AB LTG CARGO
ANNUAL REPORT, FINANCIAL STATEMENTS FOR THE YEAR 2022 AND INDEPENDENT AUDITOR'S REPORT

CONTENTS

ABBREVIATIONS:

LTG – AB Lietuvos geležinkeliai
LTG Group – AB Lietuvos geležinkeliai and its subsidiaries
LTG Cargo, Company – AB LTG Cargo
LTG Cargo Group – AB LTG Cargo and its subsidiaries
LTG Cargo Polska – LTG Cargo Polska Sp. z.o.o.
LTG Cargo Ukraine – LLC LTG Cargo Ukraine
LTG Wagons – UAB LTG Wagons

Annual and interim reports as well as the financial statements are available publicly on the Company's website: http://ltgcargo.lt/

Dear All,

This year, which started with a huge shock because of Russia's war in Ukraine, has brought many changes, and what we had planned soon lost its relevance. We had to react immediately, find new ways of doing things and make a number of difficult decisions to ensure that LTG Cargo and its subsidiaries could continue to operate even with the drastic drop in transport volumes.

Cargo flows in Lithuania have fallen due to the sanctions imposed on the aggressors Russia and Belarus, the independently made decisions of some of our customers not to ship from these countries, and our own actions since the start of the war in Ukraine to reduce our links with these countries.

We have responsibly complied with Lithuanian and EU legislation, sanction requirements, and interpretations of the responsible authorities in relation to the transportation of cargo from Russia and Belarus, and the transit of cargo from Russia to Kaliningrad through the territory of Lithuania. Implementation of sanctions and monitoring of processes have been put in place across the LTG Group, and effective controls are being actively enforced to ensure that sanctioned goods, cargo of companies on sanctions lists and cargo of companies related to sanctioned individuals are not transported.

This year was a turning point, when we really learned to plan in shorter intervals, to make lightning-fast decisions and to find answers to all the new questions. Almost a year on, we are able to answer many of these questions both more firmly and more clearly. Although it will take years to return to our previous scale, it was in 2022 that we and the whole team moved confidently towards full diversification to the West and ended the year with a stronger result than we had expected.

With the outbreak of Russia's war in Ukraine, traditional logistics chains, which are important for the region, were disrupted. The country faced the overwhelming need to export domestically produced goods to foreign markets. Already in April, we carried out a test run from Kaunas Intermodal Terminal to Ukraine via Poland. This was the first time that cargo from Ukraine reached Lithuania by rail, bypassing Belarus. Soon after, we started transporting agricultural products from Ukraine to Klaipėda Seaport on a regular basis.

Together with our subsidiary LTG Cargo Ukraine, we have assessed our customers' demand for increased exports of grain, oil and other goods in this category, so the company, which had temporarily suspended its operations due to the war, already resumed its operations in June. In the same summer, we started transporting oil products that are important to Ukraine. At the end of the year, our company in Ukraine became the operator of cargo transport between Lithuania and Ukraine via Poland.

We have been working on freight transport to and from Ukraine, while expanding our activities in Poland and Western markets. In the spring, we successfully launched intermodal cargo shipments from Kaunas Intermodal Terminal to Duisburg in Germany. This route is gaining strength and is becoming the backbone of our international activities, around which we are developing new routes.

We see prospects for expanding our international transport network in Italy. In autumn, just two months after LTG and the Lithuanian Minister of Transport and Communications met with Italian logistics companies and the country's Minister of Sustainable Infrastructure and Mobility, we have already carried out the first trial flight of intermodal freight to Italy. We expect to start active cargo traffic in this direction in 2023.

We see great potential in the development of the Rail Baltica route. We are already preparing for the coming changes and opportunities in rail freight transport between the Baltic States and Scandinavia. Together with our partners in Latvia and Estonia, we are looking forward to the resumption of the Amber Train services in 2023. This route will connect the Scandinavian and Baltic countries for more sustainable freight transport and, if necessary, we will be able to extend freight transport further to the West. This intermodal freight link between the Baltics and the West is important both to boost freight volumes and to shift as much road freight as possible onto rail for more sustainable logistics, thus contributing to the objectives of the European Green Deal.

Meanwhile, LTG Cargo Polska, our company operating in Poland, has significantly strengthened its operations on the Polish domestic market during the year, with the launch of regular weekly services on the new Loconi-Sławków-Gdańsk route, the provision of cargo services to Cedrob, one of the largest poultry producers in Poland, and the agreement to transport coal for the Polish state-owned importer of coal. The company's team has practically quintupled in size during this time, to 90 employees.

With our partners in Kazakhstan, we have started looking for new ways to develop intermodal freight routes from Asia to Klaipėda Seaport. In the past, this would have sounded unlikely, but today we realise that goods could actually travel along the so-called Trans-Caspian Corridor - from Kazakhstan, across the Caspian Sea and through Sakartvel, then from its ports, through Azerbaijan and across the Black Sea to Romania, and from there to Europe and Lithuania. Although such a project could take years to complete, we can see that many countries are ready to explore and develop new freight alternatives.

Throughout the year, we continued our operational efficiency and digitalisation projects: we developed the implementation of an IT system for the Operations Control Centre and additional digital solutions for freight transport. As we continue to strive for efficiency and increasingly convenient services for our customers, we will continue our digitisation projects in 2023.

However, in 2022 we did not avoid painful, difficult decisions - LTG Cargo had to say goodbye to around 800 colleagues. This decision was only taken within the Group after the Group had decided to strictly control operating costs, postpone some investment projects and consult with employee representatives. Together, we agreed on how we could help these colleagues to smoothly enter the labour market and make the most of their opportunities: we have organised career fairs with employers across Lithuania, worked closely with the Employment Service, whose specialists provided the necessary advice.

It is to the credit of the entire LTG Cargo team that step by step we are meeting the challenges and discovering new opportunities in these difficult times. Thank you all together and individually. Thank you to our partners and customers - you and your needs are the driving force behind all of us as we develop new routes and solutions for our business.

Sincerely,
EGLĖ ŠIMĖ

Chief Executive Officer
of AB LTG Cargo

(all amounts are in EUR thousand unless otherwise stated)

BACKGROUND INFORMATION ON THE COMPANY

Name	AB „LTG Cargo“
Head office address:	Geležinkelio St. 12, LT-02100 Vilnius
Legal form	Joint Stock Company
Date and place of registration	28 December 2018, Register of Legal Entities
Company code	304977594
Telephone	(+370 5) 202 1515
E-mail	info@ltgcargo.lt
Website	http://ltgcargo.lt
Principal activity	Freight transportation and provision of related services, rolling stock repair services
Chief Executive Officer	Eglė Šimė
Shareholders	100% of shares are owned by AB Lietuvos Geležinkeliai

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

SUBSIDIARIES OF THE COMPANY

Name	LTG Cargo Polska Sp. z o.o.	UAB LTG Wagons	LLC LTG Cargo Ukraine	OOO Rail Lab (under liquidation)
Head office address	Świętojerska 5/7, Warsaw, Poland	Geležinkelio St. 12, Vilnius	Pushkin St. 21, office no 3, Kiev, Ukraine	Internacionalnaja St. 36-1, office 423.3, Minsk, Belarus
Legal form	Private limited liability company	Private limited liability company	Private limited liability company	Limited liability company
Date and place of registration*	21 July 2020, the Polish National Court Register	4 November 2020, the Register of Legal Entities of the Republic of Lithuania	9 December 2020, the United State Register of Legal Entities, Individual Entrepreneurs and Public Organisations	26 May 2020, Minsk City Executive Committee, State registration
Company code	386573260	305651295	43987945	192827267
Telephone	+48 22 103 38 15	+370 618 84991	+370 612 27634	
E-mail	office@ltgcargo.pl	info@ltgwagons.lt	Contacts are available on the website: http://ltgcargo.ua	
Website	http://ltgcargo.pl	http://ltgcargo.lt	http://ltgcargo.ua	-
Principal activity	Freight transportation and provision of related services in Poland	Lease of wagons used for freight transportation	Freight transportation and provision of related services in Ukraine	No operations; the entity is under liquidation
Head of the company	Michal Szlendak	Vladas Ambrozevičius	Saulius Stasiūnas	Liquidator of the company Vladimir Dervenkov
Portion of shares controlled by the Company, %	100% of shares are owned by AB LTG Cargo	100% of shares are owned by AB LTG Cargo	100% of shares are owned by AB LTG Cargo	2% of shares are owned by AB LTG Cargo

**Data on all above listed legal entities are collected and stored in the Register of Legal Entities of the State Enterprise Centre of Registers, with the exception of OOO Rail Lab, which is registered in Belarus, LTG Cargo Polska Sp.zo.o., which is registered in Poland, and LTG Cargo Ukraine LLC, which is registered in Ukraine.*

BRANCHES OF THE COMPANY, REPRESENTATIVE OFFICES ABROAD

During the period under review, the Company did not establish any branches or representative offices.

BUSINESS MODEL OF THE COMPANY

On 28 December 2018, AB LG Cargo was registered in the Register of Legal Entities, to which the freight transportation operations of AB Lietuvos Geležinkeliai were transferred as of 1 May 2019.

In 2020, the name of AB LG Cargo was changed into AB LTG Cargo.

Until 1 May 2019, AB LG Cargo carried out preparatory works, aimed at transferring the activities of the Freight Transportation Directorate of AB Lietuvos Geležinkeliai to AB LG Cargo.

In order to expand on the international market, LTG Cargo established the subsidiaries LTG Cargo Polska Sp. z o. o. and LTG Cargo Ukraine LLC in 2020. LTG Cargo Polska develops rail freight activities in Poland, LTG Cargo Ukraine is engaged in freight forwarding and train operator's activity as well as lease of shunting locomotives and wagons and rail freight in Ukraine in Ukraine.

In April 2021, in order to ensure competitiveness and efficiency of the Company in international markets, LTG Cargo acquired the business of UAB Vilniaus Lokomotyvų Remonto Depas, which provides rolling stock repair and modernisation services.

MAIN ACTIVITY AND SERVICES

- Transportation of freight on domestic and international routes: Lithuania has 1520mm and 1435mm gauges, thus there are no limitations on the lists of routes – the Company is able to carry freight to the required country according to the needs of the customer. LTG Cargo transports freight of all types, including containers. The latter type of carriages has been increasing in growth lately due to the safety of freight, lower transportation and security costs, and the optimal delivery deadlines.
- Transportation of semi-trailers by rail.
- Rental services of commercial wagons and containers in Lithuania and abroad.
- Loading and warehousing: freight may be stored in open or covered areas in the largest Lithuanian cities. We provide such services as warehousing, temporary safeguarding, loading/unloading, sorting, and weighting.
- Services related to the forwarding of freight as well as the services related to the carriage of freight, including by road and air transport.
- Customs brokerage services.
- Domestic and cross-border work and coordination of locomotives and locomotive crews.
- Manufacture of new locomotives, wagons, auto-drains and infrastructure road machinery;
- Overhaul repair, servicing and maintenance of railway rolling stocks;
- Manufacture of freight wagons and depot repair, overhaul repair and servicing of freight wagons;
- Other types of repair and other activities (repair of junctions, containers, wholesale trade).

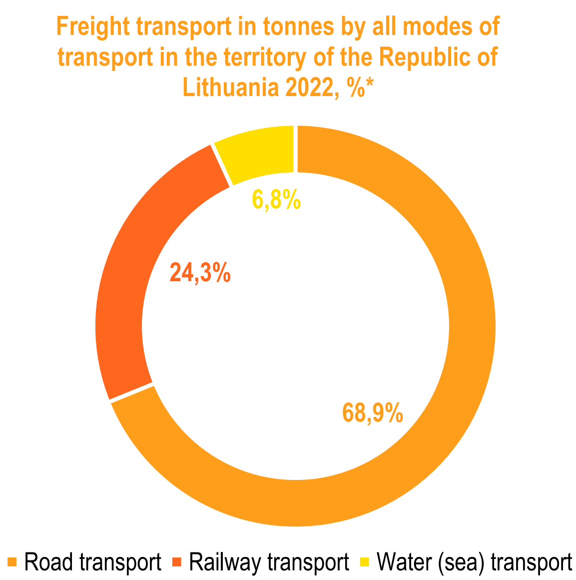
LTG Cargo also provides services of access to railway service facilities and services provided in railway service facilities – maintenance of locomotives, large-scale maintenance of locomotives, detachable repair and upkeep of freight wagons.

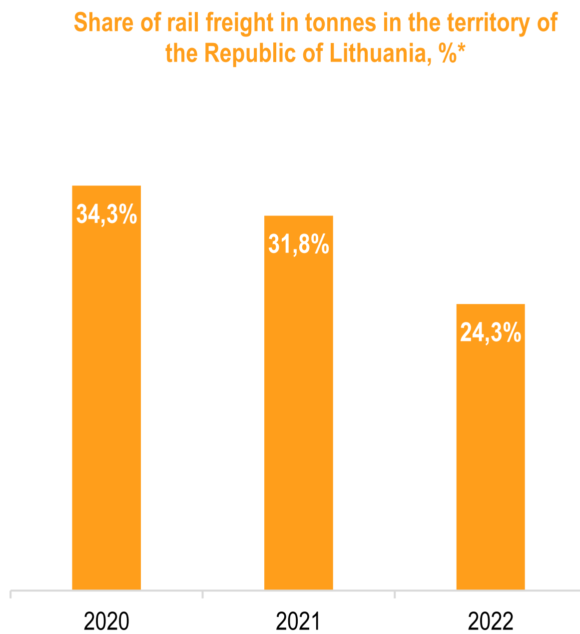
MARKET, COMPETITIVE ENVIRONMENT

The Company is a licensed railway undertaking that operates on a competitive market and is engaged in the transportation of local and foreign freight within the territory of the Republic of Lithuania according to the needs of its clients.

In the Lithuanian market, rail freight historically has had an especially strong competitor, i.e., transportation by road. The competition is especially fierce in the field of transportation of small-size and 'light' freight as well as in short-distance transportation. The main type of freight carried by railways is the 'heavy' freight – oil products, chemical and mineral fertilisers, construction materials. For the carriage of such freight, railway transport is able to offer more unique (safer, more reliable, cheaper, and sometimes more efficient) conditions for the transportation of freight, including loading and/or transhipment.

According to the data of the State Database Agency for 2022 regarding the freight transported by all modes of transport on domestic routes, freight in and out of Lithuania, and freight in transit through the territory of Lithuania (measured in tonnes), the share of railways in the freight transport market amounted to 24.3%, which has shrunk by 7.5% compared to the same period in 2021.This market share was taken up by road transport, which has increased its share of the market by 7.4% in 2022 in relation to the corresponding period in 2021.





**Data from the State Database Agency*

The hostilities launched by the Russian Federation against Ukraine and the sanctions imposed by the EU and the USA on Russia and Belarus in an effort to resist this aggression have largely resulted in a decline in the transit of cargo through the territory of Lithuania and in the transport of Belarusian manufactured goods to the Klaipėda Seaport through the territory of Lithuania. However, international transport still accounts for the majority of the rail freight transport in the Lithuanian territory. These transports are dominated by cargoes transported in the direction of the Port of Klaipėda. There are still significant volumes of rail transport in transit through Lithuania in the direction of the Kaliningrad region, i.e. essential goods in transit between the mainland of the Russian Federation and the Kaliningrad region through an EU country in compliance with the EU restrictions.

The decline in the Company's freight traffic in Lithuania was also influenced by the independent decisions of some customers not to ship from Russia and Belarus and by the Company's actions since the beginning of the war in Ukraine to reduce its links with these countries, which is why, in 2022, LTG Cargo moved confidently in the direction of a comprehensive diversification of its operations **towards the West.**

The share of domestic transportation in rail freight on the territory of Lithuania has been growing in recent years, reaching 28.7 % in 2021 and 44.8 % in 2022.

By participating in a common logistics chain with railways, cargo terminals and seaports of neighbouring countries, the Company competes not only in Lithuania but also in the **international market** with railways of other countries transporting cargo by alternative routes or by other modes of transport - by sea (water) or road.

As part of the Company's strategy of diversification and international expansion, the Company is developing freight transport on 1435 mm track. An important step in the expansion of LTG Cargo's activities in this direction was taken in July 2021, when Kaunas Intermodal Terminal was connected to the European rail system. LTG Cargo is working intensively in this strategic direction, and keeps strengthening its position in Poland. Together with its subsidiary LTG Cargo Polska, in 2022, the Company started semi-trailer transports between Kaunas Intermodal Terminal (KIT) and Duisburg and back. This activity is already gaining momentum, as there is a market demand to increase the number of these trips.

As part of its international expansion strategy, LTG Cargo also started operations in the Ukrainian market, which had been suspended due to the invasion of Ukraine by the Russian Federation, but was resumed in June. In December, the LTG Cargo's subsidiary LTG Cargo Ukraine became the operator of freight transport between Lithuania and Ukraine (via Poland) and the first train operated by LTG Cargo Ukraine from Lithuania reached Ukraine.

The Company provides **manufacture, maintenance and repair services of railway rolling stocks** to Lithuanian, Latvian, Estonian, Poland, Ukrainian companies.

The main competitor of the Company in the field of locomotive and wagon repair services in Lithuania, Latvia and Estonia is the Daugavpils Locomotive Repair Plant which has huge manufacturing premises and enormous repair capacities. In Poland, it competes with such manufacturers as PESA, NEWAG and other private repair depots. In Ukraine, there are more than 100 repair depots which are owned by the Ukrainian railways and which carry out repair works of their fleet. Their repair bases are not renovated, there is a lack of investments therein. In addition, such private repair depots as Nikoalev Locomotive Repair Plant, Zaporizhia Locomotives Repair Plant, Ivano-Frankivsk Locomotive Repair Plant, Poltava Locomotive Repair Plant, etc. operate in Ukraine as well.

GOVERNANCE OF THE COMPANY

INFORMATION ON SHARES AS OF 31 DECEMBER 2022

Company name	Amount of authorised capital, in thousand	Number of shares, items	Par value per share
Parent company			
AB LTG Cargo	EUR 44,087	209,299	210.64
Subsidiaries			
LTG Cargo Polska Sp. z o.o.	PLN 2,225	2,225	PLN 1,000
UAB LTG Wagons	EUR 150	150	1,000
LLC LTG Cargo Ukraine	UAH 17,027	-	-
OOO Rail Lab	BYN 23.73	-	-

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

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

Due to the military actions of the Russian Federation in Ukraine, LTG Cargo's subsidiary LLC LTG Cargo Ukraine has been temporarily suspended from 1 March 2022. In June 2022, the services of the company were resumed.

During the reporting period, AB LTG Cargo, UAB Geležinkelio tiesimo centras and OOO Rail Lab entered into a sale - purchase transaction whereby AB LTG Cargo transferred 97% of its stake holding in OOO Rail Lab to OOO Rail Lab itself, and UAB Geležinkelio tiesimo centras transferred 1% of the stake held in OOO Rail Lab also to OOO Rail Lab. AB LTG Cargo currently holds 2% stake in OOO Rail Lab. On 9 June 2022, the amended articles of association of OOO Rail Lab were registered with the competent authorities of Belarus. On 19 September 2022, AB LTG Cargo, the shareholder of OOO Rail Lab, made a decision to liquidate the company. The liquidation procedures are currently in progress.

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

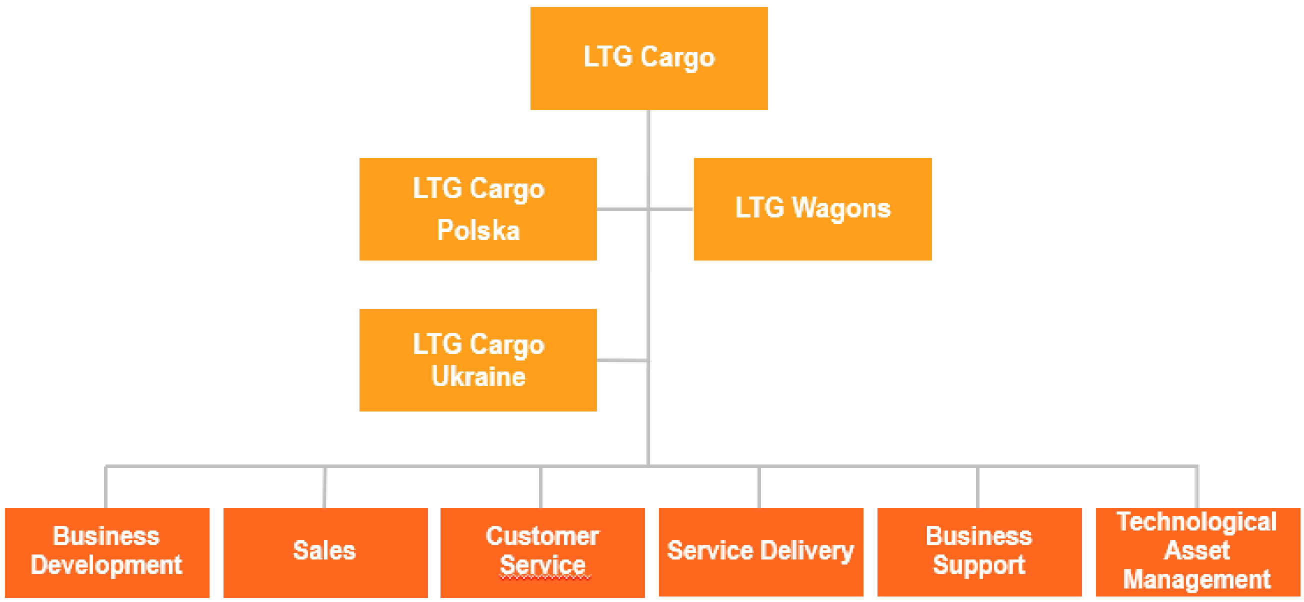
GROUP STRUCTURE OF THE COMPANY

AB LTG Cargo and its subsidiaries belong to AB Lietuvos Geležinkeliai Group. LTG Cargo is the sole shareholder of its subsidiaries LTG Cargo Polska, LTG Cargo Ukraine and LTG Wagons. After LTG Cargo acquired the business of UAB Vilniaus Lokomotyvų Remonto Depas in April 2021, the subsidiary of this company - OOO Rail Lab - was included in the structure of LTG Cargo. LTG Cargo currently holds a stake of 2% in OOO Rail Lab, but is the sole shareholder and has full control over the entity.

In order to increase the long-term value of LTG Group companies, to use funds, assets and other resources rationally and efficiently, and to meet shareholders' expectations and interests, the LTG Group's operating model is focused on the purification and concentration of core activities in subsidiaries and downstream companies. Being part of the LTG Group, LTG Cargo and its subsidiaries are responsible for implementation of principal activities and achievement of the set operating goals. In order to implement the raised goals and ensure appropriate management, in their activities LTG Cargo and its subsidiaries are independent, they make relevant decisions and ensure reporting and responsibility for operating results.

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

As of 4 April 2022, a new organisation structure of LTG Cargo came into effect.



The Company's Articles of Association

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

The Articles of Association of LTG Cargo 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.

During the reporting period, the Articles of Association of LTG Cargo were amended once:

- On 21 February 2022, an updated version of the Articles of Association of the Company was registered.

The Articles of Association of the Company are available on the Company's website.

Governing bodies of the Company

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

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

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

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

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

In accordance with the Company's Articles of Association, an additional competence of the General Meeting of Shareholders during the reporting period is to endorse the decisions of the Management Board of LTG Cargo regarding the following:

- taking of decisions regarding investment of the Company-owned property and facilities of importance to ensuring national security, conclusion of purchase or sale, or any other transfer of ownership, pledge or mortgage transactions in case the Company's assets had been listed as property and facilities of importance to ensuring national security.
- participation or establishment of other legal entities;
- approval of contracted tariffs of freight transportation or applicable discounts under essential conditions in case the intended contractual revenue might exceed EUR 10,000,000 over the entire contract period or the term of the contract exceeds 3 years.
- commencing activities of new nature or terminating the Company's current activities if the respective decision has not been adopted in approving the Company's strategy;
- the Company's non-current assets the carrying amount of which is equal to or exceeds EUR 300,000.
  - investment in Group companies or third parties, disposal or lease of those assets;
  - pledge or mortgage;
  - acquisition of non-current assets;
- guarantee or fulfilment of a third party's obligations, the amount of which is equal to or exceeds EUR 300,000;
- taking of decisions regarding approval for head of Company to conclude purchase transactions of goods, services, or works, the amount of which is equal to or exceeds EUR 300,000.

Key decisions of the General Meeting of Shareholders adopted in 2022:

- approval of the Company's financial statements for 2021;
- allocation of the Company's retained earnings (losses) for 2021;
- approval of the purchase transaction of development and maintenance of information systems Krovinys and E.Krovinys;
- approval of the Company's membership in the Association of Customs Practitioners;
- approval of the transaction for access to and provision of services in railway service facilities.

The Management Board is a collegial governing body consisting of 3 members as set out by the Company's Articles of Association. The members of the Management Board are elected by the General Meeting of Shareholders for a term of 4 years. The Management Board elects the chairman of the Management Board from among its members. The same person may be elected as a member of the Management Board no more than for two consecutive offices.

The Management Board is accountable to the General Meeting of Shareholders. The competence of the Management Board meets the competencies of boards laid down in the Law on Companies of the Republic of Lithuania and the additional competences of the Board set forth in the Articles of Association.

Additional competence areas of the Management Board during the reporting period:

- Approval of operating strategy and long-term goals, investment and operational plans, and annual budget of LTG Cargo.
- Establishment of performance indicators of LTG Cargo.
- Adoption of decisions on investment of LTG Cargo property and facilities of importance to ensuring national security, conclusion of purchase or sale, or any other transfer of ownership, pledge or mortgage transactions.
- Approval of calculation of basic freight rates and arrangements for granting the discounts as well as adoption of decisions on indexation of the basic freight rates.
- Approval of the basic freight rates and the price list of additional services.
- Adoption of decisions regarding non-current assets of LTG Cargo, the carrying amount of which equals to or exceeds EUR 300,000
  - investment in the Company's group companies or third parties, disposal or lease of those assets;
  - pledge or mortgage;
  - sureties or guarantees for fulfilment of a third party's obligations;
  - acquisition of non-current assets;
  - conclusion of other transactions (related to assets, works, services).
- Adoption of decisions on participation or establishment of other legal entities.
- Adoption of decisions on commencing activities of new nature or terminating the Company's current activities.
- Approval of employment contract of the Company's executive, conditions of remuneration and incentives.
- Approval of the total amount of incentives to the employees of LTG Cargo for annual performance results (in accordance with the Company's performance results).
- Consideration of information on the Company's key operational risks and approval of the Company's plan of operational risk management.
- Consideration of information and reports on the Company's ongoing programmes.
- Analysis and assessment of other information on the most significant operational issues provided by LTG Cargo executive.

The Articles of Association of AB LTG Cargo were amended on 17 January 2023 to add new powers for the Management Board and to modify the limits for transactions to be approved by the Management Board from EUR 1 million.

Office term of the Management Board: 21 December 2018 - 21 December 2022. The Management Board of AB LTG Cargo was formed in accordance with the regulation effective at that time (i. e. 21 December 2018) - the Railway Transport Code of the Republic of Lithuania, which provided that "only employees of a group of vertically integrated companies may be elected as members of the collegial management bodies of companies established by AB Lietuvos Geležinkeliai (Paragraph 4 of Article 24 (3)). Taking this into account, the Board of LTG Cargo consists of employees of the LTG Group.

On 20 December 2022, by the decision of the sole shareholder AB Lietuvos geležinkeliai, the term of office of the Company's Management Board was extended until the election of the new LTG Cargo Management Board.

Composition of the Company's Management Board

Egidijus Lazauskas
Chairman of the Management Board
Held office from 4 January 2022 to 23 January 2023

Board member
Held office from 21 December 2018 to 3 January 2022

Education

- Vilnius Gediminas Technical University, Bachelor's degree in Environmental Engineering. Diploma of Environmental Engineer.

Main employer, position held

Chief Executive Officer of AB Lietuvos Geležinkeliai, Geležinkelio St. 12, Vilnius, 110053842 (from 4 January 2022).

Brigita Valenčienė
Board member
Held office from 29 November 2019 to 23 January 2023

Education

- Kaunas University of Technology, Bachelor's degree in Business Management.

Main employer, position held

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

(all amounts are in EUR thousand unless otherwise stated)

CHANGES IN THE MANAGEMENT BOARD DURING THE REPORTING PERIOD

Mantas Bartuška was recalled from the Management Board as of 4 January 2022. Egidijus Lazauskas held the position of the Chairman of the Management Board from 4 January 2022.

CHANGES IN THE MANAGEMENT BOARD AFTER THE REPORTING PERIOD

After the end of the reporting period, the selection of new Board members took place. The selection was carried out by a committee composed of representatives of the Ministry of Transport and Communications, the Governance Coordination Centre (GCC,) established by the Government, and LTG. The selection of the most suitable candidates for independent board members was assisted by experts from MasterClass Lietuva.

The following persons will hold positions of independent members in the Management Board of LTG Cargo: Arnoldas Ūkeniekas, who has many years of experience in logistics companies and is currently Business Development Manager at the logistics company Hegelmann Group, and Vitalij Rakovski, who is currently the CEO of Novaturas Group, he previously worked on projects of strategic importance in the energy group Ignitis and Maxima Group. Natalija Baranauskienė, Senior Adviser of the Ministry of Transport and Communications, will take up the position of a Management Board member - civil servant of the LTG Cargo. The Management Board will also include Vytautas Radzevičius, Director of Strategy and Business Development at LTG, and Irena Jankutė-Balkūnė, Director of People and Culture.

PARTICIPATION IN THE MEETINGS OF THE MANAGEMENT BOARD IN 2022

Name, surname of a member	Board meetings
Number of meetings in 2022 (including away days, early-voting in writing)	24
Egidijus Lazauskas	24
Brigita Valenčienė	24

MOST IMPORTANT DECISIONS ADOPTED IN 2022

- Approval of the Company’s annual management report for 2021.
- Approval of the Company’s Financial statements of 2021.
- Approval of the achieved goals set for the Company and the Chief Executive Officer for 2021.
- Determination of the Company's key performance indicators and the CEO's objectives for 2022.
- Approval of the contract on development and maintenance service of the information systems Krovinys and E.Krovinys.
- Adoption of the Sanctions and Restrictive Measures Control, Compliance and Prevention Policy.
- Changed the Company’s governance structure.
- Approval of the Company’s interim financial statements for a 6-month period ended 30 June 2022.
- Approval of the conclusion of transactions for access to and provision of services in railway service facilities.
- Approval of the Company's accession to the Trans-Caspian International Transport Route Association.
- Approval of the Company's membership in the Association of Customs Practitioners.

SELF-ASSESSMENT AND PERFORMANCE OF THE MANAGEMENT BOARD

On 20 July 2022, an evaluation of the Board's performance for 2021 was carried out and a plan of performance improvement measures was developed:

- Composition of the Management Board. The Management Board members highlighted that there is an unused potential of the Management Board's composition and areas of expertise. The Management Board stressed that in order to ensure good governance practices, it is appropriate to increase the number of the Board members to cover additional areas of expertise and to include independent members of the Management Board.
- Empowering the Company's CEO. The Management Board discussed that the work of the Management Board is intensive and that it is appropriate to assess the possibility of granting more power to the Company's CEO by increasing the value of transactions approved by the Management Board and the shareholder.
- Quality of the material provided to the Management Board. The Management Board noted that the Rules of Procedure of the Management Board are being amended to introduce new deadlines and a new format for submission of material to the Management Board. The amendments to the Rules of Procedure are expected to contribute to improving the quality of the material submitted to the Management Board.

On 21 December 2022, an evaluation of the Management Board's performance for 2022 was carried out and a plan of measures to improve the performance was developed:

- Quality of the material provided to the Management Board. The Board noted that the Company's staff, who submit material for the Management Board meetings, should draw attention to the deadlines set out in the Rules of Procedure of the Management Board, in order to ensure timely submission of the material ensuring proper scheduling of the items to be submitted to the Management Board.

(all amounts are in EUR thousand unless otherwise stated)

Relationship between the Management Board and the CEO of the Company. The Board should discuss with the Company's CEO the level of detail of information on the Company's activities is relevant for the Management Board's consideration.

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

THE COMPANY'S MANAGEMENT AND CHANGES THEREOF

EGIDIJUS LAZAUSKAS **EGLĖ ŠIMĖ**	Chief Executive Officer	Held position from 1 May 2019 to 3 January 2022 Held position from 4 January 2022 to 21 August 2022 (temporarily) Holds position from 22 August 2022
MINDAUGAS SKUNČIKAS	Head of Business Development	Holds position from 7 December 2021
INDRĖ KOLESNIKOVIENĖ **AUŠRA MOCKAITĖ**	Head for Service Delivery	Held position from 4 January 2022 to 2 January 2023(temporarily) Holds position from 3 January 2023
LAIMONAS NEKROŠIUS	Head of Sales	Holds position from 9 May 2022
	Head of Customer Service	Selection is in process
AUDRIUS PUKAS	Head of Technological Asset Management	Holds position from 15 June 2020
MINDAUGAS LIUTKUS **INDRĖ KOLESNIKOVIENĖ**	Head of Business Support	Held position from 1 May 2019 to 2 January 2023 Holds position from 3 January 2023

INFORMATION ON CHANGES IN THE MANAGEMENT

- Before being appointed as the CEO of AB Lietuvos Geležinkeliai on 4 January 2022, Egidijus Lazauskas held the position of the CEO until 3 January 2022. Eglė Šimė was appointed as Acting CEO of LTG Cargo on 4 January 2022 and temporarily held the position until 21 August 2022.
- Eglė Šimė started the position of the Chief Executive Officer of LTG Cargo as of 22 August 2022.
- Eglė Šimė served as Head of Service Delivery until 3 January 2022. Indrė Kolesnikovienė served as Acting Head of Service Delivery from 4 January 2022 to 2 January 2023, and Aušra Mockaitė holds the position of Head of Service Delivery from 3 January 2023.
- Mindaugas Liutkus held the position of Head of Business Support until 2 January 2023, when Indrė Kolesnikovienė took up the position on 3 January 2023.

ADDITIONAL INFORMATION ABOUT THE CEO OF THE COMPANY

Before being appointed as the CEO of LTG Cargo on 19 August 2019, Eglė Šimė was Head for Service Delivery of LTG Cargo. She has gained experience in company management by managing the company UAB Franmax of the Maxima group, the companies UAB Verslo Aptarnavimo Centras and Public Institution Energy Training Centre of the Ignitis group.

Eglė Šimė has a bachelor's degree in economics awarded by the Lithuanian University of Educational Sciences.

As at the end of the reporting period, members of the Board, the CEO and the Company's managers have submitted declarations on private interest, 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 MANAGEMENT BOARD MEMBERS AND CHIEF EXECUTIVE OFFICER OF THE COMPANY

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 9,200 as at the end of the reporting period. The basic monthly salary of the Company's Chief Executive Officer increased by 7% from EUR 8,600 to EUR 9,200 as at the end of the reporting period.

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 for 2021 could not exceed EUR 2,580. In 2022, a **monthly portion (1/12)** of the annual incentive to the Company's CEO for achievement of the goals of the year 2021 amounted to EUR 1,419.

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

Information on the remuneration of the Company's Chief Executive Officer is also available on the Company's website: https://cargo.litrail.lt/atlygis.

STRATEGY

The LTG Group plans its activities both in the short and long term. The long-term Strategy is reviewed and updated annually as the external and internal environment changes. At the end of 2021, the LTG Management Board approved an updated Sustainable Growth Strategy 2040 for AB Lietuvos geležinkeliai.

The year 2022 was challenging mainly due to the hostilities of the Russian Federation launched against Ukraine in February. Lithuania, together with other European and American countries, has done its utmost to help Ukraine and resist Russian aggression. The sanctions imposed by the US and the EU on the Russian Federation led to a drop in the volume of cargo transit through Lithuanian territory and in the transport of products manufactured by companies from the Republic of Belarus to the Klaipėda Seaport via Lithuanian territory. The outbreak of hostilities has led to a significant drop in imports, exports and transit to Western European countries via Lithuania. As a result of all these events, annual transport volumes fell by around 40%. This in turn led to lower than expected revenues for the Company and slowed down the implementation of some strategic projects, such as the production of 1520 mm track wagons, the acquisition of electric locomotives, etc.

Due to the changed geopolitical environment in the region, LTG Cargo had to make strategic decisions in order to adapt to the reduced transport volumes and to implement the international sanctions imposed on Russia and Belarus. Diversification of activities included the search for new business opportunities and transport destinations in the European countries having the 1435 track, as well as required an increased focus on the development of the subsidiaries LTG Cargo Polska, LTG Cargo Ukraine and LTG Cargo Ukraine.

Given that in autumn 2022:

- there was a lack of certainty about public funding for projects of strategic importance, including electrification and Rail Baltica;
- in response to newly announced sanctions and additional restrictions, LTG group's short-term forecasts were continuously updated;
- additional time was needed to assess the economic situation due to the difficult macroeconomic environment.

An update of the strategy of LTG Group, including **LTG Cargo**, was extended from 2022 to 2023 and completed in March 2023. The update deadlines were agreed with the shareholder, the Ministry of Transport and Communications of the Republic of Lithuania, as well as with the Public Enterprise Management Coordination Centre.

On 20-21 March 2023, the Management Board of LTG Group held a strategic session to present the strategies of the LTG Group and LTG subsidiaries. Final adjustments have been made to the strategies in the light of the comments presented by the LTG Management Board. On 28 March, the Management Board of LTG Cargo approved the LTG Cargo strategy.

MISSION, VISION, VALUES AND STRATEGIC DIRECTIONS

MISSION – Connecting people and businesses for a more sustainable future.

VISION – Being the backbone of the transport system.

VALUES – Customer; Collaboration; Development; Responsibility

In order to reflect the principles and ethics of the organisation and to provide a clear strategic direction of the organisation, the LTG Group's Values and Vision were updated in the second half of 2022 and:

- In 2022, when reviewing the LTG Group's strategic direction, particular attention was paid to reviewing and clarifying the values. The aim was to involve all employees in the dialogue on the agreed values and to ensure that the values themselves are born from within the organisation. Following employee surveys and workshops, t**he new LTG Group values** were identified **as Responsibility, Customer, Collaboration, Development**. The next stage is to recognise the agreed values in the organisation's daily activities, and to uphold them in order to build and strengthen the culture of the organisation.

The priorities of the LTG Group - to reorient its activities from East to West, to integrate into the European railway markets, and to contribute to the implementation of the national goals of the Green Deal - have led to a new vision - "Being the backbone of the transport system". The renewed vision marks the ambition to further strengthen the importance of railways, so that LTG is seen as the backbone of the Lithuanian transport system, which forms the basis for the necessary connections within the country and for integration with other European countries.

STRATEGIC DIRECTIONS

1. First choice for logistic services. The aim is to become the largest rail carrier in the Baltics. In 2040, LTG Cargo group will transport approximately 85 million tons of freights in the Baltic states, Poland and Ukraine and other European countries.
2. Operational efficiency. Increase of performance efficiency of highest level: in order to increase profitability, it is focused on digitalisation projects, modernisation and optimisation of the rolling stock fleet, both on long-term and short-term planning (including establishment of operational management centre), application of the best asset management models, automation and digitalisation of daily operations.

3. Business development. Flow / revenue growth through business development: reorganisation of the principal services according to customers' needs, growth of intermodal transport services, lease and manufacture of rolling stocks, business development in foreign markets: Poland and Ukraine.
4. Green Deal. Responsible development in line with the Green Deal: sustainable, environmentally friendly solutions creating value to society are being developed, including the 'green' transformation of the traction park by reducing CO2 emissions and energy consumptions of freight transportation.
5. Comprehensive safety. Ensuring comprehensive safety through implementation of cyber security initiatives Ensuring comprehensive security through cyber security initiatives while maintaining a high level of traffic and business safety and increasing the employees' competence regarding safety issues.
6. Strong organisational culture. Increase in employees' satisfaction and productivity through development of competences, forming of organisational culture of high results.

PLANNED AND ONGOING STRATEGIC PROJECTS:

- Planned optimisation of LTG Cargo's technological bases.
- Plans for acquisition of a terminal and rolling stock to develop LTG Cargo Polska's operations.
- Plans for the production, modernisation, lease and sale of freight wagons to external customers.
- Anticipated acquisition of a carrier's licence in a Western European country.
- Ongoing creation of the Freight Operational Centre.
- Ongoing optimisation of train documentation management.
- Implementation of the rolling stock acquisition and renewal projects.
- Provision of rolling stock maintenance to external customers.

MEETING THE OBJECTIVES

Strategic activity goals	Strategic activity indicators	Measuring units	Goal achievement guidelines 2022	Goal implementation indicators 2022
Increase value created by LTG Cargo	Revenue	EUR million	276 – 339	294
	EBIDTA	%	10.5 – 14.3%	12.9%
Manage decrease in turnover of transported freight	Turnover of freight transported by LTG Cargo	billion tkm	7.03 – 16.0	7.4
Increase volumes of transported intermodal freight	Volume of transported intermodal freight	million tkm	424	503
Increase operational efficiency	Operating expenses and revenue of LTG Cargo	ratio	0.97 – 0.93	0.95
Minimise impact on environment i and climate change	Reduction of CO2 emission of the existing rolling stock fleet compared to road transport	CO2, million tons	1.98 – 2.13	0.9*

**In 2022, the values of the environmental indicators significantly improved due to the decrease in cargo transportation volumes.*

KEY PROJECTS CARRIED OUT IN 2022

- In 2022, the expansion of freight transport on the 1435 mm track continued: for the first time, military equipment arrived in Kaunas on the 1435 mm track and was reloaded. 102 trains with military equipment were transported during the year.
- In 2022, development of intermodal transport (containers and semi-trailers) was continued: 161,000 TEUs of containers were transported between Kaunas Intermodal Terminal (KIT) and Duisburg and back.
- A test run of the Amber Train connecting Lithuania, Latvia and Estonia (Muuga) was carried out.
- The decreased flows of Chinese freight were replaced by new flights from Kaunas Intermodal Terminal to Klaipėda Port and by increased flows by other trains. In 2022, total container train TEU volumes were 15% higher than planned.
- The Wagon manufacturing project is being continued to increase the Company's income from new activities. Testing of two semi-wagons was successfully completed and a certificate of verification in Lithuania was obtained. Options are being evaluated to reorient the production of wagons for the 1435 mm track market. Design solutions have been developed for transportation of semi-trailers on platforms.
- Continuation of the programmes of major repairs and re-motorisation of locomotives, leading to longer locomotive service life, lower fuel consumption and increased power.
- In the Cargo Operations Centre project, as part of the Service Process Optimisation and Automation Project 2022, modules that optimise or automate the planning of trains and capacity, locomotives, crews, orders, empty wagons and station operations have been installed and tested for functionality in the Cargo Services operation. The train, capacity and locomotive planning modules have been partially put into operational use. Integration of other modules id being continued.
- In 2022, as part of the management **IMPROVEMENT** at Service Stations, the following process optimisation and automation works were carried out: creation of an automated sanction checking tool, implementation of an automated transfer note solution for the wagons in the inventory fleet, automation of the end-of-load transfer through the creation of an additional functionality in the E.Krovinys Customer Portal, implementation of the employees' initiative for the automated creation of the wagon sheet in the IS Krovinys system, introduction of the customs consultancy service for customers, as well as implementation of an automated filling in of the documents of the CIM form of the waybills.
- LTG's subsidiary LTG Cargo Polska continued to develop its activities by continuing its rolling stock leasing and acquisition programmes: the company purchased the first locomotive, expanded the routes, and concluded contracts with new customers (CEDROB). 583 freight trains were carried in 2022 (compared to 68 trains in 2021). Net loss for the year amounts to EUR -2.1 million.
- LTG Cargo Ukraine resumed operations in June 2022 with freight forwarding services, which were suspended due to the war in Ukraine, and has been providing train operator services since October 2022. In 2022, revenue amounted to EUR 0.3 million, the company's result as of 31 December 2022 amounted to EUR -0.15 million due to a loss in the first half of the year. LTG Cargo Ukraine handled 1,418 containers during the year 2022.

RISK OF CLIMATE CHANGE AND ITS IMPACT ON THE COMPANY'S ACTIVITIES

In fulfilment of the strategic goals and priorities of management of sustainability, the LTG Group is especially committed to environmental protection. One of the main strategic activity areas of the Company is the **Green Deal**.

From 2021, LTG Group has been centrally implementing the **Environmental Strategy 2030+,** which identifies the LTG Group's environmental priorities and the areas on which LTG Group companies, including LTG Cargo, through their activities have or could potentially have an impact on, and sets out specific targets to reduce this impact. One of the key objectives identified in this strategy is **climate change mitigation and adaptation** - the LTG Group is committed to achieving climate neutrality and adaptation to climate change

The main strategic provisions, directions and goals have been transferred to the strategies of LTG Cargo, 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 managers and employees, the implementation of indicators measuring them is monitored and it is significant in assessing the company's activities and performance.

LTG Cargo continuously assesses all risks to the Group's activities, including risks related to climate change, in accordance with the established Risk Management Model.

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

The level of **climate transition risks** that arise as the European Union and Lithuania move towards a lower greenhouse gas-emitting economy is assessed as low. Rail transport is considered one of the most environmentally friendly transport modes in the EU due to its extremely low GHG emissions. Increasing environmental and fiscal requirements (**political risks**) are likely to lead to a growing competitive advantage of rail transport over other less environmentally friendly modes in the future, in particular road transport, which is currently the main mode of transport competing with trains in freight transport. LTG Group-wide environmental activities are implemented by a centralised corporate Environmental function which, together with the Group's Risk Management function, monitors changes in the legal framework.

LTG Cargo's long-term strategy foresees investing in "green" projects that will help to significantly reduce the impact on climate change and the environment, and to further contribute to the achievement of national climate change reduction targets:

- Investment projects related to the procurement of electric rolling stock, reducing CO2 emissions;
- Intermodal development projects to attract and shift freight from road to clean rail transport;
- other projects to modernise and optimise non-current and current assets to reducing pollution and emissions.

Investment project related to the electrification of the rail network (electric locomotives with reduced CO2 emissions) - purchase of freight electric locomotives: preparatory work was carried out in 2021, the potential qualified bidders were selected, and the procurement was planned to be launched in the beginning of 2022. However, due to an unstable market situation, the possibility of acquiring these vehicles is being assessed.

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

During the reporting period, the Company did not have any financial commitments related to ESG (Environmental, Social and Governance) indicators and was not a party in 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. Furthermore, during the reporting period, no risks and uncertainties have been identified in relation to the changing legal framework (stricter environmental requirements) and there is no doubt about the Company's ability to continue as a going concern.

KEY EVENTS IN 2022

JANUARY

- On 4 January, Egidijus Lazauskas, formerly General Director of LTG Cargo, takes up the position of Interim CEO of AB Lietuvos geležinkeliai.
- On 4 January, Eglė Šimė, who previously was the Head of Service Delivery at LTG Cargo, takes up the position of Interim 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, according to 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 date of entry into force of the decision - 1 February.
- On 12 January, AB Lietuvos geležinkeliai announced that given the decisions on threats to national security, it is ready to comply with the decision of the Government of the Republic of Lithuania on the contract with Belaruskalij and to discontinue the provision of services from 1 February.
- LTG Cargo's subsidiary LTG Cargo Polska 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 on the narrow gauge (1435 mm) railway to Germany and other European countries.

FEBRUARY

- LTG Cargo's subsidiary LTG Cargo Ukraine has launched freight forwarding services in Ukraine. The new service will allow LTG Cargo to participate even more actively in the Ukrainian freight market and will contribute to the diversification of activities provided in LTG Cargo's strategy.
- LTG Group has received a notification from the Railway Transport Council of the CIS countries, Estonia, Latvia, Lithuania and Bulgaria about the decision of Belarus to ban the transit of petroleum products and fertilisers by rail from Lithuania from 7 February.
- LTG Cargo's subsidiary LTG Cargo Polska, has earmarked investments in Poland for expansion into Western Europe, the development of new and existing services and the acquisition of a machinery fleet. For this purpose, an investment of more than EUR 47 million is planned to be realised over two to three years.

MARCH

- On 24 February 2022, Russia launched active military actions on Ukrainian territory. As a result of the military actions of the Russian Federation in Ukraine, the service operations of LTG Cargo's subsidiary LTG Cargo Ukraine have been temporarily suspended as of 1 March 2022.
- In response to the Russian government's war against Ukraine and in view of the new European Union sanctions, LTG Cargo stops the shipment of the products of the sanctioned companies to the Klaipėda Sea Port.
- In response to the Russian government's war against Ukraine, in March LTG Cargo suspended the lease of wagons, including flatcars, to new customers and the provision of wagons for shared use both in Russia and Belarus and to other countries in transit through these countries. The decision was aimed at limiting the potential for military use of flat wagons in Russia and Belarus.

APRIL

- LTG Cargo started intermodal services to Duisburg in Germany, with the first scheduled train departing on 4 April.
- LTG Cargo continues to actively diversify its operations and starts offering intermodal freight services from Kaunas Intermodal Terminal to terminals in Poland.
- On 27 April, LTG Cargo started a test run from Kaunas Intermodal Terminal to Ukraine via Poland. This is the first time in LTG Group's history that cargo from Ukraine reached Lithuania by rail, bypassing Belarus.
- The LTG Group completed a consultation process with employee representatives, during which different scenarios were proposed and analysed, and a plan of action agreed. Taking into account the impact of the Russian war in Ukraine, the sanctions imposed on Belarus and Russia, this year's business forecasts and the ongoing strategic projects, LTG Group is forced to say goodbye to approximately 2,000 employees, of which about 1,200 work for LTG Cargo. The LTG Group has planned a package of employee support measures to help ensure that the team members affected by the changes have the necessary information about the opportunities offered by the labour market: cooperation with the Employment Service, career fairs, etc.

JUNE

- LTG Cargo Ukraine resumed its services in Ukraine. This decision was made after assessing the significant increased need of business customers from Ukraine to transport grain and other cargo from the country. The company will provide freight forwarding services in Ukraine and will assist customers in organising rail freight transport across Ukraine, Poland and Lithuania.
- LTG Cargo continues to diversify its activities and has signed its first international cooperation agreements with Kazakh companies. Together, they will aim to strengthen the intermodal Trans-Caspian logistics corridor and enable new alternatives for transporting cargo from Asia to the Klaipėda Sea Port.

JULY

- Selection of the Managing Director of LTG Cargo, a rail freight company was announced on 1 July.
- LTG Cargo strengthens its cooperation with Ukrainian customers: oil products are transported by rail from the terminal in Lithuania to Ukraine. LTG Cargo transports petroleum products by tankers between the terminals in Mockava (Lithuania) and Trakiškiai (Poland). Oil products are further transported by tanker via Poland to Yagodzin in Ukraine.
- On 22 July, LTG Cargo informed its customers about the updated procedure for transit from Russia to Kaliningrad in accordance with the European Commission (EC) guidelines. In accordance with the EC Guidelines for Council Regulation for the Member States of the European Union (EU) published on 13 July 2022 (EC Guidelines), transit of essential sanctioned goods between the mainland of the Russian Federation and the Kaliningrad region through the territory of the European Union is only possible within the set limits. In accordance with the relevant EU Council Regulation and the EC Guidelines, as well as with the clarifications of the competent authorities, and in compliance with the conditions for strengthening the transit control of goods as set out in the EC Guidelines, LTG Cargo has resumed such shipments as of 22 July. They are carried out in accordance with the conditions for reinforced transit controls on goods as laid down in the EC guidelines.

AUGUST

- LTG Cargo Polska reinforces its services on the Polish domestic market: regular weekly services on the new route Loconi-Sławków-Gdańsk.
- LTG Group completes the CEO selection of LTG Cargo - by the decision of the Management Board, Eglė Šimė has been appointed to continue to lead the company.
- AB Lietuvos geležinkeliai has received and examined an explanation from the Financial Crimes Investigation Service (FICIS) regarding transit payments between the Russian Federation and the Kaliningrad Region. This clarification is necessary for the banks operating in the country to make decisions on settlement services.

SEPTEMBER

- Start of the selection of independent members of the management boards of AB Lietuvos geležinkeliai group subsidiaries, including LTG Cargo. It is planned that the selected independent board members will start their work together with the new management boards at the beginning of 2023.
- Heads of Lithuanian Railways and Italian logistics companies sign a Memorandum of Cooperation to strengthen mutual cooperation in the field of intermodal transport.
- After a four-year break, the first test freight train "Amber train" is coming to Lithuania, which runs through three Baltic countries.
- On 15 September, LTG Cargo reminded customers involved in transit services between the Russian Federation and the Kaliningrad Region that they need to make payment arrangements in order to receive services.
- LTG Cargo transports a 36-wagon train with 25 LTG Cargo grain wagons, 9 trolley-loaded flatbeds, and 2 shelter wagons to Lithuania from Ukraine. These rolling stock were brought from areas less affected by the Russian war in Ukraine.
- According to the data processed in September, in August LTG Cargo transported more than 430,000 tonnes of Lithuanian agricultural products by rail to Klaipėda Sea Port. This is by 21% more than in the previous year.

OCTOBER

- LTG Cargo Polska launched freight services for Cedrob, one of Poland's largest poultry producers.
- LTG Cargo Polska purchased its first locomotive in October. M62M model locomotive will increase capacity on non-electrified lines in Poland.

NOVEMBER

- LTG Cargo expands its international network and prepares for the launch of regular services to Italy - the company has completed the first test run to the port of Trieste.

DECEMBER

- LTG Cargo reviews the tariffs for services provided to customers. Although costs have increased by more than 25% due to changes in the macroeconomic environment, LTG Cargo's operational efficiency projects allow mitigating the changes, with an average change in tariffs of around 10% from 5 January 2023.
- LTG Cargo’s subsidiary LTG Cargo Ukraine becomes a freight transport operator between Lithuania and Ukraine.

SUBSEQUENT EVENTS

JANUARY

- The selection of new members of the LTG Cargo Management Board took place. The selection was carried out by the committee composed of representatives of the Ministry of Transport and Communications, the Management Coordination Centre (MCC) established by the Government, and LTG. The selection of the most suitable candidates for independent Management Board members was facilitated by the MasterClass Lietuva executive search experts. The selected members included two independent Management Board members and two members delegated by AB Lietuvos geležinkeliai, the shareholder of LTG Cargo. A repeated announcement was published for the selection of a member of the LTG Cargo Management Board – a civil servant with expertise in regional and national transport policy.
- LTG Cargo started transporting coal on behalf of a Polish state-owned coal importer. This international project is expected to help Poland meet its demand for solid fuels.
- On 17 January 2023, the Articles of Association of LTG Cargo AB were amended to add new powers for the Management Board and to increase the limits of transactions from EUR 1 million subject to approval by the Management Board.

FEBRUARY

- The Management Board of LTG and the Management Board of LTG Cargo have agreed that LTG Cargo, as the sole shareholder of LTG Cargo Polska Sp. z o.o., would increase the authorised capital of LTG Cargo Polska Sp. z o.o. by EUR 7.2 million. It also approved the decision of LTG Cargo Polska Sp. z o.o. to enter into a long-term credit facility of EUR 8.2 million to finance investments for the acquisition of a machinery fleet.
- A valuation of the LTG Cargo AB loading business was carried out, and based on the decision of the LTG Management Board on 21 February 2023, the loading business will be sold to LTG Infra AB on 1 May 2023. The value of the cargo loading business as at 31 December 2022, as assessed by independent business valuers, amounts to EUR 438 thousand. LTG Cargo's loading business was not the core business and was loss-making. Therefore, taking into account the growing influence of the terminal business on the implementation of LTG Group's strategic objectives, in order to optimize its operations, increase efficiency as well as to achieve the centralization of the terminals and cargo handling operations in a single operating unit - LTG Infra AB, the LTG Management Board made a decision that LTG Cargo should sell this business to LTG Infra.
- LTG Cargo is tightening controls on freight shipments. The company conducts thorough checks of all cargo from Belarus and other countries. LTG Cargo customers have been informed and will have to comply with stricter application rules, which will help the company to manage its risks more rigorously and to prevent possible circumvention of sanctions.

MARCH

- As of 1 March, all LTG Cargo customers transporting freight by broad gauge are required to provide additional detailed information and documentation. In the event of any suspicion of attempts to circumvent the sanctions, or if customers refuse to provide any of the requested additional documents, the company will halt the carriage of the cargo.
- On 20-21 March 2023, the Management Board of LTG held a strategic session to present the strategies of the LTG Group and LTG subsidiaries. Final adjustments have been made to the strategies in light of the comments of the LTG Management Board. On 28 March, the LTG Cargo Management Board approved the strategy of LTG Cargo.
- On 22nd of March 2023 LTG adopts the Sanctions Implementation and Control Policy by a decision of the LTG Board. The Sanctions Implementation and Control Policy sets out a unified model and principles for the implementation and control of the LTG Group's sanctions in order to ensure compliance with the United Nations Security Council, the European Union and national sanctions regulations and to ensure alignment with the requirements of the sanctions regimes of the United States of America and the United Kingdom of Great Britain and Northern Ireland.
- LTG Cargo has developed and introduced a methodology for capturing the CO2 savings of intermodal freight and has established certificates for customers verifying the savings.
- The Management Board of LTG Cargo AB was supplemented by one more member - a civil servant. Natalija Baranauskienė, Senior Adviser to the Ministry of Transport and Communications, won the selection and took up the position.

MAY

- On 1 May, the business of cargo services was successfully transferred to AB LTG Infra.
- After tightening the control of freight transport, carrying out extremely detailed checks on all cargo and expanding the amount of information collected from customers, LTG Cargo has rejected more than 1,000 applications from customers to transport cargo between Lithuania and foreign countries within two months. Almost half of these rejected applications were for export or import from/to Belarus.

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

In 2022, the geopolitical changes continued and had a significant impact on LTG Cargo's operations and results.

Sanctions on Belarusian fertiliser and oil producers, fertiliser and oil products came into force as early as 2021.

In mid-January 2022, the Government of the Republic of Lithuania endorsed the decision of the Coordination Commission for the Protection of Objects of Importance for 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 as of 1 February 2022. Following the decision of the Government of the Republic of Lithuania, the provision of services under this contract was suspended as of 1 February 2022. LTG Cargo used to transport around 11 million tonnes of Belaruskalij cargo and earn an average annual income of around EUR 60 million (including transport-related services).

In 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 petroleum products and fertilisers from Lithuania through Belarus as of 7 February 2022. After hen the Russian Federation started military action on 24 February 2022, the US, the UK and the European Union announced additional sanctions against Russia and Belarus as a Russian military ally, which include punitive measures against the financial, energy and transport sectors of the Russian Federation and Belarus, as well as trade restrictions on dual-use goods, exports and their financing.

In response to the Russian government's military action against Ukraine and having applied the imposed sanctions, LTG Cargo suspended shipments of sanctioned goods and companies. In accordance with the relevant EU Council Regulation and the EC guidelines, as well as clarifications from the competent authorities, LTG Cargo resumed only the transit of necessary sanctioned goods between the mainland of the Russian Federation and the Kaliningrad region through the EU territory as of 22 July. These transports are carried out under the conditions and quotas set out in the EC guidelines for reinforcing transit controls on goods.

A significant part of LTG Cargo's freight and empty wagon freight revenue comes from imports/exports to/from Russia, Belarus, China, Kazakhstan, Ukraine and other countries, as well as from transit - EUR 207 million in 2021 and EUR 111 million in 2022.

All these geopolitical developments have had a significant impact on LTG Cargo's performance and results:

- the freight turnover in 2022 was down by 49%, while sales revenue decreased by 25%, compared to 2021;
- due to disruptions in international supply chains, the Company experienced delays in the supply of locomotive and wagon parts. In order to maintain repair volumes and asset availability, additional measures were taken to find alternatives and shorten procurement procedures;
- an impairment of EUR 0.5 million was established for wagons located in the Ukrainian war zone;
- the receivable from the state-owned entity BTLC for services rendered by LTG Cargo has occurred to restrictions on bank settlements as a result of the EU and US restrictive measures against the company. These measures extend to Belarusian entities and therefore the Company has recorded a provision of EUR 1.0 million reflecting the estimated impairment of the receivables from this customer.

LTG Cargo closely monitors and analyses the entire geopolitical situation in Eastern Europe. LTG Cargo cooperates with the Lithuanian authorities, shares information and is ready to react promptly by taking the necessary decisions.

LTG Cargo operates in Ukraine through its subsidiary LLC LTG Cargo Ukraine, the activity of which was suspended as of 1 March 2022 due to the Russian Federation's military action in Ukraine. However, in June the operations were resumed and continued as at the date of the financial statements.

In view of the situation, LTG Cargo's management is responsibly assessing the main risks and threats related to business continuity and impact and, together with LTG Group, takes action to manage the situation:

- In light of the applicable sanctions, the Company reviews business continuity plans and updates LTG Cargo's business forecasts on a quarterly basis, has tightened cost control focusing on its business prospects and cash flow balancing.
- Decisions have been taken on the optimal number of employees in the Company. LTG Cargo made 873 redundancies during the reporting period.
- The focus is now on **diversification and expansion into new markets**, particularly in Western Europe. For more information on the decisions related to diversification, please refer to the sections *Key Events in 2022* and *Key Performance Indicators* of the report.
- LTG Cargo's long-term strategy has been approved, including a review of existing strategic objectives and priorities, investment orientations, financing needs and sources, and future perspectives.
- The investment programmes have been reviewed by allocating funding to those projects that are essential for business continuity.

In the opinion of the Company's management, the above measures and actions, together with the borrowing facilities and cash flow generated from operating activities, enable the Company to balance the cash flows necessary to continue as a going concern and to service its existing loan agreements and commitments to partners.

KEY PERFORMANCE INDICATORS

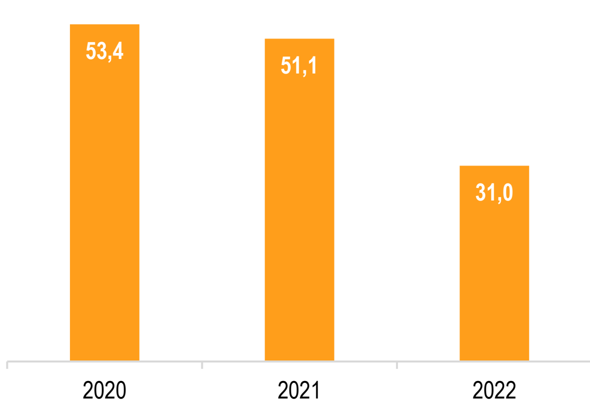
Transport volume indicator	Unit of measure.	2020	2021	2022	2022/2021 Δ, %
Turnover of freight transportation	**billion tonnes-kilometres**	**15.9**	**14.6**	**7.4**	**(49.4%)**
Average distance travelled per tonne	**km**	**297**	**285**	**238**	**(16.5%)**
Total freight transportation	**million tons**	**53.4**	**51.1**	**31.0**	**(39.4%)**
Segments of freight transportation					
Domestic transportation	million tons	15.6	14.7	13.9	(5.3%)
International transportation	million tons	37.8	36.4	17.1	(53.1%)
Transit	million tons	10.5	11.5	8.1	(29.7%)
Export from Lithuania	million tons	5.4	4.9	3.6	(25.8%)
Import to Lithuania	million tons	21.9	20.0	5.4	(73.2%)

In 2022, rail freight transport reached 31.0 million tonnes, i.e. by 39.4% less than in 2021. Rail transport continued to dominate by "heavy" goods such as oil and its products, mineral products and chemical and mineral fertilisers. These types of freight accounted for more than half of the total rail freight transported in the period under review.

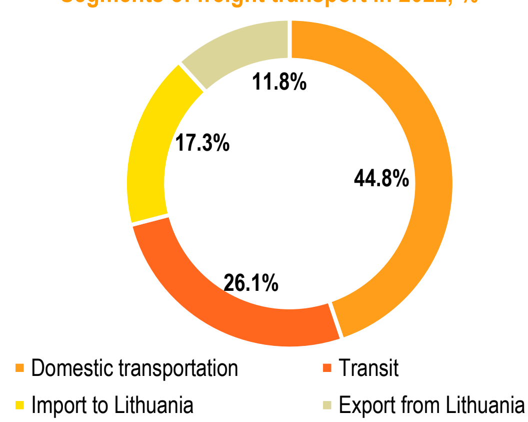
The geopolitical situation, Russia's war against Ukraine and the wide range of sanctions imposed on Belarus and Russia by the United States and the European Union have reduced freight flows by more than a third during 2022. Shipments of chemical and mineral fertilisers have fallen significantly by 78%, while shipments of ferrous metals and solid mineral fuels have also fallen significantly.

Domestic transport, which accounted for 44.8% of the total freight transported, decreased by 5.3%, compared to 2021, and reached 13.9 million tonnes. The decrease was due to a fall in fertiliser shipments, which were partly compensated by an increase in shipments of petroleum, mineral products and products of plant origin.

Freight transport volumes (in million tons)



Segments of freight transport in 2022, %



International transport, which accounted for 55.2% of the total freight transported, decreased by 53.1% to 17.1 million tonnes in 2021. Transit freight traffic towards the Kaliningrad region decreased by 29.7%. The most significant decrease was in the volume of solid mineral fuels transported in this direction. The decrease in the volume of freight entering and leaving Klaipėda Seaport in 2022 was 78.9%. This decrease was mainly due to the discontinued transportation of Belarusian fertilisers from February 2022, which led to a decrease by 83.6% in the total volume of Belarusian cargoes transported through the port, as well as due to suspension of the transport of products to the Klaipėda Seaport by the companies that have been sanctioned as a result of Russia's military invasion of Ukraine.

Intermodal transport is gaining more and more importance in international transport.

Intermodal container train volumes decreased by 36.7% to 162,000 TEUs in 2022, of which from China are down by more than 70% year-on-year to 32,000 TEUs (the equivalent of a 20-foot container). Meanwhile, intermodal transport by semi-trailer trains is growing. These transports have been organised since 2021 and have increased by a factor of 4.1 from 617 semi-trailers in 2021 to 2,562 semi-trailers in 2022. According to the forecast, intermodal demand continues growing as a result of diversification solutions.

In order to adapt to the changed business environment, the current focus is **on diversification and expansion into new markets, particularly in Western Europe**:

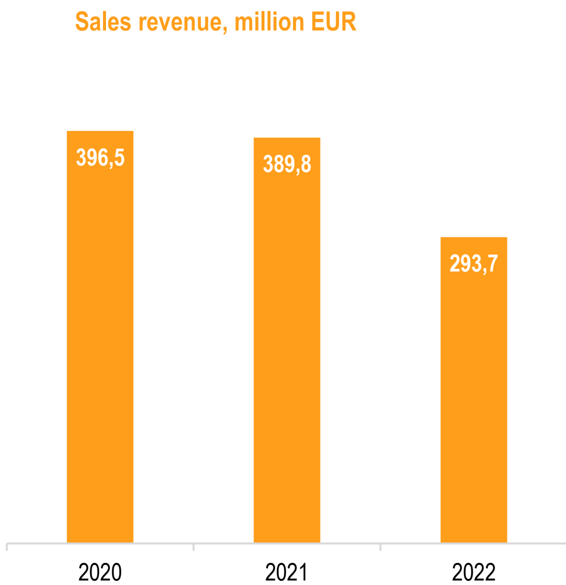
- LTG's Management Board decided to expand its business into Western Europe, with significant investments in Poland for the development of new and existing services and the acquisition of equipment for LTG Cargo Polska;
- LTG Cargo has started intermodal cargo transportation to Germany on the route Kaunas Intermodal Terminal - Duisburg;
- freight services from Kaunas Intermodal Terminal to terminals in Poland have been developed and started to be offered to customers;
- The first international cooperation agreements are signed with Kazakh companies. Together they aim to strengthen the intermodal Trans-Caspian logistics corridor and develop new alternatives for transporting cargo from Asia to Klaipėda Seaport;
- During the reporting period, trains for the transport of drain and sunflower oil from Ukraine to the port of Klaipėda were launched. The shipments were transported from Ukraine to Lithuania bypassing Belarus. From the Ukraine-Poland border, the cargo is transported by LTG Cargo Polska, and in Lithuania - by LTG Cargo. Also, the LTG Cargo's subsidiary LTG Cargo Ukraine resumed operations in June 2022.

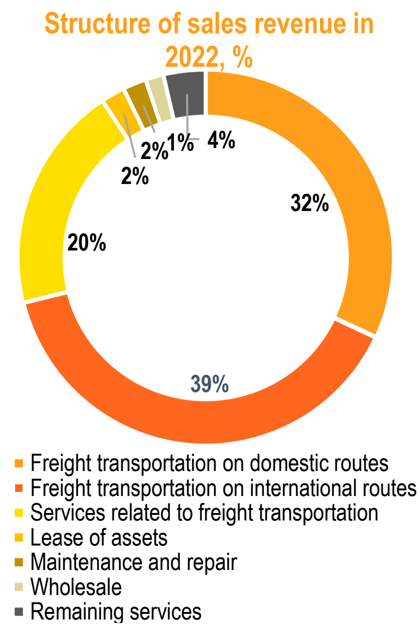
ANALYSIS OF FINANCIAL AND OPERATIONAL PERFORMANCE

OPERATIONAL RESULTS

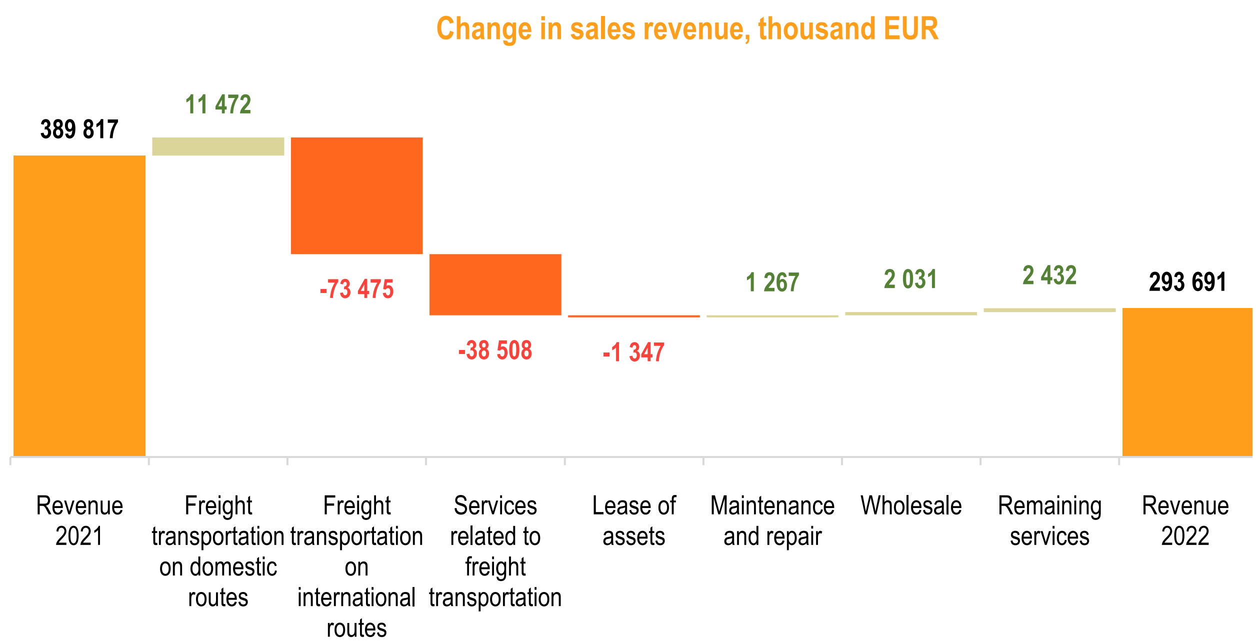
SALES REVENUE

In 2022, the Company's sales revenue amounted to EUR 293,691 thousand; i. e. a decrease by 24.7% compared to 2021. The major portion thereof – 71% comprised revenue from freight transportation.





- **Revenue from freight transportation on domestic routes** amounted to EUR 93,867 thousand, an increase of EUR 11,472 thousand (13.9%) compared to 2021 due to a 5.3% increase in transport volumes in this segment, higher transport tariffs and a change in the structure of the transported cargo, with an increase in the number of transported oil products.

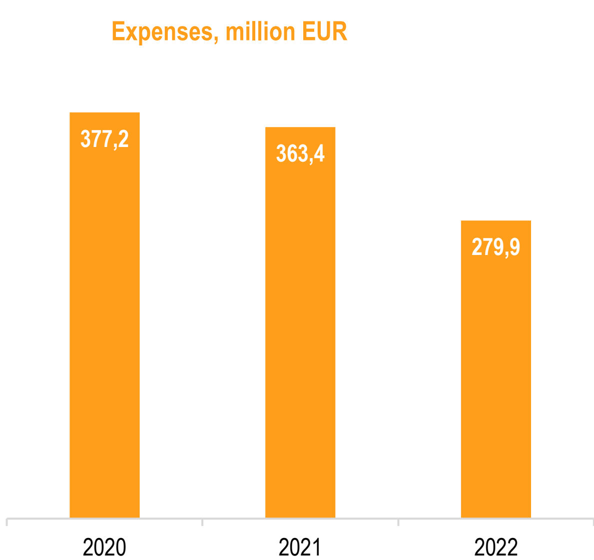


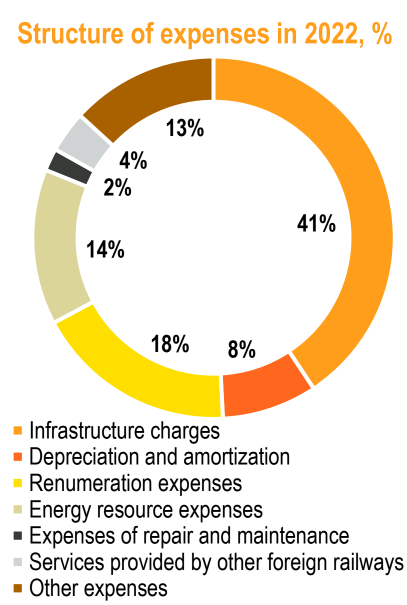
- **Revenue from freight transportation on international routes** in 2022 amounted to EUR 115,107 thousand, showing a decrease of EUR 73,475 thousand (39.0%) compared to 2021. The decrease in revenue occurred due to geopolitical developments, military actions by the Russian Federation in Ukraine, and the wide range of US and EU sanctions imposed on Belarus and Russia during the reporting period. Revenues from inbound, outbound and transit (excluding empty wagons) of Russian and Belarusian freight to Lithuania accounted for a significant share of LTG Cargo's revenues from transportation on international routes until 2022 (82% in 2021).
- **Revenue from services related to freight transportation** amounted to EUR 57,522 thousand during the reporting period, which is a decrease of EUR 38,508 thousand (40.1%) compared to 2021. The reasons for this decrease are the same as for international freight transport.
- **Revenue from lease of assets** amounted to EUR 6,065 thousand in 2022 and, compared to 2021, decreased by 18.2%. The decrease in revenue was influenced by reduced demand for lease of wagons and the related income.
- **Revenue from maintenance and repair** amounted to EUR 5,914 thousand in 2022, and compared to 2021, increased by EUR 1,267 thousand, i. e. by 27.3%. This resulted from business acquisition of rolling stock repair and maintenance services from UAB Vilniaus Lokomotyvų Rremonto Depas on 1 April 2021.
- **Revenue from remaining services** (wholesale trade, locomotives and locomotive crews working abroad and other services) amounted to EUR 15,217 thousand in 2022 and, compared to 2021, showing an increase by EUR 4,463 thousand (41.5%). The increase in revenue resulted from traction services of passenger wagons of LTG Link, as well as an increased revenue from sale of scrap metal.

EXPENSES

The Company's expenses of operating and other activities in 2022 amounted to EUR 279,885 thousand, i.e. by 23% less than in 2021.

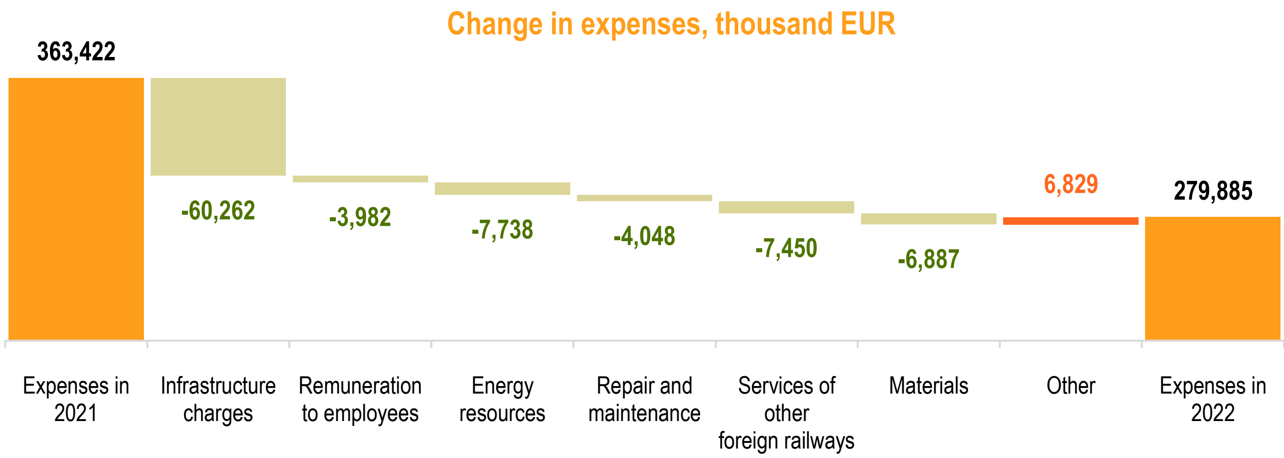
The majority of the Company's expenses in 2022 include infrastructure charges (41%), wages and salaries (18%) and energy resources (fuel, electricity) (14%).





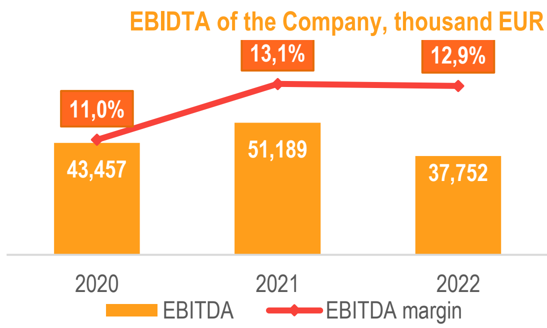
- **Infrastructure charges** amounted to EUR 113,825 thousand in 2022, which is a decrease by EUR 60,262 thousand (34.6%) as compared to 2021. The main reason for the decrease in expenses is the decrease in freight volume.
- **Remuneration expenses** amounted to EUR 50,484 thousand and, compared to 2021, decreased by EUR 3,982 thousand or 7.3%. The decrease was caused by optimisation of the number of employees in the Company.

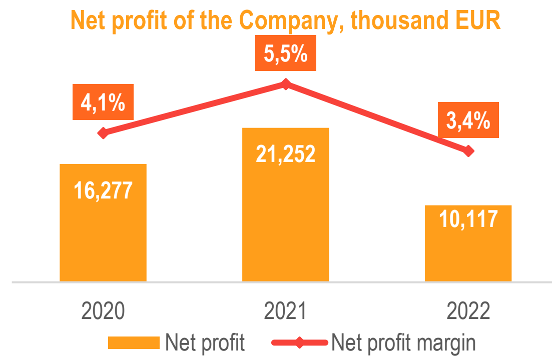
- **Energy resource expenses** for the reporting period amounted to EUR 38,902 thousand and, compared to the previous year, decreased by EUR 7,738 thousand (16.6%). The reduction was driven by a fall in transport volumes; however, this impact was offset by increases in fuel and electricity prices.



- **Expenses of repair and maintenance** amounted to EUR 1,784 thousand in 2022. Compared to 2021, they decreased by 3.3 times. The major reason of the significant decrease in these externally procured service expenses was the acquisition of the business of UAB Vilniaus Lokomotyvų Remonto Depas and, the commencement of the rolling stocks repair in the Company as of 1 April 2021.
- **Expenses related to materials** amounted to EUR 3,805 thousand in 2022 and, compared to 2021, decreased by 2.8 times. The main influence has been the review and optimisation of rolling stock repair programmes due to falling transportation volumes.
- **Expenses related services provided by other foreign railways** amounted to EUR 10,358 thousand during the reporting period and, compared to 2021, decreased by EUR 7,450 thousand or 42%. The decrease in expenses occurred due to geopolitical developments, Russia's military actions in Ukraine and the wide range of US and EU sanctions imposed on Belarus and Russia during the reporting period. The volume of shipments from Belarus and Russia and, consequently, the use of rail wagons and other services from these countries fell. The decline in container traffic from China reduced the cost of transporting freight in China and other territories.
- **Other expenses** amounted to EUR 60,727 thousand and, compared to 2021, increased by EUR 6,829 thousand or 12.7%. The increase was due to the purchase of brokerage (freight operator) services from LTG Cargo Polska, which has developed its activities. Management fee expenses also increased due to the acquisition of the Vilnius Locomotive Repair Depot UAB business, impairment of receivables, mainly from Russian and Belarusian customers, impairment of non-current assets, i.e. a locomotive which is not in use and is held for sale, as well as impairment of the rail wagons located in the territory of Ukraine due to the risk of their loss. Other costs in this group (cleaning of rolling stock and other cleaning services, taxes, insurance, rent, consulting and audit, etc.) have decreased, compared to 2021.

PERFORMANCE RESULTS





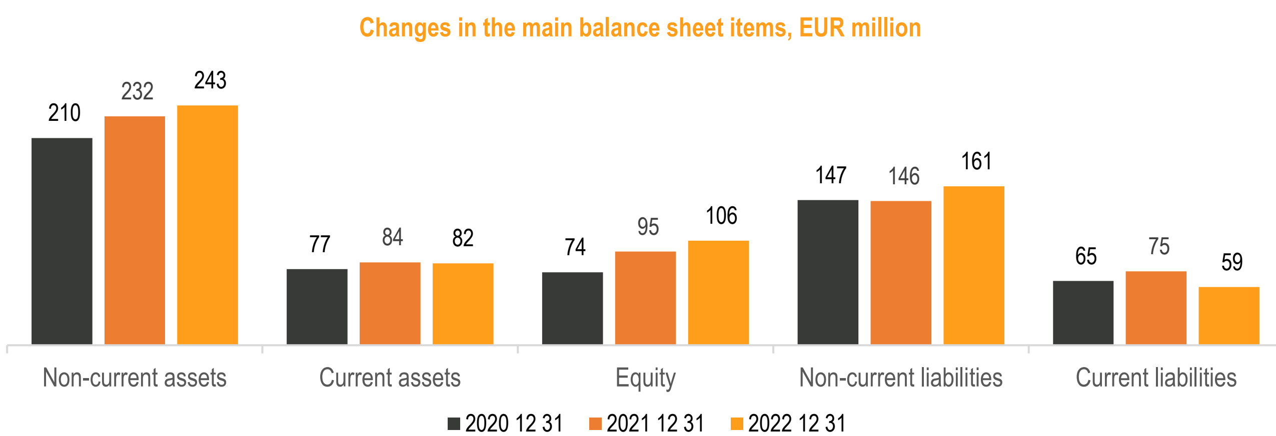
In 2022, the Company's EBITDA amounted to EUR 37,752 thousand and decreased by 26.2% as compared to 2021. The decrease in EBIDTA was due to a fall in international freight revenues. The EBITDA margin decreased only by 0.3% in 2022 due to the Company's operational efficiency and optimisation of the number of employees.

The Company's net profit for 2022 decreased by EUR 11,135 thousand (52.4%), compared to 2021.

BALANCE SHEET CHANGES

As at 31 December 2022, the Company's assets amounted to EUR 325,645 thousand and, compared to as of 31 December 2021, increased by 3.1%.

Non-current assets increased by 4.8% to EUR 243,232 thousand in 2022. From this amount, the right-of-use assets amounted to EUR 29,181 thousand as at 31 December 2022, which shows an increase of EUR 20,763 thousand (3.5 times) compared to as at 31 December 2022. The increase occurred due to the renegotiated lease contracts in 2022 providing for significantly longer lease terms and higher lease prices.



Current assets at the end of 2022 amounted to EUR 82,413 thousand and decreased by 1.6%, compared to the end of 2021. The balance of cash and cash equivalents increased from EUR 4,970 thousand as at 31 December 2021 to EUR 52,982 thousand as at 31 December 2022, mainly due to the repaid overpayment of EUR 33.4 million by LTG Infra AB in December as a result of the re-calculation of the MPP rates for the 2020/2021 schedule.

Authorised capital remained stable at EUR 44,087 thousand during the period under review.

Financial debt (including finance/operating leases) increased by 7.7% to EUR 161,005 thousand in the reporting period due to an increase in long-term lease liabilities by EUR 20,905 thousand. No new loans were obtained in the period under review.

KEY FINANCIAL INDICATORS*

	Unit of measure	2020	2021	2022
Sales revenue	EUR thousand	396,467	389,817	293,691
Other operating income	EUR thousand	1,027	158	148
Total income	EUR thousand	397,494	389,975	293,839
Expenses	EUR thousand	377,197	363,422	279,885
EBITDA	EUR thousand	43,457	51,189	37,752
Normalised EBITDA		43,559	51,434	43,595
EBITDA margin	%	11.0%	13.1%	12,9%
Normalised EBITDA margin		11.0%	13.2%	14,8%
EBIT	EUR thousand	20,297	26,553	13 954
EBIT margin	%	5.1%	6.8%	4,8%
Net profit	EUR thousand	16,277	21,252	10,117
Net profit margin	%	4.1%	5.5%	3.4%
		31/12/2020	31/12/2021	31/12/2022
Non-current assets	EUR thousand	210,368	232,035	243,232
Current assets	EUR thousand	76,570	83,719	82,413
Total Asset	EUR thousand	286,939	315,754	325,645
Equity	EUR thousand	74,467	95,400	105,512
Financial debt	EUR thousand	149,143	149,469	161,005
Net debt	EUR thousand	127,786	144,499	108,023
Return on equity (ROE)	%	24.5%	25.0%	10.1%
Return on assets (ROA)	%	5.7%	7.1%	3.2%
Return on investment (ROI)	%	7.6%	9.2%	4.0%
Financial debt / EBITDA	In times	3.4	2.9	4.3
Financial debt / Equity	In times	2.0	1.6	1.5
Net debt / EBITDA	In times	2.9	2.8	2.9
Net debt / Normalised EBITDA	In times	2.9	2.8	2.5
Loan servicing ratio	In times	2.9	4.3	3.9
Equity ratio	%	26.0%	30.2%	32.4%
Asset turnover ratio	In times	1.4	1.2	0.9
Quick liquidity ratio	In times	1.2	1.0	1.2
Total liquidity rate	In times	1.2	1.1	1.4

** For definitions of the indicators see page 45 of the Report.*

*** For the calculation of Normalised EBITDA for 2022, the cost of EUR 3,115 thousand relates to severance and compensation payments to employees dismissed as part of the business optimisation project.*

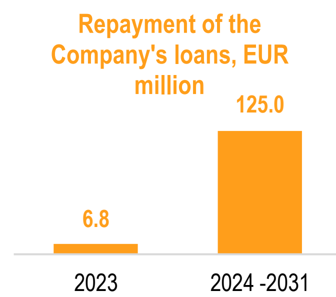
(all amounts are in EUR thousand unless otherwise stated)

FINANCING OF THE COMPANY

The loan portfolio of LTG Cargo amounted to EUR 131,744 thousand as at 31 December 2022 (31 December 2021 - EUR 140,961 thousand). The weighted average interest rate of the Company's loan portfolio was 1.49% as at 31 December 2022 (1.26% as at 31 December 2021).

The longest repayment term of a financial debt is 9 years, and the last repayment term is in 2031.

To balance the working capital, the Company used the cash pool of the LTG Group. Parent company of the LTG Group has concluded a contract with a credit institution regarding service provision of account of the LTG Group. Accordingly, the Company has entered into a mutual lending agreement for the period of one year. The terms of the agreement are in line with common market conditions.



FINANCIAL INDICATORS MONITORED BY BANKS

The Company monitors the following indicators under the terms of the loan agreement with EIB, the calculation of which is subject to reservations in respect of subordination of the loan from LTG Cargo to the loan from EIB:

Ratio	Unit of measure	31/12/2022	Value set by the bank
Net debt / normalised EBITDA	In times	(0.2)	Not higher than 4.0
Equity ratio	%	69.4	Not lower than 35%
Loan servicing ratio	In times	3.9	Not lower than 2

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 5 April 2022.

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 circumstances and conditions as set out in the Dividend Policy. The dividend pay-out ratio, calculated on retained earnings, depends on ROE at the end of the reporting period.

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

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

The Management Board of the Company may propose to allocate a smaller share of profit to dividends or not to allocation them at all, if at least one of the following conditions is met:

- The Company has 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 meet contractual requirements or would have a negative impact on the credit rating;
- The Company implements or participates in implementing an important economic project recognised as of national 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 affects the implemented long-term strategy by the LTG Group; the Company's equity after payment of dividends would become less than the amount of its authorised capital, compulsory reserve, revaluation reserve and reserve for acquiring own shares of the LTG Group company;
- The Company is insolvent or would become such after the payment of dividends.

In 2022, AB LTG Cargo did not pay out dividends for the year 2021. The Company did not pay out dividends in the previous year as well.

PERFORMANCE RESULTS OF SUBSIDIARIES

Indicator, EUR thousand	LTG Cargo Polska		LTG Cargo Ukraine	
	2021	2022	2021	2022
Revenue	1,164	13,056	-	258
Expenses	1,949	15,196	275	412
Net profit / loss	(785)	(2,140)	(275)	(154)
	31/12/2021	31/12/2022	31/12/2021	31/12/2022
Assets	2,142	76,731	340	621
Equity	(369)	(2,497)	276	60
Liabilities	2,511	10,170	64	561

LTG Cargo Ukraine suspended operations due to the invasion of Ukraine by the Russian Federation, but resumed operations by providing forwarding services in June, and in December became an operator of freight transportation between Lithuania and Ukraine (via Poland). LTG Cargo Ukraine will ensure control and monitoring of the entire logistics chain and plans to carry out shipments 3-4 times a week. In 2022, LTG Cargo Ukraine generated revenues of EUR 258 thousand, including EUR 255 thousand in the 2nd half of the year. The loss in the first half of the year resulted in a net loss of EUR 154 thousand.

In the period under review, LTG Cargo Polska expanded its transport on international routes and started domestic transport services in Poland, concluded contracts with new customers, increased its rolling stock fleet by leasing rolling stock and acquiring its first own locomotive. 583 freight trains were transported in 2022 (compared to 68 trains in 2021). LTG Cargo Polska generated EUR 13,056 thousand of revenues in 2022, of which almost 40% from local transport services in Poland. The net result for the year is a loss of EUR 2,140 thousand, as the growth in revenues lagged behind the growth in costs because of the rapid expansion during the reporting period.

LTG Cargo is expanding its freight services to Poland in order to reduce its dependence on traditional freight modes. As part of this activity, LTG Cargo Polska was engaged in investment projects for the acquisition of rolling stock and long-term leasing of rolling stock in 2022. As at the end of 2022, LTG Cargo Polska has 17 locomotives and 278 wagons on lease. In 2022, an agreement was signed for the purchase of two locomotives, one of which has already been delivered, and for the purchase of 146 units of specialised containers. The investments of LTG Cargo Polska in 2022 amounted to EUR 4.5 million.

During the period under review, LTG Wagons did not carry out any sales activities, OOO Rail Lab did not carry out any sales activities and is in liquidation. Therefore, the financial performance of these subsidiaries of the Company is not presented.

INVESTMENTS

In 2022, investments of LTG Cargo amounted to EUR **16.9** million. All the investments (100%) have been financed with the Company's own funds. Most of the investments were intended for overhaul repairs of freight rolling stock (**80.2%**). The lower investment volumes in 2022 are due to the geopolitical situation, and the optimisation of investment projects has been carried out in this context.

Investments, EUR million	2020	2021	2022
Overhaul repair of locomotives	35,348	19,432	10,487
Overhaul repair of freight wagons	3,847	6,106	3,079
Other investments of LTG Cargo	2,700	12,019	3,359
Total LTG CARGO	**41,895**	**37,557**	**16,925**

MAJOR INVESTMENT PROJECTS IMPLEMENTED IN 2022 AND INVESTMENT DIRECTIONS PLANNED

Investments in asset renewal

LTG Cargo invests in the renewal of its non-current assets in order to ensure the smooth and safe continuation of its core activities. Overhaul programmes for the Company's rolling stock fleet are ongoing. The works by the value of EUR 13.6 million were carried out in 2022:

- Repair of 1,458 freight wagons;
- Repair of 89 freight locomotives.

The rolling stock renewal programmes will continue in 2023 to ensure a non-stop and safe operation of railways.

Development of freight transport activities

1. In view of the prospects for the development of rail freight transport and the State's ambition to promote green freight transport, a project for the acquisition of technological equipment for the transport of semi-trailers has been carried out: 42 sets have been manufactured, 15 have been mounted on flat wagons and prepared for use, and the remaining 27 are scheduled for installation in 2023. The project will enable the Company to offer a new service on the broad gauge rail network - the transport of semi-trailers by train.

2. Investments are performed to improve the efficiency of asset utilisation:

- a project to optimise LTG Cargo's production bases. A design contract has been signed and a technical project is being prepared. The project will increase the efficiency of locomotive repairs, eliminate worn-out repair bases in the centre of Vilnius and move locomotive repair activities to the Vaidotu station;

- LTG Cargo continued the implementation of the Operational Control Centre in 2022 to increase the efficiency of rolling stock utilisation. The project will result in the planning and management of freight transport activities in accordance with uniform business processes, automation and digitalisation of activities, and data exchange with the relevant LTG systems;

- LTG Cargo has initiated the project of Modernisation of Containers for Grain Transport in response to the year-on-year increase in demand for grain carriers and in order to "reoccupy" the currently unused containers. The first phase is planned for 2023, with the retrofitting of 80 containers, which will allow to respond to the needs of customers during the grain transport season and generate new revenues.

3. LTG Cargo has initiated the purchase of electric locomotives and freight wagons (grain wagons and flat wagons) to ensure the timely provision of the service, but due to the unstable situation in the market, the acquisition possibilities of these vehicles is being under assessment.

(all amounts are in EUR thousand unless otherwise stated)

EMPLOYEES

Changes in organisational culture, implemented through consistent reinforcement of values, strengthening of feedback, promotion of internal career progression, ensuring equal opportunities and diversity, prevention of violence and harassment, social partnership and other initiatives, remain the cornerstone of fostering the well-being of employees and the successful implementation of the Company's strategy.

INITIATIVES AND KEY EVENTS IN 2022:

- To adapt to the changed business environment, a three-direction plan has been consistently implemented during 2022, including improving operational efficiency, reducing costs and diversifying and expanding into new markets, in particular Western Europe. As part of this plan, decisions have been taken to strictly control operational expenditure and to review some investment projects. The total number of employees in the LTG Cargo Group decreased by 796 or 28% in 2022, from 2,822 employees as at 31 December 2021 to 2,026 as at 31 December 2022. Most of the employees who left the Company were dismissed due the reductions in the number of positions. The implementation of such redundancies involved regular consultations with the Labour Council, Trade unions and the Employment Service. Several Career Days were organised, inviting workers who received redundancy notices as well as dozens of employers across the country inviting workers to join their teams. Career counselling for redundant workers was also organised. EUR 3.2 million in severance payments were made to redundant workers in 2022.
- The final implementation of the systems SAP Success Factors and UKG Dimensions, has led to the full digitalisation of employee data management and time and attendance processes.
- Technology adoption and digitisation are being continued: processes are being transformed through digitisation and innovative new solutions are being introduced.
- In order to apply good governance practices and to strengthen corporate governance competences, a five-member Management Board was set up: two members delegated by the controlling company, two independent members and one civil servant.
- After intensive negotiations, a new collective agreement of the branch has been signed for a period of four years. The social partners have agreed on the application of the agreement to all employees in the LTG group companies.
- As part of ongoing initiatives to develop organisational culture, the Voice of Employees survey on factors influencing organisational culture was carried out for the third consecutive year. Based on the results of this research, short- and long-term actions for improvement in the relevant areas have been identified.
- In 2022, the review of the Strategic Directions has placed particular emphasis on reviewing and clarifying the values. In order to ensure that the values are born from within the organisation, all staff and managers were invited to participate in the values review process. The new values of the LTG group companies: **Customer, Cooperation, Improvement, Responsibility**.
- Particular attention was paid to workers' mental health, emotional well-being and to strengthening motivation to work. Lectures by experienced psychologists, military experts and professional lecturers were organised for employees.

The number of LTG Cargo Group employees as at 31 December 2022 was 2,026, with a further 43 employees on long-term absence (parental leave, maternity leave, military service etc.).

NUMBER OF EMPLOYEES OF LTG CARGO GROUP

Group companies	31-12-2020 The actual number of employees as at the end of the reporting period	31-12-2021 The actual number of employees as at the end of the reporting period	31-12-2022 The actual number of employees as at the end of the reporting period
AB LG CARGO	2,261	2,802	1,929
UAB LTG Wagons		2	1
LTG Cargo Polska Sp. Z o.o.		11	89
LTG Cargo Ukraine		5	5
OOO Rail Lab		2	2
Total	**2,261**	**2,822**	**2,026**

The average monthly salary changed from EUR 1,772 to EUR 1,862 as compared to the year 2021. The most significant impact on remuneration developments was the LTG Group-wide review of remuneration in April.

The total remuneration fund amounted to EUR 52.1 million (excluding compensations for unused vacation, severance payments, accruals, and capitalised salaries). As compared to the year 2021, the remuneration fund has decreased from EUR 57.3 million to EUR 52.1 million. In addition, in April 2022, in line with other LTG Group companies, the Company's employees were paid an annual incentive of EUR 1.6 million for their performance.

(all amounts are in EUR thousand unless otherwise stated)

NUMBER OF EMPLOYEES AND AVERAGE SALARY

Employee groups by position	31-12-2020		31-12-2021		31-12-2022**					
	The actual number of employees as at the end of the reporting period	Average salary, in EUR	The actual number of employees as at the end of the reporting period	Average salary, in EUR	The actual number of employees as at the end of the reporting period			Average salary, in EUR		
					Total	Women	Men	Total	Women	Men
Chief Executive Officer*	1	8,380	1	8,600	1	1	-	9,200	-	-
Top level management*	7	6,429	8	5,981	5	-	5	6,357	-	-
Senior managers and specialists in exceptional fields	12	3,856	22	4,169	21	5	16	4,556	5,199	4,349
Middle-level managers and individual experts	42	2,875	85	2,708	88	24	64	2,727	2,633	2,757
Team leaders and experienced specialists	251	1,929	450	1,916	329	132	197	2,007	1,918	2,061
Specialists and experienced operational/service staff	786	2,096	811	2,073	597	155	442	2,127	1,566	2,334
Operational/service staff, qualified workers	1,162	1,348	1,425	1,421	888	168	720	1,500	1,317	1,558
Total	**2,261**	**1,728**	**2,802**	**1,772**	**1,929**	485	1,444	**1,862**	1,617	1,955

* *Amount of fixed remuneration as at the end of the period.*

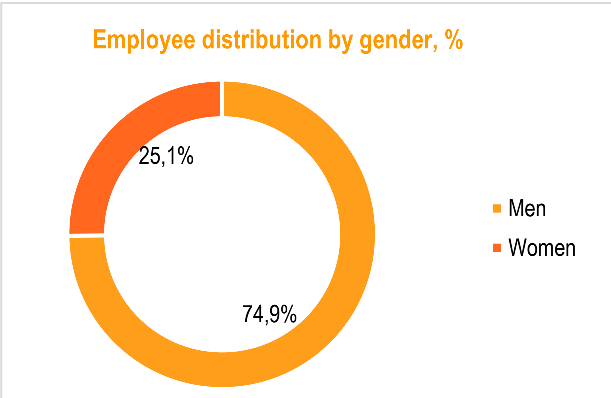
***As of the year 2021, the Company started publishing remuneration data according gender. For confidentiality reasons, if a particular function group includes less than 5 employees of the same gender, the information on the average wage and the difference of the average wage are not disclosed.*

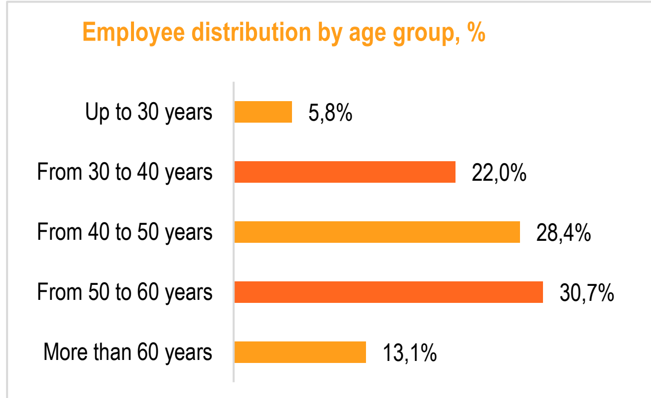
The monthly remuneration set for the Company's CEO of the Company as at 31 December 2022 was EUR 9,200, and the average actual salary, taking into account the annual incentive for performance, amounted to EUR 10,416.

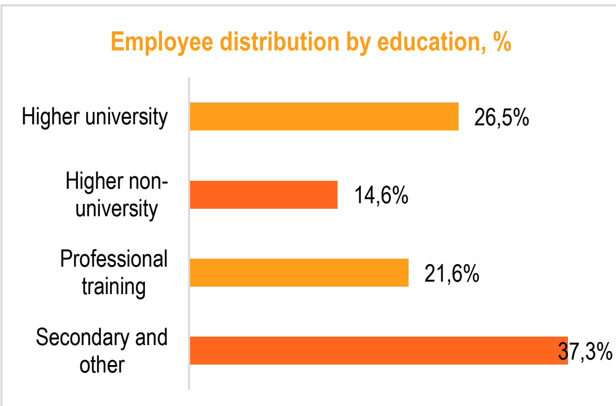
The average monthly salary of top-level executives provided in their employment contracts as at 31 December 2022 amounted to EUR 6,357 and the average actual salary of this group of employees, taking into account the annual incentive, amounted to EUR 6,620.

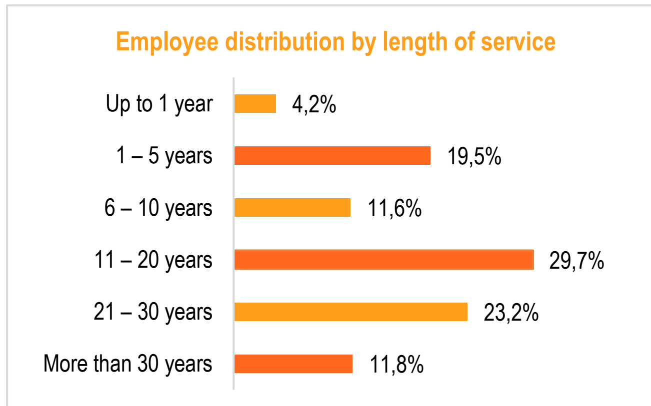
(all amounts are in EUR thousand unless otherwise stated)

Employee distribution by age, gender, length of service and education as at 31 December 2022









Age group	Average length of service, in years
Up to 30 years	3.4
From 30 to 40 years	8.3
From 40 to 50 years	16.5
From 50 to 60 years	21.0
> 60 years old	23.9
Average length of service	**16.3**

MANAGEMENT OF REMUNERATION AND OPERATIONAL EFFICIENCY

The general principles for formation of remuneration focus on:

- attracting, motivating and retaining staff with the necessary skills and competences;
- encouraging staff development;
- ensuring internal fairness in the remuneration for work and staff effort;
- motivating staff through an additional benefits package;
- an effective management of staff costs.

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

A local scale of corporate levels of positions is used to publicise the results of the methodological position evaluation within the organisation. Each staff member is able to see the corporate levels of his or her position and of other positions in the organisation. At the same time, information on pay scales at each corporate level is available to every employee. This way, the principles of transparency are embedded in the organisation and the conditions are created for assessing and planning internal career opportunities.

(all amounts are in EUR thousand unless otherwise stated)

A periodic review of remuneration is performed each year, which is linked to clear and objective criteria, such as a comparison of current staff remuneration with the market, the Company's financial performance and the budget allocated for the review, and an assessment of each employee's annual performance. The periodic review of remuneration normally takes effect on 1 April each year.

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

An annual incentive fund is awarded to employees at the end of the financial year based on the Company's performance. Such fund is an employer-initiated employee incentive for good performance and positive performance of the Company, as referred to in Article 139(2)(6) of the Labour Code of the Republic of Lithuania, and shall be granted on the basis of Article 142(1)(2) of the Labour Code of the Republic of Lithuania. This incentive is also forward-looking as a motivational tool for employees, and individual annual incentive opportunities are linked to corporate levels of position and each employee's annual performance evaluation. Both, the budget for the periodic review of remuneration and the annual incentive pool shall be decided by the Management Board of the Company after a detailed assessment of all circumstances.

The fringe benefits package includes lump-sum payments in the event of the birth of an employee's child or the death of a close family member, support in the event of natural disasters, loyalty allowances for employees who leave the organisation when they reach the age of retirement, additional leave, and other benefits as provided for in the LTG Group's collective agreement of the branch and in the Compensation Methodology. Employees are also covered by accident insurance and supplementary voluntary health insurance, under the terms of which they are reimbursed for outpatient and inpatient treatment and diagnostics, preventive health check-ups and vaccinations, and prescription medicines and medical aids. In addition, employees can choose dental, rehabilitation or optical services. Around 80% of employees declare their choice of supplementary voluntary health insurance each year. During the negotiations with the social partners on the new collective agreement of the branch, it was agreed to increase the lump-sum payment in the event of the birth of a worker's child or the death of a close family member by 50% from €200 to €300 after tax starting from 2023.

The principles of remuneration and the fringe benefits to be granted are set out in the LTG Group's Collective Agreement of the branch, the Staff Policy and the Remuneration Methodology. The principles for the formation of remuneration for key executives are set out in the Key Executive Remuneration Policy approved by the Management Board of the Company. The details of how these principles are implemented are set out in the internal process standards and methodologies, as well as are published on the LTG Group's internal intranet - information base and news for staff.

Management of the employees performance and appraisal process remain geared towards embedding a culture of high performance, personal accountability and continuous feedback, as well as the principle of "rewarding the best".

The average salaries of staff by general position groups are updated on the Company's website after the end of the quarter. At the same time, the update also reveals a comparison of average wages for women and men. The applied objective and unified remuneration management principles that ensure equal opportunities in the Company, reveal that the actual differences between the average remuneration of women and men, as monitored by general position groups, remain. These differences are due to the overall distribution of women and men, with more men than women working not only in the railway industry in general, but also in a number of job groups, particularly in operational roles. Women predominate in support/administrative positions, which are relatively lower remunerated in the market. Men are concentrated in posts where the field of activity generates more competitive remuneration in the market (e.g. engineering), or where there is a special type of work - physical exertion, outdoor or other special conditions - where market remuneration is higher. At the same time, the opposite situation can be observed in certain job groups, where women, although not predominant, occupy positions for which there is a shortage in the market, leading to relatively higher pay (e.g. leadership positions in project, strategy, finance, supply chain management), in which case women’s average wages outnumber men’s.

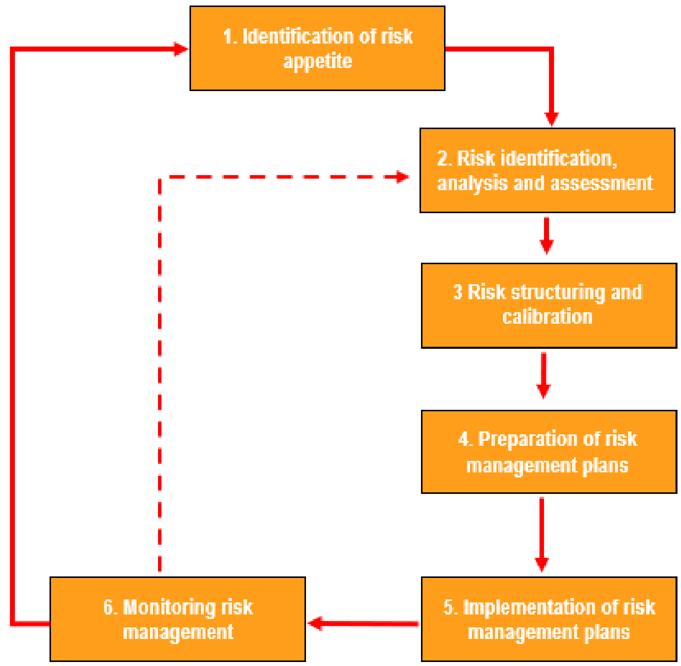
Ratio of average earnings between women and men in the Company

Group by positions	2022	2021
TOTAL EMPLOYEES	1: 1.21	1: 1.18
Senior managers and specialists in exceptional fields	1: 0.84	1: 0.97
Middle-level managers and individual experts	1: 1.05	1: 1.13
Team leaders and experienced specialists	1: 1.07	1:1.07
Specialists and experienced operational/service staff	1: 1.49	1: 1.58
Operational/service staff, qualified workers	1: 1.18	1: 1.18

The table provides a comparison of the ratio of women's and men's average earnings, where women's earnings are equal to 1 and men's earnings are obtained by dividing men's earnings by women's earnings.

RISKS AND THEIR MANAGEMENT

The LTG Group's unified risk management system is being implemented and continuously improved in The Company. It is defined in the LTG Group's risk management policies, methodologies and process standards, which have been developed with reference to the International Organization of Standardization's (ISO 31000) and the Committee of Sponsoring Organizations of the Treadway Commission's (COSO ERM) Enterprise Risk Management (ERM) international standards, as well as best practice examples.



In LTG Group, the risk management responsibilities are allocated according to *Three Lines of Defence model*. According to it:

- Level 1 risk management activities are carried out by LTG Group companies and LTG corporate functions that identify, assess and manage risks;
- Level 2 risk management is carried out by LTG's Risk and Compliance Management function, which develops and refines the overall framework and carries out coordination and control activities;
- Level 3 risk management is carried out by LTG Internal Audit, which carries out an independent assessment of the effectiveness of Level 1 and Level 2 risk management and provides comments and recommendations.

Both line managers and collegiate bodies are actively involved in risk management practices. LTG Group has an active Risk Management Committee, chaired by LTG Group's Director of Business Resilience. The Risk Management Committee's main activities are: risk calibration to ensure a holistic view of the Group's risks; calibration of priority risks (systemic or Group-wide); assessment of the status of management of the priority risks; proposals on the choice of risk management tools and the identification of new risks; and recommendations for the improvement of the overall risk management framework.

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

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

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

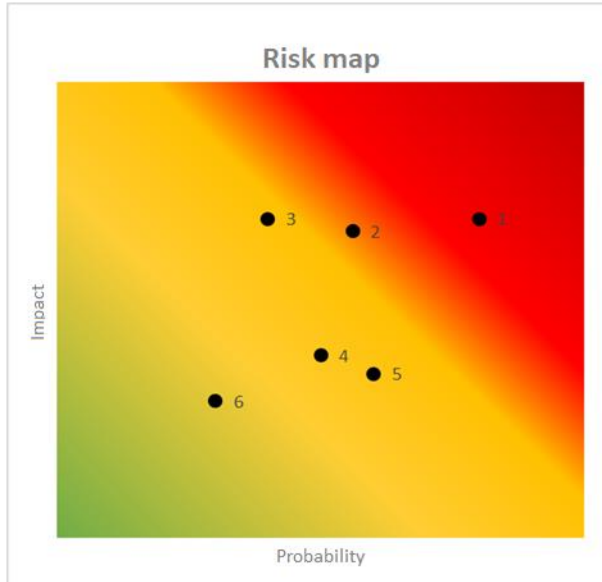
Periodic and timely dissemination of risk-related information is ensured by a well-established and settled preparation and reporting system. On a quarterly basis, the risk management status of each of the companies is reviewed in reports to the management boards of the companies and the LTG Group. The LTG Group Management Board 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 an opportunity to discuss the emergence of new risks.

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

Given the specific nature of the Company's operations, external context and history, the main risks relevant for 2022 are identified and presented below.

MAIN RISKS AND THEIR MANAGEMENT MEASURES

1 - Supply chain disruptions
2 - Risk of safety incidents
3 - Insufficient financial resources to implement investment plans
4 - Lack of terminal capacity
5 - Risk of expansion in foreign markets
6 - Failure to ensure that IT systems meet business needs



Risk	Risk level	Main risk sources	Possible impact	Main risk management measures
Supply chain disruptions	High	• Increase in prices of materials and raw materials • Extended delivery time • Possible sanctions for suppliers	• Operational failures due to lack of repair parts • Work delays	• Sanctions checks on suppliers • Advance planning • Reallocation of resources to busier sections
Risk of safety incidents	High	• Failure to comply with work safety instructions • Failure to comply with technological requirements during repair work	• Injuries to workers or other persons • Financial losses due to damage to rolling stock or infrastructure • Reputational damage due to traffic/worker safety failures • Disruption of operations due to traffic accidents	• Periodic training and coaching • Mobile app to help keep workers safe • Inspections of safety systems • Periodic monitoring of physical and technical security
Insufficient financial resources to implement investment plans	Medium	• Change in the political and economic situation • Supply chain disruptions • High technical base/infrastructure costs	• Financial impact	• Expansion in foreign markets • New product supply • Seeking alternative financing sources
Lack of terminal capacities	Medium	• Inaccurate capacity planning • Competition with other carriers	• Potential impact on revenue • Declining customer satisfaction with services	• Detailed advance planning • Search for terminals in new markets

Risk	Risk level	Main risk sources	Possible impact	Main risk management measures
Risks of expansion in foreign markets	Medium	• Lack of specialists with specific competences • Repair work on railway sections • Lack of wagons, transhipment systems, locomotives • Inadequate customer service	• Revenue targets not met • Carriage delays • Loss of customer trust	• Ensuring the need for skilled professionals • Consolidation of the customer service process • Ensuring quality control
Failure to ensure that IT systems meet business needs	Low	• Insufficient digitisation and automation • The changing business environment creates new needs	• Financial costs due to recovery of operating systems or data • Damage to reputation due to data leak • Low operational efficiency due to insufficiently digitised processes • Performance disorders	• Upgrading business management systems • System modernisation • Transfer of functionality to other systems • Updating access control processes and tools

INFORMATION ON EXTERNAL AUDITOR

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

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

During the reporting period, the auditor provided services of translation of the financial statements in the English language. Any other additional services not related to the audit of the financial statements were not provided to the Company by the auditor.

The fee for the audit of the financial statements for the year 2022 established to the audit firm was EUR 52.5 thousand (without VAT).

DEFINITIONS

Revenue	Sales revenue + Other operating income excluding income from financial activities
Sales revenue	Revenue, excluding income from other activities and income from financial activities
Expenses	Expenses, excluding the corporate tax and income from financial activities
Financial debt	Interest-bearing financial debt, including financial / operating lease
Net debt	Interest-bearing financial debt, including finance leases, less cash, and cash equivalent investments
Return on equity (ROE)	Net profit/loss for the period of the last 12 months / average equity 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 investments (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 activity + depreciation and amortisation
Normalised 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 ordinary activities*
EBIT margin	EBIT / sales revenue
EBITDA margin	EBITDA /sales revenue
Normalised EBITDA margin	Normalised EBITDA / sales revenue
Net profit margin	Net profit/(loss) / sales revenue
Equity ratio	Equity at the end of period / assets at the end of 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
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)
Train operational volume (gross-gross ton/km)	An indicator calculated by multiplying the gross weight of the train, including the weight of the operating locomotive, by the travelled distance
Number of employees	The number of listed active employees as of the end of the period (excluding the employees on parental leave, military service, long-term incapacity)
Average salary	The average gross salary per employee

* *The calculation of Normalised EBITDA ratio for 2022 includes severance and compensation payments to employees dismissed as part of the business optimisation project.*

(all amounts are in EUR thousand unless otherwise stated)

INFORMATION ON COMPLIANCE WITH THE TRANSPARENCY GUIDELINES

The Company complies with the Lithuanian Government resolution No 1052 of 14 July 2010 on *Transparency Guidelines for State-Owned Enterprises* by disclosing the required information in its annual and interim reports and on its website http://ltgcargo.lt/.

STRUCTURED INFORMATION ON THE IMPLEMENTATION OF THE TRANSPARENCY GUIDELINES

Point of Description	Description provision Disclosure of the Company's information	Yes/No
5.	The following data and information must be announced in the internet website of a state-owned enterprise:	-
5.1.	Name;	Yes
5.2.	Code and register, where data about the company is filed and stored;	Yes
5.3	headquarters (address;)	Yes
5.4.	legal status, if a state-owned enterprise is under reformation, 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;	
5.5.	operating goals, vision and mission;	Yes
5.7.	structure;	Yes
5.8.	data about the head of the enterprise;	Yes
5.9.	data about the chairman and members of the Board, if formed according to the Articles of Association;	Yes
5.10.	data about the chairman and members of the Supervisory Council, if formed according to the Articles of Association;	No, the Supervisory Council is not formed
5.11.	names of committees, if formed; data about their chairmen and members;	Disclosed in the website of the parent company LTG
5.12.	the sum of the nominal values of the state-owned shares (in euro to the nearest euro cent) and the share (in percentage) in the authorised capital of the state-owned enterprise;	Yes, share disclosures are made in respect of the parent LTG
5.13.	special obligations shall be carried out in accordance with the guidelines approved by the Minister of Economy and Innovation of the Republic of Lithuania: the purpose of the special obligations is specified, the state budget appropriations allocated for their execution in the current calendar year and the legal acts, by which the state-owned enterprise is entrusted with the execution of the special obligation, are indicated, the terms and conditions for the execution of the special obligation and/or the regulated pricing shall be specified;	The Company does not perform any special obligations
5.14.	information on social responsibility initiatives and measures, important ongoing or planned investment projects.	Yes
6.	In order to ensure publicity regarding the professionalism of the members of the management and supervisory bodies, as well as of the committees, of State-owned enterprises, the following data is published for the persons referred to in sub-paragraphs 5.8 to 5.11 of the Description: name, surname, date of commencement of the current position, any other managerial positions held in other legal entities, education, qualifications, professional experience. If the person referred to in points 5.9 to 5.11 of the Description is elected or appointed as an independent member, this shall be indicated in addition to his details.	Yes
7.	The following documents shall be announced in the website of a State-owned enterprise:	-
7.1.	Articles of Association;	Yes
7.2.	statement from an institution representing the State regarding the establishment of the goals and expectations of the State in a state-owned enterprise;	Yes
7.3.	the business strategy or a summary thereof in cases where the business strategy contains confidential information or information which is considered a commercial (industrial) secret;	Yes
7.4.	document establishing the remuneration policy, setting out the remuneration of the head of a state-owned enterprise and the remuneration of members of collegial bodies and committees formed in a state-owned enterprise, as detailed in the Code of Corporate Governance;	Yes
7.5.	annual and interim reports of a state-owned enterprise, annual and interim activity reports of a state-owned enterprise for a period of at least five years;	Yes

(all amounts are in EUR thousand unless otherwise stated)

Point of Description	Description provision Disclosure of the Company's information	Yes/No
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.	If the State-owned company is the parent company, its website shall publish the structure of the group of companies, as well as the particulars referred to in points 5.1 to 5.3 of the Description, the website addresses, the percentage of the parent company's shareholding in the share capital of the subsidiaries, the annual consolidated financial statements and the consolidated annual reports.	Yes
9.	If the State-owned company is a participant in legal entities other than those referred to in point 8 of the Description, the data and website addresses of those legal entities referred to in points 5.1 to 5.3 of the Description shall be published on its website.	Yes
91	If the company is a subsidiary or a secondary row subsidiary of a State-owned company, the website shall contain the information specified in points 5.1 to 5.3 of the Description and a link to the website of the parent company.	Yes
10.	Any change or publication of incorrect data, information and documents referred to in points 5 and 6, 7.1 to 7.4, 8, 9 and 91 of the Description shall be immediately amended and published 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 company classified as a public-interest entity under the Law on Audit of Financial Statements of the Republic of Lithuania prepares, in addition to the annual report, 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;	The Company does not perform any special obligations
17.6.	the implementation of the investment policy, planned investment projects and investments as well as those under implementation during the reporting year;	Yes
17.7.	the implementation of the risk management policy applicable at the state-owned enterprise;	Yes
17.8.	the implementation of the dividend policy at state-owned enterprises;	Yes
17.9.	the implementation of the remuneration policy;	Yes
17.10.	the total annual payroll fund, the average monthly salaries according to the positions held and (or) divisions;	Yes
17.11.	information on the compliance with the provisions of Chapters II and II of the Description, including the information on how they are being implemented, what provisions have not been complied with and why.	Yes

Point of Description	Description provision Disclosure of the Company's information	Yes/No
18.	State-owned enterprises, which are not imposed a duty to prepare a social responsibility report, are recommended to respectively provide information in their annual reports on the issues of environment protection, social and personnel-related issues, the protection of human rights, anti-corruption and anti-bribery measures.	Yes
19.	If the information specified in point 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 non-disclosure.	Yes
20.	Other information not specified in the Description may be provided in an annual report of a state-owned enterprise.	Yes
21.	A State-owned company which is the parent company shall disclose in its consolidated annual report or, if it is not required by law to prepare a consolidated annual report, in its annual report, the structure of the group of companies, as well as, for each of its subsidiaries and for each of its subsidiaries in subsequent rows, the particulars referred to in points 5.1 to 5.3 of the Description, the percentage of the shareholding held in the subsidiary's authorised capital, and the financial and non-financial performance of its operations in the financial year. If a state-owned company which is a parent company prepares a consolidated annual report, the requirements of point 17 of the Description shall apply *mutatis mutandis* to it.	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

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Independent Auditor's Report

To the Shareholders of AB LTG Cargo

Opinion

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

- the separate statement of financial position as at 31 December 2022,
- the separate statement of profit or loss and other comprehensive income for the year then ended,
- the separate statement of changes in equity for the year then ended,
- the separate statement of cash flows for the year then ended, and
- the notes to the separate financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements give a true and fair view of the non-consolidated financial position of the Company as at 31 December 2022, and of its non-consolidated financial performance and its non-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 Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

Our opinion on the separate 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 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 financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Company code: 111494971
VAT code: LT114949716

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

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

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

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

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

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

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

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

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

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

On behalf of KPMG Baltics, UAB

Rūta Kupinienė
Certified Auditor

Vilnius, the Republic of Lithuania
26 May 2023

The electronic auditor‘s signature applies only to the Independent Auditor‘s Report on pages 49 to 51 of this document.

(all amounts are in EUR thousand unless otherwise stated)

SEPARATE STATEMENT OF FINANCIAL POSITION

	Notes	31/12/2022	31/12/2021
NON-CURRENT ASSETS			
Property, plant and equipment	7	210,633	219,952
Buildings and constructions		483	430
Machinery and plant		2,207	5,365
Vehicles		192,125	205,575
Other equipment, fittings and tools		1,029	1,263
Construction in progress and prepayments		14,789	7,319
Right-of-use assets	8; 18	29,181	8,418
Intangible assets	9	2,382	1,260
Financial assets	10	16	1,385
Prepayments	13	1,020	1,020
Total non-current assets		**243,232**	**232,035**
CURRENT ASSETS			
Inventories	11	13,436	11,648
Trade and other receivables	12	12,856	58,280
Prepayments	13	3,139	8,821
Cash and cash equivalents	14	52,982	4,970
Total current assets		**82,413**	**83,719**
TOTAL ASSETS		**325,645**	**315,754**

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

(all amounts are in EUR thousand unless otherwise stated)

SEPARATE STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	31/12/2022	31/12/2021
EQUITY			
Share capital		44,087	44,087
Legal reserve	15	1,876	814
Other reserves	15	49,437	29,717
Retained profit (losses)	16	10,112	20,782
Total equity		**105,512**	**95,400**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	17	125,010	130,293
Lease liabilities	18	26,053	5,148
Employee benefits	19	1,588	2,958
Deferred income tax liabilities	25	8,523	7,228
Total non-current liabilities		**161,174**	**145,627**
Current liabilities			
Loans and current portion of long-term loans	17	6,734	10,668
Lease liabilities	18	3,208	3,360
Income tax liabilities		7	-
Employee benefits	19	7,248	9,946
Trade and other payables	20	41,681	50,599
Provisions	21	81	154
Total current liabilities		**58,959**	**74,727**
TOTAL EQUITY AND LIABILITIES		**325,645**	**315,754**

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

The financial statements and the explanatory notes on pages 52-89 were approved and signed on 26 May 2023:

Chief Executive Officer — Eglė Šimė

AB Lietuvos Geležinkeliai
Acting Finance Controller for Accounting,
Financial Reporting and Control
Acting under Power of Attorney
No [G(CARGO)- 182/2022 of 05/12/2022 — Darius Saladžius

(all amounts are in EUR thousand unless otherwise stated)

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2022	2021
Revenue	22	293,691	389,817
Other income		148	158
Total income		293,839	389,975
Infrastructure services		(113,825)	(174,086)
Employee benefits costs	23	(50,484)	(54,465)
Depreciation and amortisation	7;8;9	(23,798)	(24,636)
Fuel		(37,566)	(45,971)
Materials		(3,805)	(10,692)
Services rendered by other foreign railway companies		(10,358)	(17,809)
Management services		(16,120)	(14,399)
Electricity		(1,335)	(669)
Repairs and maintenance		(1,784)	(5,831)
Impairment of investments		(846)	(205)
Impairment of property, plant and equipment		(936)	-
Write down of inventories to net realisable value		(168)	(331)
Increase (decrease) in the value of receivables		(1,330)	91
Change in provisions		73	91
Other		(17,602)	(14,510)
Operating profit (loss)		13,955	26,553
Finance income	24	238	349
Finance costs	24	(2,756)	(2,426)
Profit (loss) before taxation		11,437	24,476
Income tax	25	(1,320)	(3,224)
Net profit (loss)		10,117	**21,252**
Other comprehensive income (expenses)		-	-
Total comprehensive income (expenses)		**10,117**	**21,252**

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

(all amounts are in EUR thousand unless otherwise stated)

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings (loss)	Total
Balance as at 31 December 2020		43,936	-	-	-	30,531	74,467
Net profit (loss)		-	-	-	-	21,252	21,252
Other comprehensive income, after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		-	-	-	-	21,252	21,252
Increase in share capital by a non-monetary contribution		151	-	-	-	-	151
Unrecognised profit (loss) in the statement of profit or loss and other comprehensive income	16	-	-	-	-	(470)	(470)
Transfers between reserves	15	-	-	814	29,717	(30,531)	-
Dividends		-	-	-	-	-	-
Total transactions with owners of the Company		-	-	-	-	-	-
Balance as at 31 December 2021		**44,087**	**-**	**814**	**29,717**	**20,782**	**95,400**
Net profit (loss)	16	-	-	-	-	10,117	10,117
Other comprehensive income, after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		-	-	-	-	10,117	10,117
Unrecognised profit (loss) in the statement of profit or loss and other comprehensive income	16	-	-	-	-	(5)	(5)
Transfers between reserves	15	-	-	1,062	19,720	(20,782)	-
Dividends		-	-	-	-	-	-
Total transactions with owners of the Company		-	-	-	-	-	-
Balance as at 31 December 2022		**44,087**	**-**	**1,876**	**49,437**	**10,112**	**105,512**

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

(all amounts are in EUR thousand unless otherwise stated)

SEPARATE STATEMENT OF CASH FLOWS

	Notes	2022	2021
Cash flows from operating activities			
Net profit (loss)		**10,117**	**21,252**
Adjustments			
Depreciation and amortisation	7, 8, 9	23,798	24,636
(Gain) loss from disposal of non-current assets		(71)	87
Change in impairment of receivables		1,330	535
Impairment (reversal) of the value of non-current assets, inventories and investments		1,951	(91)
Change in accumulated income / costs		6,226	4,384
Interest income (costs)		1,766	1,866
Lease liability interest		198	13
Increase (decrease) in provisions		(73)	(91)
Effect of currency exchange fluctuations		55	31
Income tax expenses (income)	25	1,320	3,224
Cash flows from operating activities after adjustments		46,617	55,846
Changes in working capital			
Decrease (increase) in inventories		(1,957)	4,065
Decrease (increase) in trade and other receivables and prepayments		49,776	(17,023)
Increase (decrease) in current and non-current trade payables and received prepayments		(18,842)	(4,199)
Increase (decrease) in employment related liabilities		(4,069)	(1,996)
Increase (decrease) in other non-current and current payables		5,970	456
Net cash from operating activities		77,495	37,149
Cash flows from investing activities			
(Acquisition) disposal of non-current assets and investments		(22,550)	(38,702)
Change in prepayments for non-current assets		15	108
Interest received		42	-
Sale (acquisition) of business	16	-	(13,739)
Net cash from investing activities		(22,493)	(52,333)
Cash flows from financing activities			
Receipt of loans (cash pool)		-	2,503
Repayment of loans (cash pool)		(2,503)	-
Interest (paid)		(481)	(650)
Payment of lease liability interest		(198)	(13)
Payment of lease liabilities		(3,803)	(3,044)
Cash flows related to owners		(5)	-
Net cash flows from financing activities		(6,990)	(1,204)
Net increase (decrease) in cash and cash equivalents		**48,012**	**(16,388)**
Cash and cash equivalents at the beginning of the period		**4,970**	**21,358**
Cash and cash equivalents at the end of the period	14	**52,982**	**4,970**

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

(all amounts are in EUR thousand unless otherwise stated)

EXPLANATORY NOTES

1. General information

AB LTG Cargo (hereinafter referred to as the Company) was registered in the Register of Legal Entities of the Republic of Lithuania on 28 December 2018. In its activities the Company follows the Constitution of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania, the Railway Transport Code of the Republic of Lithuania, and other valid regulations of the Republic of Lithuania.

The Company is a private legal entity of limited civil liability, independently organising economic, financial, organisational, and legal activities. AB LTG Cargo is the company of the AB Lietuvos Geležinkeliai Group. AB Lietuvos Geležinkeliai is its sole shareholder. The Company's code: 304977594, VAT code: LT100012103918, legal (registration) address: Geležinkelio St. 12, LT-02100 Vilnius.

The Company follows the established strategy and strategic strands of the Group of companies, as well as the approved policies that the companies of the Group must take into account in their activities, as well as the Constitution of the Republic of Lithuania, the Civil Code of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania, the Railway Transport Code of the Republic of Lithuania, other laws and legal acts regulating the activities of the Company, decisions of the bodies of the Company, articles of association and internal documents of the Company.

Main activities of the Company: freight transportation and logistics, loading and unloading, wagon rent, rolling stock repair, coordination of locomotives and locomotive crews.

As at 31 December 2022 and 31 December 2021, the sole shareholder of the Company was the parent company AB Lietuvos Geležinkeliai. As at 31 December 2022, the sole shareholder of AB Lietuvos Geležinkeliai was the Republic of Lithuania, the property rights of which are exercised by the Ministry of Transport and Communications of the Republic of Lithuania (100% of shares).

The Company has no branches and representative offices.

As of 31 December 2022, the listed number of active employees at the end of the period (excluding the employees on parental leave, employees doing military service, employees on long-term incapacity) was 1,929 (as of 31 December 2021 – 2,802 employees).

Investments in subsidiaries are as follows:

Company	Head office address	Owned share, %		Main activity
		2022	2021	
LTG Cargo Polska Sp. Zo.o	Świętojerska 5/7. 1, Warsaw	100	100	Freight transportation and provision of related services in Poland
UAB LTG Wagons	Geležinkelio St. 12, Vilnius	100	100	Lease of wagons used for freight transportation
LLC LTG Cargo Ukraine	Puškino St. 21, Kiev	100	100	Freight transportation and provision of related services in Ukraine
OOO Rail Lab	Internacionalnaja St. 36-1, office 423.3, Minsk	2	99	Production of locomotives and rolling stocks. Repair and maintenance of vehicles. Wholesale trade of other machinery and plant

2. Significant accounting policies

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

The financial statements are prepared on the historical cost basis.

These financial statements are separate financial statements (hereinafter - financial statements). The Company does not prepare consolidated financial statements using the exemption provided for in paragraph 4(a) of IFRS 10, when the consolidated financial statements in accordance with IFRS are prepared by its parent entity.

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

2. Significant accounting policies (continued)

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

Management's estimates in applying IFRSs, IASs that have a material effect on the Company's financial statements and estimates that may have a material effect in future financial years are discussed in the paragraph *Significant Changes in Accounting Policies* of Note 5.

Going concern. These financial statements for the year ended 31 December 2022 have been prepared in accordance with an assumption made by the Company's management that the Company would continue as a going concern.

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

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

Property, plant and equipment. Property, plant and equipment are non-current tangible assets which: a) are kept for purposes of production of goods or provision of services, or for administrative purposes; b) are intended to be used for a period longer than one reporting period.

The cost of property, plant and equipment shall only be recognised as assets when and only when: a) it is probable that the future economic benefits embodied in the asset will eventuate; b) the asset possesses a cost or other value that can be measured reliably.

Property, plant and equipment are classified as tangible non-current assets and are carried at cost less accumulated depreciation and impairment losses. The initial cost of property, plant and equipment comprises the acquisition cost, including non-refundable acquisition taxes, capitalised borrowing costs and any directly attributable costs incurred in preparing the asset for use or bringing it to the place of use. Costs incurred after the property, plant and equipment was taken into use are generally charged to the Statement of Profit or Loss and Other Comprehensive Income in the period in which they are incurred.

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

At the end of each reporting period, if any 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 Statement 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 repair costs are added to the carrying amount of property, plant and equipment when the work performed extends the useful life of the asset and they can be measured reliably. The carrying amount of the replaced part is written off. All other repair and maintenance costs are expensed as incurred.

A gain or a loss on the sale of property, plant and equipment is determined by the comparison of the proceeds from asset sale with its carrying amount and is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

2. Significant accounting policies (continued)

Depreciation. Depreciation of property, plant and equipment groups is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives.

Groups of property, plant and equipment	Useful life
Buildings and structures	10-80
Machinery and plant	5-15
Road transport/vehicles	5-10
Rolling stock (including railway wagons)	5-42
Computers and hardware	3-10
Other equipment, fittings and tools	4-15

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

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

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

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

Intangible assets are amortised on a straight-line basis over their estimated useful lives, which can be from 3 to 10 years for software and from 3 to 4 years for other intangible assets. The amortisation period shall be reviewed at the end of each financial year.

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

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

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

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

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

Lease

A contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

2. Significant accounting policies (continued)

The Company as a Lessee

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

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

The Company shall recognise the right to use the asset and the lease liability in the Statement of Financial Position at the commencement of the lease.

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

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

Subsequent assessment of right-of-use assets. Subsequent to the commencement date, the Company shall assess the right-of-use assets applying the cost method. By applying the cost method, the Company assesses the right-of-use assets less any accumulated depreciation and any accumulated impairment losses; and by adjusting for reassessment of the lease liability. In calculating the depreciation of rights-of-use assets, the Company shall apply the depreciation requirements of IAS 16 Property, Plant and Equipment.

Initial assessment of the lease liability. On the commencement date, the Company shall assess the lease liability at the current value of the lease outstanding on that date. Lease fees shall be discounted using the interest rate provided for in the lease contract, if that rate can be readily determined. If that rate cannot be readily determined, the interest rate to be charged by the Company is determined by calculating the weighted average cost of capital (WACC) from the most recent audited annual financial statements and using the cost of debt component.

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

The Company as a Lessor

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

2. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

A financial asset is measured at amortised cost if both of the following criteria are met: a) the financial asset is held according to s business model, an objective of which is to hold the financial asset to collect its contractual cash flows; and b) due to contractual conditions of the financial asset cash flows may occur on set dates, which represent solely payments of principal and interest.

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

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

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

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

a) the right to receive cash flows from the asset has expired;
b) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement;
c) the Company transfers its right to receive the cash flows and/or:

- transfers substantially all risks and rewards of the asset,
- neither transfers nor retains substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company transfers the rights to receive cash flows from an asset and neither transfers nor retains risks and benefit related to ownership to the financial asset, but does not transfer control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. The Company's assets that take the form of a guarantee over the transferred asset are measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

The Company directly reduces the gross carrying amount of the financial asset if it cannot reasonably expect to recover all or part of the financial asset.

2. Significant accounting policies (continued)

Writing down is an event of derecognition.

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

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

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

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

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

A financial liability, measured at fair value through profit or loss, is measured at fair value, and any net profit and loss, including any interest costs, is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expenses and foreign exchange gain or loss are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Any costs of derecognition of the financial liability are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

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

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

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

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

At the end of each reporting period, the Company recalculates and records the provision for expected credit losses in accordance with past events, current market conditions and future prospects. The Company applies a simplified method to calculate the expected maturity credit losses over the period of validity and uses a provisioning matrix for all trade and other receivables. For calculation of the expected credit losses using the provisioning matrix, trade and other receivables are categorised into separate groups according to credit risk characteristics. The amounts for each group 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 those assets.

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

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

2. Significant accounting policies (continued)

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 Company makes judgements about the timing and amount of write-offs, taking into account whether recovery can reasonably be expected. The Company does not expect to be able to recover a material portion of the amount written off. However, written-off financial assets may still be subject to law enforcement action in order to comply with the Company's procedures for the recovery of receivable amounts.

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

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

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

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

Borrowings. Borrowings are recognised initially at fair value less the incurred transaction costs and subsequently measured at amortised cost using the effective interest method.

Financial guarantees. A financial guarantee contract is a contract that obliges the Company to make specific payments to indemnify the holder against losses incurred by the holder as a result of a specified debtor's failure to pay when due according to the original or modified terms of a debt instrument. Financial guarantees are initially recognised at fair value, which is a normal measure of the amounts receivable. Subsequent to initial recognition, the liabilities the performance of which is secured by these guarantees are measured at the higher of the provision for losses and the premium received at initial recognition less revenue recognised in accordance with the principles of IFRS 15.

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

The income tax rate applicable for the companies of the Republic of Lithuania in 2022 and 2021 was 15%.

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

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

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

2. Significant accounting policies (continued)

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

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

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

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

Inventories. Inventories are measured at acquisition or production cost, and subsequently are accounted for at the lower of the cost or the net realisable value. The net realisable value is a sale price under normal business conditions less expenses of completion and possible costs to sell. The cost is calculated under the FIFO method. The cost of inventories is net of volume discounts and rebates, received from suppliers during the reporting period, but it applies to the inventories still held in stock. The inventories that may not be realised are fully written off.

On an annual basis, evaluation of inventory is carried out at the end of the year. Spare parts which are intended to be used in overhaul repairs or essential spare parts of non-current assets are reclassified as construction in progress of non-current assets.

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.

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.

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

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

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

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

2. Significant accounting policies (continued)

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

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

Revenue recognition. The Company recognises revenue to depict transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company takes into account the terms of the contract and all relevant facts and circumstances. For that purpose the Company's revenue is recognised using the 5-step model:

Step 1 - Identify the contracts with a customer.

Agreement between two and/or more parties (depending on the conditions of purchase or sale), which creates enforceable rights and liabilities, is recognised as a contract. A contract is only recognised if the following criteria are satisfied:

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

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

Step 2 - Identify the performance obligations in the contract.

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

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

Step 3 - Determine the transaction price.

The transaction price may be fixed, variable or both.

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

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

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

2. Significant accounting policies (continued)

Step 5 - Recognise revenue when (or as) the Company satisfies performance obligations.

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

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

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

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

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

The Company's revenue is classified as follows:

Type of the Company's revenue;

- revenue earned from freight and services related to freight transportation;
- lease revenue;
- revenue from repair and maintenance;
- Wholesale trade (scrap metal);
- Work of locomotives and locomotive crews.

Nature of revenue recognition:

- immediately after rendering of services;
- for an ongoing period (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.

Operating revenue generated by the Company includes the following:

- Freight transportation income. Freight transportation income reflects income earned from local and international freight transportation and services related to freight transportation;
- Other income from operating activities.

- **Income earned from freight and services related to freight transportation**

Income earned from freight transportation and services related to freight transportation is recognised upon provision of a service, delivery of freight to a place agreed in a shipping document. Freight transportation includes import, export and transit.

International freight transportation service: rail freight transportation service, where a train with all rail cars crosses a border of at least one EU member state.

Local freight transportation service: rail freight transportation service, where a train crosses no border of the EU member state.

Income earned from services related to freight transportation is recognised upon provision of a service, receipt of a benefit from rendered services by a customer or a customer's representative.

- **Repair and maintenance income.**

The Company recognises income when the goods are transferred to the customer; income from services rendered is recognised at the end of the month when the percentage of completion is estimated, or when the services are rendered and the transfer- acceptance act of the work is signed.

2. Significant accounting policies (continued)

Type of services	Nature, timing and payment conditions of operating liabilities	Revenue recognition under IFRS 15
Income from freight transportation, services related to freight transportation	Invoices for freight transportation and related additional services are issued at intervals agreed with a buyer in a contract (daily, every ten days, monthly) by forming them on the basis of primary freight transportation and additional services documents upon provision of a service: for transit freight transportation – according to the date of export from Lithuania, for import – on the date of transfer of delivered freight to a consignee, for export and transportation in Lithuania - on the date of freight dispatch, for additional services – on the actual date of provision of a service. Upon evaluation of reliability of a service buyer payment conditions are established in contracts: -Prepayment; -After provision of services by applying collaterals (cash deposit, bank guarantee, commercial credit)); -After provision of services without collaterals (up to 30 days, mostly 7 to 10 days); -Standard invoice payment term is 30 days.	Income earned from services related to freight transportation is recognised at a certain moment after services have been rendered, i.e. upon delivery of freight to a place agreed in a shipping document. Most often freight carriage lasts up to 24 hours, so income is recognised immediately. An amount of recognised income is estimated in shipping documents and a price is specified in documents for additional services. Prepayments received are included into contractual obligations. If services under one agreement are provided at different reporting periods, remuneration is distributed according to their relative individual sales prices. A separate sales price is established based on service prices specified in a contract.
Income from repairs and maintenance	Invoices are issued after the service has been provided and the deed of acceptance-transfer of the performed works has been signed. Standard invoice payment term is 30 days. A 10-day term is applied for uncoupling repairs of private rail cars; cash collateral may be additionally applied.	Income is recognised in course of time based on the percentage of contract completion method (every month). Related costs are recognised in the statement of profit or loss and other comprehensive income when incurred. Probable loss arising from a contract is recognised immediately in the statement of profit or loss and other comprehensive income. Prepayments received are included into contractual obligations. If services under one agreement are provided at different reporting periods, remuneration is distributed according to their relative individual sales prices. A separate sales price is established based on service prices specified in a contract.

- **Wholesale trade.**

Revenue is recognised immediately upon loading of goods from the warehouse.

- **Work of locomotives and locomotive crews**

Revenue is recognised immediately after the services are rendered.

Recognition of expenses. Expenses are recognised on the basis of accrual and matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred. In financial reporting expenses are recognised in the event of decrease in assets or increase in liabilities which cause a decrease in equity, except for decreases related to allocations to the owners of the shares.

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

Financial income and costs. Financial income consists of interest income, penalties, default interest and currency exchange gain. Interest income is recognised on an accrual basis. Financial costs comprise interest expenses, currency exchange loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest rate method. Currency exchange gain or loss in the Statement of Profit or Loss and Other Comprehensive Income is presented at a net value.

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

2. Significant accounting policies (continued)

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

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

Business combinations. The business combinations were carried out by applying the principles of a jointly controlled business combination. IFRS 3 is not applicable to jointly controlled entities in a business combination. The transfer of the business to the Company was performed at residual values.

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.

3. Significant accounting estimates and judgements

Significant judgements

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

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

Impairment losses of property, plant and equipment. The Company reviews the residual values of property, plant and equipment at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of that asset is calculated. For the purpose of impairment testing, assets that generate cash in the course of their continuous use and are largely independent of the cash inflows generated by other assets or groups of assets (cash-generating units) are grouped into the smallest group.

The recoverable amount is calculated as the higher of the fair value less costs to sell and the value in use of the asset. The value in use of an asset is calculated by discounting future cash flows to their present value using a pre-tax discount rate that reflects realistic market assumptions about the time value of money and the risks associated with the asset. The recoverable amount of an asset that does not generate cash inflows on its own is determined by reference to the recoverable amount of the cash-generating unit to which the asset belongs, the calculation of which is presented in Note 7.

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). Lease contracts of premises which are connected by rail tracks or are in the service provision area are estimated as concluded due to assets of specific purpose located in a special area. Termination of such contracts is unlikely because the leased objects or infrastructure next to those objects is adapted specifically to railway activities. It is assumed that such contracts shall be extended until an infrastructure manager obtains the right to use assets-under-trust (pursuant to the provisions of the Railway Transport Code, the term is 20 years).

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

3. Significant accounting estimates and judgements (continued)

Impairment losses of amounts receivable. The Company assesses receivables for impairment on a monthly basis. In order to determine whether it is necessary to recognise an impairment loss in profit or loss, the Company assesses whether there is any indication that future cash flows from receivables may be impaired until the impairment of a specific receivable is determined.

Such indications include information that indicates a negative change in the financial condition of customers, economic conditions in the country or region that affect the Company's receivables. Management estimates the expected future cash flows from receivables based on historical loss experience with receivables with similar credit risk. The methods and assumptions used for estimating the expected future cash flows and their timing are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Write down of inventories to net realisable value. The Company reviews its inventory list at least annually to determine the net realisable value of inventories. Inventories acquired earlier than a year ago are reviewed to determine whether they can be realised in the future. For slow-moving spare parts and other materials, impairment is recognised based on detailed operating plans for each item of inventory, their potential realisation period and estimated realisation price.

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

Deferred income tax. Deferred income tax is calculated using the balance sheet method, taking into account temporary differences between the financial and tax values of assets and liabilities. The amount of deferred tax depends on the expected future utilisation of the asset and settlement of the liability. A deferred tax asset is recognised only when sufficient future taxable profit is expected to be available against which the tax asset can be utilised. Deferred tax assets are reviewed at each statement of financial position date and are reduced if it is no longer probable that the related tax benefit will be realised.

Information on the impact on the Company's activities arising from Russia's war against Ukraine and sanctions imposed

In 2022, the geopolitical changes continued and had a significant impact on LTG Cargo's operations and results.

Sanctions on Belarusian fertiliser and oil producers, fertiliser and oil products came into force as early as 2021.

In mid-January 2022, the Government of the Republic of Lithuania endorsed the decision of the Coordination Commission for the Protection of Objects of Importance for 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 as of 1 February 2022. Following the decision of the Government of the Republic of Lithuania, the provision of services under this contract was suspended as of 1 February 2022. LTG Cargo used to transport around 11 million tonnes of Belaruskalij cargo and earn an average annual income of around EUR 60 million (including transport-related services).

A significant part of LTG Cargo's freight and empty wagon freight revenue comes from imports/exports to/from Russia, Belarus, China, Kazakhstan, Ukraine and other countries, as well as from transit - EUR 207 million in 2021 and EUR 111 million in 2022.

All these geopolitical developments have had a significant impact on LTG Cargo's performance and results:

- the freight turnover in 2022 was down by 49 per cent, while sales revenue decreased by 25 per cent, compared to 2021;
- an impairment of EUR 503 thousand was established for wagons located in the Ukrainian war zone;
- The sanctions imposed on Russia and Belarus also had an impact on the impairment of receivables. Lithuanian commercial banks have suspended settlements with companies in these countries through 2022, resulting in impairment of EUR 1,330 thousand in the year-end risk assessment.

In view of the situation, LTG Cargo's management is responsibly assessing the main risks and threats related to business continuity and impact and, together with LTG Group, takes action to manage the situation:

Decisions have been taken on the optimum number of employees in the Company. LTG Cargo made 873 redundancies during the reporting period. This resulted in a reduction of approximately 20% in wage costs.

3. Significant accounting estimates and judgements (continued)

The Company has carried out tests of the recoverable amount and impairment of non-current assets (described in Note 7).

The mentioned tests did not reveal any impairment of the assets.

In the opinion of the Company's management, the above measures and actions, as well as the borrowing facilities and cash flow generated from operating activities, enable the Company to balance the cash flows necessary to ensure the continuity of its operations and to service its existing loan agreements and commitments to partners.

Climate change management measures and impact on the Company's activities.

The Company pays particular attention to environmental protection as part of the strategic objectives and sustainability management priorities set out in the LTG Sustainable Growth Strategy 2040 of LTG Group. One of the key strategic activities of the LTG Group and its individual companies is the Green Deal.

In 2021, the LTG Group adopted the Environmental Strategy 2030+, which sets out the LTG Group's environmental priorities and areas that are or could potentially be affected by the activities of LTG Group, and sets specific targets to reduce these impacts. The strategy has been developed in the light of national legislation, international agreements (Paris Agreement on Climate Change, European Green Deal) related to the environment protection, including climate change.

One of the objectives identified in the Environmental Strategy and of particular importance to the Company is climate change mitigation and adaptation - LTG Group is committed to sustainable development, reducing CO2 emissions and adapting to climate change.

The Company has not currently identified any assets used in its operations that may be affected by climate-related events or factors. The Environmental Strategy 2030+ also includes an objective related to the assessment of measures to adapt to climate change and its impacts.

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

4. New standards and interpretations not yet adopted

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

IFRS 17 Insurance Contracts

Applicable for annual periods beginning on 1 January 2023 on a comparable basis. Earlier application is permitted if an entity also applies IFRS 9 and IFRS 15 on or before the effective date of IFRS 17. IFRS 17 replaces IFRS 4, which gave entities the option to continue to apply 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 single principles-based standard that sets out accounting requirements for all types of insurance contracts, including reinsurance contracts held by an insurer. The standard requires groups of insurance contracts to be recognised and measured at (i) the risk-adjusted present value of future cash flows (the performance cash flows), which includes all available information about the performance cash flows that is consistent with observable market data, plus (if that value is a liability) or minus (if that value is an asset) (ii) an amount representing the unearned profit (the contractual service margin) on the group of contracts. Insurers will recognise the profit earned on a group of insurance contracts over the period of coverage and at the time the risk is released. If a group of contracts is or becomes loss-making, the entity recognises the loss immediately.

These amendments to the standard will not have an impact on the Company's financial statements as it does not carry out insurance business.

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.

4. New standards and interpretations not yet adopted

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

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

Deferred tax related to assets and liabilities arising from Single Transaction (amendments to IAS 12)

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

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

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

There are no other new or amended standards or interpretations not yet effective that could have a material impact on the Company.

5. Significant changes in accounting policy

The standards and amendments effective as of 1 January 2022 did not have a significant impact on the financial statements for 2022.

6. Financial instruments and risk management

Financial instruments. Fair value

The Company's main financial instruments not carried at fair value are trade and other receivables, trade and other payables, cash and long-term and short-term borrowings. According to the management of the Company, the carrying amounts of these financial instruments are close to their fair values because the borrowing costs are linked to the interbank borrowing rate EURIBOR, while other financial assets and liabilities are short-term and therefore their fair value fluctuation is not significant.

(all amounts are in EUR thousand unless otherwise stated)

6. Financial instruments and risk management (continued)

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

The Company's financial instruments according to their types:

	2022	2021
Financial assets		
Trade and other receivables	12,522	52,464
Cash and cash equivalents	52,982	4,970
Total	**65,504**	**57,434**

	2022	2021
Financial liabilities		
Loans and other financial debts	131,744	140,827
Lease obligations	29,261	8,508
Trade and other payables	22,558	29,861
Total	**183,563**	**179,196**

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
Level 3 – original inputs for the asset or liability that are not based on observable market data (unobservable original inputs).

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

	Net carrying amount 2022	Fair value 2022			Net carrying amount 2021	Fair value 2021		
Financial assets	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Trade and other receivables	12,522	-	-	12,522	52,464	-	-	52,464
Cash and cash equivalents	52,982	52,982	-	-	4,970	4,970	-	-
Total	**65,504**	**52,982**	**-**	**12,522**	**57,434**	**4,970**	**-**	**52,464**
Financial liabilities								
Loans and other financial debts	131,744	-	131,744	-	140,827	-	140,827	-
Lease obligations	29,261	-	-	29,261	8,508	-	-	8,508
Trade and other payables	22,558	-	-	22,558	29,861	-	-	29,861
Total	**183,563**	**-**	**131,744**	**51,819**	**179,196**	**-**	**140,827**	**38,369**

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

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

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

Risk management

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

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

(all amounts are in EUR thousand unless otherwise stated)

6. Financial instruments and risk management (continued)

Credit risk. Credit risk arises from the credit risk incurred by money banks and trade receivables.

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

The Company manages the credit risk through procedures. The basis of credit risk management of trade receivables is the assessment of customer reliability. The Company constantly assesses the creditworthiness of both potential and existing buyers/suppliers of services. If the buyer of the services is assessed as risky or the customer is new and does not have a history of cooperation with the Company, the terms of advance payment apply. When payments with customers are deferred, legal credit risk mitigation measures are used, such as credit insurance or pledging. Various credit risk management and mitigation measures are provided for in bilateral agreements between the Company and service buyers/suppliers: restrictions, guarantees for the fulfilment of contractual obligations and other measures protecting the Company's interests. Credit risk is monitored on an ongoing basis.

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

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

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

	2022	2021
Customer A	2,839	6,699
Customer B	1,042	2,255
Customer C	619	-
Customer D	483	121
Customer E	450	264
Customer F	441	1
Customer G	410	332
Others	1,646	9,139
Total	**7,930**	**18,811**

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

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

	Gross carrying amount	Expected credit losses, %	Provision	Net carrying amount
Low risk	11,674	0.01%	(2)	11,672
Fair risk	239	0.32%	(1)	238
Increased risk	640	19.10%	(122)	518
High risk	2,513	96.27%	(2,419)	94
Total	**15,066**		**(2,544)**	**12,522**

(all amounts are in EUR thousand unless otherwise stated)

6. Financial instruments and risk management (continued)

The Company's exposure to credit risk and ECLs for trade and other receivables as at 31 December 2021:

	Gross carrying amount	Expected credit losses, %	Provision	Net carrying amount
Low risk	52,253	0.00%	(3)	52,250
Fair risk	176	0.02%	-	176
Increased risk	7	11.28%	(1)	6
High risk	1,324	97.60%	(1,292)	32
Total	**53,760**		**(1,296)**	**52,464**

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

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

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

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

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

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

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables as at 31 December 2022:

	Expected credit losses, %	Gross carrying amount	Provision	Net carrying amount
Not past due	0.01%	11,674	(2)	11,672
1-30 days past due	0.32%	239	(1)	238
31-60 days past due	13.13%	126	(17)	109
61-120 days past due	20.56%	514	(105)	409
More than 120 days past due	96.27%	2,513	(2,419)	94
Total		**15,066**	**(2,544)**	**12,522**

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables as at 31 December 2021:

	Expected credit losses, %	Gross carrying amount	Provision	Net carrying amount
Not past due	0.00%	48,811	(2)	48,809
1-30 days past due	0.02%	2,589	(1)	2,588
31-60 days past due	0.02%	1,042	-	1,042
61-120 days past due	15.77%	6	(1)	5
More than 120 days past due	98.49%	1,312	(1,292)	20
Total		**53,760**	**(1,296)**	**52,464**

The impairment recorded by the Company reflects the estimated losses on doubtful trade receivables. Impairment of receivables - expected credit losses - is recognised on an aggregate basis. The Company uses a loss ratio matrix to calculate the expected credit losses. The loss ratio matrix is based on historical data on customer settlements over the life of the trade receivables and is adjusted to reflect future projections. The Company applies the principle of leverage to the oldest customer debt when calculating expected credit losses. This results in an individual assessment of the customer's debt in objective circumstances.

Provision measurement methods are revised on an ongoing basis in order to minimise differences between estimated losses and actual losses.

(all amounts are in EUR thousand unless otherwise stated)

6. Financial instruments and risk management (continued)

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

	2022	2021
Balance at the beginning of the period	(1,296)	(1,320)
Provision of receivables carried forward during the reorganisation	-	(325)
Change in provision of trade and other receivables	(1 330)	91
Impairment for written down debts	82	258
Balance at the end of the period	**(2,544)**	**(1,296)**

The change in the impairment of trade and other receivables, compared to 2021, was influenced by the geopolitical situation and the sanctions imposed on Russia and Belarus. Lithuanian commercial banks have suspended settlements with companies in these countries through 2022, and accordingly, impairments have been made in the year-end risk assessment.

The change in provision of trade and other receivables at the Company has been reflected in the statement of profit or loss and other comprehensive income, in the items of Increase (decrease) in the value of receivable amounts.

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

	2022	2021
Aa2,AA credit rating	-	4,924
Aa3,AA credit rating	42,645	16
Baa1 credit rating	10,215	30
Baa2; BBB	122	-
Total	**52,982**	**4,970**

The carrying amount of cash and cash equivalents approximates their fair value. Expected credit losses are not recorded due to the insignificant risk of expected changes in their value.

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

Liquidity risk. Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. Risk management ensures that the Company will always have sufficient liquid assets and will be able to meet its obligations on time. Liquidity and solvency risk management involves the planning and control of cash flows and the forecasting of unforeseen events that may adversely affect cash flows and pose a threat to solvency and liquidity. Liquidity and solvency risk is assessed by monitoring and analysing the relative liquidity and solvency ratios, which assess the condition of both current and non-current liabilities and the effectiveness of cash flow management. According to the Company's standard policy, the payment period for suppliers is 45 days.

The Company used the LTG Group's cash pool to balance its working capital. The parent company of the LTG Group has an agreement with a credit institution for servicing the Group's account and, accordingly, the Company has an inter-lending agreement for one year. The terms and conditions of the agreement are in line with normal market conditions. The agreement was renewed after the balance sheet date.

The Company did not incur liquidity issues as at the date of the financial statements.

Repayment terms of the Company's financial liabilities using the undiscounted flow method as at 31 December 2022:

Financial liabilities	Total	Within one year	From one to five years	After five years
Loans and other financial debts	149,191	6,809	78,531	63,851
Lease liabilities	29,261	3,208	15,297	10,756
Trade and other payables	22,558	22,558	-	-
Total	**183,563**	**32,575**	**80,125**	**70,938**

(all amounts are in EUR thousand unless otherwise stated)

6. Financial instruments and risk management (continued)

Repayment terms of the Company's financial liabilities using the undiscounted flow method as at 31 December 2021:

Financial liabilities	Total	Within one year	From one to five years	After five years
Loans and other financial debts	151,381	10,866	60,978	79,537
Lease liabilities	8,508	3,360	5,148	-
Trade and other payables	29,861	29,861	-	-
Total	**189,750**	**44,087**	**66,126**	**79,537**

Specification of the Company's loans and other financial liabilities, including interest, as at 31 December 2022:

Financial liabilities	Up to 2 months	From 2 months to 1 year	From 1 to 5 years	From 5 years
Loans and other financial liabilities	2,674	4,136	78,531	63,851
Total	**2,674**	**4,136**	**78,531**	**63,851**

Specification of the Company's loans and other financial liabilities, including interest, as at 31 December 2022:

Financial liabilities	Up to 2 months	From 2 months to 1 year	From 1 to 5 years	From 5 years
Loans and other financial liabilities	2,738	8,128	60,978	79,537
Total	**2,738**	**8,128**	**60,978**	**79,537**

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

During 2022 and 2021, the Company did not enter into derivative financial transactions to manage the risk of exchange rate fluctuations with servicing banks. Most transactions are made in euros; impact of exchange rate fluctuations is low.

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

Long-term loans mostly affect increase in the interest rate risk. As of 31 December 2022, the value of the Company's long-term loan portfolio was EUR 131,677 thousand (as of 31 December 2021 – EUR 138,323 thousand).

If interest rate goes up by 0.5 percentage point during the year 2023, annual interest costs will increase by EUR 610 thousand.

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

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

The Company's management controls compliance with the provisions of the Republic of Lithuania Law on Companies stating that if the Company's equity becomes less than 1/2 of the share capital specified in the Articles of Association, the Board must convene a general meeting of shareholders not later than within 3 months from the day on which it became aware or should have become aware of the situation, which must consider the issues referred to in Article 59 (10) (2) and (11) of this Law. The situation in the Company must be rectified no later than within 6 months from the date on which the Board became aware or should have become aware of the situation.

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

(all amounts are in EUR thousand unless otherwise stated)

7. Property, plant and equipment

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

	Buildings and structures	Machinery and equipment	Vehicles	Other equipment fittings and tools	Construction in progress and prepayments	Total
Acquisition cost						
31 December 2020	592	2,098	245,449	571	1,242	249,952
- acquisitions	-	1,692	26,319	214	5,328	33,553
- acquisitions due to reorganisation	-	3,025	1,736	485	3,105	8,351
- assets sold, written off, disposed	-	(46)	(4,091)	(52)	(1,092)	(5,281)
- reclassifications	-	-	796	468	(1,264)	-
31 December 2021	592	6,769	270,209	1,686	7,319	286,575
- acquisitions	23	452	11,535	28	4,858	16,896
- assets sold, written off, disposed	-	(12)	(4,425)	(245)	(2)	(4,684)
- reclassifications	81	(3,798)	1,163	(60)	2,614	-
31 December 2022	696	3,411	278,482	1,409	14,789	298,787
Accumulated depreciation and impairment losses						
31 December 2020	(107)	(788)	(43,314)	(228)	-	(44,437)
- depreciation	(55)	(652)	(21,719)	(235)	-	(22,661)
- impairment	-	-	-	-	-	-
- assets sold, written off, disposed	-	36	399	40	-	475
- reclassifications	-	-	-	-	-	-
31 December 2021	(162)	(1,404)	(64,634)	(423)	-	(66,623)
- depreciation	(51)	(481)	(20,745)	(236)	-	(21,513)
- impairment	-	-	(936)	-	-	(936)
- assets sold, written off, disposed	-	9	666	243	-	918
- reclassifications	-	672	(708)	36	-	-
31 December 2022	(213)	(1,204)	(86,357)	(380)	-	(88,154)
Carrying amount						
31 December 2020	485	1,310	202,135	343	1,242	205,515
31 December 2021	430	5,365	205,575	1,263	7,319	219,952
31 December 2022	**483**	**2,207**	**192,125**	**1,029**	**14,789**	**210,633**

7. Property, plant and equipment (continued)

Depreciation and amortisation expense included in the Statement of Profit or Loss and Other Comprehensive Income amounted to EUR 23,798 thousand (2021 – EUR 24,636 thousand). This amount includes EUR 21,513 thousand (2021 – EUR 22,661 thousand) of depreciation of property, plant and equipment, EUR 3,809 thousand (2021 – EUR 3,287 thousand) of depreciation of right-of-use assets and EUR 102 thousand (2021 – EUR 69 thousand) of amortisation of intangible assets. Capitalised depreciation amounted to EUR 1,626 thousand (in 2021 – EUR 1,381 thousand).

Impairment of EUR 505 thousand for wagons located in the territory of Ukraine and EUR 431 thousand for locomotives not in service was established.

The major portion of construction in progress and prepayments consists of inventories for overhaul amounting to EUR 7,921 thousand.

The Company's calculation of the recoverable amount of its assets was carried out by discounting estimated future cash flows and was based on the following assumptions:

- The cash flows are assessed for a period of 5 years up to and including 2027, after which continuous growth is assessed (continuing period);
- The calculation uses data from the Company's approved strategy;
- The projected long-term growth rate is 2%;
- Freight volumes are forecast taking into account the cessation of oil product flows to Poland from 2028, the decreasing transit towards Kaliningrad and the increasing intra-EU freight flows. The Company does not forecast import and export flows from/to Belarus and Russia;
- Annual growth in freight tariffs is forecast, reflecting the projected increases in energy, wages and other costs. Taking into account changes in freight volumes, tariffs and costs, the EBITDA margin will grow and exceed 20% over the continuing period;
- The calculation of the asset's recoverable amount uses a weighted average pre-tax cost of capital (pre-tax rate) of 6.46%;
- Depreciation of the continuing period is equal to the investments, taking into account that the Company must maintain the level of assets available to generate cash flows by renewing them accordingly;
- Calculation of sensitivity analysis using more conservative assumptions and values for earnings and pre-tax WACC.

The performed impairment tests showed no indications of impairment.

The performed sensitivity analysis showed that, if WACC increased by 1% b.p., the recoverable amount would decrease by 23%.

The performed sensitivity analysis showed that, if WACC decreased by 1% b.p., the recoverable amount would increase by 36%.

The performed sensitivity analysis showed that, if EBITDA in 2027 increased by 1% b.p., the recoverable amount would decrease by 2%.

The performed sensitivity analysis showed that, if EBITDA in 2027 decreased by 1% b.p., the recoverable amount would increase by 2%.

The performed sensitivity analysis also did not show any impairment of the assets.

The cost of the Company's fully depreciated but still used property, plant and equipment amounted to EUR 17,880 thousand (2021 – EUR 12,319 thousand). Vehicles accounted for the majority of fully depreciated property, plant and equipment.

(all amounts are in EUR thousand unless otherwise stated)

8. Right-of-use assets

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

	Buildings and structures	Other assets	Total
Acquisition cost			
31 December 2020	3,031	1,089	4,120
- acquisitions	8,523	209	8,732
- acquisition of assets due to reorganisation	2,226	-	2,226
- assets sold, written off, disposed	(2,745)	(365)	(3,110)
- reclassifications	-	-	-
31 December 2021	11,035	933	11,968
- acquisitions	25,629	224	25,853
- assets sold, written off, disposed	(5,476)	(171)	(5,647)
- reclassifications	-	-	-
31 December 2022	31,188	986	32,174
Accumulated amortisation and impairment losses			
31 December 2020	(344)	(375)	(719)
- depreciation	(2,990)	(297)	(3,287)
- disposed assets	189	267	456
- reclassifications	-	-	-
31 December 2021	(3,145)	(405)	(3,550)
- depreciation	(3,584)	(225)	(3,809)
- assets sold, written off, disposed	4,197	169	4,366
- reclassifications	-	-	-
31 December 2022	(2,532)	(461)	(2,993)
Carrying amount			
31 December 2020	2,687	714	3,401
31 December 2021	7,890	528	8,418
31 December 2022	**28,656**	**525**	**29,181**

The discount rate applicable to lease contracts is 6-month EURIBOR and the market margin estimated by a market survey in accordance with applicable market conditions.

An increase in the right-of-use assets, compared to 2021, is due to the renegotiated lease contracts in 2022 providing for longer lease terms and higher fees.

(all amounts are in EUR thousand unless otherwise stated)

9. Intangible assets

The Company's intangible assets consisted of:

	Software	Other intangible assets	Total
Acquisition cost			
31 December 2020	464	9	473
- acquisitions	-	796	796
- acquisition of assets due to reorganisation	61	147	208
- assets sold, written off, disposed	(1)	-	(1)
- reclassifications	-	-	-
31 December 2021	524	952	1,476
- acquisitions	911	313	1,224
- assets sold, written off, disposed	-	(2)	(2)
- reclassifications	-	-	-
31 December 2022	1,435	1,263	2,698
Accumulated depreciation and impairment losses			
31 December 2020	(142)	(6)	(148)
- depreciation	(62)	(7)	(69)
- assets sold, written off, disposed	1	-	1
- reclassifications	-	-	-
31 December 2021	(203)	(13)	(216)
- depreciation	(76)	(26)	(102)
- assets sold, written off, disposed	-	2	2
- reclassifications	-	-	-
31 December 2022	(279)	(37)	(316)
Carrying amount			
31 December 2020	322	3	325
31 December 2021	321	939	1,260
31 December 2022	**1,156**	**1,226**	**2,382**

The majority of intangible assets acquired in 2022 consisted of operational control centre programme.

The Company's fully amortised intangible assets still in use amounted to EUR 108 thousand (2021 – EUR 60 thousand). The main part of fully amortised assets consisted of software.

10. Investments

Movement of investments in subsidiaries and other companies consisted of:

Company		Controlled share, %	31/12/2022 Investment value	31/12/2022 Provision accounted	31/12/2022 Carrying value	31/12/2021 Investment value	31/12/2021 Provision accounted	31/12/2021 Carrying value
Shares of subsidiaries								
LTG Cargo Polska Sp. Zo.o.	a)	100	476	(462)	14	484	-	484
UAB LTG Wagons	b)	100	150	(150)	-	150	(96)	54
LLC LTG Cargo Ukraine	c)	100	432	(430)	2	549	-	549
OOO Rail Lab	d)	2	9	(9)	-	407	(109)	298
Total			**1,067**	**(1,051)**	**16**	**1,590**	**(205)**	**1,385**

a) On 20 July 2020, the company LTG Cargo Polska Sp. Zo.o. was established issuing 2,225 ordinary registered shares with par value of PLN 1,000.00, the formed and paid share capital amounted to PLN 2,225 thousand (EUR 507 thousand). LTG Cargo's investments in subsidiaries are accounted for at cost. Impairment of the investments was based on performance results of the subsidiaries.

b) On 4 November 2020, the company UAB LTG Wagons was established issuing 150 ordinary registered shares with par value of EUR 1,000.00, the formed and paid share capital amounted to EUR 150 thousand.

c) On 9 December 2020, the company LLC LTG Cargo Ukraine was registered and the capital amounting to UAH 17,027 thousand (EUR 489 thousand). LTG Cargo's investments in subsidiaries are accounted for at cost. Impairment of the investments was based on performance results of the subsidiaries.

d) On 1 April 2021, following the acquisition of share of business of UAB Vilniaus Lokomotyvų Remonto Depas, OOO Rail Lab was also acquired, the share capital of which amounts to BYN 1,175 thousand (EUR 381 thousand). On 9 June 2022, a share buy-back agreement was registered for the shares of OOO Rail Lab, according to which LTG Cargo AB owns 2% of the shares in the amount of BYN 24 thousand (EUR 9 thousand) and the remaining 98% of the shares are owned by OOO Rail Lab in the amount of BYN 1,163 thousand (EUR 439 thousand). On 19 September 2022, AB LTG Cargo, the stakeholder of OOO Rail Lab, made a decision to wind up the company. The liquidation procedures are currently underway.

(all amounts are in EUR thousand unless otherwise stated)

10. Investments (continued)

Movement of the Company's investments in the companies of related parties:

	Investment value
Acquisition value as at 31 December 2020	1,128
Acquisition (+)	462
Impairment (-)	(205)
Acquisition value as at 31 December 2021	**1,385**
Disposal (-)	(523)
Impairment (-)	(846)
Acquisition value as at 31 December 2022	**16**

The share-sale result of EUR 141 thousand of OOO Rail Lab is shown in the statement of profit or loss and other comprehensive income under finance expenses.

Financial position of the subsidiaries:

31/12/2022	Non-current asset	Current asset	Non-current liabilities	Current liabilities	Equity
LTG Cargo Polska Sp. Zo.o.	2,959	4,714	-	10,170	(2,497)
UAB LTG Wagons	-	9	-	54	(45)
LTG Cargo Ukraine	3	618	7	554	60
OOO Rail Lab (under liquidation)	17	23	-	1	39

31/12/2021	Non-current asset	Current asset	Non-current liabilities	Current liabilities	Equity
LTG Cargo Polska Sp. Zo.o.	193	1,949	-	2,511	(369)
UAB LTG Wagons	2	75	-	36	41
LTG Cargo Ukraine	9	331	-	64	276
OOO Rail Lab	14	294	-	1	307

The Statement of Profit or Loss and Other Comprehensive Income of the subsidiaries:

	2022			2021		
	Income	(Expenses)	Profit (loss)	Income	(Expenses)	Profit (loss)
LTG Cargo Polska Sp. Zo.o.	13,056	(15,196)	(2,140)	1,164	(1,949)	(785)
UAB LTG Wagons	-	(87)	(87)	-	(109)	(109)
LTG Cargo Ukraine	258	(412)	(154)	-	(275)	(275)
OOO Rail Lab (under liquidation)	-	(147)	(147)	17	(35)	(18)

11. Inventories

The Company's inventories consisted of:

	31/12/2022	31/12/2021
Fuel	1,710	1,091
Spare parts	8,455	7,118
Materials	2,435	2,086
Other	826	1,212
Total raw materials, supplies and components	13,426	11,507
Purchased goods for resale	3	138
Purchased goods for resale, total	3	138
Non-current assets held for sale	7	3
Non-current assets held for sale, total	7	3
Total	**13,436**	**11,648**

The carrying amount of the Company's inventories amounting to EUR 14,269 thousand (2021 – EUR 12,313 thousand) was reduced by EUR 833 thousand (2021 – EUR 665 thousand) to the net realisable value as at 31 December 2022. The change in the write-down of the Company's inventories to net realisable value is reflected in the item of *Write down to inventories to net realisable value* in the statement of Profit (loss) and other comprehensive income.

During 2022, the inventories of EUR 3,805 thousand (2021 – EUR 10,692 thousand) (without fuel) were written off at operating costs.

(all amounts are in EUR thousand unless otherwise stated)

12. Trade and other receivables

The Company's trade and other receivables included:

	31/12/2022	31/12/2021
External trade receivables, gross value	10,474	20,107
Impairment (-)	(2,544)	(1,296)
Total external trade receivables	**7,930**	**18,811**
Receivables from related parties	1,841	1,788
Impairment (-)	-	-
Total receivables from related parties	**1,841**	**1,788**
VAT receivable	-	5,136
Other receivables from the budget	334	680
Accrued income from related parties	1,723	30,962
Accrued income	977	893
Other receivables	51	10
Impairment (-)	-	-
Total other receivables	**3,085**	**37,681**
Total	**12,856**	**58,280**

Following a change in the Government's rules for calculating infrastructure service tariffs, from 2021/2022 the service timetable will no longer be subject to tariff recalculation, and infrastructure service accruals will therefore no longer be made.

13. Prepayments

The Company's prepayments consisted of:

	31/12/2022	31/12/2021
Prepayments to external suppliers	87	233
Prepayments to related parties	1,237	5,653
Guarantees paid to external suppliers	-	17
Guarantees paid to related parties	1,721	1,928
Deferred charges	1,114	2,010
Total	**4,159**	**9,841**

The guarantees paid to related parties consist of a non-current part of EUR 1,020 thousand and a current part of EUR 701 thousand.

14. Cash and cash equivalents

The Company's cash and cash equivalents consisted of:

	31/12/2022	31/12/2021
Cash in bank	52,982	4,970
Total	**52,982**	**4,970**

As at 31 December 2022, the Company had no current deposits. Money was not pledged.

15. Reserves

<u>Legal reserve</u>

Legal reserve is compulsory in accordance with the 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. As at 31 December 2022, the legal reserve amounted to EUR 1,876 thousand (which is currently 4.26%). By the end of the year 2021, the compulsory reserve amounted to EUR 814 thousand.

<u>Other reserves</u>

As at 31 December 2022, other reserves amounted to EUR 49,437 thousand (as at 31 December 2021 – EUR 29,717 thousand).

(all amounts are in EUR thousand unless otherwise stated)

16. Retained earnings (loss)

The Company's retained earnings (loss) for 2022 amounting to EUR 10,117 thousand (2021: EUR 20,782 thousand) included an unrecognised loss for the year amounting to EUR 5 thousand, which was attributable to the transfer of cash to OOO Rail Lab, for the purpose of the company's closure procedures.

On 1 April 2021, the Company acquired the rolling stock repair business from VLRD, which includes assets, liabilities, contracts and employees related to rolling stock repair services. The fair market value of the transferred business was determined by an independent valuer and amounted to EUR 13,739 thousand. The net asset value of the business transferred amounted to EUR 13,269 thousand and the difference of EUR 470 thousand between the market and carrying values was recorded as a reorganisation loss in the Company's retained earnings (loss). The amount paid is reflected in the cash flow statement under investing activities.

17. Loans and other financial debts

The Company's financial debts consisted of:

	2022	2021
Long-term loans	125,010	130,293
Short-term loans	6,667	10,534
Interest	67	134
Total	**131,744**	**140,961**

The Company's loans consisted of:

	31/12/2022	31/12/2021
Bank EIB – 3	-	1,364
Bank EIB – 4	7,333	14,000
AB Lietuvos geležinkeliai[2]	124,344	122,960
Cash pool loan	-	2,503
Interest	67	134
Total	131,744	**140,961**
Long-term loans	125,010	130,293
Short-term loans	6,734	10,668
Total	**131,744**	**140,961**

EIB-4 is the loan for the procurement of new railway rolling stock. During 2022, AB LTG Cargo repaid EUR 6,667 thousand of the loan and paid EUR 309 thousand of interest.

[2]EIB-3 loan was repaid in full on 27 September 2022.

The loan agreement of EUR 163,862 thousand value was made with AB Lietuvos Geležinkeliai (LTG) on 12 March 2019. The purpose of the loan – purchase of railway rolling stocks – rail cars, containers and locomotives under asset sale and purchase agreement of 25 January 2019 made between LTG and the Company. The loan was awarded as non-current asset, repayment term until the year 2031. Interest has been established by applying a variable interest rate that consists of 6-month EURIBOR and the margin established by a market survey. After the restructuring of the loans in 2020, the loan of LTG and the Company is considered subordinated in respect of the EIB loans, i.e. both loan and interest payments are not possible until the EIB loan repayment maturity date in 2024; consequently, neither loan nor interest repayments were made during 2022.

Movement of loans:

	2022	2021
Financial liabilities in the beginning of the period	**140,961**	**148,231**
Loans received	-	2,503
Loans repaid	10,545	8,485
Calculated interest	1,809	1,865
Paid interest	481	650
Financial liabilities at the end of the period	**131,744**	**140,961**

The Company's loan payments relating to the repayment of the rolling stock received are shown in the Statement of Cash Flows under Acquisition of Property, Plant and Equipment.

No breaches of fulfilment of financial and non-financial terms of the loan agreements were identified as at 31 December 2022.

In 2022, order to manage funds more effectively and ensure liquidity of the Group companies, under market terms, the Company used the Group account (Cash-pool) in accordance with the agreement signed with AB Swedbank. As at 31 December 2022, the Company had no liabilities.

(all amounts are in EUR thousand unless otherwise stated)

17. Loans and other financial debts (continued)

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

	2022	2021	Value set by the bank
Net debt/Normalised EBITDA*	comply	comply	Not higher than 4.0
Equity ratio**	comply	comply	Not lower than 35%
Loan servicing ratio	comply	comply	Not lower than 2

**Normalised 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.*

***Equity ratio – capital + subordinated loan.*

18. Lease liabilities

The Company rents out buildings and other assets (vehicles and dredgers). Building rental agreements are usually concluded for a fixed 5-10 years period with a possibility to extend them not more than for 20 years. Vehicle rental agreements are concluded for 36 months without a possibility to extend them. When determining the rental period, the management evaluates all facts and circumstances, which give rise to economic incentives to avail themselves of the possibility to extend or terminate the contract. The possibility of extending the contract (or the periods after the possibility of terminating the contract) is provided for in the leases only if it can be reasonably expected that the lease will be extended (or not terminated).

Possible future cash payments were not included in the lease obligations 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 in the Statement of income (loss) and other comprehensive income. During 2022, EUR 1,091 thousand of such costs were stated under the item of other costs.

The discount rate applied for lease agreements in 2022 comprises 6-month EURIBOR and market research, market margin determined under the current market conditions.

The Company's lease liabilities and their movement:

	2022	2021
Lease liabilities at the beginning of the period	**8,508**	**3,474**
Lease contracts concluded	25,853	11,041
Lease contracts terminated	(1,495)	(6,020)
Interest calculated	198	13
Lease payments	(3,803)	(3,044)
Lease liabilities at the end of the period	**29,261**	**8,508**
Long-term lease liabilities	26,053	5,148
Short-term lease liabilities	3,208	3,360

If the discount rate applied by the Company increased or decreased by 1%, the amount of lease liabilities at 31 December 2022 would decrease or increase by EUR 2,929 thousand.

Future lease payments under non-cancellable leases:

	2022	2021
Lease liabilities with maturity		
Within one year	3,208	3,360
From one to five years	15,297	5,148
After five years	10,756	-
Total	**29,261**	**8,508**

(all amounts are in EUR thousand unless otherwise stated)

19. Employee benefits

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

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

	31/12/2022	31/12/2021
Discount rate	3.54%	0.76%
Employee turnover rate	11.26%	8.94%
Salary increase rate	5.00%	1.80%

Employee benefits by type:

	31/12/2021	Charged to the Statement of Profit or Loss and Other Comprehensive Income	Capitalised costs calculated	Paid	31/12/2022
Non-current liabilities					
Provisions for pensions and similar liabilities	2,958	(1,331)	-	(39)	1,588
Total non-current liabilities:	**2,958**	**(1,331)**	**-**	**(39)**	**1,588**
Current liabilities					
Accumulated leave	3,540	5,844	-	(7,056)	2,328
Wages and salaries payable	2,490	23,934	3,110	(27,719)	1,815
Social security contributions payable	1,212	9,126	1,572	(10,978)	932
Personal income tax payable	796	7,819	972	(9,011)	576
Other employment-related liabilities	1,908	5,092	-	(5,403)	1,597
Total current liabilities:	**9,946**	**51,815**	**5,654**	**(60,167)**	**7,248**
Total	**12,904**	**50,484**	**5,654**	**(60,206)**	**8,836**

20. Trade and other payables

The Company's trade and other payables consisted of:

	31/12/2022	31/12/2021
Trade accounts payable	2,305	4,295
Trade accounts payable to related parties	5,198	16,121
Prepayments received	6,225	5,476
Prepayments received from related parties	7,216	14,553
Cash guarantees received	657	1,355
Other taxes payable to the budget	5,682	709
Accumulated costs of foreign railway services	721	1,437
Accumulated payables to related parties	1,580	1,088
Accumulated costs	12,084	5,540
Other accounts payable and liabilities	13	25
Total	**41,681**	**50,599**

The major part of the accumulated costs relate to not received invoices for fuel. The Company accounted for EUR 53 thousand liability for audit services in the accrued costs.

21. Provisions

The Company's provisions consisted of:

Balance as of 31 December 2020	**37**
Acquired through the business purchase transaction	208
Used	(91)
Balance as of 31 December 2021	**154**
Accrued	97
Used	(170)
Balance as of 31 December 2022	**81**

(all amounts are in EUR thousand unless otherwise stated)

The provision was formed for warranty repair services.

22. Revenue

The Company’s revenue consisted of:

	2022	2021
Revenue from domestic freight transportation	93,867	82,394
Revenue from international freight transportation	115,107	188,582
Provision of services related to freight transportation	57,522	96,030
Locomotives and work of locomotive crews abroad	2,871	4,283
Maintenance and repair	5,914	4,646
Wholesale trade	4,583	2,552
Property lease	6,065	7,411
Other services	7,762	3,919
Total	**293,691**	**389,817**

The decline in revenues from international freight and freight-related services occurred due to geopolitical developments, military actions by the Russian Federation in Ukraine, and the imposition of wide-range US and EU sanctions on Belarus and Russia during the reporting period.

An increase in other income from services in 2022 was determined by the services to passenger transport provided by locomotives and locomotive crews.

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

	2022	2021
Recognised immediately	281,712	377,760
Recognised over an ongoing period	11,979	12,057
Total	**293,691**	**389,817**

23. Employee benefits costs

Employee benefits costs by type:

	2022	2021
Wages and salaries	45,078	54,930
Social security contributions	893	943
Accrued vacation reserve (reversal)	5,844	(499)
Pensions and similar liabilities (reversal)	(1,331)	(909)
Total	**50,484**	**54,465**

24. Result from financial activity

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

	2022	2021
Total finance income	238	349
Penalties and default interest for overdue trade receivables	196	317
Interest	42	-
Impact of currency exchange fluctuations	-	32
Total finance costs	(2,756)	(2,426)
Impact of currency exchange fluctuations	(55)	-
Interest	(1,809)	(1,865)
Disposal of investments	(141)	-
Other costs	(751)	(560)
Total	**(2,518)**	**(2,077)**

(all amounts are in EUR thousand unless otherwise stated)

25. Income tax and deferred tax

Income tax was calculated at a rate of 15 percent.

	2022	2021
Income tax for the reported year	-	-
Adjustment of income tax of the previous year	24	331
Deferred tax expenses (benefit)	1,296	2,893
Total income tax expense (benefit) recognised in profit or loss statement	**1,320**	**3,224**

The Company's income tax costs (benefit) consisted of:

	2022	2021
Profit or loss before tax	11,437	24,475
Income tax	1,716	3,671
Non-allowable (+) additional allowable (-) deductions	(441)	(37)
Non-taxable income	21	(741)
Income tax adjustments of the previous year	24	331
Total income tax expenses (income)	**1,320**	**3,224**
Effective rate	11.54%	13.17%

The Company's deferred tax calculation is given below:

	2022	2021
Deferred tax assets:		
Accumulated tax losses	4,523	3,328
Impairment of inventories	125	100
Impairment of receivables	381	194
Accrual of leave and bonuses	571	817
Long-term employee benefits liabilities	255	444
Accrued costs	12	23
Deferred tax assets	5,867	4,906
Deferred income tax liability:		
Difference in the value of non-current assets with tax	(14,152)	(12,125)
Accrued receivables	(238)	(8)
Deferred income tax liability	(14,390)	(12,133)
Deferred tax asset (liability), net	**(8,523)**	**(7,227)**

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

26. Related party transactions

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

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

- The Government of the Republic of Lithuania acts as the owner of all shares of AB LTG Cargo;
- Companies or institutions are managed by the Government of the Republic of Lithuania;
- Parent company AB Lietuvos Geležinkeliai;
- Subsidiaries of the parent company AB Lietuvos Geležinkeliai;
- AB Lietuvos Geležinkeliai related, non-consolidated associated and joint ventures;
- Board members, their close relatives and companies under their control;
- All key management personnel, their close relatives and companies under their control.

(all amounts are in EUR thousand unless otherwise stated)

26. Related party transactions (continued)

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

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

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

Related party transactions of the Company:

	2022		31/12/2022	
	Purchases	Sales	Receivables	Payables
AB Lietuvos geležinkeliai	61,852	64	1,724	139,532
AB LTG Infra.	110,679	556	298	10,763
UAB LTG LINK	382	7,250	1,333	27
UAB Geležinkelio tiesimo centras	-	1,651	39	-
UAB Gelsauga	-	-	-	-
LTG Cargo Ukraine	140	213	219	85
LTG Cargo Polska SP. Zo.o.	7,819	568	173	391
UAB LTG Wagons	-	1	-	-
UAB voestalpine VAE Legetecha	-	39	11	-
Total	**180,872**	**10,342**	**3,797**	**150,798**

The major part of purchases in 2022 include:

*fuel – EUR 38,185 thousand, management services – EUR 16,120 thousand;
**Infrastructure services – EUR 108,944 thousand.

From 2022 onwards, resales of international services, amounting to EUR 5,701 thousand (EUR 14,728 thousand in 2021) are excluded from inter-company sales.

	2021		31/12/2021	
	Purchases	Sales	Receivables	Payables
AB Lietuvos geležinkeliai	67,280	30	4,320	147,088
AB LTG Infra.	176,826	912	401	12,827
UAB LTG LINK	332	3,910	1,508	23
UAB Geležinkelio tiesimo centras	-	1,892	28	-
UAB Gelsauga	1	-	-	-
UAB Vilniaus lokomotyvų remonto depas	14,033	334	-	-
LTG Cargo Ukraine	-	38	8	-
LTG Cargo Polska SP. Zo.o.	-	55	-	-
UAB LTG Wagons	-	1	-	-
UAB voestalpine VAE Legetecha	-	36	-	-
Total	**258,472**	**21,936**	**6,265**	**159,938**

The major part of purchases in 2021 include:

*fuel – EUR 46,383 thousand, management services – EUR 14,399 thousand;
**Infrastructure services – EUR 173,597 thousand.

(all amounts are in EUR thousand unless otherwise stated)

26. Related party transactions (continued)

The Company's accrued receivables and payables with related parties accounted for in the Statement of financial position as at 31 December 2022:

	31/12/2022	
	Accrued receivables	Accrued payables
AB Lietuvos geležinkeliai	9	1,309
AB LTG Infra	1,593	129
AB LTG LINK	37	-
LTG Cargo Polska SP. Zo.o.	-	31
Total	**1,639**	**1,569**

	31/12/2021	
	Accrued receivables	Accrued payables
AB Lietuvos geležinkeliai	4,124	615
AB LTG Infra	26,838	59
LTG Cargo Polska SP. Zo.o.	-	414
Total	**30,962**	**1,088**

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

Management remuneration and other benefits

As of 31 December 2022, the number of executives was 6 people, i.e. Chief Executive Officer, Head of Business Development, Head of Business Maintenance, Head of Technological Asset Management, Head of Sales, Head of Service Delivery.

	2022	2021
Management remuneration	673	610
Incentives*	81	141
Accumulated long-term benefits **	1	5
Number of executives	6	8
Allowances for members of the Board	-	-
Number of Board members	2	3

** Incentives are performance bonuses and lump sums.*

*** Accumulated long-term benefits are provisions for pensions and similar liabilities accrued as at the end of the reporting period.*

As of 31 December 2022, no loans, guarantees, or other disbursements or accruals or disposals of assets were made to the Company's management other than as set forth above.

27. Contingent assets and liabilities

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

Legal disputes

The Company has received a claim from UAB Skinest Baltija regarding loss of revenue due to non-participation in procurement under public procurement rules. The Company does not expect the claim to be satisfied. No provision has been made.

28. Events after the reporting period

On 17 January 2023, the Articles of Association of LTG Cargo AB were amended.

The Management Board of LTG and the Management Board of LTG Cargo have agreed that LTG Cargo, as the sole shareholder of LTG Cargo Polska Sp. z o.o., would increase the authorised capital of LTG Cargo Polska Sp. z o.o. by EUR 7.2 million. They also approved the decision of LTG Cargo Polska Sp. z o.o. to enter into a long-term credit facility of EUR 8.2 million to finance investments for the acquisition of a machinery fleet.

In February 2023, a valuation of the cargo loading business of LTG Cargo AB was carried out and, based on the decision of the Management Board of LTG, it was sold to LTG Infra AB on 1 May 2023. The value of the cargo loading business as at 31 December 2022, as assessed by independent business valuers, amounts to EUR 438 thousand.