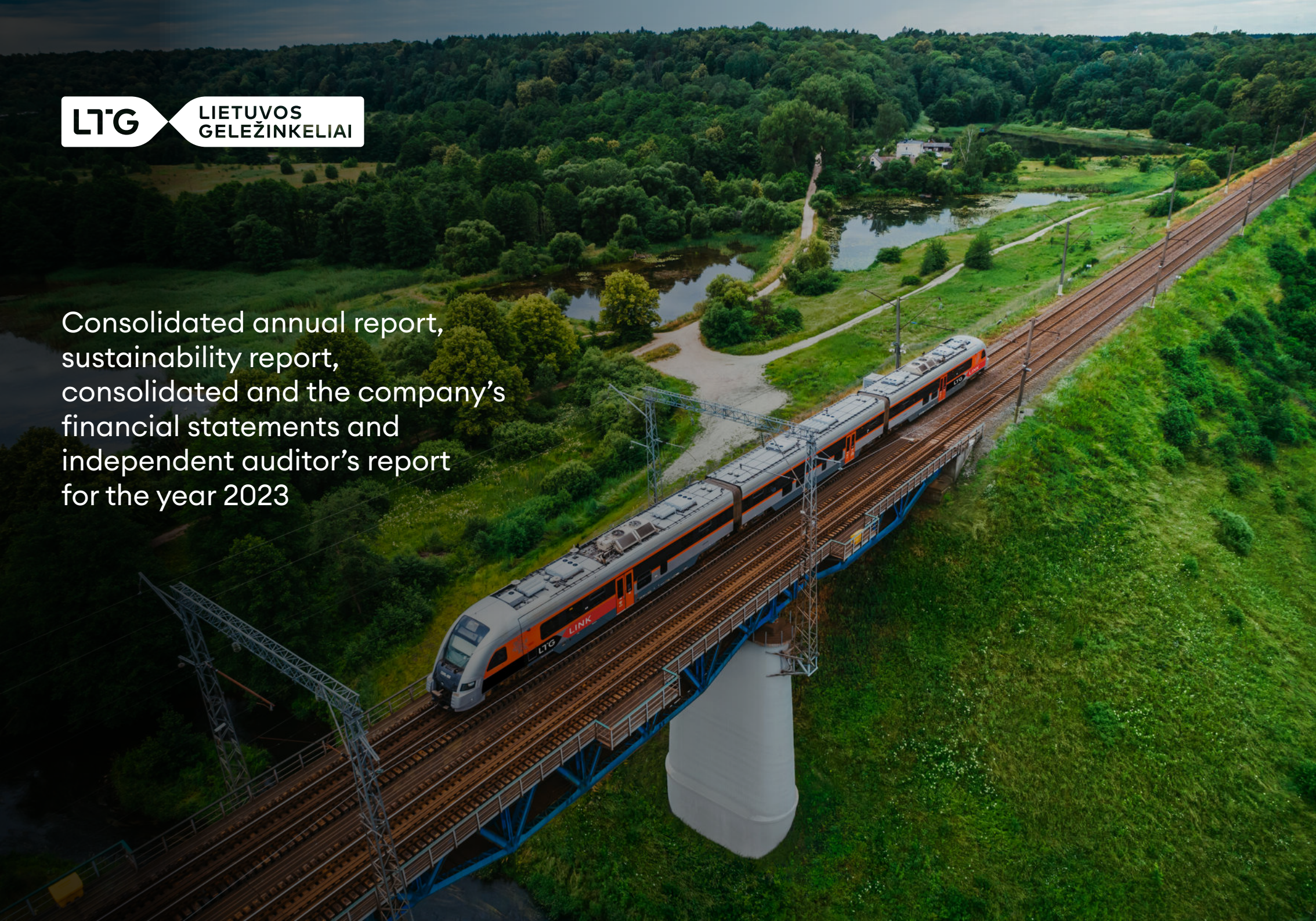




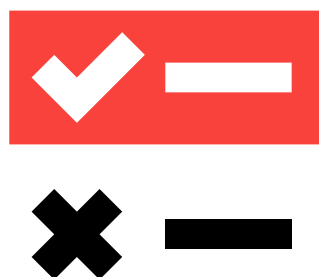
Consolidated annual report,
sustainability report,
consolidated and the company's
financial statements and
independent auditor's report
for the year 2023



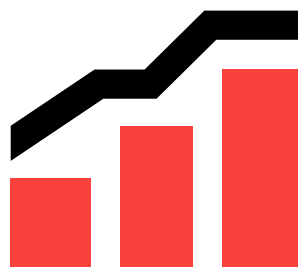
The consolidated annual report for the year 2023 is an integrated report comprising the reports listed below:



Sustainability
report



Governance
report



Risks and risk
management
report



Remuneration
report



Financial
statements

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LTG

LIETUVOS
GELEŽINKELIAI

Overview

1.1. CEO's foreword

Dear colleagues, clients and partners,

Looking back at the LTG Group's performance last year, I can say that we have chosen the right path. In 2023, we updated the Group's long-term strategy to offer high-quality sustainable railway transport connections within the country and to strengthen integration with Europe. I am confident that the railway is the transport of the future and that its expansion is integral to achieving the goals that are important to all of us, from high-quality and easily accessible transportation services to cleaner air, greener forests and reduced environmental impact. We aim to deliver maximum benefits to the country and its people, so we are consistently striving to become the backbone of the transport system – a priority for travellers and an essential partner for business.

In 2023, we continued the work we started the year before – implementing our plans to diversify our operations, reducing operating costs and continuing the rapid expansion of our service basket in Europe by introducing new routes for both passengers and freight carriers.

The train route Vilnius–Warsaw–Krakow, launched at the end of 2022, carried almost 40,000 passengers last year. Customers have already taken a liking to the Vilnius–Riga route, which started at the end of 2023. The expansion of international connections for passengers will remain one of the priorities of the LTG Group.

We will continue to promote intermodal transport and aim shift more freight from roads to railways. In 2023, a new container intermodal route Kaunas–Slawkow (Poland) was launched, and LTG Cargo was certified as a carrier in Latvia and Estonia. This will allow us to offer even more services to businesses.

In 2023, we have also focused on reducing operational costs.

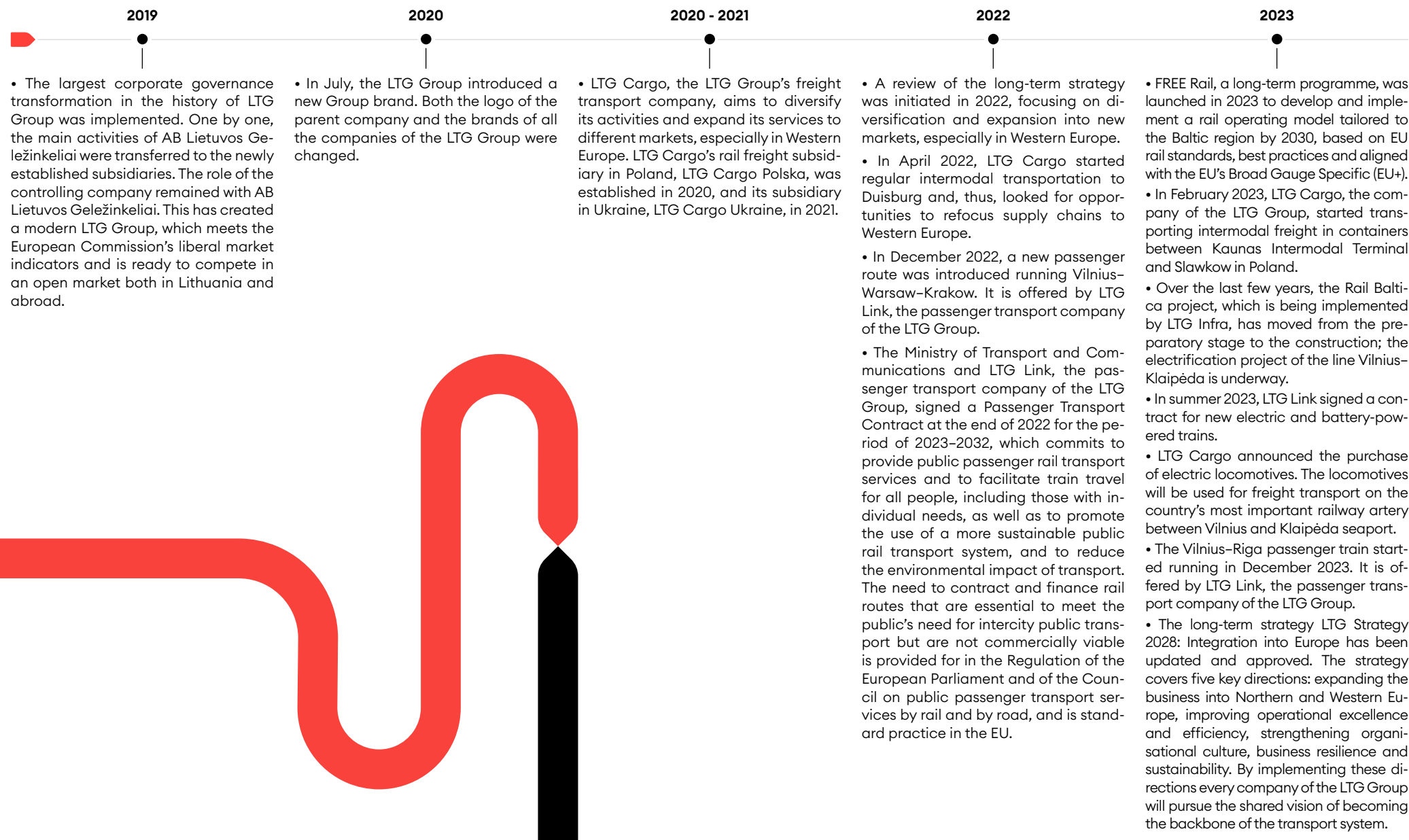
The LTG Group's increasing financial performance and forecast-beating results set an optimistic tone. We will continue to expand our services in Western markets and implement strategic infrastructure projects such as the Rail Baltica, connecting the Baltic countries with Europe. These projects will improve connectivity and the appeal of our services to both passengers and freight carriers. With a clear focus, LTG Group is ready to strengthen its competitive advantage, improve its services and become an indispensable partner for Lithuanian and foreign customers.

I sincerely believe that the railway will help achieve the increasingly relevant objectives of the European Green Deal. I am thankful to each and every employee of the LTG Group who, through their daily work, make us even more efficient and allow us to bring even greater benefits to Lithuania.



EGIDIJUS LAZAUSKAS
CEO of AB Lietuvos Geležinkeliai

1.2. Historical facts about the Group



1.3. Activity of the Group

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

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

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

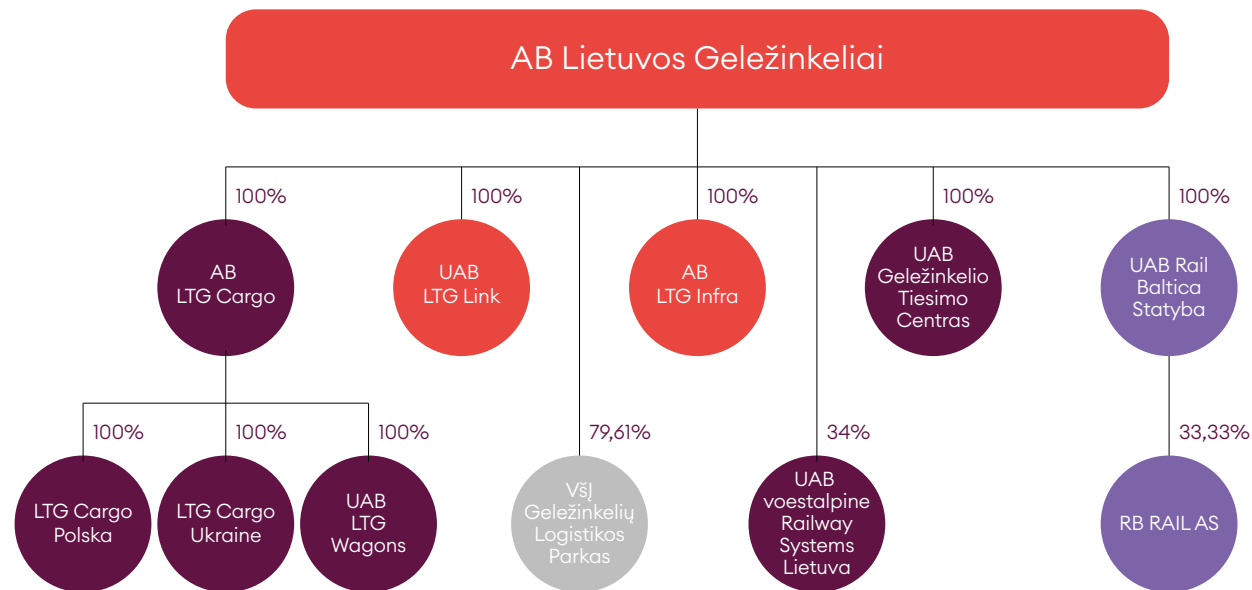
Structure of LTG Group

The principal activity of the LTG Group comprises freight and passenger transportation by rail transport and management of the public railway infrastructure and railway service equipment. The LTG Group earns the major portion of revenue from provision of freight transportation services.

The LTG Group also carries out special obligations imposed by the State by providing public services of passenger

transportation via railway transport, also in the activities of maintenance, modernisation and development of the public railway infrastructure, and providing services of the minimum access package to public railway infrastructure. State funds are allocated for implementation of the special obligations. It is a significant contribution to sustainability of the LTG Group's financial flows.

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



- Subsidiaries and subsequent companies operating in competitive markets at the same conditions as other participants of Lithuanian and foreign markets
- Subsidiaries implementing functions imposed by the State – the special obligations
- UAB Rail Baltica Statyba is a founder and shareholder of RB RAILAS coordinating implementation of the project Rail Baltica
- Public entity

As at 31 December 2023, 5,825 employees worked for the LTG Group companies, 738 of them worked for the parent company AB Lietuvos Geležinkeliai.

* During the reporting period, the liquidation procedures of OOO Rail Lab were completed. The company was deregistered from the State Register of Legal Entities of Belarus on 7 September 2023;

** On 12 January 2023, sharers of VšĮ Transporto Inovacijų Centras adopted the decision to liquidate the company. The liquidation procedures were completed at the beginning of 2024.

Principal activities of the LTG Group



Management of the Group companies

AB Lietuvos Geležinkeliai is the parent management company.

In addition to the provision of management and general services of the LTG Group companies, the Company provides the following services to the Group companies: fuel resale, lease of property and vehicles.



Freight transportation by rail

LTG Cargo is a licenced railway company engaged in freight transportation by rail, also services of repair and technical maintenance of locomotives and wagons.

LTG Cargo Group companies – LTG Cargo Polska and LTG Cargo Ukraine – provide freight transportation services in Poland and Ukraine.



Passenger transportation by rail

LTG Link is a licenced railway company providing passenger transportation by rail services in Lithuania and on international routes. The Company also ensures transit journeys from the border with Belarus to the region of Kaliningrad.



Management of the public railway infrastructure

LTG Infra manages all the objects of the public railway infrastructure within the railway network of the Republic of Lithuania by the right of trust, exercises the duties of the public railway infrastructure management ensuring effective functioning, upgrading and development of the public railway infrastructure, organisation of railway transport traffic as well as providing indiscriminatory access to the public railway infrastructure for all railway undertakings legally operating in Lithuania.



Construction and repair of railway

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

1.4. Strategy

The LTG Group's activities are based on rational strategic planning and management. The long-term corporate strategy of the Group, encompassing all our activities was approved for the first time in 2018: transportation of freight and passengers and provision of related services in domestic and international markets, railway infrastructure management, implementation of top-priority investment projects.

We have undergone a number of significant changes over the last few years. The war in Ukraine, caused by the Russian Federation in February 2022 and the imposition and continuation of economic sanctions on Russia by the EU and the USA have led to a significant reduction in freight flows to and from third countries, including transit flows to Kaliningrad. Cargo types are changing, with a steady decline in general cargo flows (coal, wood, etc.) and an increase in the importance of intermodal transport in international shipments. There is a growing global focus on sustainability, ecology, the efficient use of energy and natural resources, and initiatives that reduce environmental impact and climate change.

On 12 December 2023, the LTG Board approved the updated strategy LTG Strategy 2028: Integration into Europe

In order to ensure the quality of the implementation of the strategy and to ensure that the LTG Group does not deviate from its objectives in the context of a continuously changing external and internal environment, we annually review and update the strategy.

The updated strategy is in line with the State's objectives and expectations for the Company, and thus for the LTG Group as a whole, as set out in the **Shareholder's Letter of Expectations** ([link](#)).

Non-financial expectations:

- Planning and development of the public railway infrastructure.
- Implementation of the project Rail Baltica.
- Integrity of the transport system.
- Quality of customer service.
- Leadership and increasing competitiveness.
- Innovation, digitalisation, sustainability.
- Social responsibility and employee engagement.
- Transparency and risk management.
- Good Governance.

Financial expectations:

- Long-term profitability of the LTG Group must be in line with that set by the government¹;
- Dividends are calculated in accordance with the legislation governing the determination of the share of profits to be distributed as dividends;
- The LTG Group must ensure that the optimal capital structure ratio complies with that set by the government.

In order to ensure the development of the business in the directions outlined in the shareholder's letter of expectations, LTG Holding is formulating strategic guidelines for all subsidiaries of LTG Group. Shareholder expectations are linked to strategic directions, goals, objectives and targets.

¹Key financial performance indicators of SOEs for the period 2022–2024 were approved by the Resolution No 509 of the Government of the Republic of Lithuania of 18 May 2022 ([link](#)).

Shareholder's Letter of Expectations



Mission, vision, values of LTG Group



Connecting people and businesses for a more sustainable future

Ensuring the necessary connections so that each of us may travel and expand businesses in a sustainable way both in Lithuania and abroad, protecting the environment around us.

MISSION



By ensuring viability and creating value for Lithuania, we pursue our vision of driving change towards a more sustainable and equitable national transport model.

Being the backbone of the transport system

- **Transport axis.** By laying the foundations for more sustainable domestic connectivity for passengers and freight, we are promoting the transformation of railways from a rudimentary link to a major axis to which other modes of transport connect: roads, seas and airports converge into a single network.
- **Smooth connection.** We smoothly integrate Lithuania with other European countries.
- **Critical infrastructure.** We ensure important transportation infrastructure for civil and military mobility, supply of essential goods.

VISION

Mission, vision, values of LTG Group

Our values are born from within the organisation, identified as the most important by employees themselves. They guide us in our day-to-day operations to achieve our vision.



Responsibility

- I do what I say.
- I promise what I can.
- I protect myself and others.
- I boldly commit.
- I care about the future.



Customer

- I listen to the customer.
- I understand the needs.
- I perform well.



Cooperation

- Together we pursue a common goal.
- I communicate openly.
- I respect and support.



Development

- I am interested in innovation.
- I share the know-how.
- I have a growth mindset.

VALUES

Strategic directions

ESG

Becoming a benchmark for ecology and sustainability in freight and passenger transport

- We use energy and natural resources efficiently
- We initiate measures enabling reduction of the impact on the environment and climate change
- We are increasing awareness of employees and the society on safety
- We develop best corporate governance practice
- We manage risks in the most efficient way possible
- We contribute to the climate neutrality objectives of the EU and the Republic of Lithuania

Performance efficiency

Ensuring financial stability by improving operational efficiency

- We operate in line with international corporate standards of the highest level
- We optimise the use of assets

Business development

Improving customer satisfaction with passenger and freight transportation services

- We are increasing infrastructure availability and freight and passenger transportation capacity
- We continue to expand our business into foreign markets, look for diversification solutions, and encourage partnerships
- We ensure optimal interaction with other modes of transport
- We aim to ensure greater competitiveness and independence in the market
- We drive LTG Group's revenue growth

Business resilience

Applying the "safety first" principle

- We prioritise national security interests
- We oversee technology compatibility in the LTG Group
- We strengthen operational resilience from the East and full integration into European countries
- We ensure a high level of road, occupational and business safety
- We take on leadership in ensuring the proper interpretation and enforcement of sanctions

Becoming one of the most attractive employers in Lithuania

- We develop a respectful and transparent corporate culture
- We increase the maturity of the organisation to ensure the successful implementation of the vision
- We promote an inclusive high-performance culture
- We support a smooth transition from a local group to an international one
- We ensure future competencies
- We apply modern reward and recognition measures

Strong organisational culture

Link between the strategic directions and vision elements

Vision: Being the backbone of the transport system

	Transport axis	Smooth connection	Critical infrastructure
ESG	●		
Performance efficiency	●		
Business development	●	●	
Business resilience		●	●
Strong organisational culture	●	●	●

The strategy is implemented by our people, which is why the strategic direction **Strong organisational culture** is critical to delivering each element of the vision.

Updates of the Strategy in 2023

In order to take full advantage of the opportunities offered by the changes and to reinforce the activities, the **review of the strategy carried out in the second half of 2023** focused on the following aspects and developments:

- **Strategy planning horizon.** In order to ensure a smooth functioning in the face of uncertainties regarding the financing of projects of strategic importance and the ongoing economic crisis, the horizon for the strategy formation has been extended: a detailed planning of up to 2028 and strategic guidelines up until 2040.

- **From safety prevention to resilient business.** Moving away from a preventive approach to ensuring traffic and occupational safety, the strategy is reinforced by incorporating measures to enhance the enforcement and control functions, the contribution of the LTG Group to national security. Plans to strengthen brand and reputation are also identified as a component of resilience.

- **Revised freight and passenger flow forecasts.** The freight flow forecasts in the Lithuanian market increased after the meetings with major customers and reassessment of their future needs for freight transportation services. The review of passenger forecasts has led to a refinement of forecasting methodologies and the planning of additional ways to attract passengers.

- **Decisions related to diversification and activity orientation towards the West.** As part of the reorientation of the business from East to West, we develop intermodal transportation activities, look for new routes in Western Europe as well as the possibilities of transporting semi-trailers in the Baltic States; we constantly evaluate the potential for growth of intermodal freight from/to the Klaipėda port and we look for possibilities to expand the capacity of the intermodal terminals in Kaunas and Vilnius. Passenger traffic has been expanded on 3 international routes until 2028: a new route to Riga from the start of 2024, with additional routes planned to Daugavpils in Latvia and Berlin in Germany (with

an additional connection in Warsaw). The need to find alternative spare parts manufacturers, suppliers, technological and IT solutions in the West within the scope of the FREE Rail Programme, and to adapt railway operations model, that is based on EU railway standards, best practices and is aligned with the broad-gauge specifications (EU+), has been clearly identified.

- **Sustainability.** Given the significant contribution and impact of the LTG Group's activities at national level, there is a strong focus on promoting sustainable organisational change in the environmental, social and governance fields, generating benefits for the country through collaboration with relevant groups in society, making a positive impact on air quality through the reduction of the global greenhouse gas emissions, the reduction of noise pollution and the use of polluting fuels as well as through the strengthening of corporate governance.

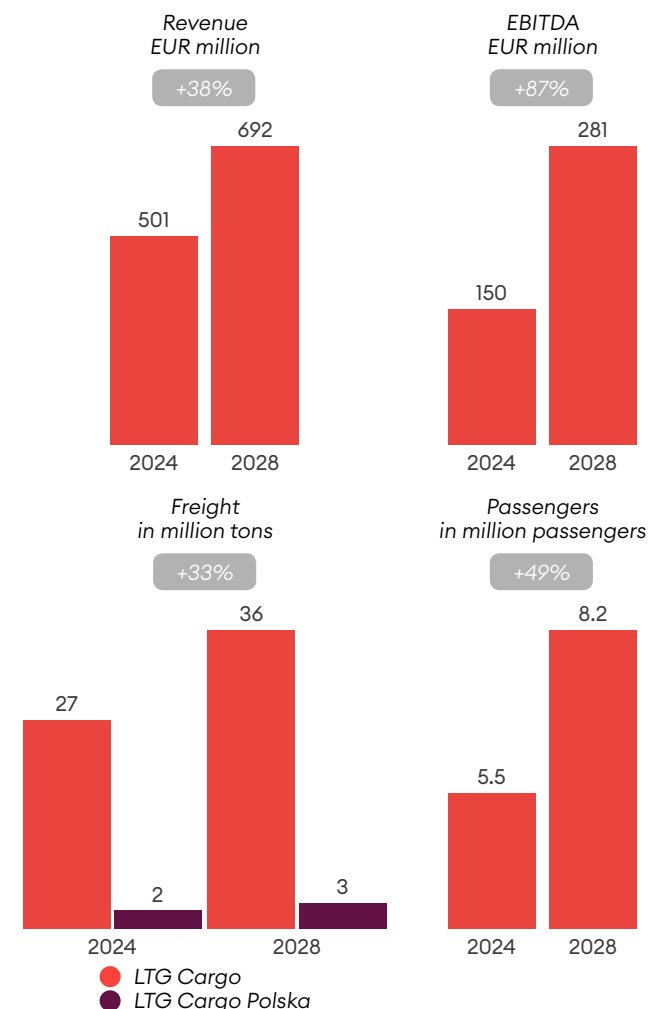
- **Pricing.** We have incorporated the results of the LTG Group's 2023 pricing review and the corrective measures foreseen into our strategy to ensure the profitability of all services and to identify areas where internal action is not sufficient and where the involvement of external stakeholders is needed.

- **LTG Holding's sustainable business model.** In line with the LTG Board's expectation, we refined the business model of the parent company during 2023, splitting it into two groups: strategic management and shared services. The new operating principles were clarified in the updated strategy for 2023, ensuring consistent application of policies and methodologies to all LTG Group companies, synergies between activities and initiatives, calibrated operations, and high-quality day-to-day services to subsidiaries.

- **Investments review.** Investment priorities have been revised emphasising operational efficiency and price-quality ratio.

Performance forecasts

The updated strategy plans to achieve the following LTG Group's key performance results through the implementation of the planned measures, targets and objectives:



Strategic programmes underway and planned

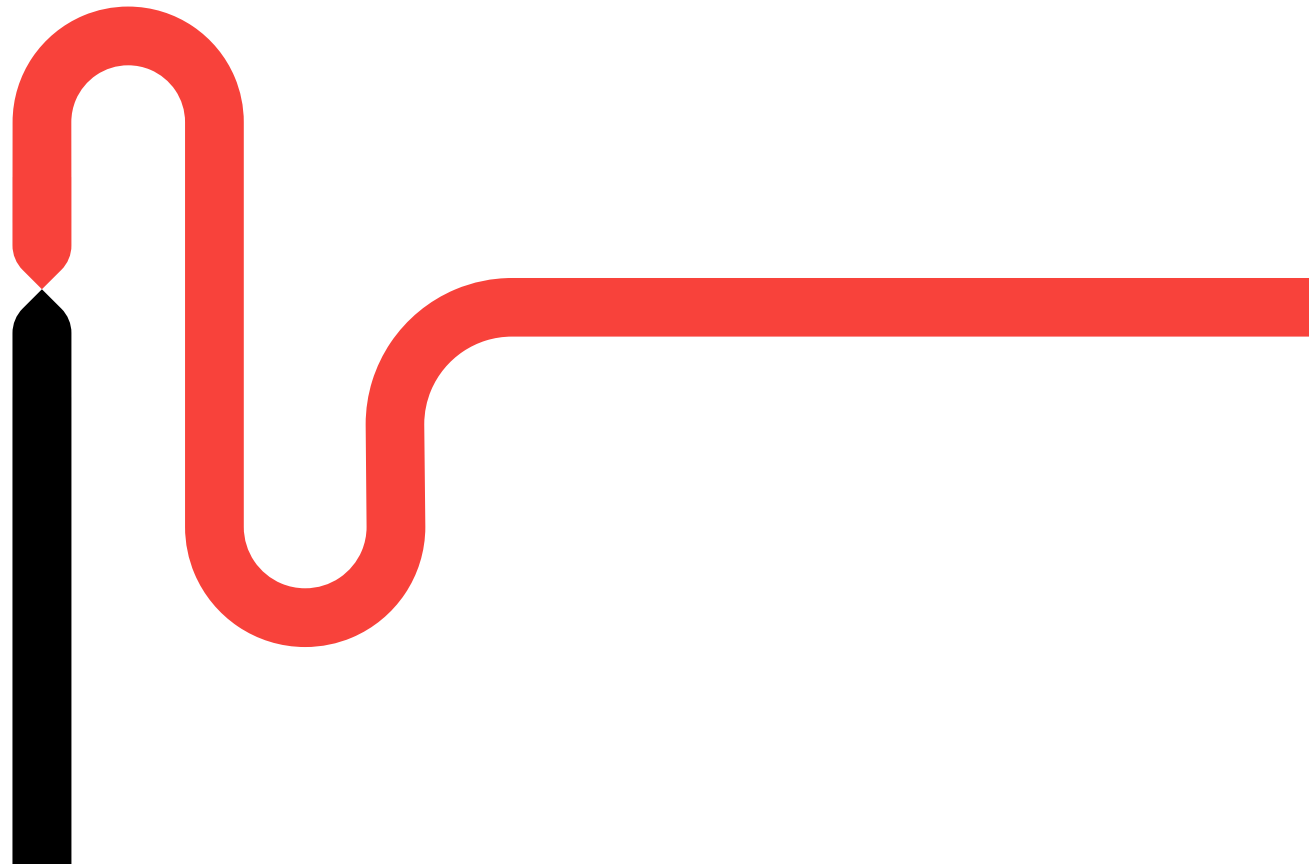
In line with the long-term goals and objectives, we **develop and implement strategic initiatives** across all LTG's strategic areas: ESG, operational efficiency, business development, strengthening of organisational culture, and ensuring business resilience. From 2023 onwards, some strategic initiatives have been consolidated into strategic programmes directly managed by LTG Holding.

We aim at ensuring:

- synchronisation of tasks between related projects;
- interdependencies and synergies;
- communication between the programme's multifunctional team and external stakeholders;
- uniform strategic guidelines for all project managers.

4 main strategic programmes

Rail Baltica Programme	Electrification Programme	Vilnius Connect Programme	FREE Rail Programme
------------------------	---------------------------	---------------------------	---------------------



Rail Baltica Programme

Rail Baltica is a greenfield rail transport infrastructure project that aims to integrate the Baltic countries into the European rail network by connecting Helsinki, Tallinn, Pernu, Riga, Panevėžys, Kaunas, Vilnius and Warsaw.

To ensure the compatibility of LTG Group's Rail Baltica-related projects (acquisition of rolling stock, pre-commissioning, rolling stock repair depots), LTG Holding has set up the Rail Baltica Programme, which integrates this strategic project with related activities. In order to improve the efficiency of the management and coordination of the programme, the LTG Board, by its decision of 17 October 2023, approved the new management structure of the holding company AB Lietuvos Geležinkeliai with the addition of a management function for Rail Baltica.

It is planned that by the end of Q2 2024, Rail Baltica governance models for will be developed.

The Commission of the Strategic Project Portfolio of the Government of the Republic of Lithuania approved the schedule of the Rail Baltica infrastructure programme on 15

November 2023. In order to manage the project implementation risks, the LTG Infra's Rail Baltica management unit, responsible for the management and implementation of the programme, has prepared a programme acceleration plan, which includes measures in different areas of activity (regulation, financing, procurement and contracting strategy, organisational management, human resources management) focused on accelerating the implementation of the programme and improving its efficiency. The aim of the plan and the set of measures contained therein is to create the conditions and the operational environment necessary for the implementation of the programme within the set deadlines.

In the search for diversification solutions, a strong focus is being placed on the development of freight transport on the 1435 mm gauge. The regular intermodal services from Kaunas Intermodal Terminal to Duisburg in Germany, which started in 2022, have been supplemented by a new Kaunas-Slavkovo route (with a stop in Pruszków, Poland). LTG Cargo is the intermodal transport operator in both Lithuania and Poland. In addition, services on the Polish domestic market are developing steadily, with LTG Cargo's subsidiary LTG Cargo Polska gaining momentum, having transported 583 freight trains in 2022 and 1,715 freight trains in 2023.

Commissioning tasks identified and defined

170

Governance models developed for Rail Baltica operations until the end of 2024

3

Total investment with related projects until 2028

EUR 4.7 billion



Electrification Programme

In order for Lithuania to step up its efforts to meet the objectives of the European Green Deal, intensive electrification work is being carried out on the Kaišiadorys–Radviliškis, Šiauliai–Klaipėda and Vilnius railway junction sections. The contract works, which started in 2022, are scheduled for completion in 2025. The Electrification Programme has been established to ensure optimal benefits for the environment and society, combining additional benefit-generating projects such as the acquisition of electric and battery-electric passenger trains (operation from the second half of 2026) and the acquisition of electric locomotives (17 units, operation from 2027).

Maintenance facilities must be adapted to service the new electric locomotives and trains, while optimising them and replacing old and worn-out equipment and buildings. A new locomotive depot is planned adjacent to Vaidotai railway station. The expansion and adaptation of the passenger rolling stock maintenance facilities to service the new

electric trains is planned at the electric train repair depot in Naujoji Vilnia. After the completion of rolling stock optimisation projects in 2026–2027, there are plans to vacate the areas of the existing depots near Vilnius Railway Station.

Reduction of air pollution
150 thousand tonnes annually

Rail traffic operated by electric traction
~ 50%

Reduction of fuel costs
> 30%



Vilnius Connect Programme

To increase the economic return of Vilnius Railway Station and the surrounding area, to improve the social environment, and to manage the assets efficiently, a project for the renewal of the station's territory is being implemented. We have approved funding for the first phase of design work in 2023. Once the public procurement procedures are completed, we will sign a contract for design services with Zaha Hadid Architects, the winner of the architectural tender launched by Vilnius City Municipality and LTG Infra. We will elaborate and coordinate the decisions of the architectural tender with institutions during the first design stage, until the third quarter of 2024. Later, the project will be continued using the Public-Private Partnership (PPP) model.

The Vilnius Connect Programme comprises a total of 7 land plots, 7 projects.

Land for new development
8 ha

Total area under development
100 thousand m²

Investments attracted
EUR 25 million



FREE Rail Programme

Given the need for a decisive reorientation and accelerated integration into Western Europe, the urgent need to completely and definitively disengage from dependence on Eastern technologies, and to continue to make the most efficient use of the available network capacity, we established the FREE Rail Programme in 2023.

The aim of this programme is to develop and implement a rail operating model tailored to the Baltic region, based on EU rail standards and best practices and aligned with the specifics of broad gauge. The programme aims to create a qualitatively new, independent railway and its management. In 2023, LTG put a firm background for deeper integration of broad-gauge railways into the European railway system. All operations, assets, and regulative documents of the Lithuanian railway system were taken as a basis for analysis and work out of future solutions, LTG has already planned and implemented some changes in the operations based on the European practice:

• EU+ operation model+:

- An initiated revision of the current operating model in the Baltics, and consultations with the Latvian and Estonian railways;
- Transporting part of cargo in the Baltics using the European operating model;
- A joint task force created by LTG and Ukrainian Railways for the implementation of the FREE Rail to reach out the common goals of deeper integration into the European Railway system. This step allows to seek for integration solutions on international scale.

• Steps taken towards technological integration:

- Thorough analysis of the legacy technologies, creation of replacement plans based on the ally technologies;
- Thorough analysis of the technical documentation linked with the Russian standards, revision of national safety and technical rules; submission of proposals to the authorities;
- Invitation of Lithuanian Standards Board to participate in the development of new standards;

- Upgrading of the legacy locomotive safety system.

• Steps taken towards IT integration:

- Improvement of the IT systems to secure data from the Russian systems;
- Submission of proposals to GCU (European platform for exchange of rolling stock technical data) to include data of 1520 wagons;
- Initiation of changes to make broad gauge railways registration in the European Vehicle Register available;
- An Open Railway Freight EDI User System solution has been obtained to enable cooperating railway companies to exchange railway CIM consignment note and CUV wagon bill data.

**New operating model EU+
By 2030**

**Technological integration
Long-term technology replacement plans
started in 2024**

**IT integration
1520 + 1435 operations**



Annual targets for 2023

In February 2023, the LTG Board approved the **LTG Group's annual targets**, metrics and target values linked to the implementation of the LTG Group Strategy. Taking into account the LTG Group's ambition and strategic objectives, the annual targets help to ensure LTG's value creation through the integration into Western markets, the expansion of its activities in Lithuania and abroad, increased operational efficiency, the implementation of a culture of sustainability, and a strong focus on ensuring business resilience. In line with the approved annual targets, personal goals were set for the LTG Group employees. In this way, LTG Group employees are involved in a structured and coherent process of implementing the LTG Group's strategy, linking the achievement of goals to career, development and incentive plans.

Main goals / targets	Indicators for measuring achievement of the goals / targets	Measurement unit	Weight, %	Benchmarks for achievement of goals / targets for 2023	Indicators of achievement of goals / targets for 2023
Value creation through integration into western markets	LTG Group EBITDA margin	%	25.0	>25	31
	LTG Group's value creation projects for integration into Western markets	%	20.0	Implementation of approved projects	Partly achieved
Operational efficiency	LTG Group's operating costs to revenue ratio	Ratio	15.0	<1.03	0.93
Green deal	ESG rating	Level of achievement	10.0	ESG rating achieved	Achieved
Business development	LTG Group income from foreign markets	EUR million	20.0	>40	44
Comprehensive security	Level of business resilience	Level	5.0	<III	Achieved
	Lost Time Injury Rate	Accidents at work *1 million / total working hours	5.0	Improve the occupational safety	Achieved

1.5. Highlights 2023

January

A repeated announcement for selection of a civil servant – a member of the LTG Cargo Board has been launched. The Board member's area of expertise is 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 AB LTG Cargo, UAB LTG Link, AB LTG Infra were amended to add new powers to the Board and to change the limits of transactions approved by the Board.

The new Management Boards of the subsidiaries of AB Lietuvos Geležinkeliai – LTG Cargo, LTG Infra and LTG Link – were approved and started their activities.

In January, the winding-up procedures of the Public Enterprise Transporto Inovacijų Centras were launched. The decision to close the establishment was taken by its founders – Lietuvos Geležinkeliai (LTG), Lietuvos Paštas and Kelių Priežiūra. In order to use the available resources more efficiently, from now on, the transport sector companies that have established the public enterprise will concentrate their resources on technological development and the search for and application of modern solutions within the companies.

February

Electrification works on the Kaišiadorys–Radviliškis section started on 6 February.

On 8 February 2023, the updated version of the Articles of Association of AB Lietuvos Geležinkeliai was registered with the Register of Legal Entities, which provides for additional competences of the Board – to assess the Company's risks, prioritise them and approve their management strategies; to make decisions on loan or other financing transactions with a value of EUR 3 million or more; to approve the decisions of the boards of subsidiary companies on transactions with a value of EUR 6 million or more.

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.

Following the completion of the selection procedures, and based on the shareholder's decision, Justas Vyžintas was appointed as the new CEO of UAB Geležinkelio Tiesimo Centras, a subsidiary of LTG Group.

On 21 February 2023, the Board of LTG decided to sell terminal related assets of LTG, approved LTG Infra's decision to acquire them for EUR 10,839,141 and agreed to LTG Cargo's sale and LTG Infra's acquisition of the cargo handling business for EUR 438,000. This decision was taken as a continuation of the centralisation of the LTG Group's terminals and cargo handling activities and the growing impact of the terminals' activities on the achievement of the LTG Group's strategic objectives, as well as in order to optimise operations and increase efficiency. On 31 March 2023, the assets related to the terminal business and on 1 May 2023, the cargo handling business were successfully transferred to LTG Infra.

LTG Cargo further tightened controls on freight carriage. The Company started extremely detailed inspections on all cargo, both from Belarus and from other countries. Customers will have to comply with stricter application rules, which will help the company to manage its risks even more rigorously and to prevent possible circumvention of sanctions.

March

On 10 March 2023, LTG Infra launched a procurement procedure for the purchase of X-ray equipment for the Stasyiai and Kybartai sections. The system will contribute to more efficient control of sanctioned goods.

On 20-21 March, the LTG Board held a strategic session to present the strategies of the LTG Group and LTG subsidiaries. Based on the comments of the LTG Board and having made adjustments, the strategies of the subsidiaries were approved by the respective Boards, and on 4 April the LTG Board approved the LTG Group Strategy 2027: Integration into Europe.

The decision of the Board of LTG of 22 March 2023 approves the Sanctions Implementation and Control Policy. The Sanctions Enforcement and Control Policy establishes a unified model and principles for the LTG Group's Sanctions Enforcement and Control 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 United Kingdom of Great Britain and Northern Ireland.

On 24 March 2023, LTG Group strengthened the processes regulating the declaration of interests of participants in job selections. This step increased LTG's resistance to external factors and ensured the highest standards of good governance. To improve the processes of declaration of interests in the LTG Group, LTG's measures for preventing corruption and conflicts of public and private interests were updated in March. The LTG Conflict of Interest Prevention and Management Policy was approved, which defines the concept of the possibility of a conflict of public and private interests. Also, from 24 March before proceeding to the final stage of selection, applicants for positions in the LTG Group must fill out declarations in an updated form, in which they must also disclose information about their potential political vulnerability and related persons.

The LTG Group has developed and is implementing the FREE Rail Programme to help achieve the goal of full integration of business relations, technology and IT with Europe by 2030.

LTG Cargo has developed and delivered a methodology for capturing CO2 savings for intermodal freight and introduced certificates for customers to prove it.

LTG Infra has completed the installation of foundations and supports in single tracks for the second phase of electrification on the Kaišiadorys-Radviliškis section. Works on the third phase Radviliškis-Klaipėda (Draugystės St.) are still in progress.

The Board of LTG Cargo was supplemented by one more member – a civil servant. Natalija Baranauskienė, a Senior Adviser to the Ministry of Transport and Communications of the Republic of Lithuania, won the selection and took up the position.

Mr. Karolis Sankovskis, after almost six years as the CEO of LTG Infra, the infrastructure management company of LTG Group, retired in March. As of April, he will be replaced by Rūta Jakubauskienė, currently Head of Strategy and Management. She will act as interim CEO until a permanent CEO is appointed.

April

LTG Infra has launched a tender for the construction of a military and civilian site in Palemonas. When implemented, the project will expand the capacity of the loading site, provide three additional railway tracks and reconstruct/refurbish the pavement of the military and loading sites. The construction of the site will contribute to the country's better readiness to host NATO troops.

May

AB Lietuvos Geležinkeliai, which seeks full integration with Europe, on 9 May – Europe Day – signed a Memorandum with the Ukrainian Railways in Munich. In the Memorandum, the companies agreed to cooperate in the implementation of the FREE Rail Programme, initiated by LTG, which aims to develop a railway operating model based on EU railway standards and best practices, which will be aligned with the specifics of broad gauge (EU+).

LTG Infra has finalised the procurement of the Station Management Tool, its implementation, development, support and training services. The new station management tool will make traffic management more efficient and modern.

June

Voitech Makovskij, Head of International Development, and Indrė Kisielienė, who has joined the management team of LTG Link, the leading passenger transport company, as Head of Corporate Affairs. In order to develop new routes connecting Lithuania and its western neighbours and to carry out the preparatory work for the integration of the Rail Baltica line, the International Development Unit has been established as a new function within the company.

LTG Group, which seeks closer mutual cooperation with scientific institutions, has signed cooperation agreements with Vilnius Gediminas Technical University (VILNIUS TECH), Kaunas University of Technology, Kaunas Technical College, Vilnius College of Technologies and Design, and the Engineering Lyceum of VGTU (Vilnius State University of Technology). This step marks LTG's commitment to contribute to a more active dialogue with the academic community as well as to mutual efforts to deepen the knowledge of specialists at educational institutions – from schools to colleges and universities – about today's business needs, the perspectives of the railway industry, and the latest technologies used.

As the Company strengthens the Group-wide implementation of Rail Baltica, the functions of Rail Baltica Statyba are being expanded and the selection of a Director has been announced. The new head of the company will be responsible for centralised coordination of Rail Baltica implementation between the different companies of the LTG Group.

On 13 June 2023, LTG Board approved the Company's and consolidated annual report of AB Lietuvos Geležinkeliai for the year 2022, accepted audited the Company's and consolidated set of financial statements of AB Lietuvos Geležinkeliai for the year 2022, accepted the draft profit (loss) distribution of AB Lietuvos Geležinkeliai for the year 2022 and submitted them to the General Meeting of Shareholders. Later On 4 July 2023, the Ministry of Transport and Communications of the Republic of Lithuania, implementing the rights and duties of the Company's shareholder, approved the set of the financial statements of AB Lietuvos Geležinkeliai for 2022, the set of the consolidated financial statements of AB Lietuvos Geležinkeliai for 2022 and distribution of profit (loss) of AB Lietuvos Geležinkeliai for 2022.

LTG Cargo, the freight transport company of the LTG Group, has started to carry out regular intermodal freight transport trips on the route Kaunas–Slawkov. From 15 June, trains run back and forth on this route twice a week. In addition, to strengthen rail links with Poland, customers can transport freight to the Pruszków terminal near Warsaw – trains on the Kaunas–Slawkov route operate with an intermediate stop near the Polish capital.

June

LTG Link, the passenger transport company of the LTG Group, will purchase new electric and battery-electric trains from the Swiss train manufacturer Stadler Group. The trains will be built for LTG Link by Stadler Polska, which signed the contract in June. The successful tenderer has signed a EUR 226.5 million contract to build 15 ultra-comfortable trains, provide technical support for their maintenance and supply spare parts until 2037.

The European Commission has allocated almost EUR 1 billion (EUR 928 million to be precise) for the implementation of Rail Baltica in the Baltic States, of which Lithuania's share is EUR 394 million. This is the largest funding Lithuania has ever received from the Connecting Europe Facility (CEF). The funding will be used for the construction of the railway and its structures from Kaunas towards the border with Latvia: the construction of the crossing and engineering structures, the construction of the access service roads in the Kaunas-Šveicarija and Šėta-Ramygala sections, the preparatory works, the technical supervision, the risk and safety assessment, the conformity assessment and other activities related to the railway construction. The additional funding will also be used for land acquisition activities on two sections: the Kaunas railway junction and the Kaunas-Lithuania-Poland state border section.

LTG Infra has implemented a new business management system, S/4Hana. The new management system will ensure high quality, reliable and accessible data from a single source, more efficient planning of labour and material capacities, and eliminate duplication of functions.

On 29 June, Edvinas Kerza left his position as the Director for Business Resilience of LTG Group. As of 30 June, he was replaced by Vytautas Bitinas, Director for Technology of LTG Group. He was acting as Director for Business Resilience on an interim basis until a new Director for Business Resilience was appointed.

July

LTG Cargo, the LTG Group's freight company, will buy electric locomotives for the first time in its history. Around EUR 100 million is expected to be invested in new green electric locomotives, parts and maintenance. LTG Cargo plans to procure both electric locomotives and technical support for their maintenance and the supply of spare parts through a public tender launched in July.

LTG Link, the LTG Group's passenger transport company, will install modern ticketing machines at the country's railway stations that attract the highest passenger flows. The ticketing machines will be manufactured for LTG Link by Mera Systemy and Mera-Serwis, Polish companies operating on a joint venture basis. The successful tenderers will provide the manufacture of 33 ticketing machines, the installation of the monitoring and control system, the maintenance of the system and the ongoing maintenance during the operational period, for a total cost of almost EUR 1.7 million.

August

At the end of the term of office of the then Chief Executive Officer of LTG Link, a selection process has been launched to fill this position. Linas Baužys retired from the position of the Chief Executive Officer of LTG Link and decided to pursue his career outside the company. He has been replaced by Gediminas Šečkus, Head of LTG Group's FREE Rail Programme, from 21 September 2023 until the appointment of a permanent CEO of LTG Link.

September

On 1 September, the new LTG structure came into force, introducing two important areas of activity for the LTG Management Company - Governance and Shared Services. The day-to-day (shared) services are reflected in the new structure by the Centre of Competence, which has more than 600 employees - professionals in their field from all LTG functional areas. The Centre of Competence provides the following day-to-day services to the LTG Group companies: accounting, procurement, asset management, IT, human resources, legal, safety management, service and process management.

As part of its strategic diversification goals, LTG Group, together with other players in the transport sector, is actively working on the development of new logistics routes linking Asia with Northern and Western Europe. An important step towards achieving these goals was taken in Kazakhstan when LTG Cargo, the freight transportation company of LTG Group, joined the Southern Corridor Development Association.

The LTG Group presented its updated strategy Integration into Europe. The strategy covers five key directions: expanding the business into Northern and Western Europe, improving operational excellence and efficiency, strengthening organisational culture, business resilience and sustainability. By implementing these directions every company of the LTG Group will pursue the shared vision of becoming the backbone of the transport system.

LTG Group's management team has been strengthened by communications professional Aleksandras Zubrikovas, who has been appointed Director of Corporate Affairs of the managing company LTG.

October

LTG Cargo, the freight transportation company of LTG Group, announced that it carried out important preparatory work to secure Carrier Safety Certificates in Latvia and Estonia after it successfully completed test runs in Estonia.

LTG Cargo has announced that it is expanding its technical fleet for the country's grain growers, i.e. the Company which actively expands its activities intends to purchase up to 500 new grain trucks through a public tender.

LTG Cargo and Ukrainian Railways have tested the new Kaunas–Kiev freight route.

LTG Cargo presented the revised tariffs for services provided to customers for 2024. Taking into account the changes in the tariffs of the public railway infrastructure manager LTG Infra for 2024, which were presented last year, and in order to ensure competitive transport conditions, the tariffs for the services provided to the Group's business customers will be changed on an individual basis for the different groups of freight, and will be limited only to what is necessary to ensure the costs incurred. Tariffs for businesses transporting goods domestically are expected to change by 5–10%.

In order to clearly separate the strategic management and control functions from the operational service delivery activities, the LTG Board, by decision of 17 October 2023, approved a new governance structure for the management company AB Lietuvos Geležinkeliai supplementing it with the management function of Rail Baltica.

LTG Link, the passenger transportation company of LTG Group, and VŠĮ Klaipėdos Keleivinis Transportas have presented a joint train and bus ticket to the residents of Klaipėda and the city's guests. From 5 October 2023, the ticket is available to each passenger planning to travel by train when their chosen route starts or ends at Klaipėda Railway Station.

LTG Infra signed two contracts on the preparation of designs for a dual-purpose military and civil loading site and the construction of the 1435-gauge road in Palemonas, Kaunas. This is part of the project Installation of a military/civilian loading site in Palemonas, which will increase the country's military mobility.

November

LTG Cargo has contacted law enforcement authorities regarding a possible violation of international sanctions when exporting cars through Lithuania to third countries. This decision was adopted after the initiative taken by the company to carry out a detailed internal investigation. In order to ensure maximum control over international sanctions, LTG Cargo has already taken steps to prevent the transport of such freight and has handed over the investigation material on possible sanction circumvention schemes to the Lithuanian Prosecutor General's Office.

On 15 November, LTG Infra completed the construction of the Vievis railway tunnel for cars, cyclists and pedestrians and the reconstruction of the surrounding roads. The tunnel has made the Maišiagala–Vievis motorway safe for the inhabitants of surrounding villages and towns.

December

On 1 December, Vytis Žalimas took up the position of the Chief Executive Officer of LTG Infra.

According to the International Union of Railways (UIC) Safety Report 2023, LTG Group has been ranked among the top 10 safest railway companies. 34 railway companies in 32 countries belong to UIC, including Austria, Germany, Italy, Finland, Belgium, the Netherlands.

The practitioners of sanctions control and management were brought together by the LTG Group for the first ever Sanctions Management Forum.

LTG Link has introduced a new annual train timetable. It provides for more convenient connections between major cities and a faster trip to Poland. Nearly half of more than 1,000 travellers' suggestions have been fully or partially taken into account when compiling the annual schedule.

LTG Link Christmas trains have started running for the third time. The festive trains ran until 7 January and passengers could travel on three trains on the Vilnius–Klaipėda, Vilnius–Kaunas, Vilnius–Trakai routes. Additionally, until 27 December, there was a Vilnius–Mockava (Warsaw) route, and later, a new international route Vilnius–Riga was introduced. The latter festive international routes were donated by GO Vilnius.

The passenger route Vilnius–Warsaw has received international recognition and was awarded with the Polish Business Awards in the annual competition which is organised in cooperation with the Association of Polish and Lithuanian Chambers of Commerce, which rewards Polish and Lithuanian businesses operating in both markets and contributing to the development of mutual economic relations.

LTG Link introduced a new visual advertising campaign. With the new video, the company, that is constantly looking for innovative solutions, aims to encourage people to travel by an especially sustainable, comfortable and safe means of transport – the train more and more frequently and to build a community of train enthusiasts; thus, it has given these people a name – Traintravelers.

December

It has been announced that starting from 8 January 8, a new phase of electrification works on the most important national railway artery Vilnius–Klaipėda will commence, moving to the Radviliškis (Šiauliai)–Klaipėda section. While work is underway, some train services on the Vilnius–Klaipėda and Radviliškis–Šiauliai–Klaipėda routes organised by the passenger transport company LTG Link will be temporarily shortened or cancelled.

As the holiday season started, LTG Link introduced a new type of one-day ticket. Passengers who purchase a one-day ticket online or via the app will be able to travel an unlimited number of times on their chosen routes, at any desired time.

LTG Link received a safety certificate from the European Union Agency for Railways for its operations in Latvia. The company has announced that trains to Riga will run daily and will be adapted to people with individual needs. A train of LTG Link has departed for Riga for the first time on 27 December. The Prime Minister of Lithuania Ingrida Šimonytė, the Minister of Communications Marius Skuodis, the Head of LTG Egidijus Lazauskas and other distinguished guests have travelled to Riga for a meeting with the Latvian delegation on this first route.

On 12 December 2023, the LTG Board approved the updated LTG Strategy 2028: Integration into Europe.

LTG Link, the LTG Group's passenger transport company, which is preparing for the arrival of new electric and battery-electric trains and improving the sustainability of its operations, signed a contract for the design of a new depot for electric trains in Naujoji Vilnia.

1.6. Subsequent events

January

Information provided about planned changes in the Board of LTG Cargo: as of 11 January, Arnoldas Ūkeniekas will leave his position as a member of the Board and its Chairman for personal reasons. LTG Group has announced the selection of a new member of the Board.

Due to further tightening of the application rules in the beginning of last year, LTG Cargo received 25,609 freight applications last year (1 March-31 December). After assessing compliance with the company's sanction control and zero risk tolerance principles, among other aspects, 21,773 freight applications were approved during the period. 3,836 applications were rejected.

February

Following the completion of the selection procedures, Kristina Meidė has been appointed as the new CEO of LTG Link, the LTG Group's passenger transport company, as of 1 February 2024. The CEO is appointed by the Company's Board for a 5-year term of office.

As of 1 February 2024, Gediminas Šečkus has taken over as the Director for LTG Business Resilience. Until then, he was Head of LTG's FREE Rail programme and interim Head of LTG Link.

In February 2024, the winding-up procedures of VšĮ Transporto inovacijų centras were completed. The shareholders' decision to wind up the company was taken in early 2023.

On 21 February 2024, the Government of the Republic of Lithuania adopted a resolution approving the sale of the electricity distribution network infrastructure held under the right of trust by the public railway infrastructure manager LTG Infra to Energijos Skirstymo Operatorius (ESO). This decision will have a positive impact on almost 3,000 customers, who will be free to choose the independent energy supplier offering the best price for electricity.

March

On 14 March, LTG Infra, with the approval of the Government of the Republic of Lithuania, concluded sale - purchase agreements, based on which part of the electricity network was transferred to another state-owned company of Ignitis Group, Energijos skirstymo operatorius (ESO).

Results

2.1. Overview of the main activities of the Group

Transport volume indicator in the territory of Lithuania		2021	2022	2023	2023/2022 Δ, %
Freight transportation activity LTG Cargo					
Freight turnover	in billion tons km	14.6	7.4	6.3	(14.5%)
Average distance travelled per tonne	km	285	238	232	(2.7%)
Total freight transportation:	in million tons	51.1	31.0	27.2	(12.1%)
Domestic transportation	in million tons	14.7	13.9	15.4	10.8%
International transportation:	in million tons	36.4	17.1	11.8	(30.7%)
Transit	in million tons	11.5	8.1	6.5	(19.6%)
Export from Lithuania	in million tons	4.9	3.6	3.3	(8.2%)
Import to Lithuania	in million tons	20.0	5.4	2.0	(62.9%)
Passenger transportation activity LTG Link					
Passenger turnover	in million passenger km	301.3	432.6	464.1	7.3%
Average distance travelled by passenger	km	87	92	92	-
Total passengers carried:	in millions of pass.	3.483	4.688	5.039	7.5%
Local connection	in millions of pass.	3.298	4.460	4.680	4.9%
International connection	in millions of pass.	0.185	0.228	0.359	57.4%
Activity of the public railway infrastructure manager LTG Infra					
Train operational volume	billion tkm gross gross	29.0	15.9	13.9	(12.4%)
Train runs	in million train km	15.1	12.3	12.3	-

Freight transportation

Freight transport activities are carried out by the LTG Group company AB LTG Cargo and its subsidiaries.

The war in Ukraine started by Russia and the wide range of sanctions imposed on Belarus and Russia by the European Union and the United States of America have had a significant impact on rail freight volumes in Lithuania in recent years. With the elimination of sanctioned freight flows and a significant reduction in transit volumes, freight transport volumes have almost halved from 51 million tonnes in 2021 to 27.2 million tonnes in 2023.

In 2023, rail freight volumes on the national territory decrease by 12.1% to 27.2 million tonnes and freight turnover by 14.5% to 6.3 billion tonne-kilometres, compared to 2022. The major part of transportation included petroleum and petroleum products, construction materials and products of agricultural origin. These freight groups accounted for more than half of all rail freight transported in 2023. Decreases were recorded in the segments of chemical and mineral fertilisers, ferrous metals and solid mineral fuels.

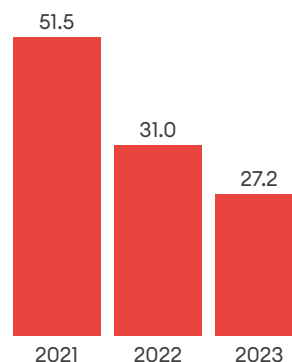
Strong emphasis is placed on business development in the Lithuanian domestic market. The relative share of domestic transport in total transport volumes rose to 56.5% in 2023, while in previous periods it accounted for about one third of the volume transported. **Local transportation** has increased by 10.8% to 15.4 million tonnes, compared to 2022. Transportation of petroleum and petroleum products, construction materials and agricultural products, in particular cereals, grew, partly offsetting a decline in the transport of chemical and mineral fertilisers.

International transport, which accounted for 43.5% of the total freight transported, decreased by almost 31%, compared to 2022, and reached 11.8 million tonnes. In 2023, LTG Cargo continued to increase its business resilience and further tightened controls on freight transport. While transit of goods to/from Russia and Belarus continues, the volumes of shipments are declining rapidly, with a 19.6% decrease in

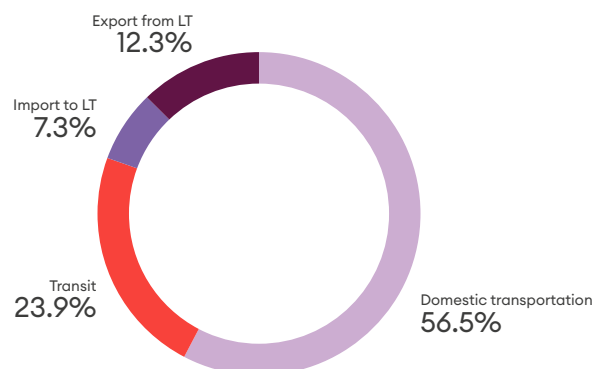
the volume of goods in transit to 6.5 million tonnes during the period under review. The volumes of solid mineral fuels and petroleum and petroleum products in transit have decreased. Following the suspension of shipments of products of sanctioned companies, the volume of freight entering and leaving the Sea Port of Klaipėda also decreased by more than half.

The sanctions have led to a significant reduction in rail freight flows, which is being compensated by the develop-

Freight transportation volumes (in million tons)



Freight transportation segments in 2023, %



ment of **intermodal transport**. Intermodal routes are being developed by increasing intermodal traffic to/from Klaipėda Seaport: Vilnius – Shuttle and Kaunas – Shuttle (for containers) and Baltic Gates Train (for semi-trailers).

While intermodal container train volumes are down 27.5% to 80,000 TEUs² in 2023, compared to 2022, due to declining shipments from China, intermodal semi-trailer train volumes are growing consistently. These transports have been organised since 2021 and have almost doubled, compared to this period, from 2,562 semi-trailers in 2022 to 5,222 semi-trailers in 2023.

A strong focus continues to be placed on **diversification and expansion into new markets**, particularly in Western Europe:

- Development of intermodal transport:

- LTG Cargo's regular intermodal transport services from Kaunas Intermodal Terminal to Duisburg in Germany, which started in 2022, have been complemented by a new route Kaunas-Slavkov in Poland. Regular transports on this route have been operated since June 2023;

- In order to ensure the development of North-South traffic and to prepare for Rail Baltica operations, opportunities are being explored to start intermodal traffic on the Amber Train route through Lithuania, Latvia and Estonia. On 30 October 2023, the European Railway Agency (ERA), together with the national safety authorities of Lithuania, Latvia, Estonia and Poland, issued a Single Safety Certificate granting LTG Cargo the right to transport freight on the railway infrastructure in all three Baltic States.

- Expansion in Poland. In 2023, LTG Cargo's subsidiary LTG Cargo Polska expanded its international transport routes and started domestic transport in Poland. During the period under review, the investments in acquisition and long-term lease of European rolling stock, which started in 2022, were continued.

²unit of measurement equivalent to 20-foot container.

• Expansion in Ukraine. At the end of 2022, the LTG Cargo's subsidiary LTG Cargo Ukraine became the operator of freight transport between Lithuania and Ukraine (via Poland), ensuring control over the entire logistics chain. Expansion of operations in Ukraine is planned only after the end of the war. Currently, due to the uncertainty of the situation, only freight forwarding services are provided and oil and grain transports from/to Ukraine to the Sea Port of Klaipėda are performed.

Pasenger transportation

Passenger transportation is carried out by the LTG Group company UAB LTG Link.

In recent years, the number of rail travellers has been growing steadily, from 3.5 million passengers in 2021 to 5.0 million passengers in 2023, and will soon reach the pre-pandemic (COVID-19) levels.

The total number of rail passengers in 2023 increased by 7.5%, compared to 2022, to 5.0 million passengers and the

passenger transport turnover by 7.3% to 464.1 million passenger kilometres. Domestic transportation accounted for 92.9% of rail passengers in 2023, while international services accounted for 7.1%.

Transportation on domestic routes has increased by 4.9%, compared to 2022, reaching 4.680 million passengers. The growth in the number of travellers is positively influenced by the annual updating of the timetable to meet passengers' needs, targeted marketing campaigns and other measures to increase the attractiveness of travelling by train and promote sustainable mobility.

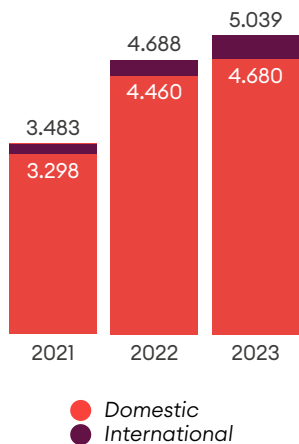
In 2022, the introduction of a new train ticketing system (Smart Ticketing) and a mobile app is leading to an increase in the number of tickets purchased through digital sales channels. The number of tickets sold through digital sales channels reached 50.3% in 2023 (43.5% in 2022). The door-to-door project is also well underway. Travellers in Vilnius, Klaipėda and Šiauliai have the opportunity to buy a combined train and bus ticket.

The intensive electrification works on the Vilnius-Klaipėda section of the railway network limited the growth of passenger transport volumes in the domestic transport market during the period under analysis. Traffic interruptions due to track works have led to cancellations or shortening of some of the train routes. In the future, rail electrification will enable more efficient and greener mobility without a CO2 footprint with new electric trains adapted for all passengers.

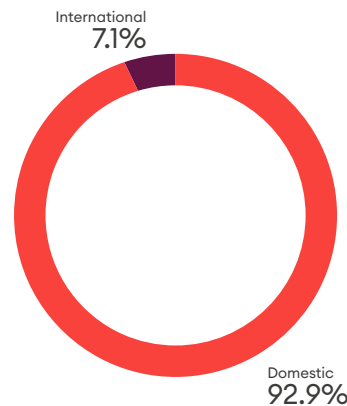
The Vilnius-Kaunas route remains the most popular domestic route (36.2% of all domestic traffic), with 1.7 million passengers in 2023.

Transportation on international routes accounted for the transit trains through the territory of the Republic of Lithuania to and from the Kaliningrad region to Russia and passenger trains to Poland over the reporting period. The LTG Link formation train Vilnius-Riga (Latvia), which has attracted a lot of interest, started running on 27 December 2023. The number of passengers in the international segment increased by 57.4% to 0.359 million passengers, compared to 2022.

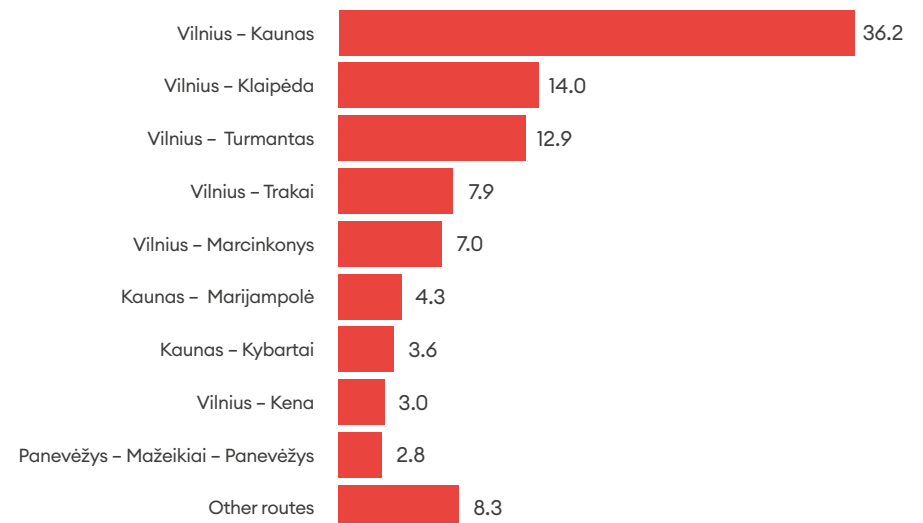
Passenger transportation volumes (in million of pass.)



Passenger market segments in 2023, %



Structure of domestic transportation in 2023, %



Activity of the public railway infrastructure manager

The functions of management, use and disposal of railway infrastructure under the right of trust and the functions of the manager of public railway infrastructure are performed by the LTG Group company AB LTG Infra. The functions of the public railway infrastructure manager are set out in the Railway Transport Code of the Republic of Lithuania and other legal acts regulating railway transport activities.

LTG Infra's activities are supervised by the regulator of the rail transport market, which since the beginning of 2017 has been exercised by the Lithuanian Communications Regulatory Authority.

LTG Infra's core services include:

- services included in the package of minimum access to the public railway infrastructure;
- access to railway service facilities;
- commercial services.

The provision of the minimum access package services by LTG Infra to the public railway infrastructure ensures compliance with the legal requirements applicable to impartiality and financial transparency of the public railway infrastructure manager, and the performance of the essential functions of the public railway infrastructure manager (allocation of the public railway infrastructure capacity, calculation and payment of the minimum access package fee).

The public railway infrastructure is used by railway undertakings (carriers) transporting passengers, luggage and

freight by rail, as well as by repair companies entitled to use the public railway infrastructure. Railway undertakings/carriers shall pay a fee for the minimum access package which is necessary for railway undertakings/carriers for the provision of services for the carriage of passengers, luggage and/or freight on domestic and/or international routes. This charge is also paid by repair undertakings. The manager of public railway infrastructure LTG Infra sets the rates of charges and they are available on the company's website ([link](#)).

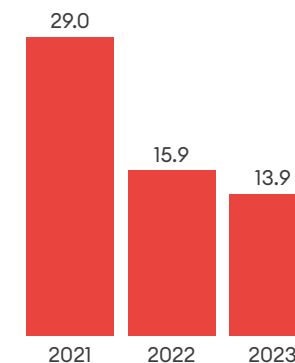
Railway undertakings (carriers) and Repairers have paid contributions for the minimum access package in 2023 (train traffic; transit of passengers, luggage; transit of freight; freight within the rail transport market segment where a mark-up may be applied; use of the overhead contact network).

LTG Infra also carries out the activities of an operator of railway service facilities, i.e. manages, uses and disposes of state-owned railway service facilities and the ones owned by LTG Infra by the right of trust. The tariffs for the use of railway service facilities managed by the operator of the railway service facilities, the railway tracks located thereon and the basic and ancillary services related to railway transport provided in these facilities shall be set by LTG Infra. The list of access to railway service facilities and services supplied in those facilities are available on LTG Infra website ([link](#)).

LTG Infra owns and maintains assets worth EUR 1.9 billion at the end of 2023 (railway tracks, switches, level crossings, access roads, freight terminals and yards, railway stations and stops, road and other structures).

In 2023, the train work volume decreased by 12.4%, compared to 2022, and amounted to 13.9 billion tonne-km gross gross. The indicator is mainly affected by transport volumes of LTG Cargo, the LTG Group's freight transport company, and changes in the transport volumes.

Train operational volume
(in Bn tkm gross gross)



The company implements high-value investment projects, some of which are recognised as economic projects of national significance. The implementation of the Rail Baltica project, the railway electrification programme, and other railway infrastructure development and modernisation projects financed by the EU and the company's funds are still in progress.

2.2. Financial performance

Revenue of LTG Group

In 2023, the revenue of the LTG Group amounted to EUR 452.6 million, and, compared to the revenue for 2022, has increased by EUR 18.5 million or 4.3%. LTG Group earned the majority of its revenue, 63.7%, from freight transport activities.

- Compared to 2022, when a significant drop in revenue was incurred due to significant change in operating conditions and a decrease in freight volumes, in 2023 the **operating revenue** increased by EUR 20.7 million or 6.1% and amounted to EUR 357.4 million:

- Freight transportation revenue** has increased by EUR 11.3 million or 4.1% to EUR 288.0 million, compared to 2022. Although the impact of sanctions and the reduction of links with Russia and Belarus resulted in a decline in freight turnover and sales revenues of LTG Cargo, the LTG Group freight company in 2023, the overall decline in revenues from freight activities was avoided. As a result of diversification and consistent development of services on the Polish market, LTG Cargo's subsidiary LTG Cargo Polska experienced a significant increase in volumes and revenues in 2023 (according to the data of Polish Railway Transport Agency for Q3 2023, the LTG Cargo Polska's market share in the intermodal transport segment grew and reached 5.1% of freight turnover and 3.4% of the weight of intermodal freight transported, while the company's revenues increased from EUR 13.1 million in 2022 to EUR 37.5 million in 2023). The increase in transit tariffs also had a positive impact on revenues;

- The passenger transportation revenue** in 2023 increased by EUR 12.3 million or 35.7% and amounted to EUR 46.8 million. The comparative weight of these revenues in the Group's overall revenue structure increased to 10.3%. Revenue growth was driven by rising passenger flows on both domestic and international routes, as well as increases in fares, including for those travelling by transit trains through the country. In order to develop the expansion into Western Europe, an international route to Poland is being introduced from the end of 2022 and a new international route to Latvia is being introduced from the end of 2023;

- Revenues from the use of public railway infrastructure** from non-Group companies are not yet significant in the overall revenue structure and amounted to EUR 1.0 million in 2023 (EUR 0.4 million in 2022);

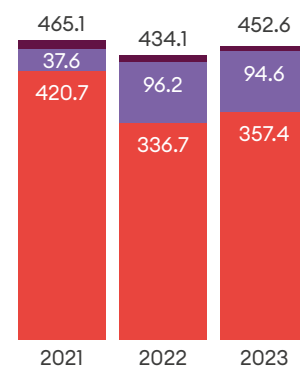
- The Group also provides **other ancillary services**, such as maintenance and repair of rolling stock, lease of assets, sale of

scrap metal and other services. This type of revenue represented 4.8% of the total revenue earned, and decreased by EUR 3.5 million or 14.0% to EUR 21.6 million during the reporting period. The volume of work abroad by locomotives and their crews continued to decrease due to decline in the volume of freight in and out of Lithuania, decreased sale of scrap metal, and the volume of commercial repairs due to the reduced demand for freight wagon repairs by external customers and the lack of spare parts.

- Grant revenue** amounted to EUR 94.6 million during the reporting period (EUR 96.2 million in 2022). Funds from the state budget are allocated to LTG Group companies with specific obligations. The revenue from grant received by the passenger transport company LTG Link to compensate the losses incurred in the provision of public passenger transport services by rail amounted to EUR 34.0 million in 2023 (EUR 36.2 million in 2022). In addition, due to a significant decrease in freight transport volumes, the state allocated funds amounting to EUR 60.6 million in 2023 (EUR 60.0 million in 2022) to the public railway infrastructure manager LTG Infra to balance the revenues and costs.

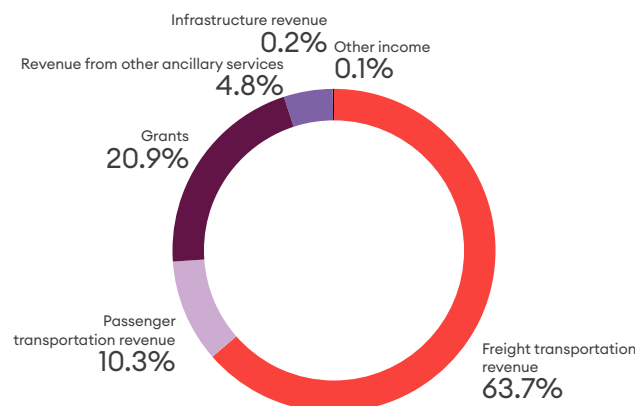
- Other activity income** was not significant and amounted to EUR 0.6 million in 2023 (EUR 1.2 million in 2022).

Revenue of LTG Group, EUR million

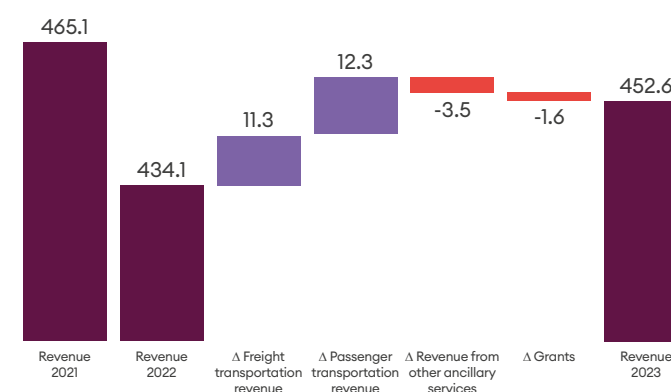


● Operating revenue
● Grants
● Revenue from other activities

Revenue structure of LTG Group in 2023, %



Change in LTG Group's revenue, EUR million



Costs of LTG Group

In 2023, costs of the LTG Group amounted to EUR 421.8 million, which is a decrease of EUR 6.6 million or 1.5%, compared to 2022.

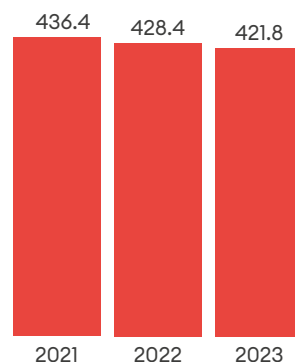
The major part of the Group's costs comprises staff costs (36.3%), depreciation and amortisation of assets (25.8%) and energy resources (12.7%).

- In 2023, costs of **employee benefits** amounted to EUR 153.3 million and, compared to 2022, have decreased by EUR 3.5 million or 2.3%. The decrease in costs was due to a reduction in the number of employees in the Group's companies, as the implementation of operational optimisation measures continued. Over 2023, the number of employees in the Group's companies decreased by 4.9% from 6,126 employees as at 31 December 2022 to 5,825 employees as at 31 December 2023. The level of wage costs was also affected by the annual review of employees' remuneration, which led to an increase in average wages.

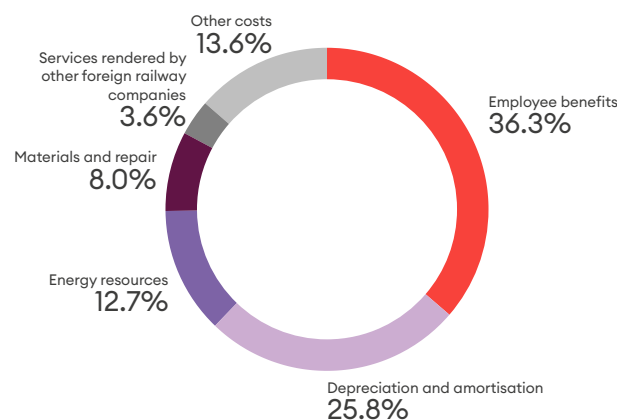
- Depreciation** charge in 2023 amounted to EUR 109.0 million, showing an increase of EUR 2.6 million or 2.5%, compared to 2022. In addition to the volume of investments in previous periods, the increase in depreciation expense was due to increased depreciation of the right-of-use assets held by LTG Cargo Polska, an LTG Cargo Group company, in connection with the expansion of its activities on the Polish market.

- The cost of **energy resources** (fuel, electricity) amounted to EUR 53.4 million in 2023, which is a decrease of EUR 11.1 million, or 17.2%, compared to 2022. The most significant impact on the level of this group of costs was determined by changes in freight transport volumes and fluctuations in energy prices.

Costs of LTG Group, EUR million



Costs structure of LTG Group in 2023, %



- Cost of **materials, repairs and maintenance** in 2023 amounted to EUR 33.7 million, showing an increase by EUR 3.8 million, or 12.6%, compared to 2022. During the reporting period, the cost of repair services purchased from external suppliers has increased and the cost of spare parts used in rolling stock repairs also increased to a significant extent.

- Services provided by other foreign railways** amounted to EUR 15.1 million in 2023, an increase of EUR 2.1 million or 16.4% compared to 2022. The increase in costs is attributable to the growing volumes of LTG Cargo Polska, a company of the LTG Cargo Group, operating on the Polish market.

- Other costs** amounted to EUR 57.3 million in 2023 and have decreased by EUR 0.5 million or 0.8%, compared to 2022. Due to the geopolitical situation and changes in the operating environment at LTG Group companies, the valuation of assets used in operations was continued in 2023. In 2023, impairment made on property, plant and equipment, inventories, construction in progress, etc. held by LTG Group companies had a significant impact on the level of costs, however it was lower than in 2022.

Change in LTG Group's costs, EUR million

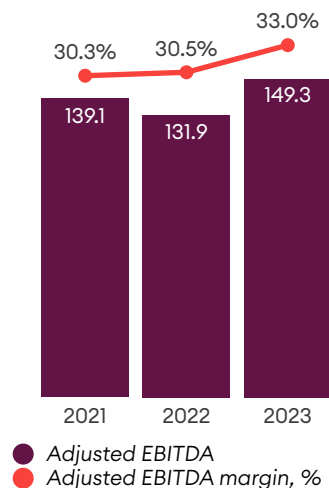


Performance of LTG Group

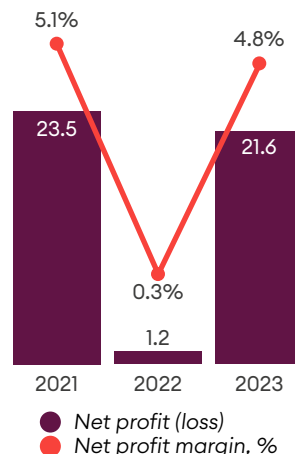
In 2023, LTG Group continued to focus on improving operational efficiency, developing new activities and services in the freight and passenger markets and in the management of the public railway infrastructure. The LTG Group's performance in the reporting period was also influenced by support from the State, the aim of which was to balance the revenues and costs of the public railway infrastructure manager LTG Infra due to significant changes in operating conditions and freight volumes.

The LTG Group's adjusted EBITDA increased by 13.2% to EUR 149.3 million in 2023, compared to 2022, while net profit of the LTG Group grew to EUR 21.6 million in 2023, compared to EUR 1.2 million in 2022.

Adjusted EBITDA of LTG Group, EUR million



Net profit of LTG Group, EUR million



Information related to the going concern status of LTG Group companies

The main LTG Group companies - LTG, LTG Cargo, LTG Link, GTC - were profitable in 2023, while LTG Infra, which manages the public railway infrastructure, incurred losses.

As a result of the significant change in the operating environment due to the Russian war in Ukraine, the Company's management continues to assess the main risks and threats to the continuity of operations and the impact on the operations of the LTG Group and its companies, and continues to implement the necessary actions to manage the situation:

- The implementation of the Operational Optimisation Project is being continued, and includes three areas: operational efficiency improvement, cost reduction, diversification and expansion into new markets.
- The LTG Strategy 2028 has been updated: On 12 December 2023, the LTG Board approved "Integration into Europe". During the reporting period, the strategies of the LTG Group companies were revised and updated accordingly, including LTG Infra, which implements investment projects of strategic importance for the country (Rail Baltica, electrification of the rail network).

- State funding for LTG Group companies LTG Link and LTG Infra has been secured, significantly contributing to the sustainability of LTG Group's financial flows:

– Public passenger transport services are financed by the state, covering the losses incurred by this activity.

In December 2022, a long-term contract for the provision and financing of outsourced services (PSO - public service obligations) signed between LTG Link and the Ministry of Transport and Communications of the Republic of Lithuania for a period of 10 years (2023-2032) ensures the continuity of operations of LTG Link, including renewal of the train fleet;

– given the provisions of the EU Directive 2021/34/EU and the GCT, the Ministry of Transport of the Republic of Lithuania and the company LTG Infra, which manages the public railway infrastructure network, have signed a quality and financing agreement for railway service facilities owned by the Lithuanian state, which will be valid for five years and will ensure stable technical maintenance of the infrastructure and a high level of railway traffic safety and improve the provided service quality. The State's long-term obligation to balance the revenues and costs of the infrastructure manager is enshrined in both EU and Lithuanian legislation.

- In order to ensure liquidity risk management, the Company has a short-term financing agreement with one of the commercial banks serving the LTG Group, which is planned to be extended for the period of 2024-2025.

In the assessment of the company's management, the applied measures and state funding will allow the LTG group to balance the cash flows necessary to ensure the continuity of operations and to service existing loan agreements and obligations to partners.

During the reporting period, the LTG Group had no financial commitments related to the ESG (Environmental, Social, Governance) indicators, nor were there any legal cases or complaints related to climate change events, nor did it incur any additional costs that had a material impact on the financial statements. Further information relating to environmental, human resources, anti-corruption, anti-bribery and other issues is disclosed in the Sustainability Report of the Integrated Report.

Changes in the statement of financial position of LTG Group

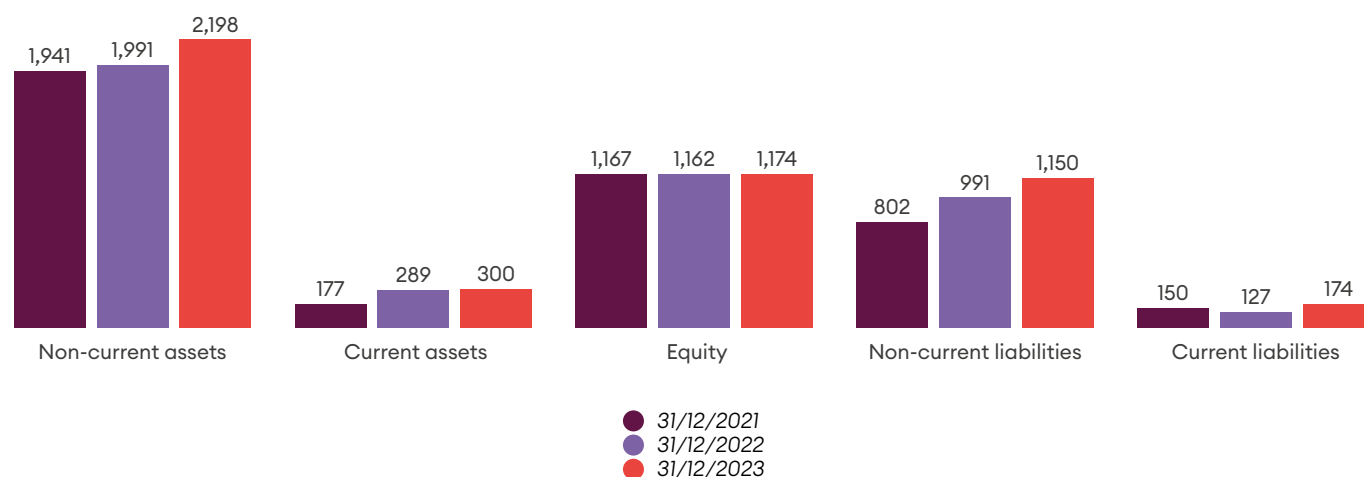
As at 31 December 2023, the assets of LTG Group amounted to EUR 2,498.5 million and have increased by 9.6%, compare to the year ended 31 December 2022. Non-current assets, which accounted for 88.0% of the total asset structure, have increased by 10.4% and amounted to EUR 2,198.2 million. The Company's long-term investment projects, implementation of which last longer than one year, show the most significant increase in construction in progress and prepayments (railway electrification programme, Rail Baltica programme, acquisition of new passenger rolling stock).

As at 31 December 2023, the current assets amounted to EUR 300.3 million and have increased by 3.9%, compare to the year ended 31 December 2022. Changes in the current assets resulted from an increase in cash balance of the LTG Group accounting for EUR 228.6 million at the end of the period. The increase in cash at the end of the year is due to a grant received from the state budget in December to balance the revenues and costs of the public railway infrastructure manager LTG Infra.

During the reporting period, the authorised capital remained unchanged and amounted to EUR 1,059.3 million. The equity increased by 1.1% and amounted to EUR 1,174.3 million at 31 December 2023. The change was due to an increase in the LTG Group's result for the period and the unrecognised losses in the statement of profit or loss and other comprehensive income arising from the sale of the electricity asset complex operated by LTG Infra to the Energy Distribution Operator (ESO). Further disclosure is provided in Note 17 of the Notes to the Financial Statements.

The increase in non-current liabilities by 16.0% to EUR 1,149.7 million was determined by the increase in grants for investments in the LTG Group company LTG Infra. During the period, financial debt (including lease) decreased by 12.6% and amounted to EUR 139.8 million. The decrease in financial debt was due to the repayment of existing long-term loans, and no new long-term financing agreements were signed during the period under review. The net debt ratio of the Group decreased as a result of an increase in the cash balances held by the Group companies.

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



Key financial indicators

		LTG Group			Company		
		2021	2022	2023	2021	2022	2023
Sales revenue / operating revenue	EUR million	420.7	336.7	357.4	102.1	96.2	89.5
Grant revenue	EUR million	37.6	96.2	94.6	-	-	-
Other revenue	EUR million	6.8	1.2	0.6	6.5	0.2	2.6
Total revenue	EUR million	465.1	434.1	452.6	108.6	96.4	92.1
Costs	EUR million	436.4	428.4	421.8	109.2	101.9	92.9
EBITDA	EUR million	136.9	112.1	139.8	7.4	3.0	7.0
Adjusted EBITDA*	EUR million	139.1	131.9	149.3	11.0	5.0	20.3
EBITDA margin	%	29.9%	25.9%	30.9%	7.2%	3.1%	7.8%
Adjusted EBITDA margin*	%	30.3%	30.5%	33.0%	10.8%	5.2%	22.6%
EBIT	EUR million	28.7	5.7	30.8	(0.6)	(5.5)	(0.8)
EBIT margin	%	6.3%	1.3%	6.8%	(0.6%)	(5.7%)	(0.9%)
Net profit	EUR million	23.5	1.2	21.6	3.4	(3.1)	16.3
Net profit margin	%	5.1%	0.3%	4.8%	3.4%	(3.2%)	18.2%
		31/12/2021	31/12/2022	31/12/2023	31/12/2021	31/12/2022	31/12/2023
Non-current assets	EUR million	1,940.6	1,991.3	2,198.2	1,080.4	1,069.1	1,058.8
Current assets	EUR million	177.3	289.0	300.3	84.7	63.1	88.1
Total assets	EUR million	2,117.9	2,280.3	2,498.5	1,165.1	1,132.2	1,146.9
Equity	EUR million	1,166.6	1,161.5	1,174.3	1,108.3	1,099.0	1,115.3
Financial debt	EUR million	180.1	159.9	139.8	10.4	8.8	9.1
Net debt	EUR million	95.4	(53.5)	(88.8)	(27.5)	4.2	(25.5)
Return On Equity (ROE)	%	2.0%	0.1%	1.9%	0.3%	(0.3%)	1.5%
Return On Assets (ROA)	%	1.1%	0.1%	0.9%	0.3%	(0.3%)	1.4%
Return On Investment (ROI)	%	1.2%	0.1%	1.0%	0.3%	(0.3%)	1.5%
Financial debt / EBITDA	ratio	1.3	1.4	1.0	1.4	2.9	1.3
Financial debt / Equity (D/E)	ratio	0.2	0.1	0.1	0.0	0.0	0.0
Net debt / EBITDA	ratio	0.7	(0.5)	(0.6)	(3.7)	1.4	(3.7)
Net debt / Adjusted EBITDA*	ratio	0.7	(0.4)	(0.6)	(2.5)	0.8	(1.3)
Loan servicing ratio	ratio	4.7	3.6	4.1	-	-	-
Equity ratio	%	55.1%	50.9%	47.0%	95.1%	97.1%	97.2%
Asset turnover ratio	ratio	0.2	0.2	0.2	0.1	0.1	0.1
Quick ratio	ratio	1.0	2.0	1.6	1.7	1.7	3.3
Total liquidity ratio	ratio	1.2	2.3	1.7	1.8	2.4	3.5

* In the calculation of Adjusted EBITDA and related ratios of the LTG Group and the Company for 2022, severance payments and compensations to employees dismissed as part of the Business Optimisation Project in the event of a material change in operating conditions have been added to the cost of provisions that are not related to operating activities.

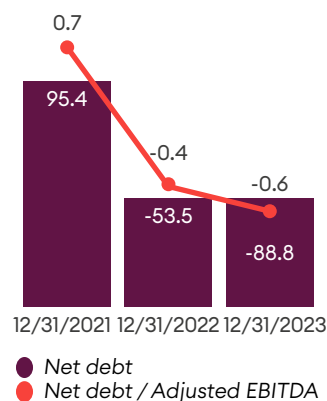
LTG Group funding

As at 31 December 2023, the LTG Group's loan portfolio to credit institutions, taking into account accrued interest on loans, amounted to EUR 127.4 million (as at 31 December 2022: EUR 148.5 million). The rolling stock acquisition projects of LTG Group companies and public railway infrastructure investment projects are financed by long-term loans.

The weighted average interest rate on the Group's loan portfolio at 31 December 2023 increased to 4.6% due to rising inter-bank interest rates. The longest maturity of financial debt is 9 years, with a final maturity in 2032.

The parent company AB Lietuvos Geležinkeliai did not have any long-term debt liabilities to external credit institutions as at 31 December 2023, but has guarantee agreements with European Investment Bank and Nordic Investment Bank for the liabilities of LTG Group companies to creditors.

Net debt of LTG Group, EUR million

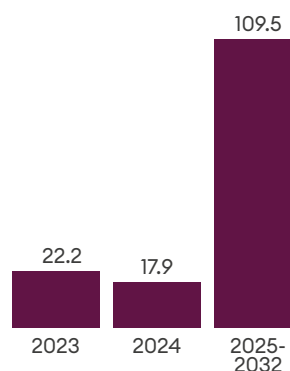


During 2023, the LTG Group repaid EUR 22.2 million of loans and paid EUR 4.9 million of interest.

During the reporting period, the LTG Group did not enter into any new long-term financing agreements. During the reporting period, the Group's passenger transport company LTG Link signed an agreement with Stadler Polska, a company of the Swiss train manufacturer Stadler Group, for the acquisition of new electric trains. The project is to be financed by international institutional banks under a state guarantee.

In order to ensure liquidity risk management, the Company has an existing EUR 30.0 million short-term financing (overdraft) agreement with SEB Bank. As at the end of the year, the Company did not have any outstanding liabilities according to this agreement.

Repayment of loans by LTG Group, EUR million



As at 31 December 2023, the net debt of the LTG Group was negative and amounted to (EUR 88.8 million). Compared to 31 December 2022, the increase in LTG Group's cash resulted in a decrease in the net debt ratio of EUR 35.3 million.

As at 31 December 2023, the Group's financial debt to equity (D/E) ratio amounted to 0.1. The debt level of the Group remains low.

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

Ratios observed by the LTG Group's institutional creditors	Measurement unit	2023	Established value
Net debt / Adjusted EBITDA	ratio	(0.6)	< 4.0
Equity ratio	%	47.0%	≥ 35%
Loan servicing ratio	ratio	4.1	≥ 2

LTG Group, seeking to ensure financing efficiency and to manage liquidity risk, has ensured the possibility for the companies to borrow from each other through cash-pool. The Parent company AB Lietuvos Geležinkeliai has concluded one Group's cash-pool agreement with a commercial bank and, accordingly, all LTG Group companies have entered into intercompany lending agreements. Each year, the LTG Group companies enter into intercompany borrowing agreements under terms and conditions consistent with normal market conditions.

2.3. Special obligations

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

The relevant list of special obligations performed by SOEs and their subsidiaries was approved on 16 March 2021 under the Order

No 4-193 of the Minister of Economy and Innovation of the Republic of Lithuania ([link](#)).

Special obligations performed by LTG Group companies

Name	Objectives	LTG Group company performing the obligation
1. Public rail passenger services	Ensure public rail passenger transport services and/or public combined passenger transport on local transport routes;	UAB LTG Link
2. Maintenance, modernisation and development of public railway infrastructure and provision of minimum access package services	Maintain, modernise and develop the public railway infrastructure, implementing the projects provided for in the state investment program and ensuring the use of European Union funds and providing railway companies (carriers) with services constituting the minimum access package under non-discriminatory conditions	AB LTG Infra

1. Public rail passenger services

Legislation by which the SOE is vested with fulfilment of the special obligation – Article 12 of the Railway Transport Code of the Republic of Lithuania.

Legislation laying down the conditions for the fulfilment of the special obligation – Article 12(9) of the Railway Transport Code of the Republic of Lithuania, implementing Regulation (EC) No 1370/2007 of the European Parliament and of the Council of 23 October 2007 on public passenger transport services by rail and by road and repealing Council Regulations (EEC) No 1191/69 and (EEC) No 1191/69. 1107/70, as amended by Regulation (EU) 2016/2338 of the European Parliament and of the Council of 14 December 2016, as well as the Resolution of the Government of the Republic of Lithuania No 716 of 7 June 2010 on the Approval of the Description of the Procedure for Compensation of Losses Incurred in the Performance of a Public Service Obligation and its subsequent amendments, adopted on the basis of these legal acts.

The pricing of the special obligation is regulated by Article 34(1) of the Railway Transport Code of the Republic of Lithuania.

The budget appropriations for the function are based on the long-term public service obligation contract (PSO) concluded in December 2022 between the Ministry of Transport and Communications of the Republic of Lithuania and UAB LTG Link as well as on the annual contract on the use of state budget funds concluded between the Ministry of Transport and Communications of the Republic of Lithuania and UAB LTG Link.

Indicators for the fulfilment of specific obligations agreed with Appropriations Operator (Ministry of Transport and Communication of the Republic of Lithuania)	Measurement units	2023	Target in 2024
The number of passengers carried on local routes	million	4.7	5.1
The number of passengers carried on local routes on preferential conditions	million	1.3	1.4

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

Legislation entrusting SOEs with the following special obligation:

- Provision of minimum access package services: Article 3 (51), Article 23 (1) and item 6 of Article 24 (1) of the Railway Transport Code of the Republic of Lithuania;
- Maintenance, modernisation and development of public railway infrastructure: Article 3 (51), Article 23 (1), and items 1, 3 and 4 of Article 24 (1) of the Railway Transport Code of the Republic of Lithuania.

Legislation setting the conditions for the performance of the specific obligation and regulating pricing:

- Provision of minimum access package services: the function is subject to budgetary allocations in accordance with Agreement on quality assurance and financing of public railway infrastructure and railway service facilities owned by the Lithuanian State, concluded on 6 April 2022 between the Ministry of Transport and Communications of the Republic of Lithuania and the manager of public railway infrastructure, AB LTG Infra, as well as the agreement on Quality Assurance and Financing of Railway Service Facilities Owned by the State of Lithuania, and the annual agreement on the Use of State Budget Funds between the Ministry of Transport and Communications of the Republic of Lithuania and AB LTG Infra. Pricing is regulated by Articles 25-252

of the Railway Transport Code of the Republic of Lithuania and the contribution rates are calculated in accordance with the Remuneration Rules approved by the Resolution of the LRV No 610 of 19 May 2004 "On the Approval of the Fee for the Minimum Package of Access to the Public Railway Infrastructure, the Fee for the Use of the Public Railway Infrastructure for the Provision of Rail Transit Transport Services, and the Rules of the Calculation and Payment of the Remuneration for the Allocated, but Unused, Capacities of the Public Railway Infrastructure" as amended;

- Maintenance, modernisation and development of the public railway infrastructure: the function is carried out in accordance with the annual agreement signed between the Ministry of Transport and Communications of the Republic of Lithuania and AB LTG Infra on the use of the state budget funds, with the use of the funds of the European Structural and Investment Funds and the European Infrastructure Network Instruments, as well as using funds of LTG Infra. Pricing is not subject to regulation.

Indicators for the fulfilment of specific obligations agreed with Appropriations Operator (Ministry of Transport and Communication of the Republic of Lithuania)	Measurement units	2023	Target in 2024
Share of electrified railways compared to the total railway length	%	8	8
Part of the population living and working in noise prevention zones that receives a reduction in noise from railways	%	69	69
Length of the constructed European railway track (Rail Baltica project)	km	-	131
Constructed part of the European rail track (south-north direction with the Vilnius link)	%	-	25.8
Number of immovable properties of public railway infrastructure and state-owned railway service facilities registered during the reporting year	unit	2,034	1,100
Minutes of delay of passenger trains due to actions of the infrastructure manager	min. / thousand train run km	11.6	6
Customer satisfaction with the infrastructure manager's minimum access package services (quality of service)	%	87.5	54
Customer satisfaction with the infrastructure manager's provision of rail service facility services (quality of service provision)	%	69.3	54

Results of performance of LTG Group's special obligations (unaudited)

Results of special obligations	Public rail passenger services			Maintenance, modernisation and development of public railway infrastructure and provision of minimum access package services		
	2021	2022	2023	2021	2022	2023
The Statement of Profit or Loss, EUR million						
Revenue	12.2	21.1	24.7	164.8	106.1	94.3
Grant revenue	37.6	36.2	34.0	-	60.0	60.6
Costs	46.3	54.6	56.8	163.1	163.8	148.9
Result of financing activity	-	(0.0)	(0.0)	(2.9)	(2.6)	(6.0)
Profit (loss) before tax	3.5	2.7	1.9	(1.2)	(0.2)	0.0
Income tax	0.5	0.4	0.4	(0.5)	(0.0)	(0.0)
Net profit (loss)	3.0	2.3	1.5	(0.7)	(0.2)	0.0
Balance, EUR million	31/12/2021	31/12/2022	31/12/2023	31/12/2021	31/12/2022	31/12/2023
Total assets	150.5	160.3	166.1	1,407.6	1,553.4	1,748.6
Equity	120.6	122.9	122.3	597.2	590.2	586.6
Grants	-	-	-	554.7	769.3	929.7
Liabilities	29.9	37.4	43.8	255.7	193.9	232.3
Total equity and liabilities	150.5	160.3	166.1	1,407.6	1,553.4	1,748.6

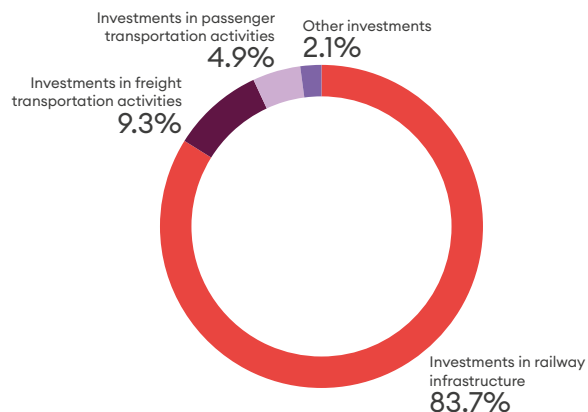
2.4. Investments

In 2023, LTG Group's investments amounted to EUR 361.4 million. Investments were mainly dedicated to upgrade and expand the railway infrastructure (83.7%).

Investments of LTG Group

Group investments, EUR million	2021	2022	2023
Renewal and development of railway infrastructure	108.6	153.9	302.5
Renewal of assets related to cargo transportation	30.2	21.5	33.5
Renewal of assets related to passenger transportation	5.6	6.6	17.7
Other investments (IT, etc.)	11.0	7.0	7.7
Total	155.4	188.9	361.4

Investment structure of LTG Group in 2023, %



Main directions for development and modernisation of the LTG Group

Priority areas for investments

Rail Baltica programme	Integration into European gauge railway network
Green projects	- Electrification programme (electrification of infrastructure, purchase of electric rolling stock, and installation of their maintenance bases) - Investments in noise reduction measures
Ensuring safety	- Renewal of depreciated infrastructure and rolling stock to ensure safe operation - Upgrading level crossings and installing 2-level junctions - Development of video surveillance systems, etc.
Increasing passenger attractiveness	- Adaptation of station areas for people with disabilities - Installation of a station information system - Reconstruction of the Vilnius station building - Reconstruction of pedestrian bridges at railway stations - Acquisition of new passenger trains
Diversification of rail freight transportation	- Investments in the Polish market - Projects for promotion of intermodal transportation
Digitisation of activities	- ERP modernisation programme - Modernisation of station management and tools - Improvement of traffic management efficiency - Digitisation of maintenance, etc.

Key investment projects

Development and renewal of railway infrastructure

Key projects / groups of projects	Work performed in 2023
1. Rail Baltica programme	Rail Baltica, Lithuania's largest rail infrastructure project, continues and it is intended to connect the Baltic countries to the EU's dominant European rail network EUR 67.6 million were invested in the Rail Baltica project during the year. Progress of the project in 2023: • On the section Kaunas-LT/LV state border: – ongoing technical design works for individual sections of the railway line; – contract works (construction of the longest bridge in the Baltic States over the Neris river at Jonava (1.5 km long)); roadway and civil engineering structures on the sections Šveicarija-Žeimiai and Žeimiai-Šėta (30 km); connecting motorways; initiation of procurement of construction works for individual sections where design is being finalised (48 km); • On the sections Kaunas - Vilnius and Kaunas - PL/LT border (including Kaunas node), site planning continues, procurement of services for design and land acquisition procedures is ongoing. • Site planning for infrastructure depots has been completed and contracts have been signed for land acquisition procedures. • Ongoing land procurement for point objects (stations, terminal connections) on the Rail Baltica line (at the Kaunas junction and on the section from Jiesia to Poland), and tenders for design services have been initiated.
2. Railway electrification programme	The Railway Electrification Programme continues to significantly reduce air pollution and increase the efficiency of Lithuania's transport sector. As part of the Vilnius-Klaipėda corridor electrification project, contract works are being carried out both at the Vilnius railway junction and on the Kaišiadorys-Klaipėda (Draugystė station) section. In 2023, investment volumes for electrification amounted to EUR 178.1 million. By the end of the year, over 90% of the electrification work was completed at the Vilnius node, and about 60% on the line from Kaišiadorys to Klaipėda. The completion of the electrification project in 2025 (electrification of 366 km of tracks) will enable freight and passengers to be transported along the entire railway corridor Kena - Vilnius/Vaidotai - Šiauliai - Klaipėda by means of environmentally friendly and efficient electric traction.
3. Railway infrastructure capacity enhancement projects	• In 2023, The second track on the Livintai - Gaižiūnai railway line was completed. 10.8 km of the new track have been built and 10.7 km of the existing track have been reconstructed by eliminating the “bottleneck” of the train capacity on the Vilnius - Klaipėda section. • Capacity expansion works were carried out at Kaunas Intermodal Terminal. The terminal pavement was reinforced and additional handling equipment for transshipment of semi-trailers was purchased, and the semi-trailer parking area was extended. The projects have increased the handling capacity for semi-trailer transport on the Rail Baltica line.
4. Noise reduction and safety improvement projects	• A programme for installation of noise abatement walls was completed. A total of 9 noise abatement walls were installed in 7 municipalities under the programme. • Safety level is being improved at intersections of railways and roads: – The project Installation of a two-level railway and motorway crossing on the section Lentvaris-Vievis (38+855 km) and Kyviškės-Valčiūnai (18+419 km) has been completed. Upon completion of the project, traffic safety problems will be eliminated from 2 railway level crossings, in which both train and car traffic is dense; – level crossings are being modernised. Four level crossing modernisation projects have been initiated (37 level crossings in total) and procurement procedures have been/are under way. The upgrading of level crossings will be accompanied by the installation of technical safety measures in accordance with the International Railway Union standard. The scope of the projects will partly depend on the funding by the State.

Key projects / groups of projects	Work performed in 2023
5. Railway infrastructure digitisation projects	• The Station Management and Instrumentation Modernisation (SMIM) project is being implemented to improve the efficiency of station operations. Implementation of the project will result in development of a new operating model and the most appropriate station management tool will be installed. • The project for the implementation of rolling stock automatic control systems (RAKS) is being carried out. Procurement procedures were carried out during the reporting period (subject to EU co-financing decisions). The installed system will contribute to ensuring safety level of passengers, freight and railway infrastructure. • Ongoing projects to improve the efficiency of traffic management, develop a business model for infrastructure maintenance, upgrade SCADA software and other digitisation projects.
6. Projects for renewal of railway stations	• The Station Information System project was implemented in 2023. The scope of the project includes installing a modern passenger information system and equipment at 50 stations. • To make train journeys easily accessible to passengers with disabilities, the Project on the Barrier-free Route for People with Disabilities in the station areas is under implementation. The project renovates station accesses, builds ramps, warning strips and other measures. Works in 14 stations were completed in 2023. The project will be continued in 2024. • The redevelopment of the Vilnius railway station building is underway, improving the attractiveness of Vilnius station for passengers and adapting the station for commercial purposes. In 2023, the reconstruction of the building at Vilnius Railway Station was carried out.
7. Other projects	• Together with the State Service for Protected Areas under the Ministry of Environment of the Republic of Lithuania, a project was implemented for the adaptation of the Lyduvėnai railway bridge maintenance path for visitors. The project enabled visitors to enjoy the views from the Lyduvėnai Railway Bridge, the longest (599 m) and highest (42 m) railway bridge in Lithuania. • Procurement of services was initiated for the replacement of locomotive safety systems (LSS) on self-propelled infrastructure rolling stock. It is planned to replace current systems in 17 rolling stocks. • LTG Infra is investing in the renewal of its infrastructure to ensure safety and the smooth continuation of its core activities. During the reporting period, the main railway tracks were renewed, the switch replacement programme was carried out, defective bridges were reconstructed, level crossings were repaired, the replacement of the catenary supports in an emergency condition was started (on the Vilnius-Kaunas section), the project of replacing the electrical switch and signal switching equipment at Vilnius region stations was carried out, the fence (retaining wall) of Vilnius railway station was rebuilt, the reconstruction of the pedestrian bridge of Vilnius station was launched, and other asset renewal works were performed. During 2023, the works amounting to EUR 42.6 million have been carried out to renew railway infrastructure assets, including EUR 27.7 million for the renewal of the main rail roads.

The investments in rail infrastructure planned for the near future

• Continuation of the projects carried out in 2023 and not yet completed, the most important of which are the **Rail Baltica programme** and the **Railway Electrification Programme**, as well as the adaptation of stations for people with disabilities, modernisation of level crossings, digitisation projects.

• Renovation of depreciated assets (main rail roads, switches, bridges, catenary supports, level crossings and other facilities) necessary to ensure traffic safety and maintain the parameters of the existing infrastructure;

• Intensification of investments to increase military mobility in the country (e.g. installation of a military/civilian loading site in Palemonas, connection of the Pajuostis base) and national security (e.g. installation of X-ray machines at border stations).

The investment programme (scope of asset renewal, inclusion of individual projects in the investment portfolio) of LTG Infra depends to a large extent on the funding decisions of the EU and the state budget.

Investments in freight transportation activities

Key projects / groups of projects	Work performed in 2023
1. Rolling stock repair programme	Major investments of LTG Cargo in 2023 were aimed at renewing rolling stock (locomotives and wagons) in operation to ensure continuity of freight transport operations and safe transport of freight: • EUR 11.9 million for capitalised repairs of locomotives. 71 freight and shunting locomotives were repaired in 2023. • EUR 7.3 million for capitalised repairs of freight wagons. 1,467 freight wagons were repaired in 2023.
2. Project for acquisition of electric locomotives	As part of the LTG Group's Railway Electrification Programme, LTG Cargo has started the Project for Acquisition of Electric Locomotives. The purchase of at least 17 new electric locomotives has started. The electric locomotives will replace old diesel locomotives and ensure environment-friendly freight transport on the electrified railway corridor Kena-Vilnius/Vaidotai-Radviliškis-Klaipėda.
3. Project for development of freight transportation services in Poland	As LTG Cargo's freight transportation volumes to the East-West decreased due to geopolitical reasons, investments are being made to develop new markets, especially in Poland. In 2023, LTG Cargo Polska, the subsidiary of LTG Cargo, continued the investments in European-gauge rolling stock with the additional purchase of 2 modernized locomotives and 146 units of specialised containers for the transport of bulk cargo. LTG Cargo Polska also has long-term rolling stock lease agreements for its operations.
4. Projects to increase efficiency of the use of assets and other projects	• LTG Cargo's Technological Base Optimisation Project is being implemented. The technical design is being finalised as part of the design contract signed in 2023. The plan is to move out from the worn-out repair bases in the centre of Vilnius city and relocate locomotive maintenance and repair activities to the area near Vaidotai station. The aim is to make the new bases suitable for servicing electric locomotives currently being acquired and to increase the efficiency of locomotive repairs. The project is expected to end in 2026. • In 2023, LTG Cargo continued the Operational Control Centre Implementation Project in order to increase operational efficiency. The project is implemented, the planning and management of freight transport activities will be carried out in accordance with new business processes, activities will be automated and digitalised, and data exchange with the relevant LTG systems will be ensured; • Replacement of Locomotive Safety Systems (LSS) has been initiated. It is planned to replace the systems currently used in 44 mainline locomotives and 67 shunting locomotives.

The investments in freight transportation activities planned for the near future

- Projects started in 2023 and not yet completed are being continued, the most important being: **Acquisition of Electric Locomotives** (it is expected to complete the purchase and conclude a contract in 2024) and **Optimisation of Technological Bases** (in 2024, the design is expected to be completed and the project is expected enter the phase of contract works and acquisition of technological equipment).
- Repair programmes for the 1,520 gauge rolling stock (locomotives and freight wagons) currently in service are being implemented.

- Renewal of the depreciated fleet of freight wagons, in particular the acquisition (and/or modernisation) of new grain wagons and semi-wagons is planned.
- Investments in the continuity and expansion of LTG Cargo Polska's operations (European rolling stock, terminal) are continued.
- When the war in Ukraine is over, it is planned to invest in the Ukrainian railways business.

Investments in passenger transportation activities

Key projects / groups of projects	Work performed in 2023
1. Rolling stock repair programme	In order to ensure that the passenger trains are prepared for the implementation of the public-service contract concluded with the Ministry of Transport and Communications of the Republic of Lithuania: - currently operating passenger trains are being upgraded; EUR 6.4 million were spent on overhaul repairs of passenger trains during the year, 43 passenger wagons were repaired; - a project to acquire replacement units for 730ML trains is being implemented. In 2023, an advance payment was made to start the production of part of the units.
2. Project for acquisition of electric passenger trains	The LTG Group is implementing the project for acquisition of new electric passenger trains as part of its railway electrification programme. In June 2023, LTG Link signed a contract with Sandler Polska, the Polish subsidiary of the Swiss train manufacturing group Stadler Rail, for purchase of 15 electric trains (including 6 battery-powered electric trains). These trains will replace a number of LTG Link's end-of-life diesel trains. The new trains will allow ensuring environmentally friendly transportation of passengers on electrified lines, and replacement of diesel trains with battery-electric trains on individual routes that are not fully electrified. They will be more efficient, adapted to the needs of people with disabilities and will provide a higher level of comfort for passengers. The first advance payment (EUR 10.3 million) for the start of train manufacturing was made in 2023. The first trains are expected to start running in 2026.
3. Other projects	- Project for installation of the ticketing system Smart Ticketing: with the introduction of the new ticketing system in 2022, a second phase is currently underway – the installation of ticketing machines at stations. A service contract was signed in 2023 and the installation of ticketing machines is planned in the first half of 2024. - The Passenger Rolling Stock Repair Base Optimisation Project, related to adaptation of the bases for the new electric trains, improvement of repair efficiency, solution of environmental protection issues, etc. has been initiated by LTG Link. A design contract was signed in 2023. The project has a planned completion date of 2026. - Replacement of Locomotive Safety Systems (LSS) has been initiated. The systems currently in service have to be replaced in 35 passenger trains.

The investments in passenger transportation activities planned for the near future

• Projects started in 2023 and not yet completed are being continued, the most important being: **Acquisition of electric passenger trains** (it is expected to have the first train manufactured during 2024 and start testing thereof), **Optimisation of Passenger Rolling Stock Bases** (it is expected to complete design works in 2024); **Project of ticketing system** (it is expected to complete installation of ticketing machines in the stations in 2024).

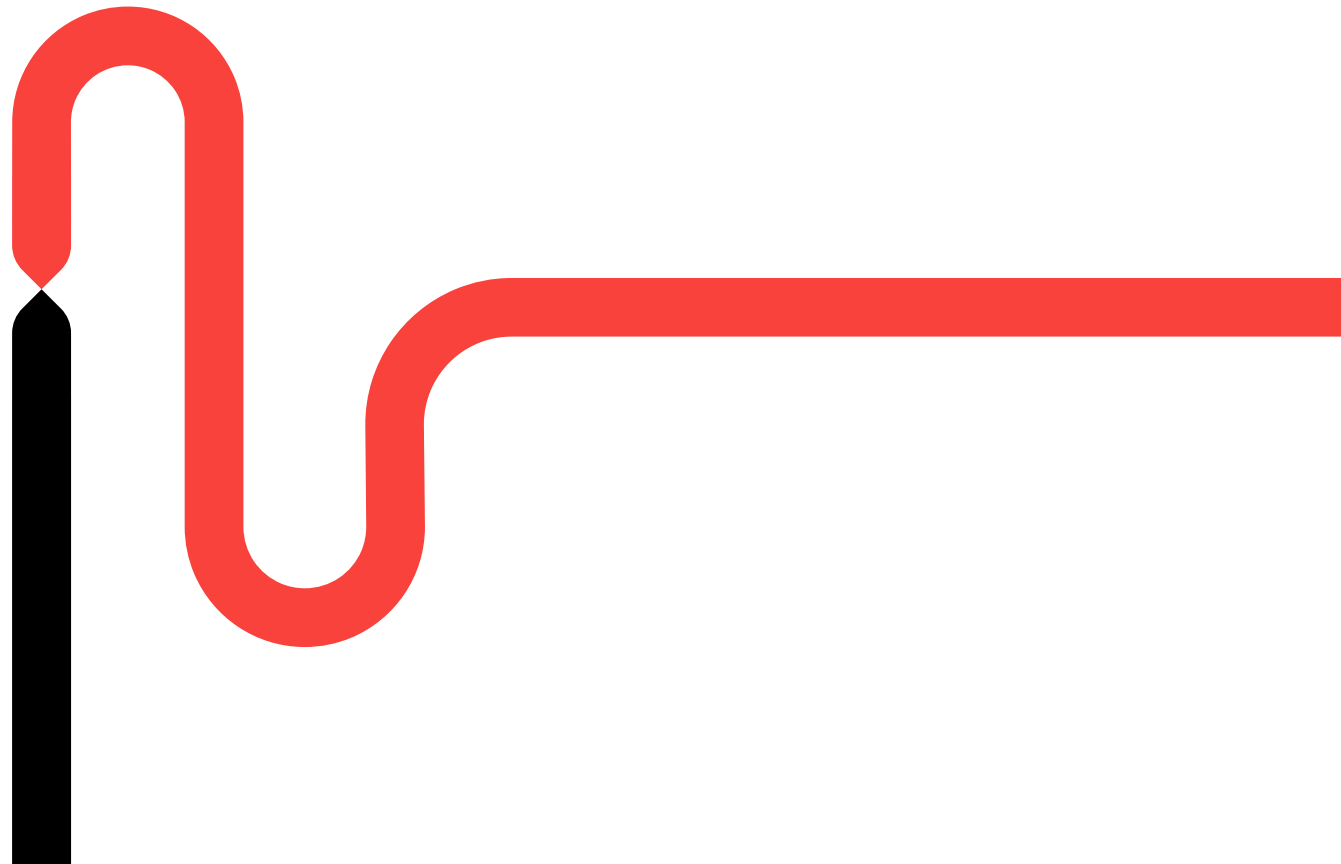
- Implementation of the repair programme of currently operating passenger trains.
- Implementation of new projects to improve the quality and efficiency of small-scale passenger transport services (passenger information system on trains, improvement of the interior of wagons, remote monitoring of train condition, etc.

Investments by Geležinkelių Tiesimo Centras

Key projects / groups of projects	Work performed in 2023
1. Machinery renewal programme	During 2023, renewal/repair of existing machinery, acquisitions of small mechanisation and renewal of surveying equipment were carried out.
2. Other projects	Replacement of Locomotive Safety Systems (LSS) in self-propelled rolling stock was implemented. The systems used so far were replaced in 4 rolling stocks.

GTC investments planned for the near future

- Renewal of existing machinery is carried out.
- It is planned to replace depreciated GTC wagons with the new ones.



2.5. Dividends

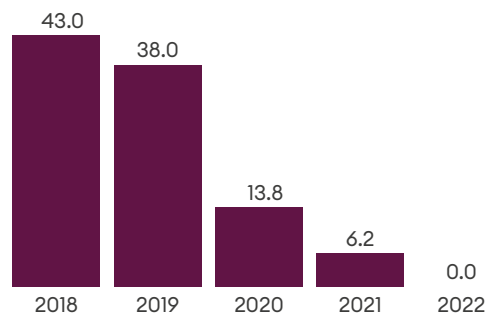
The payment of dividends by state-owned enterprises and the amount of profit distributions is governed by Resolution No 665 of 6 June 2012 of the Government of the Republic of Lithuania On approval of the procedure for exercising pecuniary and non-pecuniary rights of the state in state owned enterprises,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

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

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

The procedure for calculation and payment of dividends of AB LTG Infra, which performs the functions of the Public Railway Infrastructure Manager, in addition to the Dividend Policy, is also regulated by the Description of the Procedure for Calculation and Use of the Public Railway Infrastructure Manager's Performance Results, approved by Order of the Minister of Transport and Communications of the Republic of Lithuania No. 3-289 of 6 June 2022, which ensures implementation of Article 241 paragraph 9 of the Railway Transport Code of the Republic of Lithuania ([link](#)).

Dividends allocated by LTG, EUR million



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 of the Company, depends on return on equity (ROE) at the end of the reporting period.

The Board of the Company may propose a higher / lower 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), implementation of the Company's Long-Term Strategy.

Under the Order No. 3-328 Regarding Approval of a Set of Financial Statements of 2022 and a Set of Consolidated Financial Statements of 2022 of the public limited liability company Lietuvos Geležinkeliai and Allocation of Distributable Profit (Loss) for 2022 of the Minister of Transport and Communications dated 04 July 2023, the annual financial reporting of AB Lietuvos Geležinkeliai for the year 2022 was approved, and profit (loss) of 2022 was distributed. No dividends have been allocated as the Company incurred a financial loss for the period.

During the reporting period, dividends allocated to the parent Company from the distributable profit of its subsidiary AB LTG Cargo for 2022 amounted to EUR 6.6 million, from its subsidiary UAB LTG Link – to EUR 5.4 million, from its associate UAB voestalpine Railway Systems Lietuva – to EUR 0.3 million.

Governance report



3.1. Overview

3.1.1. Governance model

The **governance model** of the LTG Group is **centralised**: parent the governing bodies of the parent LTG consider and approve the Group's consolidated strategy, consolidated business objectives, the indicators against which they are measured and the targets to be achieved, consolidated budget and operating plan. Although the law and the Articles of Association do not provide for direct management powers of LTG over the subsidiaries, LTG establishes rules and procedures for coordination, supervision and/or control of the activities and functions of the Group's companies. It also establishes policies and rules applicable in the Group, acts as an active shareholder and exercises its rights properly.

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

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

The corporate governance of the LTG Group focuses on creation of a long-term value and ensures proper representation

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

3.1.2. LTG Group's management structure

The corporate governance structure of the LTG Group consists of the bodies of the companies and committees formed by the LTG Board (hereinafter referred to as the Committees of the Board).



3.1.3. Governance principles

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

- **Openness and transparency of activities** – applied to ensure disclosure of accurate, comprehensive, and timely information about LTG Group by making public disclosures (financial, business, governance) as required by the RoL legislation. The Group companies seek to increase transparency in pursuing all their activities and in implementing their strategic goals, and public disclosures are made in a clear, accurate and understandable manner so that the shareholder and all stakeholders receive the correct information.
- **Compliance of corporate governance with the legal framework and its efficiency** – applied to ensure that LTG Group's governance model and structure comply not only with mandatory legal requirements, but also with the best corporate governance practices. LTG should continuously seek to keep a balanced approach between the allocation of powers and the application of controls within the Group and to become a role model for corporate governance practices.
- **Meeting the expectations of shareholders** – applied in seeking the growth of business value and the yield from dividends or profit contributions to the state budget, the ensuring of strategic national interests and implementation of strategic projects, in setting the shareholder's expectations of LTG Group with regard to the strategic directions of activities, in reaffirming clear goals and principles of operation and sustainable development (the letter of expectations from the authority exercising the rights and duties of the shareholder - the Ministry of Transport and Communications of the RoL).

- **Engagement with and role of stakeholders** – applied by recognising the expectations and rights of the stakeholders as established in legislation or mutual agreements, as well as by fostering active cooperation between LTG Group and the stakeholders to create added value.
- **Effective and efficient risk management and internal control system** – applied by ensuring the transparency, effectiveness and efficiency of risk management and internal control systems.
- **Clarity and sustainability of goals** – applied by setting clear and transparent operational goals at the Group level, which are directed towards the achievement of the goals set out in the long-term strategy and towards long-term business success and growth. Successful achievement of the long-term goals is largely determined by the collegial governing bodies acting in a highly professional manner for the purpose of ensuring the effectiveness and strategic direction of the Group's management at all levels of governance, and therefore a particular focus is given to their formation, composition, role, and powers.
- **Responsibility and accountability of the governing bodies** – applied by ensuring that the governing bodies of LTG Group or of the independent companies properly perform their functions, actively exercise their rights, and properly discharge their duties, and are accountable to and act in the legitimate interests of shareholders. In their activities the governing bodies and the management observe the principles of ethical business practices, mutual respect, fairness, impartiality, loyalty, and integrity.

3.1.4. Recognitions of governance

LTG Group successfully became the member of the Baltic Institute of Corporate Governance (BICG) in 2022, and the BICG carried out an assessment of LTG Group's governance and provided its recommendations. In 2023, the LTG Group successfully implemented these recommendations in the areas of protection of shareholder rights, board performance, stakeholders, transparency and openness, and performance monitoring. LTG's management and the Board also discussed and identified recommendations to be implemented in 2024.



The LTG Group also received the highest rating of A+ in the State Coordination Centre's (SCC) governance assessment of state-owned enterprises in 2023 (LTG Group was rated A in 2022). Compared to the previous period, the rating of the LTG Group increased in the areas of sustainability, independence of collegiate bodies, selection and functions, committees, remuneration, strategy implementation and monitoring, and was A+ in all four categories.

3.2. Internal regulation

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

The LTG Group's corporate governance is also regulated by internal documents: Articles of Association of the LTG Group, rules of procedure of the Boards of the Group companies, operating regulations of the committees of the LTG Board, rules of procedure of the LTG functional committees, policies of the LTG Group, and other documents adopted at the Group level.

3.2.1. Articles of association

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

During the reporting period, the Company's Articles of Association were amended once by supplementing them with the competences of the LTG Board as follows:

- making decisions on loan or other financing transactions with a value equal to or greater than EUR 6,000,000;
- analysis and assessment of information provided by the Company's Chief Executive Officer on the Company's material risks, their prioritisation and approval of strategies for their management;
- Adoption of the decisions regarding approval of the transactions of subsidiaries with a value equal to or greater than EUR 6,000,000 (the amount stated in the previous version of the Articles of Association was EUR 3,000,000).

The effective version of the Articles of Association of LTG is available at the Company's website [link](#).

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

3.2.2. Operating policies of the Company

On 23 May 2023, in order to reflect BICG recommendations, global good governance practices and to strengthen governance in key areas of the LTG's activities, the LTG Board approved a list of policies including 19 priority operating policies of the LTG approved by the LTG Board.

During the reporting period, the following operational policies were approved by the LTG Board and introduced by the LTG Group:

- The updated **Corporate Governance Policy** aims at setting out common principles for the LTG Group in terms of governance structure, the formation of governing bodies and separation of functions, corporate governance, control and transparency, the optimal governance structure, decision-making and reporting framework and the relationship between the governing bodies of the LTG Group companies.
- **The Related-Party Transaction Policy** aims to protect the interests of the LTG Group in order to properly assess the conflicts of interest related to such transactions, to minimise the potential negative consequences of such transactions and to ensure that information is properly disclosed in the financial statements of LTG Group.
- **The Board Member Engagement Policy**, which aims to ensure the effective and seamless engagement and involvement of elected board members of LTG Group companies in

the course of their activities as a Board member in the LTG Group companies.

- The updated **Remuneration Policy**, which includes provisions on remuneration and performance management for the LTG Group employees.

- **The Policy on the Prevention and Management of Conflicts of Interest** is intended to ensure the functioning of the system for the prevention of conflicts of interest in the LTG Group, to identify potential conflicts of interest, to create an environment resistant to corruption and dishonesty, and to increase confidence in the activities of the LTG Group.

- **The Policy on Sanctions Implementation and Control** establishes a unified Sanction Implementation and Control model and principles applicable within the LTG Group in order to ensure compliance with the United Nations Security Council (UN), the European Union (EU) and national sanctions regulations, as well as alignment with the United States of America (USA), and the United Kingdom of Great Britain and Northern Ireland (UK) sanctions regimes.

- **The Project and Investment Management Policy** establishes the general procedures for project and investment management within the LTG Group to ensure the timely implementation of projects and investments within the expected scope, time, and budget.

- **The Strategic Planning and Management Policy**, which aims to establish a robust and high quality strategic planning and management model within the LTG Group.

- **The Anti-Corruption Policy** aims to ensure that the LTG Group's activities meet the highest standards of transparency, integrity and credibility.

- **The Support Policy**, which sets out the rules for the support and provision of support by the LTG Group companies to beneficiaries for public benefit purposes.

3.3. Bodies of the Company

The following bodies of the Company are provided in the Company's Articles of Association:

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

3.3.1. General meeting of shareholders

The General Meeting of Shareholders is the supreme body of the Company, which shapes the Company's management and supervisory structure, and approves the highest-value transactions of the Group companies. The competence of the general meeting of shareholders, the procedure of its convening as well as resolution-passing is established by the Law on Companies, other legislation as well as in the Articles of Association of the Company.

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

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

- receive a portion of the Company's profit (dividend);
- receive the Company's funds when the capital of the Company is reduced with a view to paying out the company's funds to the shareholders;
- receive shares without payment if the capital is increased out of the company funds with exceptions specified by the Law on Companies of the Republic of Lithuania;
- the pre-emptive right to acquire the shares issued by the Company, except for the case when the General Shareholders Meeting decides to revoke the pre-emptive right of all shareholders in accordance with the procedure established by the Law on Companies of the Republic of Lithuania;

- lend to the Company in the manner prescribed by laws; however, when borrowing from its shareholders, the Company may not pledge its assets to the shareholders. When the Company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect on the day of conclusion of the loan agreement. In such a case, the company and shareholders shall be prohibited from negotiating a higher interest rate;

- receive a part of assets of the Company in liquidation;
- other property rights established by other laws of the Republic of Lithuania.

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

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

The competence of the General Shareholders Meeting is provided for by the Law on Companies, also in the Articles of Association of LTG.

Competences of the general meeting of shareholders are as follows:

- amend the Articles of Association of the Company, except where otherwise stipulated by the Law on Companies;
- change the registered office of the Company;
- elect the members of the Board;
- remove the Board or its members;
- elect and remove an auditor or an audit firm for the carrying out of the audit of a set of the annual financial statements and consolidated financial statements, establish conditions for payment for audit services;
- determine the class, number, nominal value and the minimum issue price of the shares issued by the Company;
- take a decision on conversion of the company's shares of one class into shares of another class, approve the share conversion procedure;
- take a decision to change the number of shares of the same class issued by the Company and the nominal value per share without changing the amount of the authorised capital;
- approve the set of annual financial statements and the set of consolidated financial statements, except where otherwise stipulated by the Law on Companies of the Republic of Lithuania;
- take a decision on profit/loss distribution;
- take a decision on the building, use, reduction and liquidation of reserves;
- approve a set of interim financial statements prepared in order to take a decision on the allocation of dividends for a period shorter than the financial year;
- take a decision on the allocation of dividends for a period shorter than the financial year;
- take a decision on issuing of bonds;
- take a decision on withdrawal for all the shareholders the

right of pre-emption in acquiring the Company's shares of a specific issue;

- take a decision on increase of the authorised capital;
- take a decision on reduction of the authorised capital, except where otherwise stipulated by the Law on Companies of the Republic of Lithuania;
- take a decision on the reorganisation or split-off of the Company and approve the terms of reorganisation or split-off, except where otherwise provided for by the Law on Companies of the Republic of Lithuania;
- take a decision on conversion of the Company;
- take a decision on the restructuring of the Company in the cases specified by the Law on Insolvency of Legal Persons of the Republic of Lithuania;
- take a decision on liquidation of the Company or on cancellation of the liquidation of the Company, except where otherwise stipulated by the Law on Companies of the Republic of Lithuania;
- elect and remove the liquidator of the Company, except where otherwise stipulated by the Law on Companies of the Republic of Lithuania;
- Approve the decisions adopted by the Board of the Company on the following:
 - on the investment, disposal or lease of the Company's non-current assets with a carrying amount equal to or greater than EUR 3,000,000;
 - on the pledge and mortgage of the Company's non-current assets with a carrying amount equal to or greater than EUR 3,000,000;
 - on offering of suretyship or guarantee for fulfilment of obligations of other persons the amount thereof is equal to or greater than EUR 3,000,000;
 - on the acquisition of the fixed assets the price whereof is equal to or greater than EUR 3,000,000;
 - on approval that the Company's executive may conclude transactions for acquisition of goods, works and services where the value of each transaction is equal to or greater

than EUR 3,000,000;

- on transactions related to loans and/or other financing where the value of each transaction is equal to or greater than EUR 3,000,000;
- on the approval of the Company, as a shareholder of the subsidiaries, of the decisions of the governing bodies of the subsidiaries concerning the investment, transfer, lease, acquisition, mortgage, pledge, hypothecation, and the granting of sureties and guarantees for the obligations of others, the purchase of goods, services, and works, and the granting of a loan or any other financing transactions, where the carrying amount of non-current assets to be invested, disposed of, leased, the cost of non-current assets to be acquired, the carrying amount of non-current assets to be mortgaged or pledged, the amount of the obligations of others for which sureties and guarantees are to be granted, the value of the transaction for the purchase of goods, services, works, or of the value of a loan or other financing transaction, respectively, is equal to or greater than EUR 6 000 000.

Major decisions of the shareholder in 2023:

- the Company's sets of the financial statements and consolidated financial statements for the year 2022 were approved.
- The Company's distributable profit (loss) for the year 2022 was distributed;
- The Articles of Association of the Company were amended.
- The following decisions of the Company's Board were approved:
 - To approve the decision of the Board of UAB LTG Link to conclude the transaction for acquisition of the electric trains;
 - To approve the decision of the Board of UAB LTG Infra to conclude the purchase transaction for the design of track control, traffic management and signalling subsystem of Rail Baltica, construction works and related services;
 - To approve the decision of the Board of UAB LTG Cargo to conclude the purchase transaction of electric locomotives with long-term supply of spare parts and maintenance services.

The shareholder's expectations

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

In this regard, the letter regarding the objectives that the state pursues and raised expectations in the Company was approved by the Order of the Minister of Transport and Communications of 4 October 2022. The letter of expectations of the shareholder is available on the Company's website [link](#).

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

- Carrying out of special obligations:
 - provision of public services of passenger transportation by rail and public services of combined passenger transportation on domestic routes;
 - provision of services for maintenance, renovation and development of the public railway infrastructure, organisation of railway transport traffic and services of the minimum package of access to the public railway infrastructure.
- development of freight transportation by rail activities.
- transparent distribution of capacities of the public railway infrastructure and effective use of the railway network.
- implementation of strategic and intermodal projects.

3.3.2. Board

The Board is a collegial governing body consisting of 7 members as set out by the Company's Articles of Association. The members of the Board are elected by the General Shareholders Meeting for a term of 4 years in accordance to the legislation of the Republic of Lithuania. The Board elects the chairman from among its members. More than a half of Board members shall not have employment relationships with the Company. The number of terms of office of the Board Member is not limited.

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

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

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

The Board is accountable to the General Meeting of Shareholders.

Competence of the Board

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

In accordance with the Articles of Association of the Company, the Board adopts decisions:

- for the Company to become an incorporator or a member of other legal persons;
- on the opening of branches and representative offices of the Company;
- on the pledge and mortgage of the Company's non-current assets with a carrying amount equal to or greater than EUR 3,000,000 (excluding value added tax) (calculated individually for every type of transaction);
- on the pledge and mortgage of the Company's non-current assets with a carrying amount equal to or greater than EUR 3,000,000 (excluding value added tax) (calculated for the total amount of transactions);
- on offering of suretyship or guarantee for fulfilment of obligations of other persons the amount thereof is equal to or greater than EUR 3,000,000 (excluding value added tax);
- on the acquisition of the fixed assets the price whereof is equal to or greater than EUR 3,000,000 (excluding value added tax);
- on approval that the Company's executive may conclude transactions for acquisition of goods, works and services where the value of each transaction is equal to or greater than EUR 3,000,000 (excluding value added tax) after considering the draft documents of such purchase presented by the CEO;
- on transactions related to loans and/or other financing where the value of each transaction is equal to or greater than EUR 3,000,000 (excluding value added tax);
- on the approval of the Company, as a shareholder of the subsidiaries, of the decisions of the governing bodies of the subsidiaries concerning the investment, transfer, lease, acquisition, mortgage, pledge, hypothecation, and the granting of sureties and guaranties for the obligations of others, the purchase of goods, services, and works, and the granting of a loan or any other financing transactions, where the carrying amount of non-current assets to be invested, transferred, leased (calculated individually for every type of transaction), the cost of non-current assets to be acquired, the carrying amount of non-current assets to be mortgaged or pledged (calculated for the total amount of transactions), the amount of the obligations of others for which sureties and guaranties are to be granted, the value of the transaction for the purchase of goods, services, works, or of the value

of a loan or other financing transaction, respectively, is equal to or greater than EUR 6 000 000 (excluding value added tax).

- regarding the Company's, as a shareholder of subsidiary companies, approval of the decisions of the management bodies of subsidiary companies regarding becoming of the subsidiaries the founders, participants of other legal entities (except for decisions on becoming founders or participants of associations);
- on consent that the Company, as a shareholder of subsidiary companies, would adopt decisions regarding incorporation, merger, division or transfer of any other legal form of operation of subsidiaries.

The Board shall analyse and assess the information submitted by the head of the Company on:

- the implementation of the business strategy of the Company;
- the organisation of the activities of the Company;
- the financial status of the Company;
- the results of economic activities, income and expenditure estimates, the stock-taking and other accounting data of changes in the assets;
- the Company's material risks (prioritised by the Board when assessing such risks);
- other issues of the Company's activities that are related to the areas of competence of the Board, and, if necessary, make decisions on these issues.

The Board performs the following supervisory functions:

- supervises the activities of the head of the Company, submits feedback and proposals regarding the activities of the head of the Company to the General Meeting of Shareholders;
- considers whether the Company's Chief Executive Officer is fit for office if the Company is making a loss;
- submits proposals to the head of the Company to revoke his/her decisions that contradict laws and other legal acts, these Articles of Association, decisions of the General Meeting of Shareholders or the Board;
- decides on other matters within the competence of the Board to supervise the Company and the activities of the Company's Chief Executive Officer, as provided for in these Articles of Association, as well as in the decision of the General Meeting of Shareholders.

Composition of the Board of the Company

The term of office of the Board is 20/07/2021–20/07/2025.

During the reporting period, neither member of the Board held shares of the LTG Group companies.



KĘSTUTIS ŠLIUŽAS

Chairman of the Board, independent Board member
Holds the position from 20 July 2021

EDUCATION

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

MAIN EMPLOYER, POSITION

- CEO of IPI srl/Oji (Japan).

OTHER POSITIONS HELD

- Supervisory Board member and Audit Committee member of PayRay Bank, UAB, Livo g. 25, Vilnius, company code 304862948.



EUGENIJUS PREIKŠA

Independent Board member
Holds the position from 20 July 2021

EDUCATION

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

MAIN EMPLOYER, POSITION

- Board Member, Head of Risk Management at UAB European Merchant Bank.

OTHER POSITIONS HELD

- -



DR. AURIMAS VILKELIS

Independent Board member
Holds the position from 20 July 2021

EDUCATION

- IMD Lausanne (Switzerland), High Performance Board Programme;
- ETH Zurich (Switzerland), Post doctoral research;
- Vilnius Gediminas Technical University, Doctorate in Technological Sciences.

MAIN EMPLOYER, POSITION

- Head of Transport at Swiss Post (Switzerland).

OTHER POSITIONS HELD

- Independent Supervisory Board Member of AB Klaipėdos Valstybinio Jūrų Uosto Direkcija, J. Janonio g. 24, Klaipėda, company code 240329870.

Composition of the Board of the Company



BERNARD GUILLELMON

Independent Board member
Holds the position from 20 July 2021

EDUCATION

- Ecole Polytechnique Fédérale de Lausanne, Microtechnology engineer and Master's degree in energy;
- INSEAD (Fontainebleau, France, Master's degree in Business Administration, Leadership Challenge Course;
- Trigon, Master's degree in Organisational Development;
- Management Insitute (London), certificate in corporate governance.

MAIN EMPLOYER, POSITION

- Owner of consulting Company Bridge The Gap Ltd with focus on senior advisory in energy / mobility / real estate and sparring / coaching for personal and organisational development;
- Various qualifications and authorisations in the transport sector (Nexxiot, Hupac, Rail Logistics Europe, etc.).

OTHER POSITIONS HELD

- JJM (real estate company owned by family) Vice President and Board Member;
- Camerata Bern (professional chamber orchestra) member of the Board of Trustees;
- PROSE AG (Engineering company) Board Member.



DALIA ANDRULIONIENĖ

Independent Board member
Holds the position from 20 July 2021

EDUCATION

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

MAIN EMPLOYER, POSITION

- CEO of UAB Omberg group, Gynėjų g. 16, Vilnius, company code 303566387.

OTHER POSITIONS HELD

- -

Composition of the Board of the Company



ROMAS ŠVEDAS

Member of the Board delegated by the shareholder
Holds the position from 20 July 2021

EDUCATION

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

MAIN EMPLOYER, POSITION

- Head of the Governance Department at VšĮ Valdymo Koordinavimo Centras (State-delegated Board Member), Žalgirio g. 92, Vilnius, company code 110068011;
- Head of MB Romas Švedas ir partneriai, Vytauto Žalakevičiaus g. 16-23, Vilnius, company code 303150481.

OTHER POSITIONS HELD

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



AGNĖ AMELIJA MIKALONĖ

Board Member, civil servant
Holds the position from 20 July 2021

EDUCATION

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

MAIN EMPLOYER, POSITION

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

OTHER POSITIONS HELD

- Board member at AB Via Lietuva, Kauno g. 22, Vilnius, company code 188710638188710638.

Changes in the composition of the Board during the reporting period

The composition of the Board has not changed during the reporting period.

Activities, most significant achievements and decisions of the Board

During the reporting period, the Board of the Company organised its work in accordance with the Board's annual activity plan approved on 15 November 2022, which provided for the consideration of organisational, strategic, planning, risk management, goal-setting and evaluation, the Board's self-assessment of its own performance, and the reporting of the Company's performance, amongst other items. The activity plan of the Board for 2024 was approved on 9 December 2023.

During the reporting period, a total of **25 meetings of the Board** were held, including 7 meetings which took place in the form of a written survey.

Operating strategies and planning-related decisions

Two strategy sessions were organised in 2023 to present and discuss the LTG Group's strategy and its implementation, key investments and projects, risks, strategy implementation and challenges in subsidiaries.

Like every year, the Board considered and took decisions necessary for the efficient and uninterrupted operation of the Company:

- To approve the Company's operational plan (budget);
- To set the LTG Group's annual targets, metrics and target values, and the goals of the Company's Chief Executive Officer;
- To approve strategies of LTG and LTG Group;
- To prioritise the LTG's risks and to approve priority risk management strategies;
- To approve the annual report for 2022 and the Company's interim and consolidated reports for 2022;

- A decision for approval of the Company's organisational structure was adopted.

Relationship between the Board and the Shareholder

During the reporting period, the Board responded to the shareholder's expectations in the areas of strategy update, risk prioritization and management, implementation and application of management practices, and management of the largest LTG projects. As stipulated in the Company's Articles of Association, the shareholder's approval was obtained for the largest and most important LTG transactions, and active discussions were held on the strategy, its implementation and correlation with shareholder expectations, various initiatives and the Company's projects (Rail Baltica, Electrification, FREE Rail).

Regulation of the Company's activities

During the reporting period, the Board approved the list of policies to be adopted by the Board and took decisions on the approval/updating of the Company's policies (Corporate Governance policy, Related Parties Transactions Policy, Onboarding Policy for Board Members, Remuneration Policy, Policy on Prevention and Management of Conflicts of Interests, Policy of Sanctions Implementation and Control, Project and Investment Management Policy, Strategic Planning and Management Policy, Anti-corruption Policy, and Support Management Policy).

Decisions of the Company's subsidiaries

During the reporting period, the Board of the Company also considered, analysed and approved the highest value

transactions by the Boards of the subsidiaries. The most important decisions taken by the Board of the Company on subsidiaries' transactions are as follows:

- To approve the decision of the Board of UAB LTG Infra to conclude the purchase transaction for the design of track control, traffic management and signalling subsystem of Rail Baltica, construction works and related services;
- To approve the decision of the Board of UAB LTG Cargo to conclude the purchase transaction of electric locomotives with long-term supply of spare parts and maintenance services;
- To approve the decision of the Board of UAB LTG Link to conclude the transaction for acquisition of the electric trains;
- To approve the decision of the Board of UAB LTG Infra to increase the value of the purchase transaction for contract works in the project "Electrification of the section Vilnius-Klaipėda (Draugystės station)";
- To approve the decision of the Board of UAB LTG Infra regarding the contract works for construction of the bridge over Neris;
- To approve the decision of the Board of UAB LTG Infra to increase the value of the purchase transaction for contract works in Rail Baltica project on the Kaunas - Panevėžys - LT/LV section of the railway line.

Matrix of competences of the Board members

On 4 April 2023, the Board of LTG approved the competency matrix of the Board members, which established the competence areas, independence and special requirements for the Board members.

Projects of the Company

During the reporting period, the Board of the Company paid particular attention to the following Company's major projects and their implementation: Rail Baltica, Electrification, FREE Rail. The progress, challenges and risks of these projects were presented at each regular Board meeting. In addition to approval of various transactions in the Rail Baltica project, the Company's Board also discussed the management and supervision of the project and organised a joint session with the boards of the subsidiaries.

Self-assessment and results of the Board

In accordance with the Board's Rules of Procedure and in line with good governance practices, on 21 February 2023, the Board carried out its evaluation of its performance for 2022, and on 27 February 2024 – an evaluation of its performance for 2023. The Board identified key areas for improvement and actions required in such areas as relations of the shareholder with its subsidiaries, sustainability, stakeholder management and the organisation of Board meetings. The Board's self-assessment index rose from 4.58 to 4.62, compared to the previous year. The most significant change was recorded in the Company's strategic planning. Its score rose from 4 to 4.45. The assessment results of the performance of the Board were summarised in the Board's Activity Report and presented to the Company's shareholder.

Prevention and management of conflicts of interest

During the reporting period, the Board actively ensured compliance with national and the Company's internal legislation on the prevention of conflicts of interest. Potential conflicts of interest were checked at the beginning of each Board meeting and, in the event of potential conflicts of interest, the Board members abstained from voting on the relevant agenda items.

During the reporting period, all members of the Board had submitted declarations of private interests to the Chief Official Ethics Commission.

3.3.3. Committees of the Board

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

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

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

During the reporting period, the following committees of the Board were working in the Company:

- Audit Committee;
- Nomination and Remuneration Committee.

Audit Committee

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

The Audit Committee operates as an advisory body of the LTG Group, which, inter alia, executes the functions of the audit committee of the subsidiaries, as described in the operating regulations of the Audit Committee.

The functions of the Audit Committee are to:

- supervise financial reporting and auditing processes of the LTG Group;
- ensure compliance with the principles of independence and

objectivity of auditors and audit companies of the LTG Group;

- supervise the effectiveness of the LTG Group's internal control, risk management and internal audit systems and business processes including monitoring and assessment of the effectiveness of the LTG Group's internal control, risk management and internal audit systems;
- provide recommendations to the relevant governing bodies of the LTG Group on the selection of the audit firm and the proposed fee;
- provide recommendations to the Board of the Company on the appointment and dismissal of the head of the structural unit performing the Company's internal audit functions, on promotion, on the application of liability for non-performance or inadequate performance of the rights and duties set out in the Labour Code of the Republic of Lithuania, and on the approval of the terms of reference;
- inform the Board of the Company of problematic issues related to the audit of the LTG Group companies, in particular where significant deficiencies in internal control over financial reporting have been identified, and recommend on how to remedy these deficiencies and improve the systems for their prevention;
- provide the Board of the Company with summarised information on the independence of audit firms auditing the LTG Group companies, as defined in the Law on Audit of Financial Statements of the Republic of Lithuania and other applicable legislation, as well as on the non-audit services rendered by such auditors (audit firms) to the LTG Group;
- prepare and present material for meetings of the relevant governing bodies of the LTG Group on matters within its competence;
- inform the Company's Board about the audits carried out in the Company and the LTG Group companies by the State Audit Authority of the Republic of Lithuania, the Ministry of Transport and Communications of the Republic of Lithuania or other institutions, and to provide information on the monitoring of the implementation of the recommendations made by the above mentioned institutions;
- execute the functions of the audit committee of the subsidiaries.

Composition of the Audit Committee

During the reporting period, the Committee consisted of 4 members. The term of office of the Audit Committee started on 23 August 2021. All members of the Audit Committee are members of the LTG Board

None of the members of the Audit Committee had shares of the companies of the LTG Group.

EUGENIJUS PREIKŠA

Chairman of the Audit Committee
Holds the position from 23 August 2021
Independent Board member

DR. AURIMAS VILKELIS

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

BERNARD GUILLELMON

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

ROMAS ŠVEDAS

Committee member
Holds the position from 23 August 2021
Member of the Board delegated by the shareholder

Changes in the composition of the Audit Committee during the reporting period

There were no changes in the composition of the committee during the reporting period.

Activities, most significant achievements and decisions of the Audit Committee

During the reporting period, the Audit Committee has performed its work in line with the annual activity plan of the Audit Committee approved on 10 January 2023, which included consideration of issues related to the functioning of internal and external audit, risk management and control systems in LTG and its subsidiaries. The Activity Plan 2024 of the Audit Committee was approved on 9 January 2024.

During the reporting period, **12 meetings of the Audit Committee** were held.

The main matters and proposals considered by the Audit Committee in 2023

- A new edition of the operating regulations of the Audit Committee has been approved;
- A recommendation to approve the objectives of the head of internal audit for 2023 has been made to the LTG Board;
- A recommendation to advise the shareholder on selection of an audit firm to audit the set of annual financial statements and consolidated financial statements has been made to the LTG Board;
- A review of the audit results of the financial statements of LTG for 2022 has been made and the conclusions and assessments have been presented to the LTG Board;
- A review of the audit results of the financial statements of the LTG's subsidiaries for 2022 has been made and the conclusions and assessments have been presented to the LTG Board;

- A review of the audit results of the interim financial statements of the LTG and the LTG Group's subsidiaries for 2023 and the draft interim (including consolidated) draft reports has been made and the conclusions and assessments have been presented to the LTG Board;

- A recommendation to select an audit firm to audit the set of annual financial statements and to set the conditions of payment for the audit services has been made to AB LTG Cargo as the shareholder of LTG Cargo Polska sp.z.o.o.

- Approval of the process for reconciling and approving the set of financial statements of the LTG Group and approval of the action plan ensuring the process of financial reporting meets the established deadlines, submitted by the LTG management.

The Committee's role in ensuring reliability of financial reporting

In 2023, the Committee and the Company's management discussed the process of preparing the consolidated financial statements, information on ongoing litigation, transactions with subsidiaries and their disclosure in the financial statements, and the draft semi-annual reports of the subsidiaries, as well as the draft consolidated accounts of LTG and the draft half-year reports of the Company.

The Committee discussed with the auditor of the financial statements the audit plan and the process, significant risks, independence of the auditors, the audit team, the timetable and other aspects relevant to the audit of the Company's financial statements.

The Committee periodically reviewed the information provided by the independent audit firm on the external audit process.

Reviewing and improving the internal control environment

The audits carried out by Internal Audit have had a tangible impact on internal control and provide valuable information to management and the Committee. The Committee considers that the main added value of the internal audit function in achieving the LTG Group's strategic objectives is to provide independent assessment and advice on the maturity of the audited areas, compliance with internal control and external and internal legislation and best practices.

The Committee has also given significant attention to risk management issues. These issues have been discussed in the past, but with the addition of a new function to the Committee's Regulations on overseeing the effectiveness of the risk management framework, a more in-depth discussion on risk management took place in 2023.

The focus of the Committee members was also on Internal Audit's productive cooperation with the newly elected Boards of the LTG subsidiaries.

In addition, during the reporting period, the Committee discussed other topics presented by the responsible departments of the Company, such as corruption risk and sustainability management. The Committee examined the management of specific areas and made recommendations for improvement in these areas.

Monitoring internal and external audit recommendations

The Committee continuously monitors the implementation of the recommendations made by Internal Audit and external competent authorities. A strong focus has been placed on the monitoring of the delayed recommendations for 2023. A general review of all recommendations was discussed at the beginning of 2023 and progress in their implementation is being monitored. The Committee's proactive monitoring helped to decrease the rate of late implementation of audit recommendations in 2023, but the Committee has noted the importance of further implementation of the recommendations in accordance with the plan agreed with the Company's management.

External reports were also discussed at Committee meetings. External recommendations were routinely implemented within the established timeframes.

Supervision of the internal audit system

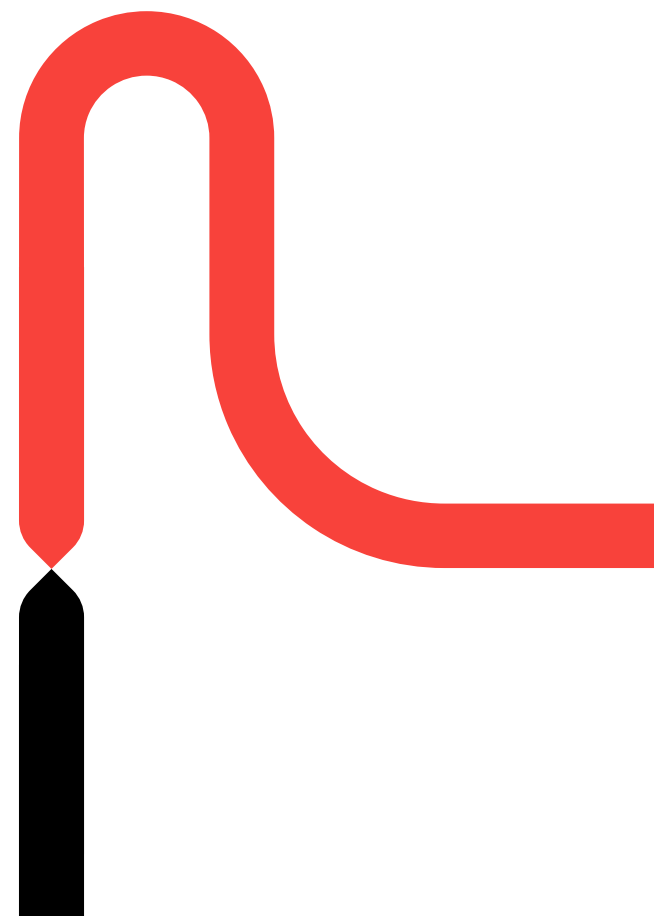
During the reporting period, particular attention was paid to LTG's internal audit function - effective cooperation between Internal Audit and the newly elected Boards of the LTG Group subsidiaries.

The Audit Committee also discussed the quarterly Internal Audit reports and the issues raised, and provided comments and recommendations. The Committee discussed the draft Audit Plan for 2024 and provided its opinion thereon. In order to ensure a broader oversight of the risk areas within the LTG Group, the Committee made proposals for the development of the internal audit function.

The Committee members also discussed the internal audit budget and other issues raised by the Head of the LTG Internal Audit, and provided feedback on the performance of the internal audit function.

Self-assessment of the Audit Committee

In line with the operating regulations of the Audit Committee, and in line with good governance practices, on 10 January 2023 the Audit committee carried out a self-assessment of its performance in 2022. The results of self-assessment have been discussed at the meeting of the Audit Committee where areas for improvement and necessary measures have been identified for respective areas.



Nomination and Remuneration Committee

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

Functions of the Nomination and Remuneration Committee:

The Nomination and Remuneration Committee provides opinions, recommendations, proposals to the Company's Board in respect of the following:

- the selection process of the head of the Company;
- nomination of the most suitable candidate as the head of the Company, the terms and conditions of the employment contract;
- promotion of the head of the Company, his / her liability for breach of duties;
- candidates to the positions of Board members and heads of the Company's subsidiaries, their nomination;
- Remuneration Policy of the Company;
- changes in the organisational governance structure of the Company.

The Nomination and Remuneration Committee analyses and assesses the material provided by the Company on:

- the selection process to the positions of top-level management of the Company and the candidates;
- the selection process for governance bodies of secondary companies and the candidates;
- structural changes and changes in the number of employees at the Company;
- Setting and achievement of objectives, their measurement indicators and target values for the Company and the consolidated ones for the Company's group of companies;
- incentives to employees of the Company and the Company's group of companies for annual performance results.

Composition of the Nomination and Remuneration Committee

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

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

DALIA ANDRULIONIENĖ

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

KĘSTUTIS ŠLIUŽAS

Committee member
Holds the position from 23 August 2021
Chairman of the LTG Board, independent Board member

AGNĖ AMELIJA MIKALONĖ

Committee member
Holds the position from 23 August 2021
Board member, civil servant

Changes in the composition of the Nomination and Remuneration Committee during the reporting period

There have been no changes in the composition of the committee during the reporting period.

Activities, most significant achievements and proposals of the Nomination and Remuneration Committee

During the reporting period, the Nomination and Remuneration Committee has performed its functions in line with the annual activity plan of the Nomination and Remuneration Committee, approved on 9 February 2023, which included consideration of key issues related to nomination and remuneration. The Activity Plan 2024 of the Nomination and Remuneration Committee was approved on 7 December 2023.

During the period under review, **14 meetings of the Nomination and Remuneration Committee** were held, during which 47 items were presented and discussed.

The role of the Committee in the appointment of the LTG CEO and top management

In 2023, the Committee discussed the selection of the CEOs of three subsidiaries - LTG Infra, LTG Link and UAB Geležinkelių Tiesimo Centras, and selected the candidates. The selection of the CEOs of LTG Link and LTG Infra was carried out by the Boards of the subsidiaries using the services of recruitment companies.

In addition, the candidates for the Director of Corporate Affairs and the Director of Business Resilience of AB Lietuvos Geležinkeliai were presented to the Committee in 2023. The Committee discussed the procedures for the management of the alignment of public and private interests within the organisation, as well as preventive measures to avoid possible conflicts of interest in the future.

Role of the Committee in discussing key issues related to management of the Company and employees, and the documents regulating them

During the reporting period, the committee paid close attention and regularly discussed the issue of the formation of the

LTG Competence Centre, discussing the progress and risks of the project.

As every year, the Committee discussed the setting of the Company's and the Group's consolidated objectives, the indicators to measure them and the targets to be achieved, and the assessment of their achievement. It also revised the principles of remuneration management, updated the evaluation and promotion scheme for senior managers for 2024, revised the Transport Policy. The importance of social partnership within the Group was also highlighted - members of the Committee had meetings and discussions with the presidents of the trade unions representing LTG employees.

Key performance assessments and follow-up actions

In 2023, the Committee discussed the LTG Group Organisational Culture Survey, the Psychosocial Risk Factors Survey, Management Shift, Cooperation with Employee Representatives (Trade Unions), Diversity and Inclusion in the LTG Group, and the LTG Remuneration Review and Assessment. Discussion of the results of the surveys focused on areas to be strengthened, with an emphasis on LTG's employer image,

high work culture and employees' trust in the organisation.

Changes in the company's management structure to strengthen the management team

During the reporting period, a renewed LTG structure was approved, with the addition of a Rail Baltica Programme Management Unit, which will strengthen the coordination of the programme and focus even more on the implementation of the strategic objectives.

Self-assessment of the Nomination and Remuneration Committee

In accordance with the Regulations of the Nomination and Remuneration Committee, and in line with good governance practices, on 9 February 2023 the Nomination and Remuneration Committee carried out a self-assessment of its own performance for 2022, and on 22 February 2024 - of its own performance for 2023. The results of self-assessment have been discussed at the meeting of the Committee where areas for improvement and necessary measures have been identified for respective areas.

Information on the attendance of the meetings of the Board, of the Audit committee and of the Nomination and Remuneration Committee in 2023

Name, surname of the member	Meetings of the Board	Meetings of the Audit Committee	Meetings of Nomination and Remuneration Committee
Number of meetings (including external meetings, written vote in advance)	25	12	14
Kęstutis Šliužas	25	-	14
Eugenijus Preikša	25	12	-
Dr. Aurimas Vilkelis	25	12	-
Bernard Guillelmon	25	11	-
Dalia Andrulionienė	24	-	14
Romas Švedas	24	11	-
Agnė Amelija Mikalonė	25	-	12

3.4. Management

Head of the Company

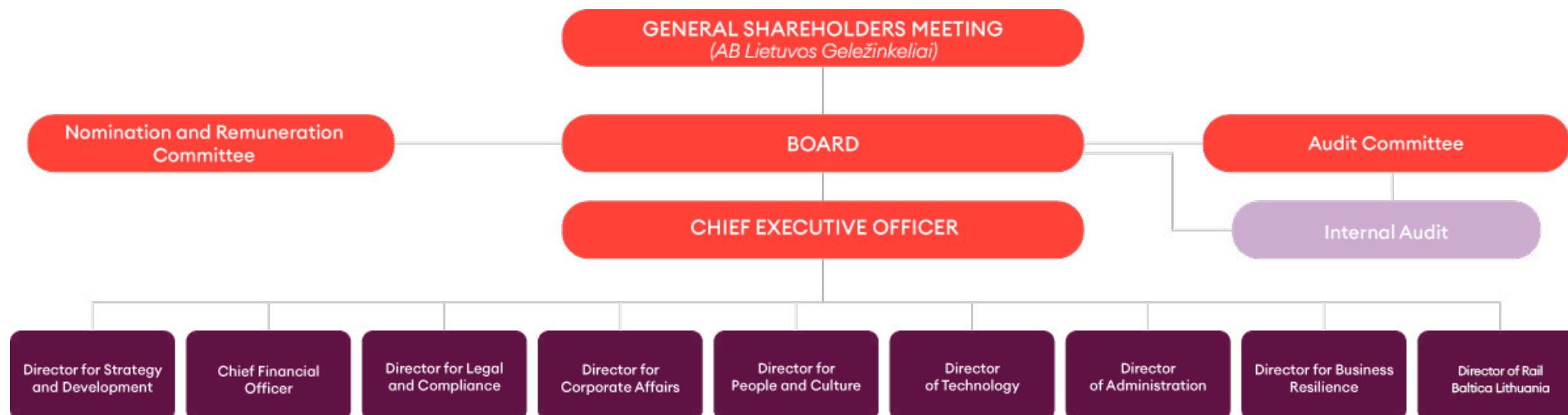
The Chief Executive Officer (Head of the Company) – is a one-person management body of the Company who organises and manages daily operation of the Company in accordance with his/her powers. The competence areas of the CEO are defined by the Law on Companies of the Republic of Lithuania and the Articles of Association of the Company. Based on the Law on Companies, the CEO is elected for a 5-year term office by the Board of the Company, to which he/she is accountable. The same person may be appointed as the CEO for no more than 2 consecutive terms of office.

The essential functions and competences of the CEO:

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

Governance and organisational structure of the Company

In order to clearly separate the strategic management and control functions from the operational service delivery activities, the LTG Board, by decision of 17 October 2023, approved a new governance structure for the management company supplementing it with the management function of Rail Baltica.



Management of the Company

EGIDIJUS LAZAUSKAS*

Chief Executive Officer
Holds the position from 23 June 2022.

ALEKSANDRAS ZUBRIAKOVAS

Director for Corporate Affairs
Holds the position from 25 September 2023

VYTAUTAS RADZEVIČIUS

Director for Strategy and Development
Holds the position from 11 April 2022

EDVINAS KERZA

Director for Business Resilience
Held the position from 22 November 2022 to 29 June 2023

ANDREJ KOSIAKOV

Chief Financial Officer
Holds the position from 2 October 2017

VYTAUTAS BITINAS

Director for Business Resilience
Held the position from 30 June 2023 to 31 January 2024

IRMANTAS BERŽAUSKAS

Director for Legal and Compliance
Holds the position from 22 February 2022

GEDIMINAS ŠEČKUS

Director for Business Resilience
Holds the position from 01 February 2024

IRENA JANKUTĖ-BALKŪNĖ

Director for People and Culture
Holds the position from 10 July 2017

VYTAUTAS BITINAS

Director for Technology
Holds the position from 21 November 2022

LAURA GABRILAVIČIŪTĖ

Director for Corporate Affairs
Held office from 31 December 2022 until 24 September 2023

IEVA LAURAITYTĖ

Director for Administration
Holds the position from 21 November 2022

* The starting date of the first five-year term of office of LTG CEO.

Previous experience

In 2017, E. Lazauskas became the Head of the Freight Transportation Directorate of AB Lietuvos Geležinkeliai at the time. On 1 May 2019, he was appointed as the CEO of LG CARGO, a newly established freight transportation company of AB Lietuvos Geležinkeliai, that had continued the activities of the directorate. In 2020, the company's name was changed to LTG Cargo.

Before E. Lazauskas started working at the LTG Group, he led the infrastructure projects team at the company Ernst & Young Baltic. He has also led Lithuanian and international teams of experts working in the logistics sector, participated in the preparation of the feasibility study for the establishment of the Klaipėda Public Logistics Center, the Klaipėda Seaport development programme 2030, and, on behalf of the European Bank for Development and Reconstruction, prepared an analysis of investment projects in the transport sector of the Baltic countries.

Education

E. Lazauskas graduated from the Vilnius Gediminas Technical University (VGTU) with a bachelor's degree in environmental engineering in 1996. In 1997, he obtained a diploma in environmental engineering, VGTU.

Internal audit

The LTG Group has established a centralised Internal Audit function, which acts as a third line and covers all LTG Group companies. The Internal Audit function had 6 auditors as at 31 December 2023. The purpose of Internal Audit is to provide independent, objective assurance and advisory services in order to contribute to the achievement of the LTG Group's strategic objectives and to preserve and enhance value.

The activity of the division is organised on the basis of the guiding principles set out in the International Standards for the Professional Practice of Internal Auditing. Audit provides risk-based assurance services, advice/consultation and insight, and carries out necessary investigations as required. It also regularly monitors the implementation of recommendations made and the correction of other internal control weaknesses identified by external auditors and supervisory authorities.

The division reports directly to the LTG Board, thus ensuring the independence and objectivity of internal audit and enabling it to identify weaknesses and areas for improvement in operational efficiency. In 2023, Internal Audit worked closely with the Audit Committee, presenting to the Audit Committee issues related to audit activities, on the basis of which the Audit Committee recommended to the LTG Board the appropriate decisions.

The activities of the Internal Audit division in 2023 have been planned on the basis of an independent risk assessment and the prioritisation of activities and processes to be assessed.

The assessment, among other matters, covered the following areas:

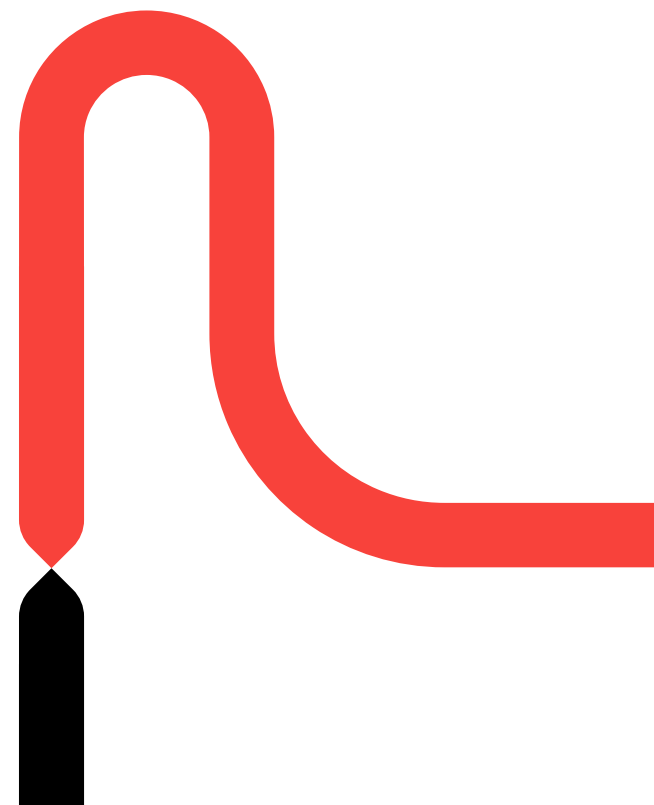
- Rolling stocks management of LTG Cargo;
- Projects management;
- Sanctions management;
- SAP ERP programme management;
- Inventory management;
- Sustainability management;
- Management of corruption-related risks;
- IT infrastructure management;
- IT management.

Each audit assesses the probability of fraud occurrence. Recommendations have been made on areas for improvement identified during the audit. The findings of the audits carried out and the follow-up of the recommendations were reported to the heads of the responsible departments, the Company's management, as well as to the Audit Committee and to the Boards of LTG and the subsidiaries.

In 2023, Internal Audit continued to focus on the implementation of the Quality Assurance and Improvement Programme. Such continuous activity monitoring allows to initiate and implement the necessary solutions to improve the activities of the audit department.

Management of interests

As at the end of the reporting period, members of the LTG Board, members of the LTG Committees, the CEO and the Company's management have submitted declarations on private interests, which can be found in the Register of Private Interests of the Chief Official Ethics Commission. There have been no conflicts of interest between the members of the Board, the CEO and managers of the Company during the reporting period.



Remuneration report

LTG CARGO

LTG INFRA

LTG LINK



4.1. Overview

The objective of the **Remuneration Policy** applicable within the LTG Group is adoption of long-term decisions that are linked to the well-being of employees, ensuring the following:

- competitive remuneration packages to attract and retain employees with relevant competence;
- equal opportunities and non-discrimination in summarising and rewarding employees' performance;
- the principle of internal equity in rewarding for similar work;
- Increasing of engagement;
- encouragement of employees to develop and improve their competences;
- fostering of the principles of transparency and good governance;
- effective management of personnel costs and creation of shareholder value.

Initiatives and events in 2023

- Following the negotiations with the social partners at the end of 2022 and having updated the **Sectoral Collective Agreement**, the lump-sum payment for the birth of an employee's child or the death of a close family member has been increased by 50% (from EUR 200 to EUR 300 after tax) from the beginning of the year.
- To maintain competitiveness in the market, **a periodic review of the basic salary** was conducted in Spring of 2023 - the monthly payroll fund of the LTG Group has been increased by EUR 723 thousand, and, on the basis of uniform review criteria, the pay rise has been implemented for 88% of employees.

- Having assessed the results of the LTG Group and its subsidiaries achieved in 2022, the **annual incentive fund for 2022** amounting in total to EUR 5.3 million was distributed to employees of the LTG Group in June 2023.
- In order to follow modern, best practices, **an external evaluation of remuneration management principles** applicable within the LTG Group and comparison with the market was carried out in Summer of 2023. An anonymous survey has been used for this evaluation, during which 210 executives of the LTG Group expressed their views and suggestions. At the same time, discussions have been held with the leaders of the social partners. Conclusions and recommendations of the external evaluation have been presented to the Nomination and Remuneration Committee and the LTG Board.
- Continuing initiatives for the well-being of employees, a **fringe benefits package** has been expanded with a discount programme on various services and goods in Autumn of 2023. The updated programme of the insurance against accidents include an increased amount of injury cover. The terms and conditions of the supplementary voluntary health insurance renewed since 2024 have been improved by increasing the limits and reimbursement amounts for covered services.
- Establishing transparency principles, at the end of 2023, the LTG Board approved the **Remuneration Policy** applicable to all employees of the LTG Group. Integrating the provisions of this policy, the general architecture of internal documents governing the remuneration management has been adjusted. The approved Remuneration Policy has come into force since 1 January 2024 and is publicly available on the Company's website in the [Remuneration section](#).
- Refining and simplifying the processes involved, the principles for evaluation of achievement of top-level managers' objectives and calculation of incentives for annual performance results, have been reviewed.

Plans for 2024

- To systematically integrate the recommendations of the performed external evaluation into the remuneration management processes - the periodic remuneration review, the variable remuneration planning, the process of summarising of annual performance of employees.
- Taking into account the provisions of the Resolution of the Republic of Lithuania Regarding Remuneration of Boards of Directors and Executive Management in State-Owned Enterprises, updated at the beginning of 2024, to implement the first steps of the plan and to gradually reduce the gap between the remuneration of LTG Group's top executives and market practices.
- To increase employee motivation through continuous review of the terms of the fringe benefits package and possible recognition programmes. In cooperation with the social partners, to carry out an interim review of the terms and conditions of the Sectoral Collective Agreement and their implementation.

4.2. Remuneration and it's structure

The principles of remuneration and the fringe benefits to be granted are set out in the LTG Group's Sectoral Collective Agreement and the Remuneration Policy. Provisions for the implementation of the remuneration policy are defined in the internal Remuneration Methodology, and internal process standards are intended to further define principles of practical implementation. All relevant documentation is available on the Company's intranet - the employee knowledge base and newsletters.

Elements of determining and review of remuneration

- methodological position evaluation;
- periodic comparison of internal remuneration data with the market;
- the direct link between the possibilities of the change in remuneration and the employee's performance efficiency - the results of achieving the annual goals, extra effort and value-based behaviour.

A local scale of corporate levels of positions is used to publish the results of the methodological position evaluation within the organisation. Each employee is given the opportunity to see information on corporate levels of his / her position and other positions in the organisation as well as the fixed salary ranges of each corporate level - to enshrine the principles of transparency and to assess internal career opportunities, systematic measures have been ensured.

Periodic review of remuneration is conducted every year, and the review principles are linked to clear and objective criteria - the comparison of the existing remuneration of employees with the market, the LTG Group's financial results and the budget allocated for the review, as well as the assessment of the annual performance of each employee.

Types of remuneration and their relevant components applicable to the LTG Group

Type of remuneration and its components		Description
Total remuneration	Basic salary	Monthly or hourly wage established in the employment contract
	Other contributions related to work and rest time	Bonuses for qualification, rest period between trips, etc.
	Payment for other than normal working hours	Payment for overtime, night shifts, etc.
	Variable remuneration component	Variable remuneration component for achievement of short-term goals according to function / team-specific schemes
	Additional incentive	It may be awarded at the initiative of the employer for exceptional results, for management of strategic initiatives and based on function / team-specific schemes
	Annual incentives	An employer-initiated annual incentive for annual performance results and personal efforts of the LTG Group / operating units / functions
	Remuneration for the activities of members of collegial bodies	Remuneration for the activities of members of the collegiate bodies established by the shareholder's decision
	Measures creating added value for the employer	Fringe benefits package
		Car allowance for executives
Non-cash remuneration	Organisational culture, events, opportunities for self-development and for helping others to develop, involvement in ambassadorial initiatives and internal clubs, opportunities to work in a group of enterprises of strategic importance	

The periodic review of remuneration generally takes effect on 1 April of each year. The implementation of the review for 2023 has resulted in an increase in the parent company's monthly payroll fund by EUR 133 thousand, and, on the basis of uniform review criteria, the pay rise has been implemented for 83% of employees.

At the end of the financial year and after evaluating the results achieved by the LTG Group and its individual companies, an **annual incentive fund** shall be established. Such

fund is an employer-initiated employee incentive for good performance and positive operating results, 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 opportunities of such annual incentive are linked to corporate levels of positions and annual performance appraisal of each employee.

The process of management of employees' performance and its appraisal remains geared towards cascading of the LTG Group's annual objectives, embedding a culture of high performance, personal accountability and continuous feedback, as well as the principle of "rewarding the best".

The package of fringe benefits within the LTG Group 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 payments for employees who leave the organisation at retirement age, additional holidays and other benefits as provided for in the LTG Group's Sectoral Collective Agreement and the

Remuneration Methodology. Employees are also provided with insurance against accidents 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. Since Autumn of 2023, employees can use the discount programme on various services and goods.

Maximum annual incentive opportunities by general function groups

General function group	Maximum annual incentive opportunity having exceptionally exceeded the goals set for the LTG Group, the Company or an employee	
	Coefficient on the basic monthly salary	Percentage on the basic annual salary
CEO and the Managers Council of the LTG Holding		
Top-level managers	3.6	30%
Senior executives and specialists in exceptional fields		
Middle-level managers and individual experts	2.4	20%
Team leaders and experienced specialists		
Specialists and experienced operational/service staff	1.4	12%
Operational/service staff, qualified workers		

4.3. Remuneration of the Company's governance bodies

Remuneration of the Company's Chief Executive Officer

Direct remuneration of the parent company's Chief Executive Officer consists of:

- **Basic monthly salary.** The Company's Chief Executive Officer's basic monthly salary set out in the employment contract amounted to EUR 11,075 as at the end of the reporting period. During the reporting period, the basic monthly salary of the Company's Chief Executive Officer increased by 6% from EUR 10,450 to EUR 11,075.

- **Annual incentives.** The annual variable remuneration (annual incentive) might be paid to the Company's Chief Executive Officer in addition to the basic monthly salary. The incentive scheme shall be approved by the LTG Board. According to the scheme, the level of achievement of the annual goals of the LTG Group and team leadership and personal achievements account for 90% and 10% of the payment of the incentives, respectively. Each year, the LTG Board approves the structure of annual goals of the LTG Group as well as team leadership and personal achievements of the CEO of LTG, their achievement thresholds and benchmarks, and, after the end of year, it approves the results of achievement of these objectives and the possibility of paying annual incentives. The maximum amount of the possible annual incentive is up to 30% of the annual basic salary. The maximum amount of monthly incentive, i.e. 1/12 of the annual incentive share for 2022, could not exceed EUR 3,135. A monthly portion (1/12) of the annual incentive paid to the CEO of LTG in 2023 for achievement of the goals for the year 2022 amounted to EUR 1,818.

- In addition to direct remuneration, the total remuneration package of the CEO of LTG includes measures defined by internal principles, creating added value to the employer, and **non-cash remuneration**.

Implementation of the Company's goals for 2022 to pay annual incentives to the Chief Executive Officer

Main goals	Indicators for measuring achievement of goals	Measurement unit	Benchmarks for achievement of goals for 2022	Indicators of achievement of goals for 2022
Finance				
Ensuring the implementation of the Operational Optimisation Plan	Reduction of the number of the LTG Group employees	Number of employees	5,900 – 5,500	6,126
Securing funding for business continuity	Financial situation of the LTG Group at the end of 2022	Balanced cash flows and performed mandatory current payments. Adequate funding is secured for approved projects		Achieved
Ensuring the implementation of key investment projects	Scope of implementation of infrastructure projects financed by the state budget in 2022	EUR million	100 – 122	95
Corporate governance				
Increase in efficiency of corporate governance	The most appropriate governance model for LTG Holding has been identified and proposed to the LTG Board, and a new structure has been established to enable the implementation of the model	Approved structure and governance model		Achieved
	New Boards formed at LTG Cargo, LTG Infra, LTG Link, including selected independent board members according to the plan agreed with the LTG Board	New Boards fully formed		Achieved
Business development				
Expanding westbound freight activities	Revenue of LTG Cargo Polska	EUR million	10 – 14	13
Organisation culture				
Strengthening organisational culture	Involvement of employees	%	47 – 58	48

Remuneration of the Company's Board and Committees

Remuneration of the members of the Company's Board and Committees are established in LTG Board Member Agreements and LTG Committee Member Agreements concluded with them.

Remuneration of independent members of the Board and Committees, including independent members delegated by the shareholder and civil servants acting as members of a collegiate body, has been established in accordance with the amendment to the Resolution of the Government of the Republic of Lithuania No 1092 On Approval of the Procedure for Payment of Remuneration to Members of Collegial Bodies of State-Owned Enterprises and Municipally-Owned Enterprises and on the Civil Liability Insurance of Members of Collegial Bodies of State-Owned Enterprises and Municipally-Owned Enterprises adopted on 3 August 2022, stipulating that the monthly remuneration of an independent member of a company's collegiate body and of a member of the collegiate body who is another person chosen by the entity initiating the selection should be at least 1/4 of the average monthly salary of the company's CEO and no more than the average monthly salary of the company's CEO. For a civil servant holding a position as a member of a collegiate body of a state-owned company or a municipally-owned company, the remuneration should be at least 1/8 and not more than 1/4 of the average monthly salary of the company's CEO. It is recommended that the remuneration of the chairman of a collegiate body of a state-owned company should be at least 1/3 of the average monthly salary of the company's manager.

In order to implement the provisions of the aforementioned Resolution, the Order of the Minister of Transport and Communications of the Republic of Lithuania of 2 December 2022 approved the updated regulation on remuneration of the members of the LTG Board and the Committees.

The Order sets the remuneration of the members of the LTG Board and the Committees, providing that the monthly remuneration of the Chairman of the LTG Board shall be EUR 3,742, the monthly remuneration of an independent member of the LTG Board and of a member of the Board, who is another person selected by the Ministry of Transport

and Communications of the Republic of Lithuania, shall be EUR 2,807, the monthly remuneration of the member of the LTG Board, who is a civil servant, shall be EUR 1,403. At the same time, the rule is laid down that if individual members of the Board are elected, their remuneration shall be set at the same level as that of the members of the existing Board. The monthly remuneration of a member of a committee set up by the LTG Board is EUR 1,403 and that of the chairman of a committee set up by the Board is EUR 2,105; a member of a committee who is a civil servant is not remunerated for his/her activity on the committee.

Remuneration paid to members of the Company's Board and Committees*

Name, surname of the member	Remuneration for the activities of the Board Member, EUR	Remuneration for the activities of the Audit Committee Member, EUR	Remuneration for the activities of Nomination and Remuneration Committee Member, EUR
Kęstutis Šliužas	44,904	-	16,836
Eugenijus Preikša	33,684	25,260	-
Dr. Aurimas Vilkelis	33,684	16,836	-
Bernard Guillelmon	33,684	16,836	-
Dalia Andrulionienė	33,684	-	25,260
Romas Švedas	33,684	16,836	-
Agnė Amelija Mikalonė	16,836	-	-

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

Information on the remuneration of the members of the Board, the members of the Committee and the CEO is also available on the Company's website, in the [Governance section](#).

4.4. Information on employees' remuneration

Indicators of the LTG Group

As at 31 December 2023, the number of employees in the LTG Group was 5,825, with a further 106 employees on long-term leave (parental leave, maternity leave, military service etc.). Compared to the data as of 31 December 2022, the number of employees in the LTG Group decreased by 301 employees or by 4.9%. Compared to the year 2022, the average monthly salary increased by 10.9% from EUR 1,922 to EUR 2,131. Remuneration changes have been affected by the remuneration review implemented across the LTG Group in April 2023, as well as changes in employee distribution across function groups and adjustments made to the amounts of certain remuneration components in individual companies of the LTG Group.

In addition to payment of additional annual incentives, the total **remuneration fund of the LTG Group** amounted to EUR 149.3 million in 2023 (excluding compensations for unused vacation, severance payments, accruals, capitalised salaries) and, compared to 2022, the remuneration fund decreased by EUR 6.2 million (from EUR 155.5 million to EUR 149.3 million) as a result of changes in the number of employees.

Having assessed the results of the LTG Group and its subsidiaries achieved in 2022, the annual **incentive fund for 2022**, amounting in total to EUR 5.3 million was distributed to employees of the LTG Group in June 2023.

Number of employees of the LTG Group companies and average salary by companies

Group companies	31/12/2021		31/12/2022		31/12/2023	
	Number of employees	Average salary, EUR	Number of employees	Average salary, EUR	Number of employees	Average salary, EUR
AB Lietuvos Geležinkeliai	1,080	2,432	785	2,616	738	2,908
AB LTG Cargo group of companies	2,822	1,772	2,026	1,862	1,852	2,098
UAB LTG Link	595	1,726	567	1,851	593	2,125
AB LTG Infra	2,961	1,613	2,453	1,749	2,418	1,920
UAB Geležinkelio Tiesimo Centras	340	1,819	291	1,947	227	2,130
UAB Saugos Paslaugos (liquidated)	2	-	-	-	-	-
UAB Rail Baltica statyba	4	3,057	4	3,148	3	3,668
Total**	7,804	1,798	6,126	1,922	5,825	2,131

* Due to tax differences in foreign countries where LTG Cargo has subsidiaries, only the average salary of LTG Cargo is presented, excluding the company's companies registered in foreign countries.

** In cases where the same employee works for several LTG Group companies, the number of unique employees is indicated at LTG Group level.

Number of employees of the LTG Group and average salary by general function groups

Function group	31/12/2021		31/12/2022		31/12/2023**					
	Number of employees	Average salary, EUR	Number of employees	Average salary, EUR	Number of employees			Average salary, EUR		
					Total	Women	Men	Total	Women	Men
CEO of the LTG Holding*	1	9,770	1	10,450	1	-	1	10,897	-	10,897
Managers Council of the LTG Holding*	8	7,421	11	8,181	12	3	9	8,308	8,408	8,255
Top-level managers	31	6,065	35	6,247	42	17	25	6,584	6,707	6,515
Senior executives and specialists in exceptional fields	118	4,239	115	4,514	139	50	89	4,867	4,874	4,862
Middle-level managers and individual experts	570	2,962	545	3,075	587	259	328	3,231	3,153	3,293
Team leaders and experienced specialists	2,171	1,916	1,821	2,006	1,742	648	1,094	2,146	2,073	2,187
Specialists and experienced operational/service staff	2,061	1,774	1,633	1,859	1,567	549	1,018	2,067	1,673	2,303
Operational/service staff, qualified workers	2,844	1,337	1,965	1,414	1,735	348	1,387	1,538	1,433	1,565
Total	7,804	1,798	6,126	1,922	5,825	1,874	3,951	2,131	2,069	2,161

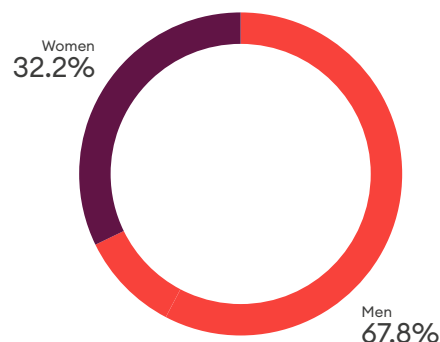
* Fixed remuneration as of the end of the period is provided.

** 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. In addition, due to tax differences and for objective comparison reasons, the average salaries of the LTG Cargo subsidiaries registered in foreign countries are excluded.

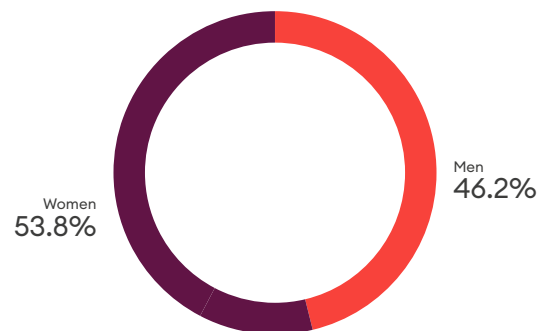
The LTG Group applies transparent and uniform remuneration principles to all employees, irrespective of their gender or certain aspects of their individual identity - remuneration is determined in accordance with the compensation range assigned to the corporate level of a specific position as well as with objective criteria related to an employee's personal experience and competencies, as well as to his / her performance results.

Nevertheless, the actual differences between the average salaries of women and men by general function group remain. These differences are caused by the overall distribution of women and men, with more men than women working not only in the railway industry as a whole, but also in a number of function groups, in particular in operational positions. Women predominate in positions related to support / administrative functions, where the remuneration level in the market is relatively lower. Men are concentrated in positions where the field of activity generates more competitive remuneration in the market, or where there is a special type of work - physical exertion, outdoor or other special conditions - where the remuneration level in the market is higher. At the same time, the opposite situation can be observed in certain job groups, where women, although not predominant, occupy positions for which there is a shortage in the market, leading to relatively higher pay, in which case remuneration of women exceed that of men.

Distribution of the LTG Group's employees by gender in 2023, %



Distribution of the Company's employees by gender in 2023, %



Average salary ratio between women and men by general function groups*

Function group	Measurement unit	2021		2022		2023	
		LTG Group	Company	LTG Group	Company	LTG Group	Company
All employees	ratio	1 : 1.08	1 : 1.09	1 : 1.05	1 : 1.07	1 : 1.04	1 : 1.06
LTG Holding's Management Council and CEO	ratio	1 : 1.12	-	1 : 1.01	-	1 : 0.95	-
Top-level managers	ratio	1 : 0.87	1 : 0.94	1 : 0.90	1 : 0.89	1 : 0.97	1 : 0.97
Senior executives and specialists in exceptional fields	ratio	1 : 1.03	1 : 1.02	1 : 0.97	1 : 1.00	1 : 0.99	1 : 1.05
Middle-level managers and individual experts	ratio	1 : 1.04	1 : 1.08	1 : 1.04	1 : 1.10	1 : 1.04	1 : 1.10
Team leaders and experienced specialists	ratio	1 : 1.03	1 : 1.15	1 : 1.04	1 : 1.14	1 : 1.05	1 : 1.11
Specialists and experienced operational/service staff	ratio	1 : 1.35	1 : 1.11	1 : 1.32	1 : 1.14	1 : 1.38	1 : 1.14
Operational/service staff, qualified workers	ratio	1 : 1.09	1 : 1.18	1 : 1.10	1 : 1.00	1 : 1.09	1 : 1.06

* The table compares the ratio of the average salaries of women and men, where women's salaries equal 1 and men's salaries are calculated by dividing men's salaries by women's salaries.

Company's indicators

Data on the average remuneration of the Company's employees by general function group are publicly available on the Company's website in the [Remuneration section](#), and it is updated at the end of each calendar quarter. A comparison of average salaries of women and men is published alongside.

As at 31 December 2023, the number of employees in the Company was 738, with a further 46 employees on long-term leave (parental leave, maternity leave, military service, etc.). Compared to the data as of 31 December 2022, the number of employees in the Company decreased by 47 employees or by 6.0%. The average monthly salary, compared to 2022, increased from EUR 2,616 in 2022 to EUR 2,908 in 2023.

Excluding the payment of additional annual incentives, the total **remuneration fund of the Company** amounted to EUR 26.2 million and, compared to 2022, the remuneration fund decreased by EUR 2.3 million (from EUR 28.5 million to EUR 26.2 million).

The scope of the annual **incentive fund** for 2022, distributed to the Company's employees in June 2023, amounted to EUR 1.4 million.

Number of the Company's employees and average salary by general function groups

Function group	31/12/2021		31/12/2022		31/12/2023**					
	Number of employees	Average salary, EUR	Number of employees	Average salary, EUR	Number of employees			Average salary, EUR		
					Total	Women	Men	Total	Women	Men
CEO of the LTG Holding*	1	9,770	1	10,450	1	-	-	11,075	-	-
Managers Council of the LTG Holding*	4	7,400	7	8,044	8	2	6	7,905	-	7,840
Top-level managers	11	6,393	12	6,462	17	9	8	6,666	6,760	6,560
Senior executives and specialists in exceptional fields	66	4,258	57	4,545	66	35	31	4,918	4,792	5,049
Middle-level managers and individual experts	312	3,061	258	3,166	268	155	113	3,342	3,204	3,532
Team leaders and experienced specialists	485	2,053	329	2,104	290	176	114	2,223	2,119	2,363
Specialists and experienced operational/service staff	135	1,642	66	1,727	40	19	21	1,763	1,636	1,872
Operational/service staff, qualified workers	66	1,341	55	1,492	48	1	47	1,582	1,500	1,590
Total	1,080	2,432	785	2,616	738	397	341	2,908	2,828	2,995

* Fixed remuneration at the end of the period. The detailed remuneration structure of the Head of the LTG holding is disclosed in the section Remuneration of the Company's Governance Bodies of the Remuneration Report. Having taken into account annual performance incentives, the actual average monthly salary of top-level managers amounted to EUR 9,557 in 2023.

** 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.



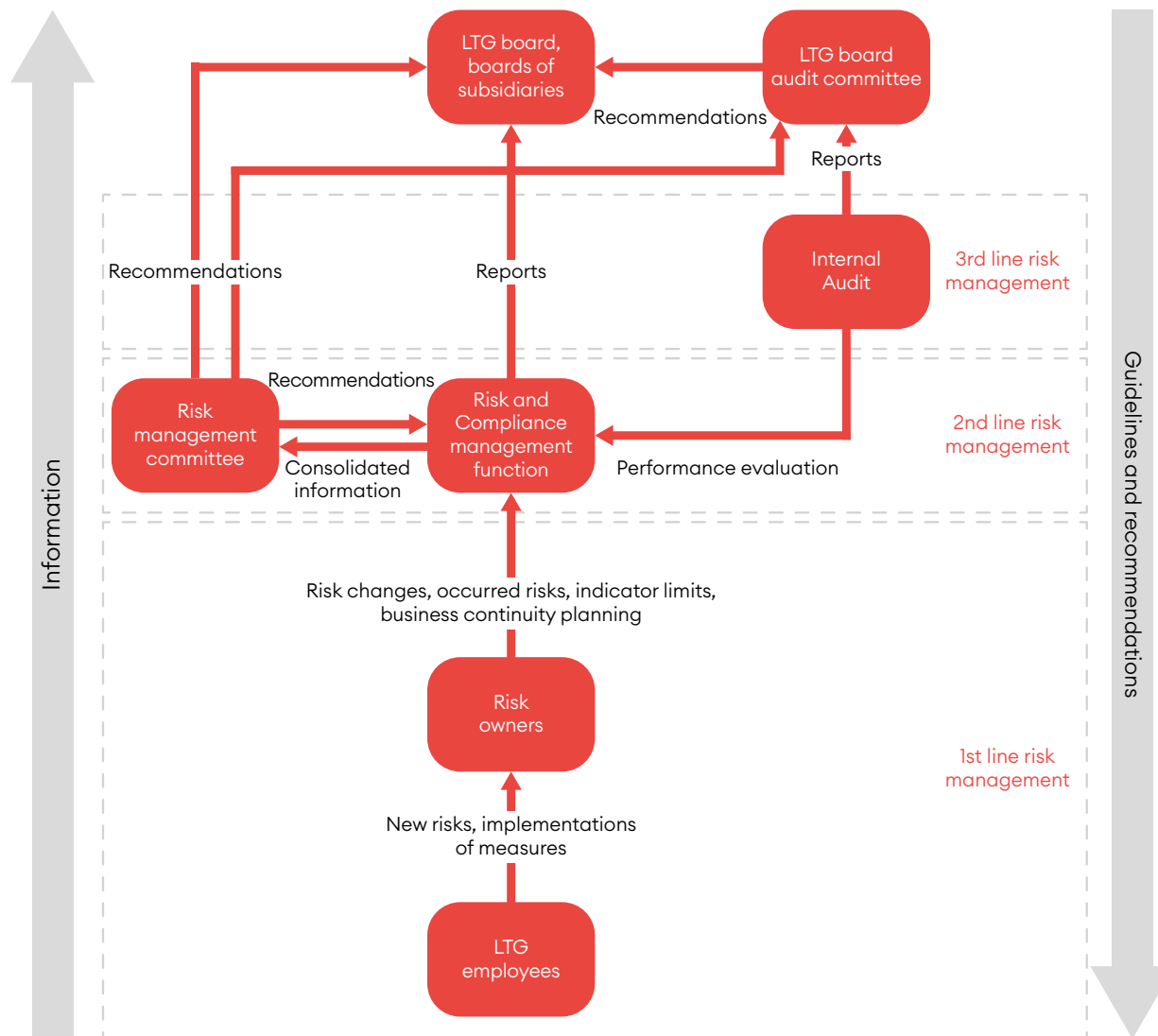
Risks and risk management report

The Company applies and continuously improves the **unified risk management system of LTG Group**. It is defined in the LTG Group's risk management policy, methodologies and process standards developed in accordance with the International Organisation of Standardisation (ISO 31000) and the Committee of Sponsoring Organisations of the Treadway Commission Enterprise Risk Management (COSO ERM).

In the LTG Group, risk management responsibilities are divided according to the **Model of Three Lines of Defense**:

- **1st line** risk management activities are carried out by heads and employees of LTG Group companies and LTG corporate functions who identify, assess and manage risks, and ensure the development of business continuity plans.
- **2nd line** 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, provides consultancy and education on methodological and expert risk management issues to the companies and business units operating in the 1st line of risk management, and prepares reports on risk management to top-level managers. The Risk and Compliance Management function is supported by the LTG Risk Management Committee to ensure an effective risk management framework.
- **3rd line** risk management is performed by the Internal Audit Division of LTG, which carries out an independent assessment of the effectiveness of risk management levels 1 and 2, and provides insights and recommendations on improvement of the risk management system.

The figure shows the Risk Management Framework, detailing the information flow path and the allocation of responsibilities.



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

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

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

The periodic and timely dissemination of risk-related information is ensured by a well-established and settled 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 Board of the LTG Group is informed on a monthly basis about the risks exceeding the appetite. Such a cyclical system not only helps to monitor the status of identified risks, but also provides an opportunity to discuss the emergence of new risks.

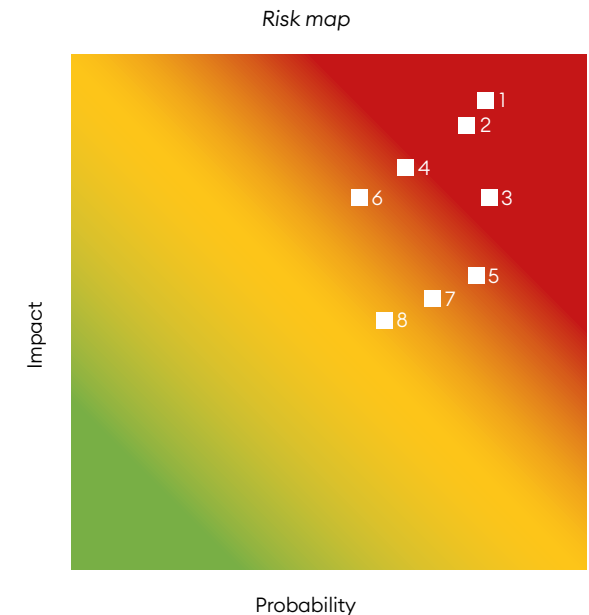
Additional attention is paid to corruption risk management. The LTG Group's corruption prevention model is based on the principles of the international standard ISO 37001:2016 "Anti-corruption management systems. Requirements and guidelines for use". In 2022, LTG was awarded the ISO

37001:2016 certificate. Anti-corruption measures are implemented in accordance with legal requirements, taking into account prevailing national and international practices and assessing the risks associated with corruption. An external audit of ISO 37001:2016 maintenance was carried out in early 2024.

In the LTG Group, strategic decisions are made taking into account the experience gained, the identified and managed risks and resilience of the activities carried out, as well as the context of the external environment and related global factors.

Main risks of the LTG Group and their management measures

1. Risk of delays in strategic infrastructure projects.
2. Possible provocations in the context of hybrid threats.
3. Challenges of expansion in foreign markets.
4. Risk of supply chain disruptions.
5. Possible insufficiency of financial resources to implement investment plans;
6. Risk of sanctioned freight transportation / circumvention schemes.
7. Risk of safety incidents.
8. Risk of lack of human resources with specific competences.



The main risks relevant in 2023 are disclosed in the table below.

Risk	Main sources of risk	Potential impact	Basic risk management measures
Risk of delays in strategic infrastructure projects	• Failure to secure public funding • Supply chain disruptions • Delays by contractors	• Delayed implementation of projects • Reputational damage • Loss of EU funding	• Monitoring of project implementation • Ensuring the need for human resources • Timely communication with stakeholders
Possible provocations in the context of hybrid threats	• Geopolitical situation • Activities of hostile states or groups	• Cyber attacks • Operational disruptions • Spread of misinformation • Data theft	• Management of security vulnerabilities • Cooperation with authorities
Challenges of expansion in foreign markets	• Lack of specialists with specific competences in local markets • Lack of technical operational compatibility • Compliance with local legal regulations	• Failure to achieve strategic objectives • Insufficiently rapid diversification of activities	• Ensuring the need for skilled professionals • Consolidation of the customer service process • Ensuring quality control
Risk of supply chain disruptions	• Increase in prices of materials and raw materials • Increased delivery times • Possible sanctions for suppliers	• Operational failures due to lack of repair parts • Delays in works	• Supplier checks due to sanctions • Advance planning • Reallocation of resources • Finding alternative suppliers • Rolling stock recovery programmes
Possible insufficiency of financial resources to implement investment plans	• Possible changes in funding priorities • Increase in investment amounts	• Financial impact • Reputational damage	• Finding alternative sources of funding • Prioritisation of investment projects • Continuous monitoring of investments
Risk of sanctioned freight transportation / circumvention schemes	• Malicious efforts of customers to circumvent sanctions • Lack of information to verify sanctions compliance	• Reputational damage • Financial losses • Criminal liability of executives for damage to the interests of the Republic of Lithuania	• Establishment of a sanctions control and monitoring system • Performance of an internal audit • Continuous monitoring of legislation • Implementation of organisational structure changes • Establishment of a competence support system
Risk of safety incidents	• Failure to comply with work safety instructions • Unsafe passenger behaviour <i>Inherent risks specific in the activity. These risks are managed with a strong focus applying continuous and systematic measures</i>	• Financial losses due to damage to rolling stock or infrastructure • Damage to reputation due to traffic/worker safety failures • Disruption of operations due to traffic accidents	• Periodic training and coaching • Mobile app to help keep workers safe • Safety system inspections • Periodic monitoring of physical and technical security • Quality control inspections
Risk of lack of human resources with specific competences	• Labour market trends in the country • Long training time of specialists • Lack of occupational prestige of certain professions	• Potential impact on continuity of critical activities due to shortage of human resources	• Improvement of working conditions • Increasing the prestige of the position • Process automation • Formation of employer image

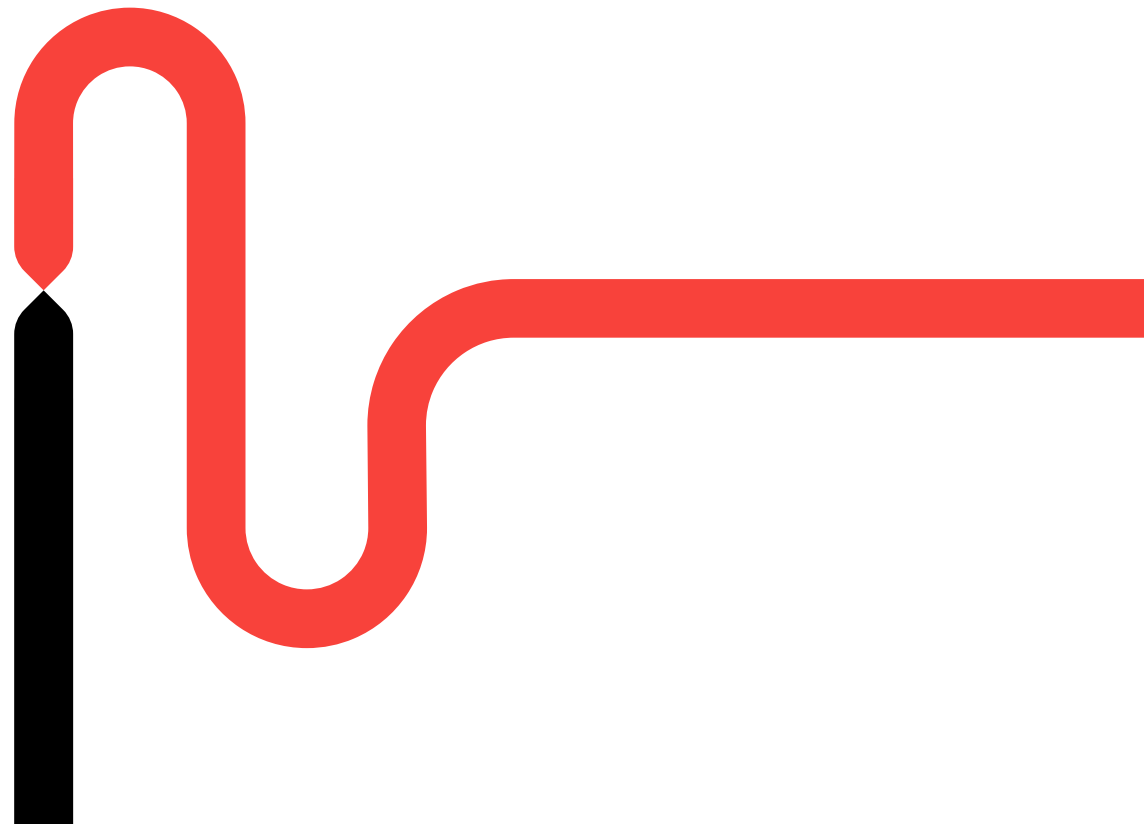
Business continuity and contingency management

LTG Group pays particular attention to ensuring the continuity of its activities. LTG Group ensures business continuity based on legal requirements, ISO 22301 guidelines and best practices of other companies. The business continuity management model in LTG Group covers 3 areas – planning and preparation, response and recovery. The LTG Group has identified 15 critical activities for which 25 business continuity plans have been developed and are tested at least once a year.

In order to ensure the prevention and management of contingencies that may arise from technical, social and natural phenomena, a Contingency Management Plan has been prepared by LTG Group and approved, and is reviewed and updated at least once a year. A Contingency Operations Centre has also been set up and is operational, consisting of the top level and functional heads of the operational units of LTG Group. The LTG Group has identified 5 very high and high risk threats for which detailed plans have been developed and table-top, functional and complex exercises have been organised to test them. In 2023, 7 exercises were organised by the LTG Group, together with representatives of the Lithuanian Armed Forces, Lithuanian Police and other institutions, companies and organisations, to test the effectiveness and efficiency of contingency plans. For example, in 2023, exercises were carried out at Palemonas railway station and Kaunas hydropower plant together with the

Special Operations Forces of the Lithuanian Armed Forces, the Public Security Service, the Anti-Terrorist Operations Team Aras of the Lithuanian Police, Ignitis Gamyba UAB, and at Šiauliai railway station together with the Lithuanian Criminal Police Board. In 2023, a strong focus will be placed on enhancing interaction with municipal administrations through the signing of cooperation and resource pooling agreements

In 2024, it is planned to further improve the prepared business continuity and contingency plans, taking into account lessons learned and ensuring their regular testing and adaptation to existing and emerging threats.



Sustainability Report (unaudited)

6.1. About sustainability within the LTG Group

The global transport system and supply chains are undergoing major changes due to the rapidly changing demographic, social, macroeconomic and geopolitical environment. Railways have been hailed as the transport of the future – for their environmental friendliness and their particular importance for Europe, as the concept of mobility changes and as the era of fossil fuels gives way to clean electricity and the attraction of other renewable energy sources. Organisations striving for sustainability not only guarantee a competitive advantage in the transport sector and respond to the expectations of stakeholders, but also contribute to a sustainable future based on common values tailored to the needs of future generations.

The LTG Group, the operation whereof is based on environmental protection, social partnership, good governance and economic progress, as well as the creation of value for the state, seeks sustainable development across all areas of its activity. In 2022, the LTG Group approved the **Sustainability Policy** – an important document setting the LTG Group's goals and objectives of sustainability activities, sustainability principles and priorities. This policy sets out the long-term Group priorities for the environmental protection, social and governance areas in which the LTG Group has the greatest impact on the environment and seeks to create the greatest value and make a significant change. Given the significant contribution and impact of the LTG Group activities at the national level, sustainable activities aim to contribute not only to the organisation of the LTG Group's activities, but also to the state's progress in the field of sustainability.

Sustainable business model in the LTG Group strategy

We consistently integrate the key sustainability principles we follow across the LTG Group into the LTG Group Strategy and other long-term business plans:



We care about the environment

We aim to become a climate neutral organisation by 2050



We create value for employees

We work together to develop and strengthen a high-performance organisational culture



We are resilient

We consistently pursue full integration into the European rail system

Building a sustainable business model is essential to fulfilling the LTG Group's mission to connect people and businesses for a more sustainable future. Travelling, working, exploiting opportunities for growth, ensuring the movement of goods while respecting the environment is a necessity in today's transport sector. This means that today we need to provide the necessary connections, to enable the public to enjoy travel and to do business in Lithuania and abroad by a more sustainable mode of transport - rail.

As we drive change towards a more sustainable, clearly and transparently planned national transport model, LTG Group's strategy reveals our vision to be the backbone of a transport system that:

- **would become the transport axis** – provide the basis for more sustainable national transport for passengers and freight. This axis connects the other parts of the transport system: roads, ports and airports merge into one network;
- **would seamlessly integrate** Lithuania with other European countries;
- **would ensure critical infrastructure** for emergencies.

Consistent long-term sustainability management

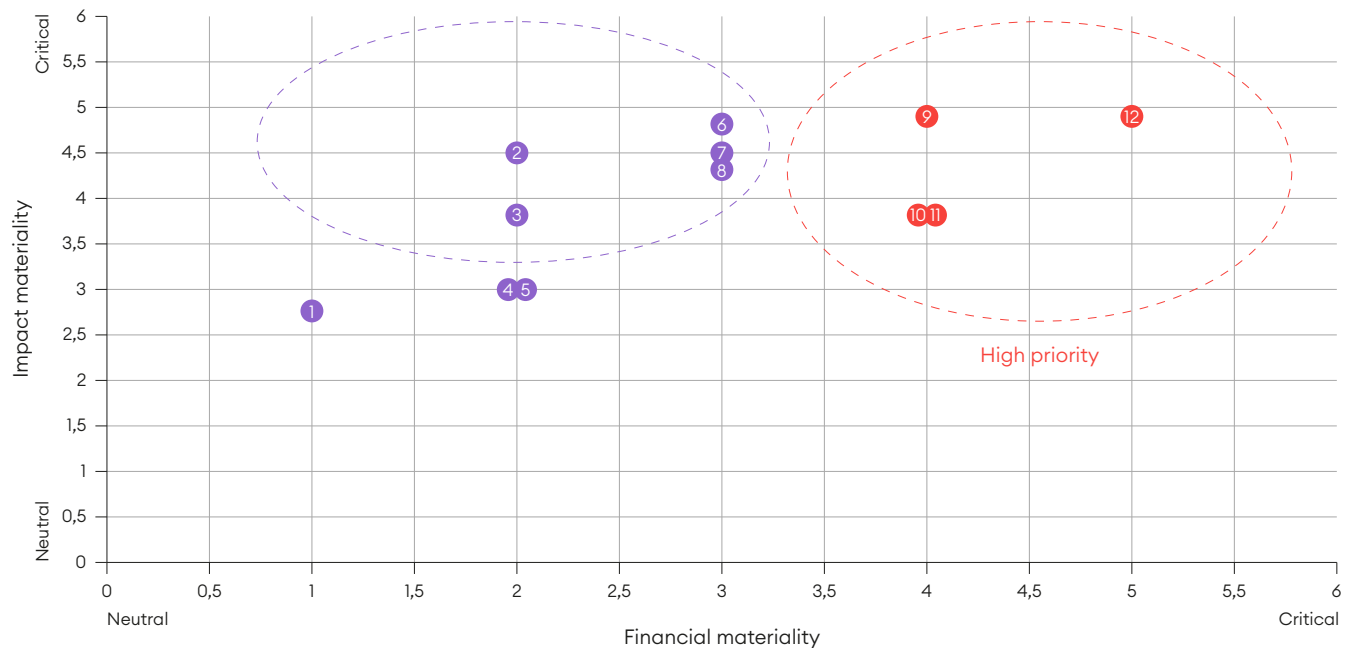
Given the significant contribution and impact of its activities at national level, the LTG Group seeks to promote sustainable organisational change, creating benefits for the state, society and employees. In the updated strategy at the end of 2023, the LTG Group underlines its ambition to base the future on a culture of sustainability and to take a holistic, values-based approach to all business decisions.

The LTG Group commits to strengthen the environmental, social and governance (ESG) areas within the organisation and its value chain, to ensure stakeholder engagement and to prepare for disclosures in accordance with:

- EU requirements in the area of sustainability (EU Taxonomy Regulation, Corporate Sustainability Reporting Directive),
- LTG Group internal audit recommendations,
- the recommendations of the PE Governance Coordination Centre (GCC),
- the international (internal) risk rating of EIA,
- national and international best practices.

In 2023, the LTG group conducted a stakeholder survey, a dual materiality assessment, identification of key sustainability themes, risks and opportunities, and the identification of priority areas of ESG.

Environmental priorities



1. Water consumption (reducing water consumption)

2. Adaptation to climate change (resilience to climate change)

3. Pollution (reduction of the negative impact of contaminated areas on the environment)

4. Discharge of water (reduction of discharges associated with waste water)

5. The risk of the extinction of the species worldwide (increasing the protection of animals)

6. Air pollution (reduction of emissions to ambient air)

7. Reducing noise and vibration

8. Application of green criteria in procurement

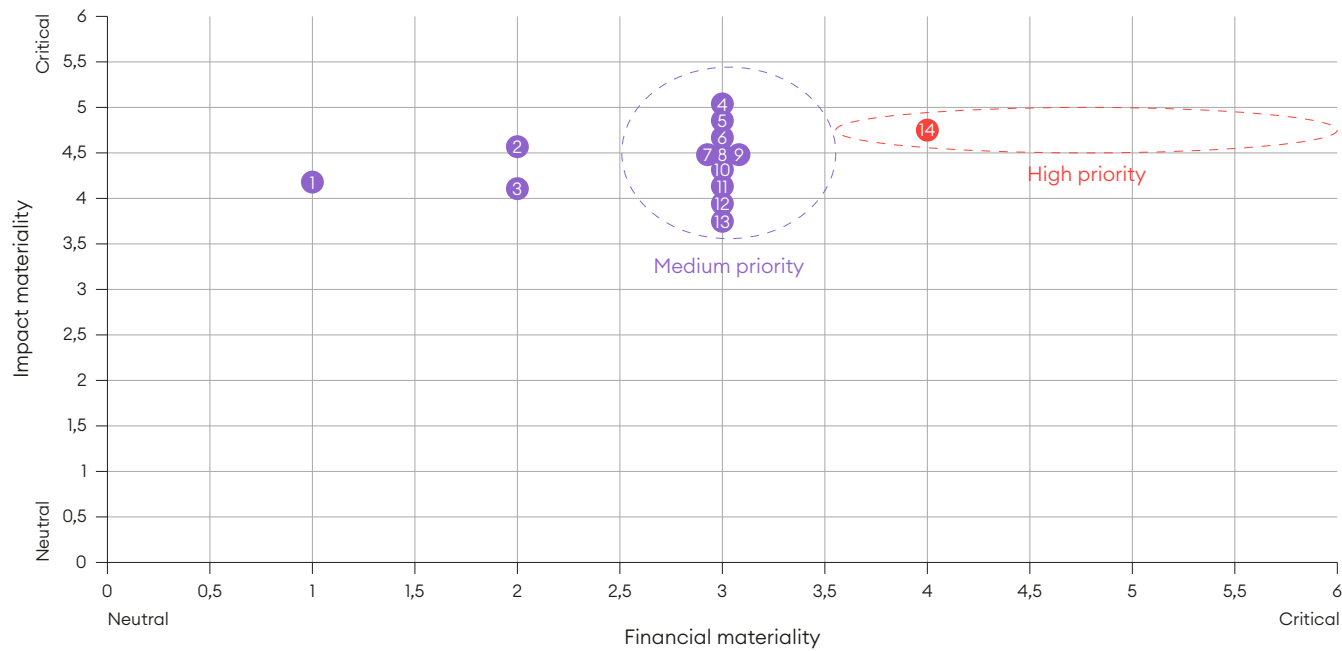
9. Energy (improving energy efficiency; RES; electrification)

10. Waste (re-use of materials; recycling of waste)

11. Resource derivatives related to products and services (less paper; use of more environmentally friendly chemicals)

12. Climate change mitigation (climate-neutral enterprise 2050; GHG reduction)

Social priorities



1. Collective bargaining (social dialogue)

2. Working time

3. Anti discrimination

4. Safety and health (workers and society)

5. Working conditions

6. PRM

7. Land-related impacts

8. equal treatment and equal opportunities for all

9. Personal safety; child protection (comprehensive safety)

10. Privacy (info. security)

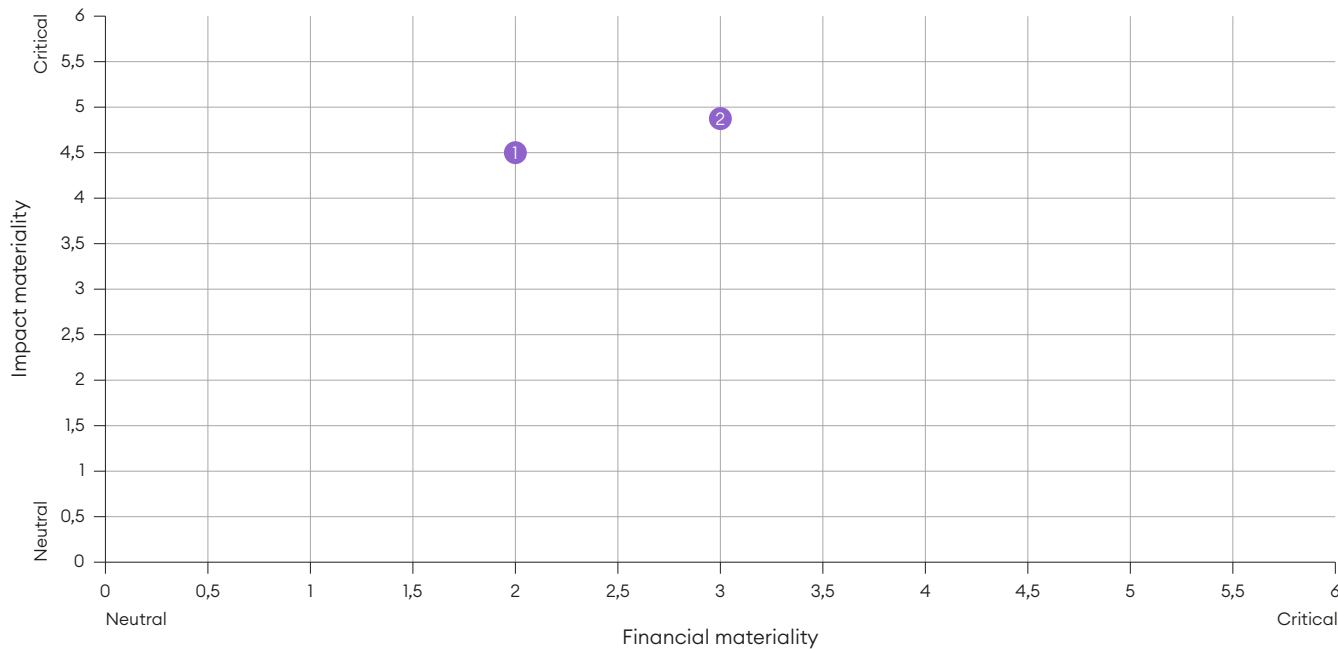
11. Training and skills development

12. Freedom of expression; freedom of assembly (openness to the public and cooperation with communities)

13. Privacy (personal data)

14. Safety and health (contractors and subcontractors)

Governance priorities



1. Whistleblower Protection
2. Prevention of corruption and bribery

LTG Group priorities in the Environmental, Social and Governance areas

In the LTG Group's updated strategy, we commit to conserve energy and natural resources, contribute to climate neutrality, raise safety awareness among employees and the general public, develop sound management practices, prevent corruption and protect whistleblowers. In line with our priorities, we set measurable sustainability targets in the LTG Group Strategy:

Area	Aims / Strategic objectives	Indicator	2024	2028
Environmental	Minimise impact on environment and climate change	CO2 emissions per unit of revenue, tCO2e/EUR million	216	100
	Optimise energy consumption	Total energy consumption savings, GWh	3.6	43.4
Social responsibility	Increase of occupational safety	Time lost due to injuries ratio (LTIFR): number of injuries / million work hours	1.92	1.46
	Promote an inclusive high-performance culture	Employee engagement rate (measured during employee survey, %)	56	62
	Reduce the level of risk to society	Threat to public ratio, weighted number of deaths and serious injuries/ million train km	0.33	0.2
Governance	Ensure reliable management practices at the highest level	Good governance practices	A+	A+

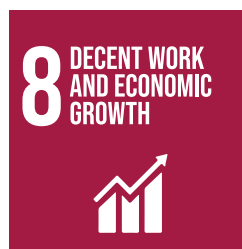
The LTG group's sustainability priorities, sustainable development goals and other international agreements

When implementing its strategic goals and sustainability management priorities, the LTG Group seeks to make a direct contribution to implementation of the global UN Sustainable Development Goals, with a particular emphasis on six:



Good health and well-being (goal 3).

The safety, health and well-being of employees are top priorities. As one of the largest employers in Lithuania, the Group takes care to ensure that thousands of its employees would be able to perform their functions safely and contributes to ensure their comfort and health. Also, the Group always takes care of the safety and well-being of its clients – passengers and members of the surrounding communities – by ensuring comfortable and safe transportation by one of the greenest means of transportation – trains. The Group's safety vision is zero incidents.



Decent work and economic growth (goal 8).

Railways are an integral part of the country's economy and transport. With its sustainable, safe and planned development, the organisation contributes to the economic growth of the country and region, as well as stability of the labour market. The organisation does not tolerate corruption or discrimination, promotes a respectful communication culture and equal right. The LTG Group takes care of the well-being of its employees, continuously aims to improve working conditions and guarantees a stable and competitive remuneration for work.



Industry, innovation, and infrastructure (goal 9).

The LTG Group contributes to the development of a sustainable and reliable transport infrastructure, promotes the use of innovations and digital technologies in transportation and internal processes. By ensuring safe and reliable transportation, we contribute to the Lithuanian and regional industry growth and efficient activities.



Sustainable cities and communities (goal 11).

Communication and cooperation with communities and response to their interests is important for the activities and development of the LTG Group. We aim for the communities not only to be informed about the planned projects, but for them to participate in related discussions, express their expectations and needs. Furthermore, we contribute to the state sustainable transportation policy and ensure sustainable possibilities for inter-city travels.



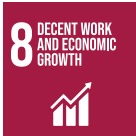
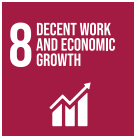
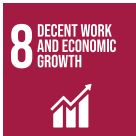
Responsible consumption and production (goal 12).

In our activities we contribute to the creation of a circular economy and strive to use green technologies in production and other activity cycles. We promote sorting and reuse of waste, as well as responsible use of materials. We save energy and other resources by implementing modern innovative technologies, encouraging employees and customers to be responsible, and educating them about the need for sustainable consumption.



Climate change mitigation (goal 13).

We aim for a further significant mitigation of our activities on the climate and wish to become a climate-neutral organisation by 2050. We carry out railway electrification, expand opportunities to transport freights via intermodal transport, and encourage passengers to travel by railways – the most environmentally friendly means of transportation.

ESG areas	Sustainability priorities of the LTG Group	UN Sustainable Development priority goals
Environmental	Reducing impact on climate	   
	Digitalisation and promotion of innovation	
Social	Ensuring well-being of employees and developing an organisational culture of high performance	   
	Openness to the society and cooperation with communities	
	Comprehensive safety	
Governance	Creating long-term value for the State and society	 
	Ensuring business continuity and risk management	

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

Through its actions and initiatives, the LTG Group contributes to the implementation of the European Green Deal and the Paris Agreement,

**committing to become
climate-neutral by 2050**

The aim is to gradually reduce CO₂ and particulate emissions; therefore the goal has been set to reduce overall CO₂ emissions from rail transport by 30% and reduce specific CO₂ emissions by 50% through freight and passenger transport by the year 2030, compared to 2005.

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

Relations with the stakeholders

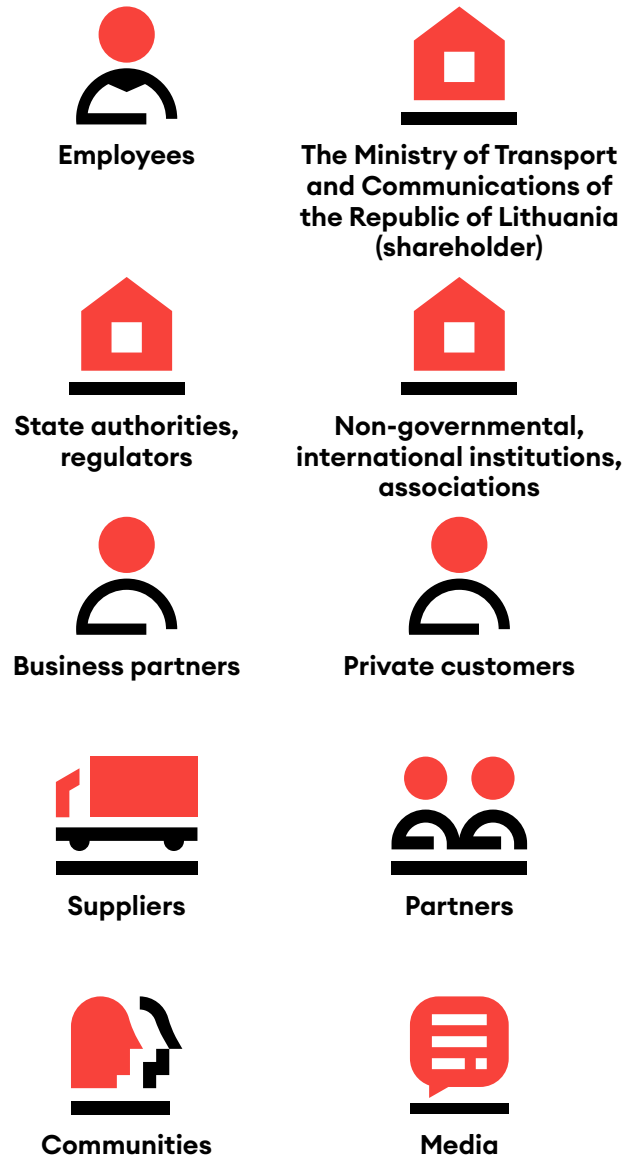
Close and proactive communication and cooperation with stakeholders is a high priority in the activities of the LTG Group. The LTG Group identifies 10 key stakeholders in its activities and bases its sustainability activities on their expectations, assessing potential impacts.

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

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

The information presented in this report details the wide-ranging impacts in the identified sustainability priority areas that the LTG Group's activities have on all stakeholders in the environmental, social and governance fields.

Main stakeholders in activity of the LTG Group:



Rail sustainability index

In 2023, the LTG Group participated for the second time in the assessment of sustainability progress in the rail sector, conducted by International Union of Railways (IUR). The Rail Sustainability Index (RSI) is a rating system and web-based tool developed for the global rail community to show the contribution of railways to the United Nations Sustainable Development Goals (SDGs). The members of IUR in different countries and continents submit their quantitative and qualitative sustainability data for evaluation. The IUR scored the LTG group's efforts towards achieving the SDGs in 2023 higher than the global average for railway organisations, with a LTG score of 58.6% compared to an overall average of 44.79%.

Sustainability risks and their management

Sustainability risks are identified and managed through the Group's standardised risk management process. The analysis and assessment of these risks takes into account the priorities identified in the Group's Sustainability Policy. The following is a detailed description of the main risks identified in the area of sustainability: the reasons of their occurrence and the main management measures that the Group is taking and will take to mitigate the impact of these risks on its operations and sustainable development.

Risk	Risk level	Main sources of risk	Potential impact	Risk management measures
Environmental sustainability risks: Mitigation of impact on climate and Digitisation and promotion of innovation				
Risk of failure to guarantee financing for the projects reducing climate impact	High	- Decrease in the Company's financial resources - Failure to secure public funding - Different priority setting	- Complicated implementation of projects - Reputation damage due to failure to implement sustainability commitments - Non-compliance with sustainability regulations	- Restructuring, staging of projects - Ensuring the need for human resources - Timely communication with stakeholders
Delays in implementation of the Green Deal policy on national level	Moderate	Reduction/termination of investments due to political and economic situation	- Damage to the Group's reputation as a result of failure to meet sustainability commitments - Non-compliance with sustainability regulations	- Assessment and management of stakeholder expectations - Ongoing communication with partners
Risk of non-compliance with sustainability requirements	High	- Insufficient funding - Sharing of responsibilities with third parties - Inadequate equipment - Insufficient preventive measures	- Administrative sanctions for non-compliance with environmental requirements - Reputational damage - Financial costs of remediation	- Monitoring of compliance with legal acts - Open, accurate, timely communication - Adaptation of infrastructure to special needs - Initiating site clean-up projects - Introducing noise reduction measures
Risk of using outdated, less efficient technologies in operations	High	- Long technological lifecycle - Technological and organisational reasons - Lack of resources	- Low operational efficiency - Potential operational continuity disruptions	- Modernising technology - Implementing new systems - Transfer of functionality to other systems
Groups of risk in the sustainability social area: Employee welfare, Openness to society and Comprehensive safety				
Risk of misalignment of stakeholder expectations	Moderate	- Insufficient funding - Sharing of responsibilities with third parties - Inadequate equipment - Insufficient preventive measures	- Administrative responsibility for non-compliance with environmental requirements - Reputation damage - Financial losses for remediation	- Monitoring of compliance with legal acts - Open, accurate, timely communication - Adapting trains and infrastructure for special needs
Risk of lack of human resources with specific competences	Moderate	- Labour market trends in the country - Long training time of specialists - Lack of occupational prestige of certain professions	Potential impact on continuity of critical activities due to shortage of human resources	- Improvement of working conditions - Increasing the prestige of the position - Process automation - Formation of employer image - Management of critical positions - Monitoring of change factors
Employee retention and turnover risk	Moderate	- Insufficient communication of expectations and priorities - Potential insufficient involvement of management - Labour market trends in the country - Changes to optimise performance	- Failure to guarantee operational continuity due to shortage of human resources - Decrease in operational efficiency due to employee turnover - Loss of experience and knowledge	- Strengthening of change management skills - Clear, structured internal communication and knowledge management - Ensuring preservation of information by using IT tools - Strengthening of organisational culture
Risk of safety incidents	Moderate	- Failure to comply with employee safety instructions - Unsafe passenger behaviour <i>Inherent risks specific in the activity. These risks are managed with a strong focus applying continuous and systematic measures</i>	- Injuries incurred by workers or other persons - Financial losses due to damage to rolling stock or infrastructure - Damage to reputation due to traffic/worker safety failures - Disruption of operations due to traffic accidents	- Periodic training and coaching - Implementation of employees safety management environment - Inspections of safety systems - Periodic monitoring of physical and technical security - Inspections of quality control

Risk	Risk level	Main sources of risk	Potential impact	Risk management measures
Groups of risk in the sustainability governance area: Ensuring business continuity and Long-term value creation				
Liquidity risk related to short-term and long-term financing of the LTG Group companies	High	- Challenges related to financing of bonds - Insufficient borrowings from banks - Unsecured credit line	- Unsecured financial stability - Unsecured going concern	- PSO contract for long-term funding - State budget subsidies for investments into infrastructure - Timely communication and cooperation with stakeholders
Operational optimisation risk	Moderate	- Challenges of setting qualitative parameters for processes - Performance management by individual segments - Complex and extensive operational architecture	- Potential operational efficiencies not achieved - Failure to obtain external financing - Reputational damage - Failure to meet shareholder expectations	- System of consistent management, monitoring and improvement - Development and implementation of the managed data and elements concept

6.2. Environmental area

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

The modern economy is inseparable from the transport sector. Railways are one of the greenest modes of transport and have not lost their relevance and importance for many years. However, transportation by different vehicles leaves a different footprint in nature.

For example, when travelling on the route Vilnius-Kaunas by an electric train, CO2 emission per passenger seat is 0 kg, by a bus – 1.57 kg, by a car – 3.49 kg. In the environmental area, the LTG Group identifies two main priorities on which attention and investments are focused:

- **Reduction of environmental impact;**
- **Digitalisation and promotion of innovation.**

By reducing its impact on climate, digitising its processes and introducing innovative solutions, the LTG Group aims to contribute to these global Sustainable Development Goals.



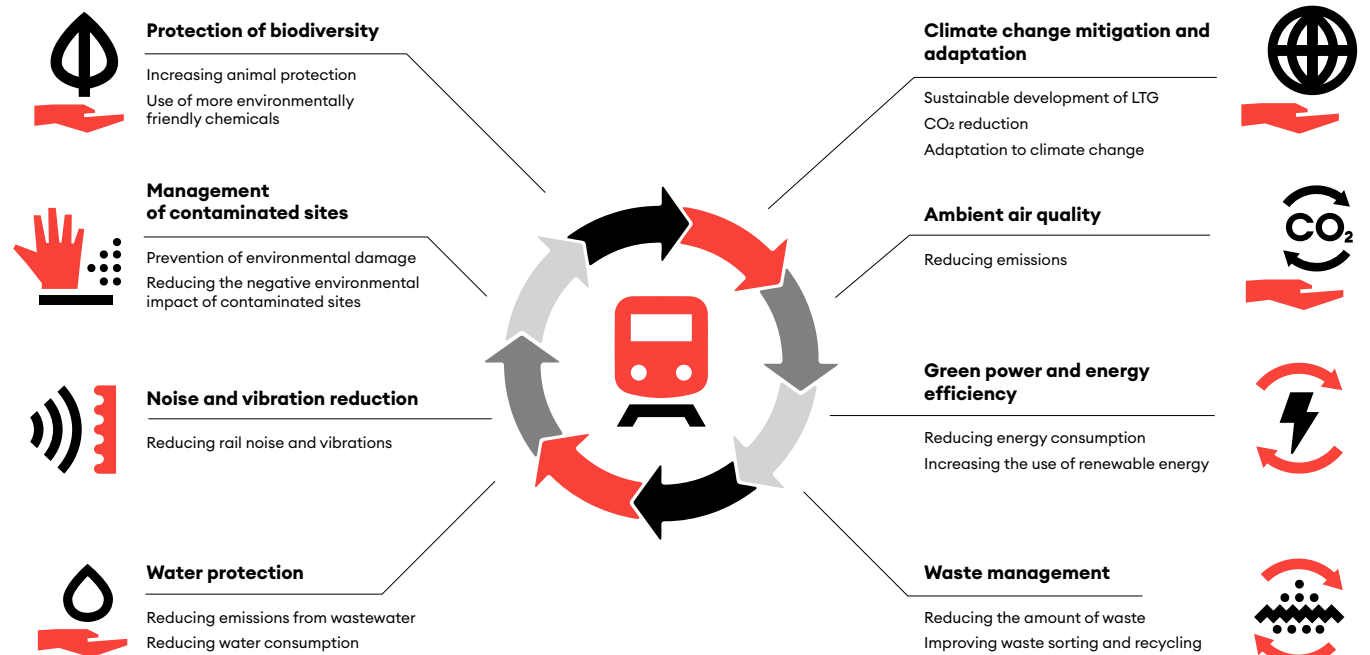
6.2.1. Reducing impact on climate

The LTG Group, being socially responsible, operates in compliance with its environmental obligations: it uses energy and natural resources efficiently and seeks solutions to reduce the negative impact of its activities on the environment and climate change. In this context, the LTG Group's Environmental Strategy 2030+ ("the Strategy"), developed and adopted in 2021, sets out the Group's environmental objectives up to 2030 and the measures for their implementation, with the aim of achieving a targeted reduction of negative impacts on the environment and climate change, and of becoming a climate-neutral organisation by 2050.

We take care of the environment: we seek to become a climate-neutral organisation by 2050

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

The LTG Group's Environmental Strategy identifies **8 key priorities of the LTG Group:**



Priority indicators

Indicator	Unit of measure	2021	2022	2023
Total CO ₂ -e emissions from traction vehicles	thousand tonnes	181.0	110.5	98.0
Decrease in total CO ₂ e emission from traction rolling stock, compared to 2005	%	31.0	58.0	62.6
Specific CO ₂ e when transporting freights	gCO ₂ e/tkm	11.3	12.7	12.9
Decrease in specific CO ₂ e when transporting freights, compared to 2005	%	39.8	32.2	31.2
Specific CO ₂ e when transporting passengers	gCO ₂ e/pkm	51.9	45.0	43.1
Decrease in specific CO ₂ e when transporting passengers, compared to 2005	%	21.2	31.7	34.5
Share of energy from renewable energy sources	%	100.0	100.0	100.0
Energy efficiency when transporting freights	kWh/tkm	0.044	0.049	0.050
Energy efficiency when transporting passengers	kWh/pkm	0.235	0.207	0.200
Share of energy from renewable energy sources in transportation	%	8.4	9.7	10.0
Share of energy from renewable energy sources when transporting freights	%	7.0	7.0	7.2
Share of energy from renewable energy sources when transporting passengers	%	21.3	22.6	23.2
Waste management				
Share of recycled waste and waste suitable for energy generation	%	99	99	99
Ambient air quality				
Nitrogen oxides from traction rolling stock	t NO _x	2,511.0	1,532.0	1361.1
Hard particles from traction rolling stock	t KD	69.0	42.0	37.4

Climate change mitigation

According to the results for 2023, the total CO₂e from rail transport have decreased significantly to 98.0 thousand tonnes, i.e. 62.6%, compared to 2005, but this is mainly due to a decrease in the volumes transported and a change in the nomenclature of freight. At the same time, the LTG Group continues to move towards its goal - reduction of rail transport emissions by as much as 30%, compared to 2005. Higher passenger flows and improved train occupancy have led to a decrease in specific emissions from passenger trains, which are 43.1 gCO₂e/pkm in 2023, 34.5% lower than in 2005 (i.e. emissions per passenger).

Taking into account international commitments, expectations from the shareholder of the LTG Group related to the objectives of the Lithuanian Green Deal and the ambition of the LTG Group to become a climate neutral organisation, the Strategy sets objectives that enable mitigating climate change and adapting to it:

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

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

- **Electrification of mainline railways** – electrification of the Vilnius railway junction and the Kaišiadorys-Klaipėda section, enabling diesel locomotives and trains to be replaced by electric locomotives and trains, thus reducing pollution and reducing traction costs for carriers. Electrification of these sections is necessary to enable the future operation of fully green, environmentally friendly and zero CO2-footprint electric trains, which are much more comfortable and economical to operate. Currently, only 8% of the network in Lithuania is electrified. This part will rise to 22% once the electrification project is completed. In addition, the repair bases for passenger and freight trains are being reconstructed, and other projects are being carried out to enable managing, repair and maintenance of the new power plant infrastructure.

- Part of the non-electrified railway sections will be adapted to **battery train (BEMU) operation**: electrification projects and the development of charging stations for BEMU passenger trains will steadily increase the share of the network adapted to electric traction, using the overhead contact network and BEMU stations.

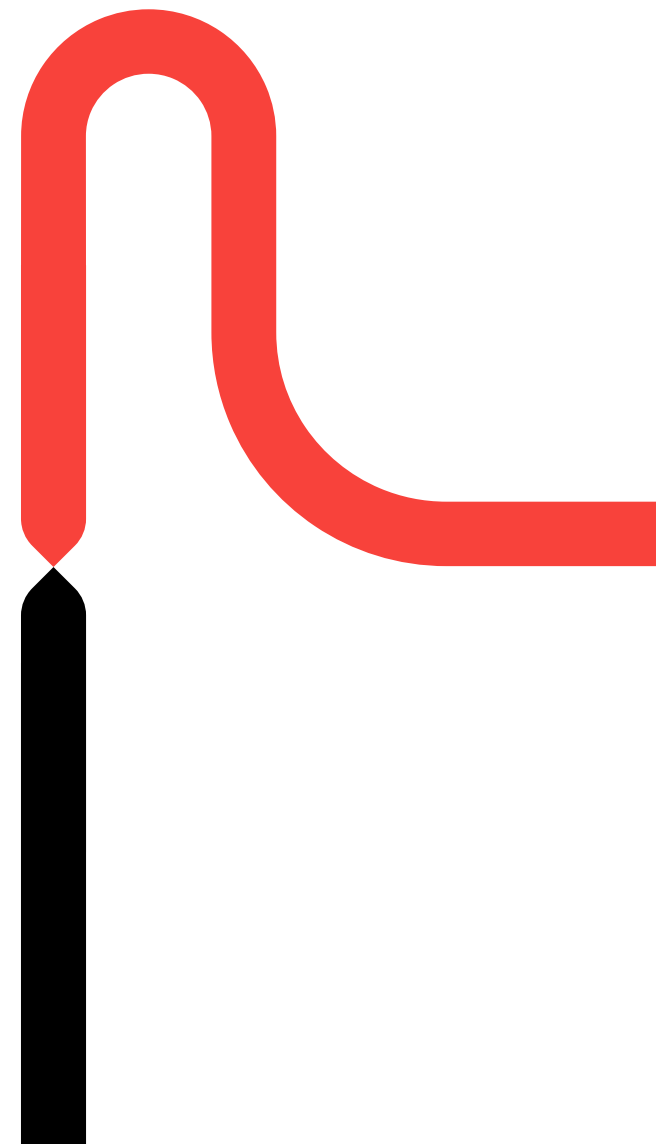
- **Re-electrification of previously electrified tracks** to modernise those that are reaching the end of their useful life.

- **Rail Baltica** is a greenfield rail transport infrastructure project that aims to integrate the Baltic countries into the European rail network by connecting Helsinki, Tallinn, Pernu, Riga, Panevėžys, Kaunas, Vilnius and Warsaw. The European track to Kaunas has now been built and the connection to the Kaunas intermodal terminal has been completed.

- On 21 June 2023, a contract for the purchase of trains was signed with Stadler Polska, a company of the Swiss train manufacturer Stadler Group. The aim of the project is to replace non-compliant diesel trains with modern, environmentally friendly **electric rolling stock** that will substantially reduce emissions in passenger transport operations, ensure compliance with the Passenger Rights Regulation and improve customer satisfaction.

- **Acquisition of electric locomotives** – the project started in 2023 and received approval from the Boards of LTG Cargo AB and LTG. The procurement has been launched, the first bids have been received and negotiations with potential suppliers are ongoing. The project is estimated to contribute to the reduction of harmful pollutants by 35,000 tonnes of CO2 emissions annually.

- In 2021, LTG Cargo started **intermodal freight services** from Kaunas Intermodal Terminal to Western Europe. Intermodal freight, especially when transported by electrified rail, produces significantly less CO2e, compared to road transport. The ongoing development of the service creates new preconditions for promoting more sustainable logistics. Certificates for CO2e emission savings in intermodal freight transport by rail were awarded in March 2023. During 2023 124,454 TEU of intermodal cargo was transported by rail and 66,452 t CO2e were saved (166,842 TEU and 67,148 t CO2e in 2022 respectively). Using 1435 mm gauge railway in 2023 transported 13,769 TEU and saved 17,831 t CO2e (5,585 TEU and 3,943 t CO2e in 2022 respectively). Multimodal transport allows an increasing proportion of freight to be moved competitively onto rail, thus, reducing environmental impact, freeing up road transport and addressing other environmental and safety challenges. **The Company provides its customers with an opportunity to *easily and quickly make a preliminary calculation of the CO2e savings that could be achieved by transporting intermodal freight by rail on LTG Cargo routes, compared to road transport.** The calculator has been developed by AB Lietuvos Geležinkeliai in accordance with the methodology No. M/FN13/LTG/6 for the assessment of greenhouse gas emissions from the transport of intermodal freight. The greenhouse gas assessment presented in the methodology is in line with the principles of the standard LST EN 16258:2013 Methodology for the calculation and declaration of energy consumption and greenhouse gas emissions in the provision of transport services (freight and passenger transport). The calculator is interactive and customer friendly: <https://ltgcargo.lt/zaliuju-kilometru-skaiciuokle/>.



- **Creation of a battery-charging infrastructure** for passenger trains in the railway. Such infrastructure allows environmentally neutral battery-run trains operate even on non-electrified railway rails.

- **Saving resources and making use of locomotives more efficient.** After the transfer of operations from Vaidotų station to Paneriai station, 25 locomotives of the 2M62M, 2M62UM and 2M62K series, which were not in service, were left at Vaidotų station. In order to save energy and labour resources, these locomotives were moved from Vaidotų station to the tracks No 25 and No 31 of the Vilnius freight siding, which is adjacent to the locomotive repair workshop. The project avoids periodic locomotive movements (~18 trips/month) on the Vaidotai-Vilnius-Vaidotai section. By improving the efficiency of locomotive removals/repairs from Vaidotų station to Vilnius and back, the greenhouse gas emissions from the internal combustion engine have been reduced. At the same time, an initiative to save resources by improving the use of locomotives has been implemented based on an analysis, which identified cases where locomotives were driven from Paneriai station to Kena station to carry trains on reserve, and after arriving at Kena with trains from other stations, were driven back to Paneriai on reserve. After the tests to reduce the reserve mileage of the locomotives and at the same time to contribute to the improvement of the ambient air quality by reducing an amount of emissions on the railway, it was decided that locomotives which arrive at the Kena station with trains, that do not need to be outfitted or driven for repair should be left at the Kena station on a permanent basis, until a train is ready to be dispatched.

- **Strategies for wagon and locomotive fleet management** have been developed and approved, and projects are initiated and implemented in line with the indicated strategies.

- **Renewal of the car park** by replacing cars with internal combustion engines with hybrid and electric cars.

In 2023, LTG's fleet of cars and trucks up to 3.5 tonnes consisted of 54 vehicles (11% of LTG's total fleet). In 2023, the LTG Group optimised 26 vehicles. A vehicle renewal programme for 2024-2026 has been prepared and approved. Subsequent to the car purchases, it was estimated that in 2026, non-pollutant passenger cars will represent approximately 24% of the LTG Group's total passenger car fleet.

In 2023, the LTG Group was actively involved in the update process of the National Energy and Climate Action Plan (NECP) organised by the Ministry of Environment of the Republic of Lithuania together with the Ministry of Energy of the Republic of Lithuania. The update of the NECP is an important part of the implementation of the international climate change objectives set out in the 2015 Paris Agreement and the EU climate change and energy policy mitigation (GHG reduction) goals and targets until 2030.

Together with the other social partners, the LTG Group has also presented decarbonisation measures for rail transport. Railway transport is significant when implementing decarbonisation of the transport sector – the GHG emission of railway transport amounts only to 2.9% of the whole sector; however, as much as 28% of freights and 10.3% of passenger flow is transported.



Green energy and energy efficiency

The LTG Group is one of the largest consumers of electricity in Lithuania; therefore, energy efficiency solutions are especially relevant. Especially as the environment is one of the core sustainability priorities of today's LTG: The Group is committed to investing in the development of advanced technologies that reduce pollution and energy costs and are environmentally friendly.

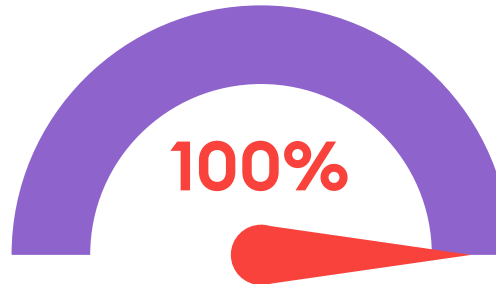
The Strategy defines the following energy efficiency targets:

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

Although energy efficiency in freight transport decreased slightly in 2023 due to structural changes of freight flows, compared to 2022, the total energy efficiency of the LTG Group when transporting freights since 2005 has increased by more than 29%. Meanwhile, energy efficiency in passenger transport has increased by more than 3%, compared to 2022. This was due to an increasing passenger traffic as well as various energy-saving measures in train operation.

In 2023, the share of energy from renewable energy sources (RES) in freight and passenger transport increased, but the most significant breakthrough will be achieved when the rolling stock fleet is renewed with electric locomotives, electric

LTG Group consumption of green electricity



and battery-run passenger trains. Currently, RES comprises part of bio-additives in diesel fuel and the green energy. Already since 2019, green energy is being used throughout the LTG Group both for electric traction and for other needs such as lighting or heating. The use of such electricity for electric traction alone saved 5.5 thousand tonnes of CO₂e in 2023. AB LTG Cargo uses green energy. At the same time, electric locomotives will be taken into operation in 2028.

In 2021, the LTG Group and the Ministry of Energy of the Republic of Lithuania (ME) signed an Energy Savings Agreement. For the implementation of the Agreement LTG will aim for energy savings by implementing saving measures, including but not limited to the following saving measures: modernisation of lighting equipment (LED technologies), network electrification, real estate optimisation, modernisation of buildings, modernisation of boiler rooms, renewal of the vehicle fleet. In March 2023, ME presented data on savings for 2022 show an amount of 1.14 GWh. The measures

and potential saving values in the Energy Savings Agreement are under review and a revision of the Agreement is planned for 2024. It is provisionally estimated that the measures foreseen will lead to savings of approximately 50 GWh in 2030.

These results will be achieved by terminating use of unnecessary real estate, adopting smarter heating options and replacing lighting with a more up-to-date and sustainable LED. As part of the latter, LTG Infra aims to invest in the refurbishment of the existing lighting towers, which are technically and physically worn out, by installing new lighting towers with LED floodlights, ensuring the lighting level complies with the requirements of hygiene norms and avoiding accidents.

LTG Cargo is reducing costs and getting rid of unused and inefficient buildings. This leads to savings in building maintenance and energy efficiency costs. It is currently estimated that 7.03% of unnecessary or unsuitable operational facilities will be eliminated in 2023, compared to 2022.

To save electricity, the lighting in the mechanical workshop at 12 Geležinkelio Street in Vilnius was modernised by replacing old DRL luminaires with modern LED ones. 51 pcs. were changed. The installation of the new luminaires significantly improved the lighting of the workplaces, and the reduction in the power of the 51 luminaires (1 psc. - 180 W) resulted in annual savings of 16524 kW - about EUR 5,000.

Ambient air quality

In addition to mitigating the impact of activities on the climate change, the LTG Group's Strategy includes a commitment to improve the quality of ambient air and sets a target to ensure that the LTG Group's emission of pollutants to ambient air from traction rolling stock in 2030 would decrease by 40% than in 2005. These pollutants are particularly harmful to public health and the environment, and can form toxic smog under unfavourable dispersion conditions. Nitrogen oxides and particulate matter from traction rolling stock have decreased by 11%, compared to 2022.

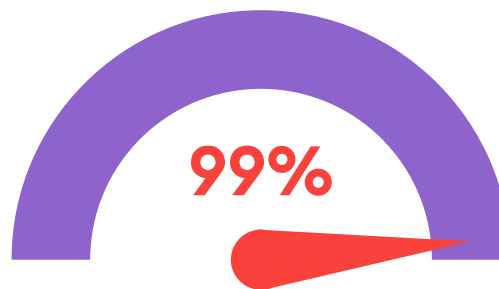
The quantity of pollutants depends directly on the amount of fossil fuel used in railway transport; therefore, the volumes of freight and the amount of emissions were decreasing simultaneously (85% of these pollutants are emitted from transportation of freight). Emissions to ambient air will be significantly reduced through the renewal of the traction rolling stock through the acquisition of electric traction rolling stock, the timely implementation of electrification projects and the increased use of renewable energy sources.

The LTG Group regularly monitors emissions to ambient air from stationary sources. 185 stationary sources of air pollution are monitored and no emissions exceedances were detected in 2023.

185 stationary sources of air pollution are monitored

Waste management and the circular economy

LTG group waste recycling



The LTG Group's waste management priorities are: to reduce the amount of waste generated, to implement the principles of the circular economy, to ensure the safe management of waste in a manner that is safe for human health and the environment, and to rationalise the use of material and energy resources from waste, thereby minimising the use of natural and other resources and the disposal of waste in landfills.

The target is to achieve by 2030 that 98% of the waste generated by LTG Group were suitable for recycling or energy recovery. In 2023, the LTG Group can boast an excellent track record in this area, with **the percentage of waste recycled and suitable for energy recovery rising from 90% to 99%** over the last three years. A future goal of the LTG Group is to maintain high rates of recycled waste and to provide for measures not only to reduce the total amount of waste but also to promote the reuse of materials, extending their useful life as much as possible.

The growing focus on **the circular economy**, e. g. the reuse of wooden and reinforced concrete railway sleepers, track ballast, has contributed to the excellent results. Used oil, scrap metal, batteries, paper and cardboard and plastic waste and packaging are sorted and collected separately and transferred to waste managers for reuse or recycling. Education of employees is also an important factor in improving waste sorting and recycling - in 2023, all LTG Group employees received training on the changes in the sorting of electronics and batteries in Lithuania and on the utilisation of used old medicines and syringes. LTG Cargo's wooden sleepers are auctioned and 15,000 pieces are reused for the Aukštaitija narrow gauge railway. Auctions are organised for larger quantities of used oil, scrap metal and batteries.

Since 2019, reusable industrial wipes and oil absorbent mats have been successfully used in production to replace disposable cloths and sorbents. LTG Cargo wipes and mats are used in LTG Cargo's manufacturing operations, depots and workshops. In 2023, the partners collected and recycled 4890 kg of hazardous waste, saving 7970 kg of wipes and 500 kg of sorbent. Other projects of a similar nature are continuously being carried out to raise awareness of waste sorting among employees and speed up the production process. Reusable wipes clean up to 5 times more dirty surfaces than single-use wipes. Since the beginning of use, the reusable industrial wipes contributed to saving 1.3 million units of disposable wipes and approximately 34,500 units of oil-absorbent floor coverings. In total, this makes more than 25,000 kg of waste.

Since 2019, we have been significantly reducing the amount of paper used for printers and documents on the level of the entire LTG Group. Although the project was successfully closed in 2022 (over 90% of all documents in the Group are digital), initiatives and process upgrades are still being implemented across the Group to further reduce the overall amount of paper used.

In 2023, auctions were organised for the disposal of computer and office equipment. A total of 70 units of equipment were prepared and sold for secondary use.

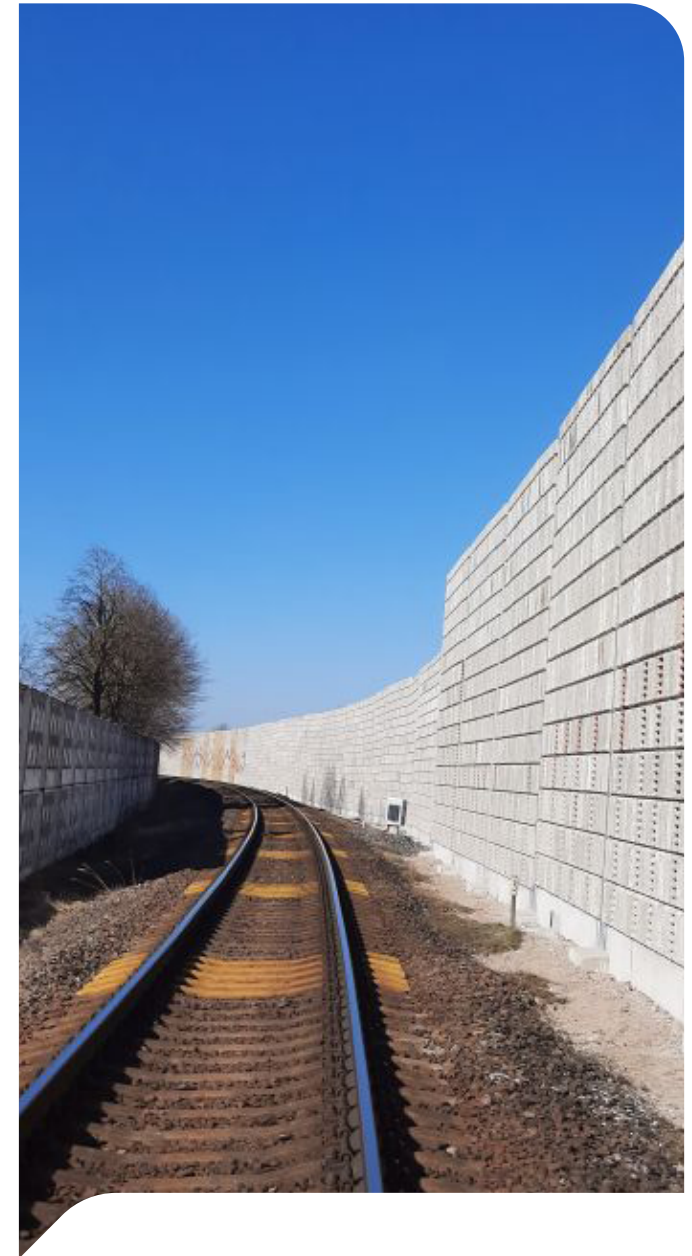
In order to improve the conditions for passengers to sort waste and recyclables, new two-compartment sorting containers made of recycled plastic have been installed and continue to be used on all electric trains. In addition, in 2022, at as many as 41 stations recycling sorting containers were installed in passenger waiting areas, and were successfully used in 2023.

Water protection

In order to protect the environment from pollution by wastewater discharges, to improve the quality of surface water and to ensure compliance with environmental legislation, wastewater discharged by the LTG Group is treated in wastewater treatment plants. In order to ensure effectiveness of these plants, maintenance of household, industrial and surface (rainwater) wastewater treatment plants and laboratory control of discharged wastewater are carried out on a regular basis. A total of **more than 200 waste outlets are monitored** highly focusing on monitoring of wastewater discharged by stations and loading platforms as well as other industrial objects. When exceedances are identified, an action plan is drawn up individually for each object in order to stop the increased pollution as soon as possible.

Noise prevention

The LTG Group pays particular attention to reducing noise and vibration caused by railway transport. This problem has been identified as one of the most important ones by the International Union of Railways (UIC), which has also set a target for 2050 to achieve that noise and vibration would no longer be an issue for rail transport, i.e. that is, railway traffic would be operated within the established noise and vibration limits. To achieve this goal, companies of the LTG Group implement the measures provided for in the municipal noise prevention action plans: implement electrification projects, improve and constantly monitor the railway infrastructure, control the speed of trains, organise freight train traffic as often as possible during the day rather than evening or night, repair wagons, implement noise reduction measures. LTG Infra has been **implementing noise attenuation wall construction projects in selected locations over the past few years, taking into account the results of periodic monitoring of rail transport noise levels in Lithuania. Particular attention is paid to the number of population exposed to the highest noise levels.** The design of the walls involved active cooperation with the municipalities, coordination of architectural and design solutions to ensure that the walls were not only sufficiently effective but also harmonise with the environment. LTG Infra's noise reduction programme includes 9 projects.



Cleaning up contaminated sites

Identification, investigation and development of management programmes for historically contaminated sites continue to be a major focus within the LTG Group. Groundwater monitoring is being carried out at 10 sites in the LTG Group to manage already identified contaminated sites. In 2022, LTG, in cooperation with the Ministry of the Environment of the Republic of Lithuania and the Department of Environmental Protection under the Ministry of the Environment of the Republic of Lithuania, procured measures to stop the leakage of petroleum products on the Nemunas quay. The territory of the Vaidotų RS of LTG Cargo AB was contaminated with oil products in the past. The performed eco-geological studies and the prepared management plan, including the intended measures, have been integrated in the procedure plan, which is under preparation. Installation of the measures started in 2023. An absorption mat has been installed in the permanent area of contaminant discharge and a petroleum absorbent bund has been installed on the bank of the Nemunas riverbed. In 2024, further operation of the installed oil pollutant stopping and collecting filtering-sorbing wells, drainage wells and the connecting pollutant collecting drainage system is planned. The clean-up of historically contaminated sites will continue to be a major focus, in cooperation with municipalities and state institutions.

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

- Collecting information on contaminated sites in cooperation with state institutions.

- Developing a programme for the management of contaminated sites, identifying priority contaminated sites and the type of management and funding required.

- Performing ecogeological surveys of priority contaminated sites and preparing management/monitoring plans.

Biodiversity protection

The LTG Group aims not only to reduce environmental pollution but it also contributes to the protection and restoration of biodiversity. The planting and restoration projects that started three years ago are being continued. In 2023, oaks up to 4 metres in size and hawthorn trees were planted and one more new green area next to the railway was designed in Priekulė, Klaipėda District. In autumn 2023, around 12,000 seedlings were planted in Kaunas, Klaipėda and Šiauliai regions. Since the start of the new planting and replanting programme, around 30 000 seedlings of various trees have been planted in Raseiniai, Šiauliai, Kaišiadorys, Akmenė, Radviliškis, Kėdainiai and Kėna.

Seeking to invest in the environmental protection, LTG Cargo carries out relevant projects. In 2023, an acquisition process was started for grain trucks to provide the best service to our customers and encourage them to choose more environmentally friendly transport. It is estimated that 1 wagon carries 3 truckloads.

When planting areas near the railway we:

- reduce train noise for residents;
- create a sustainable infrastructure which is beneficial not only for protection of the railway from the impact of wind and snow;
- improve the landscape and strengthen the natural carcass.

As an element of the green infrastructure, railway protection plantations are the most natural measure which not only reduces noise or spread of pollutants, but also carries out economic and other nature protection functions, such as CO₂ gas absorption and climate change mitigation, etc.

In 2023, there were 7 incidents involving the risk of environmental damage during freight transport. In all cases, no environmental damage has been made as all the necessary preventive measures have been applied in a timely manner.

6.2.2. Digitalisation and promotion of innovation

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

We seek for effective use of resources: we digitalise processes and install modern solutions

Optimisation of LTG data centres and IT infrastructure

By managing large IT economy of the LTG group, the group contributes to realisation of the Green Goal and sustainability priorities. During 2023, significant work was carried out to optimise LTG's data centres and infrastructure facilities, replacing outdated IT equipment with new, energy-efficient equipment, and recycling computer workstation equipment. The main results of this work are as follows:

- **Server room optimisation.** With the removal of 2 server rooms, the equipment has been moved to a data centre of an external supplier. The leased data centre of the supplier uses only green electricity and various energy efficiency solutions.
- **Scrapping and disposal of obsolete, energy-wasting equipment.** Over 5 tonnes of unwanted, non-reusable IT equipment was delivered to an e-waste collection and recycling company in 2023. This has allowed to keep only 4 out of 6 storage rooms, reduce storage costs and reduce energy consumption by up to 30%.
- **Upgrading data centre equipment and adopting cloud technologies.** In the data centres, 144 units of server equipment and storage were dismantled following the upgrade of server equipment and migration of some systems to cloud platforms. The project has resulted in a 10% reduction in electricity consumption and, thanks to the operation of some of the systems on cloud platforms (e.g. AWS), they use 100% renewable electricity.

- **Implementing a policy on the sustainable use of computer equipment.** As a result, two auctions of decommissioned computer and office equipment were organised and 160 computers and 26 network and communication equipment were put to secondary use.

Pilot projects to promote implementation of innovative technical solutions in the LTG group

- **LTG Cargo's electronic journey sheet**

It is used for fuel accounting and monitoring. Data is obtained and processed quickly, allowing locomotive utilisation to be monitored and decisions for its improvement to be taken. Data analysis has led to the development of locomotive fire-fighting rules.

- **Installation of solar modules in sound-absorbing walls**

Currently, LTG uses sound-reflecting and sound-absorbing walls, which serve the main function of protecting the surrounding population from noise, but do not add value. In order to optimise use of the constructions of the existing railway infrastructure, a pilot project on the installation and testing of the solar plant (SP) in sound-absorbing walls has been launched to evaluate the performance of a vertical double-sided solar module under real conditions and the performance of the sound-absorbing material with the solar modules in place. The expected effect of the tested technology is to reduce the fixed costs of the sound-absorbing walls and the amount of electricity purchased, as well as to increase the amount of electricity generated from renewa-

ble energy sources. The SP should generate at least 13,600 kWh in at least 1,774 hours of sunshine (annual statistics). An additional 10% error is allowed for various other factors (other than solar radiation). After the application of the error, the kWh generated shall not be less than 12,200 kWh. The electricity generated in the first year is expected to be about 10 MWh; over the lifetime of the project it is expected to be 372 MWh, and the savings from the electricity generated for own needs (not purchased from the supplier) are expected to amount to approximately EUR 2.3 thousand in 2024. If the trials are successful, the solution can be extended to new sound-absorbing walls to be planned and installed.

• Testing of energy storage devices (batteries)

The plan is to manage the volatile and continuously rising electricity prices through the deployment of an energy storage device (battery) and the integration of a control solution. The battery will enable the storage (purchase) of electricity when it is cheapest and the use of the stored electricity when electricity is most expensive on the market (without purchasing from energy suppliers). The building selected for the test is the administrative building at 10 Pelesa Str. (P10), where a battery with a capacity of 80-100kWh is planned to be installed in Q2 2024. The battery's smart controller will interface with the electricity exchange (Nord Pool) and will be tested to reduce the consumption of electricity from the grid at times of peak electricity prices. The smart controller will also be able to take part in balancing the external electricity grid by integrating with the pool (reducing electricity consumption during certain hours when the grid operator Litgrid needs help and pays for it, otherwise known as balancing service). The P10 battery pilot project is more focused on testing the technology and scalability in the LTG Group companies, but the solution chosen for the pilot is expected to pay for itself within 5-7 years.

• Automated monitoring with analytics of level crossings and objects on them

In order to prevent traffic accidents at level crossings and to take preventive measures to improve traffic safety, a pilot project was initiated to monitor the level crossing at Subačiaus St. on the Vilnius - Naujosios Vilnia intermediate station. The pilot project is unique in its use of LIDAR technology. This technology allows to accurately determine the distance, shape and position of an object, which would be difficult to capture with a conventional camera, to obtain a detailed image of the object from several angles based on data from several connected devices (cameras/sensors), to monitor and analyse the environment in real time, which is suitable not only for safety but also for operational efficiency measures, the desired information can be viewed by summarising the digital data in 3D format, due to the installation of an object classification solution in the software, which combines advanced state-of-the-art technologies to create a completely unique detection, capture and display system that provides the exact parameters of the danger zone, detailed information on the size of the offender, the exact position, speed and trajectory of the movement. The pilot project also monitors the gauge of passing rolling stock. The results of the pilot project and the lessons learned can be used to address the deployment of safety assurance measures in the LTG facilities.

• Testing composite sleepers in the LTG infrastructure

In order to use sustainable materials in the LTG facilities, a pilot project was initiated to test composite sleepers in the LTG infrastructure. An analysis of the materials used for the sleepers (glass fibre bonded with polyurethane, fibre-reinforced polyolefins, a mixture of recycled rubber raw materials and waste plastics), and assessment of the specificities of the sites for installation and operation of the sleepers, and the structures of the buildings, led to the selection of the best alternative to wooden sleepers, installed in truss bridges - the composite sleepers manufactured by Pionier

GmbH, which have a longer service life than wooden and reinforced concrete sleepers, better shock and vibration absorption, are significantly quieter than similar products, are resistant to temperature fluctuations, and easy to install and maintain. The bridge chosen for the pilot project is the bridge on the railway section of Joniškis - the state border with Latvia. Tests are planned to be carried out over a period of one year to assess the resistance of the sleepers to temperature changes, the flexibility of the fixing elements, and the specifics of maintenance. The results of the pilot project and the experience gained can be used to address the issue of replacing existing sleepers with composite sleepers, not only on bridges, but also on other LTG infrastructure objects: between wooden and reinforced concrete sleepers, where the thickness of the ballast layer is low, on switches, on roads for the shunting of rolling stock, and on roads with a high probability of a false current signal.

• Video surveillance and passenger information system

In order to achieve a centralised, unified and autonomous video surveillance and passenger information system, the "Train View" system was tested on a PESA 730ML passenger vehicle of LTG Link. In the passenger vehicle selected during the pilot project, using the existing equipment and systems efficiently, a computerized control from the driver's cab was installed, a GPS location and video storage system, a passenger information system with real-time video transmission, information screens, temperature sensors in the cabin were installed, and the safety of the system itself was ensured by the Wireguard security system. The experience gained during the test period has been used to optimise the technological processes of servicing passenger rolling stock; the functionality of the Train View system, its independent control model, ease of maintenance and improvement possibilities allow it to be operated efficiently while addressing traffic safety issues by means of the automatic detection of objects on the train track: sending messages when a dangerous situation is identified with the object's

GPS co-ordinates, assessing the condition of the people, cars, the road, the surroundings, and integrating images from level crossings. Based on the results of the tests carried out, the decision was taken to consider the pilot project a success and to approve the implementation of the Train View camera and passenger information system project in LTG Link on PESA and ŠKODA passenger rolling stock.

• **Remote diagnostics of internal systems on passenger rolling stock**

In order to ensure more efficient use of resources required for maintenance and repair of passenger rolling stock, lower failure rate of the rolling stock and its constituent units, aggregates and systems, and to ensure safety and comfort of passengers during the whole journey, testing of a remote diagnostics solution were carried out in the passenger vehicle PESA 730ML of LTG Link, enabling artificial intelligence to detect progressive technical failures in response to changes in the system parameters. The remote diagnostics pilot project was carried out together with the Belgian company RAILNOVA, using the products developed by this company: "Railster" devices and 'Railgenius' platform, and monitoring the operation of internal combustion engine parts. The pilot project involved the scanning of the monitored technical parameters/characteristics into the LTG servers and the development of an algorithm for identification and classification of failures. Based on the results of the tests, it was decided to consider the pilot project a success and to implement remote diagnostic equipment for the monitoring of the PESA 730ML passenger rolling stock's propulsion system, brake system, and the heating, ventilation and air-conditioning system due to the following technical and operational characteristics: fewer unplanned breakdowns, improvement of the technical availability of the rolling stock, more efficient planning of the supply of necessary spare parts, real-time assessment of the technical condition, identification of hidden developing faults and rapid response, use of artificial intelligence, prevention of accidents, improvement of the operator's reputation.

• **Testing 5G and Starlink connectivity on passenger trains**

In order to improve WiFi connectivity on passenger trains, to ensure adequate quality and uninterrupted use of internet-enabled communication equipment throughout the train route, 5G and Starlink communication equipment was tested on the LTG Link passenger vehicle PESA 730ML. The pilot project identified equipment features, assessed equipment reliability, efficiency, advantages and disadvantages, mapped coverage areas taking into account the dependency of Starlink connection quality on satellite positions, and fully assessed cyber security, personal data and information systems integration and interoperability aspects. Internet latency and speed measurements were carried out on the Vilnius-Klaipėda, Vilnius-Mockawa and Vilnius-Tarmantas routes using an open source tool for measuring network bandwidth and quality. Based on the results of the tests, it was decided to consider the pilot project a success and to deploy Starlink Internet equipment on PESA 730ML passenger rolling stock due to the following technical and operational characteristics: extremely low signal delay, high speed, reliability (connectivity is provided by several satellites), wide availability, which is particularly relevant in remote areas with poor mobile coverage.

• **Innovation and research register**

As part of the continued digitisation of LTG functions and tasks, the functionality of the Innovation Register has been upgraded and expanded. This automated tool now allows not only to register proposals for improving identified technical or technological activity directions by initiating the new Innovative Solutions Selection Process, but also to submit proposals for research on issues of relevance to LTG in order to decide on the appropriateness of introducing an innovation in the LTG group. The expanded Innovation and Research Register is created based on the solutions of the tool 'Power Automate' on 'Microsoft Power Platform', used for easy management, navigation, collection, automation and analysis of data, which can be integrated with 'Mi-

crosoft' and third-party solutions, e.g. monitoring process of the key operating indicators (KPI) and reporting on the 'Power BI' platform, task allocation and control on 'Microsoft Teams' platform. In this way, the activities of the Innovative Solutions Selection and Research Management processes have been digitalised, automated and harmonised in a single tool, and the terms used in these processes have been linked to the digital LTG Business Glossary.

• **Artificial intelligence**

In 2023, Lithuanian Railways started pilot projects in the field of artificial intelligence. More than 4,000 LTG Group employees can use the Microsoft CoPilot, which is integrated into their workplaces. Daughter companies have started pilot projects integrating other artificial intelligence systems (ChatGPT, Bard) for data analysis and efficient asset management. Taking into account cyber security, GDPR requirements, and the quality of artificial intelligence results, LTG develops regulations and rules for the use of these systems. In 2023, a few introductory artificial intelligence trainings were organized for employees and a business plan is under preparation for the further implementation of the systems.

LTG INFRA sustainable initiatives

LTG Infra aims to organise its activities with minimum negative impact on the environment and maximum positive impact on people's quality of life. The foundation for building a sustainable future lies in the areas of environmental protection, social partnership and progress in responsible governance. LTG Infra defines this in the Environmental, Social and Governance (ESG) strategic direction of its corporate strategy for 2024-2028. The company aims to reduce its impact on the environment and climate change by increasing energy efficiency and the share of renewable energy sources (RES) used in its operations.

Perhaps the most significant project of LTG Infra, which will determine further steps towards sustainable operations, is the electrification project of the Vilnius railway junction and the Kaišiadorys-Klaipėda railway section. In 2023, LTG Infra made a significant progress on this strategically important project in Lithuania. Currently, about 50% of the electrification project has been completed. The completion of this electrification project, which is important for efficient and green mobility, will not only significantly increase the competitiveness of the Lithuanian transport sector, but will also reduce emissions by as much as 150,000 tonnes per year, enabling the company to make a significant contribution to a more sustainable future for Lithuania. Furthermore, the project will raise the electrification rate of Lithuanian railways to 23%, and to around 35% when Rail Baltica railway is completed.

The Rail Baltica project also achieved significant milestones in 2023. Last year, construction of the railway infrastructure started on the most mature section of the Rail Baltica project, the Kaunas-Lithuania- and Latvia border. Two new contracts for the construction of the crossing, engineering structures and access roads were signed in 2023. One of the

most important achievements was the receipt of additional funding for the Rail Baltica project. In June 2023, the European Commission allocated EUR 928 million for the implementation of the European gauge railway Rail Baltica in the Baltic States, of which Lithuania's share is even EUR 394 million. This is the largest funding Lithuania has ever received from the Connecting Europe Facility (CEF).

An important achievement in the year 2023 was the noise attenuation walls project implemented by LTG Infra, which has been installed in 7 Lithuanian cities to protect the residents of Lithuanian cities from noise and improve the safety situation near the railway. The programme included a total of 9 projects - in Šiauliai, Mažeikiai, Lentvaris, Radviliškis, Kaišiadorys, Klaipėda and Kretinga, and Radviliškis. These projects also generate socio-economic benefits. Calculations show that EUR 1 invested in noise attenuation walls generates EUR 1.7 in benefits.

In addition to the company's major projects, LTG Infra focuses on environmental improvement initiatives. LTG Infra is continuing the replanting and restoration projects started three years ago. The most recent initiative was implemented at the end of 2023 in Priekulė, Klaipėda district, where a new green area next to the railway has been created by planting oaks up to 4 metres in size and hawthorn trees. Last autumn, LTG Infra planted approximately 12,000 seedlings in the Kaunas, Klaipėda and Šiauliai regions. Since the start of the new planting and restoration programme, the company has planted around 30,000 seedlings of various trees in Raseiniai, Šiauliai, Kaišiadorys, Akmenė, Radviliškis, Kėdainiai districts and in Kėna. LTG Infra implements replanting and restoration projects in order to reduce visual pollution, noise and air pollution, while contributing to the overall landscape framework of Lithuania.

LTG Infra is also actively seeking innovative solutions to generate electricity using renewable energy sources (RES). Therefore, in 2024 a pilot project will be implemented to generate electricity from solar modules. The project will install solar modules on a noise attenuation wall on the Kyviškės-Valčiūnai section. The electricity generated will be fed directly into LTG Infra's transformer station and used directly in the operation. The modules are estimated to have a capacity of 30 kW and generate 19 MWh of electricity in the first year.

An important part of LTG Infra's sustainable policy is the handling of used wooden sleepers. In 2023, 3 contracts were signed for the sale of defective sleepers, for a total of 22,000 units of sleepers, i.e. 1,700 tonnes. LTG Infra is expected to manage as much as 3,000 tonnes of old wooden sleepers by next summer. This deadline has been agreed with the Department of Environmental Protection. The LTG Infra team informed the Department that the handling of sleepers has already started, and assured that every effort is being made to meet the commitments as early as possible.

LTG CARGO sustainable innovations

LTG Cargo invests in sustainable innovations that increase efficiency, transparency, protect the environment and help grow its business:

- Semi-trailer loading equipment and flat wagons have been modernised and successfully tested. In 2023, the necessary design adjustments were made. The predictive maintenance project will allow for less frequent repairs and replacement of elements and fluids, which will not only save costs for repairs but also reduce the amount of waste.
- Strategies for wagon and locomotive fleet management have been developed and approved, and projects are initiated and implemented in line with the indicated strategies.
- Installation of air purification towers. The purchase of air purification solution for the freight wagon depot has been initiated to remove welding fumes, dust and oil mist from the environment. The purified air will be returned to the premises, so that the solution will not require additional heating costs.
- Since 1 December 2023, the Traction Vehicle Repair staff of LTG Cargo have been successfully using a modern tool for allocation of work and tracking its progress. The new working principle is not only much more sustainable. This more sophisticated way allows monitoring the progress of works and quality parameters in real time. The new tool also allows workers to see the assigned tasks more conveniently and to access the necessary technical documentation more easily.
- LTG Cargo's website has been updated. The new website is more secure and resilient to various cyber-attacks, and we aim to make information clearer and more user-friendly. In its communication, the Lithuanian Union of the Blind and Partially Sighted has named the company as a good example of how to implement solutions now that will take effect for businesses from 2025.

Register of LTG CARGO initiatives

It is a project based on the 'Kaizen' principle. It involves employees at all levels who implement changes and improve quality and process efficiency whenever they notice waste in their daily activities or come up with ways to improve the process efficiency. The project was initiated in 2021, the register of initiatives was updated in 2023; 105 colleagues registered over 200 ideas for process improvement, of which more than 135 were implemented. 21 most active employees were rewarded with "Good Gift" gift cards. A few initiatives in the register:

- Saving resources and making use of locomotives more efficient. After the transfer of operations from Vaidotų station to Paneriai station, 25 locomotives of the 2M62M, 2M62UM and 2M62K series, which were not in service, were left at Vaidotų station. In order to save energy and labour resources, these locomotives were permanently moved from Vaidotų station to the tracks of Vilnius freight yard No 25 and No 31, which are adjacent to the locomotive repair shop. The project avoids periodic locomotive movements (~18 trips/month) on the Vaidotai-Vilnius-Vaidotai section. By improving the efficiency of locomotive removals/repairs from Vaidotų station to Vilnius and back, the greenhouse gas emissions from the internal combustion engine have been reduced.
- An initiative to save resources by making locomotives more efficient has been implemented. After the tests to reduce the reserve mileage of the locomotives and at the same time to contribute to the improvement of the ambient air quality by reducing an amount of emissions on the railway, it was decided that locomotives which arrive at the Kena station with trains, that do not need to be outfitted or driven for repair should be left at the Kena station on a permanent basis, until a train is ready to be dispatched.

LTG LINK train ticketing system

The most striking change in the ticketing system introduced by LTG Link in 2022 has been for passengers who buy train tickets online - they can plan their journey and access all the information they need on the company's new website, www.ltglink.lt, as well as on a mobile app tailored to the Android and iOS systems respectively. The new system is tailored to meet the different needs of passengers - those with individual needs can now benefit from improved and tailored reading functionalities, self-purchase tickets with extra space for wheelchairs or guide dogs, and other solutions to simplify ticketing and journey planning. The new ticketing channels also provide more information about each route or changes to a route, allowing customers to see all the stops along the route, the train's parameters and the services it offers. In case of questions, visitors can use the live chat plugin to contact customer service specialists directly.

In 2023, the project of installation of ticketing machines was continued: final tenders from suppliers were received and evaluated, the contract was awarded, manufacturing of ticketing machines has been started.

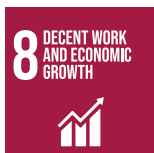
6.3. Social area

LTG Group is one of Lithuania's largest employers and a major infrastructure business. The Company aims to be not only the national company that generates the greatest economic benefits for the state, but also the one that both employees and society would be most proud of. Only transparent, open, efficient and modern management principles will drive the country's economic progress. The responsibility is not only to shareholders, with whom financial returns are shared through dividends, but also to employees and society at large.

The LTG Group's pursuit of sustainable growth is unthinkable without sustainable integration into society, so social partnership is an area of particular focus. The Company aims to provide not only financial but also social benefits to society, investing heavily in education, social initiatives and campaigns, and engaging with the public on the basis of the principles of equal opportunities, social well-being, security, and human rights.

In the social area, the LTG Group emphasises three main priorities on which it bases its activities and initiatives:

- **Ensuring staff well-being and developing a high-performance organisational culture;**
- **Openness to the public and cooperation with communities;**
- **Comprehensive safety.**



LTG Group is committed to the well-being of its employees, to engaging with communities and to meeting their expectations by setting the highest safety bar. Through its social actions, LTG Group aims to contribute to the following global Sustainable Development Goals.

LTG Group aims to achieve its social objectives as set out in the LTG Staff Management Strategy, the Safety Management Policy, the Employee Personal Data Retention Policy, the Stakeholder Engagement Policy, the LTG Principles of Working for LTG, the action plans and other documents.

We create value for our employees: caring for their well-being, helping them to grow and develop, creating a safe, respectful and open working environment

6.3.1. Ensuring staff well-being and developing a high-performance organisational culture

LTG Group focuses on ensuring the well-being of employees, development of human capital and involvement of employees in the LTG Group's activities. The aim is to develop an effective social dialogue with employees and to create more comfortable working conditions by introducing advanced technological solutions, providing employees with the necessary working tools, and a remuneration and benefits package in line with the market.

Changes in the organisational culture, implemented through consistent reinforcement of values, strengthening of feedback, promotion of internal career development, assurance of equal opportunities and diversity, prevention of violence and harassment, social partnership and other initiatives, remain the cornerstone of the promotion of employees well-being and the successful implementation of the strategy of the LTG Group. The priority continues to be an increase of employees' involvement, which has a direct positive impact on the Company's performance, productivity, job satisfaction, well-being and proactive behaviour of employees, as well as strengthening loyalty to the organisation and ambassadorship. The Company seeks to promote leadership among staff and managers; educational initiatives with social and educational partners.

Key indicators

Priority indicators (LTG Group)

Indicator	Unit of measure	2021			2022			2023		
		Total	Men	Women	Total	Men	Women	Total	Men	Women
Overall staff performance by age, function and gender										
Number of employees*	Number of people	7,778	5,211	2,567	6,025	4,095	1,930	5,697	3,836	1,861
Breakdown of staff by gender	%	-	67%	33%	-	68%	32%	-	67%	33%
Key executives	%	-	73%	27%	-	69%	31%	-	77%	23%
Management positions	%	-	61%	39%	-	61%	39%	-	62%	38%
Average age of employees	in years	46.6	n/a	n/a	46.7	n/a	n/a	47.1	46.7	47.9
Number of new employees	Number of people	824	426	398	783	456	327	856	501	355
Positions filled by internal candidates	Number of people	n/a			364	213	151	325	192	133
Management positions	Number of people				30	20	10	22	15	7
Other positions	Number of people				334	193	141	303	177	126
Staff turnover indicators										
Total annual voluntary staff turnover, of which per age groups:	%	10.9%	10.6%	11.5%	10.3%	10.4%	10.1%	8.7%	8.9%	8.2%
Up to 30 years		30.5%	n/a		29.3%	n/a		22.7%	21.1%	28.6%
30-39 years		15.4%			16.0%			13.0%	10.8%	19.0%
40-49 years		8.0%			8.6%			7.8%	8.4%	6.6%
50-59 years		4.5%			3.8%			4.1%	5.1%	2.3%
60+		11.9%			9.3%			8.0%	9.1%	5.8%
Other indicators										
Employees working on a temporary basis	Number of employees	n/a			47	37	10	49	30	19
Employees who were on parental leave	Number of people	200	34	166	198	31	167	172	30	142
Employees who exercised their right to parental leave	%	n/a	12%	100%	n/a	11%	100%	n/a	7%	100%
Employees who used mother's day/father's day	Number of people	1,174	776	398	1,596	1,118	478	1,483	1,033	450
Employees who took advantage of mother's day/father's day compared to all those who were entitled to it	%	n/a	95%	98%	n/a	88%	98%	91%	90%	93%

* the presented data of the LTG Group employees does not include the data of LTG Cargo subsidiaries.

Parent Company (LTG)

Indicator	Measure unit	2021	2022	2023
Distribution of LTG employees				
Distribution by gender				
Female	%	52.8%	52.5%	53.8%
Employee distribution by age groups, %				
Up to 30 years	%	9.7%	5.7%	6.4%
From 30 to 40 years	%	34.8%	36.8%	33.7%
From 40 to 50 years	%	28.3%	31.4%	33.5%
From 50 to 60 years	%	18.2%	17.8%	17.6%
Over 60 years	%	9.0%	8.3%	8.8%
Employee distribution by education				
University	%	64.4%	63.3%	63.8%
College	%	13.1%	10.5%	7.1%
Vocational	%	4.1%	3.5%	3.0%
Secondary and other	%	18.4%	22.8%	26.2%
Employee distribution by length of service				
up to 1 year	%	13.4%	11.6%	12.3%
1-5 years	%	41.6%	44.7%	33.2%
6-10 years	%	12.7%	9.9%	15.7%
11-20 years	%	14.6%	17.7%	21.0%
Over 20 years	%	17.7%	16.1%	17.8%



Development of organisational culture

Attention to employees and development of a strong organisational culture is one of LTG Group's strategic directions. The culture of an organisation is based on the values of the organisation, which are demonstrated in its day-to-day behaviour - in dealing with each other, with customers and with partners. Enhancing employee engagement, which has a direct positive impact on the LTG Group's performance, productivity, job satisfaction, well-being and proactive behaviour, as well as strengthening organisational loyalty and ambassadorship remain a priority.

Fostering values

New LTG group values were introduced to employees at the beginning of the year: Customer, Cooperation, Responsibility, Improvement. A very important project has been completed - with the participation of all staff members, the LTG Group's values have been reviewed and updated. The year 2023 was dedicated to the communication and dissemination of the new values.

Values adoption events were organised in all regions: a review of the LTG Group values and value behaviours, a panel discussion on "The role of values in LTG's work and culture",

and small group discussions among colleagues on the values of the organisation as reflected in work situations. These live meetings will be a great opportunity not only to get to know the new values, but also to discuss how they can be implemented in daily work. Participants had the opportunity to gain new ideas and insights on what and how everyone can change to make the organisation's culture what they want it to be. Throughout the year, there was consistent communication of the values at events, on the intranet, on messaging platforms, and updating of visual aids on the premises and in the virtual space.

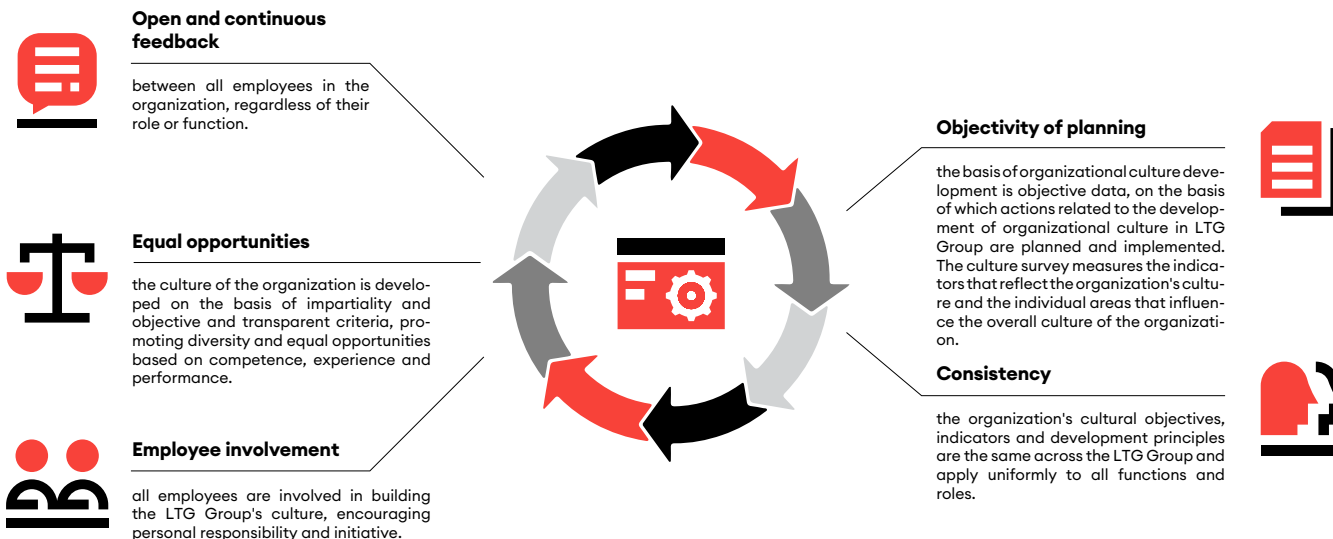
Each quarter, employees were invited to spot and nominate a colleague as a true example of a **value champion** in their team. Colleagues who have demonstrated the most outstanding values behaviours were rewarded and recognised.

To increase the visibility of cultural initiatives within the organisation, a quarterly **culture newsletter** - a new initiative within the LTG Group - is created and shared with all employees describing the initiatives that have taken place in the past and those that will take place in the future in relation to the development of culture within the organisation.

International Values Day was celebrated on 19 October. Especially for this day, a communication message was prepared about the organisation's values, the tradition of nominating, selecting and rewarding colleagues - Exemplars of Values - on a quarterly basis, as well as to share new initiatives to foster the values.

A team of proactive employees from all LTG Group companies was brought together to develop the **LTG Genas**, a values solution, a tool for the dissemination and reinforcement of values, based on the analysis of situations specific to the organisation and on values behaviours. An intensive introduction and integration of the initiative in the organisation is planned for Q1 2024.

Organizācijas kultūras vystymas remiasi penkiais pagrindiniais principais



Research on organisational culture

As part of the ongoing initiatives to develop organisational culture, the extended **"Voice of the Employees"** organisational culture survey was carried out for the fourth consecutive year. The survey assesses 3 key culture indicators: employee involvement, satisfaction, loyalty (ENPS). In addition, other areas relevant to the culture of the organisation are assessed, such as collaboration, leadership, career and development, change management, performance management, customer orientation, diversity management, employee empowerment, workplace, workplace safety etc.

The results of the 'Employee Voice' survey, which traditionally attracted a record number of LTG Group employees (89%), highlighted the strengths and areas for adjustment in the context of the organisational culture. The results showed that despite challenging economic conditions, organisational changes and the anxiety in the face of the war in Ukraine, involvement levels of the LTG Group's employee remain stable. When asked what they like most about LTG Group, employees mentioned the friendly team, open and sincere communication, flexible working hours, love of trains, line manager, innovation and drive to improve, benefits, social responsibility and sustainability. Based on the results of the survey, the priorities for the development of the organisation's culture in 2023, which include the areas to focus on, the changes and initiatives needed for the whole organisation were identified: strengthening communication about the LTG Group and its strategy, increasing and developing the involvement of middle managers, focusing on emotional health.

Following the focus group discussions and initiative planning sessions, the teams in each company formulated local initiatives and actions that will increase employee involvement, loyalty, improve the employee experience in the organisation, and further develop the high-performance culture needed to ensure a consistent, sustainable growth in the organisation. Examples of initiatives could range from providing continuous feedback and training managers to

organising joint live team meetings on a regular basis, and clarifying roles or processes. Most of the 2023 initiatives are aimed at improving collaboration, communication, work organisation and development.

In order to measure the progress, the Employee Loyalty Performance Score (ELPS), which was a key focus for all LTG Group companies in 2023, and the factors that contribute to it were measured again in the autumn in a supplementary employee opinion survey. The ENPS indicator has increased by 28 points compared to the result in January 2023. The areas with the highest scores were team, leadership, personal goals and work-life balance. The results of the survey have led to the identification of short-term and long-term actions to ameliorate the areas for improvement.

Fostering a culture of feedback

To foster a culture of openness, growth in the workplace and learning from each other, in October all LTG Group employees were offered **a continuous feedback tool in the SAP** environment, whereby any employee can ask for feedback from another colleague or provide it themselves. Training for managers on feedback, a lecture for all staff on the importance of feedback for a growth mindset, targeted training on the functionalities and use of the feedback tool were organised. During the quarter, more than 300 employees asked for feedback or provided feedback themselves to colleagues, their manager, and their team. In total, more than 700 feedback messages were provided. The feedback tool, integrated in the HR management system, has started to be consistently integrated into the employee experience cycle within the organisation.

Priority indicators - LTG Group

Indicator	Measure unit	2021	2022	2023
Result of the employees' voice survey (January-February 2023)				
Employee participation in the survey	%	87	82	89
Involvement of employees	%	57	48	48
male	%	54	45	46
female	%	64	54	53
Employee satisfaction:	%	77	68	69
Diversity management	%	78	79	74
Loyalty (ENPS) October 2023	point	6	-16	3

Staff training and development

The LTG Group implements a unified approach to employee development to ensure future competencies that are necessary for achieving the organisation's strategic objectives, strengthening competitive advantage, fostering the work environment in order to maintain professional growth and a culture of continuous learning:

- LTG Group continuously develops employees' professional and functional competences and personal effectiveness skills.
- Staff development is based on the 70-20-10 principle, whereby 70% of development, improvement and learning activities take place through the staff member's work experience, 20% through learning from colleagues, experts, leaders with diverse experience and competences, and 10% through structured and targeted training events.
- A community of internal lecturers and trainers is formed and fostered to promote the internal sharing of professional knowledge and experience. In-house professional training is seen as a competitive advantage for the organisation.
- Continuous improvement, sharing of knowledge and best practice is encouraged. A wide range of learning and development opportunities, a variety of training methods and interactive learning formats are offered. Priority is given to self-development, on-the-job learning, internal trainings.

The specific development needs of employees in the organisation are assessed in the light of the strategic directions and objectives of the LTG Group as a whole and of the individual business units, the challenges in the environment, the anticipated technological and organisational changes, the new opportunities and activities arising, the competences and qualifications required for specific tasks, and the results of performance appraisals. Individual development needs are linked to performance appraisals, task-specific competences and development, setting personal development goals during the annual interview and supported by continuous feedback.

Staff development orientations and tools

- Mandatory and professional training to maintain and improve professional competences.
- Development programmes on management and leadership skills
- Training on personal effectiveness and emotional well-being
- Foreign languages
- Strengthening digital literacy skills
- External training, seminars and conferences to enhance and develop functional competences

Mandatory trainings and development of professional competences

The Group pays particular attention to mandatory professional, road safety and occupational safety trainings, refresher trainings and periodic certifications to ensure that employees acquire or update their professional knowledge, strengthen the necessary skills and maintain a high level of professional competence. Most of these trainings are dedicated to professional trainings by in-house trainers and e-learning programmes delivered in a virtual learning environment, while some of the mandatory competences are developed in cooperation with external partners. Mandatory trainings are organised for the staff of partners/contractors.

LTG Group provides regular training for employees of contractors, suppliers, customers and partners - non-railway undertakings - on safe behaviour in the protection zones of railway tracks and their facilities to ensure safe working in the railway area. The training programme is delivered in LTG's virtual learning environment and is available at any time in a digital format that is convenient for all.

Since 2021, LTG's Safety Management Team has been imple-

menting one of the biggest initiatives to foster a safety culture within the LTG Group by organising the LTG Safety Academy on a quarterly basis. Again in 2023, all LTG Group employees were invited to participate in the Safety Academy, which traditionally lasts a full week. Trainings include relevant safety topics and issues linked to the results of the Safety Culture Maturity Survey, more attention is paid to safety leadership development, and introduction of new processes and normative technical documents related to safety.

Particular attention is paid to strengthening the knowledge, skills and abilities required to perform specific job functions today and in the future in the individual business areas, and to developing competences and professional qualifications in the specific function, in particular in the development of competences relevant to rail transport. Employees attend internal trainings, participate in programmes, exhibitions, conferences and seminars organised by external organisations and suppliers.

Programmes for development of management and leadership skills

Strengthening of leadership and management skills is being continued, with a particular focus on training and development of middle managers.

A continuous blended training programme on authentic leadership and teamwork was offered to middle managers in 2023. The programme consists of five parts covering the role of the leader in a team, the impact of thinking on the role of the leader, the importance of flexibility in thinking, developing a growth mindset, feedback, motivating the team, authentic leadership, and organising teamwork. The programme consists of contact sessions led by speakers, targeted e-learning integrated into the programme, group work in the form of "peer-to-peer" and feedback sessions.

"LTG Executive Standard" - an updated training programme for newly joined executives at all levels, consisting of 13 key topics, 24 hours of intensive live and distance learning: the programme introduces participants to the Group's strategy,

technological development, business resilience, corporate governance principles, the organisation's principles of inclusiveness and diversity, its culture and values. In order to speed up the adaptation and engagement of managers, internal speakers - functional experts and managers - teach the most relevant topics and introduce the specifics of the organisation's activities and processes, covering the main principles and standards, which apply in a team work in the organisation and create the best employee experience.

To enable learning at an individual pace and at a convenient time, all managers are offered practical e-learning on relevant topics such as feedback, motivating employees, and organising teamwork. They provide concentrated coverage of key content and practical exercises in e-space and at work, as well as simulations, tests and other methods to promote engagement and learning.

Managers have also participated in other programmes, seminars and international conferences on management, leadership, strategic planning, matrix management and other topics, organised internally or by external providers.

Lectures on personal effectiveness and emotional well-being

In 2023, the organisation continued to focus on raising awareness and skills on mental health topics among employees and managers through specialised lectures delivered by the best experts in the market. Lectures on emotional well-being and personal effectiveness were organised. Lectures were organised for all staff to help them cope with challenges, learn to live and work in a changing environment and under stress, and feel good at work. Speakers and experts from different fields taught how to deal with anxiety in emergencies, how to build good habits, how to build self-esteem, how not to get drowned in the flow of tasks, what is equal opportunities, what is the difference between diversity and inclusion, and how to communicate in a neutral way.

Partners AonBaltic Health Academy invited LTG employees to a series of free virtual lectures to learn how to listen to

ourselves, know ourselves and how to help ourselves. Another practical course 'Natural Ways of Coping with Stress' offered by the partner, focused on the major stressors of our time, their impact on well-being and natural ways of coping with stress.

Other educational initiatives and measures

Other educational initiatives and measures. To enhance employees' knowledge of sustainability, virtual lectures were organised in January to discuss sustainability basics and guidelines, LTG Group's sustainability priorities and initiatives, the LTG Group's sustainability policy guidelines, the contribution of activities and corporate functions to sustainability priorities, and the importance of LTG's key projects and initiatives on the path of sustainability.

Staff participated in continuous studies of foreign languages (English, Polish).

Exceptional performers were encouraged to pursue professional and higher education at vocational, higher or other educational institutions, with the possibility of partial reimbursement of tuition.

Virtual learning environment and digitisation

Since 2021, the LTG Group uses the SAP Success Factors virtual learning environment platform based on global best practices. Employees have the opportunity to independently plan the timeliness of mandatory trainings, register for announced trainings in the virtual training library. Managers have the tools to monitor their team's training plans, the progress of each employee, and to plan the development of individual employee competencies. Owners and trainers of in-house training programmes have access to all the data they need to assess the quality of the programme and plan trainings.

LTG Group consistently develops digitised training solutions to improve and maintain the skills of its employees. As at the end of 2023, 204 mandatory and optional learning pro-

grammes and certifications have been administered in the virtual learning environment.

The use of SAP SF platform has been extended to LTG Group's staff briefings, bringing them into a virtual space, thus improving the control and accessibility of the briefings for staff: 344 coaching/safety training sessions have been conducted on the SAP SF platform since 2023.

In 2023, the digitisation of the content of the main railway regulatory documents continued to be a major focus. E-learning has been developed for staff directly involved in the transport of dangerous goods and for staff indirectly involved in the traffic. A modular e-learning course on "Working safely at height" has been developed and targeted to the specificities of railways. E-learning on safety and health issues, developed for departmental managers, were adapted for production and administrative managers,

Building a learning community and sharing knowledge

The LTG Group encourages a continuous professional and personal development and learning from colleagues, experts and leaders.

The 'Academy of Instructors' was created in 2023. The 'Academy of Instructors' brings together nearly 50 in-house trainers, who teach according to mandatory professional programmes or provide technical training in activities. The main objective of the Academy is to bring together a community of instructors to share their experiences, learn from the peers and develop the necessary competences.

The activity of the 'Speakers' Club' is being continued in order to utilize the inner potential of talented experts in various fields and to encourage them to share the knowledge with others. The recruitment of new internal speakers, announced in 2023, has attracted over 20 speakers who will deliver trainings, seminars or lectures on topics ranging from digital literacy, creativity, emotional well-being to rail sector issues.

Especially popular were the lectures and trainings on creativity and innovation and application of artificial intelligence in the organisation.

Prioriteto rodikliai – LTG grupė

Indicator	Measure units	2021	2022			2023		
		Total	Total	Men	Women	Total	Men	Women
STAFF TRAINING AND DEVELOPMENT								
Number of participants in trainings	Number of people	17,992	26,709	65%	35%	96,585	66%	34%
Number of participants in trainings per field:								
Compulsory training to maintain and improve professional, traffic and occupational safety competences	Number of people	n/a	24,831	68%	32%	60,749	69%	31%
Technical training in activities			n/a			6,931	73%	27%
Functional trainings			1,094	67%	33%	1,594	61%	39%
Management and leadership			393	73%	27%	829	49%	51%
Personal efficiency			n/a			3,555	39%	61%
Digital literacy			391	28%	72%	382	31%	69%
Internal academies			n/a			22,545	67%	33%
Number of participants in training by position group:								
High and top level managers	Number of people	n/d	133	65%	35%	298	57%	43%
Senior managers and experts in specific fields			397	57%	43%	964	59%	41%
Middle-level managers and individual experts			2,039	56%	44%	4,014	54%	46%
Team leaders and experienced specialists			7,317	65%	35%	18,575	69%	31%
Specialists and experienced operational/service staff			7,649	62%	38%	21,150	66%	34%
Operational/service staff, qualified workers			9,174	76%	24%	29,039	83%	17%
N/a			n/a			22,545	n/a	

Indicator	Measure units	2021	2022			2023		
		Total	Total	Men	Women	Total	Men	Women
Average number of training hours per employee:	hours/person	13	14.5	n/a		40	n/a	
High and top level managers	n/a		13	12	18	30	24	41
Senior managers and experts in specific fields			15	15	15	30	26	36
Middle-level managers and individual experts			10	11	10	26	24	29
Team leaders and experienced specialists			13	14	11	33	35	30
Specialists and experienced operational/service staff			16	16	15	48	49	45
Operational/service staff, qualified workers			16	17	11	44	48	30
Total number of training hours per training source:	hours	116,000	104,079	n/d	n/d	233,528	n/a	n/a
External	hours	n/a	17,892	n/d	n/d	28,277	n/a	n/a
Internal	hours		86,187	n/d	n/d	205,251	n/a	n/a

Partnership with educational institutions

Since 2023, the LTG Group is strengthening its partnership with academic institutions in order to promote engineering studies and increase the attractiveness of professions in the railway transport sector, and to secure the competences necessary for the organisation's growth and strategic direction.

For closer mutual cooperation with educational institutions, in the middle of 2023, LTG Group signed long-term cooperation agreements with strategic educational partners – VILNIUS TECH, Kaunas Technical University, Kaunas Technical College, Vilnius College of Technology and Design, and VGTU Engineering Lyceum. This step marks LTG's commitment to contribute to a more active dialogue with the academic community as well as to mutual efforts to deepen the knowledge of specialists at educational institutions - from schools to colleges and universities - about today's business needs, the perspectives of the railway industry, and the latest technologies used.

The LTG Group will cooperate with higher education institutions in the design and implementation of research projects and will strive for a closer contact between studies and practice. LTG experts will share their long-standing experience and knowledge in railway engineering and technology, students and schoolchildren will be introduced to the prospects of engineering specialities and railway engineering, business and scientific innovations.

In 2023, cooperation took various forms and measures:

- Meetings were held with representatives of the educational partners to share knowledge on technological innova-

tions in the sector, processes and the strategic directions of the technological development of the organisation.

- Thematic excursions were organised for schoolchildren and students in the Group companies to introduce the activities in the organisation and relevant engineering professions.
- LTG has joined the EDU project 'Vilnius is a School', organised by Vilnius City Municipality, offering both, spaces for learning and quality content, as well as the expertise of the professionals. LTG Group expert held lessons for 8-12 grade schoolchildren on the issues concerning sustainability, career, and ethics. This project is a great opportunity to contribute to educational changes and a good platform to address the schoolchildren and present the organisation as a modern technology company, an attractive employer, tell them about career opportunities, and encourage them to take up science in the upper grades and pursue engineering studies when they finish school.
- Participation in the initiatives of the educational partners - VGTU Engineering Lyceum educational partners, KTU 'University of Children'.
- Participation in career days and other events organised by educational institutions (KTU, VTDK, VILNIUS TECH, ISM).
- Offered internships and traineeships for students. In 2023, 39 students took traineeship in the LTG Group. The largest number of trainees was received in railway transport engineering, train management, and IT.

Summer internship programme 'Emerging Leaders'

A paid internship programme 'Emerging Leaders', organised by the LTG Group for the fourth year, brings together the most talented undergraduate and postgraduate students from all over the world who want to spend the summer in a meaningful way. The aim of the development programme for young talented people is to give the opportunity to the most talented Lithuanians studying in Lithuania and abroad to have an internship in a Group company, and to employ those who demonstrate the best results.

Young talents hear recommendations on the internship from their study colleagues, talents who have already participated in the program. In 2023, there were 138 candidates, who expressed their interest in joining the programme - by a few students more than in 2021. In 2021, the Company received applications from 136 candidates, in 2020 from 241 candidates and in 2019 from 112 candidates.

In 2023, 17 of the brightest, most motivated students, who had participated in the paid summer internship in various divisions of the Group, were invited to join the LTG Group team. The students interned in transport engineering, data management, strategy and development, marketing, data management, IT and HR.

In the 'Emerging Leaders' selection process, a strong focus was placed on engineering candidates, who were invited to participate in the internship project through career fairs - in 2023, as many as 7 engineering interns joined the LTG Group team.

Diversity, equal opportunities and human rights

Principles of diversity, equal opportunities, and human rights

LTG Group is an employer of equal opportunities. The organisation values the uniqueness of each employee and places particular value on their competences and experience. It promotes a culture based on values, sustainability, excellence and high performance, where the implementation and promotion of equal opportunities and diversity is an integral part of the life of LTG Group. The Equality and Diversity Principles, as updated in 2022, state that the Group shall create and foster a socially sustainable, diversity-open and inclusive work environment where all employees feel respected and valued, have equal opportunities and resources, and are able to contribute their uniqueness and talents to the achievement of the LTG Group's goals. These principles outline how they are to be implemented and how notifications of breaches of equal opportunities and diversity are to be reported and handled.

Any form of discrimination in the Group is prohibited and will not be tolerated, including direct or indirect discrimination, intent or instruction to discriminate, harassment, sexual harassment, stalking, as well as any form of abuse, psychological violence, mobbing, bullying, intimidation, taking advantage of a person's position, or any other similarly disadvantageous treatment.

The following are the main documents that enshrine the principles of diversity, equal opportunities, protection of human rights and the welfare of LTG Group employees:

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

Principles for preventing violence and harassment in LTG

At LTG, we strive to ensure a safe and healthy working environment for every employee, encouraging everyone to contribute to the prevention of violence and harassment, and to the development of a culture of respect as well as respect for work. We create a working environment where we respect each other's dignity, communicate with courtesy and respect, and ensure that none of us is subjected to humiliating, aggressive, abusive or otherwise insulting behaviour.

The LTG Principles for the Prevention of Violence and Harassment, introduced at the end of 2022, set out the possible forms of violence and harassment, the measures to be taken to prevent violence and harassment in the LTG Group, and the norms of conduct/work ethics for employees, and apply to all employees of the LTG Group without exception.

Initiatives for an open and inclusive working environment

- May is mentioned as the European Diversity Month, when more and more people are talking about ensuring human rights and equal opportunities for people of different abilities, races, ages, backgrounds, religions, gender and other characteristics, and treating everyone fairly in the society. The LTG Group also invited staff to learn more about this topic.
- The International Day against Homophobia, Transphobia and Biphobia was commemorated. Staff were invited to a lecture on 'Diversity and inclusion in the organisation: what is important to create a safe and respectful work environment?', which provided an overview of the attitudes and stereotypes that contribute to inequality, the difference between equality, diversity and inclusion, insights on what is important to consider when creating a gender-sensitive and open workplace for people of different identities, and the elements of a safe and respectful work environment.
- Employees are invited to attend lectures by the Lithuanian Diversity Charter to mark European Diversity Month: on harassment in the workplace, on neurodiversity, and on adapting the workplace to people with various disabilities.
- On the World Mental Health Day, a remote lecture on 'Negotiating with self-esteem' was organised to share information on where to go for help, and to invite people to be empathetic, compassionate and caring towards each other.
- On the Human Rights Day, employees were invited to a virtual lecture 'What can we do to feel good at work?'. The lecture explored what equal opportunities are, the difference between diversity and inclusion and how it is accepted in today's world, what neutral communication is and how to recognise and avoid the use of inappropriate words in communication.

Equal opportunities ruler survey

A year-end survey on the Equal Opportunities ruler, a situational assessment tool developed by the Office of the Equal Opportunities controller, was organised in order to assess the success of fostering a work environment open to diversity and to identify areas for improvement. The survey helped us to assess how well the organisation is doing in creating and fostering an open and inclusive working environment, how the principles of implementing, promoting and monitoring equal opportunities and diversity are being applied,

AB Lietuvos Geležinkeliai



and to find out what can still be improved. Based on the data collected, the Equal Opportunities Controller's Office gave the LTG Group a high score of 8.8 on a ten-point scale, and provided a detailed report and recommendations on how to further improve the organisation's equal opportunities. Based on the results and the recommendations made by the Equal Opportunities Controller, actions for improvement will be purified.

Helpline and reporting discrimination

By ensuring the equality of individuals, prohibiting discrimination of any kind, and promoting behaviour that is in line with the organisation's values and ethical principles, the LTG Group aims to provide a safe and healthy working environment for every employee, where everyone respects each other and ensures that no one is subjected to humiliating, aggressive, abusive or otherwise offensive behaviour.

In order to promote awareness and intolerance of any misconduct or discriminatory behaviour, employees are encouraged to report violations of the law, discrimination or other unethical behaviour, questions or complaints related to their employment relationship via manrupi@ltg.lt. The LTG Group protects the confidentiality of whistleblowers. Reports are investigated and dealt with in accordance with the procedures laid down in the LTG Group's internal regulations.

In 2023, 10 reports of misconduct of various types were received from employees. Given the investigation results of the reports, appropriate preventive measures have been taken to prevent future incidents of misconduct, ranging from discussions with employees about the mistakes identified, examples of appropriate behaviour and agreements to follow them responsibly, to saying goodbye in the event of a confirmation of strictly unacceptable behaviour.

Social partnership

The LTG Group creates an organisational culture based on openness and feedback, both internally and in cooperation with social partners - encouraging engagement, open discussions, and the sharing of ideas, suggestions and criticism. This supports a strong, constructive social dialogue with employee representatives. In December 2023, there were 21 trade unions in the LTG Group. These employee organisations represent all employees of the LTG Group and had 1,652 direct members at the end of the year, or 29% of the LTG Group's total workforce.

Meetings with employee representatives are held to discuss planned changes, issues of concern to employees, and decisions relating to the employment relationship or internal legislation on employees' rights and obligations in the workplace.

In addition to the meetings organised on an as-needed basis, a regular event is held at the end of each year to provide LTG Group employee representatives with an overview of the implementation of the provisions of the sectoral collective agreement and to discuss with the heads of LTG Group companies the directions for more effective cooperation and the plans for the future.

On 1 January 2023, a new LTG Group sectoral collective agreement came into force. A National Collective Agreement is also in force in the LTG Group. Both these agreements apply to all LTG Group companies.

In order to strengthen the social dialogue with employee representatives and the implementation of the provisions of the sectoral collective agreement, a training course on 'Public Speaking' was organised for trade union leaders in 2023.

Encouraging staff initiative

LTG Group encourages employee initiatives aimed at community in order to develop its organisational culture and increase employee engagement. Some examples of such employee initiatives are given below:

Ambassadors' Club

The LTG Ambassadors' Club invites every active employee to join and create together, to organise various initiatives for the benefit of the whole LTG Group and for colleagues. The main objective of this club is to increase employee engagement and promote employee commitment to the common goals of the LTG Group, to strengthen internal communication within the LTG Group companies and within separate departments, to promote employee feedback and cooperation between departments, and to encourage initiative.

The Club can be proud of the successful projects it completed in 2023:

- Creation of the MS Teams sharing channel on the LTG platform 'LTG giveaways', which aims to contribute to the LTG Group's important strategic direction - Sustainability. The channel invites employees not only to share items that are no longer in use, but also to contribute to the principles of environmental protection and responsible consumption.
- LTG employees and their families took part in hiking trips, which gave them the opportunity not only to interact with colleagues from other cities, but also to strengthen their sense of community.

- On Children's Day at LTG, employees were invited to come to work with their children or grandchildren and to join excursions to the LTG Rail Park and Museum.

- Employees' hikes turned into real trees. In 2022, the LTG Group employees were invited to take part in the 'Step with LTG' campaign and collect virtual trees. In the first half of 2022, employees made 477 million steps and 'grew' 2269 virtual trees, and in the spring of 2023, they doubled the number of virtual trees and turned them into real ones! To mark the International Mother Earth Day, the LTG employees planted 4700 fur trees and alder trees in the area of 1.5 hectares in Gudžiūnai.

- The 'Let's meet on the platform' initiative, which has been running for several years, continues, with the aim of getting to know better the LTG Group's managers. During the meeting, managers tell more about themselves, their interests and areas of interest, and answer the questions of employees.

- Free Pilates classes are organised in the offices in Vilnius to promote the physical health of employees.

- The well-being and safety of employees is a priority; therefore, the employees were invited to a practical first aid training course to learn and expand their knowledge.

- Staff were invited to take a tour in the Palace of Grand Dukes in Vilnius.

- A 'Pie Day' donation campaign was organised, the essence of which is to bake a pie, treat colleagues and contribute to the 'Dreams come true' project.

‘Try on a profession’

In February, LTG Infra initiated the project "Try on a colleague's profession". The huge interest in this initiative has turned the professions week into a professions month. Employees were invited to try different professions in the company and get to know the work of their colleagues. The choice of positions to try out was wide, ranging from train traffic coordinator, station attendant, surveyor, train driver to general manager. The most popular was that of a special vehicle driver, which is a new profession at LTG Infra. Employees had the opportunity to try out a diagnostic vehicle - the only one of its kind in the Baltics.

LTG Library

The LTG Library is a staff initiative. A comfortable space has been created in the Pelesa office, where everyone can leave and pick up books shared between colleagues, sit down comfortably, read or take them home. The colleagues who designed the library not only coordinated its location, shelving and presentation, but also offered to advise those who wanted to set up a library in other LTG locations.

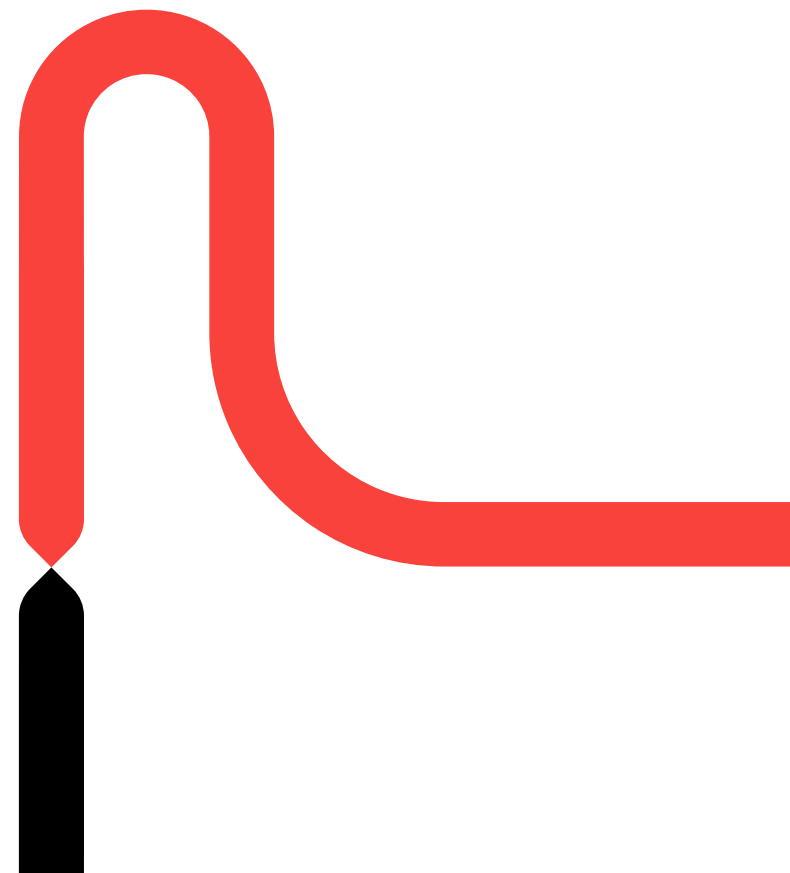
LTG Women's Club

For several years now, the LTG Group has had a Women's Club, whose mission is to bring together LTG women, to strengthen and promote women's activities and equality in the railways. The Club aims to grow the community of women in the Group, to encourage the members of the community to develop and to strengthen the image of the Group as well as to develop cooperation with other communities.

In 2023, the Women's Mentee Programme was held for the second time, in which 22 mentees participated. Following the success, the initiative will continue in 2024.

LTG Cargo moves the brain

LTG Cargo is developing an initiative aimed at generating and initiating new projects for the company's expansion and diversification of services. The essence of the initiative is to organise periodic creative thinking sessions to come up with as many ideas or solutions to problems as possible. The initiative ran from 2021 to the first half of 2023.



6.3.2. Openness to the society and cooperation with communities

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

We are open: we listen to the expectations of the society and proactively share our plans and achievements

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

Promoting sustainable logistics

Railways are recognised in the European Union as the most environmentally friendly mode of transport with the lowest GHG emissions from passenger and freight transport. In 2023, the LTG Group continued its active contribution to promotion of more sustainable and environmentally friendly travelling and use of freight transport vehicles by actively communicating the green and environmental friendliness of trains to its customers, partners and the society.

LTG Infra makes sure that all market players are involved in the development of the network, the planning of repairs, and the development of innovations. The company organises regular annual meetings with contractors and suppliers each year to present the company's procurement and investment plans. This allows market players to prepare for upcoming projects.

LTG Cargo actively cooperates with associations, organises regular quarterly meetings with the International Transport Alliance (ITA) and discusses partnership opportunities. Furthermore, LTG Cargo continues to maintain transparent, timely and relevant communication in a variety of formats with its customers and the association communities, not only sharing information but also creating a space to ask questions and have open conversations:

- in March 2023, a virtual presentation to customers on the updated risk assessment and freight process was held;
- In September, there was also a virtual presentation on the implementation of the new LTG Sanctions Policy and its underlying methodology, with changes to the general conditions of contract coming into force;

- in addition to the above-mentioned periodic meetings with the ITA association, two meetings were held with the Association of Grain Processors and Traders on topics ranging from digitalisation, electrification and fleet renewal, to tariffs and other plans, to preparation for the season and its closure. After the first meeting, it was agreed to organise a working group with the members delegated by the Association on the development of the wagon fleet (resulting in the decision to purchase grain wagons);

- contacts are also maintained with other associations such as Lineka, LJKKA, LPK, and the Transport Innovation Association is actively involved in innovation and sustainability issues;

- in October 2023, a conference with market experts on topics relevant to the business sector was organised for clients to educate the market (topics ranging from business resilience and development to sustainability, efficiency, customer orientation);

- participating in exhibitions in Germany, Poland, Kazakhstan, as well as active sharing of experience at various conferences is done to raise awareness and attract the use of Lithuanian freight carrier services.

LTG Link is continuously implementing solutions to encourage people to travel by train and thus contribute to reducing the environmental impact of the transport sector. In 2023, the company continued to organise 'Pajūrio Ekspres' in the summer season, which provides a convenient and safe way for people to reach the seaside: from the capital city, the train can take passengers to Kretinga or Klaipėda, and the journey to the resorts can be continued using specially assigned buses, which in 2023 were more environmen-

tally friendly due to the Euro VI Euro standard. During the Christmas period, the Company also proposed to travel by festive trains – for the third time, four trains travelling on the routes Vilnius-Kaunas-Vilnius and Vilnius-Klaipėda-Vilnius, Vilnius-Mockawa-Vilnius and Vilnius-Riga-Vilnius were decorated with unique festive decorations. It has been estimated that this project, which has come to public attention, has enabled to attract approximately 20% more passengers than usual.

An initiative of **the combined train and public transport ticket** is continued to encourage a sustainable and car-free travel. In 2022, this service was launched in Vilnius, followed by Klaipėda in 2023. At the beginning of 2024, we also offered a combined train and public transport ticket for travellers to or from Šiauliai. The combined public transport ticket is available to all passengers planning to travel by train when the starting or ending point of their chosen route is Vilnius, Klaipėda or Šiauliai railway stations. This service is the first step towards increasing integration of train travel with other modes of transport. In October 2023, the ticket in Vilnius was updated by introducing an QR code and the ticket in Klaipėda is being implemented. For the convenience of customers, public transport in the city can be used at any time, regardless of the arrival or departure time of the train. Negotiations are underway and IT solutions are being explored for deployment in Kaunas. Preparations are underway for launch in Šiauliai on 15 January 2024. By the end of the year 2023, the combined transport services were used by 62 thousand passengers.

Green awards

In 2021, in order to promote railways as a sustainable, green and environmentally friendly transport sector to its customers, partners and the public, LTG, together with the Ministry of Transport and Communications, has initiated the Green Transport Awards. This annual competition evaluates and selects Lithuanian companies, entities in the public sector, creative and public organisations, individuals and initiatives that have chosen the Green Deal.

The awards recognise green transport ideas, initiatives to

change travel and transport habits, and sustainable mobility innovations. Representatives from 17 institutions and research bodies participate in the evaluation of the nominee applications, and select the winners. The Green Transport Awards are presented in six categories. The awards ceremony takes place at the Transport Innovation Forum, the largest transport and logistics event in the Baltic region, where the LTG Group is represented by a dedicated pavilion, and where the LTG key executives make presentations and participate in discussions on sustainable transport topics.

The 2023 Awards were held for the third time, showing that the initiative has grown in popularity and attracts more and more attention each year both from potential participants and from experts and organisations in the sustainable and green transport sector.

Public and social initiatives

• Passengers from Moscow get a real picture of the war of Russia against Ukraine

Exhibitions of photographs of the war of Russia against Ukraine have been opened on the platforms of Vilnius and Kena railway stations, where transit trains stop on the way from Moscow to Kaliningrad and back. The aim is to draw attention of Russian citizens to Russia's war against Ukraine and to encourage them not to remain indifferent.

For the exhibition in Vilnius, which was opened in March, in cooperation with the Lithuanian Press Photographers Club, LTG selected a total of 24 photographs reflecting the reality of war. The photographs are displayed at a height where they can be seen by passengers on the transit train from Moscow to Kaliningrad and back. The exhibition in Kena, which was opened in April, features 14 photographs from Buche, Mariupol and other war-torn parts of Ukraine.

The exhibitions on the platforms attracted the interest of both Lithuanian and foreign media - the map highlights the countries whose populations were reached with information encouraging them not to remain indifferent.

• Free excursions at the station organised by the Railway Museum

After the completion of the reconstruction of the interior at the Vilnius Railway Station and the opening of the newly renovated station to the public, free excursions at the station were organised by the Railway Museum. The visitors were introduced to the changes that have taken place in the station's passenger chambers, its surroundings, train journeys from the 19th century to the present day, and to what was discovered during the reconstruction of the station.

• Christmas in the Rails Park

In December 2023, the LTG Group together with the Railway Museum organised a celebration in the capital's Rails Park. The design of the decor in the Rails Park focused on sustainability, with the aim of using decorations from the previous years to re-purpose and adapt them to the new space. One of the aims of the Christmas in the Rails Park is to enrich the cultural life of the Naujininkai district, which borders the railway tracks.

Ensuring opportunities for people with individual needs

The LTG Group actively promotes social dialogue with people with individual needs. Meetings with organisations uniting people with individual needs and representatives of the Ministry of Transport and Communications of the Republic of Lithuania were continued to be organised in 2023 on a quarterly basis. During the meetings, the progress of the implementation of the project “Adaptation of railway services according to the principles of universal design”, the status of the activities of LTG Infra and LTG Link, and the upcoming project-related works were discussed; also, it was aimed at taking into account the recommendations proposed by the organisations participating in the project.

In 2023, LTG Link joined the international platform PRM ABT (Person with Reduced Mobility Assistance Booking Tool) to ensure a comprehensive assistance service to a passenger travelling on an international route.

In cooperation with the Lithuanian Association for the Blind and Partially Sighted (LASS), the website of LTG Link adapted to blind and visually impaired people has been installed. The cooperation between LTG Link and LASS has been awarded at the contest organised by the European Blind Union.

The Vilnius - Riga route, which started at the end of 2023, also offers an assistance service for travellers on Latvian territory - at Riga and Jelgava railway stations in cooperation with the Latvian infrastructure company Latvijas dzelzē.

In cooperation with TVP and disabled people's organisations, the project 'Stations - Centres of Attraction' introduced furniture with interior fittings adapted for wheelchair passengers at the Vilnius railway station.

LTG Link is actively involved in the development of best practices in PRM in cooperation with other foreign railway companies, and the progress of LTG Link's adaptability was presented at the UIC Passage conference in Malmö.

LTG Link has been invited to several conferences to present its progress as an exemplar in the field of adaptability, i.e. the 'Freedom to Move' conference organised by the Ministry of Transport and Communications, 'Lithuania for All' conference held by the Seimas, and the Social Security and Labour conference 'Universal Design'.

In 2023, LTG Link continued its participation in the global international initiative 'The Hidden Disabilities Sunflower'. This initiative enables people with hidden disabilities to get the help they need. Other people can recognise that a person who is wearing badge has a hidden disability and may need a helping hand, understanding or just more time. The badges are available at all train ticket offices.

In order to make train travel easily accessible and convenient for all passengers, including people with individual needs, seniors, young families with young children, LTG Infra continues to develop the project "Adapting a barrier-free route for people with disabilities in the station area" the purpose whereof is to renovate the entrances to the station,

where it is necessary to install new ramps, repair paths near the stations, install warning lanes and perform other works. Some of the results of the ongoing project are provided below:

- Emergency call points have been installed at four stations (Klaipėda, Šiauliai, Kaunas, Vilnius) where the passenger carrier has staff available to meet the passenger and provide assistance.
- In passenger palace buildings of eleven railway stations thresholds have been removed, handrails installed, emergency call buttons installed in WC facilities, and other kinds of repair have been carried out.
- Technical project descriptions for barrier-free routes and steps have been drawn up for the platforms and approaches of 42 stations and stops. 10 of them are on sites belonging to the Department of Cultural Heritage (DCH).
- Contract tendering procedures are being carried out for 12 stations on the basis of project descriptions.
- Technical designs are being prepared for the adaptation of the passenger palace buildings of nine railway stations.
- A new ticketing system has been installed. Tickets can be purchased not only on the website, but also via the mobile app (available on Android and iOS platforms). New ticket vending machines are also being purchased.

Customer satisfaction

The LTG Group companies LTG Link and LTG Cargo aim to better respond to customers' needs and therefore proactively measured the Customer Referral Index (CRI) and Customer Satisfaction Index (CSAT) in 2023.

According to the surveys measured by LTG Link for the sixth year, the **customer satisfaction in 2023 stands at 90% (2022: 87%), and the Recommendation Index at 70 points (2022: 69)**. Based on the results, actions to improve the customer experience have been launched, including solutions that ensure better service in case of unplanned events, a

range of food/beverage options, further improvement of Wi-Fi on trains, and more comfortable journeys by adjusting part of the annual schedule of trips.

Interests of communities

Communities are an important stakeholder within the activity of the LTG Group. The Group's activities often influence their way of life and conditions, and the projects implemented have to be in line with their expectations and priorities. LTG Infra actively participates and initiates meetings with communities living near the railway. Discussions are focused on listening to their needs and working with municipalities to find solutions to improve the quality of life of people living near the railway.

Rail Baltica, the project of national importance, will be an important boost to regional development through infrastructure development and creation of new job opportunities. Therefore, representatives of LTG Infra, which is responsible for implementation of the Rail Baltica project in Lithuania, are initiating meetings with the Association of Lithuanian Municipalities and with those municipalities where the European railway will be built. The aim of the meetings is to present the progress of the project at both international and national level and to discuss relevant issues. It is planned that such meetings will be periodic and that representatives of municipalities will be included in project teams upon need.

Throughout the implementation of the Rail Baltica project, the public is constantly informed about its progress, challenges and achievements. An annual survey of the Lithuanian population is carried out to gauge public opinion on and support for the project. According to the latest annual survey, the number of those who support the need for the Rail Baltica project in Lithuania is growing moderately, with 73% of respondents supporting this project, which is important not only for Lithuania but also for the entire Baltic region.

6.3.3. Comprehensive safety

The vision of the LTG group in the field of traffic safety is **0 (zero) incidents**, i.e. safe employees, safe society and safe LTG group of companies, without any accidents, railway catastrophes, traffic incidents and crashes.

We seek for safety in all activity areas: we assess and manage risks, educate employees and the society

The LTG group seeks to be the safest railway company in the Central and Eastern Europe, and it promotes occupational and traffic safety within the following 5 key areas:

- Safety leadership;
- Development of employee awareness and competence;
- Raising public awareness;
- Establishment of safe and healthy working conditions;
- Ensuring railway safety.

Priority indicators

Indicator	Unit of measure	2020	2021	2022	2023
Traffic safety indicators					
Weighted number of fatalities and serious injuries	unit	7	7	5	6
Indicator of risk for public safety	Number of fatalities and serious injuries / mil. train km.	0.33	0.34	0.41	0.43
Total number of traffic accidents	unit	42	29	28	13
Occupational safety indicators					
Lost time due to injuries ratio (LTIIR)	Number of injuries / mil. work hours	1.73	1.96	2.18	1.19
Work accidents	unit	27	28	25	12



Safe behaviour promotion programmes and public education

The tradition of the Safe Behaviour at Level Crossings campaign was continued in 2023. Throughout the year, LTG staff, together with officers from the Lithuanian Road Police Service, carried out safe crossing campaigns at the most dangerous level crossings, where incidents had recently occurred, and where vehicle flows were particularly high. Safety campaigns encourage drivers and pedestrians to comply with the road traffic regulations and remind them to cross the level crossings safely, especially at a time when the weather is getting worse and it gets darker earlier. Ignoring of road signs or traffic lights at level crossings is the most common violation observed.

To mark the International Day for Crossing Safety, we organised a Crossing Safety Exam, inviting participants to test their knowledge of how to cross railway tracks and level crossings safely.

In 2023, the LTG Group also focused on enhancing public safety awareness. To ensure that people crossing railway tracks or in hazardous areas, as well as users of level crossings, understand the safety risks they face, the format of the 'Safe Rails' page (see <https://ltginfra.lt/saugus-begiai/>) has been updated, highlighting the most relevant, easy-to-follow information: useful safety tips, important facts about railways and rail safety. An animated video was also produced covering the subject of electrocution risks, and a lesson for children on safe behaviour on railways was organised to mark the International Children's Day.

Safety leadership

The aim of safety leadership is to promote understanding about importance of safety at all levels of management, encourage safety awareness and ensure awareness of responsibility regarding safety. By promoting safety leadership of managers we seek for reflection of safety in all elements of activity - in everyday meetings, in discussions of the results and in periodic visits to departments.

In 2023, relevant training for unit managers was provided to foster safety leadership.

Development of employee awareness and competence

Safety culture reflects the interaction between the requirements of a safety management system and how people make sense of them and implement them based on their attitudes, values and beliefs, how they behave and what decisions they make in their daily activities. Positive safety culture is characterised by a shared commitment by all employees to behave safely at all times.

The following initiatives have been implemented to foster a safety culture in the LTG Group in 2023:

- **Safety Culture Maturity Level Analysis.** Given the results of the Safety Culture Maturity Level performed in 2022, elements of the safety culture to be improved were identified, and Safety Culture Maturity Level Analysis reports were compiled with action plans to further promote safety awareness among employees.

- **Safety academies.** The initiative of 'Safety academy' was continued in 2023. Safety Academy Weeks were organised within the LTG Group on a quarterly basis, during which meetings to raise awareness were held with safety experts of the group and guest speakers who presented safety tips and solutions to the most relevant safety-related issues, and discussions were held with employees on safety-related matters. Each LTG Safety Academy involved on average

around 3,400 employees of the Group. The initiative aims at involving employees of the LTG Group in safety management, informing about the most relevant safety-related issues / challenges and solutions thereto, and raising awareness of employees in the field of safety. In 2023, 4 Safety Academies were organised, presenting 62 training topics.

- **Leadership Space.** In order to improve the accessibility of safety-related information, an internal space was created on the intranet where managers can find relevant safety-related information in one place: safety indicators, summaries of employees and traffic safety incidents; inspection plans; recorded non-conformities and their status; documents relating to the management of safeguards; other safety documents, including process standards, internal legislation, relevant reminders and templates.

- **Safety partnership.** In 2023, the Group continued to develop its safety ambassadorship, whereby employees of the Group's companies were counselled (not inspected), and whereby safety risks in the units were investigated and mitigated.

In 2023, the LTG Group focused on developing the competences of its employees and on making these activities more effective.

- An Employee Safety Management Environment has been developed, allowing each manager to manage/monitor information on mandatory safety trainings for team members, applicable ESH instructions and familiarisation with them, timelines for periodic training, knowledge checks, briefings and health checks.

- Facilities are in place to conduct safety and health briefing and testing of understanding of its material in the Virtual Learning System.

- 10 health and safety training programmes were updated by adapting the training material to the specificities of the LTG Group's activities, and the content of these training programmes was digitised.

- The format of occupational safety and health briefings was updated, and briefing materials were reviewed and updated.

Establishment of safe and healthy working conditions

Taking into account practices established in the standard ISO 45001:2018 - Occupational Health and Safety Management System. Requirements with Guidance for Use, the LTG Group ensures establishment of safe and healthy working conditions and compliance with the safety requirements laid down.

In 2023, the following measures and actions were taken to further improve the achieved indicators:

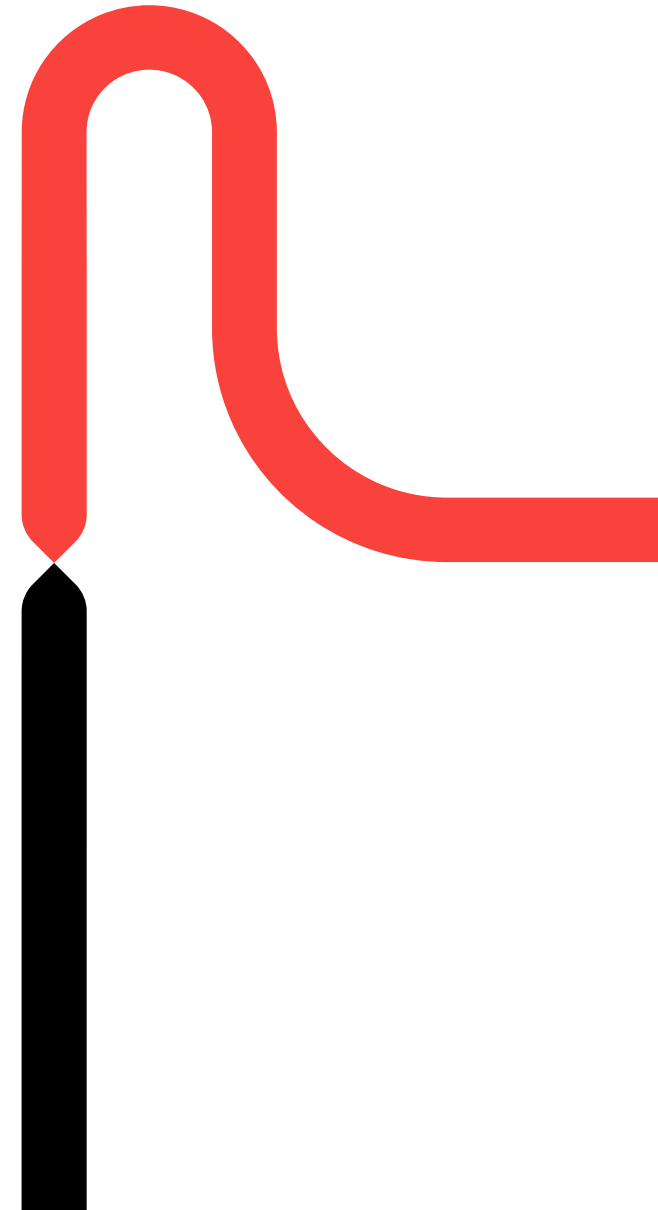
- The Occupational Health and Safety Committees were updated in order to ensure proper development of social dialogue and cooperation;
- occupational risks related to workplaces have been assessed, the selected safety measures have been implemented, and the concept of occupational risk assessment has been updated; internal legislation on occupational safety and health has been updated, including occupational health and safety instructions and their forms;
- mandatory briefings for employees were organised, training programmes related to occupational safety and health were updated, and safety competences were fostered;
- employees were provided with personal protective equipment;
- inspections and audits, including the work of contractors, were carried out, action plans for elimination of non-conformities were prepared and implementation of measures established therein was ensured;
- investigations of accidents at work were conducted and measures to prevent the causes of the events from reoccurring were taken;
- periodic medical examinations and vaccination of employees were organised.

Ensuring railway safety

Taking into account Commission Delegated Regulation (EU) 2018/762 of 8 March 2018 establishing common safety methods on safety management system requirements pursuant to Directive (EU) 2016/798 of the European Parliament and of the Council and repealing Commission Regulations (EU) No 1158/2010 and (EU) No 1169/2010, railway safety and compliance with the established safety requirements were ensured within the companies group AB Lietuvos Geležinkeliai.

In 2023, the road safety improvements included the following:

- upgrading the safety management systems for rail transport, obtaining General Safety Certificates. The General Safety Certificates entitle a railway undertaking (carrier) to carry freight in all Baltic countries and to organise passenger transport on the Vilnius - Riga route.
- Changes to the railway system and arising risks were assessed, measures to properly manage the risks were taken;
- Investigations of traffic accidents and incidents were conducted and measures to prevent the causes of the events from reoccurring were taken;
- Constant monitoring of railway safety status was carried out on the basis of safety indicators.



6.4. Governance area

Governance in the LTG Group is an essential part of the sustainability concept, helping to integrate environmental, social and ethical norms into LTG's operations and to ensure appropriate decision-making processes.

The governance of the LTG Group is based on the highest standards and principles of openness and transparency, regulatory compliance and efficiency of management, meeting shareholders' expectations, cooperation with stakeholders, an effective and efficient risk management and internal control system, the definition and sustainability of objectives, and the accountability and responsibility of the governing bodies in the area of corporate governance.

The LTG Group has committed to improve its governance in order to ensure that management that is effective and in line with the best governance practice; thus, it is constantly taking into consideration the good practices and recommendations to improve governance. The LTG Group follows a clear and transparent operating architecture aimed at the implementation of long-term and short-term LTG strategic goals, interoperability and possible synergies.

Corporate governance model and good governance practices

Corporate governance within the LTG group is understood as the set of management principles, uniform practices and processes established for and (or) applicable to the bodies of the LTG Group companies in accordance with which the LTG group companies are managed and controlled.

The corporate governance of the LTG group is organised in such a way as to maintain an effective and result-oriented balance between the Group's management and control measures. The governance model of the LTG Group is centralised, i.e. the governing bodies of the parent company AB Lietuvos Geležinkeliai consider and approve consolidated business strategy, consolidated performance objectives,

performance indicators and targets, the consolidated budget and operating plan of the LTG Group. Although the law and the Articles of Association do not provide for direct management powers of LTG over the subsidiaries, LTG establishes rules and procedures for coordination, supervision and control of the Group's companies. LTG also establishes group-wide policies and rules, acts as an active shareholder and exercises its rights properly.

The corporate governance structure of the LTG Group consists of the governing bodies of the LTG Group companies and the committees established by the Board of AB Lietuvos Geležinkeliai, which ensure proper representation of the shareholders' interests, alignment of the interests of the stakeholders, implementation of the management and control functions, and compliance with the requirements of legal acts.

In 2023, LTG Group continued to implement the recommendations of the Baltic Institute of Corporate Governance (BICG) in the areas of shareholder rights protection, the Board's performance, stakeholders, transparency and openness, and performance monitoring. The Company's management and the Board also discussed and identified recommendations to be implemented in 2024.

Regulation of sustainability in the LTG group

In addition to the sustainability policy mentioned above, the LTG Group is also subject to other internal regulations governing the environmental, social and governance areas.

In 2023, as many as 11 policies were approved in the LTG Group by the Board of AB Lietuvos Geležinkeliai. Of these policies, the ones that stand out in the context of sustainability are the Corporate Governance Policy, the Conflicts of Interest Management and Prevention Policy, the Corruption Resistance Policy, and the Employees' Code of Ethics.

Corporate governance policy

This policy sets out the principles of corporate governance, defines the elements of corporate governance and the relationship between the bodies of the LTG Group companies, regulates the application of corporate documents. The Corporate Governance Policy has been supplemented with provisions on risk management and the internal control system. This policy aims to set out common principles for the LTG Group in terms of governance structure, the formation of governing bodies and separation of functions, corporate governance, control and transparency, the optimal governance structure, the decision-making and reporting system and the relationship between the governing bodies of the LTG Group companies.

Employees code of ethics

By Decision No.PRO-VLP(LTG)-16/2023, dated 11 August 2023, the LTG Board approved the updated Employees Code of Ethics by defining the norms of behaviour expected of the Group's employees. The updated document provides guidelines for ethical behaviour of the employees. It should also be noted that this document sets out the key ethical principles (leadership, legitimacy, integrity, etc.), which the LTG Group aims to uphold to ensure integrity, transparency and credibility. The Code of Ethics promotes a culture of trust within the LTG Group, a transparent and open relationship that avoids conflicts of public and private interest, inappropriate giving and accepting of gifts and other ethically questionable situations. The LTG Group expects employees to behave ethically at work in the performance of their duties and employees should avoid situations where their unethical behaviour outside of work could be attributable to the LTG Group and could damage its reputation. The Code applies to LTG Group employees and members of collegiate governing bodies, trainees or interns.

Corruption resistance policy

The policy aims to ensure that the LTG Group's activities meet the highest standards of transparency, integrity and credibility.

Conflicts of interest management and prevention policy

This policy is intended to ensure the functioning of the system for the prevention of conflicts of interest in the LTG Group, to identify potential conflicts of interest, to create an environment resistant to corruption and dishonesty, and to increase confidence in the activities of the LTG Group.

Suppliers code of conduct

The LTG Group has a Supplier Code of Conduct, the main purpose of which is to establish standards of business ethics and sustainable behaviour that are binding on suppliers of goods and services with whom the LTG Group companies enter into sales and purchase agreements. In accordance with the provisions of the Code, all suppliers of the Group are required to comply with international business practice guidelines and standards based on the United Nations Global Compact Operating Principles, the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the International Labour Organisation Declaration on Fundamental Principles and Rights at Work and other recommendations. The Supplier Code of Conduct of the LTG Group is binding on all suppliers. Its full text is available on the website of the LTG Group.

Independence of the boards

The LTG Group ensures the independence of the Board and seeks to separate decision-making and implementation of decisions from any influence to act honestly, responsibly, transparently and effectively.

In carrying out its activities, the LTG Group applies the highest standards of transparency and the general, specific and independence requirements set out in the Code of Conduct for the selection of candidates to the collegiate supervisory or management body of a state-owned or municipi-

pally-owned company or its subsidiary. In order to ensure transparency of the work of the Boards and the decisions taken and compliance with the requirements of the legal acts, AB Lietuvos Geležinkeliai has a Board consisting of 7 independent members, a member of the Board delegated by the shareholder and one civil servant.

In January 2023, AB LTG Cargo, AB LTG Infra and UAB LTG Link have elected Boards with at least 1/3 independent members. These boards are also chaired by independent board members.

Remuneration to members of the board

In accordance with legal requirements and good governance practices, the LTG Group pays remuneration both to independent and shareholder-delegated members of the Board, as well as civil servants. For more information on the Board members of LTG, their remuneration, decisions taken, etc., please refer to the Corporate Governance section of the Consolidated Annual Report.

Collective representation

During the financial year, the LTG Group had a group-wide sectoral collective agreement aimed at improving the working, social and economic conditions of its employees by creating a working environment that attracts and develops professional and loyal employees and encourages them to strive for the best possible performance.

Implementation of green procurements

Since 2021, LTG Group has been actively pursuing green public procurement as part of the implementation of the Resolution of the Government of the Republic of Lithuania No. 1133 of 21 July 2010 "On the Establishment and Implementation of Green Procurement Objectives" (the current version). According to this resolution, procurement executives shall set environmental criteria in the terms of the procurement in order to procure goods, services or works with the lowest possible environmental impact in a single, several or all stages of the life cycle of the goods, services

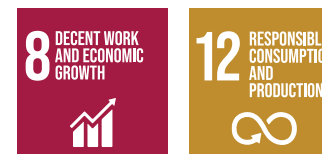
or works. The goods purchased in this way are greener and more sustainable than standard alternatives, and the service provider certifies that its activities meet international environmental standards.

Measuring all public procurements across the LTG Group, green procurements accounted for more than 99.5% of total purchases by value (or almost 98.9% by a number of purchases). 'Green procurement' included such important services for the Group as the procurement of Passenger Rolling Stock, the Locomotive Safety System and the purchase of electricity from renewable energy sources. The LTG Group has been able to almost fully meet the government's 100% green procurement benchmark in terms of value.

Priorities in the governance area

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

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



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

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

6.4.1. Creating long-term value for the state and the society

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

The measures, initiatives and targets for long-term value creation are reviewed annually as part of the LTG Group's strategy update. LTG Group's strategy, like that of other state-owned companies, is assessed in five dimensions:

- 1) analyses of environmental factors;
- 2) mission, vision, values and strategic orientations;
- 3) strategic goals and objectives;
- 4) financial projections;
- 5) compliance with shareholder expectations.

The LTG Group strategy updated in 2023 scored the highest score of 10 out of 10. This demonstrates confidence in the LTG Group's sustainable growth and future prospects, and a reasonable belief that the Company's vision and objectives are viable and measurable to achieve long-term success and create value for all stakeholders.

Priority indicators

Indicator	Unit of measure	2021	2022	2023
Good Corporate Governance Index as assessed by GCC (Governance Coordination Centre)	Index	A+	A	A+
Transparency evaluation as assessed by GCC	Index	A	A+	-
Rail Sustainability Index (evaluated and presented by International Union of Railways)	Index	-	58.2%	58.6%
Evaluation of the LTG Group's strategy (evaluated and presented by GCC)	point	9.8	9.7	10
Portion of the group's green purchases by purchase value				
Lietuvos geležinkeliai	%	9.3	77.7	98.9
LTG Cargo	%	0.1	94.6	100
LTG Link	%	11.7	82.3	99.2
AB LTG Infra	%	20.9	82.3	99.7

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

The LTG Group sets ambitious investment goals in its long-term strategic planning documents. By the year 2030, the Company plans to make significant investments in the businesses it is developing and aims to become one of the

leaders in sustainability in the region, thus making a significant contribution to achieving the goals of the European Green Agreement. For the past 5 years, LTG has not invested in projects that would worsen the climate situation or pose risks related to climate change in the future. In the future, it is planned to receive additional financing, the terms whereof depend on green goals and investments in sustainable technologies. The Group is planning a number of investment projects that will further significantly reduce the impact on the climate and the environment in the future (electrification, network development, renovation of assets).

6.4.2. Ensuring business continuity and risk management

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

Ensuring stability and a secure future: we integrate the management of short-term and long-term risks into the corporate activity

Priority indicators

Indicator	Unit of measure	2020	2021	2022	2023
Corruption prevention indicators					
SOE good governance corruption prevention index (GCC)	Index	A	A+	A+	A+
Participation in online training on corruption prevention	Number of people	-	1,500	3,942	1,906
Participation in training on corruption prevention of the Safety Academy	Number of people	-	540	535	1 270
Participation in other trainings on corruption prevention	Number of people	200+	300+	200+	200+
Number of employees participated in the survey	Number of people	1,299	1,285	680	1 317
Employees believing that the workplace is not affected by corruption	%	91.5%	93.5%	93.4%	92.56%
Employees who are aware of whom to report a case of corruption to	%	72.1%	80.1%	89.6%	90.43%
Corruption-related breaches reported on the hotline	unit	20	13	21	20
Notifications received through reporting channels that the investigation was based on	unit	4	2	4	16
Pre-trial investigations initiated	unit	1	1	1	1
Data Protection Impact Assessments carried out	unit	3	2	9	7
Requests by individuals to exercise their rights under the GDPR	unit	13	16	6	0
Personal data breaches managed	unit	9	3	6	10
LTG group's pre-employment check indicators					
Total people checked	Number of people	49	28	90	168
Negative information obtained during the checks	unit	0	1	0	1

For more information on the LTG Group's risk management and business continuity, please refer to the "Risk and risk management report" section of the Consolidated Annual Report.

Resilience to corruption

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

On the basis of the SOE Good Governance Index assessment, LTG was given the highest possible A+ index in 2023 for its actions taken in response to prevention of corruption, which confirms that efforts made by the LTG Group regarding prevention of corruption are successful and positively evaluated.

The strategic objectives of the National Anti-Corruption Programme 2022-2033 have been focused on three key areas:

- To shape anti-corruption provisions and develop anti-corruption competencies;
- To seek for sustainable political, management, administrative and financial solutions resilient to undue influence as well as for quality public and administrative services;
- To seek for effective control of corruption and unbiased, objective administration of justice and ensuring of the rule of law.

As part of the public sector the LTG Group makes every effort to act in a transparent manner. Moreover, we always note that over the past years the LTG Group received at least two letters from its shareholder – the Ministry of Transport and Communications of the Republic of Lithuania – requesting for commitment to transparency and accountability. The companies group is encouraged to act in a transparent manner, thus ensuring that all the information included in the Guidelines for Ensuring Transparency is publicly available. In 2023, the LTG Group received an important letter of expectations from the shareholder requesting a commitment to act transparently in the selection and recruitment processes, as well as to ensure the management of public-private conflicts of interest. To respond to this shareholder's expectation, the LTG Group has revised its selection procedures and developed additional transparency measures (preparation of a Candidate's Declaration and early management of potential conflicts of interest before the candidate starts working). In addition, a new model of control of declarations of private interests has been introduced (only after a staff member has been recruited, within the time limit laid down by law, is his/her declaration of private interests checked and, if necessary, corrected for content). This control model also includes direct supervisors of employees who are notified of inconsistencies of private interests and are obliged to take steps to eliminate them. There is a regular communication on these issues.

In addition to the laws and legal acts of the Republic of Lithuania, the area of corruption prevention across the LTG Group is regulated by internal documents:

- Resilience to Corruption Policy.
- Conflicts of Interest Management and Prevention Policy
- Anti-corruption Management System Handbook.
- Supplier Code of Conduct.
- Employees Code of Ethics.
- Work Principles within AB Lietuvos Geležinkeliai Group of Companies.
- Methodology for the Acceptance and Provision of Gifts.
- Standard for the process of declaring private interests of an employee
- Other related processes and standards.

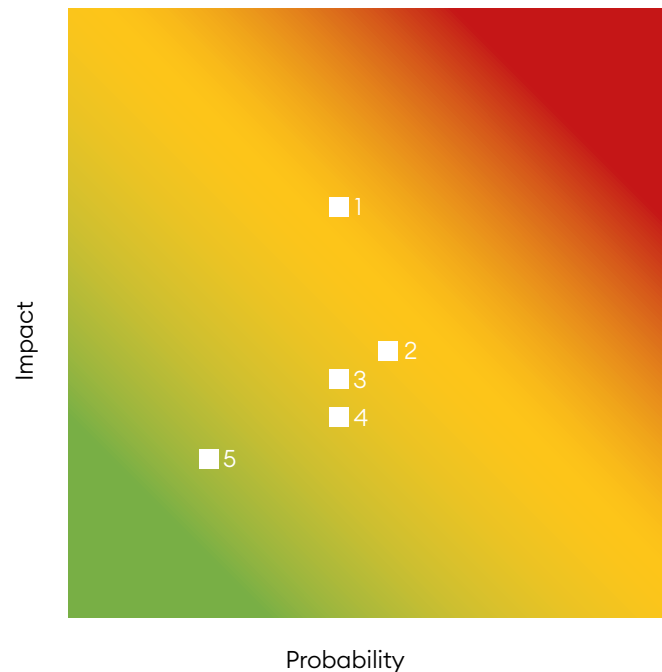
Management of corruption-related risks

In line with the corruption resilience provisions, in 2021 the LTG Group established and operates a Corruption Risk Assessment Task Force, which periodically analyses the situation of the LTG Group's activities from an anti-corruption perspective, identifies and assesses specific corruption risks, proposes them to be included in the Corruption Risk Register, and revises the envisaged measures for risk management, in accordance with the LTG Group's overall risk management principles and the LTG Group's risk management methodology. The composition and rules of procedure for the Corruption Risk Assessment Task Force have been updated in 2023. In 2023, during the meetings the work team decided to revise the list of corruption-sensitive areas and to implement the measures set out in the Corruption Susceptibility Report. An internal audit on Corruption Risk Management was carried out in September-December 2023, and its report prescribes the measures related to more effective management of corruption-related risks.

The Group monitors typical risks (identified in examples of good practice) associated with corruption and pays great attention to their elimination.

- 1 – Potential conflicts of public and private interests
- 2 – Lack of internal control in terms of contracting and payment
- 3 – Abuses in initiating and executing procurements
- 4 – Abuse by employees in asset management
- 5 – Other unlawful actions

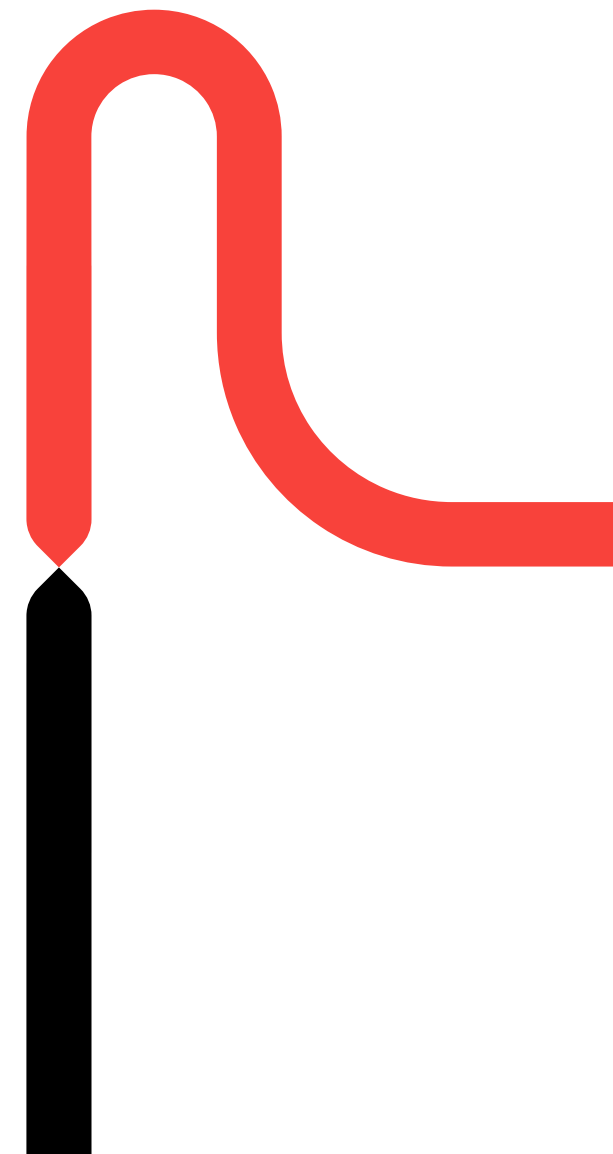
Mapping of corruption-related risks



The LTG Group applies internal control instruments increasing transparency in operations of the LTG group of companies. An internal audit on Corruption Risk Management was carried out in 2023 and preparations are underway for an external audit of the Anti-Corruption Management System compliance first year of support of the ISO 37001 standard, which will be carried out in 2024. An internal audit on procurement is also planned to be carried out in 2024 to assess the transparency of public procurement and the risks it poses.

It should be noted that the LTG Group for several years has been working in accordance with the international standard 37001:2016 'Anti-corruption management systems'. Requirements and guidelines for use' (hereinafter referred to as ISO standard). Based on the findings of the external audit, the ISO 37001:2016 certificate was issued in November 2022, and the LTG Group is continuously reviewing and improving its internal business processes in order to meet the requirements of the standard.

Risk	Main risk sources	Possible impact	Risk management measures
Potential conflicts of public and private interests	• Failure to submit declaration of private interests • Failure to submit declaration of private interests	• Violation of legislation	• Implementation of additional controls in procurement processes • Training of employees on declaring private interests and recusal • Role control in systems • Inspections of declaration of interests
Lack of internal control in terms of contracting and payment	• Abuse by employees • Human error • Data errors • Non-compliance with processes • Failure to define responsibilities sufficiently clearly	• Reputation damage • Financial losses • Administrative offenses • Inefficient contract management	• Automated payments • Systemic rights restrictions • Multi-level approval processes in systems • Application of the four-eye principle • Periodic inspections • Cross-functional inspections
Abuses in initiating and executing procurements	• Abuse by employees • Subjective evaluation of tenders • Lack of competencies • Unlawful conduct of suppliers	• Reputation damage • Financial losses • Non-compliance with legal regulations	• Clarification of the responsibilities of procurement participants • Organisation of training for staff involved in procurement
Abuse by employees in asset management	• Abuse by employees • Lack of internal controls	• Reputation damage • Financial losses	• Unscheduled stock counts of facility • Inspections on activities carried out in rented premises • Evaluation of the actual use of vehicles
Other unlawful actions	• Abuse by employees	• Reputation damage • Financial losses	• Unannounced inspections to detect smuggling • Monitoring and analysis of freight flows • Job rotation



Raising employee awareness

Employee education on corruption prevention issues in LTG Group is carried out in various forms - by connecting to the Success Factor platform and self-studying at e-learning courses, by organising trainings conducted by internal and external lecturers, as well as by providing employees with information on current issues related to corruption prevention through various LTG Group channels.

Up-to-date information on corruption prevention issues in line with the requirements of the implemented ISO standard has been made available in corruption prevention e-learning courses, which have already been attended by approximately 7,500 employees between the end of 2020 and the end of 2023. During this training, topics related to prevention of corruption presented to employees cover the following: development of anti-corruption environment, the main legal acts regulating implementation of corruption prevention measures, declaration of public and private interests, management of conflicts of interest, the process of recusal and its functionality, reporting channels.

In addition, high level of focus has been placed on improvement of competencies of employees responsible for corruption prevention. In 2023, all employees of the LTG Group responsible for this area participated in the Transparency Academy training on development of anti-corruption environment and individual measures, organised by the Special Investigation Service. Representatives of the LTG Group have willingly shared their knowledge and successful practice with their colleagues - they have presented peculiarities of pre-employment background check and functioning of the anti-corruption management system to representatives of the transportation industry.

The LTG Group continued its Safety Academy training in 2023 and organised 6 events during this period. The e-learning materials on prevention of corruption were also updated and in accordance with the provisions of the SM Corruption Prevention Framework, a new frequency of once every two years for such training has been established. Induction training on prevention of corruption was also consistently provided to the LTG Group employees, with 130 employees participating in the training.

Within the LTG Group, Training of employees is carried out consistently and continued in all areas including general corruption prevention issues and specific target trainings. It is planned to continue using all available forms and means of training - continue organising and conducting online learning, as well as targeted trainings during the Safety Academies, participate in the Integrity Academy training of the Special Investigation Service, invite guest speakers upon need.

On a yearly basis, the Company conducts a targeted **employee survey on resistance to corruption** - the opinion of each employee matters and helps to strengthen the transparency of the company's activities. The purpose of the survey is to determine the attitude of employees towards corruption, find out their position on possible occurrence of corruption within the group of companies, identify employees' knowledge about the measures taken by the group of companies to prevent corruption. The results of the survey performed during 2018 - 2023 show that the level of honesty and awareness of employees not to give illegal remuneration / gifts is extremely high and employees rarely face corruption in their activities. More detailed data are presented in the table 'Priority indicators'.

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

Ensuring national security

LTG Group operates in a strategically important sector of the economy and owns facilities and assets that are important to national security, which is why LTG and LTG Group's companies LTG Infra, LTG Cargo and LTG Link are classified as Category 2 national security companies. Enterprises important for national security shall draw up national security plans, which shall include physical, cyber, personnel security and information confidentiality measures.

In cases where the value of the transaction exceeds 10% of the company's annual revenue for the preceding financial year; or where the contract will give the counter-party access to facilities or assets of national security importance; or where the counter-party will be involved in the implementation of a project of critical national importance or a project of national significance, the LTG's persons in charge of the contract shall apply to the Coordination Commission for the Protection of Objects of National Importance (the 'Commission') with a request to assess the transaction's consistency with the national security interests. After the recommendations and commitments to the Commission, the risk management action plans are prepared. In the cases provided for by law, the Department of State Security of the Republic of Lithuania shall be requested to carry out a screening of the supplier's personnel.

Pursuant to Order of the Minister for Transport and Communications of the Republic of Lithuania, the list of current responsibilities born by persons of LTG, LTG Link, LTG Cargo, LTG Infra (including members of collegial supervisory bodies of enterprises important for ensuring national security, members of management bodies and single-person management bodies) working in enterprises important for ensuring national security and (or) with facilities important for ensuring national security and persons who, due to the

functions or the work assigned to them, would be given the right to enter without escort the companies, facilities and assets specified in this section or to make decisions regarding the functioning of these facilities and assets, (hereinafter - List of Responsibilities) shall be approved. Business Security carries out inspection of persons before appointing them to the positions listed in the List of Responsibilities. During the inspection, the State Security Department of the Republic of Lithuania and the Ministry of the Interior of the Republic of Lithuania are applied for information.

Implementation of sanctions control

1. Service Continuity Plans have been developed to continue to provide adequate service to customers, even in the event of a real disconnection of systems.
2. An additional team has been set up to carry out detailed checks on applications. It is estimated that 120 applications are processed per day.
3. 1,795 wagons were not admitted due to unacceptable sanctions risk. 182 applications (counted from summer) were not agreed due to the sanction risk and approximately 35 statements were submitted to law enforcement authorities regarding various attempts to circumvent the applicable sanctions
4. The society has been regularly informed throughout the year since March about the Company's detailed cargo inspections, the expanded flow of customer information, the tightened application rules and the statistics on rejected applications.

Cyber security

The LTG Group provides uninterrupted services of particular importance to passengers and business entities. In the course of its activities, it uses, controls and processes general-purpose information systems, the Critical Information Infrastructure and information systems of industrial process control, it also processes public, confidential information and trade secrets of the group of companies and its business partners as well as personal data of customers, business partners and employees.

In the event of a breakdown of information systems, a data protection breach or a cyber-attack, operations of the LTG Group may be disrupted. Taking into account the changing business environment needs of the LTG Group and the constantly evolving cyber threat technologies and attack methods, cyber security is an essential component of security and protection of the LTG Group activities. In line with the European Union's Network and Information Systems (NIS2) Directive, the LTG Group implements strict requirements and procedures to ensure a high level of security in all its activities. The NIS2 Directive ensures a high overall level of security for network and information systems across the EU and requires the companies providing critical services to take additional security measures, including risk management policies, incident reporting and security audits.

The legislative framework of the LTG Group provides for cyber security directions, describes principles and requirements ensuring security of information and information systems and proper management of related risks. The LTG Group ensures information security through operation in ac-

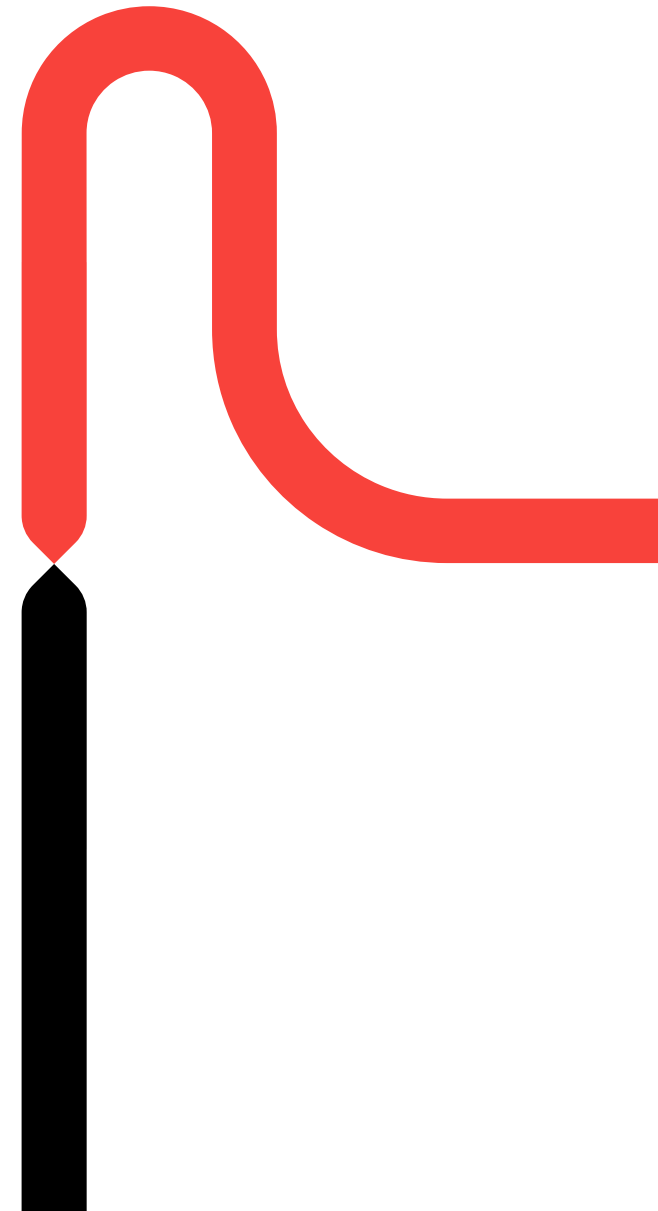
cordance with international information security standards and best global information security practices. AB Lietuvos Geležinkeliai is the upstream provider of cyber security services of the LTG Group responsible for enabling other companies of the LTG Group to use safe information services.

We manage cyber security risks by regular assessments of information security risks of vital processes and information systems. In order to ensure information security of information systems, we respond consistently to incidents and vulnerabilities related to information security, we perform analyses and implement preventive measures. In addition, we apply high security standards both to the systems used by the LTG Group and third parties; i. e. a third party must ensure the same level of information security as applicable within the LTG Group.

We give a high priority to promotion of vigilance and awareness of cyber security of the LTG Group employees - trainings on cyber security are organised on a regular basis, cyber security memos are provided, information on current security threats is published. As the majority of cyber incidents is caused by a human error, social engineering simulations are performed during which vulnerabilities are identified and preventive security measures are applied accordingly. Ensuring cyber security of the LTG Group we continuously cooperate with the National Cybersecurity Centre under the Ministry of National Defence of the Republic of Lithuania and other authorities.

It is especially important to continuously improve knowledge and practical skills not only of employees of the LTG Group but also of security personnel; therefore, every year, cyber security experts of the LTG Group participate in the international cyber security exercise Amber Mist organised by the Defence Staff of the Lithuanian Armed Forces, the main objective of which is training of participants in a prepared cyber training space to protect the Critical Infrastructure.

The LTG Group is able to adapt quickly to such environmental changes affecting cyber security of the LTG Group as remote work and geopolitical situation by managing cyber incidents effectively and without financial or reputational damage.



Protection of personal data

The LTG Group places great importance on personal data protection and responsibly processes data entrusted by its employees, customers and partners. The Group seeks to ensure maximum protection and confidentiality of processed data and compliance of data processing with requirements of the EU General Data Protection Regulation (GDPR) and other data protection legislation.

Technical and organisational measures are applied within the LTG Group to protect personal data against accidental or unauthorised disclosure, alteration, destruction and other unlawful forms of data processing. In the implementation of the GDPR requirements, records of data processing activities are updated, monitoring of data processing operations is performed, Data Protection Impact Assessments, audits of information systems in terms of GDPR and legitimate interest tests are carried out within the Group on a regular basis. We aim at promoting employee culture and ensuring their training in the field of personal data protection.

In 2023, in the implementation of data protection legislation requirements in the field of personal data protection, we:

- provided training to employees on a quarterly basis, prepared mandatory interactive training that is followed by a verification test to be done by employees, shared memos on data protection that include essential information on data protection, organised specialised training for target groups of employees, divisions;
- updated internal legislation of the LTG Group, process standards, and privacy notices related to personal data protection;
- implemented additional control mechanisms to make sure that partners (service providers) who process personal data of employees and customers sign data processing agreements when contracts are concluded therewith;

- focused on assessment of compliance of the systems used within the LTG Group to process personal data with personal data protection requirements, followed the guidelines and recommendations provided by the State Data Protection Inspectorate (SDPI) and the European Data Protection Board (EDPB), identified and applied information system changes in order to ensure compliance with the GDPR requirements and implementation of best practices;

- placed great importance on review and update of records of data processing activities within the Group companies, implemented additional control mechanisms, involved responsible employees of the Group companies in the ongoing processes;

- constantly monitor data processing operations (activities) in terms of GDPR seeking to ensure compliance with the GDPR requirements, we identified data protection risks and provided recommendations to mitigate these risks;

- 7 Data Protection Impact Assessments have been carried out, risks have been identified, recommendations have been made and measures have been put in place to mitigate the risks;

- carried out legitimate interest tests, identified risks, provided conclusions and recommendations when data is processed on the basis of legitimate interest;

- concluded data processing and data transfer agreements with data processors and co-controllers implemented additional control mechanisms;

- provided recommendations and consultations to employees of the Group companies regarding compliance of data processing operations, legislation, contracts with GDPR and other legislation on personal data protection.

Control system and internal audit

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

The purpose of internal audit is to perform independent and objective assurance and consulting activities, and the activities of the Department are organised in accordance with the basic principles set out in the International Standards for the Professional Practice of Internal Audit. The division’s staff carries out internal audits and regularly monitors the implementation of the recommendations made and the correction of other internal control weaknesses identified by the external auditors and supervisory authorities.

In 2023, the activities of the Internal Audit covered areas selected on the basis of the performed risk assessment and the identified priority activities and processes to be audited. Findings of the audits carried out have been presented to the heads of the responsible divisions and the top-level management of the Company, as well as to the Audit Committee and the Board of LTG. For more information on activities of the Internal Audit, please refer to the Governance section of the Consolidated Annual Report.

6.5. Disclosures under the EU taxonomy regulation

6.5.1. The taxonomy regulation

Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment ("the Taxonomy Regulation") entered into force on 12 July 2020. The Taxonomy Regulation is a framework for classifying economic activities into environmentally sustainable and unsustainable. The purpose of this classification is to ensure market transparency and to help direct investment towards those economic activities that are sustainable and therefore necessary to achieve the European Green Deal objective of climate neutrality by 2050. The Taxonomy Regulation's classification also helps to protect investors from "green brainwashing" by ensuring their safety; it provides companies, investors and legislators with harmonised definitions of sustainable economic activities; and, ultimately, it helps companies to become more environmentally and socially responsible.

In July 2021, the European Commission adopted Delegated Act (EU) 2021/2139 on sustainable actions to mitigate and adapt to climate change. In March 2022, an additional Delegated Act (EU) 2022/1214 covering economic activities related to fossil gas and nuclear energy was adopted and in June 2023, Delegated Act (EU) 2023/2486 was adopted setting out the criteria for the non-climate change environmental targets (together "the Delegated Acts"). Thus, both

the Taxonomy Regulation and the Delegated Acts lay down criteria for identifying whether or not economic activities are considered to be environmentally sustainable.

The following steps are taken to assess the compliance of an organisation's economic activities with the Taxonomy Regulation:

1. Identification of the taxonomic economic activities carried out by the organisation;
2. Assessment of the conformity of the activities with the analysis criteria laid down in the Delegated Acts;
3. Verification of the assurance of minimum safeguards;
4. Determination of compliance;
5. Disclosure of key financial indicators related to the activities concerned.

Application of the taxonomy regulation in the LTG Group

In this report, AB Lietuvos Geležinkeliai provides preliminary/conditional disclosures of the Taxonomy Regulation for the year 2023 (financial period from 1 January 2023 to 31 December 2023 inclusive).

¹ (EU) 2020/852 <https://eur-lex.europa.eu/legal-content/LT/TXT/HTML/?uri=CELEX:32020R0852>

² EU taxonomy for sustainable activities: https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en

³ European Green Deal: <https://www.consilium.europa.eu/lt/policies/green-deal/>

⁴ (ES) 2021/2139 <https://eur-lex.europa.eu/legal-content/LT/TXT/HTML/?uri=CELEX:32021R2139>

⁵ (ES) 2022/1214 https://eur-lex.europa.eu/legal-content/LT/TXT/PDF/?uri=OJ:C_202300305

⁶ (ES) 2023/2486 https://eur-lex.europa.eu/legal-content/LT/TXT/HTML/?uri=OJ:L_202302486

Every effort has been made to comply with the relevant requirements of the Delegated Acts and other legal acts when presenting the disclosures required by the Taxonomy Regulation. The responsible units of the LTG Group were involved in the application process of the Taxonomy Regulation within the group of Lietuvos Geležinkeliai (hereinafter referred to as the "LTG Group") and various discussions and deliberations are being organised. However, due to the lack of specific information in the railway sector, some assumptions have been made as no examples could be found on how to implement in practice some of the requirements of the Taxonomy Regulation.

Explanations of definitions used in taxonomy disclosures:

- **Taxonomic economic activity:** an activity that is included in the Delegated Acts and has the potential to meet the technical and selection criteria;
- **Taxonomic, environmentally sustainable activity:** an activity that is included in the Delegated Acts and meets the criteria set out in Article 3 of the Taxonomy Regulation;
- **Taxonomic but environmentally unsustainable activity:** an activity which is included in the Delegated Acts but does not meet the criteria set out in Article 3 of the Taxonomy Regulation;
- **Non-taxonomic economic activity:** an activity which is not included in the Delegated Acts.

In order to prepare the disclosures of the Taxonomy Regulation for the LTG Group, the following steps were taken:

1. Identification of all economic activities relevant to the LTG Group that fall within the scope of the Taxonomy Regulation. The economic activities have been identified through a detailed analysis of the Delegated Acts. Although the classification in the Taxonomy Regulation is based on the Statistical Classification of Economic Activities in the European Community (hereinafter referred to as 'NACE'), an economic activity may be considered to meet the description of the activity and the criteria for analysis even if the company's NACE sector is not included in the relevant section of that Delegated Act. The list of economic activities has been kept under constant review during the preparation of the disclosures in the Taxonomy Regulation in order to provide the most accurate information
2. The assessment of the compliance of the economic activities relevant to the LTG Group with the analytical criteria set out in the Delegated Acts:
 - a. The assessment implies whether the identified economic activities make a significant contribution to one or more of the environmental objectives defined in Article 9 of the Taxonomy Regulation:
 - I. mitigation of climate change;
 - II. adaptation to climate change
 - III. sustainable use and protection of water and marine resources;
 - IV. transition to a circular economy;
 - V. pollution prevention and control;
 - VI. protection and restoration of biodiversity and ecosystems.

b. The assessment implies whether the identified activities do not cause significant harm to any of the other environmental objectives defined in Article 9 of the Taxonomy Regulation.

3. Verification is performed of whether the minimum safeguards set out in Article 18 of the Taxonomy Regulation are ensured. The analysis is performed to examine whether the identified economic activities are carried out in compliance with the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises (MNEs) and the United Nations (UN) Guiding Principles on Business and Human Rights.

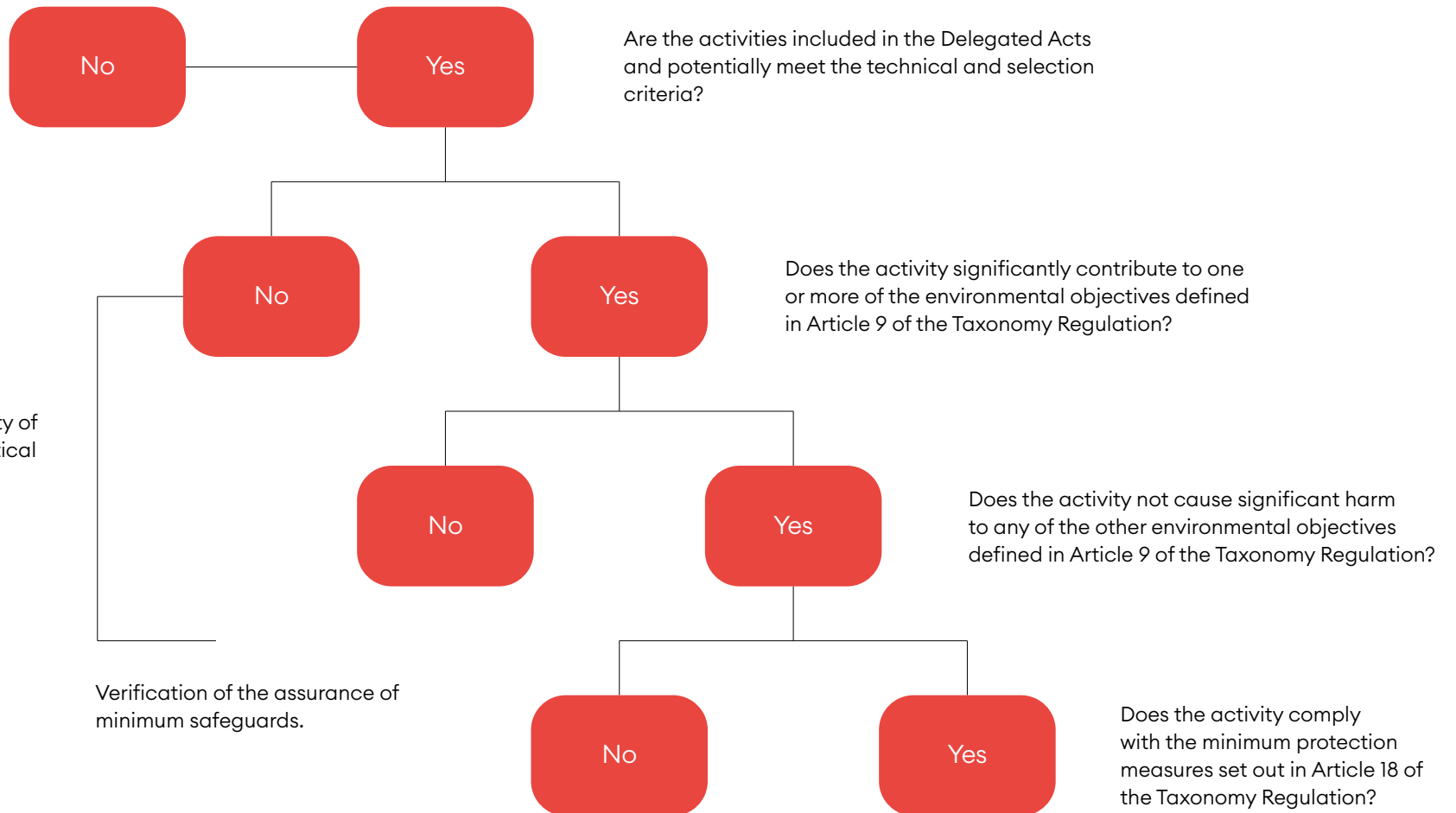
4. Compliance is determined by assessing which economic activities carried out by the LTG Group are sustainable and which are considered unsustainable. A final list of activities that meet the LTG Group criteria is drawn up.

5. Key financial indicators are disclosed: in line with the requirements of the Taxonomy Regulation, indicators for turnover, capital expenditure (CapEx) and operating expenditure (OpEx) are provided.

⁷ Commission Notice on the interpretation of certain legal provisions of the Delegated Act on disclosures under Article 8 of the EU Taxonomy Regulation concerning the provision of information on taxonomic economic activities and assets: [https://eur-lex.europa.eu/legal-content/LT/TXT/?uri=CELEX:52022XC1006\(01\)](https://eur-lex.europa.eu/legal-content/LT/TXT/?uri=CELEX:52022XC1006(01))

Below is a digram illustrating the steps involved in classifying economic activities into environmentally sustainable and unsustainable, based on the taxonomy regulation.

Identification of the taxonomic economic activities.



Determination of taxonomic economic activities of the LTG Group

A detailed examination of the requirements of the Taxonomy Regulation together with the Delegated Acts has led to the identification of six taxonomic economic activities relevant to the LTG group.

Activities referred to in the Delegated Acts	Taxonomy code	NACE code	Description of activity
Intercity passenger transport by rail	6.1.	H49.10, N77.39	Purchase, financing, hire, leasing and operation of passenger vehicles using railway rolling stock on trunk networks covering a large geographical area, carriage of passengers by intercity railways and operation of sleeping carriages or restaurants as an integrated activity of a railway undertaking.
Rail transport infrastructure	6.14.	F42.12, F42.13, M71.12, M71.20, F43.21 and H52.21	Construction, upgrading, operation and maintenance of railways and underground roads, bridges and tunnels, stations, terminals, railway infrastructure, safety and traffic management systems, including architectural, engineering, design, building inspection and survey, monitoring and mapping and other services, as well as physical, chemical and other analytical testing of all types of materials and products.
Rail freight transport	6.2.	H49.20 and N77.39	Purchasing, financing, leasing, hiring and operation of freight transport for use on trunk networks as well as on short-line freight trains.
Acquisition and ownership of buildings	7.7.	L68	Purchase and operation of real estate
Cleaning up contaminated sites and areas	2.4.	39, 33.20, 43.11, 43.12, 71.12, 71.20, 74.90 ir 81.30	*due to the large-scale activity the description is presented in the section: Activities 2.4. Description of the activity "Treatment of contaminated sites and areas" (within the scope of the activity):
Use of concrete in civil engineering	3.5.	F42.12, F42.13, F42.2 and F42.9	The use of concrete in the construction of new, or in the reconstruction or maintenance of existing civil engineering objects, with the exception of the concrete surfacing of the following elements: streets, highways, motorways, other vehicular roads and footpaths, bridges, tunnels, runways, taxiways and aprons of aerodromes, all of which are included in the scope of the economic activity 'Maintenance of roads and highways'.

Assessment of compliance with the criteria of the taxonomy regulation

The identification of the taxonomic activities relevant to the LTG Group has led to the identification of the direct impact of the LTG Group's activities on four environmental objectives: mitigation of climate change, adaptation to climate change, transition to a circular economy, and pollution prevention and control.

The requirements of these environmental objectives are detailed below:

1. Mitigation of climate change: specifies criteria to identify whether the economic activity makes a significant contribution to stabilising, reducing or improving the removal of greenhouse gas emissions;
2. Adaptation to climate change: refers to criteria for predicting the potential adverse effects of climate change and planning appropriate action. The aim is to prevent, mitigate or exploit potential damage caused by climate change;
3. Pollution prevention and control: refers to the criteria that require economic activities to make a significant contribution to the elimination of pollution of air, water, soil, living organisms and food resources;
4. Transition to circular economy: refers to criteria for assessing whether economic activities promote the efficient use, reuse and recycling of resources.

These activities were further assessed against the analysis criteria defined in the Taxonomy Regulation. The evaluation examined whether:

- I. the identified activities make a significant contribution to one or more environmental objectives;
- II. the identified activities do not cause significant harm to other environmental objectives.

It is important to note that in preparing the disclosures required by the 2023 Taxonomy Regulation, an assessment of risks and vulnerabilities related to climate change was not performed in the LTG Group. This means that this report presents **preliminary/conditional conclusions on the sustainability of economic activities**.

The LTG plans to carry out a detailed assessment of the risks associated with climate change in 2024. The assessment will also detail possible climate change scenarios and set adaptation targets relevant to the LTG Group. Following this analysis, new data will be reviewed and disclosed in 2025 in accordance with the Taxonomy Regulation.

It should be noted that, despite the absence of a climate-related risk and vulnerability assessment in line with the requirements of the Delegated Acts, the LTG Group is in any case seeking to adapt to the risks posed by the impacts of climate change:

1. Climate change factors have been taken into account in the planning of the Rail Baltic infrastructure: the selection of surface water drainage solutions takes into account the maximum flow rate due to extreme rainfall associated with climate change, and the transverse and longitudinal drainage (ditches, gullies, drains, pipes, evaporation and infiltration basins) have been selected accordingly to protect the railway infrastructure from flow intensification and to preserve the hydrological regime of the bodies of water.
2. The LTG Group is reinforcing the railway infrastructure to more effectively control potential risks from changes in wind and precipitation. Resilience is being enhanced through the implementation of line landscaping projects, which include a variety of trees and shrubs, and the planting of the remaining undeveloped areas with a specific mix of grass seeds best suited to local conditions. As well as providing effective protection against strong wind gusts, vegetation also stabilises the soil adjacent to the railway infrastructure. These proactive actions help to mitigate the potential negative risks of increased rainfall such as landslides.

3. LTG aims to adapt to climate change risks related to temperature and heat stress. LTG is implementing a pilot project to test composite sleepers on LTG infrastructure. These sleepers are more resistant to temperature fluctuations and could provide an alternative to wooden and reinforced concrete sleepers. Climate control and ventilation systems for planned buildings and trains are also receiving increasing attention in the face of climate change-driven heatwaves.

LTG group's taxonomic economic activities and their sustainability

Taxonomic economic activities	Are the economic activities environmentally sustainable?
6.1. Intercity rail passenger transport	Yes
6.14. Rail transport infrastructure	No
6.2. Rail freight transport	No
7.7. Acquisition and ownership of buildings	No
2.4. Treatment of contaminated sites and areas	No
3.5. Use of concrete in civil engineering	No

Descriptions of taxonomic economic activities relevant to the LTG group

6.1. Intercity passenger rail transport

LTG Infra, an LTG group company, electrifies railway lines and replaces fossil fuel trains with electrically powered trains. Electrified trains and passenger wagons do not directly emit CO2 and thus contribute to climate change mitigation. Currently, there are three fully electrified railway lines in Lithuania: Vilnius–Kaunas, Vilnius–Trakai and Vilnius–Kėna. This represents 8% of the total domestic network. By the end of this electrification project in Q2 2025, the length of electrified railway tracks in the country will reach almost 27%.

6.14. Rail transport infrastructure

LTG Group operates electrified lines on main rail roads and an Environmental Impact Assessment (EIA) has been carried out for the electrification project. However, this economic activity is considered unsustainable as the infrastructure is also used to transport fossil fuels.

6.2. Rail freight transport

The economic activity "rail freight transport" is currently not sustainable. Rail transport used for freight transport generates CO2 emissions and trains and wagons are also used to transport fossil fuels.

7.7. Acquisition and ownership of buildings

This economic activity is not considered sustainable as the LTG Group does not own any building with a Class A energy certificate.

2.4. Treatment of contaminated sites and areas

In the treatment of contaminated sites, the LTG Group endeavours to follow best practice by following the maintenance phase of contaminated sites with control or monitoring activities long enough to ensure long-term risk control. Nevertheless, to date, these economic activities do not meet the other criteria of the analysis and are therefore considered unsustainable.

3.5. Use of concrete in civil engineering

The LTG Group aims to contribute to the transition to a circular economy and in its activities, uses concrete products suitable for further use in the maintenance of non-main roads. However, while disclosing the information for 2023, the LTG Group did not have information on the recycled content of construction materials, and it is therefore assumed to be 100% primary raw materials. For this reason, the use of concrete in civil engineering is considered an unsustainable economic activity.

6.5.2. Minimum safeguards

Compliance with the minimum safeguards set out in Article 18 of the Taxonomy Regulation is the final (third) criterion for assessing taxonomic activities. The purpose of this criterion is to ensure that activities and investments are not considered sustainable if they violate fundamental social principles and human and workers' rights or if they do not meet the minimum standards of responsible business. The minimum safeguards include compliance with the following principles:

1. OECD Guidelines for Multinational Enterprises;
2. the UN Guiding Principles on Business and Human Rights, which include the principles and rights set out in eight of the ten core conventions contained in the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work;
3. the Fundamental Principles and Rights at Work set out in the International Bill of Human Rights.

To summarise the principles discussed in Article 18 of the Taxonomy, in practice, the minimum safeguards cover the following four main themes⁸:

1. Human rights;
2. Bribery, bribe-seeking and blackmail;
3. Taxation;
4. Fair competition.

In order to ensure minimum safeguards, the LTG Group must have:

1. Procedures to uphold social principles, human and workers' rights and meet minimum standards of responsible business conduct;
2. Due diligence procedures to ensure that the procedures, principles and standards mentioned in point 1. above are met.

It should be noted that the LTG Group strictly adheres to the above standards and principles in its activities in accordance with (i) Supplier Code of Conduct of the of Lietuvos Geležinkeliai Group of Companies; (ii) Code of Ethics of the LTG Group Employees; (iii) the LTG Group's principles of remuneration, resistance to corruption, implementation of sanctions, and control; (iv) other policies and principles. The publicly available policies are available on the website [KORUPCIJOS PREVENCIJA | LIETUVOS GELEŽINKELIAI \(LTG.LT\)](https://finance.ec.europa.eu/system/files/2022-10/221011-sustainable-finance-platform-finance-report-minimum-safeguards_en.pdf).

The LTG Group aims to ensure that these standards are met. For example:

1. Compliance with procedures is verified by internal audit;
2. Employee engagement and equal opportunity surveys are carried out annually to help identify areas of activity that pose the greatest risk of human rights violations;
3. Training and discussions on discrimination, prevention of violence and harassment are organised;
4. LTG group organises annual periodic trainings on competition law for relevant staff and members of governing bodies;
5. The LTG Group has the ISO 37001:2016 certificate, which confirms that the organisation takes real action against bribery;
6. The LTG Group has a helpline and receives reports of fraud, corruption or other unlawful acts by employees.

⁸https://finance.ec.europa.eu/system/files/2022-10/221011-sustainable-finance-platform-finance-report-minimum-safeguards_en.pdf

6.5.3. Turnover according to the taxonomy regulation

For the Key Performance Indicator (KPI) disclosures, data of the financial statements for 2023 were used. KPIs have been calculated in accordance with Article 8(2) of the Taxonomy Regulation. It is noted that lines A.1. and A.2. disclose the turnover generated by the economic activities that meet and do not meet the criteria of the taxonomy. Line B discloses the turnover generated by the LTG group from non-taxonomic economic activities.

1. In 2023, the LTG Group's turnover amounted to EUR 357.40 million.

2. The revenues from ordinary activities were generated by freight and passenger transport and the use of public railway infrastructure, of which intercity passenger rail transport (a taxonomic economic activity meeting the criteria for analysis) generated 46,76 million euro or 13,08 %;

3. The major part of the revenue, i.e. 289.58 million euro or 81.02%, is generated by taxonomic activities which do not meet the analysis criteria (unsustainable activities). This part includes the following activities of the LTG group:

- o rail freight transport;
- o rail transport infrastructure;
- o acquisition and ownership of buildings;
- o treatment of contaminated sites and areas;
- o use of concrete in civil engineering*

The remainder (non-taxonomic activities) amounts to EUR 21.06 million or 5.89% of the LTG Group's total revenue.

*Given that the LTG Group did not have the objective to collect data related to Turnover, CapEx and OpEx (the use of concrete was an integral part of the other services), the LTG Group does not have KPIs data for 2023. However, given the relevance of this activity in the context of the Taxonomy Regulation, the LTG Group plans to disclose such indicators in 2024.

Proportion (%) of revenue generated by products or services related to taxonomy-aligned economic activity. Disclosure of information for the year 2023

Economic activity	NACE code(s)	Absolute turnover	Proportion of turnover	Substantial contribution criteria						DNSH criteria (the ‘Do No Significant Harm’ principle)						Minimum safeguards	Taxonomy-aligned proportion of Opex for 2023	Category (an enabling activity or)	Category (transitional activity)
				Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems				
		(EUR million)	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Percentage	E
A. TAXONOMY ACTIVITY %			94,11%														94,11%		
A.1. Environmentally sustainable activity (taxonomy-aligned)																			
6.1. Intercity passenger transport by rail	H49.10, N77.39	46,76	13,08%	8%*	**	N/A	N/A	N/A	N/A	Yes	**	Yes	Yes	Yes	Yes	Yes	13,08%		T
Revenue from environmentally sustainable activity (taxonomy-aligned) A.1.		46,76	13,08%														13,08%		
A.2. Taxonomy-eligible but environmentally unsustainable activity (not taxonomy-aligned economic activity)																			
6.2. Rail freight transport	H49.10, N77.39	288,02	80,59%														80,59%		
6.14. Rail transport infrastructure	F42.12, F42.13, M71.12, M71.20, F43.21 ir H52.21	1,00	0,28%														0,28%		
7.7. Acquisition and ownership of buildings	L68	0,56	0,16%														0,16%		
2.4. Clean-up of contaminated sites and areas	39, 33.20, 43.11, 43.12, 71.12, 71.20, 74.90 ir 81.30	-	-														-		
3.5. Use of concrete in civil engineering	F42.12, F42.13, F42.2 ir F42.9	-	-														-		
Revenue from taxonomy-eligible but environmentally unsustainable activity (not taxonomy-aligned economic activity) (A.2.)		289,58	81,02%														81,02%		
Total (A.1. + A.2.)		336,34	94,11%														94,11%		
B. TAXONOMY NON-ELIGIBLE ACTIVITY			5,89%														5,89%		
Revenue from taxonomy non-eligible activity (B)		21,06	5,89%														5,89%		
Total (A + B)		357,40	100%														100%		

* Currently, LTG Group has 8% of the railway network electrified thereby reducing greenhouse gas emissions.

** Not applicable at this stage because LTG has not yet completed a climate-related risk and vulnerability assessment.

N/A - not applicable.

6.5.4. Capital expenditure according to the taxonomy regulation

In accordance with the Taxonomy Regulation, the calculation of capital expenditure includes the acquisition of tangible and intangible assets in the financial year under review, before depreciation, amortisation and any revaluation. Similarly, in the case of non-financial corporations applying International Financial Reporting Standards (IFRS) as adopted by Regulation (EC) No 1126/2008, capital expenditure shall include expenditure accounted for on the basis of:

1. paragraph 73(e)(i) and (iii) of IAS 16 Property, Plant and Equipment;
2. paragraph 118(e)(i) of IAS 38 Intangible Assets;
3. paragraph 76(a) and (b) of IAS 40 Investment Property (the fair value method);
4. paragraph 79(d)(i) and (ii) of IAS 40 Investment Property (the cost method);
5. paragraph 50(b) and (e) of IAS 41 Agriculture;
6. paragraph 53(h) of IFRS 16 Leases⁹.

Capital expenditure has been allocated directly to the activities or, to avoid double counting, it has been allocated to the relevant economic activities on a pro rata basis in accordance with the principles applied in financial reporting.

The LTG Group's capital expenditure amounted to EUR 361.41 million, the majority of which was investment in railway infrastructure. Lines A.1. and A.2. disclose the capital expenditure incurred in relation to the taxonomic economic activities that meet and do not meet the criteria of analysis. Line B discloses the capital expenditure related to the non-taxonomic economic activities of the LTG group.

The capital expenditure attributable to the taxonomy-eligible activities accounted for 4.90% of the capital expenditure or EUR 17.69 million. The main part of the capital expenditure, 97.85% or EUR 353.65 million, was allocated to taxonomic but non-qualifying activities. Non-taxonomic activities accounted for EUR 7.76 million or 2.15% of LTG Group's capital expenditure.

⁹ (ES) 2021/2178: <https://eur-lex.europa.eu/legal-content/LT/TXT/HTML/?uri=CELEX:32021R2178#d1e313-9-1>

Proportion (%) of capital expenditure (CaPex) generated by products or services related to taxonomy-aligned economic activity. Disclosure of information for the year 2023

Economic activity	NACE code(s)	Absolute CaPex	Proportion of CaPex	Substantial contribution criteria						DNSH criteria (the ‘Do No Significant Harm’ principle)						Minimum safeguards	Taxonomy-aligned proportion of CaPex for 2023	Category (an enabling activity or)	Category (transition activity)
				Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and eco-systems	Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and eco-systems				
		(EUR million)	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No				
A. TAXONOMY-ELIGIBLE ACTIVITY %			97,85%														97,85%		
A.1. Environmentally sustainable activity (taxonomy-aligned)																			
6.1. Intercity passenger transport by rail	H49.10, N77.39	17,69	4,90%	8%*	**	N/A	N/A	N/A	N/A	Yes	**	Yes	Yes	Yes	Yes	Yes	4,90%		T
CaPex of environmentally sustainable activity (taxonomy-aligned) A.1.		17,69	4,90%														4,90%		
A.2. Taxonomy-eligible but environmentally unsustainable activity (not taxonomy-aligned economic activity)																			
6.2. Rail freight transport	H49.10, N77.39	33,47	9,26%														9,26%		
6.14. Rail transport infrastructure	F42.12, F42.13, M71.12, M71.20, F43.21 ir H52.21	302,48	83,69%														83,69%		
7.7. Acquisition and ownership of buildings	L68	–	–														–		
2.4. Clean-up of contaminated sites and areas	39, 33.20, 43.11, 43.12, 71.12, 71.20, 74.90 ir 81.30	–	–														–		
3.5. Use of concrete in civil engineering	F42.12, F42.13, F42.2 ir F42.9	–	–														–		
CaPex of taxonomy-eligible but environmentally unsustainable activity (not taxonomy-aligned economic activity) (A.2.)		335,96	92,96%														92,96%		
Total (A.1. + A.2.)		353,65	97,85%														97,85%		
B. TAXONOMY NON-ELIGIBLE ACTIVITY			2,15%														2,15%		
CaPex of taxonomy non-eligible activity (B)		7,76	2,15%														2,15%		
Total (A + B)		361,41	100%														100%		

* Currently, LTG Group has 8% of the railway network electrified thereby reducing greenhouse gas emissions.

** Not applicable at this stage because LTG has not yet completed a climate-related risk and vulnerability assessment.

N/A - not applicable.

6.5.5. Operating expenditure according to the taxonomy regulation

In accordance with the Taxonomy Regulation, the calculation of operating expenses includes direct non-capitalised costs relating to research and development, building renovation measures, short-term rentals, maintenance and repairs, and all other direct costs which are related to the day-to-day servicing of property, plant and equipment by the company or by a third party engaged for that purpose, and which are necessary to ensure the continuous and efficient use of such assets¹⁰.

Where possible, operating expenses have been allocated directly to the economic activities or, to avoid double counting, they have been allocated to the economic activities concerned on a pro rata basis in accordance with the principles applied in financial reporting..

In 2023, the LTG Group's turnover amounted to EUR 54.05 million. Of this amount, EUR 3.10 million or 5.73% were attributed to the taxonomy-compliant rail passenger transport activities. Most of the operating expenses were attributed to taxonomic activities that did not meet the criteria (EUR 41.68 million or 77.11%). It should be noted that EUR 9.28 million or 17.16% were spent on non-taxonomic activities carried out by the LTG group.

¹⁰ (ES) 2021/2178: <https://eur-lex.europa.eu/legal-content/LT/TXT/HTML/?uri=CELEX:32021R2178#d1e313-9-1>



Proportion (%) of operating expenditure (Opex) generated by products or services related to taxonomy-aligned economic activity. Disclosure of information for the year 2023

Economic activity	NACE code(s)	Absolute Opex	Proportion of Opex	Substantial contribution criteria						DNSH criteria (the ‘Do No Significant Harm’ principle)						Minimum safeguards	Taxonomy-aligned proportion of Opex for 2023	Category (an enabling activity or)	Category (transitional activity)
				Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Adaptation to climate change	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems				
		(EUR million)	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Percentage	E	T
A. TAXONOMY-ELIGIBLE ACTIVITY %			82,84%														82,84%		
A.1. Environmentally sustainable activity (taxonomy-aligned)																			
6.1. Intercity passenger transport by rail	H49.10, N77.39	3,10	5,73%	8%*	**	N/A	N/A	N/A	N/A	Yes	**	Yes	Yes	Yes	Yes	Yes	5,73%		T
Opex of environmentally sustainable activity (taxonomy-aligned) A.1.		3,10	5,73%														5,73%		
A.2. Taxonomy-eligible but environmentally unsustainable activity (not taxonomy-aligned economic activity)																			
6.2. Rail freight transport	H49.10, N77.39	14,14	26,16%														26,16%		
6.14. Rail transport infrastructure	F42.12, F42.13, M71.12, M71.20, F43.21 ir H52.21	22,89	42,34%														42,34%		
7.7. Acquisition and ownership of buildings	L68	4,09	7,56%														7,56%		
2.4. Clean-up of contaminated sites and areas	39, 33.20, 43.11, 43.12, 71.12, 71.20, 74.90 ir 81.30	0,57	1,05%														1,05%		
3.5. Use of concrete in civil engineering	F42.12, F42.13, F42.2 ir F42.9	-	-														-		
Opex of taxonomy-eligible but environmentally unsustainable activity (not taxonomy-aligned economic activity) (A.2.)		41,68	77,11%														77,11%		
Total (A.1. + A.2.)		44,78	82,84%														82,84%		
B. TAXONOMY NON-ELIGIBLE ACTIVITY			17,16%														17,16%		
OpEx of taxonomy non-eligible activity under the Taxonomy (B)		9,28	17,16%														17,16%		
Total (A + B)		54,05	100%														100%		

* Currently, LTG Group has 8% of the railway network electrified thereby reducing greenhouse gas emissions.

** Not applicable at this stage because LTG has not yet completed a climate-related risk and vulnerability assessment.

N/A - not applicable.

Activities 2.4. description of the activity "Treatment of contaminated sites and areas" (within the scope of the activity)

Activities cover the following:

a)	removal of pollutants from soil and groundwater in the contaminated area and the in situ or ex situ treatment of such soil and groundwater, applying, in particular, physical, chemical or biological methods;
b)	removal of pollutants from contaminated industrial installations or sites or the cleaning of such installations or sites;
c)	removal of pollutants from surface water and its coastlines or treatment of such water and coastlines after an accidental pollution; for example, by collection of pollutants or by physical, chemical or biological methods;
d)	cleaning up of oil spills and other types of pollutants on or inside the following facilities:
	i) surface water, including rivers, lakes, coastal waters or transitional waters;
	"ii) groundwater as defined in the Directive 2000/60/EC;
	<i>Directive 2008/56/EC of the European Parliament and of the Council, establishing a framework for community action in the field of marine environmental policy: https://eur-lex.europa.eu/legal-content/LT/TXT/?uri=CELEX:32000L0060</i>
	"iii) marine waters as defined in the Directive 2008/56/EC;
	<i>Directive 2008/56/EC of the European Parliament and of the Council, establishing a framework for community action in the field of marine environmental policy: (Marine Strategy Framework Directive): https://eur-lex.europa.eu/legal-content/LT/TXT/?uri=CELEX:32008L0056</i>
	iv) sediment (all types of surface water);
	v) aquatic ecosystems;
	vi) buildings;
	vii) soil;
	viii) terrestrial ecosystems;
e)	disposal of hazardous substances, mixtures or products, such as paint containing asbestos or lead;
f)	other specialised pollution control activities;
g)	cleaning up after natural disasters such as floods or earthquakes;
h)	cleaning up of unused or abandoned mining sites unrelated to revenue from mining;
i)	application of contaminant containment operations, hydraulic barriers, active and passive barriers to limit and (or) prevent contamination.

These activities also include all activities necessary to prepare, plan and monitor the decontamination or clean-up activities and to carry out follow-up activities, such as:

a)	preparatory studies, including data collection and research activities (in particular geological or hydrological), feasibility studies and environmental impact studies necessary to define the clean-up project;
b)	monitoring and control of cleaning agents, including:
	(i) sampling of soil, water, sediment, biota or other materials;
	(ii) laboratory analysis of samples to determine the nature and concentration of pollutants
c)	(iii) installation, operation and maintenance of monitoring facilities and equipment, such as monitoring wells, within and beyond the treatment site;
	demolition of contaminated buildings or other structures, the dismantling of large-scale machinery and equipment (i.e. decommissioning) and removal of surface sealing layer and concrete;
d)	excavation or dredging works, including excavation, landfill burial, levelling, perimeter walls or fences, construction and strengthening of primary access and inland roads and any other activities necessary to carry out the removal of pollutants;
e)	implementation of other environmental protection and pollution prevention and control measures to comply with the conditions set out in the environmental permit issued for the clean-up project, including measures to ensure safety and health of workers at the site (such as fire protection, flood protection, hazardous waste management measures), occupational safety, entry control, management of invasive species prior to or during the removal or treatment of contaminants, consolidation process prior to or during the removal of contaminants.

Activities do not cover the following:

a)	pest control in agriculture;
b)	water treatment for the purpose of water supply;
c)	decontamination or cleaning-up of nuclear power plants and areas;
d)	treatment and disposal of hazardous and non-hazardous waste not related to the issue of contamination of the site;
f)	cleaning up of non-compliant landfills and abandoned or illegal waste disposal sites unrelated to the area to be cleaned;
g)	emergency services;
h)	street sweeping and watering.

Financial statements,

prepared in accordance with IFRS
accounting standards, as adopted
by the European Union,
and the independent auditor's report

For the financial year ended
31 december 2023

Independent Auditor's Report

To the Shareholders of AB Lietuvos Geležinkeliai

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

■ Opinion

We have audited the separate financial statements of AB Lietuvos Geležinkeliai ("the Company") and the consolidated financial statements of AB Lietuvos Geležinkeliai and its subsidiaries ("the Group"), set out on pages 155-203. The Company's separate and the Group's consolidated financial statements comprise:

- the separate and the consolidated statements of financial position as at 31 December 2023,
- the separate and the consolidated statements of profit or loss and other comprehensive income for the year then ended,
- the separate and the consolidated statements of changes in equity for the year then ended,
- the separate and the consolidated statements of cash flows for the year then ended, and
- the notes to the separate and the consolidated financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the unconsolidated financial position of the Company and the consolidated financial position of the Group as at 31 December 2023, and of their unconsolidated and consolidated financial performance and their unconsolidated and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards, as adopted by the European Union.

■ Basis for Opinion

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

■ Key Audit Matters

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

Property, plant and equipment – valuation (consolidated financial statements)

The carrying amount of Group's property, plant and equipment as at 31 December 2023: EUR 2,142,806 thousand (31 December 2022: EUR 1,937,138 thousand); depreciation and amortization expense for the year then ended: EUR 109,011 thousand (31 December 2022: EUR 106,383 thousand).

We refer to the financial statements:

Material accounting policies – “2 Property, plant and equipment”, “3 Significant judgements and estimates”, Note 6 „Property, plant and equipment”.

The key audit matter	How the matter was addressed in our audit
On 24 February 2022, Russian state military troops attacked the Ukrainian state. The military actions have an impact not only on Ukraine and Russia, but also on the other economies in Europe and the rest of the world. Sanctions continue to impact revenue levels and the net results. The above represented an indication that certain asset or cash generating units of the Group may be impaired. Any such impairment would be recognized in the amount by which the carrying amount of the asset or cash-generating unit exceeds the recoverable amount. The determination of recoverable amounts of the asset or cash generating units is a process that requires management to make a number of significant judgements, including those in respect of future operating cash flows, growth rates and discount rates. The projected operating cash flows from the Group's activities are influenced primarily by assumptions concerning sales volumes. These projections are exposed to significant variability due to inherent uncertain market conditions. Accordingly, this area required our increased attention in the audit and as such was identified by us to be our key audit matter.	Our audit procedures performed, where applicable, with the assistance from our own valuation specialists, included, among others: - considering the appropriateness of the value-in-use model (“impairment model”) applied for estimation of recoverable amount, against the relevant requirements of the financial reporting standards; - evaluating the appropriateness of allocation of assets to cash generating units based on our understanding of the Group's operations and business units; - evaluating the quality of the Group's forecasting by comparing historical projections with actual outcomes, considering the expected support from the Government and also tracing the forecast cash flows in the impairment model to Management Board approved forecasts; - using our knowledge of the Group, its past performance, business and customers, and our industry experience, challenging significant forecast cash flow and growth assumptions. As part of the procedure we: - challenged the discount rate used by reference to publicly available market data, adjusted by risk factors specific to the Group and its industry, - assessed reasonableness of the assumptions relating to sales volumes and profit margins to historical results and to industry forecasts; - assessing the integrity of the impairment model, including the accuracy of the underlying calculation formulas; - considering sensitivity of the impairment model to changes in key assumptions, such as forecast EBITDA and discount rates to identify the assumptions at higher risk of bias or inconsistency in application; - considering the adequacy of the Group's disclosures in respect of impairment testing.

■ Other Information

The other information comprises the information included in the consolidated annual management report, set out on pages 4 – 83 and 204 - 219, including the Corporate Social Responsibility Report, but does not include the separate and consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

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

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

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

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

We also need to check that the Corporate Social Responsibility Report ("Sustainability report" set out on pages 84 – 148) has been provided. If we identify that Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

■ Report on Other Legal and Regulatory Requirements

Under order of the Minister of Transport and Communications of the Republic of Lithuania we were appointed on 17 January 2018 for the first time to audit the Company's and the Group's separate and consolidated financial statements. Our appointment to audit the Company's and the Group's separate and consolidated financial statements is renewed each year under decision of the general shareholders' meeting, and the total uninterrupted period of engagement is 8 years.

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the additional report which we have submitted to the Company and the Group and their Audit Committee.

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



In the course of audit, in addition to the audit of the separate and consolidated financial statements, we have provided translation services, agreed upon procedures services related to loan covenants, agreed upon procedure on the comparison of carrying amounts of AB "LTG Cargo" assets and liabilities to be transferred to AB "LTG Infra" and the assets and liabilities included in the sales / purchase agreement.

On behalf of KPMG Baltics, UAB

Edvinas Žukauskas
Partner pp
Certified Auditor

Vilnius, the Republic of Lithuania
10 April 2024

The electronic auditor's signature applies only to the Independent Auditor's Report on pages 150 to 154 of this document.

7.2. Statements of financial position

	Notes	Group		Company	
		2023	2022	2023	2022
NON-CURRENT ASSETS					
Property, plant and equipment	6	2,142,806	1,937,138	24,257	26,696
Land		152,688	152,437	-	-
Buildings and structures		1,012,284	983,968	17,255	17,704
Machinery and equipment		70,625	134,422	2,669	3,378
Vehicles		312,783	322,802	247	340
Other fixtures, fittings and tools		13,093	69,762	4,040	5,087
Construction in progress and prepayments		581,333	273,747	46	187
Right-of-use assets	7	12,304	11,361	8,954	8,528
Intangible assets	8	29,590	28,892	12,534	9,926
Software		24,135	22,951	9,934	7,230
Licences and similar rights		1,919	1,194	1,918	1,194
Other intangible assets		3,536	4,747	682	1,502
Investment property	9	2,478	3,169	8,690	12,283
Financial assets		7,262	7,437	1,003,043	1,009,405
Investments in subsidiaries	10	-	-	883,235	883,235
Investments in associates	10	4,793	4,837	747	747
Loans to related and other companies	31	100	-	118,264	124,490
Trade and other receivables	12	2,369	2,600	797	933
Other non-current assets		105	66	-	-
Deferred tax assets:	30	3,662	3,254	1,359	2,238
Total non-current assets		2,198,207	1,991,317	1,058,837	1,069,076
CURRENT ASSETS					
Inventories	11	25,024	30,577	4,976	8,384
Non-current assets held for sale	11	7,100	1,731	954	9,341
Contract assets		4	16	-	-
Loans to related and other companies	31	60	160	19,943	7,527
Trade and other receivables	12	33,588	39,770	17,997	23,467
Prepayments	13	5,920	3,255	9,586	9,870
Cash and cash equivalents	14	228,566	213,434	34,650	4,567
Total current assets		300,262	288,943	88,106	63,156
TOTAL ASSETS		2,498,469	2,280,260	1,146,943	1,132,232

	Notes	Group		Company	
		2023	2022	2023	2022
EQUITY					
Share capital		1,059,282	1,059,282	1,059,282	1,059,282
Legal reserve	16	34,025	34,025	34,025	34,025
Other reserves	16	5,672	8,757	5,672	8,757
Currency translation reserve		(175)	48	-	-
Retained profit (losses)	17	75,482	59,392	16,278	(3,085)
Total equity		1,174,286	1,161,504	1,115,257	1,098,979
LIABILITIES					
Non-current liabilities					
Grants	18	983,466	809,164	602	822
Loans and other borrowings	19	109,523	125,745	-	-
Lease liabilities	20	6,181	4,536	5,824	5,994
Employee benefits	21,28	6,473	5,458	420	291
Trade and other payables	23	2,016	8,960	-	-
Provisions	22	16,453	14,470	-	-
Deferred tax liabilities	30	25,633	23,063	-	-
Total non-current liabilities		1,149,745	991,396	6,846	7,107
Current liabilities					
Loans and other borrowings	19	17,887	22,737	-	
Lease liabilities	20	6,217	6,895	3,311	2,790
Corporate income tax liability		3,314	750	407	-
Employee benefits	21,28	26,069	24,396	4,871	4,820
Trade and other payables	23	103,640	49,335	7,644	9,091
Contract liabilities		2	9	-	-
Prepayments received	24	16,093	22,630	8,381	9,445
Provisions	22	1,216	608	226	-
Total current liabilities		174,438	127,360	24,840	26,146
Total liabilities		1,324,183	1,118,756	31,686	33,253
TOTAL EQUITY AND LIABILITIES		2,498,469	2,280,260	1,146,943	1,132,232

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

Financial statements and explanatory notes on pages from 155-203 were approved and signed on 10 April 2024 by:

Egidijus Lazauskas
Chief Executive Officer

Andrej Kosiakov
Chief Financial Officer

Lina Užlienė
Head of Accounting

7.3. Statements of profit or loss and other comprehensive income

	Notes	Group		Company	
		2023	2022	2023	2022
Sales revenue	25	357,399	336,741	89,494	96,193
Grant	26	94,602	96,191	-	-
Income from other activities	27	589	1,168	2,613	209
Total revenue		452,590	434,100	92,107	96,402
Expenses related to employee benefits	21,28	(153,253)	(156,790)	(28,605)	(31,472)
Depreciation and amortisation	6,7,8,9,18	(109,011)	(106,383)	(7,774)	(8,517)
Fuel		(40,446)	(44,975)	(237)	(187)
Materials		(14,575)	(12,937)	(36,024)	(40,744)
Services rendered by other foreign railway companies		(15,168)	(13,033)	-	-
Electricity		(12,962)	(19,490)	(655)	(609)
Repairs and maintenance		(19,130)	(16,995)	(2,607)	(2,951)
Increase (decrease) in the value of non-current assets		(6,283)	(8,037)	(1,550)	175
(Revaluation) reversal of inventories to net realisable value		988	(3,675)	422	43
Increase (decrease) in the value of investments		-	(38)	23	(160)
Increase (decrease) in the value of receivables		(947)	(1,367)	(49)	(34)
Change in provisions		(2,484)	76	(226)	-
Other costs		(48,567)	(44,735)	(15,623)	(17,470)
Operating profit (loss)		30,752	5,721	(798)	(5,524)
Finance income	29	2,893	497	18,650	2,238
Finance expenses	29	(6,819)	(3,526)	(288)	(160)
Share of net profit (loss) of associated entities		307	270	-	-
Profit (loss) before taxation		27,133	2,962	17,564	(3,446)
Income tax	30	(5,490)	(1,749)	(1,286)	361
Net profit (loss)		21,643	1,213	16,278	(3,085)
Other comprehensive income (expenses)					
Currency exchange rate differences due to translation of financial statements of foreign undertakings		(223)	48	-	-
Total other comprehensive income (expenses)		(223)	48	-	-
Total comprehensive income (expenses)		21,420	1,261	16,278	(3,085)

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

7.4. Statements of changes in equity

Group	Notes	Authorised capital	Share premium	Legal reserve	Other reserves	Currency trans- lation reserve	Retained earnings (loss)	Total
Balance as at 31 December 2021		1,059,282	-	33,852	7,829	-	65,644	1,166,607
Net profit (loss)		-	-	-	-	-	1,213	1,213
Other comprehensive income, after tax		-	-	-	-	48	-	48
Total comprehensive income (expenses)		-	-	-	-	48	1,213	1,261
Profit (loss) not recognised in the statement of profit or loss and other comprehensive income	17	-	-	-	-	-	(123)	(123)
Increase of authorised capital		-	-	-	-	-	-	-
Reserves formed	16	-	-	173	928	-	(1,101)	-
Reserves used	16	-	-	-	-	-	-	-
Dividends	15	-	-	-	-	-	(6,241)	(6,241)
Total transactions with owners of the Company		-	-	173	928	-	(7,465)	(6,364)
Balance as at 31 December 2022		1,059,282	-	34,025	8,757	48	59,392	1,161,504
Net profit (loss)		-	-	-	-	-	21,643	21,643
Other comprehensive income, after tax		-	-	-	-	(223)	0	(223)
Total comprehensive income (expenses)		-	-	-	-	(223)	21,643	21,420
Profit (loss) not recognised in the statement of profit or loss and other comprehensive income	17	-	-	-	-	-	(8,638)	(8,638)
Increase of authorised capital		-	-	-	-	-	-	-
Reserves formed	16	-	-	-	-	-	-	-
Reserves used	16	-	-	-	(3,085)	-	3,085	-
Dividends	15	-	-	-	-	-	-	-
Total transactions with owners of the Company		-	-	-	(3,085)	-	(5,553)	(8,638)
Balance as at 31 December 2023		1,059,282	-	34,025	5,672	(175)	75,482	1,174,286

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

7.4. Statements of changes in equity (continued)

Company	Notes	Authorised capital	Share premium	Legal reserve	Other reserves	Retained earnings (loss)	Total
Balance as at 31 December 2021		1,059,282	-	33,852	7,829	7,342	1,108,305
Net profit (loss)		-	-	-	-	(3,085)	(3,085)
Other comprehensive income, after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		-	-	-	-	(3,085)	(3,085)
Profit (loss) not recognised in the statement of profit or loss and other comprehensive income	17	-	-	-	-	-	-
Increase in authorised capital		-	-	-	-	-	-
Reserves formed	16	-	-	173	928	(1,101)	-
Reserves used	16	-	-	-	-	-	-
Dividends	15	-	-	-	-	(6,241)	(6,241)
Total transactions with owners of the Company		-	-	173	928	(7,342)	(6,241)
Balance as at 31 December 2022		1,059,282	-	34,025	8,757	(3,085)	1,098,979
Net profit (loss)		-	-	-	-	16,278	16,278
Other comprehensive income, after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		-	-	-	-	16,278	16,278
Profit (loss) not recognised in the statement of profit or loss and other comprehensive income	17	-	-	-	-	-	-
Increase in authorised capital		-	-	-	-	-	-
Reserves formed	16	-	-	-	-	-	-
Reserves used	16	-	-	-	(3,085)	3,085	-
Dividends	15	-	-	-	-	-	-
Total transactions with owners of the Company		-	-	-	(3,085)	3,085	-
Balance as at 31 December 2023		1,059,282	-	34,025	5,672	16,278	1,115,257

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

7.5. Statements of cash flows

Notes	Group		Company	
	2023	2022	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit (loss)	21,643	1,213	16,278	(3,085)
ADJUSTMENTS				
Depreciation and amortisation	6,7,8,9	134,128	131,701	7,989
(Amortisation) of grants	18	(22,641)	(22,531)	(215)
(Profit) loss from disposal / write-off of non-current assets		40	(953)	(2,543)
Decrease (increase) in the value of non-current assets		6,283	8,037	1,550
Write down of inventories to net realisable value		(988)	3,675	(422)
Decrease (increase) in the value of investments			38	(23)
Decrease (increase) in the value of amounts receivable		947	1,367	49
Change in accrued income/expenses		3,122	(7,478)	1,603
Interest (income) expenses		6,490	2,549	(6,316)
Increase (decrease) in provisions		2,484	(76)	226
Effect of currency exchange fluctuations		961	214	(4)
Interest on lease liability		388	170	88
Income tax expenses (income)	30	5,490	1,749	1,286
(Profit) loss of an associated company		(307)	(270)	-
Cash flows from operating activities after adjustment		158,040	119,405	19,546
CHANGES IN WORKING CAPITAL				
Decrease (increase) in inventories		1,077	(6,626)	4,480
Decrease (increase) in trade and other receivables and prepayments*		(106,849)	(81,813)	(8,047)
Increase (decrease) in current and non-current trade payables and received prepayments		36,859	(2,211)	(4,129)
Increase (decrease) in employment related liabilities		2,688	(4,094)	185
Increase (decrease) in other non-current and current payables		83	(4,816)	7,069
Income tax (paid)		(382)	(3,147)	-
Net cash from operating activities		91,516	16,698	19,104

Notes	Group		Company	
	2023	2022	2023	2022
CASH FLOW FROM INVESTING ACTIVITIES				
(Acquisition) of non-current assets and change in prepayments for non-current assets		(343,794)	(184,973)	(4,355)
Disposal of non-current assets		2,445	731	11,386
Dividends received		328	-	12,251
Loans granted		-	-	(6,190)
Net cash flows from investing activities		(341,021)	(184,242)	13,092
CASH FLOWS FROM FINANCING ACTIVITIES				
Loans (repaid)	19	(22,222)	(25,475)	-
Grants received (repaid, used)		300,824	335,989	(5)
Interest on lease liability		(388)	(170)	(88)
Payment of lease liabilities		(8,657)	(5,644)	(2,020)
Interest (paid)	19	(4,920)	(2,137)	-
Dividends (paid)	15	-	(6,241)	-
Net cash flows from financing activities		264,637	296,322	(2,113)
Net increase (decrease) in cash and cash equivalents		15,132	128,778	30,083
Cash and cash equivalents at the beginning of the period		213,434	84,656	4,567
Cash and cash equivalents at the end of the period		228,566	213,434	34,650

* including grants received in 2023 amounting to EUR 97,863 thousand (2022: EUR 100,075 thousand)

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

7.6. Explanatory notes

1. Background information

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

The Company is a legal entity independently organising economic, financial, organisational and legal activities. The Company is an authorised capital Company and the Republic of Lithuania acts as a shareholder of the Company. The Company's registration code 110053842, VAT payer's code LT100538411, legal (registration) address: Geležinkelio St. 16, LT-02100 Vilnius.

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

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

As at 31 December 2023 and 31 December 2022, the Republic of Lithuania represented by the Ministry of Transport and Communications was the sole shareholder of the Company.

The number of listed active employees in the Group and in the Company as at the end of 31 December 2023 (excluding the employees on parental leave, military service, long-term incapacity) was 5,825 and 738 employees, respectively (as at 31 December 2022 – 6,126 and 785 employees, respectively).

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

Subsidiaries Company	Company's address	Owned share, %		Main activity
		2023	2022	
AB LTG Cargo	Geležinkelio St. 12, Vilnius	100	100	Freight transportation by rail
UAB LTG Link	Geležinkelio St. 16, Vilnius	100	100	Passenger transportation by rail
AB LTG Infra	Geležinkelio St. 2, Vilnius	100	100	Management of public railway infrastructure and implementation of functions of the manager of public railway infrastructure
UAB Geležinkelio Tiesimo Centras	Trikampio St. 10, Lentvaris	100	100	Public railway infrastructure road repairs and construction
UAB Rail Baltica Statyba	Geležinkelio St. 16, Vilnius	100	100	Implementation of shareholder's functions of the joint Baltic States company RB Rail AS, which monitors implementation of the Rail Baltica 2 project.
OOO Rail Lab	Internacionalnaja St. 36-1, Minsk, the Republic of Belarus	-	2	Manufacturing of locomotives and rolling stock, repairs and technical maintenance of vehicles, wholesale of other machinery and equipment. De-registered on 7 September 2023
LTG Cargo Polska Sp.zo.o.	ul. Rondo ONZ, 12 Piętro, 00-124, Warsaw, Poland	100	100	Activities of freight carrier and provision of related services.
UAB LTG Wagons	Geležinkelio St. 12, Vilnius	100	100	Lease of wagons and containers used for freight transportation by rail and provision of related services.
LTG Cargo Ukraine LLC	Puškino St. 21, Kiev, Ukraine	100	100	Lease, repair forwarding of rolling stock used for freight transportation by rail and provision of other logistic services.
VšĮ Geležinkelių logistikos parkas	Švitrigailos St. 39, Vilnius	79.61	79.61	Responsible for the development and management of Vilnius Public Logistics Centre Fleet. The Company is not significant thus not material for consolidation.
Associated and secondary companies				
Voestalpine Railway Systems Lietuva, UAB	Sostinės St. 18, Valčiūnai, Vilnius district	34	34	Manufacture of railway switches.
RB Rail AS	Satekles iela 2B, LV-1010, Riga, Latvia	33.33	33.33	Implementation of Rail Baltica project and performance of the functions of the central project coordinator. The company is controlled through UAB Rail Baltica Statyba.
VšĮ Transporto Inovacijų Centras	Geležinkelio St. 16, Vilnius	33.33	33.33	Development of innovation testing possibilities in transport sector infrastructure. The company is under liquidation.

2. Summary of material accounting policies

• **Basis of preparation.** The Company's financial statements have been prepared in accordance with the IFRS Accounting Standards adopted by the EU. The financial statements for the year ended 31 December 2023 have been prepared on a going concern basis and valued using the historical cost method unless stated otherwise. These financial statements present comparative information for the previous reporting period.

• **Changes in accounting policies.** The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Group's and the Company's annual financial statements for the year ended 31 December 2022, except for the new standards, which became effective during 2023.

• **Consolidated financial statements.** The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which the Group obtains control of those entities. Their consolidation is terminated from the date the control is lost. The financial statements of the Group companies are prepared using the same accounting policies as those of the Group and, for the same period covered by the financial statements of the subsidiaries; the ownership interests of the non-controlling interest and of the parent company are shown separately in the statement. The structure of the Company is presented in Note 1.

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

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

• **Functional and presentation currency.** The functional currency of the Company and its subsidiaries is euro. In these financial statements all amounts are presented in euros, unless otherwise stated. Because of rounding, figures between tables may not coincide. Such inconsistencies in the financial statements are considered as insignificant.

• **Foreign currency.** Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Gains and losses arising from the settlement of these transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the statement of profit or loss and other comprehensive income.

• **Property, plant and equipment.** The initial value of non-current tangible assets comprises their acquisition cost, including unrecoverable taxes of acquisition, capitalised borrowing costs and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the tangible non-current assets have been put into operation are normally accounted for in profit or loss in the period in which the costs were incurred.

The cost of an item of property, plant and equipment includes the cost of replacing parts of property, plant and equipment as incurred, provided that these costs meet the criteria for recognition. The carrying amount of the re-

placed part of the asset is written off. Repair costs are added to the carrying amount of the asset, if it is probable that future economic benefits will flow to the Company from the expenditure and if they can be measured reliably. All other repair and maintenance costs are recognised in the statement of profit or loss.

Property, plant and equipment include spare parts, spare fixtures and maintenance equipment when they meet the definition of property, plant and equipment. The residual values and useful lives of the assets are reviewed at least annually and adjusted, if necessary.

• **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). 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.

• **Depreciation.** No depreciation is calculated for land plots. Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate the cost to their carrying amounts over their estimated useful lives.

Groups of property, plant and equipment	Useful life	
	Group	Company
Buildings and structures	8–122	5–80
Machinery and equipment	4–68	4–33
Road transport/vehicles	4–15	4–10
Rolling stock (including railway wagons)	5–46	5–20
Computers and hardware	3–15	3–10
Other fixtures, fittings and tools	4–65	4–15

Depreciation of property and equipment is calculated on a straight-line basis where their cost is reduced by their estimated residual values over their useful lives. Depreciation is generally recognised in profit or loss.

The Group has no property, plant and equipment with indefinite useful lives. The Group's useful life of land is indefinite, but its use does not reduce its value; therefore, land is not depreciated.

• **Construction in progress.** Construction in progress is accounted for at the cost of acquisition less impairment losses. This includes the cost of construction, plant and equipment and other directly attributable costs. Construction in progress is not depreciated until construction is completed and assets are ready for service. Inventories intended for repair of property, plant and equipment and complying with the provisions of IAS 16 are transferred from inventories to construction in progress. Construction in progress is reclassified to the appropriate groups of non-current assets when construction in progress is completed and asset is ready for its intended use. Prepayments for non-current assets are classified as non-current assets due to their usage in a long-term operation, and are shown under construction in progress in the statement of financial position. The item of construction in progress includes property, plant and equipment under construction. The acquisition cost of such assets includes design, construction work, plant and equipment transferred for installation and other direct expenses. Tangible non-current assets are recorded at acquisition (production) cost.

• **Investment property.** Investment property is stated at historical cost less accumulated depreciation and impairment loss, if any. Depreciation is calculated by applying the straight-line method over the estimated useful lives: 15-75 years. Transfers to and from investment property are made if, and only if, there is a demonstrable change in the use of the property. When transferring the assets from investment property to property, plant and equipment used for own needs, apparent cost of those assets is deemed the carrying amount of investment property on the date of transfer. If owner-occupied property becomes an investment property the Company and the Group account for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

• **Investments in subsidiaries.** Investments in subsidiaries are accounted for in the Company's separate financial statements at cost less impairment. Investments in subsidiaries in the Group's financial statements are carried using equity method.

• **Impairment testing of investments in subsidiaries.** The Company carries investments in subsidiaries at acquisition cost less impairment. At the date of each annual financial statements, the Company determines whether there is any indication that the investments may be impaired. If any such indication exists, the Company calculates impairment as the difference between the subsidiary's carrying amount and its recoverable amount and the result is accounted for in the statement of profit or loss and other comprehensive income. The Company performed impairment tests on its investments in subsidiaries and the results are disclosed in Note 10.

• **Intangible assets.** Intangible assets from which the Group and the Company expect to derive future economic benefits have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. The Group's and the Company's intangible assets have fixed useful lives. Intangible assets include capitalised computer software, and licenses. The acquired computer software, licenses, patents and trademarks are capitalised at the cost incurred to acquire and put them into use.

The Group's and the Company's intangible assets are amortised on a straight-line basis over their estimated useful lives or specific useful lives, which may range from 2 to 20 years and from 3 to 10 years, respectively. The useful life is reviewed annually.

Intangible assets are written off when they are no longer expected to generate economic benefits from use or disposal. Gains and losses arising on derecognition of intangible assets are measured as the difference between the net realisable value and the carrying amount of the asset and are recognised in the statement of profit or loss.

• **Assets held for sale.** Assets (or groups of assets) held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. An asset held for sale is reclassified, if it meets the criteria for such assets provided in IFRS 5.

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

Financial instruments

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

The Group and the Company recognise a financial asset in the statement of financial position only when it becomes a party to the contractual provisions of the financial instrument and the purchase or sale of the financial asset is recognised or derecognised on a trade date basis. On initial recognition, the Group and the Company measures financial assets at fair value, except for trade receivables that do not include a significant financing component. When a financial asset is measured at a value other than fair value, the change in which is recognised in profit or loss, the ini-

tial measurement of the financial asset shall include the fair value of the instrument and the transaction costs directly attributable to the acquisition of the financial asset.

Financial assets measured at amortised cost in subsequent periods are measured using the effective interest rate method. The amortised cost is reduced due to impairment loss. Interest income, foreign exchange profit and loss are accounted for through profit (loss). Any profit or loss from derecognition is accounted for in the statement of profit or loss and other comprehensive income.

• **Impairment of financial assets due to credit risk.** Impairment losses on credit-impaired financial assets measured at amortised cost are measured based on the expected credit loss (ECL) model.

The Group and the Company assess receivables using either an expected credit loss allowance matrix or an individual assessment, whereby each debtor's financial position and credit risk are assessed individually by analysing the debtor's financial statements, settlement discipline and other publicly available information about the debtor that may affect the debtor's credit risk assessment.

The primary objective of the Group's treasury management is to ensure the security of funds and, consistent with this objective, to maximise the return on investment

The maximum credit risk is equal to the carrying amount of the financial assets.

Credit losses are measured as the present value of all cash losses (the difference between the cash flows that the Group and the Company hold under the contract and the cash flows the Group and the Company expect to receive). ECL are discounted applying an effective interest rate. The ECL for cash and cash equivalents is calculated by considering the credit ratings of the financial institutions where the cash is held and other relevant criteria (such as liquidity, capital adequacy maintenance). Management has assessed that the ECL of cash and cash equivalents is usually not material.

The expected credit losses on loans receivable and trade receivables throughout the period are recognised in the statement of profit or loss.

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

• **Write-off of financial assets.** Impairment allowances for financial assets are made in accordance with the provisions of IFRS 9, the Group and the Company Accounting Policies and an assessment of potential risks, based on the likelihood of their occurrence, taking into account possible internal and external factors, which include the customer's significant financial difficulties, defaults of more than 120 days, and the customer's probable bankruptcy.

The gross carrying amount of a financial asset is written off when the Group's and the Company's has no reasonable expectation of recovering all or part of the asset. Assets that are not recoverable are written off against the recognised impairment if all necessary steps have been taken to recover the asset and the amount of the loss has been determined.

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

Amounts previously written off and recovered in subsequent periods are included in impairment losses in the statements of profit or loss and other comprehensive income.

• **Financial liabilities.** The Group's and the Company's financial liabilities comprise loans and other borrowings, liabilities from contracts with customers, trade and other payables. Financial liabilities are initially carried at fair value less transaction costs. In subsequent periods, financial liabilities are carried at amortised cost using the effective interest method. Interest expense is recognised using the effective interest rate method.

Financial liabilities are classified as non-current if a financing agreement concluded before the statement of financial position date provides evidence that the liability was non-current in nature at the statement of financial position date.

Trade payables are obligations to pay for goods and services purchased from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if they are due for payment within one year. Otherwise, they are shown as non-current liabilities.

• **Derecognition of financial liabilities.** The Group and the Company derecognise a financial liability when the contractual obligations are discharged, cancelled, expire, the terms and conditions are modified and the cash flows of the modified liability are materially different.

• **Offsetting of financial assets and liabilities.** Financial assets and financial liabilities are offset when and only when the Group and the Company have a legally enforceable right to recognise amounts and intend to offset them or realise the assets, fulfil the commitments and thereby offset the liability.

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

• **Trade and other payables.** At initial recognition, trade and other payables are recognised when the Group and the Company become a party to the contractual terms. Trade and other payables are initially measured at fair value plus directly related transaction costs. Details of the Group's and the Company's trade payables are disclosed in Note 23.

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

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

• **Leases.** A lease is a contract, or part of a contract, that gives the right to use an asset (the leased asset) for a specified period of time for consideration.

Leases, where the Group and the Company are lessees

A right-of-use asset is an asset that represents the Group's and the Company's right to use the leased asset during the lease term. The Company recognises the right-of-use assets for all types of leases, including leases of right-of-use assets under subleases, except for leases of intangible assets, short-term leases and leases of low-value assets.

The Group and the Company do not apply the lease recognition provisions to short-term leases (leases of up to one year) and leases of low-value assets (computers, telephones, printers, furniture etc.). Assets with a value of up to EUR 4 thousand are considered low value assets.

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

• **Subsequent assessment of right-of-use assets.** Subsequent to the commencement date, the Group and the Company measures the right-of-use assets at cost method: net of any accumulated depreciation and any accumulated impairment losses; and adjusted for the remeasurement of the lease liability. In calculating the depreciation of rights-of-use assets, the Group and the Company shall apply the depreciation requirements of IAS 16 "Property, Plant and Equipment". In the statement of financial position, the Group and the Company present the right-of-use assets separately from property, plant and equipment.

• **Initial assessment of lease liability.** On the commencement date the Group and the Company measure a lease liability at the present value of the lease payments outstanding at that date. Lease payments are discounted using the interest rate stipulated in the lease agreement if that rate is readily determinable. If the contractual rate is not readily determinable, the Group and the Company use the borrowing rate published by the Bank of Lithuania.

• **Reassessment of a lease liability.** After initial recognition, the lease liability is reassessed to take account of changes in lease payments. The Group and the Company recognise the amount of the reassessment of the lease liability as an adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use asset is reduced to zero and the assessment of the lease liability is further reduced, the Group and the Company recognise any remaining amount of the reassessment as profit or loss. The Company presents 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. Interest expense on the lease liability is a component of finance costs presented in the statement of comprehensive income.

Leases, where the Group and the Company are lessors

• **Leases.** The Group and the Company recognise the lease fees related to operating lease, as income on a straight-line

basis over the lease term. Costs (including depreciation) incurred in earning lease related income are recognised by the Group and the Company as costs. The initial direct costs incurred in obtaining the operating lease are included by the Group and the Company in the carrying amount of the leased assets and are recognised as expenditure during the lease period on the same basis as the lease income. The Company accounts for a modification of an operating lease as a new lease from the effective date of the modification and treats prepaid or accrued lease payments related to the original lease as part of the new lease payments.

• **Subleases.** A transaction for which an underlying asset is re-leased by a lessee ('intermediate lessor') to a third party, and the lease ('head lease') between the head lessor and lessee remains in effect. In classifying a sublease, an intermediate lessor classifies the sublease as a finance lease or an operating lease. Otherwise, subleases are classified on the basis of the right-of-use assets specified in the host contract, rather than on the basis of the leased assets (e.g. the property, plant or equipment subject to the lease). On the commencement date the Group and the Company shall recognise assets leased under finance leases in the statement of financial position and presents them as a receivable equal to the amount of the net investment in the lease. In order to assess the net investment in the lease, the Group and the Company shall use the interest provided for in the lease contract. In the case of a sublease, if the interest rate provided for in the sublease agreement is not readily determinable, the Group and the Company, as an intermediate lessor, shall use the discount rate used for the host contract (adjusted for any initial direct costs associated with the sublease) to measure the net investment in the sublease. The initial direct costs are included in the initial measurement of the net investment in the lease and reduce the amount of income recognised over the lease term. The interest rate provided for in the lease contract shall be determined in such a way that the initial direct costs are automatically included in the amount of net investment in the lease; they shall not be added separately.

• **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.

• **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. Income tax comprises current tax and deferred income tax and is recognised in the statements of profit or loss and other comprehensive income, except to the extent that the tax is recognised in other comprehensive income or directly in equity because it relates to transactions that are recognised concurrently or in the same or different periods in other comprehensive income or directly in equity.

In 2023 and 2022, the income tax rate applicable for companies of the Republic of Lithuania is 15%, of Poland - 19% and of Ukraine - 18%.

• **Deferred tax.** Deferred tax is accounted for using the liability method. Deferred tax assets and liabilities are recognised for future tax purposes noting the differences between the carrying amount of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are recognised for all temporary differences that will subsequently increase taxable profit, while deferred tax assets are recognised only to the extent that is likely to reduce taxable profit in the future. Such assets and liabilities are not recognised when the temporary differences are related to goodwill, or when the assets or liabilities recognised in a transaction that is not a business combination do not affect either taxable or financial profit or loss.

The carrying amount of deferred tax assets is reviewed every time a set of financial statements is prepared, and it is reduced if it is not probable that sufficient taxable profits will be generated in the future to realise the asset or part of it. The amount of deferred tax assets is reduced to an amount that is likely to reduce taxable profit in the future.

Deferred tax is calculated using the tax rates that are expected to be applied when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets with current tax liabilities, and when the deferred tax relates to the same tax administration.

• **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 reduced by discounts and rebates received from suppliers during the reporting period and applied to inventories held in stock. The inventories that may not be realised are fully written off. The structure of the Group's and the Company's inventories is presented in Note 11.

Change in write down of net realisable value of inventories of the Group and the Company is shown in write-down to the net realisable value in the statements of profit or loss and other comprehensive income.

• **Equity.** Equity and equity related reserves are presented in the statement of financial position.

According to the Law on Joint-Stock Companies of the Republic of Lithuania, 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 Law on Joint-Stock Companies of the Republic of Lithuania stating that if the Company's equity becomes less than 1/2 of the share capital specified in the Articles of Association, the Board must convene a general meeting of shareholders not later than within 3 months from the day on which it became aware or should have become

aware of the situation, which must consider the issues referred to in Article 59 (10) (2) and (11) of this Law. The situation in the Company must be rectified no later than within 6 months from the date on which the Board became aware or should have become aware of the situation.

As at 31 December 2023 and 31 December 2022, the Company were in compliance with the above-mentioned requirements of the provisions of the Law on Joint-Stock Companies of the Republic of Lithuania.

• **Provisions and contingent liabilities.** Provisions are accounted for only when the Group and the Company have 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 of the amount of the obligation can be made. When the Group and the Company expect that part or all of the amount of the provisions will be compensated, the compensation receivable is recognized as a separate asset, but only when the compensation is guaranteed. The provision-related expenses are recognised in the statement of profit or loss net of any compensation receivable. If the time value of money is significant, provisions are discounted using the effective interest rate for the period (before tax), if appropriate, taking into account the risks specific to the liability. Where discounting is used, an increase in the provision due to the passage of time is recognised as financial expenses.

Provisions are recognised at an amount that reflects management's best estimate of the expenditure that would be required to restore the assets. Estimates are reviewed regularly and, where necessary, adjusted to reflect new circumstances. Further details on provisions are disclosed in Note 22.

Contingent liabilities are not recognised in the financial statements. They are described in the financial statements, except in cases where the use of resources for their fulfilment is not probable.

Contingent assets are not recognised in the financial statements but are disclosed when it is probable that income or economic benefits will be received.

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

• **Provisions for retirement benefits.** 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. Previously incurred costs are recognised as an expense in the statement of profit or loss and other comprehensive income as soon as the liability is measured. Gains or losses arising from changes in the terms of payments (reductions or increases) are recognised immediately. The above-mentioned employment benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. The obligation is recorded in the statements of financial position and reflects the present value of these benefits on the preparation date of the statements of financial position. The present value of the employee benefit obligation is determined by discounting the estimated future cash flows based on the interest rate of government securities denominated in the same currency as the benefits and with a maturity date similar to the expected payment period of the benefits.

Therefore, provisions are formed for the possible benefits. Actuarial estimates are carried out in order to assess the liability of such retirement payments. The liability is accounted for at present value discounted using the market interest rate.

• **Plans of bonuses.** The Group and the Company recognise a liability and an expense for bonuses where it is contractually obliged or where there is a past practice that has created a constructive obligation.

• **Provision for warranty repair services.** Liabilities of the Group related to rolling stock warranty repairs are recognised as provisions under the signed contracts and the essential requirements for the repair and upgrading of tractive rolling stocks, nodes and aggregates. The Group is legally obliged to provide rolling stock warranty services and to fulfil this obligation has to utilise economic resources and will not be relieved of accumulated costs. Warranty costs are attributed to the period when warranty services were sold rather than the period when warranty repair of rolling stocks is performed; therefore, these costs are recognised in the reporting period when the income is earned. The amount of the provisions is determined on the basis of experience of similar activities, expert findings, and after-balance-sheet events. The calculation of the provisions for warranty repairs shall take account of the Group's experience in vehicle repair services, the established practice of knowing which repairs have been carried out and which vehicles and parts are most likely to be damaged, what additional work needs to be done after the sale of the repair service, and what the expert assessments and calculations were used.

Provisions for warranty repair of rolling stock are classified as short-term liabilities, and provision formation costs are attributed to operating expenses.

Revenue recognition. The Group and the Company recognise revenue in accordance with the provisions of IFRS 15, i.e. the Group and the Company recognise revenue at the time and in such a manner that the transfer of promised goods or services to customers would show an amount that

is consistent with the consideration expected to be received in exchange for those goods or services. In applying this Standard, the Group and the Company take into account the terms and conditions of the contract as well as all relevant facts and circumstances.

Operating revenue generated by the Group includes the following:

- Revenue from freight transportation and services related to freight transportation;
- Revenue from passenger transportation and related services;
- Revenue from use of public railway infrastructure.

Other income from operating activities generated by the Group and the Company:

- Resale;
- Management services;
- Lease of property;
- Work of locomotives and locomotive crews abroad;
- Revenue from maintenance and repair;
- Supply of electricity, gas, steam and water;
- Other services.

Type of services	Nature and timing of the performance of performance obligations and payment terms	Revenue recognition under IFRS 15
Income from freight transportation, and 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. Freight transportation usually takes up to 24 hours, so income is recognised immediately. Revenue from the transport of goods on international routes is recognised as soon as the services are rendered. The provision of freight transport services on domestic routes is recognised as revenue as soon as the services are rendered. The amount of revenue to be recognised shall be measured at the price shown in the freight documentation and in the documentation for the ancillary services. Advances received are included in the contract liability. If the services under a single arrangement are provided in different accounting periods, then the consideration is allocated based on their relative independent selling prices. The individual selling price is determined on the basis of the prices of the services specified in the contract.
Use of public railway infrastructure	Invoices for the use of public railway infrastructure and related ancillary services shall be invoiced at the frequency agreed in the contract with the customer (daily, weekly, monthly) and shall be generated from the primary and ancillary service documents at the time the service is rendered, or during the period of time in which the service is rendered, subject to a tariff adjustment: - an advance payment; - after the provision of services by means of payment security measures (monetary deposit, bank guarantee, trade credit); - after provision of services without security measures (up to 30 days, mostly 7 to 10 days); - a common term for payment of invoices is 7-10 days.	Revenue from the use of public railway infrastructure and related ancillary services is recognised in proportion to the time the customer uses the service and benefits from the use of the public railway infrastructure. The amount of revenue to be recognised is assessed following the procedure set out in the service provision rules and at the price indicated in additional services documents. Prepayments received are included into contractual obligations. Revenue from the use of public railway infrastructure is recognised when the service is provided or over the period in which the service is provided by applying a tariff. Revenue from use of railway service facilities is recognised over the period of time (calendar month) when the services are rendered because the customer receives a benefit from the use of the public railway infrastructure.
Revenue from passenger transportation and related services	Passenger and luggage services are provided on the basis of train tickets sold. The major part of ticket sales coincides with the date of transportation. The major part of income is paid immediately, upon the purchase of a ticket. Invoices for passenger transportation and related additional services are issued periodically, as contractually agreed with a customer; the invoices are formed according to initial passenger transportation and additional service documents after the service has been rendered. Most invoices are to be paid within 15 calendar days, with individual customers having a 30 calendar day payment period.	The revenue from the carriage of passengers, baggage and mail is recognised when control of the service is transferred to the customer. The customer acquires the control over the service when it receives all benefits related to the transportation service. <i>Revenue is recognised immediately upon provision of services, on arrival at the place agreed in the transport document or at the end of the period of validity of the transport document:</i> Revenue from passenger carriage on local routes is recognised as soon as the services are rendered Revenue from transportation of passengers, baggage and mail on international routes is recognised as soon as the services are rendered Revenue from provision of passenger transport-related services is recognised immediately when the services are rendered. Loyalty points are accumulated as an additional discount in the future, and loyalty points are credited to reduce sales revenue. Revenue is recognised when the customer redeems the loyalty points and the obligation to provide the goods or services is fulfilled. Advance ticket sales represent a small proportion of total ticket sales revenue and the date of the ticket usually coincides with the date of service provision. <i>Revenue is recognised over the continuous period</i> in which the services are provided: For local passenger services where the passenger purchases a season ticket, revenue is recognised over the period in which the services are provided.

Type of services	Nature and timing of the performance of performance obligations and payment terms	Revenue recognition under IFRS 15
Other income from operating activities.	Invoices are issued after the service has been rendered and the deed of acceptance and delivery of work has been signed. Standard invoice payment term is 30 days. A 10-day term is applied for uncoupling repairs of private rail cars; a cash deposit may also be applied.	<i>Revenue from lease of assets</i> is recognised in proportion to the time the customer uses the service and receives the benefit. <i>Revenue from the foreign employment of locomotives and locomotive crews</i> is recognised at the point at which the services are rendered, at the point of delivery to the place agreed in the transport document or at the expiry of the transport document, as the customer obtains control of the goods and services. <i>Maintenance and repair revenue</i> is recognised at the point in time at which the customer obtains control of the goods and services, when the goods have been loaded from the warehouse and the services have been performed. The services are deemed to have been rendered when the acceptance certificate is signed. The customer obtains control of the goods and services when it receives all the related benefits from the goods and services. Revenue is recognised monthly over the period of time that the services are rendered. <i>Revenue from supply of electricity, gas, steam and water</i> is recognised immediately after the service is rendered. <i>Management services</i> are recognised in proportion to the time the customer uses and benefits from the service. <i>Revenue from re-sale</i> is recognised immediately after the service is rendered. <i>Revenue from construction of railways, engineering structures, and other construction works</i> is recognised over time using the percentage-of-completion method (monthly). Pre-payments received are included in contractual obligations. <i>Other revenue</i> is recognised immediately after the services or goods have been provided to the customer. If services under one agreement are provided in different reporting periods, the consideration is allocated according to their relative independent selling prices.

• **Recognition of expenses.** Expenses are recognised in the Statement of Profit or Loss on an accrual basis when incurred.

• **Financing income and expenses.** The structure of income and expenses from financing activities is presented in Note 29. Interest income is recognised on an accrual basis, using the effective interest rate method. Borrowing costs that are not directly attributable to the acquisition or production of an asset that qualifies for capitalisation are recognised in the statements of profit or loss using the effective interest rate method. Currency exchange gain or loss in the statements of profit or loss is presented at a net value.

• **Government grants.** Government grants are assistance provided by the state in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. A state grant is not recognised until there is reasonable assur-

ance that the entity will comply with the relevant conditions and that the grant will be received. A government grant can be provided in a variety of forms, which may differ both in nature of granting and in conditions that are normally attached to the grant.

• **Asset-related grants.** Grants and subsidies (hereinafter “grants”) intended for the purchase, construction or other acquisition of non-current assets are considered as asset-related grants (mainly received from the EU and other structural funds). This group of grants also includes assets received free of charge. The amount of asset-related grants is recognised in profit and loss in instalments based on the extent to which the asset to which the grant relates is depreciated, with a reduction in profit (loss) for depreciation expense.

• **Revenue and expenses related grants.** Grants received to reimburse expenses or revenue foregone in the current or prior period, as well as all other grants that are not classified

as grants related to assets, are considered to be grants related to revenue. 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 statement of profit or loss and other comprehensive income, under revenue. 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.

• **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 reflected in the financial statements. Non-adjusting subsequent events are described in the notes, if significant. All events that are significant but are not adjusting events are disclosed in Note 34.

• **Related parties.** Related parties are defined as shareholders, employees, members of the management board, their close relatives and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Group, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

3. Significant judgements and estimates

The preparation of the financial statements requires the management of the Group and the Company to make estimates and judgements that affect the application of accounting principles and the reported amounts of assets and liabilities, income and expenses. 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.

Significant judgements

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

- AB LTG Infra is entitled to use public railway infrastructure facilities free of charge for an indefinite period, the state may revoke this right only by amending legislation;
- Having transferred that right to AB LTG Infra, the state has

also transferred the significant risks and rewards of ownership – AB LTG Infra uses the public railway infrastructure facilities to generate revenue and incurs expenses for its maintenance; although the state is to ensure that the general public has access to the railway transportation in the country, the state does not retain direct financial risks associated with the public railway infrastructure facilities;

- Although some rights that are generally associated with the ownership of the public railway infrastructure facilities are restricted (e.g. AB LTG Infra cannot sell or pledge these assets), similar restrictions are common in private and privatised infrastructure and utility companies – including entities that are subject to strict cost-of-service forms of rate regulation.

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

Management considered the following factors:

- a) Being the sole shareholder of AB Lietuvos Geležinkeliai before and after the reorganisation, the State controls the Group, including (indirectly) AB LTG Infra through the voting rights. The state does not utilize its rights, provided by

the Code, to manage the relevant activities of AB LTG Infra bypassing AB Lietuvos Geležinkeliai. Therefore, these rights are deemed protective.

- b) Although the Code imposes certain restrictions on the use of profits generated by the activities of a public infrastructure manager, AB Lietuvos Geležinkeliai is entitled to receive dividends from the profits generated by these activities in accordance with the procedure set out in the Code, as well as variable returns from other sources.

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

- **Transactions between jointly controlled entities.** In 2023, a decision was adopted to sell the commonly used electricity transmission assets of AB LTG Infra between jointly controlled entities, as a result of which the differences between the consideration to be received and the carrying amount of the net assets to be sold at the date of reclassification are recognised immediately in equity as retained earnings. For details see Note 17.

- **Duration of the lease period.** 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).

Significant estimates and assumptions

- **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 intangible assets and property, plant and equipment.** The carrying amounts of the Group's and the Company's intangible assets and property, plant and equipment are reviewed at each reporting date to determine, whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the assets is estimated. 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 of an asset that does not generate cash inflows on its own is determined by the recoverable amount of the cash-generating unit to which the asset belongs. The key assumptions applied to calculation of the recoverable amount are described in Note 6.

The recoverable amount is the greater of its value in use and its fair value less costs to sell. 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 is determined by reference to the recoverable amount of the cash-generating unit to which the asset belongs.

• **Impairment testing of investments in subsidiaries.** The Company accounts for investments in subsidiaries at acquisition cost less impairment. At the date of each annual financial statements, the Company determines whether there is any indication that the investments may be impaired. If any such indication exists, the Company calculates impairment as the difference between the subsidiary's carrying amount and its recoverable amount and the result is accounted for in the item of profit or loss. The Company performed impairment tests on its investments in subsidiaries and the results are disclosed in Note 10.

• **Impairment losses of amounts receivable.** The Group and the Company assess the impairment of amounts receivable at least quarterly. In determining whether an impairment loss should be recorded in profit or loss, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment debtors, national or local economic conditions that influence the receivables. 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 Group reviews its list of inventories at least annually to establish their net realisable value. Inventories acquired more than one year ago are reviewed to determine whether they are available for future disposal. In the case of 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.

In making the assessment, management analyses whether there have been any significant changes, and whether the reassessment of the assumptions used in the recoverable amount assessment have had an insignificant effect on the change in the carrying amount. Inventories that can no longer be realised are written off. The change in the write-down of inventories to net realisable value is shown in the statement of profit or loss and other comprehensive income under the caption write-down to net realisable value expense. The Company's spare parts for the repair of road structures, which are not moving and were acquired more than two years ago, are subject to a 75 per cent impairment charge.

Materials for superstructures that meet the recognition criteria for assets under IAS 16 are reclassified to non-current assets, construction in progress.

• **Provisions and contingent liabilities.** The Group and the Company exercise considerable judgement in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration as well as other contingent liabilities.

Judgement is necessary in assessing the likelihood that a pending claim will succeed or a liability will arise, and to quantify the possible range of the final settlement. Due to the uncertainties inherent in this estimation process, actual losses may differ from the provisions originally estimated. These estimates are subject to change as new information becomes available, primarily related to internal specialists, such as legal counsel. Revisions to the estimates may significantly affect future operating results of the Group and the Company.

Contingent liabilities are not recognised in the financial statements. They are described in the financial statements, except in cases where the use of resources for their fulfilment is not probable.

Contingent assets are not recognised in the financial statements but are disclosed when it is probable that income or economic benefits will be received.

Climate change management measures and the impact on the Group's and Company's operations

AB Lietuvos Geležinkeliai Group pays special attention to environmental protection when implementing the strategic goals and sustainability management priorities set out in the LTG Sustainable Growth Strategy 2040. One of the main strategic activity areas of the Group and its individual companies is the Green Deal.

During the reporting period, the LTG Group had no financial commitments related to the ESG (Environmental, Social,

Governance) indicators, nor were there any legal cases or complaints related to climate change events, nor did it incur any additional costs that had a material impact on the financial statements.

Further information relating to environmental, human resources, anti-corruption and anti-bribery issues, etc. is disclosed in the Sustainability Report of the Integrated Report.

Business continuity of the Group and the Company

LTG Group companies - AB Lietuvos Geležinkeliai, AB LTG Cargo, UAB LTG Link, UAB Geležinkelio Tiesimo Centras - were profitable in 2023, while losses were incurred by AB LTG Infra, which manages the public railway infrastructure, and LTG Cargo Polska Sp. z o.o., which is a cargo carrier.

As a result of the significant change in the operating environment due to the Russian war in Ukraine, the Company's management continues to assess the main risks and threats related to the continuity of operations and the impact on the operations of the LTG Group and its companies and continues to implement the necessary actions to manage the situation:

- The implementation of the Operational Optimisation Project is being continued, and includes three areas: operational efficiency improvement, cost reduction, diversification and expansion into new markets.
- The LTG Strategy 2028 "Integration into Europe" has been updated and approved by the LTG Board on 12 December 2023. During the reporting period, the strategies of the LTG Group companies were revised and updated accordingly, including AB LTG Infra, which implements investment projects of strategic importance for the country (Rail Baltica, electrification of the rail network).
- State funding for LTG Group companies UAB LTG Link and AB LTG Infra has been secured:
 - public passenger transport services are publicly funded to cover the losses incurred by this activity.

December 2022 "The long-term public service obligations (PSO) contract signed between UAB LTG Link and the Ministry of Transport and Communications of the Republic of Lithuania for a period of 10 years (2023-2032) ensures the continuity of UAB LTG Link operations.

- Given the EU Directive 2021/34/EU and the provisions of the GCT, dated 6 April 2022, the Ministry of Transport and Communications of the Republic of Lithuania and AB LTG Infra, which manages the country's public railway infrastructure network, signed a Quality and Financing agreement for railway service facilities owned by the Lithuanian State, which will be valid for a period of five years and will allow to ensure stable maintenance of the infrastructure and a high level of safety of railway traffic, as well as to improve the quality of the provided services. The State's long-term obligation to balance the revenues and costs of the infrastructure manager is enshrined in both EU and Lithuanian legislation.

- In order to ensure liquidity risk management, the Company has a short-term financing agreement with one of the commercial banks serving the LTG Group, which is planned to be extended for the period of 2024-2025.

In the assessment of the company's management, the applied measures and state funding will allow the group to balance the cash flows necessary to ensure the continuity of operations and to service existing loan agreements and obligations to partners.

4. New standards, amendments to 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 2024 and have not been applied in the preparation of these financial statements are set out below:

Non-current liabilities with bank-specific indicators (amendments to IAS 1)

The amendments to IAS 1 Presentation of Financial Statements for 2020 and 2022 clarify the requirements for classifying liabilities as current or non-current depending on the rights held at the end of the reporting period. The amendments were due to apply from 1 January 2022, but the date of entry into force was later postponed to 1 January 2023 and then to 1 January 2024. The International Accounting Standards Board issued additional amendments clarifying the distinction between non-current and current liabilities.

The new amendments clarify that the specific bank indicators for loan contracts will not affect the classification of liabilities at the end of the reporting period if the entity is required to comply with the specific bank indicators after the end of the reporting period. However, if an entity is required to comply with these indicators at or before the reporting date, this will affect classification, even if compliance with the bank's specific indicators is not tested until after the end of the reporting period.

The amendments require disclosures if an entity has classified a liability as a non-current liability and the liability is subject to specific bank indicators that must be met within 12 months of the end of the reporting period. The disclosures include:

- the carrying amount of the liability;
- information about the special bank indicators;
- the facts and circumstances, if any, indicating that the entity may have difficulty in meeting the special bank indicators.

The amendments shall be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

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.

Lease Liability in a Sale and Leaseback (amendments to IFRS 16)

In September 2022, the International Accounting Standards Board finalised narrowly scoped amendments to the sale and leaseback requirements in IFRS 16 Leases that clarify how an entity accounts for sales and leasebacks after the transaction date.

The amendments clarify that, in measuring a lease liability after a sale and leaseback, a seller-lessee determines 'lease payments' and 'adjusted lease payments' in such a way that the seller-lessee does not recognise any gain or loss on the right-of-use asset.

These amendments may particularly affect sale and leaseback transactions when the lease payments include variable charges that are not index or rate based.

The amendments apply to annual reporting periods on 1 January 2024.

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.

Supplier Financing Arrangements (amendments to IAS 7 and IFRS 7)

In May 2023, the International Accounting Standards Board issued amendments to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures' to clarify the characteristics of supplier financial arrangements and to require additional disclosures about such arrangements.

The disclosure requirements in the amendments are designed to help users of financial statements understand the impact of supplier financing arrangements on an entity's liabilities, cash flows and liquidity risk.

The amendments apply to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted but this must be disclosed.

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.

Lack of Exchangeability (amendments to IAS 21)

In August 2023, the International Accounting Standards Board issued amendments to Lack of Exchangeability (IAS 21 The Effects of Changes in Foreign Exchange Rates), which clarifies how an entity should assess whether a currency is convertible and how the exchange rate should be determined when it is not officially published or when there is insufficient information available to determine it. It also requires additional disclosures that enable users of the financial statements to assess how the entity's decisions to convert such currency transactions will affect the entity's financial performance, financial position and cash flows.

The amendments apply to annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted but this must be disclosed.

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.

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

5. Financial instruments and risk management

Financial instruments. Fair value

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

The fair value of financial instruments is the amount at which, at the measurement date, an asset would sell or a liability would be transferred in an orderly transaction in the principal (or most advantageous) market under current market conditions, whether that price is directly observable or determined using a valuation technique.

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

	Group		Company	
	2023	2022	2023	2022
FINANCIAL ASSETS				
Contract assets	4	16	-	-
Loans and other borrowings	160	160	138,207	132,017
Trade and other receivables	20,229	25,410	16,268	19,418
Cash and cash equivalents	228,566	213,434	34,650	4,567
Total	248,959	239,020	189,125	156,002
FINANCIAL LIABILITIES				
Contract liabilities	2	9	-	-
Loans and other borrowings	127,410	148,482	-	-
Lease liabilities	12,398	11,431	9,135	8,784
Trade and other payables	94,833	45,397	4,091	6,172
Total	234,643	205,319	13,226	14,956

The fair value is allocated according to the hierarchy which reflects the materiality of inputs used. The fair value hierarchy includes 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).

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

	Net carrying amount 2023	Fair value 2023			Net carrying amount 2022	Fair value 2022		
	Total	Level 1	Level 2	level 3	Total	Level 1	Level 2	level 3
FINANCIAL ASSETS								
Contract assets	4	-	-	-	16	-	-	-
Loans and other borrowings	160	-	-	-	160	-	-	-
Trade and other receivables	20,229	-	-	-	25,410	-	-	-
Cash and cash equivalents	228,566	-	-	-	213,434	-	-	-
Total	248,959	-	-	-	239,020	-	-	-
FINANCIAL LIABILITIES								
Contract liabilities	2	-	-	-	9	-	-	-
Loans and other borrowings	127,410	-	-	-	148,482	-	-	-
Lease liabilities	12,398	-	-	-	11,431	-	-	-
Trade and other payables	94,833	-	-	-	45,397	-	-	-
Total	234,643	-	-	-	205,319	-	-	-

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

	Net carrying amount 2023	Fair value 2023			Net carrying amount 2022	Fair value 2022		
	Total	Level 1	Level 2	level 3	Total	Level 1	Level 2	level 3
FINANCIAL ASSETS								
Loans and other borrowings	138,207	-	-	-	132,017	-	-	-
Trade and other receivables	16,268	-	-	-	19,418	-	-	-
Cash and cash equivalents	34,650	-	-	-	4,567	-	-	-
Total	189,125	-	-	-	156,002	-	-	-
FINANCIAL LIABILITIES								
Loans and other borrowings	-	-	-	-	-	-	-	-
Lease liabilities	9,135	-	-	-	8,784	-	-	-
Trade and other payables	4,091	-	-	-	6,172	-	-	-
Total	13,226	-	-	-	14,956	-	-	-

The classification and measurement of the Group's and the Company's financial instruments as at 31 December 2023 are disclosed in a table below:

	Valuation method	
	Group	Company
FINANCIAL ASSETS		
Contract assets	At amortised value	At amortised value
Loans and other borrowings	At amortised value	At amortised value
Trade and other receivables	At amortised value	At amortised value
Cash and cash equivalents	At amortised value	At amortised value
FINANCIAL LIABILITIES		
Contract liabilities	At amortised value	At amortised value
Loans and other borrowings	At amortised value	At amortised value
Lease liabilities	At amortised value	At amortised value
Trade and other payables	At amortised value	At amortised value

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

• **Loans and other borrowings.** The fair value of long-term loans shall be determined on the basis of the market price or interest rate applicable to debt of the same or similar maturity at the time. The fair value of loans is assigned to the second level in the fair value model. The fair value of the loans received corresponds to the carrying amount. The structure of the Company's loans is presented in Note 19 Loans and other borrowings.

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

• **Risk management.** The Group and the Company are exposed to uncertainty due to external and internal factors, identify risks (strategic, financial, operating and compliance) related to activity, evaluate their effects and probabilities in advance and aim to mitigate them at least partly. The management of activity risks of the Group and the

Company is regulated by the Description of Management Process of Activity Risks approved by the legal acts of the Company. Pursuant to the description, risk managers are appointed and regularly trained, regular risk evaluation is carried out using the implemented Risk Management Information System. The results of the assessment are presented to the Company's management. Management plans are approved for unacceptable risks and their implementation is monitored. The risk management policies and frameworks are reviewed on a regular basis to make sure they comply with the market terms and changes in the Group's and the Company's activities. The Group and the Company seek to establish a disciplined and constructive risk management environment where all employees know their roles and obligations.

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

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

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

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

The war in Ukraine and the sanctions imposed on Russia and Belarus have increased the risk of default and settlement with customers in these countries. The Group and the

Company took preventive measures to eliminate these risks and cooperated with the Lithuanian authorities to minimise the possible consequences.

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

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

Credit risk is measured as the maximum credit exposure for each group of financial instruments and is equal to their carrying amount. The highest credit risk arises from the carrying amount of each asset group.

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

	Group		Company	
	2023	2022	2023	2022
Customer A	6,483	6,219	317	4,950
Customer B	802	5,527	232	232
Customer C	668	1,407	120	213
Customer D	600	619	32	29
Customer E	522	592	31	22
Customer F	369	483	28	11
Others	4,479	4,636	56	97
Total	13,923	19,483	816	5,554

The Group and the Company allocate each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk levels are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions. In assessing the risks related to receivables from external customers, the recalculation based on the oldest outstanding amount of a customer is applied in order to estimate the risk of potential losses in a more conservative manner. An ECL rate is calculated for each credit risk grade based on actual credit loss experience.

Specification of the Group's and the Company's exposure to credit risk and ECLs for trade and other receivables as at 31 December 2023 by separate customers:

	2023				2022			
Group	Gross carrying amount	Expected credit losses, %	Impairment	Net carrying amount	Gross carrying amount	Expected credit losses, %	Impairment	Net carrying amount
Low risk	15,479	0.79%	(122)	15,357	23,394	0.02%	(5)	23,389
Fair risk	1,208	10.35%	(125)	1,083	617	28.85%	(178)	439
Increased risk	1,539	32.94%	(507)	1,032	712	18.12%	(129)	583
High risk	10,742	74.33%	(7,985)	2,757	9,127	89.05%	(8,128)	999
Total	28,968		(8,739)	20,229	33,850		(8,440)	25,410

	2023				2022			
Group	Gross carrying amount	Expected credit losses, %	Impairment	Net carrying amount	Gross carrying amount	Expected credit losses, %	Impairment	Net carrying amount
Low risk	15,285	0.00%	-	15,285	16,058	0.00%	-	16,058
Fair risk	1,060	0.00%	-	1,060	1,419	0.00%	-	1,419
Increased risk	883	0.07%	(1)	882	3,449	10.42%	(359)	3,090
High risk	4,724	93.67%	(4,425)	299	5,157	88.63%	(4,571)	586
Total	21,952		(4,426)	17,526	26,083		(4,930)	21,153

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

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 Group and the Company apply a simplified method to calculate the lifetime expected credit losses over the period of validity and use a provisioning matrix for all trade and other receivables. As required by IFRS 9, an allowance for credit losses is accounted for the full life of the receivable from its initial recognition. For the purpose of estimating

expected credit losses using the allowance matrix, trade and other receivables are separated into distinct groups based on common credit risk characteristics. The amounts for each group shall be analysed by 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. Credit loss ratios may be adjusted to take into account future macroeconomic forecasts, the credit risk characteristics of the individual group and the maturity of past due payments.

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

The following table provides information about the exposure to credit risk and ECL for the Group's and the Company's trade and other receivables as at 31 December 2023:

Group	2023				2022			
	Expected credit losses, %	Gross carrying amount	Impairment	Net carrying amount	Expected credit losses, %	Gross carrying amount	Impairment	Net carrying amount
Not past due	0.11%	17,602	(19)	17,583	0.02%	20,738	(5)	20,733
1-30 days past due	2.32%	603	(14)	589	44.17%	403	(178)	225
31-60 days past due	6.97%	531	(37)	494	1.53%	1,310	(20)	1,290
61-120 days past due	38.79%	763	(296)	467	4.02%	2,710	(109)	2,601
More than 120 days past due	88.43%	9,469	(8,373)	1,096	93.54%	8,689	(8,128)	561
Total		28,968	(8,739)	20,229		33,850	(8,440)	25,410

Company	2023				2022			
	Expected credit losses, %	Gross carrying amount	Impairment	Net carrying amount	Expected credit losses, %	Gross carrying amount	Impairment	Net carrying amount
Not past due	0.00%	15,499	-	15,499	0.00%	16,079	-	16,079
1-30 days past due	0.00%	1,076	-	1,076	0.00%	1,417	-	1,417
31-60 days past due	0.01%	657	-	657	0.00%	1,234	(1)	1,233
61-120 days past due	1.55%	34	(1)	33	16.20%	2,223	(360)	1,863
More than 120 days past due	94.43%	4,686	(4,425)	261	89.07%	5,130	(4,569)	561
Total		21,952	(4,426)	17,526		26,083	(4,930)	21,153

Impairment accounted for by the Group and the Company reflects the estimated losses from doubtful trade receivables. The principal component of this impairment is individually assessed loss related to significant doubtful trade receivables. The impairment assessment methods are reviewed on an ongoing basis to minimise the differences between estimated losses and actual losses.

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

	Group		Company	
	2023	2022	2023	2022
Balance at the beginning of the period	(4,166)	(2,900)	(103)	(73)
Impairment of amounts written off	648	-	-	3
Change in impairment for trade receivables	(947)	(1,266)	(49)	(33)
Closing balance	(4,465)	(4,166)	(152)	(103)

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

	Group		Company	
	2023	2022	2023	2022
Balance at the beginning of the period	(4,274)	(4,274)	(4,274)	(4,274)
Impairment of amounts written off	-	-	-	-
Change in impairment allowance for trade receivables	-	-	-	-
Balance at the end of the period	(4,274)	(4,274)	(4,274)	(4,274)

As at 31 December 2023, the change in impairment allowance for receivable amounts in the Group and the Company is presented in the statements of profit or loss and other comprehensive income, under increase (decrease) in the value of receivables. The Group's and the Company's amounts written off are considered as non-recoverable.

As at 31 December 2023, the Group and the Company did not have any written-off financial assets that are still active.

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

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

	Group		Company	
	2023	2022	2023	2022
AA-, Aa3	153,925	175,390	27,042	4,308
A2, A	8,092	357	7,504	29
Baa1, BBB+	65,859	35,333	-	-
Baa2, BBB	680	2,287	103	174
BBB-, Baa3	-	-	-	-
BB+, Ba1	1	56	1	56
Below BBB-/Baa3	-	3	-	-
Cash in hand	9	8	-	-
Total	228,566	213,434	34,650	4,567

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.

If the rating requirement is found to be unsatisfactory, the total amount of cash entrusted to the entity in question may not exceed the State's maximum insured deposit limit, i.e. EUR 100 thousand.

• **Liquidity risk.** Liquidity risk is a risk that the Group and the Company will be unable to fulfil their financial liabilities at maturity dates. Risk management ensures that the Group and the Company always have sufficient liquid assets and are able to meet liabilities in a timely manner. Liquidity and solvency risk management is related to planning and control of cash flow and anticipating unforeseen events that could adversely affect the cash flow and threaten 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. The Group's and the Company's shortage of operating capital is balanced using credit facilities, if necessary. In addition, according to the Group's and the Company's standard policy, payment period for suppliers is 45 days.

The Group had significant cash and cash equivalent balances throughout the year and ensured the liquidity of all Group companies through the Group's cash-pool platform. In order to ensure liquidity risk management, in 2022, the Company signed a EUR 30.0 million short-term financing (overdraft) agreement with SEB Bank. Under this agreement, the Company had no indebtedness at the year-end.

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

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

Group	2023	Value set by the bank	2022	Value set by the bank
Net debt/normalized EBITDA*	Comply	Not higher than 4.0	Comply	Not higher than 4.0
Equity ratio	Comply	Not lower than 35 percent	Comply	Not lower than 35 percent
Loan servicing ratio	Comply	Not lower than 2	Comply	Not lower than 2

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

Based on financial terms of credit agreements, these financial covenants are monitored by the Group (consolidated) as well as by AB LTG Infra and AB LTG Cargo. The financial covenants are calculated considering the financial performance of AB LTG Infra, AB LTG Cargo and the Group (consolidated).

As at 31 December 2023, there were no breaches of the financial and non-financial terms and conditions of the loan agreements.

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

The maturities of the Group's financial liabilities by undiscounted cash flows method as at 31 December 2023:

Financial liabilities	Total	Within one year	From one to five years	After five years
Loans and other borrowings	152,161	22,249	78,277	51,635
Lease liabilities	13,367	5,402	7,113	852
Trade and other payables	105,656	103,640	2,016	-
Total	271,184	131,291	87,406	52,487

The maturities of the Group's financial liabilities by undiscounted cash flows method as at 31 December 2022:

Financial liabilities	Total	Within one year	From one to five years	After five years
Loans and other borrowings	169,116	26,149	75,160	67,806
Lease liabilities	12,700	6,665	4,305	1,731
Trade and other payables	58,295	49,335	8,960	-
Total	240,111	82,149	88,425	69,537

The maturities of the Company's financial liabilities using the undiscounted flow method as at 31 December 2023:

Financial liabilities	Total	Within one year	From one to five years	After five years
Lease liabilities	9,852	1,936	3,644	4,272
Trade and other payables	7,644	7,644	-	-
Total	17,496	9,580	3,644	4,272

The maturities 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
Lease liabilities	9,839	1,771	3,433	4,635
Trade and other payables	9,091	9,091	-	-
Total	18,930	10,862	3,433	4,635

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

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

In 2023 and 2022, the Group and the Company did not conclude any derivative financial transactions with banks in order to manage the currency exchange risk.

• **Interest rate risk.** Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of fluctuations in market interest rates. The Group's and the Company's loans granted and received and other borrowings are subject to variable interest rates related to EURIBOR.

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

As at 31 December 2023, the weighted interest rate of the Group's loan portfolio was 5.2%, and as at 31 December 2022 it was 1.3%. The interest rate risk is assessed taking into consideration sensitivity of the Group regarding interest rate fluctuations. If the interest rate grew by 0.5 percentage points during 2024, the annual interest expenses would increase by EUR 610 thousand.

During 2023 and 2022, the Group and the Company did not use any derivative financial instruments to manage the interest rate risk. The Group and the Company have a policy that at least 30% of the total amount of the Group's and the Company's financial resources shall be invested in highly liquid financial instruments: current accounts with commercial banks, demand deposits and term deposits with a maturity of less than 12 months. The Group and the Company hold cash in the accounts of major Lithuanian banks with a credit rating of at least BBB-/Baa3 assigned by international rating agencies.

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

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

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

6. Property, plant and equipment

Property, plant and equipment of the Group comprised:

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other fixtures, fittings and tools	Construction in progress and prepayments	Total
ACQUISITION COST							
31 December 2021	154,100	1,287,203	256,889	565,790	120,217	325,334	2,709,533
- acquisitions per year	-	2,502	8,675	20,019	421	156,366	187,983
- assets sold, written off, disposed	(1,660)	(4,433)	(6,481)	(17,317)	(1,746)	(960)	(32,597)
- reclassification from/(to) current assets	(3)	(1,086)	(416)	(8,957)	47	(1)	(10,416)
- reclassification (to) intangible assets	-	-	-	-	-	(37)	(37)
- reclassification from/(to) investment property	-	(1,055)	-	-	-	-	(1,055)
- reclassifications	-	182,041	(2,342)	7,946	1,196	(188,841)	-
31 December 2022	152,437	1,465,172	256,325	567,481	120,135	291,861	2,853,411
- acquisitions per year	335	314	31	10,298	2,288	330,729	343,995
- assets sold, written off, disposed	(17)	(1,485)	(2,626)	(13,953)	(1,847)	(288)	(20,216)
- reclassification from/(to) current assets	-	(13,990)	(15,849)	(5,478)	(254)	16,034	(19,537)
- reclassification (to) intangible assets	-	-	-	-	-	(499)	(499)
- reclassification from/(to) investment property	-	733	-	-	-	-	733
- reclassifications	(67)	149,194	(65,427)	22,719	(71,981)	(34,438)	-
31 December 2023	152,688	1,599,938	172,454	581,067	48,341	603,399	3,157,887
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
31 December 2021	-	(422,251)	(111,091)	(225,668)	(44,905)	(10,797)	(814,712)
- depreciation	-	(62,732)	(16,074)	(35,041)	(7,216)	-	(121,063)
- impairment during the year	-	59	1	(936)	3	(7,317)	(8,190)
- assets sold, written off, disposed	-	3,819	4,337	13,447	1,600	-	23,203
- reclassification from/(to) current assets	-	(357)	256	4,227	108	-	4,234
- reclassification from/(to) investment property	-	255	-	-	-	-	255
- reclassifications	-	3	668	(708)	37	-	-
31 December 2022	-	(481,204)	(121,903)	(244,679)	(50,373)	(18,114)	(916,273)

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other fixtures, fittings and tools	Construction in progress and prepayments	Total
- depreciation	-	(68,284)	(11,807)	(35,243)	(5,009)	-	(120,343)
- impairment during the year	-	(1,185)	(29)	(813)	(145)	(3,952)	(6,124)
- assets sold, written off, disposed	-	2,306	2,171	10,041	1,742	-	16,260
- reclassification from/(to) current assets	-	3,097	5,230	3,012	128	-	11,467
- reclassification from/(to) investment property	-	(68)	-	-	-	-	(68)
- reclassifications	-	(42,316)	24,509	(602)	18,409	-	-
31 December 2023	-	(587,654)	(101,829)	(268,284)	(35,248)	(22,066)	(1,015,081)
CARRYING AMOUNT							
31 December 2021	154 100	864,952	145,798	340,122	75,312	314,537	1,894,821
31 December 2022	152 437	983,968	134,422	322,802	69,762	273,747	1,937,138
31 December 2023	152,688	1,012,284	70,625	312,783	13,093	581,333	2,142,806

The Group's depreciation charge included in the statement of profit or loss and other comprehensive income of the Group amounted to EUR 97,080 thousand (EUR 97,554 thousand in 2022). This amount included depreciation expenses of EUR 120,343 thousand (EUR 121,063 thousand in 2022), which were reduced by amortisation of grants of EUR 20,787 thousand (EUR 20,722 thousand in 2022) as disclosed in Note 18, and by capitalised depreciation costs amounting to EUR 2,476 thousand (EUR 2,787 thousand in 2022).

The Company's depreciation charge included in the statement of profit or loss and other comprehensive income amounted to EUR 3,617 thousand (EUR 4,403 thousand in 2022). This amount included depreciation expenses of EUR 3,701 thousand (EUR 4,354 thousand in 2022), which were reduced by amortisation of grants of EUR 84 thousand (EUR 49 thousand in 2022) as disclosed in Note 18.

As at 31 December 2023, the carrying amount of assets managed under the right of trust in the Group amounted to EUR 973,174 thousand (EUR 947,811 thousand at 31 December 2022).

The acquisition cost of the Group's fully depreciated property, plant and equipment still in use amounted to EUR 141,556 thousand (EUR 156,241 thousand in 2022), and of the Company - EUR 10,887 thousand (EUR 10,414 thousand in 2022).

Most of fully depreciated property, plant and equipment included other fixtures, fittings and tools.

The Group reclassified EUR 29,111 thousand of IAS 16 compliant inventories to non-current assets, construction in progress (EUR 19,361 thousand in 2022) and made an impairment of EUR 3,952 thousand, which is reflected under the item Increase (decrease) in the value of non-current assets in the statements of profit or loss and other comprehensive income.

In 2023, the Group also calculated impairment for non-operational property and trains. The largest part is the impairment of EUR 1,256 thousand for two trains that were used as donors for repairs of other trains of the same type, where spare parts were removed and used for unscheduled repairs.

During the financial year, the Group reviewed the groups of property, plant and equipment and reclassified assets in accordance with the Construction Technical Regulation. Following the reclassification, the carrying amount of the asset group Buildings and structures increased by EUR 109 million, the carrying amount of the asset group Vehicles increased by EUR 1.1 million and the carrying amounts of the asset groups Machinery and equipment and Other fixtures, fittings and tools decreased by EUR 52 million and EUR 58.1

million, respectively. The major part of the reclassified assets consists of engineering networks (electricity networks, communication lines, sewerage, wastewater pipes, etc.) which were previously accounted for under the groups of Machinery and equipment and Other fixtures, fittings and tools. In the opinion of the Management, this reclassification more accurately reflects the groups assigned to the assets in accordance with their purpose. In addition, such reclassification does not affect the total balance of the assets and, therefore, the comparative information has not been reclassified.

As at 31 December 2023, the largest construction in progress projects of the Group were as follows:

Electrification of the Kaišiadorys - Klaipėda (Draugystės st.) section - EUR 204,415 thousand, scheduled for completion in 2025;

Electrification of Vilnius railway junction - EUR 52,143 thousand, scheduled for completion in 2024;

Construction of the second road on the Livintai-Gaižiūnai section - EUR 47,672 thousand, planned for completion in 2024.

The Group and the Company do not have any pledged assets.

Property, plant and equipment of the Company comprised:

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other fixtures, fittings and tools	Construction in progress and prepayments	Total
ACQUISITION COST							
31 December 2021	3	39,534	13,781	972	15,595	2,258	72,143
- acquisitions per year	-	-	54	52	454	1,412	1,972
- assets sold, written off, disposed	(3)	(8,992)	(2,044)	(118)	(2,054)	(175)	(13,386)
- reclassified from/(to) investment property	-	1,160	-	-	-	-	1,160
- reclassified from/(to) intangible assets	-	1,990	506	-	649	(3,159)	(14)
31 December 2022	-	33,692	12,297	906	14,644	336	61,875
- acquisitions per year	-	-	97	-	38	54	189
- assets sold, written off, disposed	-	(80)	(42)	-	(587)	-	(709)
- reclassified from/(to) investment property	-	2,497	-	-	-	-	2,497
- reclassified from/(to) current assets	-	(356)	(185)	(168)	(216)	-	(925)
- reclassifications	-	-	-	-	12	(12)	-
31 December 2023	-	35,753	12,167	738	13,891	378	62,927
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
31 December 2021	-	(15,858)	(9,032)	(516)	(9,544)	(324)	(35,274)
- depreciation	-	(2,406)	(953)	(78)	(917)	-	(4,354)
- impairment during the year	-	-	-	-	-	175	175
- assets sold, written off, disposed	-	3,506	1,066	28	904	-	5,504
- reclassified from/(to) investment property	-	(1,230)	-	-	-	-	(1,230)
31 December 2022	-	(15,988)	(8,919)	(566)	(9,557)	(149)	(35,179)
- depreciation	-	(2,093)	(745)	(40)	(823)	-	(3,701)
- impairment during the year	-	(362)	(23)	-	(177)	(183)	(745)
- assets sold, written off, disposed	-	130	56	(1)	606	-	790
- reclassified from/(to) investment property	-	(306)	-	-	-	-	(306)
- reclassified from/(to) current assets	-	121	133	116	101	-	471
31 December 2023	-	(18,498)	(9,498)	(491)	(9,851)	(332)	(38,670)
CARRYING AMOUNT							
31 December 2021	3	23,676	4,749	456	6,051	1,934	36,869
31 December 2022	-	17,704	3,378	340	5,087	187	26,696
31 December 2023	-	17,255	2,669	247	4,040	46	24,257

The Company did not perform a test of recoverable amount of its property, plant and equipment as there are no indications of impairment taking into consideration the operating results.

The Group has carried out a recoverable amount calculation for part of the cash-generating units, which was carried out by discounting the expected future cash inflows. The key assumptions by business area are set out below.

The calculation of the recoverable amount of the **infrastructure operating assets** was carried out by discounting the expected future cash flows using the following assumptions:

- Cash flows were projected for a period of 5 years (2024-2028) with a rolling period and discounted at a pre-tax weighted average cost of capital (WACC) rate of 7.81 per cent;
- The long-term growth rate used in the calculation of the recoverable amount is 2%;
- The tariffs of MAP and RSF have been calculated applying the tariff calculation methodologies, taking into account the market and shareholder expectations;
- The volumes of transporting freight and passengers were based on the forecasts provided by railway undertakings (carriers);
- Given the volumes projected by railway undertakings/carriers, the estimated efficiency measures envisaged for the Company's operations and the assessed need to balance the MAP's operating income-costs (the projected need for state grants throughout the period under assessment, which, however, is three times lower, compared 2028 to 2024),
- EBITDA grows by an average of 9% over the forecast period;

The sensitivity analysis showed that if

- WACC increased by 1%, the recoverable amount would decrease by 16%, which would mean that the Group would have to account for impairment;
- WACC decreased by 1%, the recoverable amount would increase by 22%;
- Growth rate increased by 1%, the recoverable amount would increase by 19%;
- Growth rate decreased by 1%, the recoverable amount would decrease by 13%, which would mean that the Group would have to account for impairment.

Calculation of the recoverable amount of the asset did not show any impairment to be made.

Calculation of the recoverable amount of the assets used in the **freight transport activity** was performed by discounting the expected future cash flows and using the following assumptions:

- Cash flows are assessed over a period of 5 years up to and including 2028, thereafter a continuous growth is assessed (rolling 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 beginning of oil product flows to Latvia and Estonia and intermodal transportation in 2024, 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 9.31%;
- 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 sensitivity analysis showed that if:

- WACC increased by 1%, the recoverable amount would decrease by 21%;
- WACC decreased by 1%, the recoverable amount would increase by 30%;
- Growth rate increased by 1%, the recoverable amount would increase by 23%;
- Growth rate decreased by 1% in 2028, the recoverable amount would decrease by 16%.

Calculation of the recoverable amount of the asset did not show any impairment to be made.

On 29 December 2022, the Company entered into a contract on provision of public passenger transport services by rail and (or) combined transportation of passengers on domestic routes (hereinafter – “Contract”) on the basis of which it committed to provide local passenger transport services for the period of 10 years, i.e. until the year 2032 inclusive. By this contract, the customer (the Ministry of Transport and Communications) undertakes to oblige another public service operator with whom a new public service provision contract is concluded to purchase the new trains at their residual value as at the expiry date of the contract in case a new local passenger transport service provision contract is not concluded with the Company;

The calculation of the recoverable amount of **the passenger transport activity** was carried out by discounting the expected future cash flows and evaluating two alternatives, based on a probability weighted scenario:

- The first alternative assumes that the local passenger service will be operated until 2032, no new contract will be signed and the asset shall be sold to the service contractor at the expected sale price;
- The second alternative assumes the operation of the local passenger service until 2042, i.e. a new analogous local passenger service contract will be signed for the following 10-year period and the asset will be sold to the service contractor at the expected sale price at the end of the second contract;

Management assesses that the second alternative is significantly more likely than the first alternative, taking into account the capabilities of the players in the passenger transport market, and therefore bases the calculation of the asset's recoverable amount on a probability scenario that is based on the significantly higher probability of the second alternative.

- The calculation for the first alternative uses data from the Company's approved strategy, with passenger growth of up to 10.5 million (2032) and an EBITDA margin of up to 45%;
- The Contract provides for EUR 40 million of the average annual compensation for losses (excluding bonuses);
- Long-term growth rate of 2% was applied to the calculation of the recoverable amount;
- Weighted cost of capital ratio was calculated on the basis of WACC model and was 6.71%. For calculation of the value of property, plant and equipment, the pre-tax weighted cost of capital of 7.89% was applied;

- The largest investments are foreseen in 2024, 2026 and 2027;
- In the estimation of the second option for the period from 2032 to 2042, cash flows are forecast by applying a growth rate of 2%.

The performed sensitivity analysis showed that if:

- WACC increased by 1%, the recoverable amount would decrease by 20%;
- WACC decreased by 1%, the recoverable amount would increase by 29%;
- Growth rate increased by 1%, the recoverable amount would increase by 19%;
- Growth rate decreased by 1%, the recoverable amount would decrease by 13%.

Calculation of the recoverable amount of the assets did not show any impairment to be made.

The calculation of the recoverable amount of the assets of **the track repair and construction activities of the public railway infrastructure** has been performed by discounting the expected future cash flows using the following assumptions:

- Cash flows are assessed over a period of 6 years up to and including 2029, thereafter a continuous growth is assessed (rolling period);
- The calculation uses data from the company's approved strategy;
- The projected long-term growth rate is 2%;

- The Rail Baltica project is expected to lead to growth in the market for repair and maintenance of the 1 435 mm gauge railway, which is not considered in the company's strategy. Taking into account the growth of the market in Lithuania, the company's revenue will grow in the continuing period, while maintaining the same EBITDA;

- The calculation of the asset's recoverable amount uses a weighted average pre-tax cost of capital (pre-tax rate) of 10.72%;

- 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 sensitivity analysis showed that if:

- WACC increased by 1%, the recoverable amount would decrease by 15 % which would mean that the Group would have to account for impairment;
- WACC decreased by 1%, the recoverable amount would increase by 18%;
- Growth rate increased by 1%, the recoverable amount would increase by 11%;
- Growth rate decreased by 1%, the recoverable amount would decrease by 9%.

Calculation of the recoverable amount of the assets did not show any impairment.

7. Right-of-use assets

As at 31 December 2023, the Group's right-of-use assets consisted of:

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other fixtures, fittings and tools	Total
ACQUISITION COST						
31 December 2021	1,480	1,946	29	5,526	872	9,853
- acquisitions per year	47	92	-	12,520	27	12,686
- disposed assets	-	(675)	(29)	(2,108)	-	(2,812)
- reclassifications	-	-	-	-	-	-
31 December 2022	1,527	1,363	-	15,938	899	19,727
- acquisitions per year	1	666	-	8,378	1,391	10,436
- disposed assets	(474)	(660)	-	(1,131)	(655)	(2,920)
31 December 2023	1,054	1,369	-	23,185	1,635	27,243
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
31 December 2021	(46)	(302)	(23)	(3,168)	(319)	(3,858)
- depreciation	(43)	(563)	(6)	(5,152)	(239)	(6,003)
- depreciation reversal of disposed assets	-	149	29	1,317	-	1,495
- reclassifications	-	-	-	-	-	-
31 December 2022	(89)	(716)	-	(7,003)	(558)	(8,366)
- depreciation	(35)	(220)	-	(7,971)	(397)	(8,623)
- depreciation reversal of disposed assets	13	516	-	1,131	390	2,050
31 December 2023	(111)	(420)	-	(13,843)	(565)	(14,939)
CARRYING AMOUNT						
31 December 2021	1,434	1,644	6	2,358	553	5,995
31 December 2022	1,438	647	-	8,935	341	11,361
31 December 2023	943	949	-	9,342	1,070	12,304

As at 31 December 2023, the Company's right-of-use assets consisted of:

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other fixtures, fittings and tools	Total
ACQUISITION COST						
31 December 2021	1,424	6,670	30	4,943	447	13,514
- acquisitions per year	80	92	-	1,826	30	2,028
- assets disposed	(177)	(1,433)	-	(2,089)	-	(3,699)
31 December 2022	1,327	5,329	30	4,680	477	11,843
- acquisitions per year	102	945	-	1,150	1,167	3,364
- assets disposed	(474)	(881)	-	(537)	(8)	(1,900)
31 December 2023	955	5,393	30	5,293	1,636	13,307
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
31 December 2021	(49)	(462)	(24)	(2,745)	(181)	(3,461)
- depreciation	(70)	(659)	(6)	(1,186)	(155)	(2,076)
- depreciation reversal of disposed assets	32	149	-	2,041	-	2,222
31 December 2022	(87)	(972)	(30)	(1,890)	(336)	(3,315)
- depreciation	(38)	(561)	-	(1,276)	(238)	(2,113)
- depreciation reversal of disposed assets	12	790	-	265	8	1,075
31 December 2023	(113)	(743)	(30)	(2,901)	(566)	(4,353)
CARRYING AMOUNT						
31 December 2021	1,375	6,208	6	2,198	266	10,053
31 December 2022	1,240	4,357	-	2,790	141	8,528
31 December 2023	842	4,650	-	2,392	1,070	8,954

The discount rate applied for lease agreements in 2023 comprises 6-month EURIBOR and market research, market margin determined under the current market conditions.

During 2023, the Company generated income of EUR 1,238 thousand (EUR 1,289 thousand in 2022) from the sublease of the right-of-use assets.

8. Intangible assets

As at 31 December 2023, the intangible assets of the Group comprised the following:

	Software	Licenses and similar rights	Other intangible assets	Total
ACQUISITION COST				
31 December 2021	30,504	3,461	6,737	40,702
- acquisitions	542	313	5,536	6,391
- sales, disposals, write-offs	(47)	(15)	(67)	(129)
- transferred from property, plant and equipment	7,002	1	(6,966)	37
31 December 2022	38,001	3,760	5,240	47,001
- acquisitions	17	1,197	3,942	5,156
- sales, disposals, write-offs	(1,015)	(30)	(29)	(1,074)
- transferred from tangible assets	5,596	1	(5,098)	499
31 December 2023	42,599	4,928	4,055	51,582
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES				
31 December 2021	(11,058)	(2,219)	(543)	(13,820)
- amortization	(4,039)	(361)	(18)	(4,418)
- impairment during the year	-	-	-	-
- sales, disposals, write-offs	47	14	68	129
31 December 2022	(15,050)	(2,566)	(493)	(18,109)
- amortization	(4,429)	(473)	(55)	(4,957)
- impairment during the year	-	-	-	-
- sales, disposals, write-offs	1,015	30	29	1,074
31 December 2023	(18,464)	(3,009)	(519)	(21,992)
CARRYING AMOUNT				
31 December 2021	19,446	1,242	6,194	26,882
31 December 2022	22,951	1,194	4,747	28,892
31 December 2023	24,135	1,919	3,536	29,590

Amortisation expenses of intangible assets of the Group amounting to EUR 3,103 thousand (EUR 2,609 thousand in 2022) are accounted for in the statement of profit or loss and other comprehensive income. This amount includes EUR 4,957 thousand (EUR 4,418 thousand in 2022) of amortisation expenses, which were reduced by amortisation of grants of EUR 1,854 thousand (EUR 1,809 thousand in 2022) as disclosed in Note 18.

Amortisation of intangible assets of the Company amounting to EUR 1,428 thousand (EUR 1,377 thousand in 2022) are accounted for in the statement of profit or loss and other comprehensive income. This amount includes EUR 1,559 thousand (EUR 1,505 thousand in 2022)

As at 31 December 2023, the intangible assets of the Company comprised the following:

	Software	Licenses and similar rights	Other intangible assets	Total
ACQUISITION COST				
31 December 2021	7,312	3,361	4,912	15,585
- acquisitions	-	312	2,671	2,983
- sales, disposals, write-offs	-	-	-	-
- transferred from tangible assets	6,067	-	(6,053)	14
31 December 2022	13,379	3,673	1,530	18,582
- acquisitions	-	1,196	2,970	4,166
- sales, disposals, write-offs	-	-	(1)	(1)
- transferred from tangible assets	3,790	-	(3,790)	-
31 December 2023	17,169	4,869	709	22,747
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES				
31 December 2021	(5,004)	(2,119)	(28)	(7,151)
- amortization	(1,145)	(360)	-	(1,505)
- impairment during the year	-	-	-	-
- sales, disposals, write-offs	-	-	-	-
31 December 2022	(6,149)	(2,479)	(28)	(8,656)
- amortization	(1,087)	(472)	-	(1,559)
- impairment during the year	-	-	-	-
- sales, disposals, write-offs	1	-	1	2
31 December 2023	(7,235)	(2,951)	(27)	(10,213)
CARRYING AMOUNT				
31 December 2021	2,308	1,242	4,884	8,434
31 December 2022	7,230	1,194	1,502	9,926
31 December 2023	9,934	1,918	682	12,534

of amortisation expenses, which were reduced by amortisation of grants of EUR 131 thousand (EUR 128 thousand in 2022) as disclosed in Note 18.

The Group's fully amortised intangible assets still in use amounted to EUR 10,139 thousand (EUR 7,914 thousand in 2022). The Company's fully amortised intangible assets still in use amounted to EUR 6,770 thousand (EUR 5,304 thousand in 2022). The major part of the amortised assets consisted of software.

Capitalised expenses of the Company, including ERP consultation services, amounted to EUR 4,075 thousand in 2023 (EUR 6,603 thousand in 2022).

9. Investment property

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

	Group	Company
ACQUISITION COST		
31 December 2021	3,210	20,827
- acquisitions per year	-	-
- sold, written off, disposed assets	-	(2,033)
- transferred from property, plant and equipment	1,055	(1,160)
31 December 2022	4,265	17,634
- acquisitions per year	179	-
- sold, written off, disposed assets	-	(1)
- transferred from property, plant and equipment	(733)	(2,497)
31 December 2023	3,711	15,136
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES		
31 December 2021	(624)	(6,450)
- depreciation	(217)	(760)
- sold, written off, disposed assets	-	629
- transferred from property, plant and equipment	(255)	1,230
31 December 2022	(1,096)	(5,351)
- depreciation	(205)	(616)
- sold, written off, disposed assets	-	20
- impairment during the year	-	(805)
- transferred from property, plant and equipment	68	306
31 December 2023	(1,233)	(6,446)
CARRYING AMOUNT		
31 December 2021	2,586	14,377
31 December 2022	3,169	12,283
31 December 2023	2,478	8,690

The Group's and the Company's investment property consisted of leased buildings. Average irrevocable term of the lease is 3 years with a possibility of extension.

Part of the Group's investment property with an acquisition value of EUR 126 thousand as at 31 December 2023 (EUR 126 thousand as at 31 December 2022) was fully depreciated but still used in operations.

Part of the Company's investment property with the acquisition value of EUR 327 thousand as at 31 December 2023 (EUR 327 thousand as at 31 December 2022) was fully depreciated but still used in operations.

During 2023, the Group and the Company received EUR 1,308 thousand and EUR 4,355 thousand of income from the lease of investment property (EUR 1,430 thousand and EUR 4,846 thousand, respectively, in 2022).

The net realisable value of non-current assets held-for-sale of the Group and the Company as at 31 December 2023 amounted to EUR 3,827 thousand and EUR 23,952 thousand, respectively (EUR 4,265 thousand and EUR 17,634 thousand, respectively in 2022). In 2023, a partial valuation of the Company's investment property was carried out, with the valued property accounting for 75% of the total value of the investment property. In the opinion of the management of the Group and the Company, the fair value of the remaining investment property at the date of the financial statements approximates its carrying amount.

10. Investments

The movement of the Group's investments in associates and other companies was as follows:

Company	Controlled share, %	2023			2022		
		Investment value	Accounted impairment	Carrying amount	Investment value	Accounted impairment	Carrying amount
SHARES OF ASSOCIATES							
Voestalpine Railway Systems Lietuva, UAB	34	2,515	-	2,515	2,536	-	2,536
VšĮ Transporto Inovacijų Centras	33.33	2	-	2	25	-	25
RB Rail AS	33.33	2,257	-	2,257	2,257	-	2,257
		4,774	-	4,774	4,818	-	4,818
LONG-TERM INVESTMENTS							
VŠĮ Geležinkelių logistikos parkas	79.61	460	(443)	17	460	(443)	17
Brussels Centralised Payment Centre	1.34	2	-	2	2	-	2
		462	(443)	19	462	(443)	19
Iš viso		5,236	(443)	4,793	5,280	(443)	4,837

The movement of the Company's investments in subsidiaries and other companies was as follows:

Company	Controlled share, %	2023			2022		
		Investment value	Accounted impairment	Carrying amount	Investment value	Accounted impairment	Carrying amount
SHARES OF SUBSIDIARIES							
AB LTG Cargo	100	39,752	-	39,752	39,752	-	39,752
UAB LTG Link	100	142,778	-	142,778	142,778	-	142,778
AB LTG Infra	100	673,668	-	673,668	673,668	-	673,668
UAB Geležinkelio Tiesimo Centras	100	24,752	-	24,752	24,752	-	24,752
UAB Rail Baltica statyba	100	4,804	(2,536)	2,268	4,804	(2,536)	2,268
VšĮ Geležinkelių logistikos parkas	79.61	460	(443)	17	460	(443)	17
		886,214	(2,979)	883,235	886,214	(2,979)	883,235
SHARES OF ASSOCIATES							
Voestalpine Railway Systems Lietuva, UAB	34	745	-	745	745	-	745
VšĮ Transporto inovacijų centras	33.33	93	(93)	-	115	(115)	-
		838	(93)	745	860	(115)	745
LONG-TERM INVESTMENTS							
Brussels Centralised Payment Centre	1.34	2	-	2	2	-	2
		2	-	2	2	-	2
Iš viso		887,054	(3,072)	883,982	887,076	(3,094)	883,982

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

2023	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity
Voestalpine Railway Systems Lietuva, UAB	3,954	8,277	2,746	98	9,387
RB Rail AS	2,923	62,325	22,486	33,794	8,968
2022	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity
Voestalpine Railway Systems Lietuva, UAB	3,965	7,878	66	2,463	9,314
RB Rail AS	3,712	35,204	16,027	16,118	6,771
VšĮ Transporto inovacijų centras	-	52	-	2	50

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

2023			
	Revenue	(Expenses)	Profit (loss)
Voestalpine Railway Systems Lietuva, UAB	16,016	(15,064)	952
RB Rail AS	24,655	(24,985)	(330)
2022			
	Revenue	(Expenses)	Profit (loss)
Voestalpine Railway Systems Lietuva, UAB	11,679	(10,890)	789
RB Rail AS	22,698	(22,823)	(125)
VšĮ Transporto inovacijų centras	-	(10)	(10)

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

Investment value	
Acquisition value as at 31 December 2021	884,520
Increase (+)	-
Decrease (-)	(538)
Acquisition value as at 31 December 2022	883,982
Increase (+)	-
Decrease (-)	-
Acquisition value as at 31 December 2023	883,982

The Company carried out a calculation of the recoverable amount of the investments in UAB Geležinkelio Tiesimo Centras and AB LTG Infra, which was performed by discounting the expected future cash flows using together with certain assumptions.

The following assumptions were used for the valuation of UAB Geležinkelio tiesimo centras:

- The cash flows are assessed over a 6-year period up to and including 2029, after which a steady growth (rolling period) is assessed;
- The calculation uses data from the approved strategy of UAB Geležinkelio tiesimo centras;
- The projected long-term growth rate is 2%;
- The Rail Baltica project is expected to lead to growth in the market for repair and maintenance of the 1435 mm gauge railway, which is not considered in the company's strategy. Taking into account the growth of the market in Lithuania, the company's revenue will grow in the continuing period, while maintaining the same EBITDA;
- When calculating the recoverable amount of the investment, the WACC post-tax rate of 9.11% is used;
- The depreciation over the rolling 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.

The calculation of the recoverable amount did not indicate any impairment of the investment.

A sensitivity analysis of the calculation was carried out by changing the assumptions for the long-term growth rate and the WACC post-tax rate:

- If the WACC post-tax increased by 1% point, the recoverable amount would decrease by 12%;
- If the WACC post-tax decreased by 1% point, the recoverable amount would increase by 16%;

- If the long-term growth rate increased by 1% point, the recoverable amount would increase by 10%;
- If the long-term growth rate decreased by 1% point, the recoverable amount would decrease by 8%.

The performed sensitivity analysis did not show any indication of impairment of the investment as well.

The following assumptions were used for the valuation of UAB LTG Infra:

- The cash flows are assessed over a 5-year period up to and including 2028, after which a steady growth (rolling period) is assessed;
- The calculation uses data from the approved strategy of AB LTG Infra;
- The projected long-term growth rate is 2%;
- Moderate growth in freight and passenger traffic volumes on the Lithuanian railway infrastructure is forecast;
- Forecast of rail infrastructure tariffs in line with approved pricing methodologies;
- Expenses are projected in line with inflation forecast;
- EBITDA margin projected to grow and exceed 40% on a continuing basis;
- When calculating the recoverable amount of the investment, the WACC post-tax rate of 6.63% is used;
- The depreciation over the rolling 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, taking into account the projected financial possibilities.

The calculation of the recoverable amount did not indicate any impairment of the investment.

A sensitivity analysis of the calculation was carried out by changing the assumptions for the long-term growth rate and the WACC post-tax rate:

- If the WACC post-tax increased by 1% point, the recoverable amount would decrease by 21%;
- If the WACC post-tax decreased by 1% point, the recoverable amount would increase by 33%;
- If the long-term growth rate increased by 1% point, the recoverable amount would increase by 29%;
- If the long-term growth rate decreased by 1% point, the recoverable amount would decrease by 18%.

The performed sensitivity analysis did not show any indication of impairment of the investment as well.

11. Inventories

As at 31 December 2023, the Group's and the Company's inventories comprised:

	Group		Company	
	2023	2022	2023	2022
Spare parts	2,053	10,368	41	313
Superstructure materials	695	3,737	-	-
Materials	5,362	5,368	107	137
Fuel	6,389	9,864	4,792	7,906
Other inventories	2,604	1,209	30	28
Total raw materials, supplies and components	17,103	30,546	4,970	8,384
Purchased services/assets for resale	7,921	31	6	-
Purchased services/assets for resale, total	7,921	31	6	-
Non-current assets held for sale	7,100	1,731	954	9,341
Total non-current assets held-for-sale	7,100	1,731	954	9,341
Total	32,124	32,308	5,930	17,725

The carrying amount of the Group's inventories, except for assets held for sale, amounting to EUR 29,676 thousand was reduced by EUR 4,651 thousand to the net realisable value as at 31 December 2023 (the carrying amount of EUR 37,638 thousand was reduced by EUR 7,061 thousand to the net realisable value as at 31 December 2022).

As at 31 December 2023, the carrying amount of the Company's inventories, except for assets held for sale, amounting to EUR 5,134 thousand was reduced by EUR 158 thousand to net realisable value (as at 31 December 2022, the amount of EUR 8,858 thousand was reduced by EUR 473 thousand to net realisable value).

Services/assets purchased by the Group for resale mostly comprise the value of the services/assets purchased in relation to the reconstruction/development of assets or costs incurred for the benefit of the project partner in order to achieve the objectives of the investment project, and which are transferred to the project partner in accordance with the tripartite agreement. The net book value of these services/assets as at 31 December 2023 amounted to EUR 7,889 thousand.

The carrying amount of the Group's non-current assets held for sale of EUR 27,244 thousand was reduced by EUR 20,144 thousand to net realisable value at 31 December 2023 (EUR 6,153 thousand was reduced by EUR 4,422 thousand to net realisable value at 31 December 2022). Accordingly, in the Company, the carrying amount of EUR 987 thousand was reduced by EUR 33 thousand (EUR 9,480 thousand was reduced by EUR 139 thousand as at 31 December 2022).

The write-down of the Group's and the Company's non-current assets held for sale to fair value less costs to sell is reflected in the Impairment and write-down charges in the Statements of profit or loss and other comprehensive income, and in equity as described in note 17. The Group's non-current assets held for sale consist mainly of shared electricity networks, locomotives, passenger wagons, diesel locomotives, draisines, cranes, wagons and buildings held for sale.

12. Trade and other receivables

Trade and other receivables of the Group and the Company comprised:

	Group		Company	
	2023	2022	2023	2022
External trade receivables, gross value	18,388	23,649	968	6,211
Impairment (-)	(4,465)	(4,166)	(152)	(104)
Total external trade receivables	13,923	19,483	816	6,107
Receivables from related parties	19	11	14,645	12,268
Impairment (-)	-	-	-	-
Total receivables from related parties	19	11	14,645	12,268
Receivable VAT	3,136	4,509	-	534
Other receivables from the budget	9,889	9,676	1,268	1,959
Accrued income from related parties	-	-	1,227	2,239
Accrued income	2,703	2,775	31	250
Other receivables	10,561	10,190	5,081	5,317
Impairment (-)	(4,274)	(4,274)	(4,274)	(4,274)
Total other receivables	22,015	22,876	3,333	6,025
Total	35,957	42,370	18,794	24,400

In 2023, the trade and other receivables in the Group decreased by EUR 6,413 thousand, compared to 2022. In 2023, the trade and other receivables in the Company decreased by EUR 5,606 thousand, compared to 2022.

As at 31 December 2023, the Company has accrued other receivables from related parties of EUR 972,437 thousand (EUR 1,516 thousand as at 31 December 2022) for the provision of management services to Group companies.

13. Prepayments

Prepayments of the Group and the Company comprised:

	Group		Company	
	2023	2022	2023	2022
Prepayments to external suppliers	1,921	469	165	233
Prepayments to related parties	-	-	7,216	7,222
Guarantees paid to suppliers	45	40	341	347
Deferred costs	3,954	2,746	1,864	2,068
Total	5,920	3,255	9,586	9,870

14. Cash and cash equivalents

Cash and cash equivalents of the Group and the Company comprised:

	Group		Company	
	2023	2022	2023	2022
Cash in bank	228,557	213,427	34,650	4,567
Cash in hand	9	7	-	-
Total	228,566	213,434	34,650	4,567

As at 31 December 2023 and 2022, the Group and the Company did not have any term deposits. Cash was not pledged.

In order to manage funds more efficiently and to ensure liquidity of the Group's companies in the market conditions, the Group's cash-pool agreement was signed with AB Swedbank on 21 December 2018. Under this agreement, the members of the Group may borrow and lend funds to the members of the Group on a mutual borrowing platform for a maximum period of one year. As at 31 December 2023 and 31 December 2022, the Group companies did not have any payables to the Company under the Group's cash-pool agreement. During 2023, the Group members used cash-pool funds based on their needs, accruing interest income of EUR 415 thousand (EUR 103 thousand as at 31 December 2022) and interest expense of EUR 43 thousand (EUR 6 thousand as at 31 December 2022).

As at 31 December 2023, due to bank guarantees issued, the use of cash and cash equivalents of EUR 100 thousand was restricted (EUR 103 thousand as at 31 December 2022).

15. Dividends

Payment of dividends by the state controlled companies is regulated by the Government Resolution No. 786 of the Republic of Lithuania, which states what share of profit shall be attributed for payment of dividends depending on the return on equity (ROE). Amount of dividends to be paid varies from 85% to 60% of the total amount of retained earnings depending on the achieved levels of ROE (from 1% to more than 15%). Also, the Resolution regulates cases when the Government of the Republic of Lithuania may set a lower share of profits for distribution, if a company implements or participated in the implementation of an important economic project to the State. In the case of the Company, the important projects are Rail Baltica and the East-West transport corridor in the territory of Lithuania (Klaipėda State Seaport infrastructure complex, roads and railways).

Based on Order No 3-264 of the Minister of Transport and Communications, dated 24 May 2022, it was decided to allocate EUR 6,241 thousand for dividends from the Company's distributable profit for 2021, with payments made on 25 May 2022 – EUR 2,080 thousand, on 29 June 2022 – EUR 2,080 thousand and on 27 July 2022 – EUR 2,081 thousand. Dividends per share amounted to EUR 1.7. There was no allocation for dividends in 2023.

Drafts of profit (loss) appropriation of the Company and subsidiaries are prepared only based on the decision of the General Meeting of Shareholders after the set of annual financial statements has been approved; the shareholder will allocate the profit (loss) for distribution of the Company and subsidiaries considering the external and internal legal acts regulating the payment of dividends and other conditions.

16. Reserves

Legal reserve. The legal reserve means a reserve which is required by the provisions of legal acts of the Republic of Lithuania. This reserve must be annually renewed by at least 5 per cent of the net profit up to the extent equal to 10 per cent of the authorised capital. The legal reserve cannot be distributed as dividends, but can be used to cover future losses. As at 31 December 2023, the Group's and the Company's legal reserve amounted to EUR 34,025 thousand.

Other reserves. As at 31 December 2023, the balance of the Group's and the Company's other reserves consisted of the reserve for investments of EUR 5,672 thousand.

17. Retained earnings (losses) and profit (loss) not recognised in the statement of profit or loss and other comprehensive income

The Group's retained earnings (loss) include the legal reserves of the consolidated subsidiaries, which amounted to EUR 4,413 thousand as at 31 December 2023 (EUR 3,551 thousand as at 31 December 2022). The legal reserve cannot be distributed for dividends, but can be used to cover future losses.

In 2023, the Board of the Group and the shareholder of AB LTG Infra took a decision to sell the assets of the shared electricity network managed by AB LTG Infra, the carrying amount of which as at 31 December 2023 amounted to EUR 17,990 thousand, and the carrying amount of the grants related to these assets amounted to EUR 6,215 thousand. The sale of the electricity network asset complex managed by LTG Infra AB took place in March 2024, and since this asset complex meets the criteria of IFRS 5 as an asset held for sale; it is disclosed under Non-current asset held for sale in the statement of financial position at 31 December 2023. The transaction was valued at an investment transaction price of EUR 3,352 thousand, which was determined on the basis of the market price of that asset together with the assessment of the asset transfer costs. The sale of the assets is between jointly controlled entities and therefore the difference of EUR 8,423 thousand between the consideration receivable and the carrying amount of the net assets sold at the date of reclassification is recognised immediately in equity as retained earnings.

The remaining part includes the value of the held-in-trust engineering networks and buildings that were transferred to SE Turto Bankas and municipalities in 2023.

18. Grants

Movement of grants of the Group and the Company:

	Group		Company	
	2023	2022	2023	2022
Balance at the beginning of the period	809,164	603,642	822	611
Received per year	207,441	237,983	-	396
Used for reduction of depreciation and amortisation expenses of non-current assets	(22,641)	(22,531)	(215)	(180)
Used to reduce other costs	(3,752)	(4,933)	(5)	(5)
Impairment	(6,215)	(3,066)	-	-
Repaid / transferred	(531)	(1,931)	-	-
Balance at the end of the period	983,466	809,164	602	822
Including assets managed under the right of trust	271,764	237,002	-	-

Grants are related to the financing of investment programmes, assets received under the Trust Agreement and subsidies earmarked for compensating costs.

19. Loans and other borrowings

As at 31 December 2023, borrowings of the Group and the Company comprised:

	Group		Company	
	2023	2022	2023	2022
Long-term loans	109,523	125,745	-	-
Short-term loans	17,887	22,737	-	-
Total	127,410	148,482	-	-

The Company does not have any financial liabilities to credit institutions, because on 8 December 2019 all the loans between the Company and the Nordic Investment Bank were transferred to LTG Infra AB, and, on 30 June 2020, all the loans between the Company and the European Investment Bank were transferred to LTG Cargo AB. On 30 June 2020, following the completion of the restructuring of the Company's

long-term loans, the guarantee agreements with the Nordic Investment Bank and the European Investment Bank entered into force, under which the Company guarantees for the obligations of LTG Cargo AB and LTG Infra AB to creditors.

The Group's loans comprised:

	Loan currency	2023	2022
Bank EIB - 3, total ²	EUR	-	-
Bank EIB - 4, total ¹	EUR	674	7,401
Nordic Investment Bank - 2, total ⁵	EUR	-	-
Nordic Investment Bank - 3, total ³	EUR	63,002	70,017
Nordic Investment Bank - 4, total ⁴	EUR	29,958	32,891
Nordic Investment Bank - 5, total ⁶	EUR	33,776	38,173
Total		127,410	148,482

During 2023, the Group repaid EUR 22,222 thousand of loans and paid EUR 4,920 thousand of interest (EUR 25,475 thousand and EUR 2,137 thousand in 2022).

¹ EIB-4 is the loan for acquisition of new railway rolling stock. During 2023, AB LTG Cargo repaid EUR 6,667 thousand of the loan and paid EUR 143 thousand of interest.

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

³ Two loan agreements have been signed with the Nordic Investment Bank (NIB-3) for the renovation and development of the public railway infrastructure. During 2023, AB LTG Infra repaid EUR 7,355 thousand of the loan and EUR 2,987 thousand of interest.

⁴ A loan agreement has been signed with the Nordic Investment Bank (NIB-4). The loan was granted to ensure co-financing of the national part of the public railway infrastructure project Rail Baltica, which is financed by the EU support funds for 2007-2013. During 2023, AB LTG Infra repaid EUR 3,439 thousand of the loan and paid EUR 870 thousand of interest.

⁵ The loan of the Nordic Investment Bank (NIB-2) was repaid in full on 2 May 2022.

⁶ (NIB-5) loan is intended for the implementation of the investment projects for 2014-2021 and the Rail Baltica project. During 2023, AB LTG Infra repaid EUR 4,762 thousand of the loan and paid EUR 920 thousand of interest.

As at 31 December 2023, the Group has accrued interest of EUR 1,665 thousand (EUR 515 thousand as at 31 December 2022).

20. Lease liabilities

The Company leases buildings and other assets (mainly vehicles). Building lease agreements are usually concluded for a fixed 36-month period with a possibility to extend them. Vehicle lease agreements are concluded for 36 months without a possibility to extend them. When determining the lease period, the management evaluates all facts and circumstances, which give rise to economic incentives to avail themselves of the possibility to extend or terminate the contract. The possibility of extending the contract (or the periods after the possibility of terminating the contract) is provided for in the leases only if it can be reasonably expected that the lease will be extended (or not terminated). Possible future cash payments were not included in the lease 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 as expenses in the statement of profit or loss and other comprehensive income.

The discount rate applied for lease agreements in 2023 comprises 6-month EURIBOR and market research, market margin determined under the current market conditions.

The Group's and the Company's lease commitments and their movements:

	Group		Company	
	2023	2022	2023	2022
Carrying amount at the beginning of the period	11,431	6,065	8,784	10,384
Lease agreements concluded	10,953	12,015	3,364	4,556
Lease agreements terminated	(1,330)	(1,005)	(993)	(4,096)
Calculated interest	388	170	88	121
Lease payments (principal amount and interest)	(9,044)	(5,814)	(2,108)	(2,181)
Carrying amount at the end of the period	12,398	11,431	9,135	8,784
Non-current lease liabilities	6,181	4,536	5,824	5,994
Current lease liabilities:	6,217	6,895	3,311	2,790

Future lease payments under irrevocable lease agreements:

	Group		Company	
	2023	2022	2023	2022
Lease liabilities with maturity				
Within one year	6,217	6,895	3,311	2,790
From one to five years	5,399	3,351	1,223	3,014
After five years	782	1,185	4,601	2,980
Total	12,398	11,431	9,135	8,784

If the discount rate applicable at the Company increased or decreased by 1 percent, the amount of lease liabilities as at 31 December 2023 would accordingly make up EUR 8,520 thousand and EUR 9,840 thousand (EUR 8,210 thousand and EUR 9,462 thousand, respectively, as at 31 December 2022).

The Group and the Company have amounts payable for short-term leases, low-value asset leases and other leases accounted for in the statement of profit or loss and other comprehensive income by the total amount of EUR 9,254 thousand and EUR 2,737 thousand, respectively, in 2023 (EUR 5,402 thousand and EUR 4,190 thousand in 2022).

21. 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.

Change in non-current provisions for pensions and similar liabilities is provided in the table below:

	Group	Company
Balance as at 31 December 2021	8,442	595
Change (+)	-	-
Change (-)	(2,984)	(304)
Balance as at 31 December 2022	5,458	291
Change (+)	1,034	129
Change (-)	(19)	-
Balance as at 31 December 2023	6,473	420

The key assumptions applied in assessment of the Company's liability of non-current employee benefits are provided below:

	2023	2022
Discount rate, %	3.37	3.54
Staff turnover ratio, %	13.93	17.41
Salary increase rate, %	5.00	5.00

Change in the Group's employee benefits during 2023 by type:

	2022	Charged to the Statement of Profit or Loss and Other Comprehensive Income	Capitalised costs calculated	Paid	2023
NON-CURRENT LIABILITIES					
Provisions for pensions and similar liabilities	5,458	2,869	-	(1,854)	6,473
Total non-current liabilities:	5,458	2,869	-	(1,854)	6,473
CURRENT LIABILITIES					
Vacation pay accrual	7,700	15,482	-	(15,805)	7,377
Wages and salaries payable	5,999	70,563	10,475	(80,230)	6,807
Social security contributions payable	3,089	30,393	1,778	(31,851)	3,409
Personal income tax payable	1,861	27,111	1,122	(27,968)	2,126
Other employment-related liabilities	5,747	6,835	-	(6,232)	6,350
Total current liabilities:	24,396	150,384	13,375	(162,086)	26,069
Total	29,854	153,253	13,375	(163,940)	32,542

Change in the Company's employee benefits during 2023 by type:

	2022	Charged to the Statement of Profit or Loss and Other Comprehensive Income	Capitalised costs calculated	Paid	2023
NON-CURRENT LIABILITIES					
Provisions for pensions and similar liabilities	291	589	-	(460)	420
Total non-current liabilities:	291	589	-	(460)	420
CURRENT LIABILITIES					
Vacation pay accrual	1,299	2,442	-	(2,530)	1,211
Wages and salaries payable	1,147	13,892	579	(14,183)	1,435
Social security contributions payable	534	5,397	10	(5,569)	372
Personal income tax payable	376	4,735	-	(4,830)	281
Other employment-related liabilities	1,464	1,550	-	(1,442)	1,572
Total current liabilities:	4,820	28,016	589	(28,554)	4,871
Total	5,111	28,605	589	(29,014)	5,291

Short-term employee benefits by type:

	Group		Company	
	2023	2022	2023	2022
Vacation pay accrual	7,377	7,700	1,212	1,300
Wages and salaries payable	6,807	5,999	1,194	1,149
Social security contributions payable	3,409	3,089	503	533
Personal income tax payable	2,126	1,861	391	375
Other employment-related liabilities	6,350	5,747	1,571	1,463
Total	26,069	24,396	4,871	4,820

22. Provisions

Other provisions of the Group and the Company comprised:

	Group		Company	
	2023	2022	2023	2022
Non-current provisions	16,453	14,470	-	-
Current provisions	1,216	608	226	-
Total	17,669	15,078	226	-

In 2023 and 2022, the non-current provisions are related to potential liabilities. The change in non-current provisions is due to liabilities of AB LTG Infra related to the transfer of shared electricity network assets to ESO.

The movement in provisions could be specified as follows:

	Group	Company
Balance as at 31 December 2021	15,159	-
Formed additionally (+)	749	-
Used (-)	(830)	-
Balance as at 31 December 2022	15,078	-
Formed additionally (+)	2,752	-
Used (-)	(161)	-
Balance as at 31 December 2023	17,669	-

23. Trade and other payables

Trade and other payables of the Group and the Company comprised:

	Group		Company	
	2023	2022	2023	2022
Trade payables	87,130	40,159	2,040	3,094
Trade accounts payable to related parties	1,836	306	1,000	2,088
Cash guarantees received	2,662	2,856	843	977
Other taxes payable to the budget	2,662	6,639	925	667
Accumulated costs of foreign railway services	604	227	-	-
Accrued other amounts payable from related parties	-	-	691	1,077
Other accrued costs	7,557	6,033	1,937	1,175
Other amounts payable and liabilities	3,205	2,075	208	13
Total	105,656	58,295	7,644	9,091

Under other accrued expenses, the Group and the Company accounted for audit and other non-audit service expenses by amounts of EUR 430 thousand (EUR 209 thousand in 2022) and EUR 82 thousand (EUR 45 thousand in 2022), respectively.

At the Company, accrued expenses comprised accruals of not invoiced management services to related parties.

24. Prepayments received

	Group		Company	
	2023	2022	2023	2022
Prepayments received, non-current portion	-	-	-	-
Prepayments received, current portion	16,093	22,630	8,381	9,445
Total	16,093	22,630	8,381	9,445

The largest part of the prepayments received by the Group and the Company consisted of an advance payment of EUR 8,202 thousand received from OAO Belaruskalij.

25. Revenue

Sales revenue of the Group and the Company comprised:

	Group		Company	
	2023	2022	2023	2022
Freight transportation income:	288,017	276,736	-	-
Freight transportation on domestic routes	114,046	93,733	-	-
Freight transportation on international routes	115,796	119,835	-	-
Provision of services related to freight transportation	58,175	63,168	-	-
Income for the use of public railway infrastructure	1,001	420	-	-
Revenue from passenger transportation:	46,764	34,454	-	-
Passenger transportation on domestic routes	24,194	20,577	-	-
Passenger transportation on international routes	20,246	12,099	-	-
Provision of services related to passenger transportation	2,324	1,778	-	-
Other revenue:	21,617	25,131	89,494	96,193
Lease of assets	2,067	2,187	5,616	6,122
Work of locomotives and locomotive teams abroad	1,645	2,957	-	-
Maintenance and repair	3,950	4,532	464	449
Electricity, gas, steam and water supply	2,099	1,676	114	12
Resale	-	-	35,732	40,069
Management services	-	-	41,098	43,521
Other services	11,856	13,779	6,470	6,020
Total	357,399	336,741	89,494	96,193

The Group's and the Company's revenue according to the moment of revenue recognition comprised the following:

	Group		Company	
	2023	2022	2023	2022
Recognised immediately	349,077	328,448	83,414	89,622
Recognised over time	8,322	8,293	6,080	6,571
Total	357,399	336,741	89,494	96,193

26. Grant

In 2023, the grant of EUR 33,995 thousand (2022: EUR 36,229 thousand) consisted of a compensation for losses on passenger transport by train on domestic transport routes, including a bonus of EUR 303 thousand (penalties of EUR 301 thousand and bonuses of EUR 604 thousand) (EUR 0 - in 2022), calculated in accordance with the Resolution of the Government of the Republic of Lithuania No 716, dated 7 June 2010, 'On the approval of the description of the procedure for determining the need for and compensating the losses incurred in the provision of public passenger transport services by rail and/or public combined passenger transport services by domestic routes', and the Contract No SL-355/2022 of 29 December 2022 on the 'Provision of public passenger transport services by rail and/or public combined passenger transport services by domestic routes'. The final bonus or penalty payable will be calculated in June 2024, which, according to management's estimation, will not differ from the preliminary calculation.

The grant of EUR 60,607 thousand (EUR 59,962 thousand in 2022) is to ensure a stable maintenance of the public railway infrastructure, to improve the quality of the services and to ensure a high level of safety in rail transport.

27. Revenue from other activity

In 2023, the Group's revenue from other activity amounted to EUR 589 thousand (EUR 1,168 thousand in 2022). The gain from disposal of non-current assets comprised the major part of other operating income. In 2023, the Company's revenue from other activity amounted to EUR 2,613 thousand (EUR 209 thousand in 2022), the major part of which comprised EUR 2,611 thousand (EUR 151 thousand in 2022) gain from disposal of non-current assets.

28. Expenses related to employee benefits

The Group's expenses related to employee benefits by type:

	2023	2022
Wages and salaries	(132,556)	(138,052)
Social security contributions	(2,346)	(2,444)
Accrued vacation reserve	(15,482)	(15,668)
Pensions and similar liabilities	(2,869)	(626)
Total	(153,253)	(156,790)

The Company's expenses related to employee benefits by type:

	2023	2022
Wages and salaries	(25,070)	(26,644)
Social security contributions	(504)	(642)
Accrued vacation reserve	(2,442)	(2,703)
Pensions and similar liabilities	(589)	(1,483)
Total	(28,605)	(31,472)

29. Financing activity result

Result of financing activity of the Group and the Company comprised:

	Group		Company	
	2023	2022	2023	2022
Total finance income	2,893	497	18,650	2,238
Interest	1,919	276	6,361	2,105
Currency exchange gain	786	166	-	120
Dividends	-	-	12,251	-
Fines and penalties	188	55	38	13
Other income	-	-	-	-
Total finance expenses	(6,819)	(3,526)	(288)	(160)
Interest	(6,490)	(2,549)	(46)	(38)
Currency exchange loss	-	-	(4)	-
Expenses of fines and delay interest	(96)	(857)	(7)	(1)
Other costs	(233)	(120)	(231)	(121)
Total	(3,926)	(3,029)	18,362	2,078

30. Income tax and deferred tax

Income tax was calculated at a rate of 15 percent.

	Group		Company	
	2023	2022	2023	2022
Income tax for the reported year	3,264	702	407	-
Adjustment to income tax of the previous year	-	(82)	-	(36)
Deferred tax expenses (benefit)	2,226	1,129	879	(325)
Total income tax expenses (benefit) recognised in profit or loss	5,490	1,749	1,286	(361)

Corporate income tax expenses (benefit) of the Group and the Company comprised:

	Group		Company	
	2023	2022	2023	2022
Profit (loss) before tax	27,133	2,962	17,564	(3,446)
Income tax	4,070	444	2,635	(517)
Non-deductible (+)/Additional deductible (-) expenses	4,500	1,633	701	252
Non-taxable income (-)	(3,019)	(246)	(2,050)	(60)
Income tax of the previous year	(61)	(82)	-	(36)
Total corporate income tax expenses (benefit)	5,490	1,749	1,286	(361)
Effective rate, %	20.23	59.05	7.32	10.47

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

Deferred tax assets (liabilities)

Calculation of the deferred tax of the Group and the Company is provided herein:

	Group		Company	
	2023	2022	2023	2022
DEFERRED TAX ASSETS				
Impairment of receivables and write-off of bad debts	668	624	23	15
Write-off of inventories	1,499	1,857	29	92
Accrual of vacation pay and bonuses	1,940	1,888	417	414
Liabilities of long-term employee benefits	966	870	63	44
Accrued income	-	-	(188)	-
Accrued costs	1,657	416	347	-
Other provisions	107	112	-	-
Tax losses carried forward	6,689	7,115	501	1,510
Deferred tax assets	13,526	12,882	1,192	2,075
DEFERRED TAX LIABILITY				
Difference between financial and tax value of non-current assets	(31,754)	(27,604)	182	189
Differences in grants	(3,743)	(4,820)	(15)	(26)
Other provisions	-	(267)	-	-
Deferred tax liability	(35,497)	(32,691)	167	163
Deferred tax asset (liability), net	(21,971)	(19,809)	1,359	2,238
Accounted for as deferred tax assets in the statement of financial position	3,662	3,254	1,359	2,238
Accounted for as deferred tax liabilities in the statement of financial position	(25,633)	(23,063)	-	-

31. 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 Lithuanian Government in its capacity as the owner of all shares in AB Lietuvos Geležinkeliai;
- Companies or institutions are managed by the Government of the Republic of Lithuania;
- Subsidiaries of the parent company AB Lietuvos Geležinkeliai;
- Affiliated, non-consolidated and associated companies as well as joint ventures of AB Lietuvos Geležinkeliai;
- The members of the Management Board and their close relatives as well as companies under their control;
- All key management personnel, their close relatives, and companies under their control.

For entities operating in an environment in which government control is pervasive, many counterparties are also government-related and therefore are related parties. IAS 24 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 has control, joint control or significant influence over both the reporting entity and the other entity.

Due to the above-mentioned reasons, the Group and the Company do not disclose the transactions with Lithuanian Government and other entities controlled by the Lithuanian Government.

Statements of financial position of the Group's subsidiaries and associates:

2023	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity
AB LTG Cargo	250,723	81,517	150,332	65,412	116,496
UAB LTG Link	124,579	58,686	4,975	15,733	162,557
AB LTG Infra	1,776,396	118,518	1,122,637	130,370	641,907
UAB Geležinkelio Tiesimo Centras	19,047	12,301	176	4,93	26,979
UAB Rail Baltica statyba	2,990	23	-	22	2,991
RB Rail AS	2 923	62 325	22 486	33 794	8 968
voestalpine Railway Systems Lietuva, UAB	3,954	8,277	2,746	98	9,387
LTG Cargo Polska Sp. z o.o.	8,115	8,664	9,318	6,808	653
UAB LTG Wagons	-	5	-	76	(71)
LTG Cargo Ukraine LLC	2	757	11	432	316

2022	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity
AB LTG Cargo	243,232	82,413	161,174	58,959	105,512
UAB LTG Link	120,669	50,060	4,508	11,405	154,816
AB LTG Infra	1,561,514	142,845	975,254	69,802	659,303
UAB Geležinkelio Tiesimo Centras	22,688	8,416	277	4,895	25,932
UAB Rail Baltica statyba	2,257	44	-	20	2,281
RB Rail AS	3,712	35,204	16,027	16,118	6,771
voestalpine Railway Systems Lietuva, UAB	3,965	7,878	66	2,463	9,314
VšĮ Transporto inovacijų centras	-	52	-	2	50
OOO Rail Lab	17	23	-	1	39
LTG Cargo Polska Sp. z o.o.	2,959	4,714	-	10,170	(2,497)
UAB LTG Wagons	-	9	-	54	(45)
LTG Cargo Ukraine LLC	3	618	7	554	60

Transactions of the Company with related parties:

	2023		31/12/2023	
	Company's purchases	Company's sales	Company's receivables	Company's payables
AB LTG Cargo	84	59,395	143,541	1,469
UAB LTG Link	82	11,197	2,286	368
AB LTG Infra	2,477	33,072	5,909	765
UAB Geležinkelio Tiesimo Centras	-	1,151	202	2
UAB Rail Baltica statyba	-	1	-	-
Voestalpine Railway Systems Lietuva, UAB	-	-	-	-
UAB LTG Wagons	-	14	76	-
LTG Cargo Polska Sp. z.o.o.	-	904	9,243	-
LTG Cargo Ukraine LLC	-	37	189	-
Total	2,643	105,771	161,446	2,604

	2022		31/12/2022	
	Company's purchases	Company's sales	Company's receivables	Company's payables
AB LTG Cargo	64	61,852	139,532	1,724
UAB LTG Link	94	11,820	1,816	1,617
AB LTG Infra	2,468	21,697	2,777	462
UAB Geležinkelio Tiesimo Centras	-	951	68	-
UAB Rail Baltica Statyba	-	4	-	-
Voestalpine Railway Systems Lietuva, UAB	-	-	-	-
UAB LTG Wagons	-	28	28	-
LTG Cargo Polska Sp. Z.o.o.	-	281	7,320	-
LTG Cargo Ukraine LLC	-	17	141	-
Total	2,626	96,650	151,682	3,803

Accrued payables mainly comprised management service accruals to related parties.

According to the methodology of the LTG group of companies, all transactions with related parties are carried out under market conditions and comply with the arm's-length principle.

In 2023, profit of associates under the equity method comprised EUR 307 thousand (profit of EUR 389 thousand, loss of EUR 119 thousand in 2022).

The Group's and the Company's loans to related companies comprised:

	Group		Company	
	2023	2022	2023	2022
Loans granted to related parties	100	-	118,264	124,490
Total non-current receivables	100	-	118,264	124,490
Loans granted to related parties	60	160	19,943	269
Cash-pool / Credit line	-	-	-	7,258
Total current receivable	60	160	19,943	7,527
Total	160	160	138,207	132,017

More details on the borrowing from cash-pool are presented in Note 14.

Under the loan agreement, dated 12 March 2019, a loan of EUR 163,862 thousand was granted to AB LTG Cargo for the acquisition of railway rolling stock - wagons, containers and locomotives. The loan shall be repaid by 2031. The determined interest rate is variable and is linked to 6-month EURIBOR plus market margin determined based on market investigation. The restructuring of the Company's long-term loans was completed on 30 June 2020. Pursuant to a separate agreement with the European Investment Bank (EIB), the above-mentioned loan between AB LTG Cargo and the Company is subordinated in respect of the EIB loans transferred to ABLTG Cargo, i.e. no payments of both, the loans and the interest, can be made until the maturity date of the EIB loans in 2024. The receivable interest amounted to EUR 8,597 thousand.

Management remuneration and other benefits. As at 31 December 2023, there were 9 executives in the Company, i.e. 1 General Director, 1 Director for Strategy and Development, 1 Chief Financial Officer, 1 Director for Legal and Compliance, 1 Director for People and Culture, 1 Director for Corporate Affairs, 1 Director for Business Resilience, 1 Director for Technology, and 1 Director of Administration.

Group / Company	2023	2022
Management remuneration	1,076	847
Incentives*	78	88
Accrued non-current benefits at the end of the year**	3	1
Number of executives	9	8
Allowances for members of the Board	272	170
Number of Board members	7	7
Payments to audit committee members	76	25
Number of audit committee members	4	4

* Incentives are performance bonuses and lump sums.

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

In 2023 and 2022, the management did not receive any loans, guarantees or other paid or accrued benefits, or disposed assets, except as disclosed above.

32. Contingent assets and liabilities, potential disputes

On 30 August 2018, VAS Latvijas dzelzceļš and SIA LDZ CARGO applied to AB Lietuvos Geležinkeliai in writing demanding compensation for the damage incurred by these companies. According to these companies, they incurred the damage because of the removed rail track connecting Mažeikiai with the Latvian border, and the amount of damage is EUR 82,340 thousand. The above-mentioned companies also demand the payment of 6% interest for the period from the occurrence of damage until the date of indemnification. AB LTG Infra, as an assignee of procedural rights, disagrees with these claims and considers them unjustified.

On 12 January 2023, the Court of Justice of the European Union (CJEU) handed down a judgement dismissing the appeal and upholding the judgement of the General Court of the European Union of 18 November 2020, by which the fine of EUR 27,873 thousand imposed by the European Commission on 2 October 2017 on AB Lietuvos Geležinkeliai was reduced to EUR 20,069 thousand. The mentioned penalty was paid in 2018.

Two civil cases of LTG Infra vs UAB Sweco Lietuva and DB Engineering & Consulting GmbH are still pending at Vilnius Regional Court:

- Project Kaunas – Vilnius; AB LTG Infra's claim, dated 30 January 2023, requesting to award EUR 30 thousand of interest for delay in services, and a counter-claim of UAB Sweco Lietuva and DB Engineering & Consulting GmbH against AB LTG Infra, dated 24 February 2023, regarding the unlawful crediting of EUR 190 thousand of default penalty and EUR 1,390 thousand for additional services. The case involved an exchange of procedural documents - scheduled mediation.

- Project PL-Jiesia; AB LTG Infra's claim, dated 13 March 2023, was increased to EUR 232 thousand for late payment of interest on delayed services and the counterclaim of UAB Sweco Lietuva and DB Engineering & Consulting GmbH against AB LTG Infra, which seeks an award of EUR 101 thousand; EUR 850 thousand for additional services rendered; EUR 18 thousand of default interest; procedural interest at the rate of 10.5 per cent per annum from the date of filing of the application until the date of full execution of the judgement; costs of the proceedings - a stamp duty of EUR 8 thousand.

As both cases are in the preparation process (exchange of procedural documents), the final positions of the parties on the claims have not yet been finalised, and a hearing has

not yet been scheduled. However, AB LTG Infra essentially maintains own claims and disagrees with the claims of UAB Sweco Lietuva and DB Engineering & Consulting GmbH. Therefore no provisions have been made.

The Tax Authorities have not performed a 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.

33. Investment commitments

On 20 December 2019, AB LTG Infra signed a contract with joint venture partners Elecnor S.A. and Instalaciones Inabensa S.A. on the electrification of the Vilnius-Klaipėda railway section. The value of the contract after the indexation carried in 2022 amounts to EUR 381.6 million. The work is expected to be completed in 2025 and electric trains will be able to run on the Vilnius-Klaipėda route.

As part of the Rail Baltica project, on 1 April 2022, AB LTG Infra signed a contract with the Italian company Rizzani de Eccher on the construction of the Rail Baltica railway bridge over the Neris River near Jonava. The value of the contract after the indexation performed in 2023 amounts to EUR 72.3 million (excl. VAT). Contract works started in 2023, and the contractual completion date is the year 2025. The new railway bridge will be the longest not only in Lithuania but also in the Baltic States. It will be 1,510 metres long, about 40 metres above the Neris and the river valley. A double-track European standard gauge railway will be built across the bridge, which is almost 14 metres wide.

The new railway crossing and engineering structures in the sections between Jonava and Kėdainiai in the districts of Šveicarija-Žeimiai and Žeimiai-Šėta will be constructed by the joint-activity partners UAB Fegda and UAB Tilsta as part of the Kaunas-Lithuania-Latvia border phase of Rail Baltica project. The total value of the contracts is EUR 167.9 million (excluding VAT), where the Šveicarija-Žeimiai section amounts to EUR 89 million (excluding VAT) and the Žeimiai-Šėta section - EUR 78.9 million (excluding VAT). In the 10 km section from Šveicarija to Žeimiai and the 17.7 km section from Žeimiai to Šėta, the successful tenderers will carry out all the track works (construction of the railway crossing and engineering structures) without the construction of the upper part of the track, the land and site will be landscaped, a railway drainage system, a protective fence, part of the service roads and other related works will be performed. The main construction works are scheduled for completion in 2024.

In 2023, AB LTG Infra signed a contract with the Polish IT company Petrosoft.pl Technologie Informatyczne Sp. z o.o. for the acquisition of a new station management tool. The new station management tool will ensure efficient use of the infrastructure, accurate accounting of the services provided and automatic data exchange between systems. The value of the contract is EUR 2.3 million.

The LTG Group's cargo transport company AB LTG Cargo signed a contract for the purchase of a locomotive safety system for EUR 12.2 million.

The Group's passenger transport company UAB LTG Link will purchase new electric and battery electric trains under the train purchase agreement signed on 21 June 2023 with the train manufacturer Stadler Polska, the company of the Swiss capital Group Stadler. The Supplier has undertaken to build 15 ultra-comfortable trains, provide technical support for their maintenance and supply spare parts until 2037. The value of the contract amounts to EUR 226.5 million.

On 6 March 2023, the Group's passenger transport company, UAB LTG Link, signed an agreement with a Polish company Voith turbo sp.z.o.o. for the purchase of replacement units for 730ML trains. The value of the contract is EUR 1.76 million.

In December 2023, the Group's passenger transport company, AB LTG Link, signed a contract for the design of a new depot for the maintenance of electric trains. The value of the contract is EUR 845 thousand. The design work is expected to be completed by 2025 and a public procurement for the project contract will be announced.

34. Events after the reporting period

From 1 February 2024, Kristina Meidė has been appointed as the new Chief Executive Officer of UAB LTG Link, the passenger transport company of the LTG Group.

On 14 February 2024, The Regional Court of Vilnius dismissed the claim of UAB Civinity Solutions against the Company for losses incurred due to unsuccessful participation in a public procurement conducted by the Company, for which a provision of EUR 226 thousand has been established by the Company. The decision of the Court can be appealed; therefore, according to the Management's decision, the provision shall not be restored.

On 14 March 2024, LTG Infra, with the approval of the Government of the Republic of Lithuania, concluded sale - purchase agreements, based on which part of the electricity network was transferred to another state-owned company of AB Ignitis Group, AB Energijos skirstymo operatorius (ESO).

There were no other significant events after the end of the reporting period, which should be recognised or disclosed in the financial statements for 2023.



Supplementary information

8.1. Information about the auditor

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

In 2023, the independent auditor of the Group was not changed.

The public procurement tender for the audit of the consolidated financial statements of the Company and the separate financial statements of its subsidiaries for the years 2023-2025 prepared in accordance with IFRS Accounting Standards as adopted by the EU was awarded to KPMG Baltics UAB. The candidacy of auditors was confirmed by the Audit Committee of LTG, it was approved by the Board of LTG and the confirmation of the shareholder was obtained. The contract for audit services was signed on 27 July 2023.

Independent auditor and the financial period for which the services were provided

2023 – 2025	2020 – 2022
KPMG Baltics, UAB Lvivo St. 101 LT-08104, Vilnius Lithuania	KPMG Baltics, UAB Lvivo St. 101 LT-08104, Vilnius Lithuania

Contractual remuneration for the audit firm

Companies of the LTG Group	2022 (KPMG) EUR thousand (excluding VAT)	2023 (KPMG) EUR thousand (excluding VAT)
AB Lietuvos Geležinkeliai (including the consolidated statements)	45	82
AB LTG Cargo	53	99
UAB LTG Link	31	66
AB LTG Infra	49	117
UAB Geležinkelio Tiesimo Centras	23	33
UAB Rail Baltica Statyba	8	13
LTG Cargo Polska Sp.zo.o.	-	20*
Total	209	430

* An independent auditor of LTG Cargo Polska Sp.zo.o. is TPA Spółka z ograniczoną odpowiedzialnością Sp.k.

During the reporting period, in addition to auditing the financial statements, the auditor (KPMG) provided translation services to the LTG Group's entities and the Company, as well as audited the compliance certificates to the credit institutions for the reporting period on performance of specific and other financial indicators by the LTG Group and its separate subsidiaries in accordance with the signed long-term loan agreements.

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

8.2. Results of the Group companies

Parent company, its subsidiaries and operating results for 2023

AB Lietuvos Geležinkeliai

The parent company – manages and coordinates the activities of Group companies

Company code: 110053842

Legal form: Public limited liability company

Address: Geležinkelio St. 16, LT-02100 Vilnius

Address for correspondence: Pelesos St. 10, LT-02111 Vilnius

Telephone: +370 5 269 2038

E-mail: info@ltg.lt

Website: https://ltg.lt

Sole shareholder: The Republic of Lithuania, the property and non-property rights of which are carried out by the Ministry of Transport and Communications of the Republic of Lithuania

Share capital: EUR 1,059,282,833.04

Number of shares: 3,657,492

Nominal value per share: EUR 289.62

Date and place of registration: 24/12/1991, Register of Legal Entities of the Republic of Lithuania

Operating results for 2023, EUR million	Consolidated	Separate
Sales revenue	357.4	89.5
Grant revenue	94.6	-
Costs	421.8	92.9
EBITDA	139.8	7.0
EBITDA margin, %	30.9%	7.8%
Adjusted EBITDA	149.3	20.3
Adjusted EBITDA margin, %	33.0%	22.6%
Net profit/losses	21.6	16.3
Assets	2,498.5	1,146.9
Equity	1,174.3	1,115.3
Financial debt	139.8	9.1
Net debt	(88.8)	(25.5)
Net debt / EBITDA	(0.6)	(3.7)
Return on equity, %	1.9%	1.5%
Equity / Assets, %	47.0%	97.2%
Number of employees as at 31 December 2023	5,825	738

- The shares of the Company and its subsidiaries are of a single class - ordinary registered shares. The shares are non-certified, and they are recorded in personal securities accounts in accordance with the legal procedure. The Company and its subsidiaries have not issued any preference shares.

- The Company and its subsidiaries did not acquire any own shares during the reporting period.

- Subsidiaries and the associate did not acquire any shares of the Company during the reporting period.

REPRESENTATIVE OFFICES ABROAD

- In 2022, the representative offices of AB Lietuvos Geležinkeliai in the Russian Federation, the Republic of Belarus and the People's Republic of China were closed.

- Activities of the representative office in the Republic of Kazakhstan have been suspended (D. Kunajevo St. 6, room 310/10, 010000, Astana).

- Activities of the representative office in the Republic of Poland has been suspended / closure procedures are under way (Rondo ONZ Street 1, Floor 12, 00-124, Warsaw).



AB LTG Cargo

Freight transportation by rail

Company code: 304977594

Legal form: Public limited liability company

Office address: Geležinkelio St. 12, LT-02100 Vilnius

Address for correspondence: Pelesos St. 10, 02111 Vilnius

Telephone: +370 5202 1515

E-mail: info@ltgcargo.lt

Website: https://ltgcargo.lt

Shareholder: AB Lietuvos Geležinkeliai owns 100% shares of the company

Share capital: EUR 44,086,741.36

Number of shares: 209,299

Nominal value per share: EUR 210.64

Date and place of registration: 28/12/2018, Register of Legal Entities of the Republic of Lithuania

Head of the Company: Eglė Šimė

The Board:

Arnoldas Ūkeniekas* - Chairman of the Board, Independent Board member

Vitalij Rakovski - Independent Board Member

Vytautas Radzevičius - a member of the Board, delegated by the shareholder

Irena Jankutė - Balkūnė - a member of the Board, delegated by the shareholder

Natalija Baranauskienė - a member of the Board, civil servant

Number of employees as at 31 December 2023: 1,723

* resigned as of 11 January 2024

Operating results, EUR million	2021	2022	2023
Revenue	389.8	293.7	285.7
Costs	363.4	279.9	260.5
EBITDA	51.2	37.8	49.4
EBITDA margin, %	13.1%	12.9%	17.3%
Adjusted EBITDA	51.4	43.6	49.4
Adjusted EBITDA margin, %	13.2%	14.8%	17.3%
Net profit/losses	21.3	10.1	17.5
Assets	315.8	325.6	332.2
Equity	95.4	105.5	116.5
Financial debt	149.5	161.0	158.4
Net debt	144.5	108.0	100.3
Net debt / EBITDA	2.8	2.9	2.0
Return on equity, %	25.0%	10.1%	15.8%
Equity / Assets, %	30.2%	32.4%	35.1%



UAB LTG Link

Passenger transportation by rail

Company code: 305052228

Legal form: Private limited liability company

Office address: Geležinkelio St. 16, LT-02100 Vilnius

Address for correspondence: Pelesos St. 10, 02111 Vilnius

Telephone: +370 700 55 111

E-mail: info@ltglink.lt

Website: https://ltglink.lt

Shareholder: AB Lietuvos Geležinkeliai owns 100% shares of the company

Share capital: EUR 143,589,614.85

Number of shares: 156,237

Nominal value per share: EUR 919.05

Date and place of registration: 28/02/2019, Register of Legal Entities of the Republic of Lithuania

Head of the Company: Kristina Meidė

The Board:

Aurelija Kazlauskienė - Chairman of the Board, independent Board member

Viktoras Bachmetjevas - Independent Board Member

Irmantas Beržauskas - a member of the Board, delegated by the shareholder

Andrej Kosiakov - a member of the Board, delegated by the shareholder

Aistė Gasiūnienė - a member of the Board, civil servant

Number of employees as at 31 December 2023: 593

Operating results, EUR million	2021	2022	2023
Revenue	19.5	35.5	47.9
Grant revenue	37.6	36.2	34.0
Costs	52.6	63.6	67.2
EBITDA	17.4	21.8	28.1
EBITDA margin, %	30.4%	30.4%	34.3%
Adjusted EBITDA	17.5	24.9	31.7
Adjusted EBITDA margin, %	30.6%	34.7%	38.7%
Net profit/losses	3.9	7.1	13.1
Assets	162.3	170.7	183.3
Equity	147.7	154.8	162.6
Financial debt	2.3	4.0	3.9
Net debt	(26.8)	(38.2)	(49.0)
Net debt / EBITDA	(1.5)	(1.7)	(1.8)
Return on equity, %	2.7%	4.7%	8.2%
Equity / Assets, %	91.0%	90.7%	88.7%



AB LTG Infra

Manager of the public railway infrastructure

Company code: 305202934

Legal form: Public limited liability company

Office address: Geležinkelio St. 2, LT-02100 Vilnius

Address for correspondence: Geležinkelio g. 2, LT-02100 Vilnius

Telephone: +370 5 269 3353

E-mail: Info@ltginfra.lt

Website: https://ltginfra.lt

Shareholder: AB Lietuvos Geležinkeliai owns 100% shares of the company

Share capital: EUR 654,928,000

Number of shares: 654,928

Nominal value per share: EUR 1,000

Date and place of registration: 01/07/2019, Register of Legal Entities of the Republic of Lithuania

Head of the Company: Vytis Žalimas

The Board:

Gediminas Almantas - Chairman of the Board, independent Board member

Haroldas Nausėda - Independent Board Member

Ieva Lauraitytė - a member of the Board, delegated by the shareholder

Sigitas Kubilis - a member of the Board, delegated by the shareholder

Ramūnas Rimkus - a member of the Board, civil servant

Number of employees as at 31 December 2023: 2,418

Operating results, EUR million	2021	2022	2023
Revenue	191.9	129.2	117.2
Grant revenue	-	60.0	60.6
Costs	195.0	198.8	181.7
EBITDA	65.0	52.8	59.0
EBITDA margin, %	33.9%	27.9%	33.2%
Adjusted EBITDA	67.1	62.0	58.3
Adjusted EBITDA margin, %	35.0%	32.8%	32.8%
Net profit/losses	(2.9)	(11.5)	(8.7)
Assets	1,554.1	1,704.4	1,894.9
Equity	670.9	659.3	641.9
Financial debt	160.2	143.1	128.9
Net debt	149.3	31.1	51.9
Net debt / EBITDA	2.3	0.6	0.9
Return on equity, %	(0.4%)	(1.7%)	(1.3%)
Equity / Assets, %	43.2%	38.7%	33.9%



UAB Geležinkelio Tiesimo Centras

Repairs and construction of the public railway infrastructure

Company code: 181628163

Legal form: Private limited liability company

Office address: Trikampio St. 10, 25112 Lentvaris, Trakai district

Address for correspondence: Pelesos St. 10, 02111 Vilnius

Telephone: +370 655 37023

E-mail: info@gtc.lt

Website: https://gtc.lt

Shareholder: AB Lietuvos Geležinkeliai owns 100% shares of the company

Share capital: EUR 30,897,354.44

Number of shares: 109,748

Nominal value per share: EUR 281.53

Date and place of registration: 21/12/2001, Register of Legal Entities of the Republic of Lithuania

Head of the Company: Justas Vyžintas

The Articles of Association do not provide for a collegial governance body - the Board.

Number of employees as at 31 December 2023: 227

Operating results, EUR million	2021	2022	2023
Revenue	30.9	19.9	24.2
Costs	30.6	24.5	22.6
EBITDA	3.1	(2.1)	3.6
EBITDA margin, %	10.0%	(10.8%)	14.9%
Adjusted EBITDA	3.1	(2.0)	3.8
Adjusted EBITDA margin, %	10.1%	(10.0%)	15.8%
Net profit/losses	0.4	(4.9)	1.7
Assets	35.7	31.1	32.1
Equity	30.8	25.9	27.7
Financial debt	0.4	0.4	0.3
Net debt	0.4	0.4	(3.4)
Net debt / EBITDA	0.1	(0.2)	(0.9)
Return on equity, %	1.2%	(17.3%)	6.5%
Equity / Assets, %	86.4%	83.4%	86.1%



UAB Rail Baltica Statyba

Implementation of shareholder's functions of the joint Baltic States company RB Rail AS

Company code: 303227458

Legal form: Private limited liability company

Office address: Geležinkelio St. 16, LT-02100 Vilnius

Telephone: +370,614 18055

E-mail: rbs@litrail.lt

Website: <https://www.rail-baltica.lt>

Shareholder: AB Lietuvos Geležinkeliai owns 100% shares of the company

Share capital: EUR 4,161,494.08

Number of shares: 143,698

Nominal value per share: EUR 28.96

Date and place of registration: 23/01/2014, Register of Legal Entities of the Republic of Lithuania

Head of the Company: Arenijus Jackus

The Articles of Association do not provide for a collegial governance body - the Board.

Number of employees as at 31 December 2023: 3

Operating results, EUR million	2021	2022	2023
Revenue	0.06	0.06	0.06
Costs	0.08	0.07	0.08
EBITDA	(0.02)	(0.01)	(0.02)
Net profit/losses	(0.10)	0.00	0.71
Assets	2.30	2.30	3.01
Equity	2.28	2.28	2.99
Financial debt	-	-	-
Net debt	(0.05)	(0.04)	(0.02)
Equity / Assets, %	99.0%	99.1%	99.3%

Secondary companies of the Group

voestalpine Railway Systems Lietuva, UAB (associate)

Manufacture of railway switches

Company code: 110709524

Legal form: Private limited liability company

Office address: Sostinės St. 18, Valčiūnai, Vilnius district

Website: <http://www.railwaysystems.lt>

Capital share: AB Lietuvos Geležinkeliai owns 34%

Share capital: EUR 2,191,924

Date and place of registration:

28/07/1995, Register of Legal Entities of the Republic of Lithuania

RB Rail AS

Implementation and coordination of the Rail Baltica project

Company code: 40103845025

Legal form: Public limited liability company

Office address: Satekles iela 2B, Riga, Republic of Latvia, LV-1050

Website: <https://www.railbaltica.org>

Capital share: Share held by UAB Rail Baltica statyba, a subsidiary of AB Lietuvos Geležinkeliai - 33,33%

Share capital: EUR 1,950,015

Date and place of registration: 12 November 2014, the Republic of Latvia

LTG Cargo Polska Sp.zo.o.

Activities of freight carrier in Poland

Company code: 386573260

Legal form: Private limited liability company

Office address: Świętojerska 5/7, 00-236 Warsaw, Republic of Poland

Website: <https://ltgcargo.pl>

Capital share: Share held by AB LTG Cargo, a subsidiary of AB Lietuvos Geležinkeliai - 100%

Share capital: PLN 34,398,000

Date and place of registration:

21/07/2020, the Republic of Poland

Head of the Company: Michal Szlendak

Operating results for 2023 (EUR million)

Revenue: 37.5

Costs: 40.9

Net profit (loss): (3.5)

Investments: 13.0

Assets: 16.8

Equity: 0.7

Liabilities: 16.1

Number of employees as at 31 December 2023: 126

LLC LTG Cargo Ukraine

Activities of freight carrier in Ukraine

Company code: 43987945

Legal form: Private limited liability company

Office address: Pushkin st. 21, office No. 3, 01004 Kyiv, Ukraine

Website: <https://ltgcargo.ua>

Capital share: Share held by AB LTG Cargo, a subsidiary of AB Lietuvos Geležinkeliai - 100%

Share capital: UAH 17,027,300

Date and place of registration:

09/12/2020, Ukraine

Head of the Company: Saulius Stasiūnas

Operating results for 2023 (EUR million)

Revenue: 0.8

Costs: 0.5

Net profit (loss): 0.3

Investments: -

Assets: 0.8

Equity: 0.3

Liabilities: 0.4

Number of employees as at 31 December 2023: 6

UAB LTG Wagons

Lease of wagons and containers used for freight transportation

Company code: 305651295

Legal form: Private limited liability company

Office address: Geležinkelio St. 12, LT-02100 Vilnius

Website: <https://ltgcargo.lt>

Capital share: Share held by AB LTG Cargo, a subsidiary of AB Lietuvos Geležinkeliai - 100%

Share capital: EUR 150,000

Date and place of registration:

04/11/2020, Register of Legal Entities of the Republic of Lithuania

Head of the Company: Vladas Ambrozevičius

No economic activity

Number of employees as at 31 December 2023: 1

VšĮ Geležinkelių Logistikos Parkas

Entity owned by Vilnius City Municipality and AB Lietuvos Geležinkeliai, responsible for the development and management of the Vilnius Public Logistics Centre

Company code: 302674602

Legal form: Public entity

Office address: Švitrigailos St. 39, 03209 Vilnius

Website: <https://www.logisticspark.lt>

Capital share: AB Lietuvos Geležinkeliai owns 79.61% of the shares

Venturers' capital: EUR 576,396

Date and place of registration:

07/10/2011, Register of Legal Entities of the Republic of Lithuania

Head of the Company: Renata Šostakienė

Lithuanian Railway Companies Association

Representation of the rights and interests of the employers of the members of the association in the social partnership.

Members: LTG, LTG Cargo, LTG Link, LTG Infra, GTC, RBS

Company code: 304949011

Legal form: Association

Office address: Geležinkelio St. 16, LT-02100 Vilnius

Date and place of registration:

13/11/2018, Register of Legal Entities of the Republic of Lithuania

Head of the Company: Irena Jankutė-Balkūnė

Membership in international organisations

International Settlement Centre (BCC) http://bccclearing.eu/	
Organisation of cooperation between police safety organisations in railway undertakings (COLPOFER) http://www.colpofer.org/	
Committee of International Rail Transport (CIT) http://www.cit-rail.org/	
Community of European Railway and Infrastructure Companies (CER) http://www.cer.be	
Organisation for Co-operation of Railways (OSJD) http://en.osjd.org	
International Union of Railways (IUR) http://www.uic.org/	
Intergovernmental Organisation for International Carriage by Rail (OTIF) http://www.otif.ch/	
Council of Rail Transport (CRT) http://www.sovetgt.org/	
Association of the European Rail Infrastructure Managers RailNetEurope (RNE) http://www.rne.eu/	
North Sea – Baltic Rail Freight Corridors No.8 (RFC8) http://rfc8.eu/	
Platform of Rail Infrastructure Managers in Europe (PRIME) https://webgate.ec.europa.eu/multisite/primeinfrastructure/prime-news_en	

8.3. Information on compliance with the Guidelines on Transparency in State-Owned Enterprises

The Company complies with the requirements of the description of the Guidelines for Ensuring Transparency in the Activities of State-Owned Enterprises, approved by the Government of the Republic of Lithuania by Resolution No.1052 of 14 July 2010 ([link](#)), by disclosing the required information in its annual and interim reports and by ensuring disclosure of the information on its website.

Point in the description of the Guidelines on Transparency in State-Owned Enterprises		Disclosure	Comment
Section II. Disclosure of information of a state-owned enterprise			
5.	The following data and information must be announced in the internet website of a state-owned enterprise:		The information is published on www.ltg.lt
5.1.	Name;	Yes	
5.2.	Code and register, where data about the company is filed and stored;	Yes	
5.3.	Headquarters (address);	Yes	
5.4.	Legal status, if a state-owned enterprise is under reformation, reorganization (indicate the way of reorganization), liquidation, is becoming or has become bankrupt;	Legal status not registered	
5.5.	The name of the institution representing the State and a link to its website;	Yes	
5.5.	Operating goals, vision and mission;	Yes	
5.7.	Structure;	Yes	
5.8.	Data about the head of the enterprise;	Yes	
5.9.	Data about the chairman and members of the Board, if formed according to the Articles of Association;	Yes	
5.10.	Data about the chairman and members of the Supervisory Council, if formed according to the Articles of Association;	No Supervisory Council is not formed	
5.11.	Names of committees, if formed; data about their chairmen and members;	Yes	
5.12.	The sum of the nominal values of the state-owned shares (in euro to the nearest euro cent) and the share (in percentage) in the authorized capital of the state-owned enterprise;	Yes	
5.13.	The performed special obligations that are determined as to recommendations approved by the Minister of Economics and Innovations of the Republic of Lithuania: the purpose of the special obligations, state budget appropriations allocated their implementation in the current calendar year and the legal acts entrusting the state-owned enterprise with the performance of the special obligation, the conditions for fulfilment of the special obligations and (or) regulatory pricing;	Yes	
5.14.	Information on social responsibility initiatives and measures, important ongoing or planned investment projects.	Yes	
6.	In order to ensure publicity regarding the professionalism of the management and supervisory bodies as well as the members of the committees, formed in a state-owned enterprise, the following data of the persons referred to in sub-points 5.8 – 5.11 of the Description shall be published: name, surname, commencement date of current duties, other current managerial positions in other legal entities, education, qualification, professional experience. If the person stated in sub-points 5.9 – 5.11 of the Description has been elected or appointed as an independent member, this information should be additionally disclosed under his data.	Yes	

Point in the description of the Guidelines on Transparency in State-Owned Enterprises		Disclosure	Comment
Section II. Disclosure of information of a state-owned enterprise			
7.	The following documents shall be announced in the website of a state-owned enterprise:		The information is published on www.ltg.lt
7.1.	Articles of Association;	Yes	
7.2.	Statement from an institution representing the State regarding the establishment of the goals and expectations of the State in a state-owned enterprise;	Yes	
7.3.	The business strategy or a summary thereof in cases where the business strategy contains confidential information or information which is considered a commercial (industrial) secret;	Yes	
7.4.	Document establishing the remuneration policy, setting out the remuneration of the head of a state-owned enterprise and the remuneration of members of collegial bodies and committees formed in a state-owned enterprise, as detailed in the Code of Corporate Governance;	Yes	
7.5.	Annual and interim reports of a state-owned enterprise, annual and interim activity reports of a state-owned enterprise for a period of at least five years;	Yes	
7.6.	Annual and interim financial statements and auditor's reports on annual financial statements for a period of at least five years.	Yes	
8.	When a state-owned enterprise is a parent company, the structure of the group of companies is to be published on its website as well as the information of its subsidiaries and further subsidiaries as specified in Clauses 5.1–5.3 of the Description, the website addresses, the share (percentage) of the share capital owned by the parent company in their authorized capital, also consolidated financial statements and consolidated annual reports.	Yes	The specified information is published on the websites (if any) of the Company's subsidiaries and secondary subsidiaries
9.	When a state-owned enterprise is a participant of legal entities other than those specified in Clause 8, the details of these legal entities specified in Clauses 5.1–5.3 of the Description as well as their website addresses must be published on its website.	Yes	
9 ¹ .	When a company is a subsidiary or a subsequent subsidiary of a state-owned enterprise, the details of its parent company specified in Clauses 5.1–5.3 of the Description as well as the link to the parent company's website must be published on its website.	Yes	
10.	The data, information and documents referred to in points 5 and 6, sub-points 7.1 to 7.4, points 8, 9 and 9 ¹ of the Description shall be replaced immediately on the website if they have changed or become inaccurate.	Yes	The information and documents are updated on an ongoing basis
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	Documents are posted on the website within a set deadline
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	Documents are posted in the PDF format
Section III. Preparation of sets of financial statements and reports and activity 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	The company maintains accounting in accordance with IFRS
15.	In addition to the set of annual financial statements, a state-owned enterprise prepares a set of 6-months interim financial statements, whereas a public enterprise prepares sets of interim financial statements of 3, 6 and 9 months.	Yes	The Company prepares a set of 6-months interim financial statements
16.	A state-owned enterprise, considered to be a public interest company in accordance with the Law on the Audit of Financial Statements of the Republic of Lithuania, apart from the annual report must additionally prepare a 6-month interim report. A state enterprise, considered to be a public interest company in accordance with the Law on the Audit of Financial Statements of the Republic of Lithuania, apart from the annual activity report must additionally prepare a 6-month interim activity report.	Yes	The Company prepares a 6-month interim report

Point in the description of the Guidelines on Transparency in State-Owned Enterprises		Disclosure	Comment
Section III. Preparation of sets of financial statements and reports and activity reports			
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:		The Company provides information in the annual report
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, asset turnover and debt ratios;	Yes	
17.5.	The fulfilment of the specific obligations;	Yes	
17.6.	implementation of the investment policy, ongoing and planned investment projects and investments during the reporting year;	Yes	
17.7.	implementation of the risk management policy applicable at the state-owned enterprise;	Yes	
17.8.	implementation of the dividend policy at state-owned enterprises;	Yes	
17.9.	implementation of the remuneration policy;	Yes	
17.10.	The total annual payroll fund, the average monthly salary by function and/or department;	Yes	
17.11.	information on compliance with the provisions of Sections II and III of the Description: how they are being implemented, which provisions are not being complied with, and an explanation why.	Yes	
18.	State-owned companies that are not required to prepare a Corporate Social Responsibility Report are recommended to include in the annual report, as appropriate, information on environmental, social and human resources, human rights, anti-corruption and anti-bribery issues.	Yes	The company prepares a Sustainability (Social Responsibility) Report integrated into the annual report
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.	Not relevant	The required information is disclosed in the Company's annual report
20.	Other information not specified in the Description may be provided in an annual report of a state-owned enterprise.	Yes	Other information is also presented in the annual report
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 secondary subsidiaries, the particulars referred to in points 5.1 to 5.3, the percentage of the shareholdings held in the subsidiary's authorised capital, and the financial and non-financial performance of its operations for the year. If a state-owned enterprise, which is a parent company, prepares a consolidated annual report, the requirements of Clause 17 of the Description apply to it mutatis mutandis.	Yes	The Company provides information in the annual report
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	The Company provides information in the interim report

8.4. Definitions

Revenue	Sales revenue + grant revenue + other activity income (excluding finance income)
Sales revenue / Operating revenue	Revenue, excluding grant revenue, other activity income and finance income
Grant revenue	State budget funds to compensate the activities of LTG Link and LTG Infra
Costs	Costs, excluding the corporate tax and expenses from financial activities
Financial debt	Long-term loans + Long-term lease liabilities + Current portion of long-term loans + Short-term loans + Current portion of lease liabilities
Net debt	Financial debt - Cash and cash equivalent investments
Return On Equity (ROE)	$\frac{\text{Net profit (loss) for the last 12 months}}{\text{Average of equity at the beginning and at the end of the reporting period}}$
Return On Assets (ROA)	$\frac{\text{Net profit (loss) for the last 12 months}}{\text{Average of assets at the beginning and end of the reporting period}}$
Return On Investment (ROI)	$\frac{\text{Net profit (loss) for the last 12 months}}{\text{Average of assets at the beginning and end of the reporting period} - \text{Average of current liabilities at the beginning and end of the reporting period}}$
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 amortization
Adjusted EBITDA	Profit (loss) before the corporate tax + interest expenses – interest income + depreciation and amortisation + (decrease) increase in the value of non-current assets, inventories and investments + (decrease) increase in the value of amounts receivable and contract assets + costs of provisions not related to operating activities
EBIT margin*	$\frac{\text{EBIT}}{\text{Sales revenue}}$
EBITDA margin*	$\frac{\text{EBITDA}}{\text{Sales revenue}}$
Adjusted EBITDA margin*	$\frac{\text{Adjusted EBITDA}}{\text{Sales revenue}}$
Net profit margin*	$\frac{\text{Net profit (loss)}}{\text{Sales revenue}}$
Equity ratio	$\frac{\text{Equity at the end of the reporting period}}{\text{Assets at the end of the reporting period}}$

Loan servicing ratio	$\frac{\text{Net profit (loss) for the last 12 months + depreciation, amortisation and grant expense for the last 12 months + interest expense for the last 12 months (adjusted for non-cash balance sheet items)}}{\text{Amortisation of interest payable + Interest payable for the last 12 months}}$
Asset turnover ratio*	$\frac{\text{Sales revenue for the period of the last 12 months}}{\text{Assets at the end of the period}}$
Financial debt / EBITDA	$\frac{\text{Financial debt}}{\text{EBITDA for the period of the last 12 months}}$
Financial debt / equity (D/E)	$\frac{\text{Financial debt}}{\text{Equity at the end of the reporting period}}$
Net debt / EBITDA	$\frac{\text{Net debt}}{\text{EBITDA for the period of the last 12 months}}$
Quick ratio	$\frac{\text{Current assets at the end of the reporting period} - \text{Inventories at the end of the reporting period}}{\text{Current liabilities at end of the reporting period}}$
Total liquidity ratio	$\frac{\text{Current assets at the end of the reporting period}}{\text{Current liabilities at end of the reporting period}}$
Turnover of freight transportation (ton/km)	Freight transport indicator, which is the product of the amount of transported freight (tonnes) and the distance travelled (kilometres)
Passenger turnover (passenger kilometres)	Passenger transport indicator, calculated by multiplying the trip of each transported passenger by the distance travelled
Train operational volume (gross-gross ton/km)	Unit of measure representing by multiplying the gross weight of the train, including the weight of the tractive vehicle, by the distance travelled (included are the weights of: tractive unit, hauled railway vehicle and its load. Passengers and their luggage are excluded. Shunting and other similar movements are excluded)
Number of employees	The number of listed active employees as of the end of the period (excluding the employees on parental leave, military service, long-term incapacity)
Average salary	Average gross salary per employee

* When calculating profitability ratios of LTG Group, UAB LTG Link and AB LTG Infra, the revenue from grants is included in the Sales revenue.

8.5. Abbreviations

Company / LTG Holding / LTG	Parent company AB Lietuvos Geležinkeliai
CO₂	Carbon dioxide
ESG	Environmental, Social and Corporate Governance
EU	the European Union
GDPR	General Data Protection Regulation
GHG	Greenhouse gas
GRoL	The Government of the Republic of Lithuania
GTC	UAB Geležinkelio Tiesimo Centras
IFRS	IFRS Accounting Standards
IT	Information technologies
LTG Cargo	AB LTG Cargo
LTG Cargo Polska	LTG Cargo Polska Sp.zo.o.
LTG Cargo Ukraine	LLC LTG Cargo Ukraine
LTG Group, the Group	AB Lietuvos Geležinkeliai and its subsidiaries
LTG Infra	AB LTG Infra
LTG Link	UAB LTG Link
RBS	UAB Rail Baltica Statyba
RES	Renewable Energy Resources
SAP	Business management system
SOE	State-owned enterprise
VKC	VšĮ Valdymo koordinavimo centras - Analytical and Good Governance Centre established by the Government of the Republic of Lithuania to ensure coherent and professional management of state-owned enterprises

