resources responsibly as well, including those from the EU and other international donors. LTG Group pays a considerable attention to creation of social return to the society: in accordance with the principles of sustainability, measures are consistently implemented to facilitate citizens' mobility, increase convenience and promote more sustainable modes of transport, constantly reduce the negative impact on the environment and society, thereby contributing to increasing welfare of the society and strengthening of citizenship.

The LTG Group sets ambitious investment goals in its long-term strategic planning documents. By the year 2030, the Company plans to make significant investments in the businesses it is developing and aims to become one of the leaders in sustainability in the region, thus making a significant contribution to achieving the goals of the European Green Agreement. The financial sustainability of the Group also enables to set ambitious goals. This allows to fund implementation of the Strategy by borrowing on good terms from institutional, commercial banks or capital markets. Not only strong financial performance but also the investment programme focused on greenery and sustainable investment direction contribute to the opportunity of cheap borrowing. For the past 5 years, LTG has not invested in projects that would worsen the climate situation or pose risks related to climate change in the future. In the future, it is planned to receive additional financing, the terms whereof depend on green goals and investments in sustainable technologies. The Group is planning a number of investment projects that will further significantly reduce the impact on the climate and the environment in the future (electrification, network development, renovation of assets).

Every year, the Company seeks to pay the highest possible dividends significant to the state as a result of successful operational activity. All relevant information specified in the Guidelines for Ensuring the Transparency of the Activities of State-Owned Enterprises is made public.

In 2021, the LTG Group started initiating Green Public Procurements encouraged by the state. Procurement projects include a requirement that purchased goods were environmentally friendlier, more sustainable than standard analogues or that the service provider was certified to comply with international standards. The LTG Group has already managed to achieve that much more than 10% of the value of all procurements in 2021 would meet the requirements of Green Procurements, which exceeds the expectations of the state. Some of the examples are such important procurements as the contract works for the railway line section Kaunas-Panevėžys-LT / LV border of the strategic project Rail Baltica and the consolidated procurement of maintenance and repair of buildings. It is planned that in a few year time all public procurements of the LTG Group will comply with the requirements of Green Procurements.

ENSURING BUSINESS CONTINUITY AND RISK MANAGEMENT

WE PLAN THE FUTURE: WE INTEGRATE THE MANAGEMENT OF SHORT-TERM AND LONG-TERM RISKS INTO THE CORPORATE ACTIVITY.

- The principle of zero tolerance to corruption
- 94% of employees consider the workplace as unaffected by corruption
- 80% of employees are aware of whom to inform about a case of corruption
- The Business Continuity and Crisis Management Methodology was prepared in 2021

The LTG Group pays special attention to preventive and timely risk identification and management, therefore a unified and standardised risk management system and processes are implemented, which are integrated into key activities and decision-making. Effective anti-corruption and anti-bribery mechanisms that contribute to transparent decent management of the LTG Group processes have been introduced. The importance of the LTG Group activities for the state and society is recognised, therefore complex business continuity assurance mechanisms (business continuity plans, exercises, testing etc.) are being developed and applied to ensure continuous operations. Focus is placed on the organisation-wide ability to apply risk management practices and sharing them with other organisations.

Prevention of corruption and bribery

The LTG Group applies the principle of zero tolerance for corruption, which means that the Group companies do not tolerate any form of corruption. In its activities, LTG Infra implements a set of measures and processes aimed at forming a transparent and smoothly functioning company with an impeccable reputation. In order to create an environment resilient to corruption, internal legal acts are constantly reviewed, which are synchronised with international and national legal acts, as well as the legal basis of the Ministry of Transport and Communications of the Republic of Lithuania. The expectation of the shareholder to act in a transparent manner is adhered to.

Based on the assessment of the SOE Good Corporate Governance Index, in 2021, LTG actions taken in respect of corruption prevention were rated with the highest A+ index. It has been several consistent years before we achieved this goal, systemic development measures of corruption-resilient environment have been anticipated, international transparency standards are being implemented.

The LTG Group applies the principle of zero tolerance for corruption, which means that the Group companies do not tolerate any form of corruption

After performing a Security Test in the end of 2021, the level of resistance to corruption in the area of management of the Minister of Transport and Communications of the Republic of Lithuania in LTG Group was 70 points (maximum number of points - 70). The implementation rate of the corruption prevention plan is 92.9%.

On 25 May 2021, a cooperation agreement was signed with Special Investigation Service, which provides for methodological assistance in strengthening the anti-corruption environment of LTG Group.

In addition to the existing legal base, in 2021 the following targeted legislation was prepared/updated:

- Principles of working in the LTG Group;
- Description of the procedure for the administration of the LTG Group's internal information channel on violations (protection of whistle-blowers);
- Procedure for performing probability of corruption in LTG;
- Rules for the administration of the trust line of the LTG Group;
- Standard of the process of verification and/or investigation of the received information;
- Standard for the process of administering gifts received, delivered, or refused by employees;
- Methodology of giving and receiving gifts of the LTG Group.

Fair and responsible behaviour in the company is expected of all employees. In their daily work, everyone is introduced to the targeted legislation governing the development of a resilient environment, and it is important for employees to adhere to the ethical principles set out in the approved Code of Ethics for Employees. Transparency requirements are also imposed on business partners who are acquainted with the provisions of the approved Supplier Code of Conduct. The internal or individual chain of internal anti-corruption audits is carried out periodically. In 2021 an internal audit of the fraud investigation was carried out.

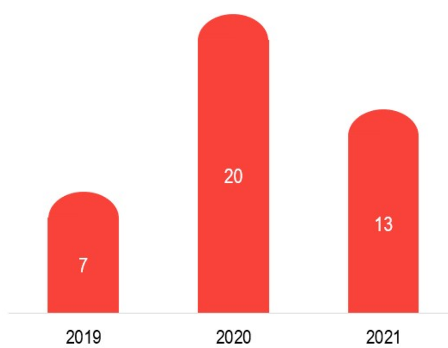
The Group is committed to ensuring the declaration of public and private interests and the management of conflicts of interest. Therefore, employees, who are obliged, submit declarations of private interests in accordance with the procedure established by the Law on the Coordination of Public and Private Interests of the Republic of Lithuania, employees, who do not have this obligation, declare private interests in the employees' self-service module “ManoLTG”. In the interest of objectivity and transparency in decision-making, the procedures for preparing, considering or adopting decisions on the removal and removal of staff from decisions which may give rise to a conflict of interest shall be addressed. Employees can opt out of decisions that are in conflict with their interests using the operational electronic functionality installed in 2020 and operating onwards.

In 2021 LTG Group approved the Gift Acceptance and Delivery Methodology, which obliges to adhere to the zero gift policy, and the provision and/or acceptance of gifts is allowed only in the cases provided for by this methodology. The application of the Methodology is aimed at strengthening the resilience of LTG Group and its employees to corruption, ensuring the legitimacy of the actions of employees, and the consistency of public and private interests. All received and delivered gifts are entered in the Gift Register created in 2021 in accordance with the provisions of the standard of the process of administration of gifts received, delivered and refused by employees. The LTG Group paid much attention to communication with employees regarding the treatment of gifts. A memorandum with practical examples for employees of how to behave having received, given or refused gifts was also prepared.

LTG Group complies with the legal requirements for checking the compliance of recruited persons and assessing them in terms of good reputation. At the same time, the Company is demanding of its partners - the solvency and reputation of the business partners are analysed and assessed, in order to identify the risks that may arise due to the business partners. Actions to minimize potential risks are analysed periodically.

To promote responsibility and activity of employees and other persons, LTG enables them to report anonymously about violations of corruptive nature through the following reporting channels (tel. No. (8 5) 269 3600, e-mail prevencija@bekorupcijos.lt, report on the website https://www.litrail.lt/en/korupcijos-prevencija). In 2021 a new whistle-blower protection channel praneseju.apsauga@ltg.lt.was introduced. Furthermore, in accordance with Directive of the European Parliament and of the Council on the protection of whistle-blowers and the Law on the protection of whistle-blowers of the Republic of Lithuania, the internal legal framework was developed.

Reported events on the trust line, number



Pursuant to the provisions of the Law on the Protection of Objects Important for Ensuring National Security of the Republic of Lithuania, inquiries are submitted to the Coordination Commission for Protection of Objects Important for National Security and the Ministry of National Defence of the Republic of Lithuania regarding compliance of initiated procurements, intended transactions or significant amendments to the transactions which have already been concluded with the interests of national security.

On a yearly basis, the Company conducts a targeted employee survey on resistance to corruption - the opinion of each employee matters and helps to strengthen the transparency of the company's activities. The purpose of the survey is to determine the attitude of employees towards corruption, find out their position on possible occurrence of corruption in the Corporate Group, identify employees' knowledge about the measures taken by the Corporate Group to prevent corruption. The results of surveys conducted in 2018-2021 show that the level of integrity and awareness of employees not to offer illegal remuneration/gifts is extremely high and employees rarely face corruption in their activities.

	2018	2019	2020	2021
The number of employees who were respondents	569	757	1 299	1 285
Employees who consider their workplace as not affected by corruption, %	86.1%	91.0%	91.5%	93.5%
Employees who are aware of whom to report a case of corruption, %	70.8%	71.2%	72.1%	80.1%

Involvement of employees in corruption prevention activities is also improved by other means, such as educating them about corruption prevention - employees actively participate in trainings organised by the Security Academy, independently strengthen their knowledge in e-trainings, the most important documents regulating this activity are periodically introduced to them, trainings are organised in cooperation with the Special Investigation Service, the Prosecutor General's Office of the Republic of Lithuania and other institutions, and other educational measures are implemented. Representatives of LTG Group participate in the events of the Transparency Academy of the Special Investigation Service (teach, mentor etc.), in 2021 a great deal of attention was paid to internal communication seeking to notify employees of innovations and implemented functionalities.

In 2021 attention was also paid to the provisions of the new Law on the Prevention of Corruption of the Republic of Lithuania. There was a structural change in respect of direct subordination of the unit, responsible for creating a resilient environment, to the CEO of LTG; the drafting of new legislation in line with the amendments to the said law was started; the introduction of new elements of a corruption-resistant environment was planned.

In 2021 LTG Group completed the necessary steps to implement the Standard and it will seek ISO 37001: 2016 certification after receiving an external evaluator's assessment of the measures of the implemented anti-corruption management system.

More information on the prevention of corruption and bribery of the LTG Group is available in the LTG Group's report on the prevention of corruption in 2021, which is prepared annually.

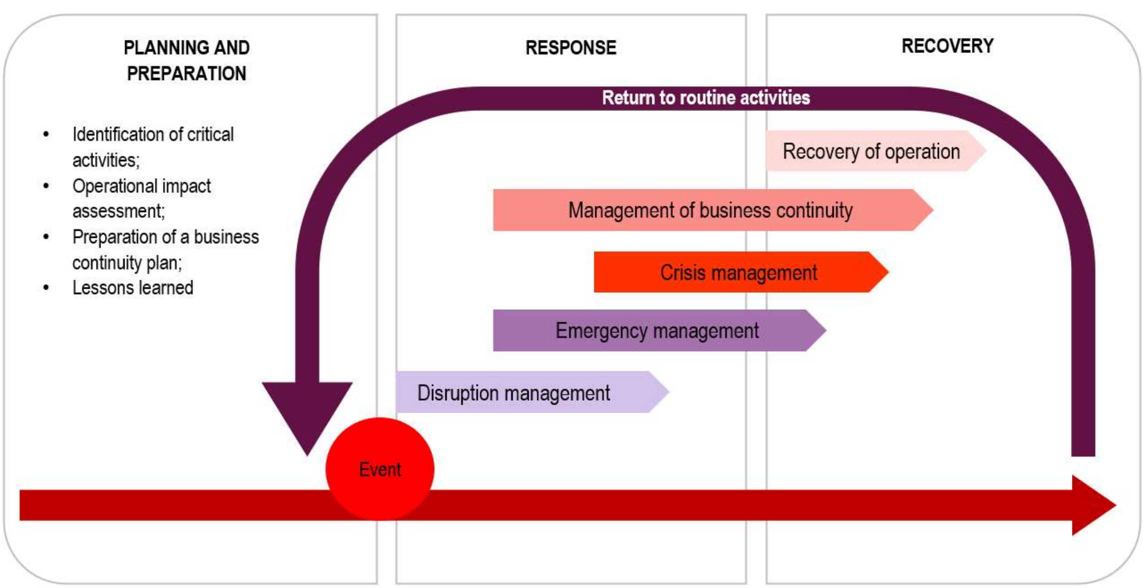
Principles of work ethic

As a result of the pandemic, new living and working habits were shaped for many people, so the LTG Group's employees quickly learned to work flexibly, often remotely, trusting each other and organising their work to achieve their goals effectively. In order to respond to the changes in the rules of procedure, in 2021 the rules of procedure of the LTG Group companies previously in force were revised. From 1 January 2022, the Work Principles of LTG have come into effect; they are a document defining the daily behaviour of employees, the principles of work ethic, safety and health requirements, other rights and responsibilities, and liability for improper performance of duties, which will guide all employees of the LTG Group in their work.

Business continuity

Management of business continuity is one of the risk management subsystems of the LTG Group, the purpose whereof is to ensure that regardless of the scale of the event (disruption, emergency, crisis) during which operations may be disrupted or completely suspended, the LTG Group was able to meet its obligations to customers and to the shareholder.

In order to achieve this goal, the LTG Group is implementing a consistent, systematic and standardised business continuity management model. It consists of three integral stages: planning and preparation (preparation of plans, implementation of preventive measures), response (response to disruption) and recovery (return to routine activities).



The business continuity model is established in the Business Continuity and Crisis Management Methodology developed in 2021 and detailed in procedure standards, which are based on the international standard ISO 22301 applicable to these activities and good practices of large companies.

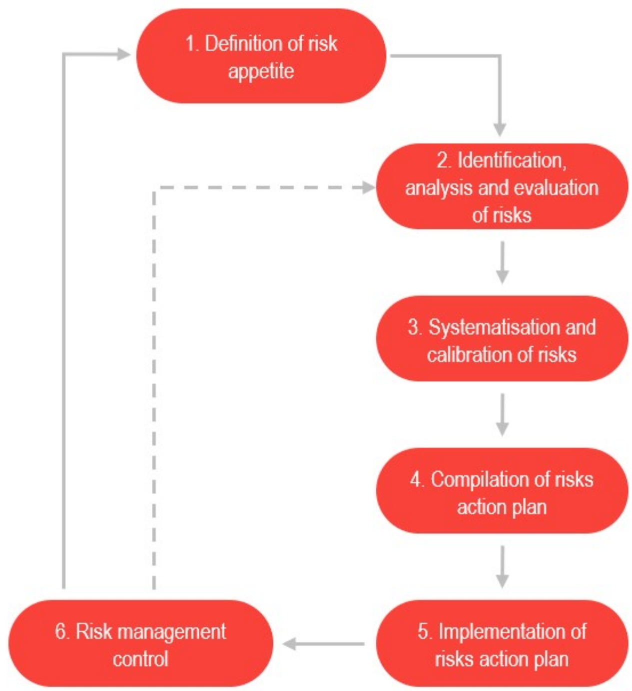
Risk management

The Company implements and continuously improves the unified risk management system of the LTG Group. It is defined in the LTG Group's risk management policy, methodology and procedure standards, which are based on the international standards ISO 31000 and COSO ERM (Committee on Sponsoring Organisations of the Treadway Commission, Enterprise Risk Management) and best practices.

Risks of the LTG Group are managed in stages. The overall periodic cycle consists of the following steps:

1. Identification of risk appetite;
2. Risk identification, analysis and assessment;
3. Risk structuring and calibration;
4. Preparation of risk management plans;
5. Implementation of risk management plans;
6. Monitoring risk management.

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



In the LTG Group, risk management responsibilities are divided according to the Model of Three Lines of Defence. According to it:

- 1st line risk management activities are performed by LTG Group companies and LTG corporate functions, which identify, assess and manage risks;
- 2nd line risk management activities are performed by LTG Risk Management, which develops and improves the overall system and performs coordination and control activities;
- 3rd line risk management is performed by the Internal Audit Division of LTG, which carries out an independent assessment of the effectiveness of risk management level 1 and 2, and provides comments and recommendations.

It is important to emphasize that both managers at various levels and collegial bodies are actively involved in risk management practices. The Corporate Group has the Risk Management Committee, which calibrates risks and refines risks that are relevant at the LTG Group level.

The periodic and timely dissemination of risk-related information is ensured by a well-established reporting system. The risk management status of each of the companies is reviewed on a quarterly basis in reports submitted to the boards of the companies and the LTG Group. The Board of the Corporate Group is informed on a monthly basis about the risks exceeding the appetite. Such a cyclical system not only helps to monitor the status of identified risks, but also provides with an opportunity to discuss the occurrence of new ones.

Risk management activities continuously receive increasing attention and importance. One of the important steps to ensure this was a change in the structure of the risk management function implemented in 2021. The function is now reporting directly to the LTG Group's CFO, thus ensuring direct reporting channels. The risk management team (line 2 of defence) is also strengthened by competent experts.

Control system and internal audit

In order to ensure transparent and efficient operation of the LTG Group and an appropriate internal control system, centralised Internal Audit – "the third line of defence" – has been established in the Company. Internal Audit reports directly to the LTG board, thus ensuring the independence and objectivity of the internal audit, and thereby facilitating the identification of weaknesses and areas for improvement.

The purpose of internal audit is to perform independent and objective assurance and consulting activities, and the function is organised in accordance with the basic principles set out in the International Standards for the Professional Practice of Internal Audit. The division'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 2021, the activities of the Internal Audit covered areas selected on the basis of a risk assessment and the identification of priority activities and processes to be audited. The conclusions of the performed audits were presented to the heads of the responsible divisions and the top management of the Company, as well as to the Audit Committee and the Board of LTG.

INFORMATION ON THE COMPLIANCE WITH THE GUIDELINES ON TRANSPARENCY

The Group companies follow the requirements of the description of the guidelines for ensuring transparency of state-owned enterprises approved by Resolution No 1052 of the Government of the Republic of Lithuania of 14 July 2010 when disclosing the required information in annual and interim reports and ensuring the disclosure of information on 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, reorganisation (indicate the way of reorganisation), liquidation, is becoming or has become bankrupt;	Legal status not registered
5.5.	The name of the institution representing the State and a link to its website;	Yes
5.6.	Operating goals, vision and mission;	Yes
5.7.	Structure;	Yes
5.8.	Data about the head of the enterprise;	Yes
5.9.	Data about the chairman and members of the Board, if formed according to the Articles of Association;	Yes
5.10.	Data about the chairman and members of the Supervisory Council, if formed according to the Articles of Association;	No, the Supervisory Council is 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 authorised capital of the state-owned enterprise;	Yes
5.13.	The performed special obligations that are determined as to recommendations approved by the Minister of Economics and Innovations of the Republic of Lithuania: the purpose of the special obligations, state budget appropriations allocated their implementation in the current calendar year and the legal acts entrusting the state-owned enterprise with the performance of the special obligation, the conditions for fulfilment of the special obligations and (or) regulatory pricing;	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:	Yes
7.1.	Articles of Association;	Yes
7.2.	Statement from an institution representing the State regarding the establishment of the goals and expectations of the State in a state-owned enterprise;	Yes
7.3.	The business strategy or a summary thereof in cases where the business strategy contains confidential information or information which is considered a commercial (industrial) secret;	Yes
7.4.	Document establishing the remuneration policy, setting out the remuneration of the head of a state-owned enterprise and the remuneration of members of collegial bodies and committees formed in a state-owned enterprise, as detailed in the Code of Corporate Governance;	Yes
7.5.	Annual and interim reports of a state-owned enterprise, annual and interim activity reports of a state-owned enterprise for a period of at least five years;	Yes
7.6.	Annual and interim financial statements and auditor's reports on annual financial statements for a period of at least five years;	Yes
8.	When a state-owned enterprise is a parent company, the structure of the group of companies is to be published on its website as well as the information of its subsidiaries and further	Yes

Point of Description	Description provision Disclosure of the Company's information	Yes/No
	subsidiaries as specified in Clauses 5.1–5.3 of the Description, the website addresses, the share (percentage) of the share capital owned by the parent company in their authorised capital, and consolidated annual reports.	
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
9[1].	When a company is a subsidiary or a subsequent subsidiary of a state-owned enterprise, the details of its parent company specified in Clauses 5.1–5.3 of the Description as well as the link to the parent company's website must be published on its website.	-
10.	If details specified in Clauses 5, 6, 7.1–7.4, 8, 9 and 9[1] 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
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

Point of Description	Description provision / Disclosure of the Company‘s information	Yes/No
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 and secondary 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

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 2021
(AUDITED)

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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 2021,
- 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 2021, 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' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Property, plant and equipment – valuation (consolidated financial statements)	
The carrying amount of Group's property, plant and equipment as at 31 December 2021: EUR 1,894,821 thousand (31 December 2020: EUR 1,889,275 thousand); depreciation and amortization expense for the year then ended: EUR 108,096 thousand (31 December 2020: 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

The carrying amount of Group's property, plant and equipment in the financial statements as at 31 December 2021: EUR 1,894,821 thousand.
During the year 2021, the Group faced challenges in the market related to geopolitical situation regarding Belarus, resulting in sales revenue below their prior levels. The Group's profitability also depressed as a result.
The above represented an indication that certain assets or cash generating units of the Group may be impaired. Any such impairment would be recognized in the amount by which the carrying amount of the asset or cash-generating unit exceeds the recoverable amount.
The determination of recoverable amounts of the asset or cash generating unit is a process that requires management to make a number of significant judgements, including those in respect of future operating cash flows, growth rates and discount rates. The projected operating cash flows from the Group's activities are influenced primarily by assumptions concerning sales volumes. These projections are exposed to significant variability due to inherent uncertain market conditions. Accordingly, this area required our increased attention in the audit and as such was identified by us to be our key audit matter.
	Our audit procedures performed, where applicable, with the assistance from our own valuation specialists, included, among others:
	• considering the appropriateness of the value-in-use model ("impairment model") applied for estimation of recoverable amount, against the relevant requirements of the financial reporting standards;
	• evaluating the appropriateness of allocation of assets to cash generating units based on our understanding of the Group's operations and business units;
	• evaluating the quality of the Group's forecasting by comparing historical projections with actual outcomes, and also tracing the forecast cash flows in the impairment model to Management Board approved forecasts;
	• using our knowledge of the Group, its past performance, business and customers, and our industry experience, challenging significant forecast cash flow and growth assumptions. As part of the procedure we:
	  ○ challenged the discount rate used by reference to publicly available market data, adjusted by risk factors specific to the Group and its industry,
	  ○ assessed reasonableness of the assumptions relating to sales volumes and profit margins to historical results and to industry forecasts;
	• assessing the integrity of the impairment model, including the accuracy of the underlying calculation formulas;
	• considering sensitivity of the impairment model to changes in key assumptions, such as forecast growth rates and discount rates to identify the assumptions at higher risk of bias or inconsistency in application;
	• considering the adequacy of the Group's disclosures in respect of impairment testing.

Other Information

The other information comprises the information included in the consolidated annual management report, set out on pages 3 – 59, 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 ("Sustainability report" set out on pages 60 – 93) 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, related safeguards.

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 6 years.

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the additional report which we have submitted to the Company and the Group and their 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 the course of audit, in addition to the audit of the separate and consolidated financial statements, we have provided translation services, agreed upon procedures services related to loan covenants, agreed upon procedures services related to assets and liabilities transferred between subsidiaries, and audit of income and costs related to assets managed by a subsidiary under the right of trust.

On behalf of KPMG Baltics, UAB

Domantas Dabulis
Partner pp
Certified Auditor

Vilnius, the Republic of Lithuania
15 April 2022

The electronic auditor's signature applies only to the Independent Auditor's Report on pages 95 to 99 of this document.

(all amounts are in EUR thousand unless otherwise stated)

STATEMENTS OF FINANCIAL POSITION

	Notes	Group		Company	
		2021	2020	2021	2020
NON-CURRENT ASSETS					
Property, plant and equipment	7	1,894,821	1,889,275	36,869	41,292
Land		154,100	153,785	3	-
Buildings and structures		864,952	907,175	23,676	26,468
Machinery and plant		145,798	156,036	4,749	5,371
Vehicles		340,122	347,857	456	427
Other equipment, fittings and tools		75,312	80,903	6,051	6,795
Construction in progress and prepayments		314,537	243,519	1,934	2,231
Right-of-use assets	8	5,995	4,879	10,053	8,150
Intangible assets	9	26,882	21,477	8,434	2,342
Software		19,446	19,931	2,308	1,336
Licences and similar rights		1,242	1,007	1,242	1,006
Other intangible assets		6,194	539	4,884	-
Investment property	10	2,586	2,754	14,377	6,492
Financial assets		7,262	6,252	1,008,742	1,025,528
Investments in subsidiaries	11	-	-	883,737	901,633
Investments in associates	11	4,651	4,758	783	783
Loans to related and other companies	33	-	-	122,960	121,617
Trade and other receivables	13	2,611	1,494	1,262	1,495
Deferred income tax asset	32	3,013	4,453	1,913	2,260
Total non-current assets		**1,940,559**	**1,929,090**	**1,080,388**	**1,086,064**
CURRENT ASSETS					
Inventories	12	30,211	30,569	4,223	4,388
Non-current assets held for sale	12	2,986	8,146	500	1,520
Contract assets	14	84	408	-	-
Loans to related and other companies	33	160	160	4,687	10,630
Trade and other receivables	13	51,239	59,016	19,984	39,325
Prepayments	14	7,985	7,336	17,455	2,652
Cash and cash equivalents	15	84,656	69,499	37,885	20,596
Total current assets		**177,321**	**175,134**	**84,734**	**79,111**
TOTAL ASSETS		**2,117,880**	**2,104,224**	**1,165,122**	**1,165,175**

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		Company	
		2021	2020	2021	2020
EQUITY					
Authorised share capital	16	1,059,282	1,059,282	1,059,282	1,059,282
Legal reserve	18	33,852	32,987	33,852	32,987
Other reserves	18	7,829	5,235	7,829	5,235
Retained earnings (losses)		65,644	65,473	7,342	17,295
Total equity		**1,166,607**	**1,162,977**	**1,108,305**	**1,114,799**
LIABILITIES					
Non-current liabilities					
Grants	20	587,853	581,384	611	641
Loans and borrowings	21	147,967	173,442	-	-
Lease liabilities	22	4,559	3,549	8,490	6,860
Employee benefits	23,30	8,442	10,360	595	860
Trade and other payables	25	4,611	2,820	-	-
Provisions	24	14,470	14,470	-	-
Deferred tax liabilities	32	17,758	19,158	-	-
Total non-current liabilities		785,660	805,183	9,696	8,361
Current liabilities					
Loans and borrowings	21	26,034	28,492	-	-
Lease liabilities	22	1,506	1,803	1,894	1,561
Corporate income tax liabilities		4,310	5,760	128	-
Employee benefits	23,30	28,490	33,213	5,805	6,561
Trade and other payables	25	64,126	52,190	20,385	33,622
Contract liabilities	26	2	3,771	-	-
Prepayments received	26	40,456	10,031	18,909	271
Provisions	24	689	804	-	-
Total current liabilities		165,613	136,064	47,121	42,015
Total liabilities		**951,273**	**941,247**	**56,817**	**50,376**
TOTAL EQUITY AND LIABILITIES		**2,117,880**	**2,104,224**	**1,165,122**	**1,165,175**

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

Financial statements and explanatory notes on pages from 100 to 161 were approved and signed on 15 April 2022 by:

Chief Executive Officer	(signature)	Egidijus Lazauskas
Chief Financial Officer	(signature)	Andrej Kosiakov
Head of Accounting	(signature)	Odeta Antanavičiūtė

(all amounts are in EUR thousand unless otherwise stated)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Group		Company	
		2021	2020	2021	2020
Revenue	27	420,748	422,953	102,145	95,004
Grant	28	37,629	35,979	-	-
Other income	29	6,761	9,224	6,497	(156)
Total income		465,138	468,156	108,642	94,848
Employee benefits costs	23,30	(169,607)	(173,557)	(34,550)	(34,885)
Depreciation and amortisation	7,8,9, 10,20	(108,096)	(111,272)	(7,988)	(9,172)
Fuel		(52,553)	(48,483)	(450)	(365)
Materials		(20,080)	(24,257)	(48,124)	(44,048)
Services rendered by other foreign railway companies		(19,226)	(15,634)	-	-
Electricity consumption		(8,621)	(7,215)	(253)	(615)
Repairs and maintenance		(19,025)	(14,598)	(2,994)	(2,422)
Increase (decrease) in the value of non-current assets		(2,076)	(102)	(185)	-
Write-down of inventories to net realisable value		(1,260)	(255)	172	237
Increase (decrease) in the value of investments		(466)	(171)	(860)	(498)
Impairment loss (gain) on receivables		771	(604)	(20)	(19)
Change in provisions		58	1,505	-	1,500
Other expenses		(36,196)	(27,169)	(13,980)	(13,098)
Profit (loss) from operations		28,761	46,344	(590)	(8,537)
Finance income	31	252	247	4,363	26,637
Finance costs	31	(3,965)	(3,877)	(253)	(962)
Share of profit of equity accounted investees		301	180	-	-
Profit (loss) before taxation		25,349	42,894	3,520	17,138
Corporate income tax	32	(1,885)	(6,338)	(66)	157
Net profit (loss)		**23,464**	**36,556**	**3,454**	**17,295**
Other comprehensive income (expenses)		-	-	-	-
Total comprehensive income (expenses)		**23,464**	**36,556**	**3,454**	**17,295**

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 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**
Net profit (loss)		-	-	-	-	23,464	23,464
Other comprehensive income after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		*-*	*-*	*-*	*-*	*23,464*	*23,464*
Profit (loss) not recognised in the statement of profit or loss and other comprehensive income	19	-	-	-	-	(5,998)	(5,998)
Increase in share capital	16	-	-	-	-	-	-
Formed reserves	18	-	-	865	2,594	(3,459)	-
Reserves used	18	-	-	-	-	-	-
Dividends	17	-	-	-	-	(13,836)	(13,836)
Total transactions with owners of the Company		*-*	*-*	*865*	*2,594*	*(23,293)*	*(19,834)*
Balance as at 31 December 2021		**1,059,282**	**-**	**33,852**	**7,829**	**65,644**	**1,166,607**

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 2019		**1,059,282**	**-**	**31,020**	**5,863**	**39,339**	**1,135,504**
Net profit (loss)		-	-	-	-	17,295	17,295
Other comprehensive income after tax		-	-	-	-	-	-
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**
Net profit (loss)		-	-	-	-	3,454	3,454
Other comprehensive income after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		*-*	*-*	*-*	*-*	*3,454*	*3,454*
Profit (loss) not recognised in the statement of profit or loss and other comprehensive income	19	-	-	-	-	3,888	3,888
Increase in share capital	16	-	-	-	-	-	-
Formed reserves	18	-	-	865	2,594	(3,459)	-
Reserves used	18	-	-	-	-	-	-
Dividends	17	-	-	-	-	(13,836)	(13,836)
Total transactions with owners of the Company		*-*	*-*	*865*	*2,594*	*(13,407)*	*(9,948)*
Balance as at 31 December 2021		**1,059,282**	**-**	**33,852**	**7,829**	**7,342**	**1,108,305**

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

(all amounts are in EUR thousand unless otherwise stated)

STATEMENTS OF CASH FLOWS

	Notes	Group		Company	
		2021	2020	2021	2020
Cash flows from operating activities					
Net profit (loss)		**23,464**	**36,556**	**3,454**	**17,295**
Adjustment to non-cash items					
Depreciation and amortisation expenses	7,8,9,10	132,490	131,126	8,119	9,303
(Depreciation) of grants	20	(21,757)	(16,159)	(131)	(131)
(Gain) loss from disposal/write-off of non-current assets		(12,784)	(3,100)	(6,317)	(109)
Decrease (increase) in the value of non-current assets		2,076	102	185	-
Write-down of inventories to net realisable value		1,260	255	(172)	(237)
Decrease (increase) in the value of investments		466	171	860	498
Decrease (increase) in the value of amounts receivable		(771)	604	20	19
Change in accrued income/expenses		14,090	(3,332)	(3,121)	2,789
Interest (income) expenses		2,390	2,795	(1,600)	(951)
Increase (decrease) in provisions		(58)	(1,505)	-	(1,500)
Effect of currency exchange fluctuations		(20)	(182)	41	(99)
Interest on lease liabilities		190	151	214	179
Corporate income tax expenses (income)	32	1,885	6,338	66	(157)
(Profit) loss of an associated company		(301)	(180)	-	-
Cash flows from operating activities after adjustment to non-cash items		142,620	153,640	1,618	26,899
Changes in working capital					
Decrease (increase) in inventories		6,962	2,029	2,601	3,681
Decrease (increase) in trade and other receivables and prepayments		2,414	22,389	11,982	(6,851)
Increase (decrease) in current and non-current trade payables and received prepayments		33,846	(4,490)	11,076	1,701
Increase (decrease) in employment related liabilities		(4,723)	1,081	(1,023)	255
Increase (decrease) in other non-current and current payables		(5,567)	(4,783)	32	(20,731)
(Paid) income tax		(5,731)	(3,153)	-	(874)
Net cash from operating activities		169,821	166,713	26,286	4,080
Cash flows from investing activities					
(Acquisition) of non-current assets and change in prepayments for non-current assets		(145,196)	(220,587)	(9,414)	(10,156)
Disposal, write-off of non-current assets		7,987	2,706	8,434	9,250
(Acquisition) of investments		-	-	1,113	(225)
Dividends received		680	248	1,636	7,938
Interest received		-	-	-	642
Loans granted		-	-	(2,644)	(11,724)
Other increases in cash flows from investing activities	19	-	-	7,947	-
Net cash used in investing activities		(136,529)	(217,633)	7,072	(4,275)
Cash flows from financing activities					
Loans received			50,000	-	-
Loans (repaid)	21	(27,818)	(29,955)	-	(7,151)
Grants received (repaid, used)		28,135	37,601	101	47
Interest on lease liabilities		(190)	(151)	(214)	(179)
Payment of lease liabilities		(1,959)	(1,398)	(2,120)	(1,082)
Interest (paid)	21	(2,467)	(2,831)	-	(706)
Dividends (paid)	17	(13,836)	(38,000)	(13,836)	(20,671)
Net cash flows from financing activities		(18,135)	15,266	(16,069)	(29,742)
Increase (decrease) in net cash flows		15,157	(35,654)	17,289	(29,937)
Cash and cash equivalents at the beginning of the period		69,499	105,153	20,596	50,533
Cash and cash equivalents at the end of the period		**84,656**	**69,499**	**37,885**	**20,596**

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 reorganisation 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: Geležinkelio St. 12, LT-02100 Vilnius.

The main activities of the group of companies 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).

On 1 April 2021, part of the activities of the LTG Group's company UAB Vilniaus Lokomotyvų Remonto Depas was affiliated to AB LTG Cargo and now the companies operate as a single enterprise.

In July 2021, the Company adopted the decision regarding transformation of UAB Vilniaus Lokomotyvų Remonto Depas into a public limited company.

Following the decision of the Ministry of Transport and Communications of the Republic of Lithuania dated 30 November 2021 regarding reorganisation of the Company and AB Vilniaus Lokomotyvų Remonto Depas (AB VLRD) and by the decision of the Company as the sole shareholder of VLRD, the terms of the reorganisation providing that AB VLRD is merged with the Company by the way of merger were approved.

As of 1 December 2021, after reorganisation the Company continues its activity having taken over all assets, rights and commitments of AB VLRD under reorganisation (merged) (disclosed in Note 19).

As at 31 December 2021 and 2020, the Republic of Lithuania represented by the Ministry of Transport and Communications was the sole shareholder of the Company.

As at 31 December 2021, 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.

The number of listed active employees in the Group and in the Company as at the end of 31 December 2021 (excluding the employees on parental leave, military service, long-term incapacity) was 7,804 and 1,080 employees respectively (as at 31 December 2020 – 8,999 and 1,197 employees, respectively).

The Company's management authorised these financial statements on 15 April 2022. The Company's shareholders have a statutory right to either approve or not to approve these financial statements and to require the management to prepare a new set of financial statements

(all amounts are in EUR thousand unless otherwise stated)

1. General information (continued)

The Group comprised the Company (the parent company) and the companies presented below:

Subsidiaries

Company name	Registered address	Owned share, % 2021	Owned share, % 2020	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.
AB Vilniaus lokomotyvų remonto depas	Švitrigailos St. 39/16, Vilnius	-	100	Repairs and manufacturing of railway rolling stock. The reorganisation by the way of merging to the Company took place on 1 December 2021. The legal entity was removed from the Register of Legal Entities on 16 December 2021.
LUAB Gelsauga	Prūsų St. 1, Vilnius	100	100	Security services. In liquidation. The legal entity was removed from the Register of Legal Entities on 25 February 2022.
LUAB Saugos paslaugos	Prūsų St. 1, Vilnius	100	100	Physical and electronic security, installation, monitoring and repairs of technical security surveillance devices. In liquidation.
UAB Rail Baltica statyba	Geležinkelio St. 16, 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.
OOO Rail Lab	Internacionalnaja St. 36-1, Minsk, the Republic of Belarus	100	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, Warsaw, Poland	100	100	Activities of freight carrier and provision of related services.
UAB LTG Wagons	Geležinkelio St. 12, Vilnius	100	100	Lease of wagons and containers used for freight transportation by rail and provision of related services.
LTG Cargo Ukraine LLC	Puškino St. 21, Kiev, Ukraine	100	100	Lease, repair forwarding of rolling stock used for freight transportation by rail and provision of other logistic services.
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.

Associated and secondary companies

voestalpine Railway Systems Lietuva, UAB	Sostinės St. 18, Valčiūnai, Vilnius district	34	34	Manufacture of railway switches.
RB Rail AS	Satekles iela 2B, 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	Šeškinės St. 59A, Vilnius	-	25	In September 2021, the shared were disposed of. Before the disposal it was controlled through AB Vilniaus Lokomotyvų Remonto Depas.
Lietuvos geležinkelių įmonių asociacija	Mindaugo St. 12, Vilnius	-	-	Representation of members of association – rights of employers and interests in social partnership.

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 *Significant changes in accounting policies* of Note 4.

Going concern. These financial statements for the financial year ended 31 December 2021 have been prepared under the assumption that the Group and the Company will continue as a going concern.

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, adjustments 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 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), unless otherwise stated. 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.

(all amounts are in EUR thousand unless otherwise stated)

2. Significant accounting policies (continued)

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.

The costs of repair are added to the carrying amount of property, plant and equipment when it is probable that the Group and the Company will obtain economic benefits from these costs. 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 2021 and 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	5–100
Machinery and plant	5-40	4–33
Road transport	4-15	4–10
Rolling stock (including wagons)	5-46	5–30
Computers and hardware	3-15	4–20
Other equipment, fittings and tools	4-50	4–50

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 less impairment losses. 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. Inventories intended for repair of non-current tangible assets and in compliance with the provisions of IFRS16 are reclassified from inventories to construction in progress.

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

2. Significant accounting policies (continued)

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.

The Group's and the Company's intangible assets are amortised using the straight-line method over their useful lives, lasting between 3 and 20 years and between 3 and 10 years, respectively. 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.

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, and loans.

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.

2. Significant accounting policies (continued)

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.

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.

2. Significant accounting policies (continued)

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.

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.

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 recognised 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.

The Group and the Company individually make assessments with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedures for recovery of amounts due.

Derivative financial instruments. During 2021 and 2020, 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.

2. Significant accounting policies (continued)

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

Cash and cash equivalents reported in the cash flow statement comprise cash at bank and on hand, deposits with current accounts and other short-term highly liquid investments.

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. Subsequent to initial recognition, the liabilities under such guarantees are measured at the higher of the amount of loss allowance and the premium received on initial recognition less income recognised in accordance with principles of IFRS 15.

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 recognise 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.

2. Significant accounting policies (continued)

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.

Leases, where the Group and the Company are lessors

Operating lease. The Group and the Company recognise the lease fees related to operating lease, as income on a straight-line basis over the lease term. 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.

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.

In classifying a sublease, an intermediate lessor classifies the sublease as a finance lease or an operating lease. The intermediate lessor treats the right-of-use asset as the as the underlying asset in the sub-lease, not the item of property, plant and equipment that it leases from the head lessor 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 measurement 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.

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 2021 and 2020 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.

2. Significant accounting policies (continued)

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.

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.

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. 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.

2. Significant accounting policies (continued)

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.

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.

2. Significant accounting policies (continued)

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 at a point of time when 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 ownership nor effective control over the goods sold.

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.

Other income from operating activities generated at the Group and 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

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.

2. Significant accounting policies (continued)

Passenger transportation income

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.

Income from sales of advanced tickets is allocated to future periods of service rendering.

Income for the use of public railway infrastructure

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.

Type of services	Nature, timing and payment conditions of operating liabilities	Revenue recognition under IFRS 15
Income from freight transportation, services related to freight transportation 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 immediately. The amount of 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 benefits 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 or 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.

2. Significant accounting policies (continued)

Type of services	Nature, timing and payment conditions of operating liabilities	Revenue recognition under IFRS 15
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 (time elapsed), when 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.
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. A 10-day term is applied for uncoupling repairs of private rail cars; a cash deposit may also be applied.	Revenue is recognised over a time based on the stage of completion method (on a monthly basis). The related costs are recognised in the statement of 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 recognised when the goods are loaded from the warehouse. A common term of payment 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 recognised 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 benefits related to the good and service. Revenue is recognised every month over time when services are rendered. The amount of recognised revenue is estimated based on signed deeds of rendered services. Revenue is recognised 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.

Recognition of expenses. In the financial statements, 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.

2. Significant accounting policies (continued)

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 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.

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 recognised at the acquisition date for the following items: identification of the assets acquired (including contingent assets or assets not recognised 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 a Group company and the Company took place at carrying amounts.

2. Significant accounting policies (continued)

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.

Timing of revenue recognition. The management assesses the timing 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. 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 revoke 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; although 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 restricted (e.g. AB LTG Infra cannot sell or pledge these assets), similar restrictions are common in private and privatised infrastructure 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 common control transaction 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 common control transactions.

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 reorganisation 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, modernisation 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 reorganisation, 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) Even though certain restrictions for the use of profit generated from the activity of the manager of public infrastructure are provided for by the Code, AB Lietuvos geležinkeliai has a right to receive dividends from the profit generated by this activity pursuant to the procedure laid down by this Code and variable returns from other sources.

3. Critical accounting estimates and judgements (continued)

Based on the above, the management concluded that neither the reorganisation 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.

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 2021, the Group had rolling stocks (99 units) with the carrying amount of EUR 17,001 thousand which will not meet the legislative requirements of the EU as of 2025; however, in 2019, Lithuania exercised an exemption regarding non-application of the provisions set out in the *Regulation (EC) No 1371/2007 of the European Parliament and of the Council of 23 October 2007 on rail passengers' rights and obligations* (hereinafter – the Regulation) until 2 December 2024. Subsequent to 2 December 2024, the exemption from the Regulation shall not be applied; therefore, a railway undertaking providing public passenger transportation services, will be obliged to ensure accessibility of rail services. Under the Technical Specifications for Interoperability (hereinafter - TSI), managers of railway undertakings and stations will have to ensure that stations, platforms, rolling stocks and other facilities are available for persons with disabilities and persons with reduced mobility as well as to provide them with assistance. It is notable that the Regulation does not set forth that all rolling stocks owned by a railway undertaking shall meet the TSI requirements after the termination of the exemption. The Article (3), (5) of the Commission Regulation (EU) No 1300/2014 of 18 November 2014 on Technical Specification for Interoperability (TSI) Relating to Accessibility of the Union's Rail System for Persons with Disabilities and Persons with Reduced Mobility sets forth that TSIs are applicable only to:

1) all new rolling stocks;
2) existing rolling stocks if they are upgraded or improved.

Article 2 (5) of TSI established that TSI are not applicable to existing rolling stocks which have already been put into operation.

Application of TSI to the old rolling stocks after the termination of the exemption is not provided for either in TSI or in the Regulation; they also do not set forth that the old rolling stocks are no longer allowed to be put into operation. However, after the termination of the Exemption, measures must be taken to ensure availability of stations, platforms, rolling stocks and other facilities as well as provision of information and assistance to persons with disabilities or with reduced mobility. It is notable that in case availability of these rolling stocks to persons with disabilities and persons with reduced mobility is ensured and necessary assistance and information in an appropriate manner are provided after the termination of the exemption, the requirements of European Union legislation will be met, and no sanctions will be foreseen.

The residual values of these rolling stocks were determined on the basis of valuation reports of external experts. In case the residual value decreased by 10% to 15%, depreciation would increase accordingly from EUR 665 thousand to EUR 998 thousand by the year 2029. Depreciation for 2022 would increase from EUR 191 thousand to EUR 286 thousand accordingly.

As at 31 December 2021, the management is aware that six railcars (out of 99), the residual value of which amounted to EUR 3,763 thousand as at 31 December 2021, will be modernised to comply with suitability requirements for passengers with disabilities. In the opinion of the management, expenses related to adaptation of railcars will amount to approximately EUR 60 thousand for one railcar. The remaining rolling stocks will be used until 2025-2029.

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.

In 2021, the review of passenger 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.

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.

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.

3. Critical accounting estimates and judgements (continued)

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

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

Impairment losses of amounts receivable. The 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, impairment is registered taking into account detailed operational plans according to each unit of inventories, their potential realisation period and preliminary realisation cost.

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 2022 and have not been applied in the preparation of these financial statements are set out below:

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

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

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

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

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.

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

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

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

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

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

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.

The new standards, amendments to standards and interpretations that are effective for annual periods beginning on or after 1 January 2023 and have not been applied in the preparation of these financial statements are set out below:

IFRS 17 Insurance Contracts

Effective for annual periods beginning on 1 January 2023 with regard to the principle of comparability. Early application is permitted if an entity also 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.

Reference to the Conceptual Framework (Amendments to IFRS 3)

In May 2020, the International Accounting Standards Board published amendments to IFRS 3 'Business Combinations – Reference to Conceptual Framework'. These amendments replace the reference to 'Framework for the Preparation and Presentation of Financial Statements', issued in 1989, with a reference to 'Conceptual Framework for Financial Reporting', issued in 2018, without significant change in their requirements. The Board has also supplemented IFRS 3 with an exception to the recognition principle in order to avoid '2nd day' potential gains or losses from liabilities and contingent liabilities that are accounted for in accordance with IAS 37 or IFRIC 21 'Levies', if they have been incurred separately. At the same time, the Board decided to revise the current guidance on contingent assets in IFRS 3, which will not be affected by the amendment to the reference to 'Framework for the Preparation and Presentation of Financial Statements'.

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

The amendments are effective for annual periods beginning on or after 1 January 2022 and must be applied retrospectively.

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

Definition of Accounting Estimates (Amendments to IAS 8)

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

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

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

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

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

The amendments are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted.

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

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

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.

Significant changes in accounting policies

The standards and amendments effective as of 1 January 2021 did not have a significant impact on the financial statements for 2021.

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

The worldwide coronavirus (COVID-19) pandemic continuing in 2021 also affected the activities and their results of the LTG Group companies. The LTG Group company UAB LTG Link, which carries out the activities of passenger transportation, was mostly affected by the pandemic. In January - June 2021, constantly changing quarantine conditions were applicable, movement between cities was controlled during the holiday season, and the number of train passengers travelling on domestic routes was restricted. International routes of trains have been suspended since the mid of March 2020. International transportation was carried out only on transit routes by reinstating 6 transit train routes out of 32. At the end of 2021, 21 domestic train routes out of 211 were not resumed yet. Even though the market of passenger transportation significantly recovered in 2021 as a result of milder COVID-19 related restrictions, the Company's level of transportation volumes and earned income has not reached the pre-pandemic level yet. The Company has continuously operated. In 2021, the state compensated the loss related to provision of public services of passenger transportation in its entirety. The pandemic also caused a prolonged recovery of demand for certain products which had adverse impact on transportation volumes and income of the company AB LTG Cargo that is engaged in freight transportation activity. In addition, COVDI-19 has also adversely affected the LTG Group's company AB LTG Infra, that is engaged in infrastructure management, by the decrease in revenue from companies carrying out the activities of passenger and freight transportation.

LTG Group and the Company have strictly adhered to all recommendations of the Government of the Republic of Lithuania regarding management of potential threat of COVID-19. The situation at the LTG 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 LTG Group is ensured by the Emergency Management Group coordinating implementation of measures and actions in all companies of the LTG Group;

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

- employees of the LTG Group companies and the Company are supplied with the personal protective equipment, disinfection of premises and vehicles is carried out;
- the possibility of remote work is ensured, having assessed the professional risk of remote work;
- vaccination of employees against COVID-19 was organised in cooperation with city municipalities;
- restrictions have been imposed related to the movement of employees, work at the offices of the LTG Group companies and other facilities;
- the conduct of employees has been regulated, and constant communication regarding the issues of vaccination, testing and work organisation is caried out;
- due to the spread of the Omicron variant, the management of the LTG Group and the Company has taken additional measures to manage the situation. The shifts in production units have been divided into smaller groups by maintaining a constant composition of the shifts and by carrying out a contactless change of shifts. The non-necessary entering of premises by visitors / guests is restricted to the minimum, trainings are conducted remotely, wearing of face masks, keeping distance are mandatory, etc.

As at the issuing date of these financial statements, no discrepancies of performing direct functions of employees were caused by the COVID-19 in the LTG Group and the Company.

During the year, tests of the recoverable amount of non-current assets were performed int the LTG Group companies: no impairment indicators were identified in the following companies: in the company LTG Link that carries out the activity of passenger transportation, in the company AB LTG Cargo that is engaged in freight transportation, in the company AB LTG Infra that performs the function of infrastructure management, and in the construction company GTC.

The Company's management has taken actions to manage expenses – during the year, performance efficiency plans have been drawn up in the LTG Group companies, which have been introduced to the Boards of the Company and the LTG Group companies, their implementation has been monitored on a regular basis by responding promptly to the changing situation.

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 2021, in order to ensure liquidity risk management, the Company had an overdraft agreement for the amount of EUR 35.0 million signed with Swedbank AB which was valid until 26 January 2022. As at the end of the year, the Company did not have any outstanding amounts according to this agreement.
- Payments control was tightened;
- Cost control was tightened;
- In 2021, grants received from the state budged covered the entire loss incurred by LTG Link in provision of public services of passenger transportation. The Ministry of Transport and Communication of the Republic of Lithuania has granted EUR 39.1 million for implementation of the measure "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" of the project "Ensuring Railway Communication";
- 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 2020.

According to the Company's management, the negative circumstances related to the virus do not raise doubts about the business continuity of the LTG Group companies.

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 2020, 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 2020. The key areas taken into consideration by the management in assessing the impact of COVID-19 are presented below.

The coronavirus (COVID-19) pandemic has caused unpredictable situation not only in Lithuania but also in the entire world, the consequences of which have affected almost every sector. On 11 March 2020, the World Health Organisation declared the coronavirus outbreak a pandemic, and the Lithuanian Government declared quarantine from 16 March 2020 and related restrictions on public life. The restrictions are related to entry of foreign visitors, cross-borders movement of people, activities of companies and organisations operating in the public and private sectors, work organisation of education and health institutions and other areas of economic and social life.

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.

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

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 2021.

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 fluctuations between the budgeted and actually incurred amounts in the future;
- The management did not identify significant change in the discount rate used for discounting of cash flows;
- 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 2021.

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 2021 as compared to loss ratios used as at 31 December 2020. 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.

(all amounts are in EUR thousand unless otherwise stated)

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

Climate change management measures and impact on the Company's activities. In implementing policy goals and sustainability management priorities set out in the Sustainable Growth Strategy 2040 of LTG, the group of entities AB Lietuvos Geležinkeliai pays particular attention to environmental protection. One of the essential strategic directions of the Group and its companies individually is the Green Deal. In 2021, the Group approved the Environmental Protection Strategy 2030+ which provides for the Group's environmental protection priorities and areas which are or may potentially be affected by activities of the Group entities as well as specific goals the achievement of which would mitigate such effect. The strategy has been prepared in accordance with the national law, international agreements (the Paris Agreement on climate change, the European Green Deal) related to environmental protection, including climate change. Currently, the Company has not identified assets in use which may be affected by events or factors related to climate changes. Currently, the Company has not identified assets in use which may be affected by events or factors related to climate change. The Environmental Protection Strategy 2030+ also provides for an objective related to assessment of measures for adaptation to climate change and its consequences as well as to increase in resilience of railway infrastructure to climate change.

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	
	2021	2020	2021	2020
Financial assets				
Contract assets	84	408	-	-
Loans and other borrowings	160	160	127,658	132,247
Trade and other receivables	36,659	30,157	15,170	24,410
Cash and cash equivalents	84,656	69,499	37,885	20,596
Total	**121,559**	**100,224**	**180,713**	**177,253**
Financial liabilities				
Contract liabilities	2	3,771	-	-
Loans and borrowings	174,001	201,934	-	-
Lease liabilities	6,065	5,352	10,384	8,421
Trade and other payables	48,763	41,478	12,264	19,129
Total	**228,831**	**252,535**	**22,648**	**27,550**

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).

(all amounts are in EUR thousand unless otherwise stated)

6. Financial instruments and risk management (continued)

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

	Net carrying amount 2021	Fair value 2021			Net carrying amount 2020	Fair value 2020		
Financial assets	Total	Level 1	Level 2	level 3	Total	Level 1	Level 2	level 3
Contract assets	84	-	-	84	408	-	-	408
Loans and other borrowings	160	-	-	160	160	-	-	160
Trade and other receivables	36,659	-	-	36,659	30,157	-	-	30,157
Cash and cash equivalents	84,656	84,656	-	-	69,499	69,499	-	-
Total	**121,559**	**84,656**	**-**	**36,903**	**100,224**	**69,499**	**-**	**30,725**
Financial liabilities								
Contract liabilities	2	-	-	2	3,771	-	-	3,771
Loans and borrowings	174,001	-	174,001	-	201,934	-	201,934	-
Lease liabilities	6,065	-	-	6,065	5,352	-	-	5,352
Trade and other payables	48,763	-	-	48,763	41,478	-	-	41,478
Total	**228,831**	**-**	**174,001**	**54,830**	**252,535**	**-**	**201,934**	**50,601**

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

	Net carrying amount 2021	Fair value 2021			Net carrying amount 2020	Fair value 2020		
Financial assets	Total	Level 1	Level 2	level 3	Total	Level 1	Level 2	level 3
Loans and other borrowings	127,658	-	-	127,658	132,247	-	-	132,247
Trade and other receivables	15,170	-	-	15,170	24,410	-	-	24,410
Cash and cash equivalents	37,885	37,885	-	-	20,596	20,596	-	-
Total	**180,713**	**37,885**	**-**	**142,828**	**177,253**	**20,596**		**156,657**
Financial liabilities								
Loans and borrowings	-	-	-	-	-	-	-	-
Lease liabilities	10,384	-	-	10,384	8,421	-	-	8,421
Trade and other payables	12,264	-	-	12,264	19,129	-		19,129
Total	**22,648**	**-**	**-**	**22,648**	**27,550**	**-**	**-**	**27,550**

The classification and measurement of the Group's and the Company's financial instruments as at 31 December 2021 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.

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 approximates their carrying amount.

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

(all amounts are in EUR thousand unless otherwise stated)

6. Financial instruments and risk management (continued)

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 maximum exposure to credit risk is equal to the nominal value of guarantees issued.

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.

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

	Group		Company	
	2021	2020	2021	2020
Client A	3,923	6,337	1,070	6,337
Client B	2,490	2,712	232	630
Client C	2,470	2,269	224	447
Client D	2,246	1,105	174	370
Client E	1,487	1,029	37	146
Client F	1,391	753	29	42
Other	15,197	11,242	80	145
Total	**29,204**	**25,447**	**1,846**	**8,117**

(all amounts are in EUR thousand unless otherwise stated)

6. Financial instruments and risk management (continued)

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. In assessing the risks related to receivables from external customers, the recalculation based on the oldest outstanding amount of a customer is applied in order to estimate the risk of potential losses in a more conservative manner. 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 2021 by separate external customers:

Group	Gross carrying amount	Expected credit loss, %	Impairment	Net carrying amount
Low risk	31,385	0.04%	(13)	31,372
Fair risk	386	0.52%	(2)	384
Increased risk	2,310	0.22%	(5)	2,305
High risk	9,752	73.36%	(7,154)	2,598
Total	**43,833**		**(7,174)**	**36,659**

Company	Gross carrying amount	Expected credit loss, %	Impairment	Net carrying amount
Low risk	14,955	0.00%	-	14,955
Fair risk	151	0.00%	-	151
Increased risk	42	9.52%	(4)	38
High risk	4,369	99.41%	(4,343)	26
Total	**19,517**		**(4,347)**	**15,170**

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.

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 the collateral or any other instruments to secure the credit, the ratio of expected losses corresponds to 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 2021:

Group	Expected credit losses, %	Gross carrying amount	Impairment	Net carrying amount
Not past due	0.04%	32,885	(13)	32,872
Past due for 1 to 30 days	0.07%	2,708	(2)	2,706
Past due for 31 to 60 days	0.09%	1,059	(1)	1,058
Past due for 61 to 120 days	19.05%	21	(4)	17
Past due for over 120 days	99.92%	7,160	(7,154)	6
Total		**43,833**	**(7,174)**	**36,659**

Company	Expected credit losses, %	Gross carrying amount	Impairment	Net carrying amount
Not past due	0.00%	15,000	-	15,000
Past due for 1 to 30 days	0.02%	139	-	139
Past due for 31 to 60 days	0.00%	11	-	11
Past due for 61 to 120 days	38.37%	4	(1)	3
Past due for over 120 days	99.59%	4,363	(4,346)	17
Total		**19,517**	**(4,347)**	**15,170**

(all amounts are in EUR thousand unless otherwise stated)

6. Financial instruments and risk management (continued)

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	
	2021	2020	2021	2020
Balance at the beginning of the period	(3,552)	(3,004)	(54)	(33)
Impairment of amounts written off	-	123	1	-
Change in impairment allowance for trade receivables	652	(671)	(20)	(21)
Balance at the end of the period	**(2,900)**	**(3,552)**	**(73)**	**(54)**

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	
	2021	2020	2021	2020
Balance at the beginning of the period	(4,370)	(4,437)	(4,282)	(4,284)
Impairment of amounts written off	(23)	-	8	-
Change in impairment allowance for trade receivables	119	67	-	2
Balance at the end of the period	**(4,274)**	**(4,370)**	**(4,274)**	**(4,282)**

As at 31 December 2021, 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	
	2021	2020	2021	2020
Aa2,AA	-	8,363	-	1,891
A+,A1	-	-	-	-
A1-,A+	-	-	-	-
AA-, Aa3	77,625	35,165	37,693	10,071
A2,A	-	121	-	121
Baa1, BBB+		25,631	-	8,374
Baa2, BBB	5,664	38	6	-
BBB-, Baa3	139	88	138	88
Below BBB-/Baa3	1,183	75	48	51
Cash in hand	45	18	-	-
Total	**84,656**	**69,499**	**37,885**	**20,596**

The carrying amount of cash and cash equivalents is approximately equal to their fair value. ECLs are not accounted for due to insignificance of the expected risk of change in their value.

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 significant balances of cash and cash equivalents during the year and ensured the liquidity of all Group companies through cash-pool. In addition, on 24 September 2021, a credit line agreement of EUR 2,000 thousand was signed with LTG Cargo Polska Sp.z.o.o. for a period of one year with an option of extension for 6 months; accrued interest income amounts to EUR 11 thousand (disclosed in Note 33). On 30 December 2021, the Company signed a credit contract of EUR 1,000 thousand with LTG Cargo Ukraine LLC, the term of the contract is 31 December 2023 with an option of extension for 6 months, i. .e. until 30 June 2024.

In July 2021, in order to ensure management of the liquidity risk, the Company signed an overdraft contract of EUR 4,600 thousand with Swedbank AB, the contract expires on 26 January 2022. The contract expired and, as there was no need, it was not renewed. Liquidity is ensured through the option of using cash-pool of the Group. On 20 September 2021, the Company signed an amendment to the mentioned contract on the basis of which the overdraft limit was increased to EUR 35,000 thousand; the maturity date remained unchanged. Interest calculated for the use of overdraft during 2021 amounts to EUR 0.6 thousand, and the commitment fee is equal to EUR 15.8 thousand.

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	2021	Value set by the bank	2020	Value set by the bank
Net debt / Adjusted EBITDA*	Comply	Not higher than 4.0	Comply	Not higher than 4.0
Equity ratio	Comply	Not lower than 35 per cent	Comply	Not lower than 35 per cent
Loan servicing ratio	Comply	Not lower than 2	Comply	Not lower than 2

*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, these financial covenants of the Group (consolidated), AB LTG Infra and AB LTG Cargo are monitored. The financial covenants are calculated considering the financial performance of AB LTG Infra, AB LTG Cargo and the Group (consolidated).

The COVID-19 pandemic did not affect the compliance with covenants. As at 31 December 2021, 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 2021:

Financial liabilities	Total:	Within one year	One to five years	After five years
Loans and other borrowings	174,001	26,034	69,555	78,412
Lease liabilities	6,065	1,506	4,559	-
Trade and other payables	67,737	64,126	4,611	-
Total	**248,803**	**91,666**	**78,725**	**78,412**

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 Company's maturities of financial liabilities by undiscounted cash flows method as at 31 December 2021:

Financial liabilities	Total:	Within one year	One to five years	After five years
Loans and other borrowings	-	-	-	-
Lease liabilities	11,650	2,096	4,065	5,489
Trade and other payables	12,264	12,264	-	-
Total	**23,914**	**14,360**	**4,065**	**5,489**

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**

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 2021 and 2020, 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.

Risk management measures are used only if there are clear indications that the interest rate may significantly change. There are no derivative financial instruments in the Group intended for managing of the interest rate fluctuation risk.

As at 31 December 2021, the weighted interest rate of the Group's loan portfolio was 1.2%, and as at 31 December 2020 was 1.3%. The interest rate risk is assessed taking into consideration sensitivity of the Group regarding interest rate fluctuations. If the interest rate grew by 0.5 percentage points during 2022, the annual interest expenses would increase by EUR 778 thousand.

In 2021 and 2020, 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.

6. Financial instruments and risk management (continued)

As at 31 December 2021 and 31 December 2020, 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 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)
- reclassification from/to current assets	-	(480)	(1,399)	(2,673)	(1,052)	16,172	10,568
- reclassification (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**
- acquisitions for the year	943	66	4,951	33,020	490	109,355	148,825
- sold, written off, disposed assets	(688)	(8,286)	(2,505)	(28,437)	(1,305)	(4,499)	(45,720)
- reclassification from/to current assets	6	289	(3,580)	(5,450)	(560)	1,880	(7,415)
- reclassification (to) intangible assets	-	-	-	-	-	(2,070)	(2,070)
- reclassifications*	54	27,970	1,228	1,087	1,691	(32,228)	(198)
31 December 2021	**154,100**	**1,282,053**	**256,889**	**557,120**	**120,217**	**324,827**	**2,695,206**
Accumulated depreciation and impairment losses							
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)**
- depreciation	-	(68,357)	(16,926)	(35,243)	(7,431)	-	(127,957)
- impairment for the year	-	(34)	(1)	44	(32)	(1,420)	(1,443)
- sold, written off, disposed assets	-	6,219	2,035	26,238	1,081	-	35,573
- reclassifications from/(to) current assets	-	(164)	4,564	1,002	475	-	5,877
- reclassifications*	-	74	(4)	4	-	-	74
31 December 2021	**-**	**(417,101)**	**(111,091)**	**(216,998)**	**(44,905)**	**(10,290)**	**(800,385)**
Carrying amount							
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**
31 December 2021	**154,100**	**864,952**	**145,798**	**340,122**	**75,312**	**314,537**	**1,894,821**

*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 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**
- acquisitions for the year	3	1,123	103	315	235	2,480	4,259
- sold, written off, disposed assets	-	(1,421)	(349)	(590)	(732)	(7)	(3,099)
- assets taken over during reorganisation*	-	1,322	368	-	285	-	1,975
- transferred to investment property	-	(3,001)	-	-	-	-	(3,001)
- transferred to intangible assets	-	532	252	-	3	(2,587)	(1,800)
31 December 2021	**3**	**39,534**	**13,781**	**972**	**15,595**	**2,258**	**72,143**
Accumulated depreciation and impairment losses							
31 December 2019	**-**	**(11,238)**	**(7,605)**	**(1,583)**	**(10,902)**	**(141)**	**(31,469)**
- depreciation	-	(2,490)	(1,229)	(185)	(1,813)	-	(5,717)
- transfer of depreciation due to reorganisation	-	-	-	-	3	-	3
- impairment reversal for the year	-	51	798	948	3,703	-	5,500
- impairment reversal for the year due to reorganisation		(834)	-	-	-	-	(834)
- sold, written off, disposed assets	-	-	-	-	-	-	-
31 December 2020	**-**	**(14,511)**	**(8,036)**	**(820)**	**(9,009)**	**(141)**	**(32,517)**
- depreciation	-	(2,484)	(989)	(87)	(915)	-	(4,475)
- impairment for the year	-	-	(1)	-	-	(183)	(184)
- sold, written off, disposed assets	-	464	300	391	578	-	1,733
- assets taken over during reorganisation*	-	(314)	(306)	-	(198)	-	(818)
- transferred to investment property	-	987	-	-	-	-	987
31 December 2021	**-**	**(15,858)**	**(9,032)**	**(516)**	**(9,544)**	**(324)**	**(35,274)**
Carrying amount							
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**
31 December 2021	**3**	**23,676**	**4,749**	**456**	**6,051**	**1,934**	**36,869**

*Reorganisation of AB Vilniaus Lokomotyvų Depas by the way of merger took place on 1 December 2021.

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 104,707 thousand (EUR 107,597 thousand in 2020). This amount included EUR 127,957 thousand (EUR 126,775 thousand in 2020) depreciation expenses which were reduced by depreciation of grants of EUR 20,613 thousand (EUR 15,428 thousand in 2020) as disclosed in Note 20 and by capitalised depreciation costs amounting to EUR 2,637 thousand (EUR 3,696 thousand in 2020).

The Company's depreciation charge included to the statement of profit or loss and other comprehensive income amounted to EUR 4,472 thousand (EUR 5,714 thousand in 2020). This amount included EUR 4,475 thousand (EUR 5,717 thousand in 2020) depreciation expenses which were reduced by depreciation of grants of EUR 3 thousand (EUR 3 thousand in 2020) as disclosed in Note 20.

As at 31 December 2021, the carrying amount of assets managed under the right of trust at the Group comprised EUR 963,070 thousand (at 31 December 2029: EUR 980,406 thousand).

The acquisition cost of fully depreciated but still used property, plant and equipment of the Group was EUR 55,243 thousand (EUR 60,108 thousand in 2020) and the Company EUR 9,131 thousand (EUR 8,693 thousand in 2020). Most of fully depreciated property, plant and equipment comprised other equipment, fittings and tools.

EUR 17,411 thousand of the Group's inventories complying with the requirements of IAS 16 were reclassified to non-current assets, construction in progress (EUR 10,570 thousand in 2020).

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 there are no indications of impairment taking into consideration the operating results.

The recoverable amount was calculated for several of the Group's cash-generating units by discounting future cash inflows.

The forecast of infrastructure results was based on these key assumptions:

- long-term growth rate used in the calculation of the recoverable amount: 2%;
- weighted capital costs ratio was estimated referring to the WACC model and comprised 4.44%.
- cash flows are forecast for the period of 9 years (2022–2030).

The forecast of cargo results was based on these key assumptions:

- long-term growth rate used in the calculation of the recoverable amount: 2%;
- weighted capital costs ratio was estimated referring to the WACC model and comprised 3.75%;
- impairment testing was performed based on the long-term strategy approved at the end of 2021;
- strategy data until 2025 is used to calculate business value and perpetual growth (perpetual period) is estimated subsequently;
- largest investments are planned before 2025;
- depreciation over perpetual period is equal to the amount of CAPEX for the company to retain assets held.

Impairment tests showed no impairment.

Due to the new sanctions imposed on Belarusian companies and planned declining cargo flows as a result thereof, in addition to other measures, the Group reviewed the ongoing projects, their status, further implementation and values. On 19 November 2021, the annual central inventory commission, examining the results of the inventory of construction in progress, decided to reduce the values of 4 projects by 20% and the value of one project – by 100%. Until 31 December 2021 there were no significant events or circumstances which could have an impact on the assessment.

Taking this into account and in the expert assessment of Group specialists, in 2021 the impairment of EUR 1,824 thousand was recognised.

(all amounts are in EUR thousand unless otherwise stated)

8. Right-of-use assets

As at 31 December 2021, 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 2020	**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**
- acquisitions for the year	1,480	724	-	523	159	2,886
- disposed assets	-	-	(323)	-	-	(323)
- reclassifications	-	-	-	-	-	-
31 December 2021	**1,480**	**1,946**	**29**	**5,526**	**872**	**9,853**
Accumulated depreciation and impairment losses						
1 January 2020	**(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)**
- depreciation	(46)	(178)	(37)	(1,195)	(214)	(1,670)
- depreciation reversal of disposed assets	-	-	223	-	-	223
- reclassifications	-	-	-	-	-	-
31 December 2021	**(46)**	**(302)**	**(23)**	**(3,168)**	**(319)**	**(3,858)**
Carrying amount						
1 January 2020	**153**	**227**	**150**	**2,380**	**73**	**2,983**
31 December 2020	**-**	**1,098**	**143**	**3,030**	**608**	**4,879**
31 December 2021	**1,434**	**1,644**	**6**	**2,358**	**553**	**5,995**

As at 31 December 2021, the Company's right-of-use assets consisted of:

	Land	Buildings and structures	Machinery and plant	Vehicles	Other equipment, fittings and tools	Total
Acquisition cost						
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**
- acquisitions for the year	1,424	6,568	-	963	101	9,056
- disposed assets	-	(5,564)	-	(159)	-	(5,723)
31 December 2021	**1,424**	**6,670**	**30**	**4,943**	**447**	**13,514**
Accumulated depreciation and impairment losses						
31 December 2019	**(3)**	**(81)**	**(1)**	**(681)**	**(11)**	**(774)**
- depreciation	-	(1,087)	(12)	(1,041)	(49)	(2,189)
- depreciation reversal of disposed assets	3	781	-	141	10	932
- reclassifications	-	-	-	-	-	-
31 December 2020	**-**	**(387)**	**(13)**	**(1,581)**	**(50)**	**(2,031)**
- depreciation	(49)	(765)	(11)	(1,319)	(131)	(2,275)
- depreciation reversal of disposed assets	-	690	-	155	-	845
31 December 2021	**(49)**	**(462)**	**(24)**	**(2,745)**	**(181)**	**(3,461)**
Carrying amount						
31 December 2019	**-**	**309**	**19**	**1,644**	**73**	**2,045**
31 December 2020	**-**	**5,279**	**17**	**2,558**	**296**	**8,150**
31 December 2021	**1,375**	**6,208**	**6**	**2,198**	**266**	**10,053**

Discount rate applied to lease agreements in 2021 comprises 6-month EURIBOR and market research, market margin determined under the current market conditions.

During 2021, the Company generated income of EUR 1,299 thousand (in 2020: EUR 1,197 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 2021, intangible assets of the Group comprised the following:

	Software	Licences and similar rights	Other intangible assets	Total
Acquisition cost				
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 tangible assets	3,775	27	(97)	3,705
31 December 2020	**29,872**	**3,140**	**1,216**	**34,228**
- additions	400	576	4,959	5,935
- sales, disposals, write-offs	(1,204)	(139)	(188)	(1,531)
- transferred from tangible assets	1,436	(116)	750	2,070
31 December 2021	**30,504**	**3,461**	**6,737**	**40,702**
Accumulated amortisation and impairment losses				
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)**
- amortisation	(2,321)	(225)	(25)	(2,571)
- impairment for the year	-	-	-	-
- sales, disposals, write-offs	1,204	139	159	1,502
31 December 2021	**(11,058)**	**(2,219)**	**(543)**	**(13,820)**
Carrying amount				
31 December 2019	**18,289**	**210**	**182**	**18,681**
31 December 2020	**19,931**	**1,007**	**539**	**21,477**
31 December 2021	**19,446**	**1,242**	**6,194**	**26,882**

(all amounts are in EUR thousand unless otherwise stated)

9. Intangible assets (continued)

As at 31 December 2021, intangible assets of the Company comprised the following:

	Software	Licences and similar rights	Other intangible assets	Total
Acquisition cost				
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**
- additions	444	576	4,136	5,156
- sales, disposals, write-offs	(914)	(78)	(7)	(999)
- transferred from tangible assets	1,168	(116)	748	1,800
31 December 2021	**7,312**	**3,361**	**4,912**	**15,585**
Accumulated amortisation and impairment losses				
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)**
- amortisation	(640)	(224)	-	(864)
- Impairment for the year	-	-	-	-
- sales, disposals, write-offs	914	78	7	999
31 December 2021	**(5,004)**	**(2,119)**	**(28)**	**(7,151)**
Carrying amount				
31 December 2019	**2,058**	**203**	**-**	**2,261**
31 December 2020	**1,336**	**1,006**	**-**	**2,342**
31 December 2021	**2,308**	**1,242**	**4,884**	**8,434**

Amortisation costs of intangible assets of the Group which in 2021 amounted to EUR 1,427 thousand (EUR 1,777 thousand in 2020) are accounted for in the statement of profit or loss and other comprehensive income. This amount includes EUR 2,571 thousand (EUR 2,453 thousand in 2020) of amortisation expenses which were reduced by amortisation of grants of EUR 1,144 thousand (EUR 676 thousand in 2020) as disclosed in Note 20.

Amortisation costs of intangible assets of the Company which in 2021 amounted to EUR 736 thousand (EUR 765 thousand in 2020) are accounted for in the statement of profit or loss and other comprehensive income. This amount includes EUR 864 thousand (EUR 893 thousand in 2020) of amortisations expenses which were reduced by amortisation of grants of EUR 128 thousand (EUR 128 thousand in 2020) as disclosed in Note 20.

The Group's fully amortised intangible assets still in use amounted to EUR 5,819 thousand (EUR 6,966 thousand in 2020). The Company's fully amortised intangible assets still in use amounted to EUR 4,751 thousand (EUR 5,411 thousand in 2020). Most of fully amortised assets was software.

Capitalised expenses of the Company, including ERP consultation services, amounted to EUR 847 thousand during 2021 (EUR 171 thousand in 2020).

10. Investment property

The investment property of the Group and the Company comprised the following:

	Group	Company
Acquisition cost		
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**
- acquisitions for the year	-	-
- sold, written off, disposed assets	-	(28)
- assets taken over during reorganisation*	-	8,470
- transferred from property, plant and equipment	198	3,001
31 December 2021	**3,210**	**20,827**
Accumulated depreciation and impairment losses		
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)**
- depreciation	(292)	(505)
- sold, written off, disposed assets	-	11
- assets taken over during reorganisation*	-	(2,077)
- transferred from property, plant and equipment	(74)	(987)
31 December 2021	**(624)**	**(6,450)**
Carrying amount		
31 December 2019	**248**	**8,284**
31 December 2020	**2,754**	**6,492**
31 December 2021	**2,586**	**14,377**

*Reorganisation of AB Vilniaus Lokomotyvų Depas by the way of merger took place on 1 December 2021.

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 2021 of EUR 124 thousand (EUR 1 thousand as at 31 December 2020) was fully depreciated but still used in operations.

Part of the Company's investment property with the acquisition cost as at 31 December 2021 of 691 EUR thousand (EUR 341 thousand as at 31 December 2020) was fully depreciated but still used in operations.

During 2021, the Group and the Company received EUR 1,087 thousand and EUR 3,069 thousand of income from the lease of investment property (2020: EUR 551 thousand and EUR 1,968 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, %	2021 Investment value	2021 Accounted impairment	2021 Carrying amount	2020 Investment value	2020 Accounted impairment	2020 Carrying amount
Shares of associates							
voestalpine Railway Systems Lietuva, UAB	34	745	-	745	745	-	745
VšĮ Transporto inovacijų centras	33.33	116	-	116	116	-	116
RB Rail AS	33.33	3,900	-	3,900	3,900	-	3,900
UAB Lokomotyvai ir transporto komponentai	-	-		-	72	(72)	-
		4,761	-	4,761	4,833	(72)	4,761
Long-term investments							
VšĮ Geležinkelių logistikos parkas	79.61	460	(405)	55	460	(405)	55
Briuselio centralizuotas atsiskaitymų centras	1.34	2	-	2	1	-	2
		462	(405)	57	462	(405)	57
Application of equity method				(167)	-	-	(60)
Total				4,651			4,758

The movement of investments of the Company to subsidiaries and other companies:

Company name	Owned share, %	2021 Investment value	2021 Accounted impairment	2021 Carrying amount	2020 Investment value	2020 Accounted impairment	2020 Carrying amount
Shares of subsidiaries							
AB LTG Cargo	100	39,752	-	39,752	39,602	-	39,602
UAB LTG Link	100	142,778	-	142,778	142,778	-	142,778
AB LTG Infra	100	673,668	-	673,668	673,668	-	673,668
UAB Geležinkelio tiesimo centras	100	24,752	-	24,752	24,752	-	24,752
AB Vilniaus lokomotyvų remonto depas	100	-	-	-	15,252	-	15,252
LUAB Gelsauga	100	-	-	-	3,002	-	3,002
LUAB Saugos paslaugos	100	1,522	(1,139)	383	454	(269)	185
UAB Rail Baltica statyba	100	4,804	(2,455)	2,349	4,804	(2,465)	2,339
VšĮ Geležinkelių logistikos parkas	79.61	460	(405)	55	460	(405)	55
		887,736	(3,999)	883,737	904,772	(3,139)	901,633
Shares of associates							
voestalpine Railway Systems Lietuva, UAB	34	745	-	745	745	-	745
VšĮ Transporto inovacijų centras	33.33	115	(79)	36	115	(79)	36
		860	(79)	781	860	(79)	781
Long-term investments							
Brussels Centralised Payment Centre	1.34	2	-	2	2	-	2
		2	-	2	2	-	2
Total		**888,598**	**(4,078)**	**884,520**	**905,635**	**(3,218)**	**902,416**

(all amounts are in EUR thousand unless otherwise stated)

11. Investments (continued)

The financial position of investments in associates carried using equity method:

2021	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity
voestalpine Railway Systems Lietuva, UAB	3,887	6,645	58	2,132	8,342
RB Rail AS	3,071	25,201	8,447	13,109	6,716
VšĮ Transporto inovacijų centras	1	63	-	4	60

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

Investments in associates using equity method in the statement of profit or loss and other comprehensive income:

	2021		
	Revenue	(Expenses)	Profit or loss
voestalpine Railway Systems Lietuva, UAB	10,679	(9,985)	694
RB Rail AS	16,126	(16,370)	(244)
VšĮ Transporto inovacijų centras	-	(50)	(50)

	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)

In 2021, the increase in the change in the value of the Company's investments by EUR 1,360 thousand occurred due to the investment of EUR 448 thousand in UAB Saugos paslaugos in June 2021, the investment of EUR 761 thousand in July 2021 and due to an increase in the share capital of LTG Cargo AB by EUR 151 thousand through a non-cash contribution of assets in August 2021.

In July 2021, the Company took a decision to reorganise UAB Vilniaus Lokomotyvų remonto depas into a joint stock company.

On 3 August 2021, the legal status of UAB Saugos paslaugos was changed to "under liquidation".

On 1 December 2021, AB Vilniaus lokomotyvų remonto depas (AB VLRD) was merged to the Company.

In 2021, the decrease in the change in the value of the Company's investments of EUR 19,256 thousand incurred due to the following: the transfer of assets of LUAB Gelsauga, amounting to EUR 680 thousand, to the shareholder; setting off EUR 2 322 thousand of the investment in LUAB Gelsauga with the cash received, also due to the transfer of the assets of LUAB Saugos paslaugos, which is under liquidation, by the value of EUR 142 thousand to the shareholder, as well as due to the merger of AB VLRD to the Company on 1 December 2021, by eliminating the investment of EUR 15 252 thousand into in the jointly controlled company. In addition, an impairment of EUR 860 thousand was calculated and recorded in 2021.

The Company tested the recoverable amount of investment in the subsidiary (LTG Infra) subsequent to which no indications of impairment were identified The principal assumptions used in the assessment are disclosed in Note 7.

(all amounts are in EUR thousand unless otherwise stated)

11. Investments (continued)

Movement of the Company's investments in related parties and other companies:

	Investment value
Acquisition value as at 31 December 2019	**902,690**
Increase (+)	224
Decrease (-)	(498)
Acquisition value as at 31 December 2020	**902,416**
Increase (+)	1,360
Decrease (-)	(19,256)
Acquisition value as at 31 December 2021	**884,520**

12. Inventories

As at 31 December 2021, the Group's and the Company's inventories comprised:

	Group		Company	
	2021	**2020**	**2021**	**2020**
Spare parts	10,591	4,189	468	210
Materials of the upper railway part	8,603	4,683	-	-
Materials	4,868	3,180	617	851
Fuel	4,377	4,627	3,060	3,077
Other inventories	1,621	761	78	153
Total raw materials, materials and component parts	30,060	17,440	4,223	4,291
Goods for resale	151	13,128	-	97
Total goods for resale	151	13,128	-	97
Non-current assets held-for-sale	2,986	8,147	500	1,520
Total non-current assets held-for-sale	2,986	8,147	500	1,520
Total	**33,197**	**38,715**	**4,723**	**5,908**

The carrying amount of the Group's inventories of EUR 33,897 thousand was reduced by EUR 3,686 thousand to the net realisable value as at 31 December 2021 (the carrying amount of EUR 44,127 thousand was reduced by EUR 5,412 thousand to the net realisable value as at 31 December 2020).

The carrying amount of the Company's inventories of EUR 5,379 thousand was reduced by EUR 656 thousand to the net realisable value as at 31 December 2021 (the carrying amount of EUR 6,736 thousand was reduced by EUR 828 thousand to the net realisable value as at 31 December 2020).

Change in write down of net realisable value of inventories of the Group and the Company is shown in write-down to the net realisable 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 2021 amounted to EUR 2,986 thousand and EUR 500 thousand respectively (at 31 December 2020: EUR 8,147 thousand and EUR 1,520 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 passenger wagons, diesel locomotives, draisines, cranes, 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	
	2021	2020	2021	2020
Gross external trade debtors	32,104	28,999	1,919	8,171
Impairment (-)	(2,900)	(3,552)	(73)	(54)
Total external trade receivables	**29,204**	**25,447**	**1,846**	**8,117**
Receivables from related parties	388	-	12,034	13,996
Impairment (-)	-	-	-	-
Total receivables from related parties	**388**	**-**	**12,034**	**13,996**
Receivable VAT	6,134	4,854	-	-
Other amounts receivable from the budget	8,227	14,090	2,549	10,376
Accrued other amounts receivable from related parties	-	-	3,382	6,034
Accrued income	2,830	11,409	145	-
Other receivables	11,341	9,091	5,564	6,579
Impairment (-)	(4,274)	(4,381)	(4,274)	(4,282)
Total other receivables	**24,258**	**35,063**	**7,366**	**18,707**
Total	**53,850**	**60,510**	**21,246**	**40,820**

In 2021, the Group's trade and other receivables compared to 2020 decreased by EUR 6,660 thousand (in 2021, the Company's trade and other receivables decreased by EUR 19,574 thousand compared to 2020).

The Company accrued other amounts receivable from related parties of EUR 2,851 thousand for management services rendered to Group companies (EUR 5,829 thousand as at 31 December 2020).

14. Prepayments and contract assets

Prepayments of the Group and the Company comprised:

	Group		Company	
	2021	2020	2021	2020
Prepayments to external customers	2,945	2,839	221	981
Prepayments to related parties	-	-	14,558	-
Guaranties paid to suppliers	91	-	351	31
Deferred costs	4,949	4,497	2,325	1,640
Total	**7,985**	**7,336**	**17,455**	**2,652**

The Group's and the Company's contract assets comprised:

	Group		Company	
	2021	2020	2021	2020
Accrued income	54	381	-	-
Guaranties paid to customers	30	27	-	-
Total	**84**	**408**	**-**	**-**

15. Cash and cash equivalents

Cash and cash equivalents of the Group and the Company comprised:

	Group		Company	
	2021	2020	2021	2020
Cash in banks	84,630	69,480	37,885	20,596
Cash in hand	26	19	-	-
Total	**84,656**	**69,499**	**37,885**	**20,596**

As at 31 December 2021 and 2020, 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 2021, the Group companies had a debt to the Company under the cash-pool agreement of EUR 2,527 thousand (EUR 10,470 thousand as at 31 December 2020). During 2021, the Group's members used cash-pool funds based on their needs, interest of EUR 114 thousand was calculated (EUR 56 thousand as at 31 December 2020).

(all amounts are in EUR thousand unless otherwise stated)

15. Cash and cash equivalents (continued)

As at 31 December 2021, 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 2020).

16. Share capital

During 2021, the Articles of Association of the Company were not amended for the increase / decrease of share capital. On 10 June 2021, new Articles of Association of the Company were registered due to the change in the classification of the main activities.

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 3-265 of the Minister of Transport and Communications dated 7 May 2021, a decision to allocate to dividends EUR 13,836 thousand from the Company's retained earnings of 2020 was taken; payments were made on 31 May 2021 – EUR 7,000 thousand, 21 June 2021 – EUR 6,836 thousand. Dividends per share amounted to EUR 3.78.

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. Retained earnings (losses) and profit (loss) not recognised in the statement of profit or loss and other comprehensive income

In July 2021, the Company made a decision to reorganise UAB Vilniaus Lokomotyvų Remonto Depas into a joint stock company.

On 30 November 2021, pursuant to the decision of the Ministry of Transport and Communications of the Republic of Lithuania on the reorganisation of the Company and AB Vilniaus Lokomotyvų Remonto Depas (AB VLRD), and based on the decision of the Company, as the sole shareholder of AB VLRD, the terms of the reorganisation have been approved, which provide that AB VLRD shall be reorganised by way of merger to the Company.

As of 1 December 2021, after reorganisation the Company continues its activity having taken over all assets, rights and commitments of AB VLRD under reorganisation (merged).

The carrying amounts of the total reorganised assets, rights and obligations of AB VLRD, transferred to the Company on 1 December 2021:

ASSETS		EQUITY AND LIABILITIES	
Property, plant and equipment	1,157	Employee benefits	-
Intangible assets	-	**Total non-current liabilities**	**-**
Investment property	6,393	Employee benefits	2
Deferred tax asset	103	Trade and other payable amounts	299
Total non-current assets	**7,653**	**Total current liabilities**	**301**
Inventory	-	**Net assets**	**19,140**
Trade and other receivable amounts	3,841		
Cash and cash equivalents	7,947		
Total current assets	**11,788**		
TOTAL ASSETS	**19,441**	**TOTAL EQUITY AND LIABILITIES**	**19,441**

19. Retained earnings (losses) and profit (loss) not recognised in the statement of profit or loss and other comprehensive income (continued)

As at 1 December 2021, the difference between the carrying amounts of the transferred assets and liabilities of AB VLRD, i.e. the net assets, amounted to EUR 19,140 thousand. The elimination of the Company's investment of EUR 15,252 thousand in AB VLRD resulted in a gain on reorganisation of EUR 3,888 thousand, which is recorded directly to equity "Profit (loss) not recognised in the statement of profit or loss and other comprehensive income".

A building complex controlled by the Group company AB LTG Infra under the right of trust was transferred to SE Turto Bankas on 1 March 2021 following the resolution No 181 of 10 February 2021 of the Government of Republic of Lithuania "Regarding Management, Use and Disposal of the State Real Estate Transferred to State-owned Enterprise Turto Bankas by the Right of Trust". This transaction of transfer is considered to be a common control transaction with owners and is accounted for as unrecognised loss of EUR 5,998 thousand in the statement of profit or loss and other comprehensive income.

20. Grants

Movement of grants of the Group and the Company:

	Group		Company	
	2021	2020	2021	2020
Balance at the beginning of the period	581,384	556,015	641	725
Received during the year	31,495	51,395	101	47
Used for reduction of depreciation and amortisation costs of non-current assets	(21,757)	(16,158)	(131)	(131)
Used for reduction of other expenses	(3,140)	(1,666)	-	-
Repaid / transferred	(129)	(8,202)	-	-
Effect of reorganisation	-	-	-	-
Balance at the end of the period	**587,853**	**581,384**	**611**	**641**
Including assets managed under right of trust	**237,699**	**234,685**	**-**	**-**

Grants are related to the financing of investment programmes, assets received under the Trust Agreement and subsidies earmarked for compensating costs.

21. Loans and borrowings

As at 31 December 2021, borrowings of the Group and the Company comprised:

	Group		Company	
	2021	2020	2021	2020
Non-current loans	147,967	173,442	-	-
Current loans	25,475	27,818	-	-
Interest	559	674	-	-
Total	**174,001**	**201,934**	**-**	**-**

The Company does not have any financial liabilities to credit institutions, because on 8 December 2019 all the loans between the Company and the Nordic Investment Bank were transferred to LTG Infra AB, and, on 30 June 2020, all the loans between the Company and the European Investment Bank were transferred to LTG Cargo AB. On 30 June 2020, following the completion of the restructuring of the Company's long-term loans, the guarantee agreements with the Nordic Investment Bank and the European Investment Bank entered into force, under which the Company guarantees for the obligations of LTG Cargo AB and LTG Infra AB to creditors.

The Group's loans comprised:

	Loan currency	2021	2020
Bank EIB - 3, total [2]	EUR	1,363	3,182
Bank EIB - 4, total [1]	EUR	14,000	20,667
Nordic Investment Bank -2, total [5]	EUR	1,889	5,667
Nordic Investment Bank - 3, total [3]	EUR	77,226	84,580
Nordic Investment Bank - 4, total [4]	EUR	36,107	39,545
Nordic Investment Bank - 5, total [6]	EUR	42,857	47,619
Loan interest	EUR	559	674
Total		**174,001**	**201,934**

During 2021, the Group repaid EUR 27,818 thousand of loans and paid EUR 2,467 thousand of interest.

[1] EIB-4 is the loan for the procurement of new railway rolling stock. During 2021, AB LTG Cargo repaid EUR 6,667 thousand of the loan and paid EUR 476 thousand of interest.

[2] EIB-3 is the loan for the procurement of new rolling stock. AB LTG Cargo repaid EUR 1,818 thousand of the loan and paid EUR 59 thousand of interest.

21. Loans and borrowings (continued)

[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 2021, AB LTG Infra repaid EUR 7,355 thousand of the loan and EUR 1,211 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 2021, AB LTG Infra repaid EUR 3,439 thousand of the loan and EUR 483 thousand of interest.

[5] A loan of the Nordic Investment Bank (NIB-2) for the renovation and development of the public railway infrastructure. During 2021, AB LTG Infra repaid EUR 3,778 thousand of the loan and EUR 38 thousand of interest.

[6] (NIB-5) loan is intended for the implementation of the investment projects for 2014–2021 and the Rail Baltica project. On 3 July 2020, the entire loan of EUR 50,000 thousand was issued. During 2021, AB LTG Infra paid EUR 4,762 thousand of the loan, EUR 200 thousand of interest.

As at 31 December 2021,the Group has accrued interest of EUR 559 thousand (31 December 2020 – EUR 674 thousand).

22. Lease liabilities

The Company leases 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 recognised directly as expenses in the statement of profit or loss and other comprehensive income.

A discount rate applied to lease contracts in 2021 comprises 6-month EURIBOR and a market margin determined on the basis of a market research according to effective market conditions.

Impact on the Group's and the Company's statement of financial position (increase / (decrease)) as at 31 December 2021:

	Group		Company	
	2021	2020	2021	2020
Assets:				
Right-of-use assets	5,995	4,879	10,053	8,150
Non-current liabilities:				
Lease liabilities	(4,559)	(3,549)	(8,490)	(6,860)
Current liabilities:				
Lease liabilities	(1,506)	(1,803)	(1,894)	(1,561)
Effect of the previous year on the statement of profit or loss	**(359)**	**(114)**	**(176)**	**(95)**
Impact on the statement of profit or loss	**289**	**(359)**	**(155)**	**(176)**

Impact on the Group's and the Company's statement of profit or loss and other comprehensive income (increase / (decrease)) as at 31 December 2021:

	Group		Company	
	2021	2020	2021	2020
Depreciation expenses	(1,670)	(1,757)	(2,275)	(1,258)
Lease expenses	2,149	1,549	2,334	1,261
Profit (loss) from operations	**479**	**(208)**	**59**	**3**
Finance costs:				
Interest	(190)	(151)	(214)	(179)
Profit (loss) for the reporting period	**289**	**(359)**	**(155)**	**(176)**

(all amounts are in EUR thousand unless otherwise stated)

22. Lease liabilities (continued)

Impact on the Group's and the Company's statement of cash flows (increase / (decrease)) as at 31 December 2021:

	Group		Company	
	2021	2020	2021	2020
Net profit (loss)	**289**	**(359)**	**(155)**	**(176)**
Depreciation and amortisation expenses	1,670	1,757	2,275	1,258
Interest on lease liabilities	190	151	214	179
Cash flows from (to) investing activities				
Payment of lease liabilities	(1,959)	(1,398)	(2,120)	(1,082)
Interest on lease liabilities	(190)	(151)	(214)	(179)
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 2021 would accordingly make up EUR 9,727 thousand and EUR 11,186 thousand (EUR 8,035 thousand or EUR 8,844 thousand accordingly as at 31 December 2020).

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 6,567 thousand and EUR 5,953 thousand in 2021, respectively (2020: EUR 3,492 thousand and EUR 3,162 thousand, respectively).

23. 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 2019	10,738	1,102
Change (+)	-	
Change (-) (-)	(378)	(242)
Effect of reorganisation (-)	-	-
Balance as at 31 December 2020	**10,360**	**860**
Change (+)	15	-
Change (-)	(1,933)	(265)
Balance as at 31 December 2021	**8,442**	**595**

Main assumptions applied in assessment of the Company's non-current employee benefit liability are provided below:

	2021	2020
Discount rate, %	0.76	0.40
Staff turnover ratio, %	11.79	8.16
Salary increase rate, %	2.00	2.00

(all amounts are in EUR thousand unless otherwise stated)

23. Employee benefits (continued)

Change in the Group's employee benefits during 2021 by type:

	2020	Calculated to the statement of profit or loss and other comprehensive income	Calculated capitalised costs	Paid	2021
Non-current liabilities					
Provisions for pensions and similar obligations	10,360	(1,759)	-	(159)	8,442
Total non-current liabilities:	**10,360**	**(1,759)**	**-**	**(159)**	**8,442**
Current liabilities					
Vacation pay accrual	11,963	16,397	-	(18,170)	10,190
Payable remuneration	6,979	71,307	11,846	(83,349)	6,783
Payable social insurance contributions	3,604	43,059	237	(43,456)	3,444
Payable personal income tax contributions	2,408	35,666	-	(35,948)	2,126
Other employment related liabilities	8,259	4,937	-	(7,249)	5,947
Total current liabilities:	**33,213**	**171,366**	**12,083**	**(188,172)**	**28,490**
Total	**43,573**	**169,607**	**12,083**	**(188,331)**	**36,932**

Change in the Company's employee benefits during 2021 by type:

	2020	Calculated to the statement of profit or loss and other comprehensive income	Calculated capitalised costs	Paid	Effect of reorganisation	2021
Non-current liabilities						
Provisions for pensions and similar obligations	860	(252)	-	(13)	-	595
Total non-current liabilities:	**860**	**(252)**	**-**	**(13)**	**-**	**595**
Current liabilities						
Vacation pay accrual	2,077	2,932	-	(3,173)	2	1,838
Payable remuneration	1,350	15,142	909	(16,105)	-	1,296
Payable social insurance contributions	670	8,207	19	(8,265)	-	631
Payable personal income tax contributions	469	7,039	-	(7,082)	-	426
Other employment related liabilities	1,995	1,482	-	(1,863)	-	1,614
Total current liabilities:	**6,561**	**34,802**	**928**	**(36,488)**	**2**	**5,805**
Total	**7,421**	**34,550**	**928**	**(36,501)**	**2**	**6,400**

Current employee benefits by type:

	Group		Company	
	2021	2020	2021	2020
Vacation pay accrual	10,190	11,963	1,838	2,077
Payable remuneration	6,783	6,979	1,296	1,350
Payable social insurance contributions	3,444	3,604	631	670
Payable personal income tax contributions	2,126	2,408	426	469
Other employment related liabilities	5,947	8,259	1,614	1,995
Total	**28,490**	**33,213**	**5,805**	**6,561**

24. Provisions

Other provisions of the Group and the Company comprised:

	Group		Company	
	2021	2020	2021	2020
Non-current provisions	14,470	14,470	-	-
Current provisions	689	804	-	-
Total	**15,159**	**15,274**	**-**	**-**

In 2021 and 2020, the non-current provisions are related to potential liabilities.

(all amounts are in EUR thousand unless otherwise stated)

24. Provisions (continued)

The movement in provisions could be specified:

	Group	Company
Balance as at 31 December 2019	17,392	-
Formed additionally (+)	358	-
Used (-)	(2,476)	-
Effect of reorganisation (-)	-	-
Balance as at 31 December 2020	15,274	-
Formed additionally (+)	223	
Used (-)	(338)	-
Balance as at 31 December 2021	**15,159**	**-**

25. Trade and other payables

Trade and other payables of the Group and the Company comprised:

	Group		Company	
	2021	2020	2021	2020
Trade payables	39,934	31,932	8,800	7,270
Trade payables to related parties	705	590	1,047	8,500
Cash guarantees received	4,832	5,427	2,405	2,742
Other taxes payable to the budget	6,224	5,408	541	1,189
Accrued service costs of foreign railways	1,167	1,373	-	-
Accrued other amounts payable from related parties	-	-	6,612	12,935
Other accrued costs	12,583	6,751	968	369
Other amounts payable and liabilities	3,292	3,529	12	617
Total	**68,737**	**55,010**	**20,385**	**33,622**

Under other accrued expenses, the Group and the Company accounted for audit service expenses of EUR 216 thousand (2020: EUR 235 thousand) and EUR 52 thousand (2020: 40 thousand), respectively.

At the Company, accrued expenses comprised accruals of not invoiced management services to related parties.

26. Received prepayments and contract liabilities

	Group		Company	
	2021	2020	2021	2020
Received prepayments, non-current portion	-	-	-	-
Received prepayments, current portion	40,456	10,031	18,909	271
Total	**40,456**	**10,031**	**18,909**	**271**

In 2021, the major portion of advance payments in the Group consisted of project implementation funds received in advance (EUR 17,903 thousand), which, after having signed a grant agreement, will be accounted for as grants (EUR 4,052 thousand in 2020).

The Group's and the Company's contract liabilities comprised:

	Group		Company	
	2021	2020	2021	2020
Received prepayments, non-current portion	-	-	-	-
Received prepayments, current portion	2	3,771	-	-
Total	**2**	**3,771**	**-**	**-**

(all amounts are in EUR thousand unless otherwise stated)

27. Sales revenue

Sales revenue of the Group and the Company comprised:

	Group		Company	
	2021	2020	2021	2020
Freight transportation income:	372,949	385,615	-	-
Freight transportation on local routes	81,754	83,985	-	-
Freight transportation on international routes	188,491	196,223	-	-
Provision of services related to freight transportation	102,704	105,407	-	-
Income for the use of public railway infrastructure	536	1,385	-	-
Passenger transportation income:	18,653	12,554	-	-
Passenger transportation on local routes	11,867	9,475	-	-
Passenger transportation on international routes	6,786	2,733	-	-
Provision of services related to passenger transportation	-	346	-	-
Other revenue:	28,610	23,399	102,145	95,004
Leased assets	1,691	1,575	4,380	3,869
Locomotive and locomotive crew work abroad	4,367	4,337	-	-
Maintenance and repairs	3,770	6,572	467	342
Electricity, gas, vapour and water supply	867	1,072	1	54
Resale	-	-	47,617	43,711
Management services	-	-	43,555	41,331
Other services	17,915	9,843	6,125	5,697
Total	**420,748**	**422,953**	**102,145**	**95,004**

The Group's and the Company's revenue according to the moment of revenue recognition comprised the following:

	Group		Company	
	2021	2020	2021	2020
Pripažįstamos iš karto	414,751	413,245	97,298	90,793
Pripažįstamos per tęstinį laikotarpį	5,997	9,708	4,847	4,211
Iš viso	**420,748**	**422,953**	**102,145**	**95,004**

28. Grant

The grant to compensate the losses for the transport of passengers by train on local routes amounted to EUR 37,629 thousand in 2021 (EUR 35,979 thousand in 2020).

In 2021, the Group's management decided to separate the grant for the compensation of losses on transport of passenger by trains on domestic routes from "Other operating income" to "Grant" in the statement of profit or loss and other comprehensive income. In the opinion of management, it is more accurate to separate the income related to the grant from other income. The comparative figures for 2020 were adjusted accordingly.

29. Other income

In 2021, the Group's other income comprised EUR 6,761 thousand (EUR 45,203 thousand in 2020). The gain from disposal of non-current assets comprised the major part of other operating income. In 2021, the Company's other income comprised EUR 6,497 thousand (EUR (156) thousand in 2020), the major part of which comprised EUR 6,464 thousand of profit from disposal of non-current assets.

30. Employee benefits costs

The Group's employee benefits costs by type:

	2021	2020
Wages and salaries	(152,274)	(161,913)
Social security costs	(2,695)	(2,380)
Vacation accrual	(16,397)	(9,514)
Pensions and similar obligations	1,759	250
Total	**(169,607)**	**557)**

(all amounts are in EUR thousand unless otherwise stated)

30. Employee benefits costs (continued)

The Company's employee benefits costs by type:

	2021	2020
Wages and salaries	(33,323)	(34,415)
Social security costs	(723)	(708)
Vacation accrual	(239)	(4)
Pensions and similar obligations	(265)	242
Total	**(34,550)**	**(34,885)**

31. Result from financing activities

Result from financing activities of the Group and the Company comprised:

	Group		Company	
	2021	2020	2021	2020
Total finance income	252	247	4,363	26,637
Interest	154	-	1,607	1,368
Currency exchange gain	-	-	41	-
Dividends	-	-	1,636	25,267
Fines and penalties	98	161	15	2
Other income	-	86	1,064	-
Total finance costs	(3,965)	(3,877)	(253)	(962)
Interest	(2,390)	(2,795)	(6)	(417)
Currency exchange loss	(20)	(182)	-	(99)
Expenses of fines and interest on late payment	(1,296)	(432)	(32)	(15)
Other expenses	(259)	(468)	(215)	(431)
Total	**(3,713)**	**(3,630)**	**4,110**	**25,675**

During 2021, the Company received EUR 956 thousand dividends from UAB Vilniaus Lokomotyvų Remonto Depas and EUR 680 thousand from voestalpine Railway Systems Lietuva, UAB.

32. Corporate income tax and deferred tax

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

	Group		Company	
	2021	2020	2021	2020
Income tax for the year	4,309	5,600	128	-
Adjustment to income tax of the previous year*	(2,464)	292	(512)	627
Deferred tax expenses (income)	40	446	450	(784)
Total corporate income tax expenses (income) recognised in profit or loss	**1,885**	**6,338**	**66**	**(157)**

Corporate income tax expenses (income) of the Group and the Company comprised:

	Group		Company	
	2021	2020	2021	2020
Profit (loss) before tax	25,349	42,894	3,520	17,138
Corporate income tax	3,802	6,434	528	2,571
Non-deductible expenses (+)/Additional allowable (-) deductions	1,534	1,436	238	611
Non-taxable income (-)	(1,090)	(2,013)	(291)	(3,966)
Income tax of the previous year*	(2,464)	21	(512)	627
Change in deferred tax due to reorganisation	103	460	103	-
Total corporate income tax (income) expenses	**1,885**	**6,338**	**66**	**(157)**
Effective rate, %	7.44%	14.78%	1.88%	(0.92%)

* In May 2021, having received information on the investment projects eligible for the Income Tax incentive, the Income Tax for 2020 was corrected accordingly in 2021.

(all amounts are in EUR thousand unless otherwise stated)

32. 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	
	2021	2020	2021	2020
Deferred income tax assets:				
Impairment of amounts receivable and write-off of bad debts	435	465	11	9
Write down of inventories	943	932	98	124
Vacation and bonus accruals	2,338	2,579	518	610
Liabilities of long-term employee benefits	1,266	1,043	89	129
Accrued expenses	4,070	88	-	-
Difference between accounting and tax value of non-current assets	16	322	-	-
Other provisions	239	83	-	-
Tax losses carried forward	9,051	5,289	882	1,080
Deferred income tax assets	18,358	10,801	1,598	1,952
Deferred income tax liabilities:				
Difference between accounting and tax value of non-current assets	(23,517)	(18,793)	352	356
Difference in grants	(5,554)	(6,713)	(37)	(48)
Other provisions	(4,032)	-	-	-
Deferred tax liability	(33,103)	(25,506)	315	308
Net deferred tax assets (liabilities)	**(14,745)**	**(14,705)**	**1,913**	**2,260**
Recognised as deferred tax assets in the statement of financial position	3,013	4,453	1,913	2,260
Recognised as deferred tax liabilities in the statement of financial position	(17,758)	(19,158)	-	-

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.

33. 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;
- All members of the key management staff;
- Family members of the key management staff of the reporting entity.

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.

(all amounts are in EUR thousand unless otherwise stated)

33. Related party transactions (continued)

Statements of financial position of the Group's subsidiaries and associates:

2021	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Ownership
AB LTG Cargo	232,035	83,719	145,627	74,727	95,400
UAB LTG Link	127,431	34,915	2,743	11,921	147,682
AB LTG Infra	1,503,973	50,161	762,890	120,316	670,928
UAB Geležinkelio tiesimo centras	24,691	10,989	4,441	406	30,833
LUAB Gelsauga	-	-	-	-	-
LUAB Saugos paslaugos	-	527	-	132	395
UAB Rail Baltica statyba	2,239	60	-	22	2,277
RB Rail AS	3,071	25,201	8,447	13,108	6,716
voestalpine Railway Systems Lietuva, UAB	3,887	6,645	58	2,132	8,342
VšĮ Transporto inovacijų centras	1	63	-	4	60
OOO Rail Lab	15	294	-	1	308
LTG Cargo Polska Sp.zo.o.	193	1,929	-	2,490	(368)
UAB LTG Wagons	3	75	-	36	42
LTG Cargo Ukraine LLC	9	331	-	64	276

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
LUAB Saugos paslaugos	96	1,243	139	1,016	184
UAB Rail Baltica statyba	2,312	80	-	20	2,372
RB Rail AS	1,156	32,971	7,542	19,649	6,936
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

The Company's related party transactions before elimination during 2021 and as at 31 December 2021:

	2021			
	Company's purchases	Company's sales	Company's receivables	Company's payables
AB LTG Cargo	14,758	79,336	147,088	4,320
UAB LTG Link	7,158	14,669	1,264	1,164
AB LTG Infra	1,817	32,028	3,982	173
UAB Geležinkelio tiesimo centras	202	1,068	77	1
UAB Vilniaus lokomotyvų remonto depas	-	4,364	-	-
LUAB Gelsauga	758	106	-	-
LUAB Saugos paslaugos	2,837	182	-	-
UAB Rail Baltica statyba	-	8	-	-
voestalpine Railway Systems Lietuva, UAB	-	-	-	-
UAB LTG Wagons"	-	2	-	-
LTG Cargo Ukraine LLC	-	-	2,000	-
Other parties related to the Board members	109	-	-	-
Total	**27,639**	**131,763**	**154,411**	**5,658**

(all amounts are in EUR thousand unless otherwise stated)

33. Related party transactions (continued)

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
LUAB 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**

The Company's accrued income and expenses with related parties recognised in the statement of financial position as at 31 December 2021:

	2021		2020	
	Accrued receivables	Accrued payables	Accrued receivables	Accrued payables
AB LTG Cargo	493	4,124	154	8,947
UAB LTG Link	2,167	-	3,092	-
AB LTG Infra	7	2,487	4	3,988
LUAB Gelsauga	-	-	92	-
LUAB Saugos paslaugos	102	-	173	-
UAB Geležinkelio tiesimo centras	531	-	437	-
UAB Vilniaus lokomotyvų remonto depas	-	-	2,082	-
LTG Cargo Polska Sp. Z.o.o.	32	-	-	-
UAB LTG Wagons"	24	-	-	-
LTG Cargo Ukraine LLC	26	-	-	--
Total	**3,382**	**6,612**	**6,034**	**12,935**

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 4 August 2020, the General Meeting of Shareholders adopted a decision to liquidate the subsidiary LUAB Gelsauga from 1 November 2020. The fact of liquidation of LUAB Gelsauga was registered on 3 November 2020 in the Centre of Registers. Since November 2020, the service of maintenance of cleaning facilities has been transferred to the Company's Asset management service centre.

LUAB Gelsauga was removed from the List of Legal Entities on 25 February 2022.

In 2021, profit of associates by equity method comprised EUR 318 thousand, loss – EUR 17 thousand (EUR 233 thousand, loss – EUR 53 thousand in 2020).

The Group's and the Company's loans to related companies comprised:

	Group		Company	
	2021	2020	2021	2020
Loans granted to related parties	-	-	122,960	121,617
Total non-current part	-	-	122,960	121,617
Loans granted to related parties	160	160	160	160
Cash-pool / Credit line	-	-	4,538	10,470
Total current part	160	160	4,687	10,630
Total	**160**	**160**	**127,658**	**132,247**

More details on the borrowing from cash-pool are presented in Note 15.

(all amounts are in EUR thousand unless otherwise stated)

33. Related party transactions (continued)

Under the loan agreement, dated 12 March 2019, a loan of EUR 163,862 thousand was granted to LTG Cargo AB for the acquisition of railway rolling stock - wagons, containers and locomotives. The loan matures in 2031. The determined interest rate is variable and is linked to 6-month EURIBOR plus market margin determined based on market investigation. The restructuring of the Company's long-term loans was completed on 30 June 2020. According to a separate agreement with the European Investment Bank (EIB), the above-mentioned loan between LTG Cargo AB and the Company is subordinated in respect of the EIB loans transferred to LTG Cargo AB, i.e. no payments of both, the loans and the interest, can be made until the maturity date of the EIB loans in 2024. Interest receivable amounted to EUR 2,597 thousand.

Management salary and other benefits. As at 31 December 2021, the number of managers of the Company was equal to 5, i.e., 1 Director General, 1 Chief Financial Officer, 1 Director of Strategy and Development, 1 Director of Human Resources, 1 Director of Communications.

Group / Company	2021	2020
Management salary	557	550
Incentive payments*	140	139
Accrued non-current benefits at the end of the year**	2	4
Number of managers	5	6
Benefits to Board members	108	111
Number of Board members	7	5
Payments to audit committee members	15	12
Number of audit committee members	4	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 2021 and 2020, the management was not granted with loans, provided with guarantees or other paid or accrued benefits or disposed assets, except as disclosed above.

34. Contingent assets and liabilities, potential disputes

On 30 August 2018, VAS Latvijas dzelzcelš and SIA LDZ CARGO applied to AB Lietuvos Geležnkeliai in writing demanding compensation for the damage incurred by these companies. According to these companies, they incurred the damage because of the removed 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.

The following applicants - AB Kauno tiltai, Trakcja S.A., AB Panevėžio keliai, UAB Mitnija, RAB BELAM-RIGA (hereinafter – Applicants) – applied to the Regional Court of Vilnius with the claim against LTG Infra as an assignee of procedural rights of LTG regarding recognition of work as additional works and payment of debt for the conducted works; whereas LTG Infra, with a revised counterclaim, requires the Applicants for payment of delay interest. On 30 December 2020, the Supreme Court of Lithuania referred the case back to the Regional Court of Vilnius. On 7 January 2022, the parties signed a Peace Agreement that was approved by the Court on 14 January 2022. According to the Peace Agreement, LTG Infra will pay an amount of EUR 2.7 million to the Applicants for the works carried out, and the Applicant waived the requirement to pay the remaining amount of approximately EUR 2.7 million (penalties, default interest).

On 26 June 2020, BUAB Hidrostatyba applied to the Regional Court of Vilnius with a claim against LTG Infra, requesting to adjudge from this entity the debt in an amount of EUR 1,870 thousand (excl. VAT), a penalty of EUR 337 thousand, annual procedural interest of 8.34% from the amount adjudged by the court for the period the case was started in court until full execution of the court decision, as well as litigation costs. On 31 December 2020, the Regional Court of Vilnius dismissed the action brought by BUAB Hidrostatyba. BUAB Hidrostatyba appealed against the decision, which was examined by the Lithuanian Court of Appeal on 6 April 2021 and the case was referred back to the court for a new hearing. On 4 November 2021, the Regional Court of Vilnius fully satisfied the claim of BUAB Hidrostatyba and ordered LTG Infra to pay EUR 1,870 thousand of debt, EUR 337 thousand of penalty and the annual interest of 8.34% for the period from the commencement date of the case until the court's decision is fully executed. Disagreeing with this judgment, LTG Infra appealed against the decision and requested the claim to be dismissed. On 15 February 2022, the Court of Appeal of Lithuania issued a ruling upholding the judgment of the Regional Court of Vilnius, dated 4 November 2021.

35. 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 AB Lietuvos Geležinkeliai 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 management activities, LTG Infra took over all contractual rights and obligations. The value of works is EUR 58 787 thousand (excluding VAT). The expected maturity term of the contract is in 2022. The Companies committed to build a European track gauge from Kaunas railway station until intermodal terminal located in Palemonas.

35. Investment commitments (continued)

On 20 December 2019, 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 LTG Infra. EUR 72,620 thousand advance was transferred to project partners for contracting and design work.

36. Subsequent events

In January 2022, the Company's CEO Mantas Bartuška resigned and the CEO of AB LTG Cargo Egidijus Lazauskas was appointed to this position instead.

On 7 January 2022, AB Kauno tiltai, Trakcja S.A., AB Panevėžio keliai, UAB Mitnija, RAB BELAM-RIGA and LTG Infra entered into a Peace Agreement which was approved by the Court on 14 January 2022. According to the Peace Agreement, LTG Infra will pay to the Applicants for the works carried out. The Company accounted the amount for the conducted works as at 31 December 2021.

In the mid-January 2022, the Government of the Republic of Lithuania approved the decision of the Coordination Commission for the Protection of Objects of Importance for National Security, based on which the contract between the Company and Belaruskalij is a threat to national security, and, thus transit of fertilisers through the territory of Lithuania has to be suspended from 1 February 2022. According to the decision of the Government of the Republic of Lithuania, provision of services under this contract has been suspended from 1 February 2022.

At the beginning of February 2022, the Company received an official notification from the Railway Transport Council (RTC) of the CIS countries, Estonia, Latvia, Lithuania and Bulgaria about the ban imposed by Belarusian railways on the transit of oil products and fertilisers from Lithuania via Belarus as of 7 February 2022.

These decisions and circumstances will have a significant impact on the operations and results of the LTG Group and its companies - LTG Cargo, the freight carrier, and LTG Infra, the infrastructure manager. The total Belarusian cargo accounts for about one third of the total cargo traffic of LTG Cargo, the majority of which is fertilisers. LTG Cargo earned an average annual revenue of about EUR 60 million from transporting approximately 10 million tons of Belaruskalij cargoes. The sanctions also apply to the transit of oil products.

Given the geopolitical situation, the LTG's long-term corporate strategy, which was approved by LTG's Board at the end of 2021, is based on the assumption that the cargo flow of Belaruskalij is zero. Similarly, the LTG Group's budget for 2022, as approved by the LTG Board, is planned without Belaruskalij freight.

LTG Group has always considered Belarusian freight activities to be extremely high risk and has previously focused on diversification solutions. LTG Cargo has established subsidiaries in Poland and Ukraine, and intermodal projects are being developed intensively

Information on the impact of the military actions of the Russian Federation in the territory of Ukraine on the Company's operations

On 24 February 2022, the Russian Federation started active military actions in Ukraine. The military actions in Ukraine have led to a situation that is difficult to predict not only in Ukraine but also in many countries, and that will affect all business sectors. A state of emergency on the entire territory of Lithuania was imposed for the period from 24 February 2022 to 21 April 2022.

The Group carries out activities in Ukraine through its subsidiary LLC LTG Cargo Ukraine (financial information on the company is disclosed in Note 10), the operation of which has been suspended from 1 March 2022 as a result of military actions of the Russian Federation in Ukraine. Therefore, the Group is affected by economy and financial market of Ukraine. In February 2022, after the Russian Federation had recognised the "republics" of Donetsk and Luhansk and invaded the territory of Ukraine, the military conflict escalated and expanded to other regions of the country. It is probable that the military conflict will negatively affect the political and business environment in Ukraine as well as the ability of many entities to continue as a going concern. As at the date of these financial statements, the situation in Ukraine is highly unstable and essentially uncertain. According to the management, as military operations are changing and dynamic, it is currently impossible to reliably estimate their financial impact.

Since 24 February 2022, the United States, the United Kingdom and the European Union imposed sanctions against Russia. The European Union sanctions include punitive measures against the financial, energy and transport sectors of the Russian Federation, as well as trade restrictions on dual-use goods, export and its financing.

Given the unpredictable nature of the situation related to the military action in Ukraine and the rapidly evolving nature of the actions of the Lithuanian and other governments, it is difficult to reliably assess the potential impact on the Group annual results.

The sanctions announced by the USA and the EU to disconnect the Russian Federation and the Republic of Belarus from the international payment system SWIFT as well as the uncertain geopolitical situation may affect the Group's income receivable from the charges for the use of infrastructure and freight transportation, financial results and liquidity. In addition, the situation in Ukraine may have impact on Group's supply of necessary materials and influence implementation of projects.

36. Subsequent events (continued)

Given the circumstances, the Group's management makes a responsible assessment of the main risks and threats related to business continuity and the effect on the activity of LTG Group and its entities, and, also, takes measures to respond to the situation:

- The Crisis Management Committee has been established to coordinate the activity of the seven work groups set up and adopt decisions on the following matters: Business continuity and planning, Cost control, Management of threats of national nature of sanctions and inter-institutional action coordination, Assessment of management and business risk, Communication, Support to personnel and Premises, Accommodation and logistics for the Ukrainians fleeing the war.
- Business continuity plans are reviewed on LTG Group level. Two possible scenarios related to expected impact on the activity of LTG Group in 2022-2023 have been identified – base and pessimistic. LTG Cargo, the company of LTG Group providing services of cargo freight, will be affected most significantly.
- Base scenario: due to the sanctions imposed, the flow of cargo is forecast to decrease by approx. 50%, as compared to the year 2021, or it is expected to be lower by 30% than the estimate in the approved budget of the LTG Group for 2022. The scenario has been based on the assumption that the transit towards Kaliningrad region is ongoing, decisions on suspension thereof may be adopted only by the EU, however, at the moment, this matter is not under consideration. Revenue at the level of LTG Group would decrease by more than 15%.
- Pessimistic scenario: the forecast decrease in cargo flow is approx. 55%, as compared to the year 2021, or it is lower by 40% than the estimate in the approved budget of LTG Group for 2022. This scenario uses an assumption that the transit towards Kaliningrad region would significantly decrease to the volume, which is necessary for provision of food and fuel to the region. Revenue at the level of LTG Group would decrease by approx. 20%.
- Cost control has been strengthened throughout LTG Group: only expenses necessary for execution of the activities are funded. Also, recruitment has been temporarily suspended, except for critical positions.
- The review of investment project portfolio is carried out: the planned investments to Ukraine have been terminated, a part of investment projects has been postponed to later periods. The initiated investments projects are continued and investments necessary for renewal of assets are made. The scale of investment is significantly reduced in the short run as compared to that approved in the budget of LTG Group for 2022.
- In order to manage the liquidity risks of LTG Group, the Company's management assessed the government subsidies granted to LTG Group companies – LTG Link and LTG Infra. Public passenger transport services are funded at full scope, by compensating all losses incurred in this activity. LTG Infra is allocated funds for maintenance, modernisation and development of the public railway infrastructure. It is planned to conclude the agreements on use of the budget funds in Q2 of 2022.
- Also, taking into consideration the EU Directive 2021/34/EU and provisions of RTC, subsidies are planned in relation to balancing of revenue and costs of the manager of public railway infrastructure. Currently, the agreement on the financial state support (Agreement on Ensuring the Quality and Financing of Public Railway Infrastructure and Railway Service Facilities Owned by the State of Lithuania) between LTG Infra and the Ministry of Transport and Communication of the Republic of Lithuania is in the phase of approval. The amount of subsidy will depend on the actual cargo freight volumes and solutions/results of optimisation of activities. On 23 March 2022, the Government of the Republic of Lithuania adopted a decision to allocate EUR 20 million to LTG Infra due to the terminated transit of Belaruskalij. The amount of subsidy depends on the freight volumes and measures of operational optimisation taken in this company.
- A survey of credit institutions has been initiated regarding the conclusion of a possible short-term financing (overdraft) agreement of up to EUR 50 million.
- The Project of Operational Optimisation has been initiated with the assistance of external advisors. In the course of the project the necessary decisions related to the management model of LTG Group and optimal number of employees, optimisation of assets used in activity and repairs carried out will be adopted, by focusing mostly on LTG Cargo and LTG Infra, the companies of LTG Group. In the first half of April 2022, a discussion of results of the project under implementation and adoption of relevant decisions are planned.
- No significant risks in the supply chain are forecast in the short run, however, there might be disruptions of purchases of spare parts, used for repair of wagons, from Ukraine, Russia and Belarus. Further assessment will depend on the solutions of optimisation of the repair of rolling stock carried out.
- Currently, it is impossible to make a reliable estimate of a change in the value of assets of LTG Group companies. It is likely that the decrease in the volume of cargo freight and revenue may have an impact on the asset use values and can also result in decrease in value of assets in 2022, in the companies of LTG Group in particular – LTG Cargo and LTG Infra. In March 2022, the carrying amount of wagons of common use fleet, which have not returned from Russia, Belarus, Ukraine and other countries, is approx. EUR 17 million. The management took measures to get them back.

36. Subsequent events (continued)

- Due to the wide-scope sanctions applied in the financial sector, which are adhered to by all the Lithuanian banks servicing LTG Group, as a result of strict inspections and lengthy assessment procedures it becomes more difficult for customers to make settlements for the services rendered. It is possible than there will be more sanctions, the imposing whereof may have an impact on customers' possibilities to make payments related to business entities of Russia, Belarus.
- Having managed the situation, a detail review of the long-term strategy of LTG Group will be initiated, including the prospects of the current strategic objectives and priorities, investment directions, a need for and sources of funding, as well as further prospects of operation.

The situation is volatile and currently it is impossible to make a reliable assessment of the impact on the activity of LTG Group; however, according to the management's assessment, in the short term the business continuity of LTG Group will be ensured with the help of the aforementioned measures and actions, and the borrowing facilities and generated operating cash flow of LTG Group will be sufficient to service the existing loan agreements and obligations to partners.

However, the management cannot exclude the possibility that this uncertain geopolitical situation will not have a negative impact on the Group's and the Company's financial position and performance results in the medium to long term. The management continuously monitors the situation closely and will take actions to mitigate the effect of such events and circumstances.

On 18 March 2022, AB Lietuvos Geležinkeliai announced a selection for the office of Chief Executive Officer.

On 31 March 2022, LTG Infra that is responsible for implementation of the Rail Baltica project in Lithuania signed a construction agreement with an Italian company Rizzani de Eccher for construction of Rail Baltica railway bridge over the Neris river near Jonava.

On 6 April 2022, the public railway infrastructure manager LTG Infra and the Ministry of Transport and Communications of the Republic of Lithuania concluded an agreement for funding of the railway infrastructure. State funding of the company of the LTG Group will allow ensuring maintenance of the infrastructure, improving service quality and offering attractive price tariffs to businesses. Long-term commitment of the State to balance revenues and expenses of the infrastructure manager has been enshrined in the EU and Lithuanian legislation. The agreement will be valid for 5 years.

There were no other significant events after the end of the reporting period, which have to be recognised or disclosed in the financial statements for 2021.

METADUOMENYS	
Pasirašomieji metaduomenys	
El. dokumento turinį aprašantys metaduomenys	El. dokumento pavadinimas (antraštė): LTG grupės konsoliduotas Metinis pranešimas ir Finansinės ataskaitos_2021_ENG; Dokumento rūšis: Ataskaita
Sudarytojas	Pavadinimas arba vardas ir pavardė: AB 'Lietuvos geležinkeliai' - LTG; Kodas: 110053842; Adresas: Geležinkelio g. 16, Vilnius; Sudarytojas yra: juridinis asmuo
Sudarytojas	Pavadinimas arba vardas ir pavardė: ' KPMG Baltics' UAB; Kodas: 111494971; Adresas: -; Sudarytojas yra: juridinis asmuo
Dokumento sudarymas	Sudarymo data: 2022-04-15 16:56
Dokumento registravimas	Dokumento registracijos Nr.: LS(LTG)-2743/2022; Registravimo data: 2022-04-15 18:08; Dokumentą užregistravusio darbuotojo vardas, pavardė: Lilija Lobkova; Dokumentą užregistravusio darbuotojo pareigos: Analitikas; Dokumentą užregistravusio darbuotojo struktūrinis padalinys: Finansinės ataskaitos ir kontrolė
El. parašo metaduomenys	Pasirašančio asmens vardas, pavardė: Odeta Antanavičiūtė - APC; Pasirašančio asmens pareigos: Vadovas; Pasirašančio asmens struktūrinis padalinys: Apskaita (APC); Pasirašymo data: 2022-04-15 16:56; El. parašo paskirtis: Pasirašymas;
El. parašo metaduomenys	Pasirašančio asmens vardas, pavardė: Egidijus Lazauskas; Pasirašančio asmens pareigos: Generalinis direktorius; Pasirašančio asmens struktūrinis padalinys: Bendrovės administracija; Pasirašymo data: 2022-04-15 17:19; El. parašo paskirtis: Pasirašymas;
El. parašo metaduomenys	Pasirašančio asmens vardas, pavardė: Andrej Kosiakov - F; Pasirašančio asmens pareigos: Finansų direktorius; Pasirašančio asmens struktūrinis padalinys: Bendrovės administracija; Pasirašymo data: 2022-04-15 17:29; El. parašo paskirtis: Pasirašymas;
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El. dokumento naudojimo metaduomenys. Techninė informacija	El. dokumento grupė: GeDOC; Elektroninio dokumento specifikacijos identifikatorius: ADOC-V1.0; Elektroninį dokumentą rengusios eDVS pavadinimas ir versija: Elpako v.20220415.2
El. dokumento klasifikavimas	Priskirtos bylos (tomo) indeksas (-ai): 2.67 E

PARAŠŲ DUOMENYS	
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Paskirtis	Pasirašymas

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Vardas, pavardė	Odeta Antanavičiūtė - APC
Pareigos	Vadovas
Struktūrinis padalinys	Apskaita (APC)
Sertifikato duomenys	
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Leidėjas	EID-SK 2016
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Dokumento pavadinimas	LTG grupės konsoliduotas Metinis pranešimas ir Finansinės ataskaitos_2021_ENG, rūšis: Ataskaita
Sudarytojas	AB 'Lietuvos geležinkeliai' - LTG, Kodas: 110053842, Adresas: Geležinkelio g. 16, Vilnius, sudarytojas yra: juridinis asmuo
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Pareigos	Generalinis direktorius
Struktūrinis padalinys	Bendrovės administracija
Sertifikato duomenys	
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Vardas, pavardė	Andrej Kosiakov - F
Pareigos	Finansų direktorius
Struktūrinis padalinys	Bendrovės administracija
Sertifikato duomenys	
Turėtojas	ANDREJ,KOSIAKOV
Leidėjas	EID-SK 2016
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Pareigos	-
Struktūrinis padalinys	
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Pareigos	Analitikas
Struktūrinis padalinys	Finansinės ataskaitos ir kontrolė
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Pasirašytų dokumentų sąrašas	

DOKUMENTO ATITIKIMAS SPECIFIKACIJAI (VALIDACIJA)
Klaidos
Klaidų nėra