LTG INFRA

Annual report, financial statements and independent auditor's report, activity accounting reports of public railway infrastructure manager for the year 2023

Overview

CEO's foreword

Dear clients, partners ans colleagues,

The year 2023 has brought not only many challenges for our Company and its team, but also many important achievements. Together, we are in the midst of a **project of particular importance to Lithuania - the electrification of the Vilnius railway junction and the Kaišiadorys-Klaipėda railway section**. We completed the construction of the second track on the Livintai-Gaižiūnai section, as well as the project to eliminate single-level crossings by building a tunnel instead of a level crossing on the Lentvaris - Vievis section. We adapted the Lyduvėnai Bridge, the longest and highest bridge in Lithuania, for public use. Now everyone can see this unique object and enjoy the unique landscape of the Dubysa valley. As part of our long-term network transformation projects, we have been moving steadily towards the wider digitisation of processes, the efficiency of railway infrastructure and maintenance, and the improvement of safety. I believe that the projects we are implementing will help us to have an even more comfortable, safer and faster railway infrastructure in the near future, both for operators and especially for passengers.

To connect the country's rail network with the West, we have continued to work intensively on the strategic European rail project **Rail Baltica**. One of the Rail Baltica project team's key achievements in 2023 was securing additional funding for the project. In June, the European Commission allocated EUR 928 million 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).

Last year, we entered the construction phase and construction of the railway line and its infrastructure started on the most mature section of the Rail Baltica project, the Kaunas-Lithuania-Latvia border.

As regards the Company's choice of a western orientation, it is important to mention the long-term programme **FREE Rail**, which has been developed and launched. 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.

Last year, we made significant progress in implementing a strategically important project in Lithuania - the electrification of the Vilnius railway junction and the Kaišiadorys-Klaipėda railway section. After starting work on the Radviliškis-Klaipėda section, we entered Phase III and finished the year with completed bulk of the electrification work on the entire section. 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 su-

Vytis Žalimas
Chief Executive Officer of AB LTG Infra

stainable future for Lithuania. In addition, the project will increase the level of electrified tracks on Lithuanian railways to 28%, and after the completion of the Rail Baltica railway, it will reach about 35%.

In 2023, we continued our long-standing commitment to society, our partners and our customers to make rail an efficient, convenient and safe means of travelling and transporting freight, and to make rail infrastructure hassle-free for those who live near it. We continued to implement programmes to reduce noise and improve level crossing safety. We also launched the **Barrier-free Route programme** to make railway stations accessible to people with mobility and visual impairments.

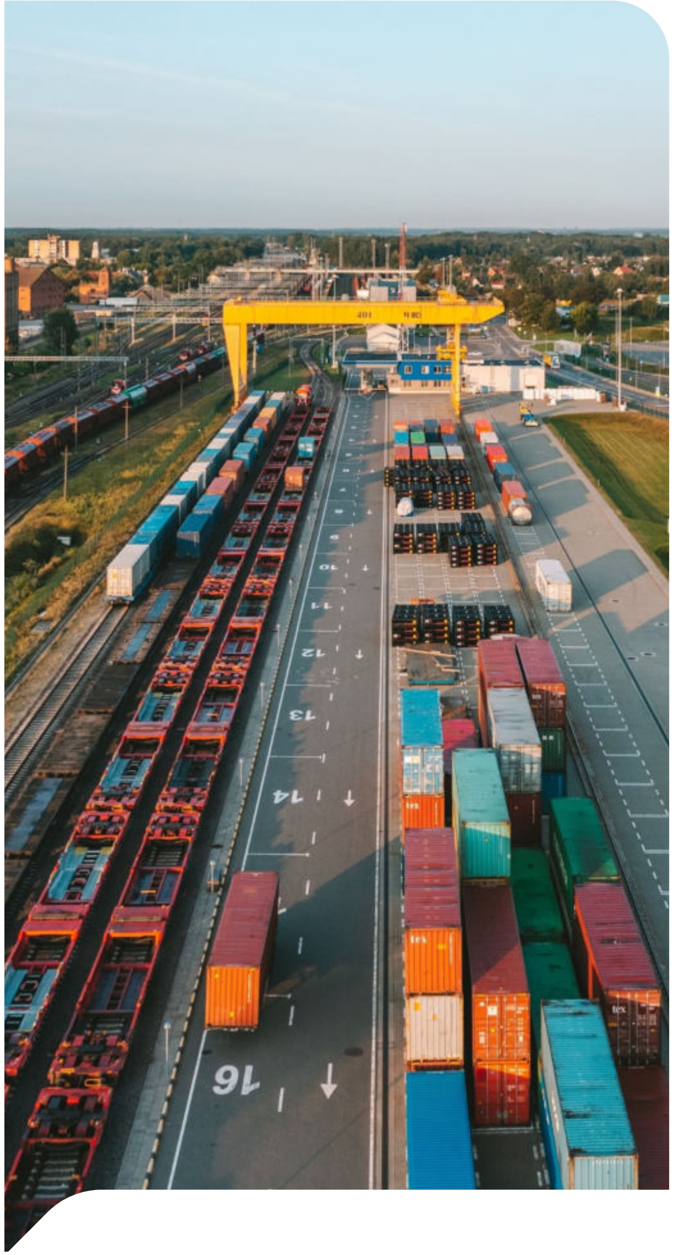
While continuing the efficiency programme of the Company, we completed and implemented one of the largest **projects MOVE** for development of the business process, technology, data management and professional competence. From 3 July, as part of the project, we installed and started working with a new, globally recognised **business management system SAP S/4Hana.** The transformation of this magnitude has made us a more modern, efficient and competitive business, and enabled our employees to work both more efficiently and more comfortably.

It is important to note that in the face of all the daunting challenges, our team of almost 2,500 employees has been working every day with maximum effort to ensure the safety of the railway infrastructure. In the past year, we repaired more than 43 km of main tracks, replaced 42 switches, repaired 5 level crossings and 3 bridges, and made the outdoor infrastructure of 13 stations accessible to people with mobility and visual impairments. We also started repairing the pedestrian viaducts at Vilnius and Kaišiadorys stations. Our diligent maintenance and repair of the railway infrastructure is paying off, and our efforts have contributed significantly to LTG being ranked among the 10 safest railway companies in the 2023 Safety Report of the **Union Internationale Internationale de la Calais (UIC)**, which comprises 34 railway companies from 32 countries.

Looking at the Company's financial performance, the impact of sanctions on Russia and Belarus and the desire to reduce links with these countries has resulted in a continued decline in freight volumes. In 2023, the main performance indicators were: train working volume of 13.9 billion tkm gross (12% less than in 2022) and train mileage of 12.3 million train km. (an insignificant change, compared to 2022). The Company's EBITDA reached EUR 59.2 million (12.1% more than in 2022).

The recent developments have led us to focus even more on operational efficiency and process optimisation in 2024. We are focusing our efforts on increasing the competences of our project activities, strengthening our relationships with external partners and generating additional income from non-regulatory activities. We will also review passenger pricing to find ways to make the infrastructure charge as attractive as possible for passenger operators in order to increase the number of passenger trains running.

I have no doubt that in 2024, by continuing to develop, optimise and improve the company's operations in a focused and consistent manner, we will not only be rapidly approaching **LTG Group's vision of becoming the backbone of the transport system**, but also, by implementing **projects for greener mobility**, will be contributing to building a more sustainable future for Lithuania.



Activity of the company

General information about the company

Name: AB LTG Infra

Address: Geležinkelio St. 2, LT-02100 Vilnius

Legal form: Public limited liability company

Date and place of registration: 1 July 2019, Register of Legal Entities

Company code: 305202934

Telephone: (+370 5) 269 3353

E-mail: info@ltginfra.lt

Website: https://ltginfra.lt/

Principal activity: Management, use and disposal of the railway infrastructure and execution of the functions of the public railway infrastructure manager

CEO of the Company: Vytis Žalimas

Shareholder: 100% of shares held by AB Lietuvos Geležinkeliai

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

Tthe company's branches, representative offices abroad

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

Companys's business model

AB LTG Infra together with the parent company AB Lietuvos Geležinkeliai and its directly and indirectly controlled legal entities comprise the LTG group. LTG provides management services to the companies of the Group, and, as regards the Company, these services are provided to the extent that they are in line with the regulatory requirements applicable to impartiality of management and financial transparency of the public railway infrastructure manager, execution of the fundamental functions of the public railway infrastructure manager (allocation of capacities of public railway infrastructure, calculation and payment of consideration for the minimum access package). To ensure compliance with the said requirements, all decisions concerning the execution of the fundamental functions of the public railway infrastructure manager are taken by the head of the Company or by his authorised staff, in addition, solely the Company's employees authorised by the head of the Company can participate in making these decisions.

The Company's activities within the LTG Group are guided by the **LTG Group's strategy** and guiding principles, as well as by the approved operational policies, which the LTG Group companies are required to take into account in their operations. The Company follows the **LTG Group's strategy** and its key directions and pursues the approved operational policies to the extent that these documents are compatible with the above-mentioned RTC requirements for the activities of the public railway infrastructure manager that are applicable to the Company.

Primary activity and functions

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

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

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

Key functions:

• Renewal of the public railway infrastructure and carrying out of its maintenance;

• Organisation of the railway traffic;

• Submission of proposals on draft programmes for the development of the public railway infrastructure;

• Implementation of programmes and projects for the development of the public railway infrastructure;

• Operation of the public railway infrastructure, except for the decision-making falling within the competence of the Minister for Transport and Communication in accordance with the Code;

• Provision of services comprising the minimum access package;

• Management, use and disposal of the State-owned public railway infrastructure and railway service facilities.

The public railway infrastructure is used by railway undertakings (carriers) engaged in the transportation of passengers, luggage and goods by railway transport as well as Repair undertakings, accordingly, that are entitled to use the public railway infrastructure following the procedure laid down by Article 28(1) and (3) of RTC. Railway undertakings (carriers) pay the charges determined for the minimum access package which is necessary for the railway undertakings (carriers) when providing rail passenger, luggage and/ or freight transport services on local and/or international routes. Those charges for the minimum access package are also paid by Repair undertakings.

In 2023, the Company applied the contribution tariffs for the minimum access package as calculated by the Company's Managing Director by Order No. CS-PAJ(LGI)-1419 of 10 December 2021 (for the period of validity of the train service timetable 2022-2023) and by Order No. ES-PAJ(INFRA)-2233 of 12 December 2022 (for the period of validity of the train service timetable 2023-2024), and published them on the website under the heading 'MPP services: tariffs for the minimum access package and other charges' https://ltginfra.lt/infrastruktura/mpp/tarifai/. The above tariffs are calculated in accordance with the "Rules for calculation and payment of the fee for the minimum package of access to the public railway infrastructure and the fee for the allocated but unused capacity of the public railway infrastructure", approved by the Resolution of the Government of the Republic of Lithuania of 19 May 2004 No. 610 "On approval of the rules for calculation and payment of the fee for the minimum package of access to public railway infrastructure, the fee for the use of public railway infrastructure for rail transit services and the fee for the allocated but unused public railway infrastructure capacity", which lays down the components of the payment for the minimum access package to the public railway infrastructure, the rates of the contributions constituting this payment, the procedures for calculating and paying the payable for the minimum access package and the payable for the allocated but unused capacity of the public railway infrastructure.

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).

The Company also acts as an operator of railway service facilities – by the right of trust, manages, uses and disposes railway service facilities owned by the State and LTG Infra. The charges for the use of railway service facilities, managed by the manager of railway service facilities, railway tracks located therein and the main and additional services related to railway transport provided in these facilities are set by the Company, following sections 1 , 2, 4 and 4^1 of the Article 30^4 of the Railway Transport Code of the Republic of Lithuania.

The Company's activities are monitored by a regulator of railway transport market, the functions whereof have been carried out by the Communications Regulatory Authority of the Republic of Lithuania as of the beginning of 2017.

Services provided

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

• **minimum package services of access to public railway infrastructure.** These include the processing of requests for the allocation of public railway infrastructure capacity; the right to use the public railway infrastructure in accordance with the allocated public railway infrastructure capacity, as well as switches, passenger platforms, and power supply facilities to provide traction current where such facilities are available, are granted; train traffic management, which includes signalling, regulation, traffic management; the transmission and provision of information on train movements as well as any other information necessary for the commencement of the service or for the provision of the service for which public railway infrastructurecapacity has been allocated. The tariffs for the minimum access package are publicly available on the Company's website MPP services: tariffs for the minimum access package | LTG Infra

• **access to railway service facilities (RSF) and the services they provide.** In 2023, the company-owned RSFs provided the following services: use of passenger railway stations, their buildings and other facilities; use of ticketing areas; access to railway tracks connected to rail service facilities; use of railway tracks for the provision of services at rail service facilities; use of rolling stock formation and shunting facilities; use of rail service facilities for the storage of rolling stock; use of the wagon marshalling yard; use of the track gauge change mechanism; provision of traction current; accident recovery at RSFs;intermodal loading of intermodal units at VIT/KIT, storage of intermodal units, access to loading terminals, loading or unloading of freight from/ into wagons, containers, cars, work with loading equipment, loading services by mobile team. A list of access to railway service facilities and the services provided at railway service facilities is available on the Company's website https://ltginfra.lt/infrastruktura/gpi/.

• **services operated on a commercial basis.** The Company provides maintenance and repair of facilities, short-term lease of special rolling stock, wagons and vehicles, lease of long-distance rolling stock, inspection of joints and tracks, maintenance of automation and communication equipment, maintenance of power supply equipment, marking of underground tracks, inspection, calibration and rental of instrumentation and measurement and control equipment, rental of communication services, rental of public railway infrastructure facilities (structures). Also, services of intermodal terminals: in addition to the main intermodal handling service for intermodal transport units, the LGI Infra-controlled intermodal terminals provide a number of additional services, such as handling of containers carried by road only, weighing services, transportation inside the territory of the terminal, services of the representatives of the Customs Broker and handling of cargo on pallets, which is very frequently requested by our customers, and cargo storage in covered warehouses.

Main customers

Main customers of the Company include railway undertakings (carriers), companies manoeuvring or undertakings and repair undertakings. In 2023, the public railway infrastructure and RSF managed by the Company were utilised by the following customers: AB LTG Cargo, UAB LTG Link, AB Akmenės cementas, ELECNOR SERVICIOS Y PROYECTOS, S.A. Lithuanian branch, UAB Geležinkelio tiesimo centras, UAB Gargždų geležinkelis, UAB LOTOS KOLEJ sp.z.o.o, UAB Transachema, UAB Top Rails, UAB Gindana, UAB Alkesta, AB Klovainių skalda, cooperative Gerkonių elevatorius, UAB KT valda, UAB Rizgonys, UAB Žvyro karjerai, UAB Leonhard Weiss Lietuva, UAB Linas Agro Grūdų centrai, UAB Granitinė skalda, UAB Energijos sistemų servisas, AB Dolomitas, UAB Kauno grūdai, UAB Energijų sistemų servisas, UAB Agrokoncerno grūdai, UAB Joniškio agrochemija, UAB Malsena plius, UAB Maltosa, UAB Vakarų krova, UAB Agrochema, Vilniaus gelžbetonių konstrukcijų gamyba, and etc.

Capacity of the public infrastructure

Public railway infrastructure managed by the Company, as well as rules, terms, procedures and criteria for charging for the use of public railway infrastructure and allocation of public railway infrastructure capacity etc. are described in the Regulations of the Public Railway Infrastructure Network (published on the Company's website https://ltginfra.lt/tinklo-nuostatai), which are regularly (annually) updated.

In the middle of October 2022, LTG Infra made decisions regarding the allocation of or refusal to allocate the public railway infrastructure capacities for the validity period of train service timetable 2022–2023. Also, LTG Infra allocated public infrastructure capacity for the period of validity of this working timetable of trains on the basis of the last-minute requests received.

Market and competitive environment

LTG Infra is a natural monopoly on the Lithuanian market, competing with infrastructure managers in neighbouring countries. Competition with infrastructure managers in neighbouring countries exists and is likely to increase in the future, especially in view of the infrastructure development plans of other countries, which increase the attractiveness of their railway infrastructures. In order to increase the competitiveness of LTG Infra, the Lithuanian State will contribute to increasing the attractiveness of the infrastructure by following the example of neighbouring countries. LTG Infra will in turn improve operational efficiency by introducing new technologies, digitising business processes and offering the most cost-effective solutions to carriers, while ensuring safety and infrastructure quality.

As regards the Company's choice of a western orientation, it is important to mention the long-term **programme FREE Rail**, which has been developed and launched. 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 specificities of broad gauge. **The FREE Rail** initiative seeks to find alternative sources of supply in the event of a supply chain disruption from the East. This initiative is designed to explore alternatives to complete disengagement from the supply systems, parts supply and regulatory framework of unfriendly countries. Meanwhile, managing the rising costs of using alternatives requires the promotion of operational efficiency initiatives in all areas of activity: operations management, asset management, pricing, human resources.

Strategy

In view of the geographic and economic developments in the market of transport services, which lead to changes in trade patterns and passenger flows, LTG Group is planning its operations not only in the short term but also in the long term. Long-term strategies for individual LTG business units have been developed in order to ensure that the strategic directions and objectives of the LTG Group Strategy 2024-2028 are as focused as possible on the specific activities carried out by LTG Group companies. One of these is the LTG Infra Strategy 2024-2028, which sets the direction until 2028 and defines the roadmap for activities until 2040.

Changes in the strategy updated in 2023

On 8 December 2023, the Board of Directors of LTG Infra approved the strategy for 2024-2028:

• As in the updated version of the Strategy in the first half of 2023, LTG Infra's 2024-2028 Strategy provides detailed planning for several years ahead, up to 2028, and provides prospects up to 2040. It is important to analyse the short term in as much detail as possible in order to ensure the smooth and efficient operation of the Company.

• A significant development that will allow to ensure stable maintenance of the public railway infrastructure, to improve the quality of the services provided, to ensure a high level of safety and competitiveness of railway transport and to plan its modernisation and development proactively is the State funding granted to LTG Infra. To ensure stable finances of LTG Infra, in April 2022 LTG Infra and the Ministry of Transport and Communications of the Republic of Lithuania signed an agreement for the quality and financing of the railway service facilities owned by right of ownership by the State of Lithuania, which is published on the Company's website https://ltginfra.lt/administracine-informacija. The long-term commitment of the State is established in the legal acts of the European Union and Lithuania.

• In order to increase operational efficiency and to accelerate the progress of one of our strategic directions - business development, the operations of all the LTG group's terminals were concentrated in LTG Infra. Being able to offer a broader package of services from a single source provides greater convenience for customers and more efficient management of available resources. The changed geopolitical context highlighted the importance of railways when ensuring connections for military mobility. Currently, 8 loading sites of LTG Infra are equipped to handle military equipment, with 4 more planned by 2027. The importance of terminals and intermodal terminals is becoming significant not only for the diversification of the Company's activities, but also for contributing to national security.

• The strategy places a strong emphasis on the **Operational Efficiency Programme**. The programme analyses opportunities for cost reduction, improves the quality of operations, facilitates technical interoperability, and improves organisational competences. The strategy includes a review of the possibilities for efficiency in maintenance, diagnostics and traffic management activities, with a particular focus on the digitisation of these activities.

Mission, vision, values

Connecting people and businesses for a more sustainable future

MISSION

Being the backbone of the transport system

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

For foundation of our succes and culture

Strategic directions

Infrastructure for seamless mobility

Creating a convenient, attractive and accessible rail infrastructure for all, increasing connectivity, accessibility and providing sufficient freight and passenger capacity. Increasing the attractiveness of rail as a travel option.

Operational efficiency

Aims to ensure financial stability by digitalising and automating the operations of the infrastructure manager, creating and implementing business models that increase operational efficiency, conducting operations in accordance with international corporate standards and optimising assets.

Business development

Aims to develop and diversify the services of the railway infrastructure manager, while increasing the connectivity of business areas to main railway lines. The aim is to increase the capacities of intermodal terminals, implement diversification of activities and ensure implementation of the European-gauge infrastructure project Rail Baltica in the territory of Lithuania.

ESG (environmental, social and goverernance areas)

The aim is to use energy and natural resources efficiently, to initiate measures to reduce the impact on the environment and climate change, to raise safety awareness among employees and the general public, and to develop best practices in corporate governance. Building a sustainable future is underpinned by advances in the areas of the environment, social partnership, and responsible governance.

Business resilience

To comply with the "safety above all" principle, ensuring a high level of traffic safety, occupational safety and business safety, follow the interests of national security, ensure technology compatibility and independence in the LTG group.

Strong organisational culture

To develop a respectful and transparent business culture, to increase the maturity of the organisation, which would ensure a successful implementation of the vision, to foster an inclusive high-performance culture, to ensure future competences, and use of modern recognition and reward tools.

Implementation of strategic direction projects for 2023 and their progress

• **Infrastructure for seamless mobility**. The aim of this direction is to create affordable and accessible railway infrastructure. One of the main achievements of this strategic direction in 2023 was the signing of five contracts for Phase I of the **Barrier-Free Route programme** (adaptation of railway station areas for people with disabilities at Kaunas, Kaišiadorys, Šiauliai, Lentvaris and Naujoji Vilnia railway stations). After the completion of the contract works, passenger handling services will be improved, accessibility of passengers with limited mobility in the infrastructure of railway stations will be increased.

• **Operational efficiency**. The aim is to use LTG Infra's resources efficiently and effectively, while improving operational efficiency. Different projects are currently being implemented to digitise and optimise infrastructure management: Station Management and Tools Modernisation (SVIM), DaVinci migration, Rolling Stock Automatic Control System (RACS), etc. The projects include the development of a hardware and software module conversion, diagnostics, modelling, design and maintenance centre for the train traffic management system and control, as well as the installation of a modern Station Management System (SMS) at the country's most important railway stations, which will allow for a more efficient utilisation of resources and a more effective exchange of data between the railway undertakings (carriers), the undertakings (shunting undertakings) and the managers of the railway infrastructure of neighbouring countries. As part of the latter project, a contract has been signed with the Polish IT company Petrosoft.pl Technologie Informatyczne Sp. z o.o. for the purchase of a new station management tool. The new station management tool will make rail traffic safer by reducing human error and automating the exchange of traffic data, i.e. making it faster. The traffic management team will be able to work in a more efficient and modern way. The deployment period is 12 months and 4 months of testing. In the Operational Efficiency strand, it is important to highlight the Operational Efficiency Programme initiated this year, which foresees additional ongoing measures - to streamline the company's operations, to improve idle assets, to promote operational excellence, to review pricing, to identify critical functions etc. The measures are expected to help reduce operating costs and generate additional revenue.

• **Business development**. The most important project in this area is **Rail Baltica**. It is an integral part of the European Union's international transport corridor „North Sea-Baltic Sea" The aim of this project is to integrate the Baltic countries into the European rail network. The total length of the route in the Baltic countries is 870 km, of which 392 km are in Lithuania. The project is expected to bring the speed of passenger trains up to 249 km/h and of freight trains up to 120 km/h. **The Rail Baltica project** is becoming increasingly important, not only in terms of providing an alternative to shifting freight transport from road to rail, thus contributing to a reduction in environmental impacts and accidents, but also in the context of the war in Ukraine, making it particularly important for the security of the region in a geopolitical context. Under this project, a contract by the value of EUR 8.59 million (incl. VAT) was signed with the Latvian company A.C.B. in the 1st half of 2023 for for construction towards the Latvian border. The latter was the winner of the tender for the construction of access roads on the Žeimiai-Šėta section (Jonava-Kėdainiai district). At the end of June, the European Commission allocated almost EUR 1 billion (EUR 928 million to be precise) for the implementation of Rail Baltica, the European Union's European rail network 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). This funding will be the most important contribution to accelerating work from Kaunas towards the Lithuanian/Latvian border and will enable the first sections from Kaunas to Riga to be opened, thus connecting the Baltic region to the common European rail network. In addition to these significant achievements, work continues on the construction of the railway bridge over the Neris River in the Jonava district, where pile installation works are ongoing. In the second half of the year, the Baltic Joint Undertaking RB Rail AS signed an additional cross-border grant agreement for European Infrastructure Networks Tool (EINT) funding amounting to EUR 928 million of EINT support for the implementation of Rail Baltica. This major investment, together with national co-financing from the three Baltic States, will amount to more than EUR 1.1 billion. The contract was signed by the European executive agency for climate, infrastructure and environment protection (CINEA), the Estonian Ministry of Climate, the Ministries of Transport and Communications of Lithuania, Latvia, and RB Rail AS.

The Vilnius Connect' project - renewal of the Vilnius railway station - is an important part of the Rail Baltica project. The first phase of the design work has been approved for financing in 2023 and is being prepared for start-up, and different scenarios for the further development of the project are being considered, from which the most efficient will be selected. The necessary public procurement procedures are currently underway and, once completed, a design services contract will be signed with Zaha Hadid Architects, which won the architectural competition launched by Vilnius City Municipality and LTG Infra.

• **ESG (Environmental, Social and Governance)**. One of the ESG key projects is electrification (Kaišiadorys-Klaipėda and Vilnius railway junction). In Lithuania, the transport sector accounts for the largest share of air emissions. When implemented, the project is expected to reduce air pollution by 150,000 tonnes per year. The socio-economic benefits of the project are estimated to exceed EUR 700 million over the lifetime of the project, with a reduction of more than 30% in fuel costs for hauliers and an improvement in the quality of life of people living in the vicinity of the railway. In order to achieve these objectives, intensive electrification works were carried out in 2023 on the Kaišiadorys-Radviliškis, Šiauliai-Klaipėda and Vilnius railway junction sections. In March, work on the installation of foundations and supports in single tracks for the second electrification phase on the Kaišiadorys-Radviliškis section was completed. In April-June, the work moved to the third phase of the Vilnius-Klaipėda electrification project - Radviliskis-Klaipėda (Draugystė station), where the installation of foundations and supports on single track sections was carried out. During the works on these sections, traffic restrictions were applied, with 12-hour traffic breaks. In 2023, about 80% of the planned works have been completed at the Vilnius junction and about 50% of the planned works have been completed at the Kaišiadorys - Klaipėda (Draugystės stotis) section.

- **Business resilience.** To improve the safety of rail transport, a programme of rehabilitation of main railway tracks, a programme of switch replacements and safety improvements at level crossings are being implemented. At intersections with highways, contract work is being carried out to eliminate single-level intersections: in the Kyviškės-Valčiūnai section of intersections of different levels of the railway road and road, the works were completed already at the end of 2022, while in the section Lentvaris – Vievis, the installation of the intersection of different levels of the railway track and the road was completed in the autumn of 2023. Also, the repair work was continued in the objects of the main road sections Lentvaris – Vievis and Šateikiai – Kūlupėnai.

Achieving the goals in 2023

In line with the orientations adopted in the Strategy, the Board of Directors of the Company has set the main operational goals for 2023. The objectives reflect the Company's priorities: to ensure a safe infrastructure, to promote greenery, to balance revenues/costs and to implement key investment projects.

Main goals	Indicators of achievement of goals	Measure unit	2023 Benchmarks for achievement of goals Minimal value | achieved| exceeded	2023 Goal achievement indicators
Infrastructure for seamless mobility	Train operational volume	million tkm brutto brutto	11.0 | 12.2 | 13.4	13.9
Value creation while integrating into western markets	Implementation of major investment projects	%	60 | 80 | 100	85.9
Operational efficiency	LTG Infra costs	EUR million	200.34 | 190.8 | 181.26	181.7
	LTG Infra's operating costs and income ratio	ratio	1.07 | 1.02 |0.97	1.02
Business development	RSF and KPP income	EUR million	30.4 | 33.8 | 37.2	24.3
Business resillience	Reducing the level of risk to road safety in the event of major accidents caused under the responsibility of the infrastructure manager	Number of major accidents directly attributable to LTG Infra	>1 | 0 | -	0.0
	Reducing the level of risk to road safety, for minor incidents	Number of minor accidents (weighted number)/million train km	1.26 | 1.19 | 1.11	0.25
ESG (environmental, social and governance areas)	Implementation of the RES programme	Level of achievement	Start of contracting work on a pilot project for the installation of solar modules in noise attenuation walls |1) A developed strategy for the generation and purchase of electricity in the medium and long term 2) Implemented pilot project for the installation of solar modules in noise attenuation walls |1) Developed strategy for the generation and purchase of electricity in the medium and long term 2) Implemented pilot project for the installation of solar modules in noise attenuation walls; 3) Identified buildings on which solar modules could be placed	Partly achieved

Highlights 2023

January

On 17 January, the Articles of Association of LTG Infra were amended to add new powers to the Board of Directors and to change the thresholds for transactions approved by the Board of Directors by increasing them from EUR 1 million.

On 23 January, the new composition of the Board of Directors of LTG Infra was approved. The Company's independent members of the Board are Gediminas Almantas, currently an independent member of the Board of AB Novaturas, VĮ Lietuvos oro uostai, VĮ Oro navigacija, and Haroldas Nausėda, currently Head of Corporate Clients and Development of UAB Ignitis, also Chairman of the Board of Ignitis Suomi Oy, Ignitis Eesti OÜ, and a member of the Supervisory Board of Ignitis Polska sp.o.o. The position of the board member-civil servant was held in the Board by Ramūnas Rimkus who currently holds the position of the Head of the Strategic Planning Division of the Budget and Investment Department at the Ministry of Transport and Communications of the Republic of Lithuania.

A group of experts from the three Baltic States, including representatives of LTG Infra, Eiropas Dzelzcela Linijas SIA and Rail Baltic Estonia OÜ, which will manage the Rail Baltica railway infrastructure in their respective countries, has drawn up proposals on how railway infrastructure capacity could be allocated to use the Rail Baltica line, which is currently under construction. The proposals are presented in the annual report.

LTG Infra, responsible for the implementation of the Rail Baltica project in Lithuania, has launched a procurement for design services for infrastructure maintenance depots that will ensure maintenance of all sections of Rail Baltica and procurement of design services. The tender winners for the design services and project supervision of the infrastructure maintenance depots in Kaunas and Panevėžys will prepare technical designs for administrative, rolling stock maintenance, fire prevention and rescue train buildings, warehouses, storage yards, access and service roads and other infrastructure necessary for the depots' functioning.

LTG Infra has launched a tender for the design of the infrastructure of the Rail Baltica Kaunas passenger station area. A short time later, a call for tenders was also launched for the design of the railway infrastructure for the ‚Rail Baltica' regional stations in Kašiadorys and Vievis.

The construction permit for the Vilnius railway junction contact network was obtained for the first phase of the Vilnius-Klaipėda (Draugystės st.) contact network contract works. Work started on the installation of foundations and catenary supports.

A contract was signed with Proxion Plan Oy of Finland for the preparation of a concept for the implementation of a unified interlocking system on the network, preparation of procurement documents for the implementation and assistance in the procurement of the implementation.

February

The public presentation of the Specific Plan for the Kaunas-Vilnius section of Rail Baltica, which provides for the specific areas, plots and parts of land through which the railway line will pass, attracted a very high level of stakeholder involvement - as many as 470 proposals and questions on the revision of the Specific Plan. In view of this, a decision was taken to further assess all the proposals for updating the Specific Plan.

A tripartite declaration of intent was signed between PKP Polskie Linie Kolejowe S.A., the Polish railway infrastructure manager, LTG Infra and RB Rail, which is the coordinator and implementing organisation of the Rail Baltica project. The aim of the Declaration is to strengthen the close partnership with PKP Polskie Linie Kolejowe S.A., one of key strategic partners of Rail Baltica.

In parallel with the revision of the Kaunas-Vilnius Specific Plan for the Rail Baltica line, a tender for design services for the Vilnius railway junction has been launched. The contract with the successful tenderer is expected to be signed in the 3rd quarter of this year.

Public Railway Infrastructure Manager's Operational Plan was approved for 2023-2026. The plan outlines LTG Infra's activities for the coming years: investment projects, track renewal works, plans for the renewal of road structures. It provides an overview of LTG Infra's measures to maintain stability in order to ensure the efficient operation of the Company.

The 5th annual meeting of LTG Infra with market players took place. During the meeting, contractors and suppliers were briefed on the Company's major ongoing projects, upcoming procurement, and investment plans. The annual conference attracts more and more participants not only from Lithuania, but also from other countries, and this year 200 business partners attended the annual conference.

March

On 10 March, LTG Infra announced procurement for design services, contract works and X-ray control system equipment in the Stasylai and Kybartai sections. The system will contribute to a more efficient control of sanctioned goods, which is particularly relevant in view of the changed geopolitical situation.

On 29 March, a strategy session of the Board of Directors of the LTG group was held to present the strategies of the LTG group of entities and LTG subsidiaries. Final adjustments were made to the strategies in line with the comments of the LTG Board. Of Directors. On 29 March, the Board of Directors of LTG Infra approved the strategy of LTG Infra.

The foundation and single-track support works for the second phase of electrification on the Kaišiadorys-Radviliškis section were completed. Work continues on the third phase Radviliškis-Klaipėda (Draugystės St.).

LTG Infra, the company implementing the Rail Baltica project in Lithuania, has signed a contract with the Latvian company A.C.B for an amount of EUR 8.59 million (incl. VAT). The latter company has won the tender for the construction of access roads on the Žeimiai-Šėta section (Jonava-Kėdainiai district).

LTG Infra has launched tenders for the purchase of X-ray equipment for the Stasylai and Kybartai sections. The system will contribute to a more efficient control of sanctioned goods, which is particularly relevant in view of the changed geopolitical situation.

April

On 1 April, LTG infra acquired from LTG assets related to terminal operations worth EUR 10.8 million.

A tender was launched for the construction of a military and civil 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. This will improve the country's readiness to host NATO troops.

May

On 1 May, LTG Infra acquired from LTG Cargo a part of the cargo handling business for an amount of EUR 438.0 thousand.

LTG Infra has completed the procurement of services for the implementation, development, support and training of the station management tool. A contract was signed 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 infrastructure, accurate accounting of services provided and automatic data exchange between systems.

Mr. Marius Skuodis, the Minister of Transport and Communications inspected the implementation of the Rail Baltica project in the Jonava district. During the assessment of the section from Kaunas to the Latvian border, the Minister talked to the project developers - LTG, LTG Infra managers, representatives of the Baltic joint venture RB Rail AS and the companies carrying out the contracting works about the current status of the activities on the most mature section of the Rail Baltica project - Kaunas-Lithuanian-Latvian border, and discussed the upcoming works related to the project.

An application was submitted regarding the EU funding for the project „Modernisation of priority level crossings on the Vilnius-Klaipėda railway line".

Agreements are being finalised with the central project management agency for the financing of the Klaipėda and Kretinga noise wall projects.

June

LTG Infra repeatedly announced four tenders to purchase services for the preparation and implementation of land acquisition for public use projects. The contracts are expected to be signed this year. The successful suppliers will prepare and implement land acquisition projects for public needs for infrastructure maintenance depots near Kaunas and Panevėžys and for three sections of the railway line: Kaunas-Vilnius, Kaunas-Lithuanian-Polish border and Kaunas railway junction.

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 even EUR 394 million. This is the largest funding Lithuania has ever received from the Connecting Europe Facility (CEF).

The Government of the Republic of Lithuania has approved the specific plan of the Rail Baltica projectf for the rail infrastructure maintenance depots in Kaunas and Panevėžys. During the meeting it was decided to launch the procedures for the acquisition of land for public needs. The infrastructure maintenance depots are an integral part of the European railway and will ensure the maintenance of all sections of Rail Baltica.

A high-level team from the German Armed Forces Logistics Command and an accompanying delegation of officers visited Palemonas and were briefed on the rail infrastructure options and plans. The German delegation gave indications of the growth in military freight traffic and discussed the importance of the implementation of the military mobility project.

The MOVE project has been completed and implemented with the introduction of the 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. LTG Infra started using the new system as of 3 July.

October

On 16 October, 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.

On 19 October, a financing agreement was signed for the project "Modernisation of priority level crossings on the Vilnius-Klaipėda railway line", which will allow the modernisation of 10 level crossings.

On 26 October, the Company signed a EUR 2.9 million contract for the reconstruction of the pedestrian viaduct leading to Vilnius railway station and platforms. After the reconstruction, the viaduct will be easy to use for all residents and visitors of the city, as the structure will be adapted for people with individual needs.

Events after the reporting period

November

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

During the autumn of 2023, LTG Infra planted 12.0 thousand seedlings in the regions of Kaunas, Klaipėda and Šiauliai. Since the start of the new planting and restoration programme, LTG Infra has planted around 30.0 thousand seedlings of various trees in Raseiniai, Šiauliai, Kaišiadorys, Akmenė, Radviliškis, Kėdainiai districts and Kena.

December

On 8 December, the project of public access to the Lyduvėnai Railway Bridge and its approaches, the longest and highest railway bridge in Lithuania, was completed, allowing visitors to see the bridge and enjoy the unique landscape of the Dubysa valley.

On 8 December, LTG Infra's Board of Directors approved an updated corporate strategy for 2024-2028, which sets a clear direction until 2028 and defines the roadmap for the Company's activities until 2040.

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).

Performance

Overview of key perfomance indicators

Key performance indicators

Indicators	Measurement unit	2021	2022	2023	2023/2022 Δ, %
Train operational volume	billion tkm gross	29.0	15.9	13.9	-12%
Train runs	million train km	15.1	12.3	12.3	0%

The decline in train operational volumes was due to the continued military action by Russia in Ukraine and the wide range of US and EU sanctions imposed on Belarus and Russia during the reporting period. The train runs changed insignificantly during the period under review.

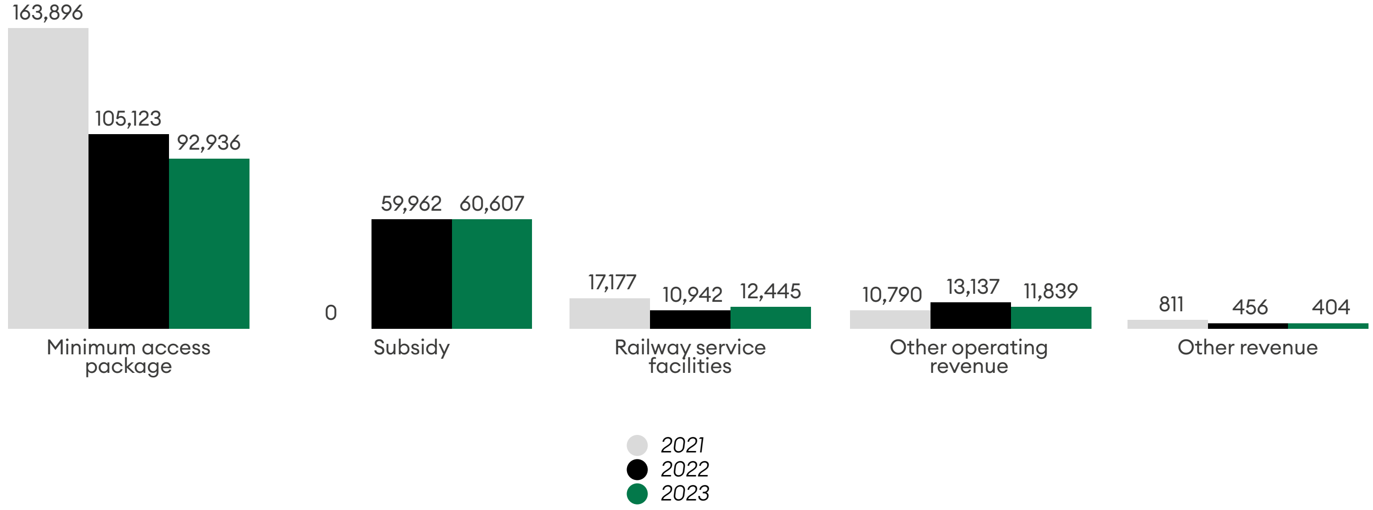
Financial results

Revenue

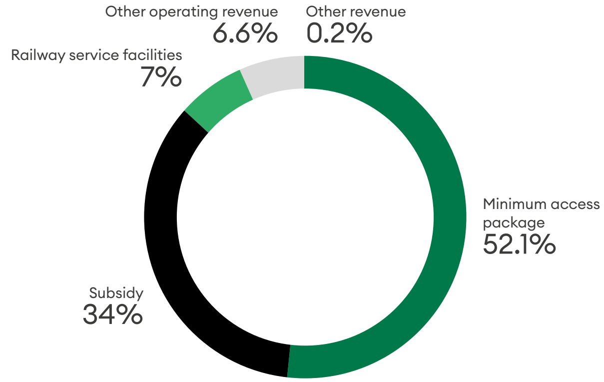
The Company's revenue with the grant in 2023 amounted to EUR 178.2 million, showing a decrease of EUR 11.4 million, or 6.0%, compared to the revenue for 2022. The majority of the revenue, i.e. 52.1%, was generated from providing services of the minimum access package.

- **The revenues from the minimum access package** decreased by EUR 12.2 million or 11.6%, compared to 2022, and amounted to EUR 92.9 million. Due to the impact of sanctions and the reduction of links with Russia and Belarus, freight volumes fell by 11.2% over the analysed period.
- **Grant revenues** amounted to EUR 60.6 million in the period under review, an increase by EUR 0.6 million or 1.1%, compared to 2022. The State funds are intended to balance the revenues and costs of the public railway infrastructure manager due to the fall in freight transport volumes.
- **Revenues from services provided in RSFs managed by the Company** in 2023 increased by EUR 1.5 million or 13.7% to EUR 12.4 million. The comparative weight of these revenues in the Company's total revenue structure is 7.0%. The growth in revenue was driven by the increasing volumes of services provided by intermodal terminals as well as the use of loading sites, which the Company acquired in April this year. Revenue growth was also impacted by an increase in the rates for some services.
- **The Company's other operating income** is derived from the maintenance and repair of public railway infrastructure, junctions and track inspections, property rentals, provision of electricity, communication services, sale of scrap metal, and a variety of other services of a commercial nature provided by the Company. These revenues amounted to EUR 11.8 million in 2023 and accounted for 6.6% of the Company's total revenues. Compared to 2022, these revenues decreased by 9.9% due to lower scrap sales volumes.
- **The Company's other operating income** amounted to EUR 0.4 million in 2023 and remained significantly stable compared to 2022.

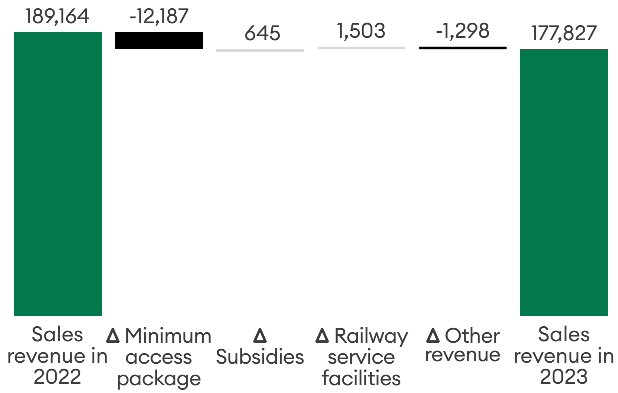
1 pic. The Company's revenue, EUR thousand



2 pic. Revenue structure of the Company in 2023, %



3 pic. Change in the Company's sales revenue, thousand EUR



Costs

The Company's costs for core and non-core activities in 2023 amounted to EUR 181.7 million. Compared to 2022, the costs have decreased by EUR 17.1 million or 8.6%.

The major part of these costs is made up of depreciation and amortisation (34.4%), wages and salaries (31.7%), management services (11.4%), materials, repairs and maintenance (10.9%) and energy resources (4.7%). The remaining costs account for 6.8%.

• **Depreciation and amortisation expenses** amounted to EUR 62.5 million in 2023, which is an increase of EUR 0.5 million or 0.7% compared to 2022 due to the commissioning of the Company's investment projects. The majority of the Company's investment projects are long-term projects, which take several years to complete before the assets are put into operation.

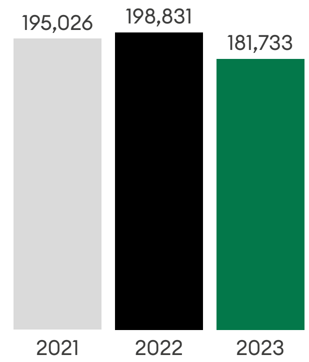
• **Wages and salaries and related costs** in 2023 amounted to EUR 57.7 million and remained significantly unchanged, compared to 2022 (0.1% growth). Compared to 2022, the number of employees of the Company has decreased by 1.4%; however, due to the annual review of employee remuneration, the average salary has increased (see Employees section of the report). As a result of the implementation of more investment projects with the Company's internal resources, a higher proportion of the salaries has been attributed to the value of non-current assets.

• **Materials, repairs and maintenance costs** in 2023 amounted to EUR 19.8 million, showing a decrease by EUR 0.7 million, compared to 2022. During the reporting period, planned repairs were carried out to ensure traffic safety.

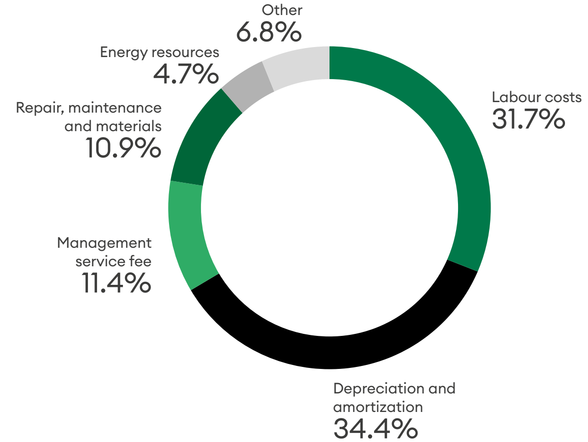
• **The cost of energy resources** (fuel, electricity) amounted to EUR 8.6 million in 2023 and decreased by EUR 9.6 million, compared to 2022 The most significant impact on the cost level is due to fluctuations in the prices of energy resources.

• **Other costs** amounted to EUR 12.4 million in 2023 and decreased by EUR 7.6 million, compared to 2022. In 2022, due to the geopolitical situation and related events, the Company accounted for impairment of the non-current assets, inventories, which significantly increased the costs in 2022. No material impairment of the non-current assets and inventories was formed in 2023.

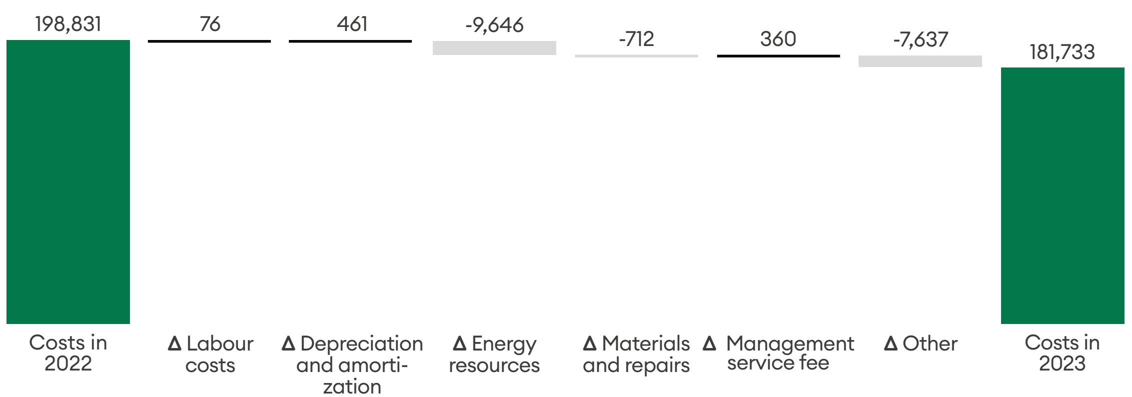
4 pic. Company's costs, EUR thousand



5 pic. Structure of the Company's costs in 2023, %



6 pic. Change in the Company's costs, EUR thousand



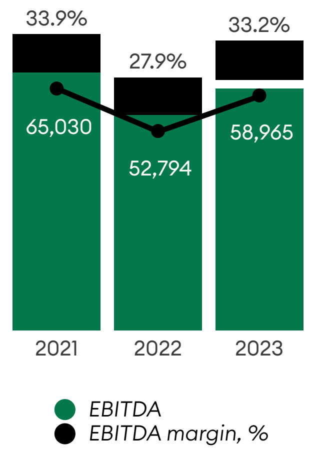
Performance

Analysing the Company's financial results, we can see that due to the impact of the sanctions on Russia and Belarus and the desire to reduce the links with these countries, the volumes of freight transported from 2021 onwards have continued to decrease. In 2023, one of the key performance indicators, the train work volume amounted to 13.9 billion tkm gross (45% lower than in 2021 and 12.0% lower than in 2022).

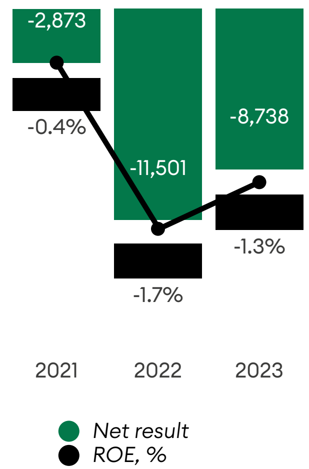
The Company's sales revenue, excluding State grants to balance revenues and costs, fell from EUR 129.7 million in 2022 to EUR 117.6 million in 2023, or by EUR 12.0 million. A substantial part of the revenue is represented by the remuneration for the provision of the minimum access package to the public railway infrastructure, paid by railway undertakings (carriers), most significantly by LTG Cargo, the LTG group's freight carrier. Based on the EU Directive 2021/34/EU and the provisions of RTC, on 6 April 2022, the Ministry of Transport and Communications of the Republic of Lithuania and the Company signed a Quality and Financing Agreement for the railway service facilities owned by the Lithuanian State (valid for five years), which allows to ensure a stable maintenance of the infrastructure, a high level of safety of railway traffic, and the quality of the provided services. The long-term commitment of the State **to balance revenue and expenses of the infrastructure manager** is established in the legal acts of the European Union and Lithuania.

In 2023, the Company continued to implement the **operational optimization** measures, focusing on an increase of operational efficiency as well as control and reduction of costs. The Company's financial results have improved, with EBITDA increasing by 11.7% to EUR 59.0 million and losses decreasing to EUR 8.7 million, compared to 2022.

7 pic. Company's EBITDA, EUR thousand



8 pic. Company's net profit, EUR thousand



The Company's management continues to assess the main risks and threats related to going concern and the impact on the Company's business and continues to implement the necessary actions to manage the situation. On 4 April 2023, the LTG Board approved the updated Long-term Strategy of the LTG group for 2028: Integration into Europe. The Company continues to implement the major and most important strategic initiatives that have been developed: **Rail Baltica** - the project to integrate the Baltic States into the European rail network, the **Electrification** project, the **ERP modernisation** project (automation of planning and management processes).

The measures taken will allow the Company to balance the cash flows necessary to ensure the continuity of its operations and to service the existing loan agreements.

Changes in the statement of financial position

As at 31 December 2023, the Company's assets amounted to EUR 1,894.9 million and increased by 11.2%, compare to the year ended 31 December 2022. Non-current assets, which accounted for 93.7% in the overall structure, increased by 13.8% up to EUR 1,776.4 million. Due to the Company's long-term investment projects, which take several years to complete, the most significant increase was observed in construction in progress.

In 2023, the current assets decreased by EUR 24.3 million and amounted to EUR 118.5 million as at 31 December 2023. The change in current assets was affected by a decrease in the Company's cash balance, which amounted to EUR 77.0 million at the end of the period.

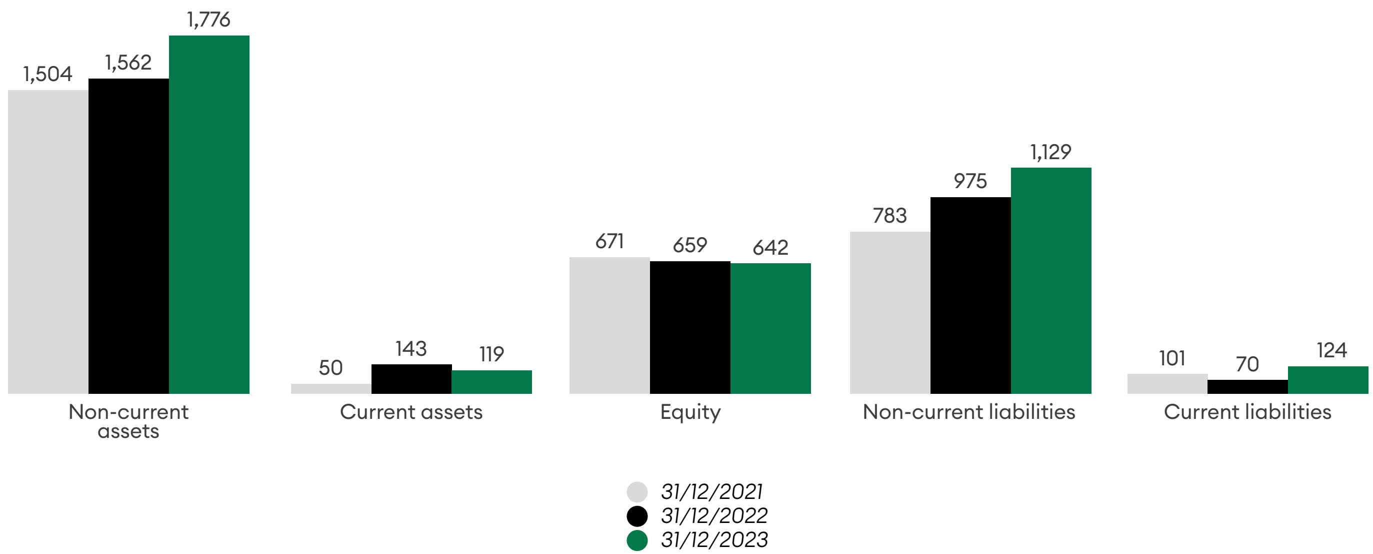
Authorised capital remained unchanged at EUR 654.9 million during the period under review. In 2023, equity decreased by EUR 17.4 million and amounted to EUR 641.9 million as at 31 December 2023. The changes were caused not only by the decrease in the Company's result for the reporting period, but also by the decision of the Board of Directors of LTG Infra and the shareholder of LTG Infra to sell the assets of the shared electricity network managed by LTG Infra. The 15.1% increase in non-current liabilities to EUR 1,122.6 million is due to an increase in grants.

The 15.8% increase in non-current liabilities to EUR 1,128.9 million is due to an increase in grants.

In 2023, the current liabilities increased by EUR 54.3 million to EUR 124.1 million as at 31 December 2023. The change was due to an increase in trade and other payables.

Financial debt (including leases) decreased by 9.9% to EUR 128.8 million over the period under review. The decrease in the financial debt was due to the repayment of long-term loans and no new long-term loans were taken during the period under review. The decrease in the Company's cash balance led to an increase in net debt during the analysed period.

9 pic. Main changes in the items of the Statement of Financial Position, EUR million



Key financial indicators

	Measurement unit	2021	2022	2023
Sales revenue	EUR thousand	191,863	129,202	117,220
Grants	EUR thousand	0	59,962	60,607
Income from other activities	EUR thousand	811	456	404
Total income	EUR thousand	192,674	189,620	178,231
Costs	EUR thousand	(195,026)	(198,831)	(181,733)
EBITDA	EUR thousand	65,030	52,794	58,964
Normalized EBITDA	EUR thousand	67,143	62,014	58,302
EBITDA margin	%	33.9%	27.9%	33.2%
Normalized EBITDA margin**	%	35.0%	32.8%	32.8%
EBIT	EUR thousand	(2,352)	(9,211)	(3,502)
EBIT margin	%	-1.2%	-4.9%	-2.0%
Net profit (loss)	EUR thousand	(2,873)	(11,501)	(8,738)
Net profit margin	%	-1.5%	-6.1%	-4.9%
	Measurement unit	31 12 2021	31 12 2022	31 12 2023
Non-current assets	EUR thousand	1,503,973	1,561,514	1,776,396
Current assets	EUR thousand	50,161	142,846	118,518
Total assets	EUR thousand	1,554,134	1,704,360	1,894,914
Equity	EUR thousand	670,928	659,303	641,907
Financial debt	EUR thousand	160,201	143,118	128,881
Net Debt	EUR thousand	149,280	31,111	51,859
	Measurement unit	31 12 2021	31 12 2022	31 12 2023
Return On Equity (ROE)	%	-0.4%	-1.7%	-1.3%
Return On Assets (ROA)	%	-0.2%	-0.7%	-0.5%
Return on Investment (ROI)	%	-0.2%	-0.7%	-0.5%
Financial debt / EBITDA	Times	2.5	2.7	2.2
Financial debt / Equity	%	23.9%	21.7%	20.1%
Net debt / EBITDA	Times	2.3	0.6	0.9
Net debt/Normalized EBITDA	Times	2.2	0.5	0.9
Debt Service Coverage Ratio	Times	4.2	2.2	2.9
Equity ratio	%	43.2%	38.7%	33.9%
Asset turnover ratio	Times	0.1	0.1	0.1
Quick liquidity rate	Times	0.4	2.0	0.9
Total liquidity rate	Times	0.5	2.0	1.0

** definitions of the indicators are presented on page 65 of the Report.*

*** In the calculation of Normalised EBITDA for 2022, severance payments and compensation for employees made redundant as part of the Business Optimisation Project (EUR 1.5 million) have been added to the non-operating provision costs.*

Company's funding

As at 31 December 2023, the size of Company's loan portfolio was EUR 126,736 thousand (31 December 2022: EUR 141,082 thousand). No new loans were received.

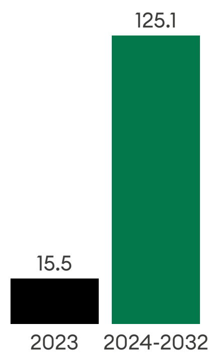
As at 31 December 2023, the weighted interest rate of the Company's loan portfolio was 5.2% (31 December 2022: 1.3%). The longest repayment term of a financial borrowing is 11 years, the last maturity is in 2032.

To balance the working capital, the Company used the LTG Group's cash pool to optimise the use of working capital and short-term borrowing costs. The parent company of the LTG group has entered into an agreement with a credit institution for servicing the LTG group's cash pool and, accordingly, the Company enters into a mutual lending agreement for each year. The terms of the agreement are in compliance with an arm's length principle.

The Group's cash pool agreement is valid until 31 December 2023. The terms of the agreement are in accordance with the arm's-length principle.

Ratio	Measurement unit	2023	Value set by the bank
Net debt/Normalized EBITDA	Times	0.9	Not more than 4.0
Equity ratio	%	33.9	Not less than 30.0%
Debt Service Coverage Ratio	Times	2.9	Not less than 2

10 pic. Repayment of Company's loans, EUR million



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

The purpose of the special obligation:

- Provide minimum access package services to railway undertakings (carriers) on non-discriminatory terms;
- Maintain, modernise and develop the public railway infrastructure by implementing projects listed in the state investment programme and by ensuring the use of the EU funds.

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

Legislation entrusting the SOE with the following special obligation:

- Provision of minimum access package services: Article 3(51), Article 23(1), Article 24(1)(6) of RTC;
- Maintenance, modernisation and development of the public railway infrastructure: Article 3(51), Article 23(1) and Article 24(1)(1), Article 24(1)(3) and Article 24(1)(4) of RTC.

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

- **provision of minimum access package services:** the function is subject to budgetary allocations in accordance with the agreement on quality assurance and financing of public railway infrastructure and railway service facilities owned by the Lithuanian State, signed on 6 April 2022 between the Ministry of Transport and Communications of the Republic of Lithuania and the Public Railway Infrastructure Manager LTG Infra, as well as in accordance with the use of the state budget funds for the implementation of the programme „Implementation of Transport and Communications Policy" concluded between the Ministry of Transport and Communications of the Republic of Lithuania and the Public Railway Infrastructure Manager LTG Infra on an annual basis. Pricing is governed by Articles 25–25[2] of the RTC and fee rates are calculated in accordance with the Fee Rules approved by Resolution No. 610 of the Government of the Republic of Lithuania of 19 May 2004 "On Approval of the Rules for Calculation and Payment of the Fee for the Minimum Payment of Access to Public Railway Infrastructure, the Fee for Using the Public Railway Infrastructure for the Provision of Transit Rail Transport Services and the Fee for the Allocated Public Railway Infrastructure".

• **maintenance, modernisation and development of public railway infrastructure**: the function is carried out in accordance with the annual agreement between the Ministry of Transport and Communications of the Republic of Lithuania and AB LTG Infra for the use of state budget funds for the implementation of the program "Implementation of Transport and Communications Policy", the funds of the European Structural and Investment (ESI) Funds and the European infrastructure networking measures are allocated and the own funds of LTG Infra are used. Pricing is not subject to regulation.

Details of the Company's Special Obligations are available on the Company's website https://ltginfra.lt/veiklos-rezultatai and in the 2023 Annual Report.

Indicators for the fulfilment of specific obligations agreed with Appropriations Operator (LR Ministry of Transport and Communications)	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	units	2,034	1,100
Minutes of delay for passenger trains caused by 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

Performance results of special obligations (unaudited)

Statement of profit or loss, EUR thousand	2021	2022	2023
Revenue	164,824	166,142	154,908
Expenses	163,113	163,763	148,863
Financial activity result	(2,941)	(2,584)	(6,045)
Profit (loss) before taxation	(1,230)	(205)	-
Corporate income tax	562	7	-
Net profit (loss)	(668)	(197)	-
Statement of financial position, EUR thousand	**31 12 2021**	**31 12 2022**	**31 12 2023**
Total assets	1,407,617	1,553,394	1,748,625
Equity	597,248	590,227	586,565
Grants	554,665	769,236	929,737
Liabilities	255,704	193,931	232,323
Total equity and liabilities	1,407,617	1,553,394	1,748,625

The detailed reports for 2023 are presented in the section 'Activity accounting report of the Public Infrastructure Manager'.

Investments

LTG Infra's investments in 2023 amounted to EUR 313.5 million, the major part of which include Rail Baltica and Electrification projects. The increase in the scope of the contract work for these two projects led to a significant increase in the investment level of LTG Infra, compared to previous periods.

Investments, EUR million	2021	2022	2023
Rail Baltica	14.7	24.6	67.6
Electrification of the Vilnius-Klaipėda corridor	0.3	59.8	178.1
Track upgrade programme	29.7	22.0	27.7
Other	64.8	48.7	40.1
Total	109.5	155.1	313.5

Key investment projects in 2023

Development and renewal of railway infrastructure

The biggest project of Lithuanian railway infrastructure Rail Baltica

The largest railway infrastructure project Rail Baltica, aimed at connecting the Baltic States with the European-gauge track network dominating in the EU countries. Rail Baltica is designed to connect the Baltic countries with the dominant European railway network in EU countries. Progress of the project in 2023:

• In the railway section Kaunas-LT/LV state border:

- ongoing technical design works for individual sections of the railway line;

- ongoing construction works of the bridge near Jonava over Neris. It will be the longest bridge in the Baltic States – the length will be 1.5 km; the 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); 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.

Electrification Program

The rail Electrification Programme continues to significantly reduce air pollution and increase the efficiency of Lithuania's transport sector.

Contract works are being carried out as part of the Vilnius-Klaipėda corridor electrification project:

• At the Vilnius railway junction, over 90% of electrification works have been completed;

• At the Kaišiadorys - Klaipėda (Draugystės station) section, over 60% of electrification works have been completed.

In 2023, investment volumes for electrification amounted to EUR 178.1 million.

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.

Other directions in the development and modernisation of railway infrastructure

• In 2023, the second track on the Livintai - Gaižiūnai railway section was completed. 10.8 km of new road and 10.7 km of the existing road were constructed. The project eliminates the "bottleneck" of the train capacity on the Vilnius - Klaipėda section.

• Safety levels at railway-road intersections are being improved:

- 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. When implemented, the project will virtually eliminate traffic safety problems at these level crossings, where both train and road traffic is heavy;

- level crossings are being modernised. Four level crossing modernisation projects have been initiated (37 level crossings in total) and procurement procedures have been carried out. 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.

• Digitisation of rail infrastructure is carried out:

- The **Station Management and Instrumentation Modernisation (SMIM) project** is being implemented to improve the efficiency of station operations. The project will develop a new operating model and implement the most appropriate station management tool;

- **The ERP system is being modernized**. LTG Infra started working in the **business management system SAP S/4Hana** from 1 July 2023;

- **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 help ensure the level of security 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.

• Investments into railway stations to increase their attractiveness to the public:

- The project to develop a station information system was carried out 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 for passengers with disabilities, **the Barrier-free Route project** is being implemented to make train journeys accessible for people with disabilities in station areas. The project renovates station accesses, builds ramps, warning strips and other measures. 14 stations were completed in 2023. The project is 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.

• The works to expand the capacities of Kaunas Intermodal Terminal were carried out in 2023. The terminal pavement was reinforced and additional handling equipment for transhipment of semi-trailers was purchased, and the semi-trailer parking area was extended. When implemented, the projects will increase the loading capacity relevant for semi-trailer transport on the Rail Baltica line.

• A programme for installation of noise reduction walls was performed. The programme includes a total of 9 noise reduction walls in 7 municipalities.

• A project to adapt the Lyduvėnai railway bridge maintenance path for visitors was carried out in cooperation with the State Service for Protected Territories under the Ministry of the Environment of the Republic of Lithuania. The aim of the project is to provide visitors with the opportunity to admire the views from the Lyduvėnas railway bridge, the longest (599 m) and highest (42 m) in Lithuania.

• Procurement of services was initiated for the replacement of locomotive safety systems (LSS) on self-propelled infrastructure rolling stock. 17 rolling stocks are planned to replace the unsafe Russian-made KLUB-U systems currently in service.

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. In 2023, the works by the value of 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.

In 2023, LTG Infra acquired non-current assets for railway service facilities from LTG (Asset Management Service Centre) for EUR **10.9** million.

Planned investment projects and their investment orientations

The following investments in rail infrastructure are 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 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 (installation of a military/civilian loading site in Palemonas, connection of the Pajuostis base) and national security (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.

Dividend policy

The payment of dividends by state-owned enterprises and the amount of profit contributions 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 (information is available on the website of legislation of the Seimas of the Republic of Lithuania https://e-seimas.lrs.lt/portal/legalActEditions/lt/TAD/TAIS.427069). The consolidated version is effective as of 5 April 2022.

The allocation and payment of dividends of the Company is governed by the LTG group's Policy for Allocation of Dividends and the Description of the Procedure for the Calculation and Use of the Public Railway Infrastructure Manager's Operating Result, approved by the Order of the Minister of Transport and Communications of the Republic of Lithuania No 3-289 of 6 June 2022, which has been drawn up in accordance with the provisions of Article 24^{1}(9) of the RTC (https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/40eeb720e5cf11ec896de0b71e988500?positionInSearchResults=0&searchModelUUID=e543e5aa-2bc5-4ba6-8090-8578eaa477f2).

Based on the LTG group's **Procedure for Allocation of Dividends**, allocation of dividends for the financial year or a period shorter 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 LTG Group's Procedure for Allocation of Dividends.

The Board of the Company may propose a higher share of profit to be distributed for dividends taking into account the implementation of financial plans, significant financial ratios (net profit, EBITDA, financial debt to EBITDA ratio, financial debt to equity ratio) at the end of the reporting period, if the payment of such higher share of profit has no negative effect on the implementation of the **Company's Long-Term Strategy (2040)**.

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

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

The Company, performing the functions of public railway infrastructure manager, pays dividends calculated in accordance with the Procedure for Allocation of Dividends to the extent compatible with the requirements of Article 24_{1} (10–12) of the RTC and the provisions of the Description of the Procedure for the Calculation and Use of the Public Railway Infrastructure Manager's Operating Result.

The Company's distributable profit for 2022 is negative (loss) and no dividends have been declared or paid.

Governance report

Group structure

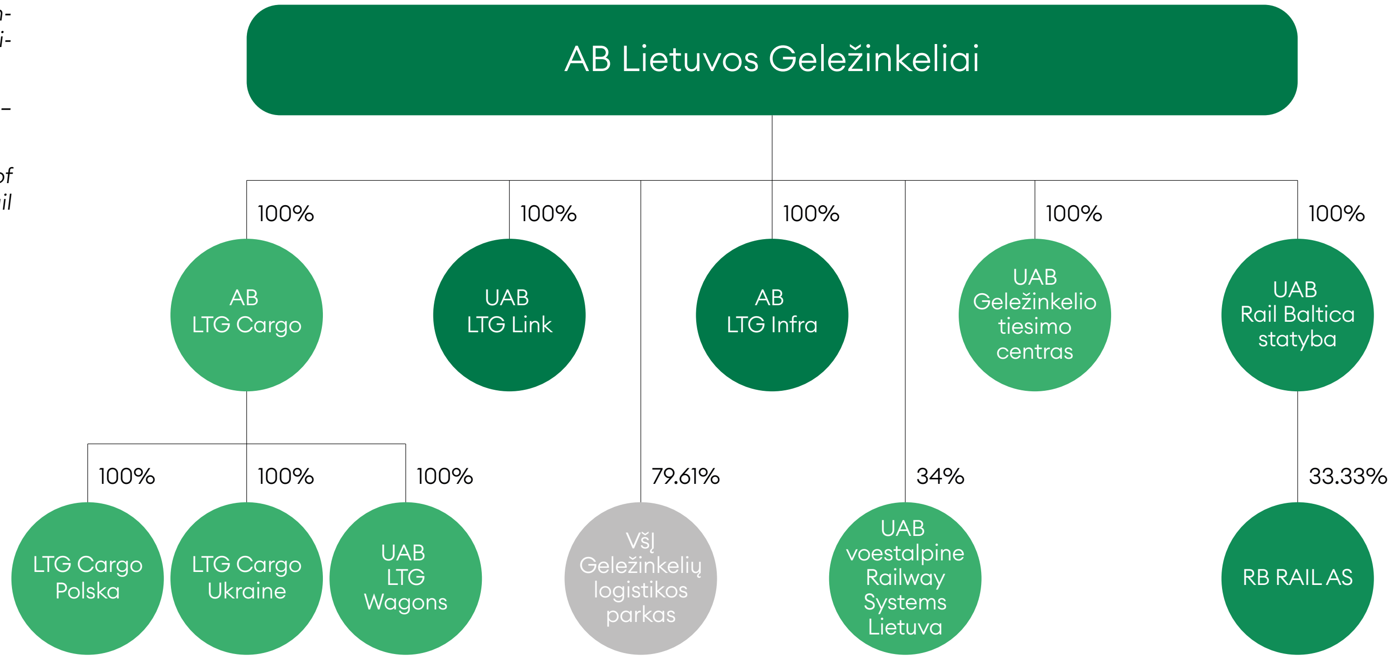
The Company belongs to the LTG group, the largest freight, passenger and infrastructure management group in the Baltic States. 100% of the Company's shares are owned by LTG. The Company did not have any subsidiaries during the reporting period.

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 RAIL AS coordinating implementation of the project Rail Baltica

Public entity



Governance model

LTG group's corporate governance is organised in such a way as to maintain an effective and result-oriented balance between the management and control measures of LTG group. The governance model of the LTG group is centralised, i.e. the governing bodies of the parent LTG consider and approve the LTG 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. LTG establishes rules and procedures for the coordination, supervision, and control of the performance plans of all LTG group companies.

The LTG group applies a functional leadership model, which means that added value is created by centralising the management of operational support and corporate functions and the functions themselves, by consolidating competences and introducing functional excellence. The parent company coordinates the finance, legal, planning and monitoring, human resources, risk management, audit, technology, communication and other general areas of the LTG group companies through common policies, regulations and norms that apply to all LTG group companies.

This governance model is applied by the Company to the extent it does not conflict with the legal requirements of impartiality in the management of the public railway infrastructure manager, financial transparency, the allocation of public railway infrastructure capacity and the calculation and payment of the minimum access package fee.

The corporate governance of the LTG group shall be organised in accordance with the following principles:

- Openness and transparency of operations;
- Compliance with the legal framework and effectiveness of corporate governance;
- The fulfilment of shareholders' expectations;
- Cooperation with stakeholders, and their role;
- Effective and efficient risk management and internal control systems;
- Clarity and sustainability of objectives;
- Responsibility and accountability of the governing bodies.

Operational policies applied in the LTG Group

During the reporting period, the following operational policies were adopted by the LTG group and applied by the Company:

- **Corporate Governance Policy**, which aims to establish common principles for the LTG group in terms of governance structure, formation of governing bodies and separation of functions, corporate governance, control and transparency, optimal governance structure, decision-making and accountability framework, and the relationship between the governing bodies of the LTG group companies.

- **The Related Party Transactions Policy**, is designed to protect the interests of the the LTG group in order to properly assess conflicts of interest and minimise the potential adverse consequences of such transactions, and to ensure that proper disclosures are made in the financial statements of LTG and the LTG group.

- **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.

- **Remuneration policy**, which includes provisions on remuneration and performance management for the LTG group employees.

The Conflict of Interest Prevention and Management Policy is designed to ensure the functioning of the conflict of interest prevention system in the LTG group, to identify potential conflicts of interest, to create an environment resistant to corruption and dishonesty and to enhance confidence in the performance of the LTG group.

- **The Sanctions Enforcement and Control Policy**, which sets out a unified model and principles for the enforcement and control of sanctions by the LTG group companies to ensure compliance with the United Nations Security Council (UN), the European Union (EU) and the national sanctions regulations and to ensure alignment with the requirements of the sanction regimes of the United States of America (USA) and the United Kingdom of Great Britain and Northern Ireland (UK).

- **The Project and Investment Management Policy**, which sets out the overall project and investment management arrangements within the LTG group to ensure that projects and investments are delivered on time, within scope, on schedule and within 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**, aimed at ensuring that the LTG group's corporate activities meet the highest standards of transparency, integrity and trustworthiness.

- **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.

Recognitions of governance

LTG group is among the leading state-owned enterprises (SOEs) in the 2022/2023 Good Governance Index assessment among SOEs in the large enterprise category, with the highest rating of "A+".

The Company received the highest rating of „A+" in the categories of collegial bodies strategic planning and „A" in transparency.

A	A+	A+	A+
Transparency	Collegial bodies	Strategic planning and implementation	Good Governance Index

The assessment tool developed by the Governance Coordination Centre - the Good Governance Index for SOEs - is used to assess the quality of SOEs' governance, and aims to measure and assess the implementation of key good governance practises by state-owned enterprises and the representative institutions that control them It is currently the only tool that monitors the governance of SOEs and assesses the quality of governance and compliance of all SOEs and their subsidiaries with the provisions of legislation.

Information on shares at 31 december 2023

Amount of authorised capital, EUR thousand	Number of shares, units	Nominal value per share, EUR
654 928	654 928	1 000

The Company belongs to the LTG group, the sole shareholder whereof is the parent company LTG. The shareholder of LTG is the State of Lithuania, it owns 100% of its shares, and the shareholder's rights and duties are carried out by the Ministry of Transport and Communications of the Republic of Lithuania.

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

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

Articles of association of the company

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

On 17 January 2023, the Company's Articles of Association were amended by supplementing them with new competences of the Board and changing the limits of transactions approved by the Board.

The currently valid Articles of Association of the Company are available on the Company's website https://ltginfra.lt/kas-mes-esame.

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

Bodies of the company

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

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

The general meeting of shareholders

is the supreme body of the Company. The competence of and the procedure for convening the General Meeting of Shareholders, along with the procedure for decision making, are established in the Law on Companies of the Republic of Lithuania, other legislation and the Articles of Association of the Company.

The sole shareholder of the Company is LTG which adopts the main decisions related to implementation of property rights and obligations of the Company's shareholder.

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

In accordance with the Company's Articles of Association, an additional competence of the General Meeting of Shareholders during the reporting period is the following:

According to the Articles of Association of the Company, during the reporting period, an additional competence of the General Meeting of Shareholders was to approve the decisions of the Company's Board:

• regarding the arrangement of the Company's essential risks by importance and the approval of their management strategies

• regarding the investment, purchase and sale of the Company's facilities and assets important for ensuring national security, or any other property transfer, pledging or mortgage transactions;

• regarding approval for the Company to enter into a contract for ensuring the quality and financing of railway service facilities owned by the State of Lithuania and its amendments;

• regarding the Company's becoming a founder or participant of other legal entities;

• for the Company to start carrying out a new type of activity or to terminate the Company's activities, if the corresponding decision was not taken when approving the Company's activity strategy;

• to establish the Company's branches and representative offices, to terminate their activities, to appoint and recall the heads of the Company's branches and representative offices, to approve the regulations of the branches and representative offices;

• regarding the investment of the Company's long-term assets, the balance sheet value of which is equal to or greater than EUR 3,000,000 (three million) (excluding value added tax), in companies of the Company's group or third parties, the transfer or lease of these assets;

• regarding the pledge and mortgage of the Company's non-current assets, the balance sheet value of which is equal to or greater than EUR 3,000,000 (three million) (without value added tax);

• to make decisions regarding the surety or guarantee of the fulfilment of the obligations of other persons, the amount of which is equal to or greater than EUR 3,000,000 (three million) (without value added tax);

• to purchase non-current assets at a price equal to or greater than EUR 3,000,000 (three million) (without value added tax);

• regarding loan or other financing transactions, the value of which is equal to or greater than EUR 3,000,000 (three million);

• to make decisions to enter into transactions for the procurement of goods, services, works, the value of which is equal to or greater than EUR 3,000,000 (three million) (without value added tax) and to approve the essential conditions of these transactions (before the Company starts the procurement procedures);

• to make decisions regarding the approval of the essential conditions of the service contracts provided by the Company, if the planned annual income of the contract or the planned income during the entire period of validity of the contract may be equal to or greater than EUR 3,000,000 (three million) (without value added tax). This clause does not apply to contracts for the allocation of public railway infrastructure capacity, contracts for the use of public railway infrastructure, the use of railway service facilities managed by the Company and contracts for the provision of services provided in these facilities.

• regarding the approval of the Company, as a shareholder of subsidiary companies, of the decisions of the management bodies of subsidiary companies specified in the articles of association of these companies, regarding long-term asset investment, transfer, lease, acquisition, pledging, mortgage and surety and provision of guarantees for the obligations of other persons, the procurement of goods, services and works, loan or other financing transactions, when the value of the transaction is equal to or greater than EUR 3,000,000 (three million) (without value added tax).

During the reporting period, the shareholder's property and non-property rights were not restricted, and there were no special rights for the shareholder.

Key decisions of the general meeting of shareholders in 2023

• Approved the set of the Company's financial statements for 2022;

• Distributed the Company's distributable profit (loss) for 2022

• Changed the Articles of Association of the Company,

• Approved the decision of the Board to enter into a transaction for design services for the redevelopment of Vilnius Railway Station and the design of the rail link;

• Approved the decision of the Board to enter into a transaction for design and supervision services for the Rail Baltica railway infrastructure project at the Panevėžys node;

• Approved the decision of the Board to enter into a transaction for the provision of general internal administration services with LTG and agreed on the key terms and conditions of this transaction;

• Approved the decision of the Board to enter into a transaction for the purchase of electricity from renewable energy sources;

• Approved the decision of the Board to enter into a contract for the design and construction supervision services for the Rail Baltica project for a new 1435mm railway line from Panevėžys to Lithuania/Latvia;

• Approved the decision of the Board to conclude a contract for the installation of the upper track structure of the Rail Baltica project section Kaunas-Panevėžys-LT/LV borders;

• Approved the decision of the Board to conclude transactions for the design of the infrastructure for the regional connections and regional stations of the Rail Baltica project and for the supervision of the execution of the construction project on the Kaunas - LT/LV border section of the railway line;

• Approved the decision of the Board to conclude a contract for the procurement of contract works for the investment project "Repair of railway tracks at the MOD fuel base (Pajuostis, Panevėžys district)";

• Approved the decision of the Board to conclude a contract for the purchase of repair services of the Dotnuva-Gudžiūnai I track, scheduled for 2024 under the investment project "Programme for the renewal of main railway tracks";

• Approved the decision of the Board to conclude a contract for the purchase of repair services of the Tarvainiai-Plungė I track, scheduled for 2024 under the investment project "Programme for the renewal of main railway tracks";

• Approved the decision of the Board to conclude a contract for the purchase of rails and transition rails for the year 2024;

• Approved the decision of the Board to conclude a contract for the purchase of turnouts for the "BXM121 Turnout Replacement Programme (2024-2025)" for 2024;

• Approved the Board's decision to conclude a contract for the purchase of operating lease services and maintenance of new cars;

• Approved the Board's decision to conclude a contract for the purchase of wooden and hardwood sleepers in 2024-2026;

• Approved the Board's decision to conclude a purchase contract for spare parts for Lithuanian Standard (LST) turnouts for the year 2024.

The board

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

Independent members of the Board shall be elected in accordance with the Selection of Candidates for the Board of a State-owned Enterprise or a Municipal Enterprise and Candidates for the Collegial Supervisory or Management Body Elected by the General Meeting of Shareholders of a State-owned Enterprise or a Municipal Enterprise (hereinafter - the Selection Description), approved by Resolution No 631 of the Government of the Republic of Lithuania of 17 June 2015 (as subsequently amended). When forming the board, the provisions of the Selection Description regarding the versatility of the competences of the board members, the requirements for compliance with general and special requirements are followed.

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

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

During the reporting period, the Board had the following additional competences:

• Approve the business strategy of the Company;

• Set the goals of the Company;

• Approve the annual business plan (budget) of the Company;

• Approve the list of information that is considered the Company's commercial (production) secret and confidential information, the terms of use and storage of this information;

• Analyse and assess the Company's essential risks (when assessing these risks, the Board ranks them according to their importance) and approve their management strategies;

• Adopt decisions regarding the investment, purchase and sale of the Company's facilities and assets important for ensuring national security or any other transfer of ownership, pledging or mortgage transactions;

• Adopt decisions regarding the investment of the Company's long-term assets, the balance sheet value of which is equal to or greater than EUR 1,000,000 (one million) (without value added tax), in the companies of the Company's Group or third parties, the transfer or lease of these assets;

• Adopt decisions regarding the pledge and mortgage of the Company's long-term assets, the balance sheet value of which is equal to or greater than EUR 1,000,000 (one million) (without value added tax);

• Adopt decisions on surety or guarantee of the fulfillment of the obligations of other persons, the amount of which is equal to or greater than EUR 1,000,000 (one million) (without value added tax);

• Adopt decisions on the purchase of non-current assets at a price equal to or greater than EUR 1,000,000 (three million) (without value added tax);

• Adopt decisions on loan or other financing transactions, the value of which is equal to or greater than EUR 1,000,000 (one million);

• Adopt decisions to conclude transactions for the procurement of goods, services, works, the value of which is equal to or greater than EUR 1,000,000 (one million) (without value added tax) and approve the essential conditions of these transactions (before the Company starts the procurement procedures);

• Adopt decisions on approval of the essential conditions of the service contracts provided by the Company, if the planned annual income of the contract or the planned income during the entire period of validity of the contract may be equal to or greater than EUR 3,000,000 (three million) (without value added tax) (does not apply to contracts for the allocation of public railway infrastructure capacity, contracts for the use of public railway infrastructure, contracts for the use of railway service facilities managed by the Company and contracts for the provision of services provided in these facilities);

• Adopt decisions regarding the approval of the Company to enter into the contract for ensuring the quality and financing of railway service facilities owned by the State of Lithuania and its amendments;

• Adopt decisions regarding the Company becoming a founder or participant of other legal entities;

• Adopt decisions for the Company to start carrying out a new type of activity or to terminate the activity carried out by the Company, if the corresponding decision was not taken when approving the Company's activity strategy;

• Adopt decisions to establish the Company's branches and representative offices, terminate their activities, appoint and remove the heads of the Company's branches and representative offices, approve the regulations of the branches and representative offices;

• Adopt decisions regarding the approval of the Company, as a shareholder of subsidiary companies, of the decisions of the management bodies of subsidiary companies specified in the articles of association of these companies, regarding long-term asset investment, transfer, lease, acquisition, pledging, mortgage and surety and provision of guarantees for the obligations of other persons, the procurement of goods, services and works, loan or other financing transactions, when the value of the transaction is equal to or greater than EUR 1,000,000 (three million) (without value added tax);

• Adopt decisions regarding the Company's, as a shareholder of subsidiary companies, approval of the decisions of the management bodies of subsidiary companies regarding the connection, merger, distribution, division, transfer of activities or transfer of subsidiaries by other legal means, becoming founders, participants of other legal entities (except for decisions on becoming founders or participants of associations);

• Approve the terms and conditions of the employment contract and job regulations of the head of the Company, give him/her incentives and impose penalties;

• Taking into account the performance of the Company, to approve the total amount allocated to the Company's employees for promotion of performance;

• Analyse and evaluate other information provided by the head of the Company on the most important issues of the Company's activities;

• Analyse 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 head of the Company is suitable for the position, if the Company operates at 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;

• Resolves other matters of supervision of the Company and the head of the Company assigned to the competence of the Board in the Articles of Association, as well as in the decisions of the General Meeting of Shareholders.

The term of office of the Board covers the period between 23-01-2023 to 23-01-2027.

None of the members of the Board own shares of the LTG group companies.

During the reporting period, a total of 23 meetings of the Board were held, of which 3 meetings were held in the form of a survey (in writing).

Composition of the board of the company

GEDIMINAS ALMANTAS
Independent Board Member, Chairperson
Holds office as of 23 January 2023

EDUCATION

- Master of Law, Vilnius University;
- Master of Law, University of Bern (Switzerland) LL.M.;
- Copenhagen Business School (CBS) Industrial Doctoral Student (Ethics and Morality of Business Negotiations);
- American Express Leadership Academy studies at Arizona State University (Arizona State University/ Thunderbird School of Global Management);
- Studies at the Swedish Institute of Sustainable Organizational Management Program "Sustainable Leadership" for Northern Europe.

MAIN EMPLOYER, POSITION

-

OTHER POSITIONS HELD

- Independent Member of the Board and Chairperson of AB Novaturas;
- Independent Member of the Board of SE Lietuvos oro uostai, Chairman of the Audit and Risk Committee;
- Independent Member of the Board of SE Oro navigacija, Chairman of the Audit Committee.

HAROLDAS NAUSĖDA
Independent member of the Board
Holds office as of 23 January 2023

EDUCATION

- Bachelor of Computer Science, Vilnius University;
- Master of Business Management and Administration, Vilnius University;
- Master of Business Management for Executives at ISM Executive School and BI Norwegian Business School;
- Studies of Managers and Board Members at the Baltic Institute of Corporate Governance;
- Leadership Studies at Oxford University.

MAIN EMPLOYER, POSITION

- Director of Business Clients and Development Service of UAB Ignitis.

OTHER POSITIONS HELD

- Chairman of the Board of UAB Ignitis;
- Chairman of the Board of Ignitis Suomi Oy
- Member of the Council of Ignitis Polska sp. z o.o.
- Member of the Council of the National Lithuanian Energy Association (NLEA).

RAMŪNAS RIMKUS
Member of the Board, Civil Servant
Holds office as of 23 January 2023

EDUCATION

- Bachelor of Transport Economics, Vilnius Gediminas Technical University (now Vilnius Tech);
- Master of Transport Logistics, Vilnius Gediminas Technical University (now Vilnius Tech).

MAIN EMPLOYER, POSITION

- Head of the Strategic Planning Division of the Budget and Investments Department of the Ministry of Transport and Communications of the Republic of Lithuania

IEVA LAURAITYTĖ
Member of the Board delegated by the shareholder
Holds office as of 23 January 2023

EDUCATION
- Master of Law, Vilnius University;
- Business Management Studies for Executives at ISM University of Management and Economics and BI Norwegian Business School;
- Studies of Managers and Board Members at the Baltic Institute of Corporate Governance.

MAIN EMPLOYER, POSITION
- Administrative Director of AB Lietuvos Geležinkeliai, Geležinkelio g. 16, Vilnius, company code 110053842

SIGITAS KUBILIS
Member of the Board delegated by the shareholder
Holds office as of 23 January 2023

EDUCATION
- Bachelor of Construction Economics, Vilnius Gediminas Technical University (now Vilnius Tech);
- Master of Engineering Economics and Management, Vilnius Gediminas Technical University (now Vilnius Tech).

MAIN EMPLOYER, POSITION
- Strategy and Development Functions Chief Expert in Project and Investment Management of AB Lietuvos Geležinkeliai, Geležinkelio St. 16, Vilnius, company code 110053842

Changes in the composition of the borad during the reporting period

Based on the decision of LTG Infra's sole shareholder LTG, from 27 November 2019 until 23 January 2023, Andrej Kosiakov acted as the Chairman of the Company's Board, Irena Jankutė - Balkune (19 June 2019 until 23 January 2023), Ilona Daugėlaitė (20 November 2019 until 24 January 2022) acted as members of the Board.

On 23 January 2023, the new composition of the Board of LTG Infra was approved.

Competence matrix

In 2023, the selection of new Board members of the Company was carried out in accordance with the selection list of the Board members - civil servants of the LTG group of companies LTG Cargo, LTG Infra, LTG Link, and members delegated by the parent company.

The following specific requirements (depending on the area of competence) were applied to the members of the Company's Board at the time of selection.

Composition of the members of the Board	Competences of a civil servant	Competences of members delegated by the parent company		Competences of independent members of the Board	
Areas of competence	Regional and national transport policy	Financing strategy	Organisational efficiency, transformation and management of changes	Strategy and development	Strategic infrastructure project management
Specific requirements (applicable by area of competence)					
At least 5 years' experience in a senior management position (CEO, senior manager reporting directly to the CEO, member of a management or supervisory collegiate body)	Advantage	Mandatory	Mandatory	Mandatory	Mandatory
Management of corporate strategic planning, transformation and changes of organisation	Advantage	Mandatory	Mandatory	Mandatory	Advantage
Experience in business development in international markets	Advantage	Advantage	Advantage	Advantage	Advantage
Experience of developing an organisation and its culture	Advantage	Advantage	Mandatory	Advantage	Advantage
Experience in digitisation, innovation, application/implementation of efficiency solutions	Advantage	Mandatory	Mandatory	Mandatory	Advantage
Practical knowledge of marketing, customer experience, brand development	Advantage	Advantage	Advantage	Advantage	Advantage
Experience in project management, evaluation and financing	Advantage	Mandatory	Advantage	Mandatory	Mandatory
Knowledge and experience in financing of state-regulated activities	Advantage	Mandatory	Advantage	Advantage	Mandatory
Knowledge of objectives and regulatory principles of strategic national and regional transport sector	Mandatory	Advantage	Advantage	Advantage	Advantage
Good knowledge of the strategy and objectives of Lietuvos geležinkeliai AB group	Advantage	Mandatory	Mandatory	Advantage	Advantage
Experience in infrastructure development planning and development	Advantage	Advantage	Advantage	Advantage	Mandatory
At least 5 years' experience in a senior management role in finance management, financial advisory, financial services or audit	Advantage	Mandatory	Advantage	Advantage	Advantage
At least 5 years executive experience in road, air, water or rail transport and rail transport and/or rail infrastructure management in the European Union or North Atlantic Treaty Organisation countries;	Advantage	Advantage	Advantage	Advantage	Mandatory
At least 3 years' executive experience in in logistics;	Advantage	Advantage	Advantage	Advantage	Advantage
Experience of working in an international group of companies	Advantage	Advantage	Advantage	Advantage	Mandatory
Experience of working in collegiate supervisory and management bodies	Mandatory	Advantage	Advantage	Advantage	Advantage

Mandatory   *Advantage*

The board's activity plan and the most important work carried out

During the reporting period, the Board organised its work in accordance with the Board's annual activity plan approved on 3 February 2023, 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 1 December 2023.

Attendance of the board meetings in 2023

Name, surname of the member	Board meetings
Number of meetings in 2023 (including away meetings, voting in advance in writing)	23
Gediminas Almantas	21
Haroldas Nausėda	21
Ramūnas Rimkus	21
Ieva Lauraitytė	21
Sigitas Kubilis	21
Andrej Kosiakov	2
Irena Jankutė-Balkūnė	2

The most important decisions of the board in 2023

• Approval of achievement of the Company's annual goals for 2022;

• Approval of the Company's annual report for the year 2022;

• Approval of the Company's annual set of financial statements for the year 2022;

• Approval of the Company's goals for 2023;

• Approval of the Company's operational plan (budget) for 2023;

• Approval of the Company's goals for 2024;

• Approval of the Company's operational plan (budget) for 2024;

• Approval of the Company's updated operational strategy for 2024-2028;

• Change in the organisational management structure of the Company;

• Election of the Company's CEO;

• Approval of the Company's Sanctions Implementation and Control Policy;

• Approved decision to enter into a transaction for design services for the redevelopment of Vilnius Railway Station and the design of the rail link;

• Approved decision to conclude a contract for design and supervision services for the Rail Baltica railway infrastructure project at the Panevėžys node;

• Approved decision to conclude a transaction for the provision of General Internal Administration Services with LTG and the material terms of this transaction were approved;

• Approved decision to conclude a transaction for the purchase of electricity from renewable energy sources was adopted;;

• Approved decision to conclude a contract for the design and construction supervision services for the Rail Baltica project for a new 1435mm railway line from Panevėžys to Lithuania/Latvia;

• Approved decision to conclude a contract for the installation of the superstructure of the upper track structure of the Rail Baltica project on the Kaunas-Panevėžys-LT/LV state border section;

• Approved decision to conclude transactions for the design of the infrastructure for regional connections and regional stations and for the supervision of the execution of the construction project of the Rail Baltica project on the Kaunas - LT/LV border section of the railway line;

• Approved decision to conclude a contract for the procurement of contract works for the investment project "Repairs of railway tracks at the MoD fuel base (Pajuostis, Panevėžys district)";

• Approved decision to conclude a contract for the contract for the repair of the Dotnuva-Gudžiūnai I track, scheduled for 2024, under the investment project "Main Railway Track Renewal Programme";

• Approved decision to conclude a contract for the purchase of the repair servuces of the Tarvainiai-Plungė I track, scheduled for 2024 under the investment project "Programme for the renewal of main railway tracks";

• Approved decision to conclude a contract for the purchase of rails and transition rails for 2024;;

• Approved decision to conclude a contract for the purchase of turnouts for the "BXM121 Turnout Replacement Programme (2024-2025)" for 2024;

• Approved decision to conclude a contract for the purchase of operating lease services and maintenance of new cars;

• Approved decision to conclude a contract for the purchase of wooden and hardwood sleepers in 2024-2026;

• Approved decision to conclude a purchase contract for spare parts for Lithuanian Standard (LST) turnouts for 2024.

Self-assessment and results of the board

On 9 November 2023, the Board carried out an evaluation of the Board's performance for 2023 and drew up a plan of measures to improve its performance, highlighting areas for improvement in terms of communication with the Company's management, the quality of the material and discipline of its provision to the Board.

Committees and their activities

The Nomination and Remuneration Committees and Audit Committee of LTG operated at the LTG Group level.

The Audit Committee's main task is to provide opinions and proposals to the LTG Board on the functioning of the internal and external audit, risk management and control systems of LTG and its subsidiaries.

The purpose of the Nomination and Remuneration Committee is to provide conclusions, opinions, recommendations and proposals to the LTG Board on the selection of the LTG Group's governing bodies and the LTG Group's remuneration policy.

The first 5-year term of office of **the Company's Chief Executive officer Vytis Žalimas** began on 1 December 2023

The Chief Executive Officer (CEO, Head of Company)

is a single-person management body of the Company who organises and manages daily operation of the Company in accordance with his/her powers. Obligations and competences of the CEO are defined in the Law on Companies of the Republic of Lithuania, the Articles of Association of the Company available at the Company's website https://ltginfra.lt/kas-mes-esame. 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.

VYTIS ŽALIMAS
CEO of the Company
Holds office as of 1 December 2023

EDUCATION

- Bachelor of Management Information Systems and Services, Vilnius University
- Master of International Trade and Marketing, International Business School, Vilnius University

MAIN EMPLOYER, POSITION

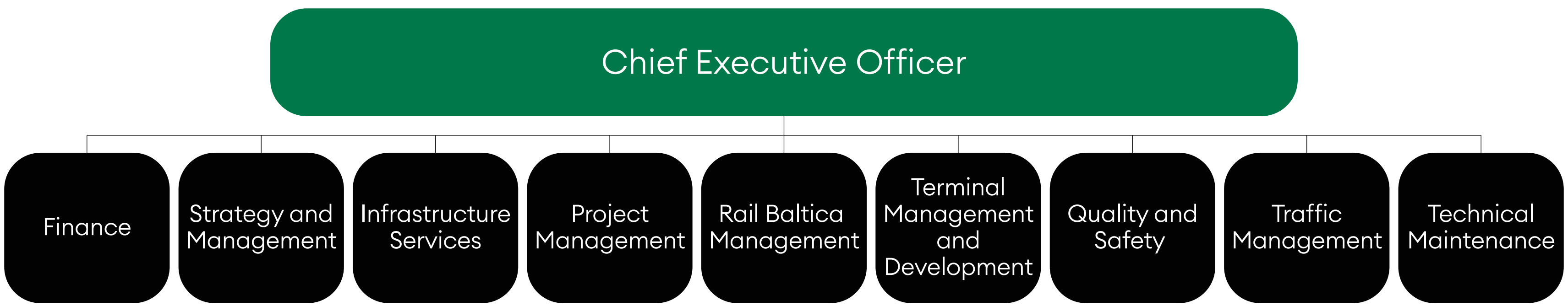
- AB LTG Infra, Chief Executive Officer; Geležinkelio St. 2, Vilnius, company code 305202934.

Governance structure of the company

In order to grow the long-term value of LTG group companies, to ensure rational and efficient use of funds, assets and other resources, and to meet shareholders' expectations and interests, the LTG group's operating model is focused on the purification and concentration of core activities in subsidiaries. LTG Infra, as part of the LTG group, is responsible for the performance of the core business of LTG Infra' and the achievement of its defined performance targets.

In order to achieve the set goals and to ensure proper management, LTG Infra acts independently in carrying out its activities, makes the decisions in its field of competence and ensures the accountability and responsibility for its performance. In its activities, the Company is guided by the Law on Joint-Stock Companies of the Republic of Lithuania and other legal acts of the Republic of Lithuania regulating the activities of joint-stock companies, including state-owned companies, as well as railway transport, the Company's Articles of Association, decisions of the Company's governing bodies.

On 1 December 2023, LTG Infra's new governance structure came into force, with the addition of the Finance function.



Management of the company

Karolis Sankovski	CEO	Held office from 1 July 2019 to 31 March 2023
Rūta Jakubauskienė	CEO Head for Strategy and Management	Held office from 1 April to 30 November 2023 (on a temporary basis) Held office from 16 March 2022 to 31 March 2023 Held position from 1 December 2023 to 31 January 2024
Vytis Žalimas	CEO	Holds office as of 1 December 2023
Dovydas Palaima	Head for Rail Baltica Management	Holds office as of 1 September 2022
Arvydas Dveilys	Head for Technical Maintenance Head for Quality and Safety	Holds office as of 8 December 2019 Holds office as of 1 February 2024 (on a temporary basis)
Remigijus Skirkus	Head for Quality and Safety	Held office from 8 December 2019 to 31 January 2024
Tomas Jonikaitis	Head for Traffic Management	Holds office as of 1 June 2021
Dainius Čeplinskas	Head for Strategy and Management	Held office from 21 April to 30 November 2023 (on a temporary basis)
Ramūnas Dokšas	Head for Strategy and Management Head for Management and Development of Terminals	Holds office as of 1 February 2024 (on a temporary basis) Holds office as of 1 June 2022
Gerda Krasauskė	Head for Project Management	Held office from 22 November 2021 to 15 March 2023
Tomas Tamašauskas	Head for Project Management	Held office from 16 March to 9 July 2023 (on a temporary basis)
Raimondas Zemikas	Head for Project Management	Holds office as of 10 July 2023
Tautvydas Paliulis	Head for Infrastructure Services	Held office from 29 August 2022 to 17 February 2023
Jelena Piatina	Head for Infrastructure Services	Held office from 18 February 2023 to 19 March 2023 (on a temporary basis)
Egidijus Dargevičius	Head for Infrastructure Services	Holds office as of 20 March 2023
Rūta Dabašinskaitė - Vitkė	Chief Financial Officer	Holds office as of 23 February 2024

Internal audit

The LTG Group has established a centralised Internal Audit function, which acts as a third line and covers all LTG Group companies, including LTG Infra. The purpose of Internal Audit is to provide independent, objective assurance and advisory services to contribute to the achievement of the LTG Group's strategic objectives and to preserve and enhance value.

The division's activities are organised on the basis of the guiding principles set out in the International Standards for the Professional Practice of Internal Audit. Audit provides risk-based assurance services, advice (consulting) and insights, and conducts necessary investigations as required. It also regularly monitors the implementation of the recommendations made and 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. Internal Audit periodically reported to the LTG Infra Board on the operational weaknesses identified during the audits and on the progress of the implementation of recommendations.

Management of interests

As at the end of the reporting period, members of the Board, the Chief Executive Officer and the heads of the Company have submitted their declarations of private interests that are available on the website of the Chief Official Ethics Commission, at http://www.vtek.lt.

Information on remuneration of the company's CEO

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

• **Basic monthly salary**. The monthly base salary of the Company's Chief Executive Officer at the end of the reporting period, as set out in the employment contract, was EUR 10.000. During the period under review, the monthly base salary of the Company's CEO after the new appointment changed by 11%m from EUR 9.005 to EUR 10.000.

• **Annual performance incentives**. In addition to the base salary, the Company's Chief Executive Officer may be paid a variable part of the annual remuneration (annual performance incentive). The incentive scheme shall be approved by the LTG Board. According to this scheme, 90% of the annual incentive payment is influenced by the level of achievement of the Company's annual goals, 10% by the achievement of team management and personal goals. Every year, the Board of the Company approves the structure of the Company's annual goals, the management team and personal goals of the Company's CEO, the threshold values and comparative weights for their achievement, while at the end of the year, the Board approves the results of achieving these goals and the possibility of paying out the annual incentive.

• The maximum possibility of an annual incentive payment cannot exceed 30% of the established annual base salary.

Goals of the Company for 2022

Main goals	Indicators of achievement of goals	Measure unit	2022 Benchmarks for achievement of goals	2022 Indicators of achievement of goals
Infrastructure for seamless mobility	The duration of delays of passenger trains due to the fault of the manager	Min/thousand tr. km	8.8 – 7.2	5.37
Ensuring safe operation	Traffic security level in the public railway infrastructure	Number of severe and small accidents /tr. km	0.67 – 0.36	0.41
	Lost time due to injuries (LTIIR)	Accidents at work *1 M / total working hours	1.47 – 0.8	0.9

The maximum amount of monthly incentive, i.e. 1/12 of the annual incentive share for 2022, could not exceed EUR 2.702.

In 2023, the **monthly (1/12) annual incentive share paid** to the Company's CEO for achievement of the goals for 2022 amounted to EUR 1.140.

Information on remuneration of board members

The remuneration of the members of the Board is set out in the contracts concluded with them to serve on the Board of the Company.

The remuneration of independent members of the Board and civil servants holding the position of a member of a collegial body is determined in accordance with the provisions of the Resolution of the Government of the Republic of Lithuania of 3 August 2022, No. 1092 "On Approval of the Description of the Procedure for Payment of Remuneration to Members of Collegial Bodies of State-Owned Enterprises and Municipally-Owned Enterprises and Civil Liability Insurance for Members of Collegial Bodies of State-Owned Enterprises and Municipally-Owned Enterprises", the provisions of which stipulate, that the monthly remuneration of an independent member of a company's collegial body and of a member of the collegial body who is another person selected by the entity initiating the selection should be at least 1/4 of the average monthly salary of the company's CEO and not more than the average monthly salary of the company's CEO. For a civil servant holding a position as a member of a collegial body of a state-owned company or a municipally-owned company, the remuneration should be at least 1/8 and no 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 CEO.

To implement the provisions of the aforementioned Resolution, the Minister of Transport and Communications of the Republic of Lithuania issued an Order on 2 December 2022, based on which the updated regulation on remuneration of the members of the Board and the members of the Committees of the LTG, which mutatis mutandis applies to the members of the collegial bodies of the subsidiaries, was approved.

The remuneration of the members of the Board of the Company has been determined by a decision of the Company's sole shareholder, providing that the monthly remuneration of the Chairman of the Board of the Company shall be EUR 3,489, the monthly remuneration of an independent member of the Board of the Company shall be EUR 2,617, the monthly remuneration of a member of the Board of the Company, who is a civil servant and a member of the Board of Directors of the parent company, who is delegated by the parent company, shall be EUR 1,308. At the same time, the rule is laid down that if individual members of the Board are elected, their remuneration shall be at the same level as that of the members of the existing Board.

Remuneration paid to members of the Board in 2023:

Name, surname of the member	Remuneration for activity of a member of the Board in 2023, EUR
Gediminas Almantas	39.706
Haroldas Nausėda	30.096
Ramūnas Rimkus	15.042
Ieva Lauraitytė	15.042
Sigitas Kubilis	14.932

** The presented remuneration is inclusive of all taxes and contributions payable.*

Employees

Changes in organisational culture, implemented through consistent reinforcement of values, reinforcement of feedback, promotion of internal career progression, ensuring equal opportunities and diversity, prevention of violence and harassment, social partnership and other initiatives, remain the cornerstone of fostering the well-being of employees and the successful implementation of the Company's strategy. Enhancing employee engagement, which has a direct positive impact on the Company's performance, productivity, job satisfaction, well-being and proactive behaviour, and strengthening organisational loyalty and ambassadorship, remains a priority.

Initiatives and significant events in 2023

•Operations were stabilised by adapting to changes in the business environment in previous years.

• **New LTG group values** were introduced to employees at the beginning of the year:

Values dissemination and reinforcement events were organised in all regions and consistent communication of the values was carried out. The "Most Valuable Employees election 2023" was organised.

• 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. In order to assess progress, the Employee Loyalty Indicator (ELI) and its determinants were measured in the autumn in an additional employee survey. The results of both culture surveys were used to identify short- and long-term actions to amend areas identifed for improvement.

• In order to foster the culture of continuous feedback, employees were offered a feedback tool, allowing them to exchange feedback in real time by giving or asking for feedback on themselves and their work. Training on how to use the tool and lectures to reinforce feedback skills are organised on a regular basis.

• Ongoing strengthening of leadership and management skills is in plave. A continuous training programme on authentic leadership and teamwork was offered to middle managers in 2023. Peer-to-peer and e-learning approaches are supported on topics related to feedback, motivating staff, and work organisation. A substantially updated **LTG Leadership Standard Training Programme** was launched for new managers on the key principles and standards for working with teams in an organisation and creating best employee experience.

• The Company is creating an open and inclusive working environment, promoting diversity and equal opportunities in the workplace through various initiatives: European Diversity Month, International Day against Homophobia, Transphobia and Biphobia, World Mental Health Day, Human Rights Day. As part of these events, lectures and discussions were organised.for all employees. 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

• In 2023, the organisation continued to focus on emotional well-being, psychological resilience and personal effectiveness through lectures for all staff.

Number of employees and average salary

Function groups	31/12/2021 Number of employees as at the end of the period	31/12/2021 Average salary, EUR	31/12/2022 Number of employees as at the end of the period	31/12/2022 Average salary, EUR	31/12/2023** Number of employees as at the end of the period			31/12/2023** Average salary, EUR		
					Total	Women	Men	Total	Women	Men
CEO*	1	5,770	1	9,005	1	-	1	10,000	-	-
Top-level managers*	6	6,803	9	6,569	8	1	7	7,230	-	7,134
Senior executives and specialists in exceptional fields	17	4,334	22	4,498	30	5	25	4,777	4,897	4,759
Middle-level managers and individual experts	116	2,986	143	3,109	164	49	115	3,182	3,185	3,181
Team leaders and experienced specialists	1,070	1,844	963	1,963	929	248	681	2,117	2,089	2,128
Specialists and experienced operational/ service staff	614	1,501	439	1,597	433	233	200	1,731	1,720	1,743
Operational/service staff, qualified workers	1,137	1,254	876	1,326	853	213	640	1,440	1,439	1,440
Total	**2,961**	**1,613**	**2,453**	**1,749**	**2,418**	**749**	**1,669**	**1,920**	**1,867**	**1,943**

As at 31 December 2023, the number of the Company's employees was 2.418, 21 employees were on long-term leave (parental leave, maternity leave, military service, etc.). The number of employees has decreased by 35 or 1.4%, compared to the data as at 31 December 2022.

The average monthly salary, compared to 2022, changed from EUR 1.749 to EUR 1.920. The most significant contributor to the increase has been the pay review in April, conducted at LTG Group.

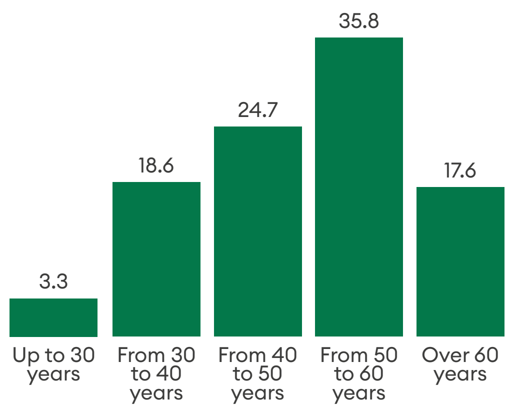
The total payroll fund amounted to EUR 56.3 million (excluding compensations for unused leave, severance payments, accruals, non-capitalised wages) and increased by EUR 0.6 million compared to 2022 (from EUR 55.7 million to EUR 56.3 million). In addition, in June 2023, as in other LTG group companies, the annual incentives for performance in the amount of EUR 1.8 million were paid to the Company's employees.

** Fixed remuneration as at the end of the period. The components of the remuneration of the Company's Chief Executive Officer are described in the Corporate Governance section under the information on the remuneration of the members of the Board and the Chief Executive Officer of the Company. As at 31 December 2023, the monthly salary of top-level managers as stated in their labour contracts, amounted to EUR 7.230, and the average actual salary of these function groups, including the annual bonus for performance results, amounted to EUR 7.593.*

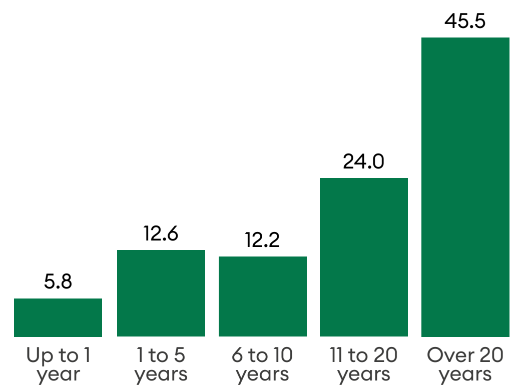
*** From 2021, the Company started publishing salary data by gender. For reasons of confidentiality, information on and difference in average salary is not disclosed if there are less than 5 employees of the same gender in the function group.*

Distribution of the company's employees by age, gender, length of service and education as at 31 december 2023

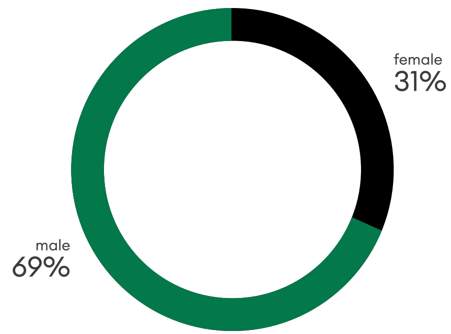
12 pic. Employee distribution by age groups, %



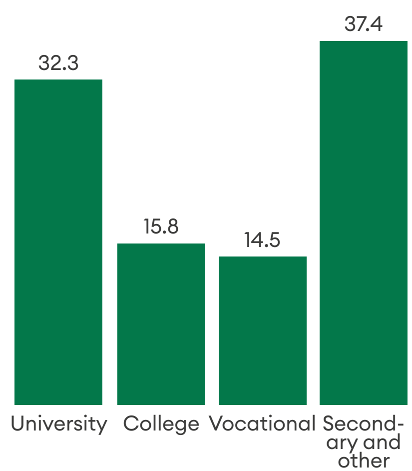
14 pic. Employee distribution by average length of service, years



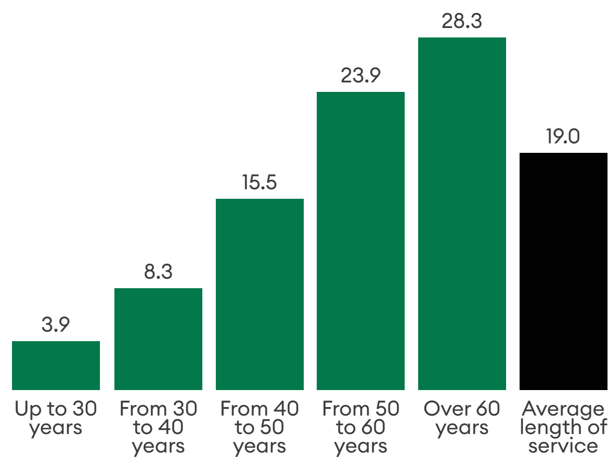
11 pic. Employee distribution by gender, %



13 pic. Employee distribution by education, %



15 pic. Employee distribution by age group and average length of service, in years



Remuneration and performance management

The Company's remuneration policy aims to make long-term decisions that are linked to the well-being of employees, ensuring:

• competitive remuneration packages to attract and retain the right skills;

• equal opportunities and non-discrimination in summarising and rewarding employee performance;

• the principle of internal equity in rewarding comparable work;

• increasing involvement;

• encouragement for staff to develop and improve their competences;

• fostering the principles of transparency and responsible management;

• effective management of personnel costs and creation of shareholder value.

The core elements of remuneration setting and review are:

• methodological assessment of positions;

• 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 is used to publish the results of methodological appraisal of positions in the organisation. Every staff member has access to information on the corporate levels of his/her position and other positions in the organisation, as well as on the basic salary ranges for each corporate level, providing a systematic means of embedding the principles of transparency and assessing internal career opportunities.

The periodic review of base salaries is carried out annually and the principles of the review are linked to clear and objective criteria - a comparison of the current remuneration of employees with the market, the Company's financial performance and the budget allocated tor the review, and a summary of each employee's annual performance. The periodic review of remuneration generally takes effect on 1 April of each year. The implementation of the review for 2023 resulted in an increase in the Company's monthly payroll fund by EUR 266.000, and 92% of staff have received a pay rise on the basis of uniform review criteria.

After the end of the financial year and after an assessment of the Company's performance, an annual performance incentive fund is established by a decision of the Company's Board. Such fund shall be an employer-initiated incentive to employees for good performance and a positive performance of the Company, as referred to in Article 139(2)(6) of the Labour Code of the Republic of Lithuania and shall be granted on the basis of Article 142(1)(2) of the Labour Code of the Republic of Lithuania. The incentive is also forward-looking as a motivational tool for employees, with individual incentive opportunities linked to positional corporate levels and each employee's annual performance summation. In June 2023, the incentive fund distributed to the Company's employees for 2022 performance amounted to EUR 1.8 million.

The process of managing and summarising employee performance remains focused on cascading the Company's annual objectives, achieving high performance, embedding a culture of personal accountability and continuous feedback, and reinforcing the principle of "the best is rewarded the most".

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

From the beginning of 2023, lump-sum payments for the birth of a worker's child or the death of a close family member have been increase by 50% from EUR 200 to EUR 300 after tax. In autumn 2023, the employee fringe benefit package is extended with a discount programme for a range of services and goods. The updated terms and conditions of the insurance against accidents include an increased amount of injury cover. The terms and conditions of the supplementary voluntary health insurance renewed from 2024 have also been improved by increasing the limits and reimbursement amounts for covered services.

At the end of 2023, the LTG Board approved the remuneration policy applicable to all subsidiaries, which came into force on 1 January 2024 and is publicly available on the Company's website in the Remuneration section. The implementation of this policy is described in the Remuneration Methodology, and internal process standards are used to define the detailed principles of practical implementation. All relevant documents are published on the LTG group's intranet in the knowledge base and the news for employee.

Data on the average remuneration of the Company's employees by general position groups is made publicly available on the Company's website, under the Remuneration section, and is updated after the end of each calendar quarter. A comparison of the average remuneration of women and men is published at the same time. The Company's remuneration management principles are objective, unified and ensure equal opportunities; however, the actual differences between the average salaries of women and men by general function group remain. These differences are due to the overall distribution of women and men - more men than women work 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 support/administrative functions with relatively lower remuneration on the market. Men are concentrated in positions where the scope of the activity leads to more competitive market remuneration or where the work is of a special nature - physical exertion, outdoor or other special conditions - where the market remuneration is higher. At the same time, the opposite situation is also observed in certain job groups, where women, although not predominant, occupy positions for which the market shortage leads to relatively higher remuneration, and where women outnumber men.

Ratio of average salaries of women and men in the company

FUNCTION GROUP	2023	2022	2021
ALL EMPLOYEES	1 : 1.04	1 : 1.03	1 : 1.02
Senior executives and specialists in exceptional fields	1 : 0.97	1 : 0.97	1 : 1.09
Middle-level managers and individual experts	1 : 1.00	1 : 1.01	1 : 1.01
Team leaders and experienced specialists	1 : 1.02	1 : 1.00	1 : 1.00
Specialists and experienced operational/service staff	1 : 1.01	1 : 1.02	1 : 1.03
Operational/service staff, qualified workers	1 : 1.00	1 : 0.99	1 : 0.97

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.

Risks and risk management report

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

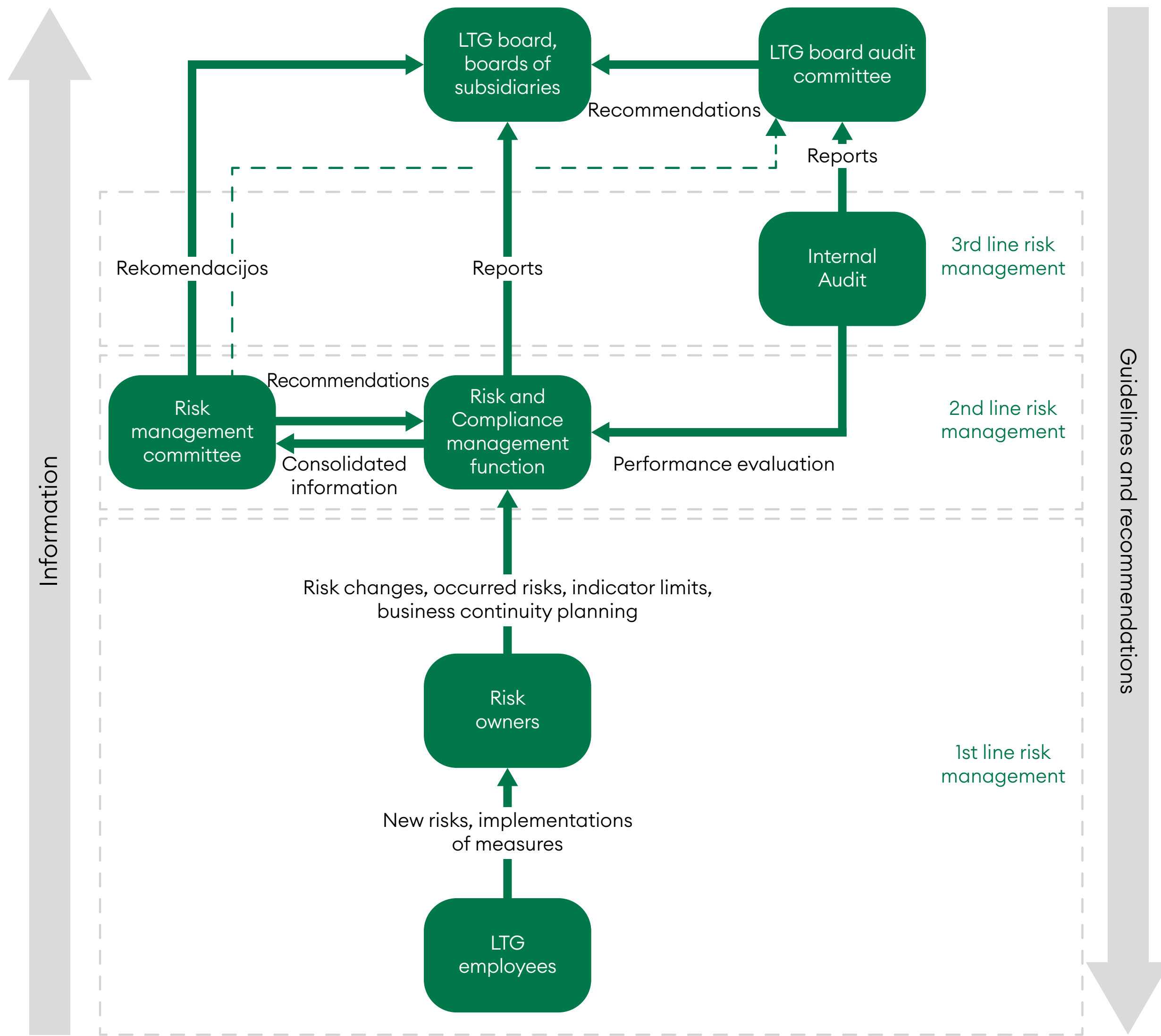
In LTG Group, risk management responsibilities are divided according with the **Three Lines Model**. According to it:

• 1st line risk management activities are carried out by managers and staff 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 activities are carried out by LTG's Risk and Compliance Management function, which develops and refines the overall framework, carries out coordination and control activities, provides consultancy and education on methodological and expert risk management issues to the companies and business units operating at the 1st level of risk management, and prepares reports to the senior management on risk management. 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 independently provides comments and recommendations on improvement of the risk management system.

The figure below reproduces the Risk Management Framework, detailing the information flow path and the distribution of responsibilities.



Risks of LTG group are managed in stages. The overall periodic cycle consists of the following 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 reporting system. The risk management status of each of the companies is reviewed on a quarterly basis in reports submitted to the boards of the 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 with an opportunity to discuss the occurrence of new ones.

In the LTG group, strategic decisions are taken in the light of experience, risks and resilience identified and managed by the activities carried out, as well as the context of the external environment and related global factors. Based on the nature of the Company's business, the main risks that were relevant in 2023 are presented below.

Main risks and their management measures

1. Risk of delays in strategic infrastructure projects;

2. Insufficient financial resources to implement the investment plans;

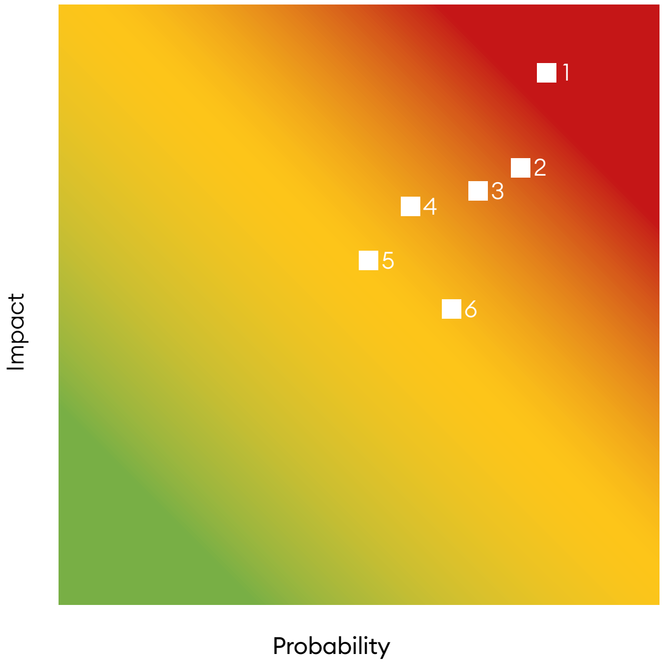
3. Supply chain disruptions;

4. Use of outdated, less efficient technologies in operations;

5. Mismatch between expectations and requirements in sustainability;

6. Risk of safety incidents;

Risk map



Name of risk	Main sources of risk	Potential impact	Basic risk management measures
Risk of delays in strategic infrastructure projects	• Decrease in the Company's financial resources • Failure to secure public funding	• Delayed implementation of projects • Reputational damage • Loss of EU funding	• Project re-planning, phasing • Ensuring human resource requirements • Timely communication with stakeholders
Insufficient financial resources to implement investment plans	• Possible change in funding priorities • Increased investment amounts and reduced grant amounts • High technical base/infrastructure costs	• Financial impact • Need to change project scope, timelines, technical solutions • Reputational damage	• Project prioritisation • Monitoring of contract works carried out • Submission of applications
Supply chain disruptions	• Increase in prices of materials and raw materials • Increased delivery time • 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 restoration programmes
Use of outdated, less efficient technologies in operations	• Long technological lifecycle • Technical and organisational reasons • Lack of resources	• Operational efficiency • Continuity of operations	• Implementing new systems • Modernising technology • Transfer of functionality to other systems
Mismatch between expectations and requirements in sustainability;	• Insufficient funding • Sharing of responsibilities with third parties • Inadequate equipment • Insufficient preventive measures	• Administrative responsibility for non-compliance with environmental requirements • Reputational damage • Financial losses for remediation	• Initiating site clean-up projects • Introducing noise reduction measures
Risk of safety incidents	• Failure to comply with work safety instructions • Unsafe passenger behaviour *Inherent risks specific in the activity. These risks are managed with a strong focus applying continuous and systematic measures*	• Financial losses due to damage to rolling stock or infrastructure • Damage to reputation due to failure to ensure traffic/worker safety • 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

Sustainability report

LTG prepares a consolidated Sustainability Report of the LTG Group, which is an integral part of the Annual Report of LTG. This Report includes the Company's sustainable business model, principles, priorities, regulation, and an overview of sustainability initiatives and indicators in the social, environmental and governance areas.

In addition to the sustainability initiatives implemented at LTG Group level, the Company's individual initiatives in the environmental, social and governance fields should also be distinguished.

During the reporting period, the Company did not have any financial obligations related to the ESG (environmental, social, governance) indicators, nor was it exposed to any legal proceedings or complaints related to climate change or other events, nor did it incur any incremental costs that had a material impact on the financial statements.

Further information relating to environmental, HR, anti-corruption and anti-bribery issues is disclosed in the LTG Group's 2023 consolidated Annual Report, of which the Sustainability Report is an integrated part, including information on sustainability topics from both the parent company and all subsidiaries.

The Environmental section of the Sustainability Report of the LTG Group discloses the LTG Group's environmental objectives and priorities in order to contribute to the reduction of climate impacts and mitigation of climate change and to become a climate neutral organisation by 2050, as well as the initiatives and projects carried out by companies of the LTG Group, including the Company, to reduce their impact on the climate and the environment, and the environmental performance indicators monitored. There is a zero-tolerance approach to corruption in the LTG Group, which means that any form of corruption is not tolerated in the LTG Group companies. The Governance section of the Sustainability Report of the LTG Group discloses the internal documents which, in addition to laws and regulations of the Republic of Lithuania, regulate the prevention of corruption in the LTG Group, including in business transactions and public procurement, and which are followed by all LTG Group companies in their operations. This section highlights corruption risks and measures to manage them, provides information on staff education on corruption prevention issues, and corruption resilience indicators monitored. It should be noted that the LTG Group has been working in accordance with the requirements of with the international standard 37001:2016 "Anti-bribery management systems – Requirements with guidance for use" and devotes significant attention to reviewing and improving its internal business processes.

The Social section of the Sustainability Report of the LTG Group discloses the LTG Group's social priorities in ensuring the well-being, development, safe working environment, equal opportunities, etc., of its employees, the initiatives undertaken in the LTG Group companies, as well as the application of uniform policies, standards and other internal documents across the LTG Group regulating the HR related matters, and the priority HR indicators monitored. Information on the LTG Group's sustainability activities and projects is also published on the parent company's website at www.ltg.lt.

LTG Infra aims to organise its activities with minimal negative impact on nature 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 responsible governance progress areas. LTG Infra defines this in the Environmental, Social and Governance (ESG) strategic direction of its corporate strategy 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.

Probably the most significant project of LTG Infra, which will determine further steps towards sustainable operations, is t**he electrification project of Vilnius railway junction and Kaišiadorys–Klaipėda railway section**. In 2023, LTG Infra has made significant progress in the implementation of this strategically important project in Lithuania. Currently, about 50% of the electrification project works of the whole project have been completed. The completion of this electrification project, which is important for efficient and green mobility, will not only significantly increase the competitiveness of Lithuania's 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. In addition, the project will raise the electrification level of the Lithuanian railways to **23**%, and when Rail Baltica is completed it will be about **35**%.

The aforementioned Rail Baltica project has also achieved significant milestones in 2023. Last year, construction of railway infrastructure started on the most mature section of Rail Baltica project – Kaunas – Border of Lithuania and Latvia. Two new contracts were signed for the construction of the crossing and the engineering structures and access roads in 2023. One of the most important achievements was the receipt of additional funding for Rail Baltica project. In June 2023, the European Commission allocated EUR **928** million 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.

An important achievement in 2023 was the noise attenuation walls project implemented by LTG Infra, which was installed in 7 Lithuanian cities to protect the residents of Lithuanian cities from noise and improve the safety situation near the railway. A total of 9 projects were foreseen under this programme – 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 benefit of EUR 1.7.

In addition to the Company's major projects, LTG Infra focuses on environmental improvement initiatives. LTG Infra is continuing the reforestation 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 oak trees up to 4 metres in size and midland hawthorn trees. LTG Infra planted around 12,000 seedlings in Kaunas, Klaipėda and Šiauliai regions last autumn. Since the start of the new green areas 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 Kena. LTG Infra implements green areas planting 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 looking for innovative solutions to generate electricity using renewable energy sources (RES). Therefore, a pilot project will be implemented in 2024 to generate electricity from solar modules. During the project, solar modules will be installed on the noise attenuation wall in Kyviškės–Valčiūnai section. The electricity generated will be fed directly into the transformer station of LTG Infra and used directly in operations. 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 management of used wooden sleepers. In 2023, 3 contracts were signed for the sale of defective sleepers, with a total of 22,000 units, i.e. 1,700 tonnes sold. 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 Environmental Protection Department. The team of LTG Infra informed the Department that the work on the sleepers has already started and assured that every effort is being made to meet the obligations as early as possible.

Green electricity and energy efficiency

These results are achieved by disposing of redundant real estate, heating buildings more intelligently and replacing lighting with more modern and sustainable LED. In implementing the latter goal, LTG Infra aims to invest in the refurbishment of existing technically and physically worn out lighting towers by installing new lighting towers with LED floodlights, to ensure the lighting level is in line with the requirements of hygiene standards and to prevent accidents.

Noise prevention

Over the past few years, LTG Infra has been implementing noise attenuation wall construction projects in selected locations, taking into account the results of periodic monitoring of rail transport noise levels in Lithuania. Particular attention is paid to the population exposed to the highest noise levels. The walls were designed in active cooperation with the municipalities, coordination of architectural and design solutions to ensure that the walls are not only sufficiently effective but also harmonious with the environment. There are 9 projects envisaged under the noise reduction programme of LTG Infra.

Digitalisation and promoting innovation

In order to use sustainable materials in LTG facilities, a pilot project was initiated to test composite sleepers in LTG infrastructure. Having analysed the material used for the sleepers (glass fibre bonded with polyurethane, fibre-reinforced polyolefins, a mixture of recycled rubber raw materials and waste plastics), considered the specificities of the sites where the sleepers are to be installed and operated, and the structures of buildings, the best alternative to wooden sleepers installed in trust bridges was selected, i.e. the composite sleepers manufactured by Pioonier 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 are easy to install and maintain. The bridge in the railway section Joniškis–State Border with Latvia has been selected for the pilot project. 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 in other objects of LTG infrastructure, such as: between wooden and reinforced concrete sleepers where the thickness of the ballast is low, on switches, on roads for shunting of rolling stock, and on roads with a high probability of a false current signal.

Encouraging staff initiative

In February, LTG Infra initiated the project "Try on the colleague's profession". The huge interest in this initiative has turned the professions week into a professions month. Employees were invited to try out 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 LTG Infra's new profession of the special rolling stock operator. Employees had the opportunity to try out the only one of its kind in the Baltics – the diagnostic rolling stock.

Promoting sustainable transport

LTG Infra take care that all market players are involved in the network development, repair planning and innovation design. The Company organises regular annual meetings with contractors and suppliers each year to present its procurement and investment plans. This allows market players to prepare for upcoming projects.

Empowering people with individual needs

In order to make train travel easily accessible and user-friendly for all passengers, including people with individual needs, seniors, young families with young children, LTG Infra continues to consistently 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.

Promoting interests of communities

Communities are an important stakeholder in the work of the LTG Group. The Group's activities often influence their lifestyles and conditions, and the projects it implements need to be in line with their expectations and priorities. LTG Infra is actively involved and initiates meetings with communities living near the railway. Discussions are focused on listening to their needs and working together 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 significantly boost regional growth through infrastructure development and job creation. That is why representatives of LTG Infra, which is responsible for the implementation of Rail Baltica project in Lithuania, are initiating meetings with the Association of Local Authorities in Lithuania and the municipalities in whose territory 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 topical issues. It is planned that such meetings will be held periodically and that representatives of municipalities will be included in project working groups as required.

Independence of boards

In January 2023, AB LTG Infra elected the Board with at least 1/3 independent members. The member of the Board appointed as its Chairman is also an independent member of the Board.

Additional information

Information about external audit

Audit of the financial statements of LTG group companies and the Company is performed in accordance with International Standards on Auditing.

The public procurement contract for the audit of the Company's consolidated financial statements and separate financial statements of subsidiaries, prepared in accordance with International Financial Reporting Standards, adopted by the EU, for the year 2023–2025, 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 the audit services was signed on 27 July 2023.

The contractual fee to the audit firm for the audit of the financial statements 2023 is EUR 76.6 thousand (excluding VAT), for other non-audit services (limited assurance engagement on accounting separation reports in accordance with International Standard on Assurance Engagements 3000, limited assurance engagement on the calculation of the activity result of the public railway infrastructure manager, separated into certain key activities, and justification of its use in accordance with International Standard on Assurance Engagements 3000, and translation services) - EUR 40.4 thousand (excluding VAT).

During the reporting period, in addition to the audit of the financial statements, the auditor (KPMG) provided translation services to the LTG Group companies and the Company, as well as audited the compliance certificates to the credit institutions for the reporting period on the LTG Group's and the Company's performance of the special and other financial ratios prescribed in the LTG Group's and the Company's long-term loan agreements.

Information on the compliance with the guidelines on transparency

The Company complies with the requirements of the Guidelines for Transparency of the Activities of State-Owned Enterprises (https://ltginfra.lt/), approved by the Government of the Republic of Lithuania by Resolution No 1052 of July 14, 2010, by disclosing the required information in its annual and interim reports and by ensuring disclosure of the information on its website.

Structured information of the compliance with the Guidelines on Transparency is provided in the Company's annual report for 2023 published on the Company's website https://ltginfra.lt/veiklos-rezultatai.

Description of the Guidelines on Transparency in State-Owned Enterprises

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:	
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;	
5.6.	Operating goals, vision and mission;	Yes
5.7.	Structure;	Yes
5.8.	Data about the head of the enterprise;	Yes
5.9.	Data about the chairman and members of the Board, if formed according to the Articles of Association;	Yes
5.10.	Data about the chairman and members of the Supervisory Council, if formed according to the Articles of Association;	Not formed
5.11.	Names of committees, if formed; data about their chairmen and members;	Disclosed in the website of the parent LTG
5.12.	The sum of the nominal values of the state-owned shares (in euro to the nearest euro cent) and the share (in percentage) in the authorized capital of the state-owned enterprise;	Yes
5.13.	The performed special obligations that are determined as to recommendations approved by the Minister of Economics and Innovations of the Republic of Lithuania: the purpose of the special obligations, state budget appropriations allocated their implementation in the current calendar year and the legal acts entrusting the state-owned enterprise with the performance of the special obligation, the conditions for fulfilment of the special obligations and (or) regulatory pricing;	Yes
5.14.	Information on social responsibility initiatives and measures, important ongoing or planned investment projects.	Yes
6.	In order to ensure publicity regarding the professionalism of the management and supervisory bodies as well as the members of the committees, formed in a state-owned enterprise, the following data of the persons referred to in sub-points 5.8 – 5.11 of the Description shall be published: name, surname, commencement date of current duties, other current managerial positions in other legal entities, education, qualification, professional experience. If the person stated in sub-points 5.9 – 5.11 of the Description has been elected or appointed as an independent member, this information should be additionally disclosed under his data.	Yes

Description of the Guidelines on Assurance of Transparency in State-Owned Enterprises

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:	
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.	Structure of LTG Group is published in the LTG's website. LTG Infra does not have any 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.	LTG Infra is not a participant of other legal entities
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.	If details specified in Clause 5, 6, 7.1–7.4, 8, 9 and 91 of the Description change or are found to be false, information and documents must also be immediately corrected on the website.	Yes
11.	A set of annual financial statements of a state-owned enterprise, an annual report of a state-owned enterprise, an auditor's report on the annual financial statements of a state-owned enterprise must be posted on the website of the state-owned enterprise within 10 business days after their approval.	Yes

Description of the Guidelines on Transparency in State-Owned Enterprises		
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
Section III. Preparation of financial statements, 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
15.	In addition to a set of annual financial statements, a state-owned enterprise must prepare a set of interim financial statements for periods of 6 months.	Yes
16.	A state-owned enterprise, considered to be a public interest company in accordance with the Law on the Audit of Financial Statements of the Republic of Lithuania, apart from the annual report must additionally prepare a 6-month interim report.	Yes
17.	The following additional details must be provided in an annual report of a state-owned enterprise or an annual activity report of a state enterprise:	
17.1.	A short description of the operating model of the state-owned enterprise;	Yes
17.2.	Information about major events, which had occurred during a fiscal year and later (prior to the preparation of the annual report or the annual activity report) and which were of primary importance to the activities of the state-owned enterprise;	Yes
17.3.	The results of implementation of the targets specified in the established business strategy of the state-owned enterprise;	Yes
17.4.	The profitability, liquidity, assets negotiability, and debt indicators;	Yes
17.5.	The fulfilment of the specific obligations;	Yes
17.6.	The implementation of the investment policy, planned investment projects and investments as well as those under implementation during the reporting year;	Yes
17.7.	The implementation of the risk management policy applicable at the state-owned enterprise;	Yes
17.8.	The implementation of the dividend policy at state-owned enterprises;	Yes
17.9.	The implementation of the remuneration policy;	Yes
17.10.	The total annual payroll fund, the average monthly salaries according to the positions held and (or) divisions;	Yes
17.11.	Information on the compliance with the provisions of Chapters II and II of the Description, including the information on how they are being implemented, what provisions have not been complied with and why.	Yes

Description of the Guidelines on Transparency in State-Owned Enterprises		
18.	State-owned enterprises, which are not imposed a duty to prepare a social responsibility report, are recommended to respectively provide information in their annual reports on the issues of environmental protection, social and personnel-related issues, the protection of human rights, anti-corruption and anti-bribery measures.	Yes
19.	If the information specified in Clause 17 of the Description is considered a commercial (industrial) secret or confidential information of a state-owned enterprise, the state-owned enterprise is entitled not to disclose such information; however, it must specify in its annual report or the annual activity report that this information is not being disclosed and specify reasons for nondisclosure.	Not relevant
20.	Other information not specified in the Description may be provided in an annual report of a state-owned enterprise.	Yes
21.	A state-owned enterprise, which is a parent company, must provide the structure of the group of companies, the details of each subsidiary specified in Clauses 5.1–5.3 of the Description, the equity interest in the subsidiary (the percentage share), the financial and non-financial performance results of a fiscal year in its consolidated annual report, and if it is not obliged to prepare a consolidated annual report, in its annual report. If a state-owned enterprise, which is a parent company, prepares a consolidated annual report, the requirements of Clause 17 of the Description apply to it mutatis mutandis.	LTG Infra is not a participant of other legal entities
22.	An interim report of a state-owned enterprise or an interim activity report of a state enterprise must contain a short description of the operating model of the state-owned enterprise, the analysis of financial performance for a reporting period, information on major event, which had occurred during the reporting period, and also profitability, liquidity, assets negotiability, debt indicators and their changes in comparison with the respective period of the previous year.	Yes

Definitions

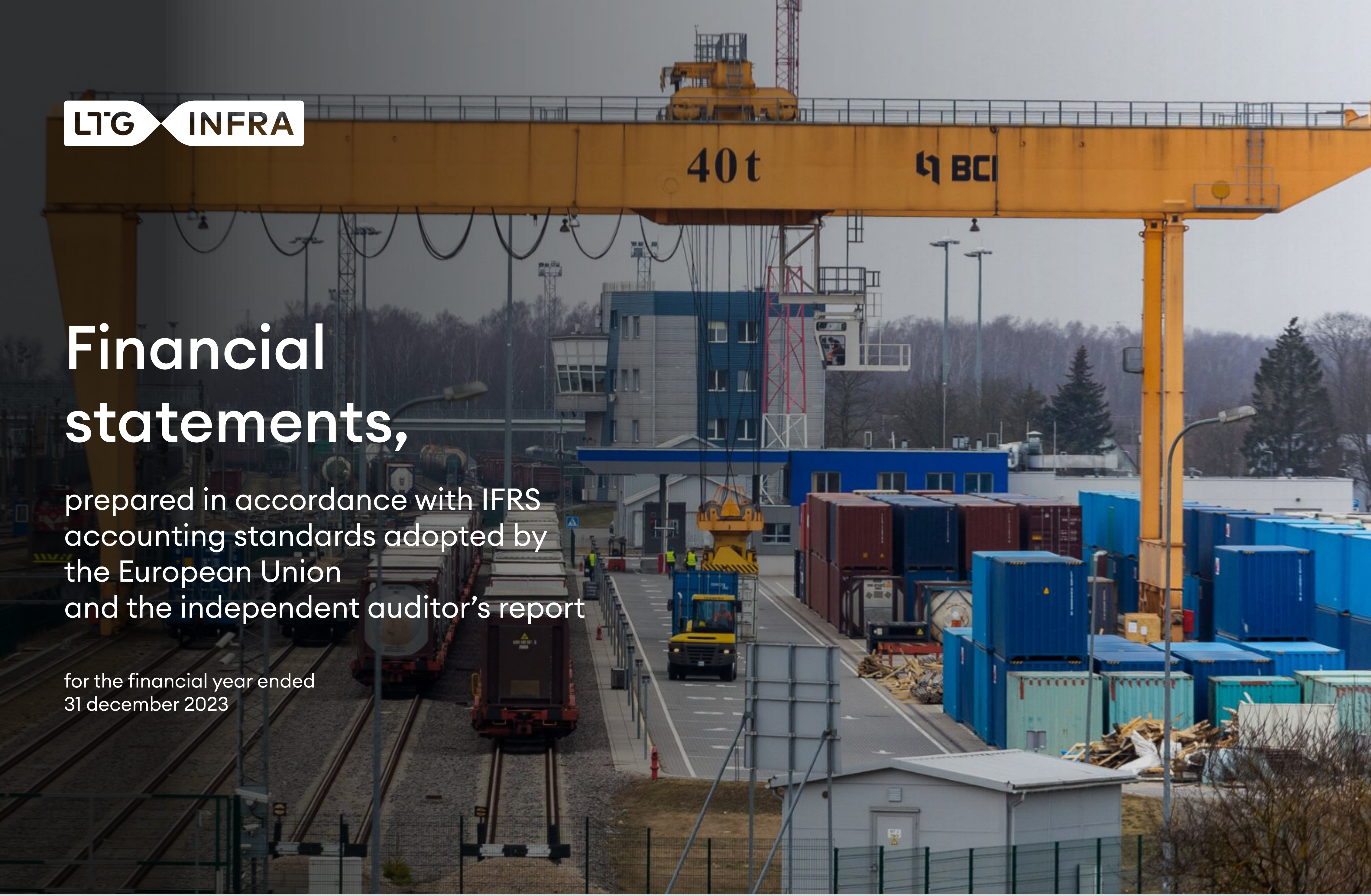
Ratio	Definition/formula
Revenue	Sales revenue + Grant revenue+Other operating income (excluding Finance income)
Sales revenue*	Revenue, excluding Grant revenue, Other activity income and Finance income
Grant	State budget funds to finance LTG Infra
Costs	Costs, excluding the Corporate tax and Financial expenses
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)	Net profit (loss) for the last 12 months period / Average equity at the beginning and end of the reporting period
Return On Assets (ROA)	Net profit (loss) for the last 12 months period / Average assets at the beginning and end of the reporting period
Return On Investment (ROI)	Net profit (loss) for the last 12 months period / Average of assets at the beginning and end of the reporting period - 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
Normalized EBITDA	Normalized EBITDA / Sales revenue
EBIT margin*	EBIT / Sales revenue
EBITDA margin*	EBITDA / Sales revenue
Normalized EBITDA margin*	Normalized EBITDA / Sales revenue
Net profit margin*	Net profit (loss) for the period / Sales revenue
Equity ratio	Equity at the end of the reporting period / Assets at the end of the reporting period
Debt Service Coverage Ratio	Net profit/(loss) for the last 12 months + amortisation, depreciation and grant costs of the last 12 months + interest expenses of the last 12 months (adjusted considering the non-monetary items) / Amortisation of debt for interest + Interest payable for the last 12 months
Financial debt / EBITDA	Financial debt / EBITDA of the last 12-month period
Net debt / EBITDA	Net Debt / EBITDA of the last 12-month period
Financial debt / Equity (D/E)	Financial debt / Equity at the end of the reporting period
Asset turnover ratio*	Sales revenue for the period of the last 12 months / Assets at the end of the reporting period
Quick liquidity rate	Current assets at the end of the reporting period / current liabilities at the end of the reporting period / Current liabilities at the end of the reporting period
Gross liquidity rate	Current assets at the end of the reporting period / Current liabilities at the end of the reporting period
Train operational volume (gross-gross ton/km)	Unit of measure representing by multiplying the gross weight of the train, including the weight of the running locomotive, by the distance travelled
Number of employees	The number of listed active employees as of the end of the period (excluding the employees on parental leave, military service, long-term incapacity)
Average salary	Average gross salary per employee

** when calculating the LTG Infra's financial indicators, Sales revenue is increased by Grant revenue.*

Abbreviations

EU	The European Union
ESG	Environmental, Social and Corporate Governance
Government of RoL	Government of the Republic of Lithuania
KIT	Kaunas Intermodal Terminal
LTG	AB Lietuvos Geležinkeliai
LTG Group, Group, Company group	AB Lietuvos Geležinkeliai and its subsidiaries
LTG Infra, the Company	AB LTG Infra
LTG Cargo	AB LTG Cargo
LTG Link	UAB LTG Link
RTC	Railway Transport Code of the Republic of Lithuania
Repair undertaking	Undertakings which go to/from the construction, repair and/or maintenance sites of the railway infrastructure objects
RSF	Railway service facilities
SOE	State-owned enterprise
USA	United States of America
VIT	Vilnius Intermodal Terminal
VAT	Value Added Tax

Annual and interim reports as well as financial statements are available publicly on the Company's website https://ltginfra.lt/veiklos-rezultatai.



Financial statements,

prepared in accordance with IFRS accounting standards adopted by the European Union and the independent auditor's report

for the financial year ended
31 december 2023

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

+370 5 2102600
vilnius@kpmg.lt
home.kpmg/lt

Independent Auditor's Report

To the Shareholders of AB LTG Infra

Opinion

We have audited the financial statements of AB LTG Infra ("the Company"), set out on pages 71-102. The Company's financial statements comprise:

- the statement of financial position as at 31 December 2023,
- the statement of profit or loss and other comprehensive income for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its 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 Financial Statements section of our report. We are independent of the Company 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.

Other Information

The other information comprises the information included in the Company's annual management report, set out on pages 4 - 66, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

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

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Company code: 111494971
VAT code: LT114949716

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

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

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

On behalf of KPMG Baltics, UAB

Rūta Kupinienė
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 68 to 70 of this document.

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Statement of financial position

	Notes	2023	2022
NON-CURRENT ASSETS			
Property, plant and equipment	**7**	**1,757,200**	**1,537,685**
Land		152,688	152,031
Buildings and structures		983,251	940,365
Machinery and equipment		55,678	115,467
Vehicles		13,691	13,579
Other assets, fixtures, fittings and tools		5,743	62,213
Construction in progress and prepayments		546,149	254,030
Right-of-use assets	**8**	**2,102**	**1,959**
Intangible assets	**9**	**13,610**	**16,019**
Software		11,767	14,050
Other intangible assets		1,843	1,969
Investment property	**10**	**3,247**	**5,785**
Financial assets		**132**	**-**
Other non-current assets		**105**	**66**
Total non-current assets		**1,776,396**	**1,561,514**
CURRENT ASSETS			
Inventories	11	11,272	5,693
Non-current assets held for sale	11	3,738	323
Trade and other receivables	12	23,727	24,453
Prepayments	13	2,759	370
Cash and cash equivalents	14	77,022	112,007
Total current assets		**118,518**	**142,846**
TOTAL ASSETS		**1,894,914**	**1,704,360**

	Notes	2023	2022
EQUITY			
Authorised capital		654,928	654,928
Legal reserve	16	1,258	1,258
Other reserves	16	3,117	19,005
Retained profit (loss)	15	(17,396)	(15,888)
Total equity		**641,907**	**659,303**
LIABILITIES			
Non-current liabilities			
Grants	17	982,862	808,340
Loans and other borrowings	18	109,523	125,078
Lease liabilities	19	1,225	1,130
Employee benefits	20,24	3,657	3,159
Trade and other payables	21	2,016	8,960
Provisions	22	16,453	14,470
Deferred income tax liabilities	26	13,163	14,117
Total non-current liabilities		**1,128,899**	**975,254**
Current liabilities			
Loans and short-term portion of long-term loans	18	17,213	16,004
Lease liabilities	19	920	906
Income tax liability		20	40
Employee benefits	20,24	9,213	8,961
Trade and other payables	21	96,676	43,665
Provisions	22	66	227
Total current liabilities		**124,108**	**69,803**
TOTAL EQUITY AND LIABILITIES		**1,894,914**	**1,704,360**

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

The Financial Statements and the Explanatory Notes to the Financial Statements, set out on page 71-102, were approved and signed on April 10th 2024 by:

Vytis Žalimas
CEO

Raimonda Duobuvienė
AB Lietuvos geležinkeliai
Financial controller for Accounting,
Financial Reporting and Control,
acting under Power of Attorney
No JG(INFRA)-234/2023 of 18 October 2023

Statement of profit or loss and other comprehensive income

	Notes	2023	2022
Sales revenue	23	117,220	129,202
Grant	17,23	60,607	59,962
Income from other activities	23	404	456
Total income		**178,231**	**189,620**
Remuneration and social insurance costs	24	(57,680)	(57,604)
Depreciation and amortization	7,8,9,10,17	(62,466)	(62,005)
Materials		(6,246)	(6,749)
Fuel		(1,512)	(2,169)
Electricity		(7,113)	(16,102)
Repairs and maintenance		(13,539)	(13,748)
Management services		(20,782)	(20,422)
Increase (decrease) in the value of non-current assets		(1,879)	(4,729)
Write down of inventories to net realisable value (reversal)		2,421	(3,490)
Increase (decrease) in the value of receivables		(74)	7
(Increase) decrease in provisions	22	(1,822)	(3)
Other costs		(11,041)	(11,817)
Operating profit (loss)		**(3,502)**	**(9,211)**
Finance income	25	229	62
Finance expenses	25	(6,504)	(2,785)
Profit (loss) before taxation		**(9,777)**	**(11,934)**
Income tax	26	1,039	433
Net profit (loss) for the period		**(8,738)**	**(11,501)**
Other comprehensive income (expenses)		-	-
Total comprehensive income (expenses)		**(8,738)**	**(11,501)**

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

Statement of changes in equity

	Notes	Authorised capital	Legal reserve	Other reserves	Retained profit (loss)	Total
Balance as at 31 December 2021		**654,928**	**1,258**	**23,613**	**(8,871)**	**670,928**
Net profit (loss) for the period		-	-	-	(11,501)	(11,501)
Total comprehensive income (expenses)		**-**	**-**	**-**	**(11,501)**	**(11,501)**
Unrecognised profit (loss) for the reporting year	15	-	-	-	(124)	(124)
Reserves used	16	-	-	(4,608)	4,608	-
Total transactions with owners of the Company		**-**	**-**	**(4,608)**	**4,484**	**(124)**
Balance as at 31 December 2022		**654,928**	**1,258**	**19,005**	**(15,888)**	**659,303**
Net profit (loss) for the period		-	-	-	(8,738)	(8,738)
Total comprehensive income (expenses)		**-**	**-**	**-**	**(8,738)**	**(8,738)**
Unrecognised profit (loss) for the reporting year	15	-	-	-	(8,658)	(8,658)
Reserves used	16	-	-	(15,888)	15,888	-
Total transactions with owners of the Company		**-**	**-**	**(15,888)**	**7,230**	**(8,658)**
Balance as at 31 December 2023		**654,928**	**1,258**	**3,117**	**(17,396)**	**641,907**

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

Statement of cash flows

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit (loss) for the period		(8,738)	(11,501)
ADJUSTMENTS			
Depreciation and amortisation	7,8,9,10	84,892	84,356
Grants (amortisation)	17	(22,426)	(22,351)
(Profit) loss from disposal / write-off of non-current assets		290	2,802
Impairment (reversal)		(468)	8,212
Change in accrued income/expenses		1,833	(20,982)
Interest (income) expenses		6,080	2,165
Interest on lease liability		1	53
Increase (decrease) in provisions		1,822	3
Income tax expenses (income)		(1,039)	(433)
Cash flows from operating activities after adjustment		**62,247**	**42,324**
CHANGES IN WORKING CAPITAL			
Decrease (increase) in inventories		(8,496)	(470)
Decrease (increase) in trade and other receivables and prepayments*		(62,727)	(59,915)
Increase (decrease) in current and non-current trade payables and received prepayments		44,970	9,199
Increase (decrease) in employment related liabilities		751	(1,999)
Increase (decrease) in other non-current and current payables		(683)	(6,027)
Income tax (paid)		-	(3,147)
Net cash from operating activities		**36,062**	**(20,035)**
CASH FLOW FROM INVESTING ACTIVITIES			
(Acquisition) of non-current assets		(313,466)	(153,877)
Disposal of non-current assets		119	29
Interest received		215	-
Net cash from investing activities		**(313,132)**	**(153,848)**

	Pastabos	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans (repayment)	18	(15,555)	(17,444)
Interest paid	18	(4,993)	(1,804)
Grants received (used for cost reduction)	17	263,573	295,085
Interest on lease liability	19	(1)	(53)
Lease liability payments	19	(939)	(815)
Net cash flows from financing activities		**242,085**	**274,969**
Net increase (decrease) in cash and cash equivalents		**(34,985)**	**101,086**
Cash and cash equivalents at the beginning of the period		**112,007**	**10,921**
Cash and cash equivalents at the end of the period		**77,022**	**112,007**

** incl. grants to balance revenue and expenditure - EUR 60,607 thousand (EUR 59,962 thousand in 2022)*

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

Explanatory notes to the financial statements

1. General information

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

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

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

As at 31 December 2023 and 2022, the Company's sole shareholder was the parent company LTG. 100 percent of the shares of LTG are held by the state of Lithuania, represented by the Ministry of Transport and Communications of the Republic of Lithuania.

The Company has no branches and representative offices.

The listed number of active employees at the end of the period (excluding the employees on parental leave, employees doing military service, long-term incapacity) was 2,418 as at 31 December 2023 (as at 31 December 2022: 2,453).

2. Basis of preparation

• **Basis of preparation**. The financial statements of the Company have been prepared in accordance with IFRS Accounting Standards ("IFRS"). The financial statements for the year ended 31 December 2023 have been prepared on a going concern basis and are valued using the historical cost method, unless otherwise stated. These financial statements present comparative information for the previous reporting period.

• **Changes in accounting policy**. The accounting policies applied in the preparation of these financial statements are consistent with those used for the preparation of the Company's annual financial statements for the year ended 31 December 2022, with the exception of the new standards which became effective during 2023.

• **Functional and presentation currency**. The functional currency of the Company 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 are considered insignificant in the financial statements.

• **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.

• **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 replaced 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.

• **Depreciation**. No depreciation is calculated for land plots. Depreciation of other groups of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives.

Groups of property, plant and equipment	Useful life in years
Buildings and structures	8-122
Machinery and equipment	5-68
Road transport/vehicles	5-9
Rolling stock	8-24
Computers and hardware	3-9
Other assets, fixtures, fittings and tools	3-65
Land	Indefinite

• **Impairment of property plant and equipment, and intangible assets.**

On every date of the statements of financial position the Company reviews the carrying amount of its property, plant and equipment, and intangible assets to determine whether there is any indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset is assessed in order to determine the extent of impairment (if any). The recoverable amount is the higher of fair value less costs to sell and value in use. When assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate, assessed under current market conditions, an existing time value of money and risks specific to the asset, which have not been considered in the estimates of future cash flows.

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

• **Inventories**. Inventories are measured at acquisition or production cost, and subsequently are accounted for at the lower of the cost or the net realisable value. The net realisable value is a sale price under normal business conditions less expenses of completion and possible costs to sell. The cost is calculated under the FIFO method. The cost of inventories is net of volume discounts and rebates, received from suppliers during the reporting period, but it applies to the inventories still held in stock. The inventories that may not be realised are fully written off. The structure of the Company's inventories is presented in Note 11.

The change in the write-down of the Company's inventories to net realisable value is reflected in the item of expenses of write-down to net realisable value in the statement of profit or loss and other comprehensive income.

• **Construction in progress**. Construction in progress is accounted for at acquisition (production) cost less impairment losses. This includes the cost of construction, structures and equipment, and other directly attributable expenses. Construction in progress is not depreciated until construction is completed and assets are ready for service. 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. 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 the direct costs. Construction in progress is reclassified to the appropriate property, plant and equipment group when it is completed and the constructed asset is ready for its intended use.

• **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 during estimated useful life. Subsequent expenditure is capitalised (added to the carrying amount of the asset) only if it is probable that future economic benefits will flow to the Company from the asset and its cost can be measured reliably. All other repair and maintenance costs are recognised in the statement of profit or loss in the financial period in which they were incurred. Transfers to and from investment property are made only when there is an obvious change in intended use of assets. Information about the Company's investment property is disclosed in Note 10.

• **Intangible assets**. Intangible assets from which the Company expects to derive future economic benefits have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. The Company's intangible assets have a determined useful life. Intangible assets include capitalised computer software, and licenses. The acquired computer software, licences, patents are capitalised on the basis of the costs incurred in acquiring and bringing them to use.

Amortisation of intangible assets is calculated on a straight-line basis over their estimated useful lives or specific maturity time, if determined. The useful life is reviewed annually.

Patents and licences are initially measured at cost and amortised on a straight-line basis over their estimated useful lives. The useful lives are reviewed annually.

Intangible assets are written off when the economic benefits from the use or disposal are no longer expected. 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. Assets held for sale are reclassified if they meet the criteria for available-for-sale assets under IFRS 5.

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.

• **Financial instruments**

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

A Company recognises 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 using trade date accounting. On initial recognition, 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 not measured at fair value through profit or loss, an initial measurement of the financial asset includes the fair value of the instrument plus transaction costs directly attributable to the acquisition of the financial asset.

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

• **Credit-impaired financial assets**. Impairment losses on credit-impaired financial assets measured at amortised cost are measured based on the expected credit loss (ECL) model.

The Company measures trade receivables using either an allowance for credit losses matrix or an individual assessment, whereby each debtor's financial condition and credit risk are assessed individually by analysing the debtor's financial statements, payment discipline and other publicly available information about the debtor that may affect the debtor's credit risk assessment.

The priority objective of the Company'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 Company holds under the contract and the cash flows the Company expects to receive). ECL are discounted using 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 are recognised in profit or loss throughout the period.

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

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

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering all or part of the asset. 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.

Subsequent recoveries of amounts previously written off are credited to the impairment loss account within the statement of profit or loss and other comprehensive income.

• **Financial liabilities**. The Company's financial liabilities comprise loans and other financial debts, contract liabilities, 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 Company derecognises a financial liability when the contractual obligations are discharged, cancelled, expire, the terms are modified and the cash flows of the modified liability are materially different. In the event of derecognition of a financial liability the difference between the carrying amount written off and the consideration paid (including any transferred non-cash assets or liabilities assumed) is recognised as profit or loss in the statement of profit or loss and other comprehensive income.

• **Offsetting of financial assets and liabilities**. Financial assets and financial liabilities are offset when and only when, the Company has a legally enforceable right to set off the amounts and intends to do so, or to realise the assets, settle the liabilities 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 receivables are mainly due from related parties and state-owned enterprises.

Other receivables from the budget represent the funds to finance the implementation of infrastructure projects.

• **Trade and other payables.** At initial recognition trade and other payables are recognised when the Company becomes a party to the contractual terms. Trade and other payables are initially measured at fair value plus directly related transaction costs. The major part of the payables relates to investments in non-current assets.

• **Cash and cash equivalents.** These are monetary assets the value of which approximates to their fair value. Cash comprises cash at bank accounts and on hand. Cash equivalents represent short-term highly liquid investments easily convertible to a known amount of cash. The term of such investments does not exceed three months and the risk of changes in value is insignificant.

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

• **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 2nd level in the fair value calculation model. The fair value of the loans received corresponds to the carrying amount. The structure of the Company's loans is presented in Note 18 Loans and other borrowings.

• **Right-of-use assets**

Leases

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

Leases, where the Company is a lessee.

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

Subsequent assessment of right-of-use assets. Subsequent to the commencement date, the Company measures assets held under right-of-use by applying the 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 right-of-use assets, the Company shall apply the depreciation requirements of IAS 16 "Property, Plant and Equipment". The Company presents the right-of-use assets separately from property, plant and equipment in the statement of financial position.

Leases where the Company is a lessor

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

• **Income taxes.** Income tax assets and liabilities for current and prior periods are recorded at the amount expected to be recovered from, or paid to the tax authority. The applicable income tax and tax laws are those that are enacted or substantively enacted at the date of the statement of financial position.

In 2023 and 2022, the income tax rate applicable to the companies of the Republic of Lithuania was 15%.

In the statement of financial position, the income tax prepayment and income tax liabilities of the Company are offset when they relate to the same tax authority.

Deferred tax. Deferred tax is accounted for using the liability method. Deferred tax assets and liabilities are recognized for future tax purposes by marking the differences between the carrying amounts 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, and deferred tax assets are recognised only to the extent that it is probable that they will reduce taxable profit in the future.

The carrying amount of the deferred tax asset is reviewed at each reporting date and is reduced if it is not probable that sufficient future taxable profit will be available to realise this asset or part of it. The amount of the deferred tax asset is reduced to the amount that is probable of reducing future taxable profit. Deferred tax is calculated using the tax rates that are expected to apply 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 against current tax liabilities and when the deferred tax relates to the same tax authority.

• **Revenue recognition**. Revenue is recognised applying a uniform principle, based on a five-step model that applies to all customer contracts (IFRS 15).

Revenue is recognised (at a point in time or over a period of time) when the performance obligations have been fully discharged and control has passed to the customer. Revenue is measured at the consideration specified in the contract with the customer and does not include amounts collected on behalf of third parties. The contractual consideration with the customer may include fixed amounts, variable amounts or both.

• **Operating revenue generated by the Company includes the following**:

- use of public railway infrastructure;

- use of railway service equipment;

- other income.

Revenues from the use of public railway infrastructure reflect the revenues generated from the use of public railway infrastructure. Revenue relating to the use of public railway infrastructure and related ancillary services is recognised over the period of time (calendar month) when the services are rendered, as the customer receives the benefit of the use of the public railway infrastructure.

- Use of railway service facilities - revenue is recognised over the period of time (calendar month), in which the services are provided, as the customer receives the benefit of the use of the public railway infrastructure.

- Other revenue is recognised over the period of time, in which the services are provided.

Recognition of expenses. Expenses are recognised in the statement of profit or loss on an accruals basis when incurred.

• **Grants. Asset-related grants.** Grants and subsidies (hereinafter "grants") intended for the purchase, construction or other acquisition of non-current assets are considered as

Type of services	Nature, timing of satisfaction of performance obligations and payment conditions	Revenue recognition under IFRS 15 and IFRS 16
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 services have been provided, applying payment security (cash collateral, bank guarantee, trade credit); - after the services have been provided, without payment security (up to 30 days, usually 7-10 days); - a common term for payment of invoices is 7-10 days.	Revenue from the use of public railway infrastructure and related ancillary services shall be recognised in proportion to the time the customer uses the service and benefits from the use of public railway infrastructure. The amount of recognised income is in accordance with the procedure laid down in the Rules on the provision of services and the price is specified in documents for additional services. Prepayments received are included into contractual obligations. Revenue from the use of public railway infrastructure shall be recognised either after the service has been provided or during the period in which the service is provided by applying the tariff. Use of railway service facilities - revenue is recognised over the period of time (calendar month), in which the services are provided, as the customer receives the benefit of the use of the public railway infrastructure.
Other income	Other income: Invoices are issued after the service has been rendered and the deed of acceptance and delivery of works has been signed. A common term for payment of invoices is 30 days. Payments for one-off works are subject to a 7-to-30-day term, a cash deposit may also be applied. Lease revenue: Invoices are issued after the service has been rendered and the deed of acceptance and delivery of works has been signed. A common term for payment of invoices is 30 days.	Revenue is recognised on a monthly basis or over time when the services are rendered. The amount of recognised income is estimated based on singed deeds of services rendered. Revenue is recognised directly using the cost method, which can be applied to the Company's progress seeking to fully satisfy performance obligation and measure it over time, on the basis of measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. The amount of recognised income is estimated based on singed deeds of services rendered. If services under one agreement are provided in different reporting periods, the consideration is allocated according to their relative independent selling prices. The individual selling price is determined on the basis of the service prices specified in the contract.

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.

• **Grants related to income and expenses**. Grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant. Grants intended for compensation of not received income is recognised in the 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.

• **Events after the reporting period**. Events after the reporting period are events which provide additional information on the Company's standing as at the reporting date. Adjusting events are reported in the financial statements. Non-adjusting subsequent events are described in the notes, if significant. All events that are significant but are not adjusting events are disclosed in Note 31.

• **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 the Company, provided the listed relationship empowers one of the parties to exercise the control or significant influence over the other party in making financial and operating decisions.

3. Summary of material accounting principles

The preparation of the financial statements requires the Company's management 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.

• **Material judgements**

On 20 December 2018, amendments to the Railway Transport Code of the Republic of Lithuania (hereinafter the Code) were adopted amending the provisions of the Code specifying the public railway infrastructure manager. From 8 December 2019, following the entry into force of those amendments, public railway infrastructure shall be managed, operated, disposed of and provided to undertakings with services relating to the management and maintenance of public railway infrastructure by LTG Infra, established by the public railway infrastructure manager LTG to perform the functions of public railway infrastructure manager.

On 22 November 2019, AB LTG Infra concluded a trust agreement with the Ministry of Transport and Communications of the Republic of Lithuania concerning public railway infrastructure assets owned by the State of Lithuania by property right, except for the state land occupied thereby, and railway service equipment owned by the State of Lithuania by property right, except for the state land occupied thereby. The trust agreement transfers assets to be managed, used and disposed of under the right of trust in accordance with the laws of the Republic of Lithuania and the requirements set out in the Agreement for the performance of the functions of the public railway infrastructure manager and the railway service equipment operator until 7 December 2039. The Civil Code (CC) provides that the Trust Agreement shall not be concluded for a period longer than twenty years. The Code also gives a clear priority to other laws, specifying that the law in regulation of the matters of property trust agreement, related to the management of state-owned assets by the right of trust, may set a different regulation than that set by the CC. The Code states that the rights to hold the assets are delegated to LTG Infra, so it was concluded that the assets are held in trust for the duration of the exercise of that function; the duration of the exercise of the function is not defined, so the duration of the holding of the assets in trust is not defined either. According to the Resolution of the Government of the Republic of Lithuania No 1677 of 30 December 2004 on the approval of the procedure for transfer of state land to the Company under the right of trust to be used public railway infrastructure facilities, the municipalities transferred to the Company a part of land plots located near railways.

The Company controls those land plots by the right of trust. Considering the aforementioned facts, the management is of the opinion that the assets controlled by the right of trust, i.e., the land and public usage railways or assets that under the law may only be property of the State, shall be accounted for in the statements of financial position. Therefore, the Company recognises the assets controlled by the right of trust as the property, plant and equipment.

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

• **Assets managed under the right of trust**. The Company manages public railway infrastructure facilities and service facilities and state land plots under such facilities owned by the state (thereafter "the infrastructure facilities"). Based on the Trust Agreement with the Ministry of Transport and Communications of the Republic of Lithuania and based on the

Railway Transport Code, the Company uses, manages and disposes the infrastructure facilities and the Government of the Republic of Lithuania retains their legal ownership. AB LTG Infra accounts for such assets under property, plant and equipment based on IAS 16, as presented below:

The Company has a right to use the infrastructure facilities free-of-charge for an indefinite period of time; this right may only be withdrawn by the State by amending legal acts;

By transferring this right, the State has also transferred the significant risks and rewards of ownership: LTG Infra uses the infrastructure facilities to generate revenue and incurs costs for their maintenance; although the State is obliged to ensure that rail transport in the country is accessible to the public, it does not retain any of the direct financial risks associated with the infrastructure;

Although some rights that are generally linked to the ownership of infrastructure facilities are restricted (e. g. the Company is not allowed to sell or pledge such assets), similar restrictions are common in private, privatised companies and companies providing utility services, including entities subject to strict tariff regulation for services.

T**ransactions between jointly controlled entities**. In 2023, the approved decision on the sale of LTG Infra assets implies that the sale is carried between joint ventures, as a result of which the differences between the consideration paid and the residual value of the net assets sold are recognised immediately in equity as retained earnings on the date of reclassification. For details see Note 15.

4. Significant accounting estimates

• **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. During 2023, the useful lives and residual values of the assets were not changed as there was no basis for doing so.

• **Impairment losses of intangible assets and property, plant and equipment**. The Company reviews the carrying amounts of its intangible assets, property, plant and equipment at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For the purpose of impairment testing, assets that generate cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units) are grouped at the lowest levels for which there are currently no cash flows. 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. Key assumptions used for calculation of the recoverable amount of the assets are described in Note 7.

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

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

• **Write down of inventories to net realizable value**. The Company reviews its inventory list at least annually to determine the net realisable value of inventories. Inventories that have been acquired are reviewed to determine whether they can be realised in the future. In the case of slow-moving spare parts and other materials, impairment is recognised taking into account detailed operational plans for each inventory item, potential realisation period and indicative realisation price.

As part of the assessment, the Company's management analyses whether there have been any significant changes, also the reassessment of the assumptions used to estimate the recoverable amount had an immaterial effect on the change in the carrying amount.

The inventories that may not be realised are written off. The change in the write-down of the Company's inventories to net realisable value is reflected in the item of expenses of write-down to net realisable value in the statement of profit or loss and other comprehensive income. A 75 per cent impairment allowance is applied to obsolete spare parts for the repair of road structures of the Company.

Materials of the road superstructures, which meet the criteria for asset recognition under IAS 16, have been reclassified to non-current assets, construction in progress.

• **Provisions and contingent liabilities**.

Provisions are accounted for only when the Company has a legal or irrevocable obligation resulting from the past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. When the Company expects 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 asset. Further details on provisions are disclosed in Note 29.

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.

• Continuity of operations

The Company's management continues to assess the main risks and threats related to going concern and the impact on the Company's business and continues to implement the necessary actions to manage the situation. On 4 April 2023, the LTG Board approved the updated Long-term Strategy of the LTG group for 2028 Integration into Europe. The Company continues to implement the major and most important strategic initiatives that have been developed: Rail Baltica - the project to integrate the Baltic States into the European rail network, the Electrification project, the ERP modernisation project (automation of planning and management processes).

To ensure LTG Infra's stable finances, in April 2022, the Ministry of Transport and Communications of the Republic of Lithuania and LTG Infra signed a Quality and Financing Agreement for railway service facilities owned by the Lithuanian State. The funding by the State will enable LTG Infra to ensure stable maintenance of the public railway infrastructure, improve the quality of the services provided and ensure a high level of safety in rail transport. The agreement is valid for five years. Under this agreement, in 2023 LTG Infra accounted for and received EUR 61 million to balance its revenues. Furthermore, having assessed the Company's capacity to carry out projects of strategic importance, in 2023 the Government of RoL granted LTG Infra an additional financing of EUR 47.94 million from the State budget for railway electrification and other investment projects. Funding is foreseen for the projects under implementation in 2024 (payment for ongoing works) or for specific expenditure groups.The measures taken will allow the Company to balance the cash flows necessary to ensure the continuity of its operations and to service the existing loan agreements.

To balance the working capital, the Company uses the LTG Group's cash pool, which enables to optimise the use of working capital and the cost of short-term borrowings. In addition, the Company has the possibility to borrow from external financial institutions to ensure continuity of operations.In the opinion of the Company's management, the measures and actions described in the 'Performance Optimisation Project' section of the Annual Report, the State aid and borrowing facilities, and the cash flow generated by operating activities, have enabled and will enable the Company to balance the cash flows necessary to ensure the continuity of its operations and to service its existing loan agreements and commitments to partners.

• Climate change management measures and impact on the Company's operations

In fulfilment of the strategic goals and priorities of management of sustainability, LTG Infra is especially committed to environmental protection. One of the main strategic activity areas of the Company is the Green Deal. The Company's assessment of the climate change impact on the useful lives of its property, plant and equipment and the value of its non-financial assets did not reveal any significant effects. In the opinion of the Company's management, the climate change impact on the financial statements is not material. The Company's management does not consider that there are any risks or additional liabilities to the provisions that should be taken into account in the financial statements in respect of specific legislative requirements to reduce environmental damage, and penalties due to non-compliance with environmental requirements. In the opinion of the Company's management, there are no material climate-related circumstances that could affect the Company's ability to continue as a going concern. More detailed information on climate change management measures and the impact on the Company's operations is provided in the Climate Change Impact on the Company's Operations section of the Annual Report.

5. New standards, amendments and interpretations not yet adopted

The new standards, amendments to standards and interpretations that are effective for annual periods beginning on or after 1 January 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 information currently available, the Company's management estimates that the new amendments, when first applied, will not have a material impact on 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 are effective for annual periods beginning on or after 1 January 2024.

Based on the currently available information, according to the assessment of the Company's management, the new amendments when initially applied, will not have a significant impact on 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 are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted but shall be disclosed.

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

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 are effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted but shall be disclosed.

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

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

6. Financial instruments and risk management

• Financial instruments. Fair value

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

The fair value of financial instruments approximates their fair value and is the amount at which, at the measurement date, an asset would be sold or a liability would be transferred in an orderly transaction in the principal (or most advantageous) market, regardless of whether this price is directly monitored or determined by the valuation methodology.

The Company's financial instruments according to their types:

	2023	2022
FINANCIAL ASSETS		
Trade and other receivables	17,876	16,361
Cash and cash equivalents	77,022	112,007
Total	**94,898**	**128,368**
FINANCIAL LIABILITIES		
Loans and other borrowings	126,736	141,082
Lease liabilities	2,145	2,036
Trade and other payables	88,771	41,486
Total	**217,652**	**184,604**

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 – original inputs for the asset or liability that are not based on observable market data (unobservable original inputs). The following is a comparison of the values of financial instruments:

	Net carrying amount 2023	Fair value 2023			Net carrying amount 2022	Fair value 2022		
FINANCIAL ASSETS AT AMORTISED COST	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**
Trade and other receivables	17,876	-	-	-	16,361	-	-	-
Cash and cash equivalents	77,022	-	-	-	112,007	-	-	-
Total	**94,898**	**-**	**-**	**-**	**128,368**	**-**	**-**	**-**
FINANCIAL LIABILITIES AT AMORTISED COST								
Loans and other borrowings	126,736	-	-	-	141,082	-	-	-
Lease liabilities	2,145	-	-	-	2,036	-	-	-
Trade and other payables	88,771	-	-	-	41,486	-	-	-
Total	**217,652**	**-**	**-**	**-**	**184,604**	**-**	**-**	**-**

The classification and measurement of the Company's financial instruments as at 31 December 2023 is disclosed in the table of financial statements below:

	Valuation method
FINANCIAL ASSETS	
Trade and other receivables	At amortised value
Cash and cash equivalents	At amortised value
FINANCIAL LIABILITIES	
Loans and other borrowings	At amortised value
Lease liabilities	At amortised value
Trade and other payables	At amortised value

The Company had no financial assets carried at fair value.

• **Cash and cash equivalents**. These are monetary assets the value of which approximates to their fair value.

• **Loans and borrowings**. The fair value of long-term loans shall be determined on the basis of the market price or interest rate applicable to debt of the same or similar maturity at the time. The fair value of loans is assigned to the 2nd level in the fair value calculation model. The fair value of the loans received corresponds to the carrying amount.

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

• **Risk management**

The Company faces uncertainty about external and internal factors, identifies operational risks (strategic, financial, operating and compliance), anticipates their impact and likelihood, and seeks to mitigate them at least in part. The company applies and continuously improves the unified risk management system of the LTG group. It is defined in the LTG Group's risk management policy, methodology and procedure standards, which are based on the ISO 31000 (International Organization of Standardization) and COSO ERM (Committee on Sponsoring Organizations of the Treadway Commission, Enterprise Risk Management) and best practices. Management plans are approved for unacceptable risks and their implementation is monitored. Risk management policy is regularly reviewed to reflect changes in market conditions and the Company's business. The Company strives to create a disciplined and constructive risk management environment in which all employees are aware of their roles and responsibilities.

In line with the Company's strategic objectives, a summary of the key operational risk groups that are considered to be the most significant and have the potential to have a significant impact on the achievement of the Company's operational objectives is identified. The Company assesses the potential financial, legal and reputational impact of operational risks.

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

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

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

The war in Ukraine and the sanctions imposed on Russia and Belarus have increased the risk of default and settlement risk with customers in these countries. The Company has taken preventive measures to eliminate these risks and cooperated with the Lithuanian authorities to minimise the potential consequences.

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

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

As at 31 December 2023, the Company's receivables from related parties amounted to EUR 13,360 thousand (31 December 2022: EUR 13,704 thousand), no receivables were overdue, and no impairment was calculated.

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

	2023	2022
Customer A	599	599
Customer B	80	65
Customer C	41	41
Customer D	40	6
Others	589	1,070
Impairment	(902)	(1,409)
Total	**447**	**372**

The Company distinguishes each level of the credit risk considering information based on which it is possible to reliably establish the impairment risk (including but not limited to external ratings, audited financial statements, managerial accounting, cash flow forecasts, and available press information about customers) and applying an opinion on creditworthiness. Credit risk levels are defined by means of qualitative and quantitative factors, which show the risk of default and conforms to external definitions of credit ratings. In assessing risks related to receivables from external customers, a recalculation of the attraction to the oldest customer debt is applied, thus providing a more conservative assessment of the risk of potential losses. The expected credit loss rate that is calculated based on experience of actual impairment has been established of each credit risk level.

The Company's exposure to credit risk and ECLs for trade and other receivables as at 31 December 2023:

	Gross carrying amount	Expected credit losses, %	Impairment	Net carrying amount
Low risk	10,618	0.02%	(3)	10,615
Fair risk	5,322	0.03%	(2)	5,320
Increased risk	72	27.56%	(20)	52
High risk	2,766	31.74%	(877)	1,889
Total	**18,778**		**(902)**	**17,876**

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

	Gross carrying amount	Expected credit losses, %	Impairment	Net carrying amount
Low risk	12,725	0.01%	(1)	12,724
Fair risk	1,511	0.19%	(3)	1,508
Increased risk	261	8.45%	(22)	239
High risk	3,273	42.25%	(1,383)	1,890
Total	**17,770**		**(1,409)**	**16,361**

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

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

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

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

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

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

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables as at 31 December 2023:

	Expected credit losses, %	Gross carrying amount	Impairment	Net carrying amount
Not past due	0.04%	10,726	(4)	10,722
1-30 days past due	0.02%	5,286	(1)	5,285
31-60 days past due	1.17%	39	-	39
61-120 days past due	29.88%	46	(14)	32
More than 120 days past due	32.93%	2,681	(883)	1,798
Total		**18,778**	**(902)**	**17,876**

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

	Expected credit losses, %	Gross carrying amount	Impairment	Net carrying amount
Not past due	0.02%	12,830	(2)	12,828
1-30 days past due	0.13%	1,456	(2)	1,454
31-60 days past due	2.28%	177	(4)	173
61-120 days past due	4.22%	46	(2)	44
More than 120 days past due	42.91%	3,261	(1,399)	1,862
Total		**17,770**	**(1,409)**	**16,361**

The impairment recorded by the Company reflects the estimated losses on trade receivables the recovery of which is doubtful. The main component of this impairment is the individually assessed loss on significant doubtful recoverable trade receivables. The impairment assessment methods are reviewed on an ongoing basis to minimise the differences between estimated losses and actual losses.

Movement of provisions for doubtful trade and other receivables of the Company was as follows:

	2023	2022
Opening balance	**1,409**	**1,432**
Impairment of amounts written off	(581)	(17)
Change in impairment for trade receivables	74	(6)
Closing balance	**902**	**1,409**

In the Company, the impairment of receivables as at 31 December 2023 is reflected in the statement of profit (loss) and other comprehensive income, under the line of (decrease) increase in receivables. The Company's amounts written off are considered as amounts with no possibility or right of recovery.

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

Cash and cash equivalents consist of cash and cash at banks, so the credit risk associated with them is minimal. The Company's cash resources are subject to the principle of diversification, the funds are held in banks with an international credit rating of not less than A3.

	2023	2022
Aa2; AA	-	-
Aa3; AA-	77,022	112,005
A3; A-	-	2
Total	**77,022**	**112,007**

The carrying amount of cash and cash equivalents approximates their fair value. The 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 that entity cannot exceed the maximum limit of the State's insured deposits, i.e. EUR 100,000.

Liquidity risk. Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. Risk management ensures that the Company has sufficient liquid assets at all times and is able to meet its obligations when due. Liquidity and solvency risk management involves the planning and control of cash flows and the forecasting of unforeseen events that may adversely affect cash flows and pose a threat to solvency and liquidity. Liquidity and solvency risk is assessed by monitoring and analysing the relative liquidity and solvency ratios, which assess the condition of both current and non-current liabilities and the effectiveness of cash flow management. The Company's working capital shortfall is balanced, if necessary, by means of credit lines. In addition, according to the Company's standard policy, payment to suppliers is due within 45 days.

In 2023, grants received from the State budget and the EU Structural Funds amounted to EUR 267,320 thousand (2022: EUR 297,554 thousand), of which EUR 60,607 thousand (2022: EUR 59,962 thousand) were for balancing revenue. Accordingly, for further implementation of the projects in 2024, the Company expects to receive grants the limits of which are approved in the State Budget, as well as in the State Investment program for 2024-2026, and which amount to EUR 156,030 thousand.

Additional liquidity is ensured by cash pool, which allows borrowing funds from other Group companies to manage working capital and liquidity. The parent company of the LTG Group has entered into an agreement with a credit institution for the provision of LTG Group cash-pool services and, accordingly, the Company has entered into a mutual lending agreement for the current year. The terms of the agreement are in compliance with an arm's length principle. During 2023, the Company accounted for interest in an amount of EUR 308 thousand for the use of the Group's cash-pool account.

In August 2022, AB Lietuvos Geležinkeliai signed a short-term EUR 30.0 million credit line agreement with one of the banks serving Group companies. The Company did not draw on the credit line.

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

As at the date of issue of the financial statements, the Company had no liquidity problems.

The following financial indicators are monitored in the Company in accordance with the financial terms of credit contracts:

	2023	Value set by the bank	2022	Value set by the bank
Net debt/normalised EBITDA*	comply	Not more than 4.0	comply	Not more than 4.0
Equity ratio	comply	Not less than 30%	comply	Not less than 30%
Debt Service Coverage Ratio	comply	Not less than 2	comply	Not less than 2

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

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

The maturities of the Company's financial liabilities using the undiscounted cash flow method as at 31 December 2023:

	2023			
	Total	Within 1 year	From 1 to 5 years	After 5 years
Loans and other borrowings	151,485	21,573	78,277	51,635
Lease liabilities	2,199	943	1,202	54
Trade and other payables	88,771	86,755	2,016	-
Total	**242,455**	**109,271**	**81,495**	**51,689**

The maturities of the Company's financial liabilities using the undiscounted cash flow method as at 31 December 2022:

	2023			
	Total	Within 1 year	From 1 to 5 years	After 5 years
Loans and other borrowings	161,631	19,340	74,485	67,806
Lease liabilities	2,036	1,130	906	-
Trade and other payables	41,486	32,526	8,960	-
Total	**205,153**	**52,996**	**84,351**	**67,806**

Payment specification of the Company's loans and other financial debts as at 31 December 2023, including interest:

Financial liabilities	Up to 2 months	From 2 months to 1 year	From 1 to 5 years	After 5 years
Loans and other borrowings	2,448	19,125	78,277	51,635
Total	**2,448**	**19,125**	**78,277**	**51,635**

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

The main sources of foreign currency exchange risk for the Company are various transactions denominated in foreign currencies (USD, 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 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.

During 2023 and 2022, the Company did not enter into derivative financial transactions to manage the risk of exchange rate fluctuations with servicing banks. Most transactions are in euro and the impact of exchange rate fluctuations is low.

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

Risk management tools are only used if there are clear indications in the market that the interest rate may change significantly. The Company has not entered into derivative financial instruments to manage the risk of interest rate fluctuations.

Long-term loans mostly affect increase in the interest rate risk. The value of the Company's long-term loan portfolio as at 31 December 2023 was EUR 125,078 thousand (EUR 140,633 thousand as at 31 December 2022).

An increase in the interest rate by 0.5 percentage point during 2023 would result in an increase in annual interest expense of EUR 692 thousand (2022: EUR 532 thousand).

In 2023 and 2022, the Company did not use any derivative financial instruments to manage the interest rate risk.

The Company is not exposed to significant risk of changes in interest rate, exchange rate or price index risk related to banking products.

• **Capital management**. Capital includes equity attributable to shareholders. The main objective of capital management is to ensure that the Company meets its external capital requirements. The objectives of the Company's capital management are to ensure the Company's ability to continue as a going concern in order to generate a return to shareholders and to maintain an optimal capital structure by reducing the cost of capital. In order to maintain or change the capital structure, the Company may make capital payments to shareholders or issue new shares.

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

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

During 2023 and 2022, the Company complied with the requirements of the above-mentioned provisions of the Law on Companies of the Republic of Lithuania.

In managing capital risk over the long term, the Company also seeks to maintain an optimal capital structure that ensures the balanced achievement of both cost of capital and risk minimisation objectives. The Company's capital structure is formed by assessing the internal factors of its regular operations, planned investments and growth, as well as by taking into account the Company's business strategy and the external regulatory and market environment factors relevant to the Company's operations, both current and anticipated.

7. Property, plant and equipment

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

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other assets, equipment, fittings and tools	Construction in progress and prepayments	Total
ACQUISITION COST							
31 December 2021	**153,734**	**955,756**	**149,626**	**10,153**	**79,883**	**308,289**	**1,657,441**
- acquisitions per year	-	64	7,903	93	49	144,126	152,235
- assets sold, written off, disposed	(1,660)	(903)	(3,420)	(2)	(260)	(426)	(6,671)
- transferred to current assets	-	(25)	(211)	(538)	(2)	-	(776)
- transferred to intangible assets	-	-	-	-	-	(22)	(22)
- transferred to investment property	-	(1,810)	-	-	-	-	(1,810)
- reclassifications	(43)	180,013	903	6,782	608	(188,263)	-
31 December 2022	**152,031**	**1,133,095**	**154,801**	**16,488**	**80,278**	**263,704**	**1,800,397**
- acquisitions per year	335	9,101	1,532	2	1,013	301,826	313,809
- assets sold, written off, disposed	(17)	(1,966)	(299)	-	(224)	(149)	(2,655)
- transferred to current assets	-	(11,357)	(13,188)	(34)	(21)	5,527	(19,073)
- transferred to intangible assets	-	-	-	-	-	(500)	(500)
- transferred from investment property	-	2,715	-	-	-	-	2,715
- reclassifications	339	148,799	(66,362)	1,945	(72,023)	(12,698)	-
31 December 2023	**152,688**	**1,280,387**	**76,484**	**18,401**	**9,023**	**557,710**	**2,094,693**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES							
31 December 2021	**-**	**(133,317)**	**(27,209)**	**(2,060)**	**(12,269)**	**(1,824)**	**(176,679)**
- depreciation	-	(59,979)	(13,510)	(1,016)	(5,944)	-	(80,449)
- impairment during the year	-	59	-	-	3	(7,850)	(7,788)
- assets sold, written off, disposed	-	296	1,287	1	144	-	1,728
- transferred to current assets	-	5	101	166	1	-	273
- transferred to investment property	-	206	(3)	-	-	-	203
31 December 2022	**-**	**(192,730)**	**(39,334)**	**(2,909)**	**(18,065)**	**(9,674)**	**(262,712)**
- depreciation	-	(65,996)	(9,591)	(1,208)	(3,855)	-	(80,650)
- impairment during the year	-	10	-	-	-	(1,887)	(1,877)
- assets sold, written off, disposed	-	1,410	171	-	176	-	1,757
- transferred to current assets	-	3,025	3,434	18	21	-	6,498
- transferred to investment property	-	(509)	-	-	-	-	(509)
- reclassifications	-	(42,346)	24,514	(611)	18,443	-	-
31 December 2023	**-**	**(297 136)**	**(20 806)**	**(4 710)**	**(3 280)**	**(11 561)**	**(337 493)**
CARRYING AMOUNT							
31 December 2021	**153,734**	**822,439**	**122,417**	**8,093**	**67,614**	**306,465**	**1,480,762**
31 December 2022	**152,031**	**940,365**	**115,467**	**13,579**	**62,213**	**254,030**	**1,537,685**
31 December 2023	**152,688**	**983,251**	**55,678**	**13,691**	**5,743**	**546,149**	**1,757,200**

The Company's depreciation expense included in the statement of profit or loss and other comprehensive income amounted to EUR 59,995 thousand (EUR 59,775 thousand in 2022). This amount includes EUR 80,650 thousand (EUR 80,447 thousand in 2022) of depreciation expenses, which have been reduced by EUR 20,655 thousand (EUR 20,672 thousand in 2022) of the grant amortisation expenses as described in Note 17. Capitalised depreciation amounted to EUR 4 thousand (EUR 2 thousand in 2022). As at 31 December 2023, the value of the Company's assets managed by the right of trust was EUR 973,174 thousand (EUR 947,811 thousand as at 31 December 2022). The acquisition cost of the Company's fully depreciated property, plant and equipment in use amounted to EUR 18,556 thousand as at 31 December 2023 (31 December 2022: EUR 14,819 thousand).

A major share of fully depreciated property, plant and equipment in use included buildings and structures, machinery and equipment. Inventories by the value of EUR 13,050 thousand, which complied with the requirements of IAS 16, have been reclassified to property, plant and equipment, not activated construction in progress (EUR 9,560 thousand as at 31 December 2022), and an impairment of EUR 2,037 thousand was established on these inventories. The Company has no pledged assets.

During the financial year, the Company 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 assets, equipment, 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 assets, equipment, fittings and tools. In the opinion of the Company's 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 projects of construction in progress are:

- electrification of the Kaišiadorys - Klaipėda (Draugystės St.) section - EUR 204,415 thousand, planned for completion in 2025;

- electrification of Vilnius railway junction - EUR 52,143 thousand, scheduled for completion in 2024;

- construction of the second track on the Livintai-Gaižiūnai section - EUR 47,672 thousand, planned for completion in 2024.

While preparing the financial statements, the Company's management made an estimate of the recoverable amount of property, plant and equipment and intangible assets. A single cash-generating unit has been identified, without separating the assets of MAP and RSF into separate cash-generating units, as the revenue of all activities is dependent in accordance with the requirements of IAS 16. The assessment was made by discounting the expected cash inflows from the Company's activity. The carrying amount of the assets as at the date of the financial statements was determined by taking the carrying amounts of the assets and reducing them by asset-related grants.

The forecast of the Company's results was made using these key assumptions:

• the 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 are based on 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 calculation of the recoverable amount of the assets did not show any impairment to be performed.

The sensitivity analysis showed that if:

- WACC increased by 1 percentage point, the recoverable amount would decrease by 16%, which would mean that the Company would have to record an impairment loss;

- WACC decrease by 1 percentage point, the recoverable amount would increase by 22%.

- Long-term growth rate increased by 1 percentage point, the recoverable amount would increase by 19%;

- Long-term growth rate decreased by 1 percentage point, the recoverable amount would decrease by 13%, which would mean that the Company would have to record an impairment loss.

8. Right-of-use assets

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

	Buildings and structures	Vehicles	Other equipment, fittings and tools	Total
ACQUISITION COST				
31 December 2021	**20**	**3,056**	**6**	**3,082**
- acquisitions per year	17	1,189	-	1,206
- assets sold, written off, disposed	-	(1,081)	-	(1,081)
31 December 2022	**37**	**3,164**	**6**	**3,207**
- acquisitions per year	94	1,195	-	1,289
- assets sold, written off, disposed	(20)	(433)	(6)	(459)
31 December 2023	**111**	**3,926**	**-**	**4,037**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES				
31 December 2021	**(14)**	**(1,456)**	**(3)**	**(1,473)**
- depreciation	(8)	(793)	(2)	(803)
- assets sold, written off, disposed	-	1,028	-	1,028
31 December 2022	**(22)**	**(1,221)**	**(5)**	**(1,248)**
- depreciation	(10)	(923)	(1)	(934)
- assets sold, written off, disposed	20	221	6	247
31 December 2023	**(12)**	**(1,923)**	**-**	**(1,935)**
CARRYING AMOUNT				
31 December 2021	**6**	**1,600**	**3**	**1,609**
31 December 2022	**15**	**1,943**	**1**	**1,959**
31 December 2023	**99**	**2,003**	**-**	**2,102**

9. Intangible assets

The Company's intangible assets consisted of:

	Software	Concessions, patents, licences, trade marks and similar rights	Other intangible assets	Total
ACQUISITION COST				
31 December 2021	**19,885**	**34**	**309**	**20,228**
- acquisitions per year	-	-	1,717	1,717
- assets sold, written off, disposed	(1)	(1)	(18)	(20)
transferred from property, plant and equipment	23	-	(1)	22
31 December 2022	**19,907**	**33**	**2,007**	**21,947**
- acquisitions per year	-	-	96	96
transferred from property, plant and equipment	708	-	(208)	500
31 December 2023	**20,615**	**33**	**1,895**	**22,543**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES				
31 December 2021	**(3,043)**	**(34)**	**(42)**	**(3,119)**
- amortization	(2,815)	-	(14)	(2,829)
- assets sold, written off, disposed	1	1	18	20
31 December 2022	**(5,857)**	**(33)**	**(38)**	**(5,928)**
- amortization	(2,991)	-	(14)	(3,005)
31 December 2023	**(8,848)**	**(33)**	**(52)**	**(8,933)**
CARRYING AMOUNT				
31 December 2021	**16,842**	**-**	**267**	**17,109**
31 December 2022	**14,050**	**-**	**1,969**	**16,019**
31 December 2023	**11,767**	**-**	**1,843**	**13,610**

The Company does not have internally generated intangible assets. The amortisation expenses of the Company's intangible assets amounting to EUR 3,005 thousand in 2023 (2022: EUR 2,829 thousand) are included in the statement of profit or loss and other comprehensive income under depreciation and amortisation expenses and have been reduced by the amortisation of the grants amounting to EUR 1,771 thousand (2022: EUR 1,679 thousand) as described in Note 17.

The Company's fully amortised intangible assets still in use amounted to EUR 1,478 thousand as at 31 December 2023 (31 December 2022: EUR 240 thousand). The major part of fully amortised assets consisted of software.

10. Investment property

The Company's investment property consisted of:

	Investment property
ACQUISITION COST	
31 December 2021	**5,010**
- assets sold, written off, disposed	(6)
- transferred to current assets	(44)
- transferred from property, plant and equipment	1,810
31 December 2022	**6,770**
- assets sold, written off, disposed	(30)
- transferred to current assets	(2,715)
31 December 2023	**4,025**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES	
31 December 2021	**(517)**
- depreciation	(277)
- assets sold, written off, disposed	3
- transferred to current assets	9
transferred from property, plant and equipment	(203)
31 December 2022	**(985)**
- depreciation	(307)
- assets sold, written off, disposed	5
- transferred to property, plant and equipment	509
31 December 2023	**(778)**
CARRYING AMOUNT	
31 December 2021	**4,493**
31 December 2022	**5,785**
31 December 2023	**3,247**

The investment property of the Company included land and buildings.

According to asset valuation performed in 2019, the fair value of the investment property amounts to EUR 7,019 thousand. The Company's management has not seen any indication of a significant change in the fair value since the last valuation in 2019 and, therefore, it is estimated that the fair value of these assets has not changed.

The Company received rental income of EUR 1,805 thousand from investment property in 2023 (2022: EUR 1,586 thousand).

11. Inventories

The Company's inventories consisted of:

	2023	2022
Superstructure materials	59	2,539
Materials	592	2,171
Spare parts	1,609	610
Fuel	67	183
Other inventories	1,056	190
Total raw materials, supplies and components	**3,383**	**5,693**
Purchased services/assets for resale	**7,889**	**-**
Non-current assets held for sale, total	**3,738**	**323**
Total	**15,010**	**6,016**

During 2023, the inventories of EUR 6,196 thousand (2022: EUR 6,749 thousand) (without fuel) were written off to operating expenses. The carrying amount of EUR 4,088 thousand of the Company's inventories (except for non-current assets held for sale and services/assets held for resale) was reduced by EUR 705 thousand to the net realisable value as at 31 December 2023 (EUR 8,818 thousand reduced by EUR 3,125 thousand as at 31 December 2022). The change in the write-down of the Company's inventories to net realisable value is reflected in the item of expenses of write-down to net realisable value in the Statement of profit or loss and other comprehensive income.

Services/assets purchased by the Company for resale 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.

As at 31 December 2023, the carrying amount of the Company's non-current assets held for sale, comprising the shared electricity network operated by LTG Infra, was EUR 17,990 thousand, the carrying amount of the related grants amounted to EUR 6,215 thousand, which was decreased by EUR 8,423 thousand to net realisable value. The difference of EUR 8,423 thousand between the consideration receivable and the carrying amount of net assets for sale on the reclassification date was recognised immediately in equity as retained earnings (see Note 15).

The remaining part of the Company's non-current part held for sale includes draisines, cranes, wagons and etc. The carrying amount of such assets of EUR 2,076 thousand was reduced by EUR 1,690 thousand to net realisable value (as at 31 December 2022: an amount of EUR 2,013 thousand was reduced by Eur 1,690 thousand).

Change in impairment of inventories:

	2023	2022
Opening balance	4,816	1,326
Change in impairment	(2,421)	3,490
Closing balance	**2,395**	**4,816**

Inventories that meet the asset recognition criteria under IAS 16 are reclassified to non-current assets, construction in progress, the impairment of the corresponding inventories is also reclassified to non-current assets, construction in progress.

12. Trade and other receivables

The Company's trade and other receivables included:

	2023	2022
External trade receivables, gross value	1,349	1,781
Impairment (-)	(902)	(1,409)
Total external trade receivables	**447**	**372**
Receivables from related parties	12,175	12,052
Total receivables from related parties	**12,175**	**12,052**
Receivable VAT	-	1,539
Other receivables from the budget	5,851	6,553
Accrued income	450	150
Accrued income from related parties	1,182	1,652
Other receivables	3,622	2,135
Total other receivables	**11,105**	**12,029**
Total	**23,727**	**24,453**

As at 31 December 2023, the major part of Other receivables from the budget consists of an surplus payment and prepayment of corporate income tax amounting to EUR 5,424 thousand (as at 31 December 2022: EUR 6,511 thousand).

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

13. Prepayments

The Company's prepayments consisted of:

	2023	2022
Prepayments to external suppliers	1,385	1
Prepayments to related parties	3	-
Guarantees paid to suppliers	9	29
Deferred charges	1,362	340
Total	**2,759**	**370**

14. Cash and cash equivalents

The Company's cash and cash equivalents consisted of:

	2023	2022
Cash in bank	77,022	112,007
Total	**77,022**	**112,007**

As at 31 December 2023 and 31 December 2022, the Company had no term deposits. Cash was not pledged.

To balance the working capital, the Company used the LTG Group's cash pool to optimise the use of working capital and short-term borrowing costs. The parent company of the LTG group has entered into an agreement with a credit institution for servicing the LTG group's cash pool and, accordingly, the Company enters into a mutual lending and borrowing agreement for each year. The terms of the agreement are in compliance with an arm's length principle. As at 31 December 2023 and 31 December 2022, the Company had no receivables or liabilities under this agreement.

15. Unrecognised profit (loss) for the reporting year

In 2023, the Board of LTG Infra and the shareholder of LTG Infra approved the decision to sell the assets of the shared electricity network, managed by LTG Infra, with the carrying amount of EUR 17,990 thousand as at 31 December 2023, and the carrying amount of EUR 6,215 thousand of grants related to these assets. The sale of the electricity network asset complex managed by LTG Infra is planned for March 2024, and since this asset complex meets the criteria of IFRS 5 as an asset held for sale, it is disclosed as non-current assets held for sale in the statement of financial position as at 31 December 2023. The transaction was estimated 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 cost of transferring that asset. 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 at the date of reclassification shall be recognised immediately in equity as retained earnings.

In addition, the engineering networks and buildings held in trust were transferred to SE Turto Bankas and municipalities in 2023.

16. Reserves and dividends

- **Legal reserve**. Legal reserve is compulsory pursuant to legislation of the Republic of Lithuania. Annual contributions of 5 per cent of the net profit to the legal reserve are compulsory until the total amount of the reserve reaches 10 per cent of the authorized capital. As at 31 December 2023 and as at 31 December 2022, the legal reserve amounted to EUR 1,258 thousand.

• **Other reserves**. Other reserves are formed based on the decision of shareholders and can be redistributed on the appropriation of the next year's profit. Based on the shareholder's decision, an amount of EUR 4,608 thousand was transferred from other reserves to retained earnings to cover part of the loss in 2022. The Company's result for 2022 was a loss of EUR 11,625 thousand. Based on the shareholder's decision, the loss for 2022 and the remainder of the loss for 2021 (EUR 4,263 thousand) were covered by funds from other reserves. As at 31 December 2023, other reserves amounted to EUR 3,117 thousand (EUR 19,005 thousand as at 31 December 2022).

• **Dividends**. Dividend payments by state-owned enterprises are regulated by Government Resolution No 786, which specifies the share of profits to be allocated to dividend payments, depending on the return on equity. The amount of dividends payable is between 85% and 60% of total retained earnings, depending on the level of the return on equity ratio (from 1% to more than 15%). In addition, the Resolution regulates the cases where the Government of the Republic of Lithuania may determine a lower share of the distributable profit if the company is implementing or has participated in the implementation of an economic project of national importance. 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).

In 2023 and 2022, dividends were not paid.

17. Grants

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

	2023	2022
Opening balance	**808,340**	**603,030**
Received per year	267,713	300,020
Received free of charge (land, assets)	335	-
Used to reduce depreciation costs of property, plant and equipment	(20,655)	(20,672)
Used to reduce amortisation costs of non-current intangible assets	(1,771)	(1,679)
Used to reduce other costs	(3,747)	(4,935)
Used to balance income and costs	(60,607)	(59,962)
Transferred to prepayments received	(393)	(2,466)
Impairment	(6,215)	(3,066)
Repaid/transferred	(138)	(1,930)
Closing balance	**982,862**	**808,340**
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 and balancing revenue and costs of public railway infrastructure manager.

Depreciation and amortisation of grants is recorded in the statement of comprehensive income under depreciation and amortisation and reduces the depreciation charge on the related intangible and tangible non-current assets. Impairment and write-down of grants are recorded under impairment of assets and reduce this expense.

As disclosed in Note 3 "Significant accounting policies", on 6 April 2022, the Company and the Ministry of Transport and Communications of the Republic of Lithuania signed a Quality and Financing Agreement for railway service facilities owned by the Lithuanian State. The grants received under this agreement ensure stable maintenance of the public railway infrastructure, improve the quality of the services provided and ensure a high level of safety of railway traffic. During 2023, the Company accrued EUR 60.6 million (EUR 60 million in 2022) of grants, and received EUR 61 million (EUR 62.4 million in 2022) with the difference of EUR 0.4 million (EUR 2.4 million in 2022) being recorded under Trade and other payables (Note 21).

18. Loans and other borrowings

The Company's borrowings consisted of:

	2023	2022
Long-term loans	109,523	125,078
Current part of the long-term loans	15,555	15,555
Loan interest	1,658	449
Total	**126,736**	**141,082**

In 2020, having completed the restructuring of long-term loans of LTG, the guarantee agreement with the Nordic Investment Bank (NIB) came into effect, based on which LTG guarantees the fulfilment of all liabilities arising from financing agreements of AB LTG Infra.

The Company's loans consisted of:

	Loan currency	2023	2022
Nordic Investment Bank 3[1]	EUR	62,516	69,871
Nordic Investment Bank 4[2]	EUR	29,229	32,667
Nordic Investment Bank 2[1]	EUR	-	-
Nordic Investment Bank 5[3]	EUR	33,333	38,095
Loan interest	EUR	1,658	449
Total		**126,736**	**141,082**

[1](NIB-3) and (NIB-2) loans are intended for the renovation and development of railway infrastructure. In 2023, the Company repaid EUR 7,355 thousand (EUR 7,355 thousand in 2022) of the loan (NIB-3) and paid EUR 2,987 thousand (EUR 1,103 thousand in 2022) of interest. Accordingly, in 2022, the Company repaid EUR 1,889 thousand of the loan (NIB-2) and paid EUR 7 thousand of interest.

[2](NIB-4) loan was granted for securing the national share of co-financing of the public railway infrastructure project Rail Baltica financed with the EU support funds in 2007-2013. During 2023, the Company repaid EUR 3,438 thousand (2022: EUR 3,438 thousand) of the loan and paid EUR 870 thousand (2022: EUR 437 thousand) of interest.

[3](NIB-5) loan is intended for the implementation of the public railway infrastructure project Rail Baltica and investment projects of the years 2014-2020. In 2023, the Company repaid EUR 4,762 thousand (2022: EUR 4,762 thousand) of the loan and paid EUR 920 thousand (2022: EUR 257 thousand) of interest.

Movement of loans:

	2023	2022
Financial liabilities in the beginning of the period	**141,082**	**158,504**
Loans (repayment)	(15,555)	(17,444)
Calculated interest	6,202	1,826
Interest paid	(4,993)	(1,804)
Financial liabilities at the end of the period	**126,736**	**141,082**

To achieve a more effective management of funds and ensuring of liquidity of the Group companies, the Company uses the Group's cash pool under the agreement with AB Swedbank under market conditions. As at 31 December 2023 and 2022, the Company had no liabilities. During 2023, the Company paid EUR 216 thousand of interest.

19. Lease liabilities

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

The discount rate applied on lease agreements in 2023 is related to 6-month EURIBOR and the market margin, determined by market research under current market conditions.

The Company's lease liabilities and their movement:

	2023	2022
Carrying amount in the beginning of the period	**2,036**	**1,697**
Lease agreements concluded	1,289	1,206
Lease agreements terminated	(241)	(52)
Calculated interest	1	53
Lease payments (principal amount and interest)	(940)	(868)
Carrying amount at the end of the period	**2,145**	**2,036**
Non-current lease liabilities	1,225	1,130
Current lease liabilities:	920	906
Total	**2,145**	**2,036**

Future lease payments under irrevocable lease agreements:

	2023	2022
Lease liabilities with maturities:		
Within one year	920	906
From one to five years	1,185	1,130
After five years	40	-
Total	**2,145**	**2,036**

If the discount rate applied by the Company increased or decreased by 1%, the amount of lease liabilities at 31 December 2023 would amount to EUR 2,081 thousand or EUR 2,209 thousand, respectively (31 December 2022: EUR 2,011 thousand or EUR 2,063 thousand).

The Company has payable amounts related to short-term lease, low-values assets and other lease payments recorded in the statement of profit or loss and other comprehensive income by a total amount of EUR 821 thousand during 2023 (2022: EUR 1,641 thousand).

20. 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, in accordance with the Branch Collective Agreement of the Group of Companies approved in May 2023, a one-off bonus of one average monthly salary shall be granted as a token of appreciation for long and good service (in terms of performance and discipline) to employees with at least 25 years of service with the Group of Companies, who have reached the age of retirement, and who are terminating their employment with the Company.

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

	2023	2022
Discount rate	3.37%	3.54%
Employee turnover rate	6.50%	6.69%
Salary accrual rate	5.00%	5.00%

Change in employee benefits during 2023 by type:

	31/12/2022	Added to the statement of profit or loss and other comprehensive income	Capitalised costs	Paid	31/12/2023
NON-CURRENT LIABILITIES:					
Provisions for pensions and similar liabilities	3,159	1,055	-	(557)	3,657
Total non-current liabilities:	**3,159**	**1,055**	**-**	**(557)**	**3,657**
CURRENT LIABILITIES:					
Accumulated leave	2,987	6,896	-	(7,289)	2,594
Wages and salaries payable	2,315	24 235	760	(24 715)	2,595
Social security contributions payable	1,071	12,024	14	(11,949)	1,160
Personal income tax payable	698	11,109	-	(11,026)	781
Other employment-related liabilities	1,890	2,361	-	(2,168)	2,083
Total current liabilities:	**8,961**	**56 625**	**774**	**(57 147)**	**9,213**
Total	**12,120**	**57 680**	**774**	**(57 704)**	**12,870**

21. Trade and other payables

The Company's trade and other payables consisted of:

	31/12/2023	31/12/2022
Trade accounts payable	73,670	30,135
Trade accounts payable to related parties	12,554	6,340
Prepayments received	2,709	4,718
Received prepayments from related parties	27	41
Cash guarantees received	1,787	1,672
Cash guarantees received from related parties	620	577
VAT payable	1,056	-
Prepayments received for use of railway infrastructure	365	1,069
Accumulated costs	4,658	2,555
Accumulated costs from related parties	657	273
Accumulated liabilities for the use of railway infrastructure	-	882
Accumulated liabilities for the use of railway infrastructure from related parties	449	1,601
Other amounts payable and liabilities	140	2,762
Total	**98,692**	**52,625**

The Company actively performs construction works in the Rail Baltica railway sections; also, it continues works related to other projects are continuing; therefore, liabilities for contracting works comprised the largest portion of trade accounts payable.

22. Provisions

The Company's other provisions consisted of:

	Non-current provisions	Current provisions	Total
Balance as at 31 December 2021	**14,470**	**224**	**14,694**
Additionally formed	-	645	645
Additionally dissolved	-	(642)	(642)
Balance as at 31 December 2022	**14,470**	**227**	**14,697**
Additionally formed	1,983	-	1,983
Additionally dissolved	-	(161)	(161)
Balance as at 31 December 2023	**16,453**	**66**	**16,519**

23. Sales revenue

The Company's revenue consisted of:

	2023	2022
Revenue from use of railway infrastructure	92,936	105,123
Revenue from use of railway service facilities	12,445	10,942
Revenue from other operating activities	11,839	13,137
Total revenue from operating activities	**117,220**	**129,202**
Grant	60,607	59,962
Total subsidy	**60,607**	**59,962**
Income from other activities	404	456
Total income from other activities	**404**	**456**
Total	**178,231**	**189,620**

The Company's revenue at the moment of revenue recognition was as follows:

	2023	2022
Recognised at a point of time	2,480	4,488
Recognised over time	175,751	185,132
Total	**178,231**	**189,620**

As described in Note 3 „Important accounting estimates and judgements", the grants are intended to ensure stable maintenance of the public railway infrastructure, to improve the quality of the services provided and to ensure a high level of safety in rail traffic

24. Costs of emplouee benefits

Employee benefits by type:

	2023	2022
Wages and salaries	56,595	58,297
Social security contributions	987	1,005
Accrued vacation reserve	(393)	(529)
Pensions and similar liabilities	491	(1,169)
Total	**57,680**	**57,604**

25. Net finance income and costs

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

	2023	2022
Total finance income	**229**	**62**
Interest	215	53
Penalties and default interest for overdue trade receivables	14	9
Total finance costs	**(6,504)**	**(2,785)**
Interest	(6,294)	(2,217)
Penalties and default interest	(209)	(514)
Other costs	(1)	(54)
Total	**(6,275)**	**(2,723)**

26. Income tax and deferred tax

Income tax was calculated at a rate of 15 percent.

	31-12-2023	31-12-2022
Income tax for the reported year	-	-
Adjustment of the income tax of the previous year	(84)	(85)
Deferred tax expenses (benefit)	(955)	(348)
Total income tax expenses (income) recognised in profit or loss	**(1,039)**	**(433)**

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

	2023	2022
Profit (loss) before taxation	(9 777)	(11,934)
Income tax	(1 467)	(1,790)
Non-deductible (+)/Additional deductible (-) expenses	330	1,625
Non-taxable income (-)	182	(183)
Income tax of the previous year	(84)	(85)
Total corporate income tax expenses (income)	**(1,039)**	**(433)**
Effective rate	10.63%	3.63%

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

	31-12-2023	31-12-2022
Deferred corporate income tax assets:		
Impairment of receivables and write-off of bad debts	135	211
Write-off of inventories	730	1,151
Accrual of leave and bonuses	700	732
Long-term employee benefit liabilities	549	474
Accrued costs/income	-	372
Tax loss carry-forward	2,123	282
Total deferred tax assets:	**4,237**	**3,222**
Deferred tax liability:		
Difference in the value of non-current assets with tax value	(13,672)	(12,545)
Differences in grants	(3,728)	(4,794)
Total deferred income tax liability:	**(17,400)**	**(17,339)**
Deferred income tax asset (liability), net	**(13,163)**	**(14,117)**

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

27. Related party transactions

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

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

• The Government of the Republic of Lithuania acts as the owner of all shares in AB LTG Infra;

• Companies or institutions are managed by the Government of the Republic of Lithuania;

• Parent company AB Lietuvos Geležinkeliai;

• Subsidiaries of the parent company AB Lietuvos Geležinkeliai;

• AB Lietuvos Geležinkeliai related, non-consolidated associated and joint ventures;

• Board members and their close relatives and the companies they control;

• All key management personnel and the companies they control;

• Persons who are family members of key management personnel of the reporting entity.

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

• The government that controls, has joint control over, or has significant influence over, the reporting entity; and

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

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

Related party transactions of the Company:

	2023		31/12/2023	
	Sales	Purchases	Receivables	Payables
AB Lietuvos geležinkeliai[1]	2,477	33,072	764	5,907
AB LTG Cargo	99,984	604	11,176	735
UAB LTG Link	6,700	452	1,319	175
UAB Geležinkelio tiesimo centras[2]	614	20,064	101	5,684
LTG CARGO UKRAINE LLC	2	-	-	-
UAB Rail Baltica statyba	-	58	-	3
UAB voestalpine VAE Legetecha[3]	-	5,683	-	1,803
Total	**109,777**	**59,933**	**13,360**	**14,307**

The major part of the purchases in 2023 includes the following:

AB Lietuvos geležinkeliai[1]: management services – EUR 20,782 thousand; purchase of non-current assets - EUR 10,893 thousand;

UAB Geležinkelio tiesimo centras[2]: construction and repair of railways – EUR 19,851 thousand;

UAB voestalpine VAE Legetecha[3]: upper road materials (rails) – EUR 4,856 thousand.

	2022		31/12/2022	
	Sales	Purchases	Receivables	Payables
AB Lietuvos geležinkeliai[1]	2,467	21,697	1,527	3,044
AB LTG Cargo	110,679	556	10,961	1,890
UAB LTG Link	6,694	379	1,150	72
UAB Geležinkelio tiesimo centras[2]	592	16,109	66	3,545
UAB Rail Baltica statyba	-	58	-	6
UAB voestalpine VAE Legetecha[3]	-	5,173	-	275
Total	**120,432**	**43,972**	**13,704**	**8,832**

The major part of the purchases in 2022 includes the following:

AB Lietuvos geležinkeliai[1]: managenment services – EUR 20,422 thousand;

UAB Geležinkelio tiesimo centras[2]: construction and repair of railways – EUR 15,722 thousand;

UAB voestalpine VAE Legetecha[3]: upper road materials (rails) – EUR 4,414 thousand.

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

28. Management remuneration and other benefits

As t 31 December 2023, the management consisted of the Chief Executive Officer and the heads of the following departments: Technical Supervision, Traffic Management, Quality and Safety, Project Management, Infrastructure Services, Strategy and Governance, Terminal Management and Development, Rail Baltica Management.

	2023	2022
Management remuneration	976	768
Incentive benefits*	74	59
Accrued non-current benefits**	5	5
Number of executives	9	9
Allowances for members of the Board	115	-
Number of Board members	5	5

** Incentives are performance bonuses and lump sums.*

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

As of 31 December 2023, the Company's management have not been granted any loans, guarantees, or other disbursements or accruals, or disposals of assets other than as set forth above.

29. Contingent assets and liabilities, potential liabilities

VAS Latvijas dzelzcelš and SIA LDZ CARGO addressed LTG in writing on 30 August 2018 to claim compensation for the damage suffered by these companies. According to these companies, they had suffered a damage of EUR 82,340 thousand as a result of the dismantling of the railway section Mažeikiai - Latvian border. The abovementioned entities also claim interest at the rate of 6% for the period from the date on which the damage occurred until the date of compensation. LTG Infra, as successor in title to the proceedings, does not accept these claims and considers them to be 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 LTG Infra vs UAB Sweco Lietuva and DB Engineering & Consulting GMbH are still pending at Vilnius Regional Court:

- Project Kaunas - Vilnius - 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 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 - 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 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 - 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, LTG Infra essentially supports own claims and disagrees with the claims of UAB Sweco Lietuva and DB Engineering & Consulting GMbH. Therefore no provisions have been made. The case involved an exchange of procedural documents - scheduled mediation.

In the light of the commitments undertaken by LTG Infra in connection with the transfer of the managed electricity network facilities to ESO, provisions were accounted for in the financial statements for 2023.

The change in provisions is disclosed in Note 22.

30. Investment commitments

On 20 December 2019, 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 indexation in 2022 is 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, LTG Infra signed a contract with the Italian company Rizzani de Eccher for 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. The bridge, which is almost 14 metres wide, will carry a double-track railway of European standard gauge.

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, accordingly EUR 89 million excluding VAT for the Šveicarija-Žeimiai section and EUR 78.9 million excluding VAT for the Žeimiai-Šėta section. 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, LTG Infra signed a contract with the Polish IT company Petrosoft.pl Technologie Informatyczne Sp. z o.o. for the purchase of a new station management tool. The new station management tool will ensure efficient use of infrastructure, accurate accounting of services provided, automatic data exchange between systems. The value of the contract is EUR 2.3 million.

31. Events after the reporting period

Based on the approval of the Government of the Republic of Lithuania, on 14 March 2024, LTG Infra concluded purchase-sale agreements by which it transferred part of the electricity network to another state-owned company of Ignitis Group, Energijos Skirstamo Operatorius (ESO).

There were no other material events after the end of the reporting period that need to be recognised or disclosed in the financial statements for 2023.

Activity accounting reports of public railway infrastructure manager (unaudited)

Abbreviations

Company	AB LTG Infra, public railway infrastructure manager
SPEC (special obligations)	Implementation of functions of public railway infrastructure manager, covering the functions set out in Article 24 of the RTC
RSF (railway service facilities)	Other activities of the public railway infrastructure manager within the definition of Article 3(13) of the RTC
OAR (other additional revenue)	Other activities of the public railway infrastructure manager (commercial services): asset lease, utilities and communications, sale of scrap metal and other commercial services
RTC	Railway Transport Code of the Republic of Lithuania
Criteria for allocation to activities	A factor that determines the generation of specific amounts of income, expenses, assets and/or liabilities, by which those generated amounts are attributed to final activities or accumulation centres
IFRS	IFRS Accounting Standards
CRA	Communications Regulatory Authority of the Republic of Lithuania
WTT	Working timetable of trains
VIT	Vilnius Intermodal Terminal
KIT	Kaunas Intermodal Terminal
Business unit	A group of final services logically distinguished within the Company according to the specific internal activities performed
PRI	Public railway infrastructure

Services

The manager of the public railway infrastructure carries out 3 main activities:

• **SPEC**. They cover the handling of requests for the public railway infrastructure capacity; the right to utilise the public railway infrastructure capacity which is granted, also track points, electrical supply equipment for traction current, where available; train control including signalling, regulation, dispatching; communication and provision of information on train movement and any other information required to implement or operate the service for which the public railway infrastructure capacity has been granted. The rates of charges for the minimum access package are publicly available on the Company's website. These activities also include the lease of public railway infrastructure facilities (structures and parts of land).

• **RSF**. In 2023, the following services are provided in the railway service facilities operated by the Company: use of passenger railway stations, their buildings and other facilities; use of ticketing areas; access to railway tracks connected to rail service facilities; use of railway tracks for the provision of services at rail service facilities; use of rolling stock formation and shunting facilities; use of rail service facilities for the storage of railway rolling stock; use of the wagon marshalling yard; use of the track gauge change mechanism; provision of traction current; accident recovery at RSF; intermodal loading of intermodal transport units at VIT/KIT; storage of a intermodal transport unit; access to loading terminals; loading or unloading of freight from/into wagons, containers, cars; work with loading equipment; loading work by mobile team. The list of services of access to the railway service facilities and of services provided at the railway service facilities is publicly available on the Company's website https://ltginfra.lt/infrastruktura/gpi/.

• **OAR**. The Company provides services of maintenance and repair of facilities, short-term lease of special rolling stock, wagons and vehicles, lease of long tracks transportation train set, inspection of nodes and tracks, maintenance of automation, communication and power supply equipment, marking of underground routes, inspection and calibration of measuring instruments, lease of measurement and control equipment, and provision of communication services. Services of intermodal terminals: in addition to the main intermodal handling service for intermodal transport units, the Company-controlled intermodal terminals provide a number of additional services, such as handling of containers carried by road only, weighing services, transportation inside the territory of the terminal, services of the representatives of the Customs Broker and handling of cargo on pallets, which is very frequently requested by our customers, and cargo storage in covered warehouses.

Principles for determining business units

In order to ensure the implementation of the requirements of the Description of the Procedure for the Accounting Separation of Railway Transport Activities, approved by Order No 1V-139 of the Director of the Communications Regulatory Authority of the Republic of Lithuania of 29 January 2020 On the Approval of the Description of the Procedure for the Accounting Separation of Railway Transport Activities, as of 31 December 2023, the Company has formed 20 business units considering their final services provided.

- Company
  - SPEC
    - Minimum access package MAP
    - Leases of assets managed by the right of trust
    - Leases of land managed by the right of trust
  - RSF
    - Accumulation tracks, rolling stock formation and shunting facilities
    - Freight terminals (loading sites) in Vilnius region
    - Freight terminals (loading sites) in Kaunas region
    - Freight terminals (loading sites) in Šiauliai region
    - Freight terminals (loading sites) in Klaipėda region
    - Freight terminals in Vilnius region (VIT)
    - Freight terminals in Kaunas region (KIT)
    - Relief facilities
    - Category I passenger stations, their buildings, and other facilities, including travel information display and suitable location for ticketing services
    - Category II passenger stations, their buildings, and other facilities, including travel information display and suitable location for ticketing services
    - Railways connected to RSF
    - Access roads
    - Additional RSF service – provision of traction current
  - OAR
    - Administration / manufacturing
    - Other services of the Company
    - Commercial VIT services
    - Commercial KIT services
    - Leases of assets from RSF managed by the right of trust (Ministry of Transport and Communications)

Analysis of financial and performance results

Revenue

The Company's sales revenue amounted to EUR 117.2 million in 2023. The major part of the Company's revenue – EUR 94.3 million or 80.4% – was generated from the SPEC activities, EUR 12.4 million or 10.6% from RSF, and EUR 10.5 million or 8.9% from OAR.

Grant

In accordance with the agreement on ensuring quality and funding of the public railway infrastructure and state-owned railway service facilities concluded between the Ministry of Transport and Communications of the Republic of Lithuania and the Company on 6 April 2022 which is aimed at implementing the State's obligation set out in Article 23(16) of the RTC to allocate sufficient state budget funding to ensure that, when the operating conditions are normal, the balance of revenue of infrastructure manager from the minimum access package fee, the fee for the use of the public railway infrastructure for rail transit services, the fee for the allocated but not used public railway infrastructure capacities, additional revenue from other commercial activities, non-refundable revenue from private sources and State budget funds, and the costs of performing the functions of the infrastructure manager as referred to in Article 24 of the RTC is maintained for a period of no more than five (5) years. The revenue and costs balancing requirement for 2023 is EUR 60.6 million. The calculation of the revenue and costs balancing requirement is shown in the table below.

Revenue and costs balancing item	EUR thousand
Fee for minimum access package	77,671,9
Fee for the use of PRI for rail transit services	15,233,1
Fee for allocated but not used PRI capacities	30,9
Additional revenue from other commercial activities (leases of assets managed by the right of trust)	1,364,6
Revenue from private sources and State budget funds	-
Total revenue received from SPEC activities	**94,300,5**
Total costs incurred from SPEC activities	**154,907,6**
Revenue and costs balancing requirement	**60,607,1**

Expenses

In 2023, the Company incurred costs of EUR 188.2 million. The majority of these costs comprise costs from SPEC activities of EUR 154.9 million or 82.3%, RSF of EUR 27.2 million or 14.5% and from OAR - EUR 6.1 million, which accounted for 3.2% of the Company's costs.

Results of activities

In the reporting period, the Company's net loss amounted to EUR 8.7 million. The net loss for RSF activities amounted to EUR 13.2 million and for OAR activities - EUR 4.5 million.

Statement of financial postition of activities

- The largest part of the Company's non-current assets of EUR 1,624.1 million (91.4%) is used for the provision of SPEC services, followed by RSF of EUR 144.8 million (8.2%), and OAR of EUR 7.5 million (0.4%).
- The largest part of the Company's current assets of EUR 124.5 million (83,7%) was generated from SPEC activities, followed by RSF of EUR 7.8 million (5.2%), and OAR of EUR 16.4 million (11.0%).
- The largest part of the Company's equity of EUR 586.6 million (91.4%) is used for SPEC activities, followed by RSF of EUR 39.7 million (6.2%), and OAR of EUR 15.7 million (2.4%).
- The largest part of the Company's non-current liabilities of EUR 1,069.1 million (94.7%) arose from SPEC activities, followed by RSF of EUR 56.1 million (5.0%), and OAR of EUR 3.7 million (0.3%).
- The largest part of the Company's current liabilities of EUR 92.9 million (60.2%) arose from SPEC activities, followed by RSF of EUR 56.9 million (36.9%), and OAR of EUR 4.5 million (2.9%).

Statements of changes in equity of activities

- The new profit centre formed in 2023 has led to a reallocation of share capital between SPEC, RSF and OAR activities.
- The result and the reserves for the reporting year were distributed in 2023 in accordance with the draft appropriation of profit/loss in the SPEC, RSF and OAR activities, which was approved by the shareholder on 15 June 2023.
- Taking into account the unrecognised loss of the SPEC activity of EUR 8.3 million for the period, the equity of the SPEC activity at the end of 2023 amounts to EUR 586.6 million.
- The RSF activities incurred a loss of EUR 13.2 million in the reporting period and, given the unrecognised loss for the period of EUR 0.1 million, the equity of the RSF activities at the end of 2023 equals to EUR 39.7 million.
- The OAR activities also incurred an unrecognised loss for the reporting period amounting to EUR 0.3 million; the equity of the OAR activities at the end of 2023 is EUR 15.7 million.

Statements of cash flows of activities

- Net cash flow from SPEC activities during the reporting period was positive (EUR 18.2 million) and cash and cash equivalents at the end of the period were positive at EUR 77.0 million.
- Net cash flow from RSF activities during the reporting period was negative (EUR 30.2 million). These activities were financed by EUR 16.8 million from the funds of SPEC activities and EUR 13.4 million from OAR activities.
- Net cash flow from OAR activities during the reporting period was positive (EUR 13.4 million) and all the funds were used to finance the RSF activities.

Company's financial statements by activities
Statement of financial position

	Notes	Company	SPEC	RSF	OAR
NON-CURRENT ASSETS					
Property, plant and equipment		**1,757,200**	**1,608,028**	**142,302**	**6,870**
Land		152,688	152,688	-	-
Buildings and structures		983,251	859,021	119,153	5,077
Machinery and equipment		55,678	48,097	6,443	1,138
Vehicles		13,691	11,020	2,079	592
Other assets, fixtures, fittings and tools		5,743	5,036	644	63
Construction in progress and prepayments		546,149	532,166	13,983	-
Right-of-use assets		**2,102**	**1,764**	**302**	**36**
Intangible assets		**13,610**	**11,764**	**1,420**	**426**
Software		11,767	10,133	1,215	419
Licenses and similar rights		-	-	-	-
Other intangible assets		1,843	1,631	205	7
Investment property		**3,247**	**2,352**	**765**	**130**
Financial assets		**132**	**108**	**21**	**3**
Other non-current assets		**105**	**86**	**17**	**2**
Total non-current assets	**1**	**1,776,396**	**1,624,102**	**144,827**	**7,467**
CURRENT ASSETS					
Inventories	2	11,272	10,623	532	117
Non-current assets held for sale		3,738	3,184	19	535
Trade and other receivables	3	23,727	14,612	6,812	2,303
Prepayments		2,759	2,251	440	68
Cash and cash equivalents		77,022	77,022	-	-
Receivables from Activities		-	16,831	-	13,378
Total current assets		**118,518**	**124,523**	**7,803**	**16,401**
TOTAL ASSETS		**1,894,914**	**1,748,625**	**152,630**	**23,868**

	Notes	Company	SPEC	RSF	OAR
EQUITY					
Share capital		654,928	573,081	78,656	3,191
Legal reserve	5	1,258	1,046	53	159
Other reserves		3,117	20,698	(25,741)	8,160
Retained earnings (losses)		(17,396)	(8,260)	(13,309)	4,173
Total equity		**641,907**	**586,565**	**39,660**	**15,682**
LIABILITIES					
Non-current liabilities					
Grants	6	982,862	929,737	49,524	3,602
Loans and other borrowings		109,523	103,900	5,623	-
Lease liabilities		1,225	988	183	54
Employee benefits		3,657	2,961	516	180
Trade and other payables		2,016	1,963	53	-
Provisions		16,453	16,117	281	55
Deferred income tax liabilities		13,163	13,460	(100)	(197)
Total non-current liabilities	**7**	**1,128,899**	**1,069,125**	**56,080**	**3,694**
Current liabilities					
Loans and short-term portion of long-term loans		17,213	16,414	799	-
Lease liabilities		920	742	138	40
Income tax liability		20	2	1	17
Employee benefits		9,213	7,458	1,301	454
Trade and other payables		96,676	87,687	6,455	2,534
Payables to Activities		-	-	30,209	-
Provisions		66	53	11	2
Balancing of liabilities	**8**	**-**	**(19,421)**	**17,976**	**1,445**
Total current liabilities	**7**	**124,108**	**92,935**	**56,890**	**4,492**
TOTAL EQUITY AND LIABILITIES		**1,894,914**	**1,748,625**	**152,630**	**23,868**

Statement of profit or loss and other comprehensive income

	Notes	Company	SPEC	RSF	OAR
Revenue		117,220	94,301	12,445	10,474
Grant		60,607	60,607	-	-
Income from other activities		404	-	-	404
Total revenue		**178,231**	**154,908**	**12,445**	**10,878**
Remuneration and social insurance costs		(57,680)	(46,660)	(8,136)	(2,840)
Depreciation and amortisation		(62,466)	(52,401)	(8,938)	(777)
Materials		(6,246)	(4,981)	(944)	(210)
Fuel		(1,512)	(1,130)	(261)	(122)
Electricity		(7,113)	(5,158)	(981)	(952)
Other costs		(46,716)	(38,533)	(7,584)	(1,125)
Operating profit (loss)		**(3,502)**	**6,045**	**(14,399)**	**4,852**
Finance income		229	-	-	229
Finance expenses	9	(6,504)	(6,045)	(364)	(95)
Profit (loss) before taxation		**(9,777)**	**-**	**(14,763)**	**4,986**
Income tax	10	1,039	-	1,569	(530)
Net profit (loss)		**(8,738)**	**-**	**(13,194)**	**4,456**

Statements of changes in equity by activities

Statements of changes in equity (Company)

	Notes	Authorised share capital	Share premium	Legal reserve	Other reserves	Retained earnings (loss)	Total
Net profit (loss)		-	-	-	-	(11,501)	(11,501)
Other comprehensive income, after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		**-**	**-**	**-**	**-**	**(11,501)**	**(11,501)**
Unrecognised profit (loss) for the reporting year		-	-	-	-	(124)	(124)
Restatement of authorised capital		-	-	-	-	-	-
Reserves formed		-	-	-	(4,608)	4,608	-
Dividends		-	-	-	-	-	-
Total transactions with owners of the Company		**-**	**-**	**-**	**(4,608)**	**4,484**	**(124)**
Balance as at 31 December 2022		**654,928**	**-**	**1,258**	**19,005**	**(15,888)**	**659,303**
Net profit (loss)		-	-	-	-	(8,738)	(8,738)
Other comprehensive income, after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		**-**	**-**	**-**	**-**	**(8,738)**	**(8,738)**
Unrecognised profit (loss) for the reporting year		-	-	-	-	(8,658)	(8,658)
Restatement of authorised capital		-	-	-	-	-	-
Reserves formed		-	-	-	(15,888)	15,888	-
Dividends		-	-	-	-	-	-
Total transactions with owners of the Company		**-**	**-**	**-**	**(15,888)**	**7,230**	**(8,658)**
Balance as at 31 December 2023		**654,928**	**-**	**1,258**	**3,117**	**(17,396)**	**641,907**

Statement of changes in equity (SPEC activities)

	Notes	Authorised share capital	Share premium	Legal reserve	Other reserves	Retained earnings (loss)	Total
Net profit (loss)		-	-	-	-	(197)	(197)
Other comprehensive income, after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		**-**	**-**	**-**	**-**	**(197)**	**(197)**
Unrecognised profit (loss) for the reporting year		-	-	-	-	(26)	(26)
Restatement of authorised capital		(6,797)	-	-	-	-	(6,797)
Reserves formed		-	-	-	(4,441)	4,441	-
Dividends		-	-	-	-	-	-
Total transactions with owners of the Company		**-**	**-**	**-**	**(4,441)**	**4,415**	**(26)**
Balance as at 31 December 2022		**568,483**	**-**	**1,046**	**22,833**	**(2,135)**	**590,227**
Net profit (loss)		-	-	-	-	-	-
Other comprehensive income, after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		**-**	**-**	**-**	**-**	**-**	**-**
Unrecognised profit (loss) for the reporting year		-	-	-	-	(8,260)	(8,260)
Restatement of authorised capital	4	4,598	-	-	-	-	4,598
Reserves formed		-	-	-	(2,135)	2,135	-
Dividends		-	-	-	-	-	-
Total transactions with owners of the Company		**-**	**-**	**-**	**(2,135)**	**(6,125)**	**(8,260)**
Balance as at 31 December 2023		**573,081**	**-**	**1,046**	**20,698**	**(8,260)**	**586,565**

Statement of changes in equity (RSF activities)

	Notes	Authorised share capital	Share premium	Legal reserve	Other reserves	Retained earnings (loss)	Total
Net profit (loss)		-	-	-	-	(14,634)	(14,634)
Other comprehensive income, after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		**-**	**-**	**-**	**-**	**(14,634)**	**(14,634)**
Unrecognised profit (loss) for the reporting year		-	-	-	-	(35)	(35)
Restatement of authorised capital		2,629	-	-	-	-	2,629
Reserves formed		-	-	-	-	-	-
Dividends		-	-	-	-	-	-
Total transactions with owners of the Company		**-**	**-**	**-**	**-**	**(35)**	**(35)**
Balance as at 31 December 2022		**79,071**	**-**	**53**	**(6,809)**	**(18,932)**	**(53,383)**
Net profit (loss)		-	-	-	-	(13,194)	(13,194)
Other comprehensive income, after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		**-**	**-**	**-**	**-**	**(13,194)**	**(13,194)**
Unrecognised profit (loss) for the reporting year		-	-	-	-	(115)	(115)
Restatement of authorised capital	4	(415)	-	-	-	-	(415)
Reserves formed		-	-	-	(18,932)	18,932	-
Dividends		-	-	-	-	-	-
Total transactions with owners of the Company		-	**-**	-	**(18,932)**	**18,817**	**(115)**
Balance as at 31 December 2023		**78,656**	**-**	**53**	**(25,741)**	**(13,309)**	**39,659**

Statement of changes in equity (OAR activities)

	Notes	Authorised share capital	Share premium	Legal reserve	Other reserves	Retained earnings (loss)	Total
Net profit (loss)		-	-	-	-	3,330	3,330
Other comprehensive income, after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		**-**	**-**	**-**	**-**	**3,330**	**3,330**
Unrecognised profit (loss) for the reporting year		-	-	-	-	(63)	(63)
Restatement of authorised capital		4,168	-	-	-	-	4,168
Reserves formed		-	-	-	(167)	167	-
Dividends		-	-	-	-	-	-
Total transactions with owners of the Company		**-**	**-**	**-**	**(167)**	**104**	**(63)**
Balance as at 31 December 2022		**7,374**	**-**	**159**	**2,981**	**5,179**	**15,693**
Net profit (loss)		-	-	-	-	4,456	4,456
Other comprehensive income, after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		**-**	**-**	**-**	**-**	**4,456**	**4,456**
Unrecognised profit (loss) for the reporting year		-	-	-	-	(283)	(283)
Restatement of authorised capital	4	(4,184)	-	-	-	-	(4,184)
Reserves formed		-	-	-	5,179	(5,179)	-
Dividends		-	-	-	-	-	-
Total transactions with owners of the Company		**-**	**-**	**-**	**5,179**	**(5,462)**	**(283)**
Balance as at 31 December 2023		**3,191**	**-**	**159**	**8,160**	**4,173**	**15,683**

Statement of cash flows

	Notes	Company	SPEC	RSF	OAR
CASH FLOWS FROM OPERATING ACTIVITIES					
Net profit (loss)		(8,738)	-	(13,194)	4,456
ADJUSTMENTS					
Depreciation and amortisation		62,466	52,697	8,988	781
(Profit) loss from disposal / write-off of non-current assets		290	-	-	290
Impairment (reversal)		(468)	-	-	(468)
Change in accumulated income/costs		1,833	4,563	(1,490)	(1,240)
Interest (income) expenses		6,080	5,926	363	(209)
Interest on lease liability		1	1	-	-
Increase (decrease) in provisions		1,822	1,484	283	55
Effect of currency exchange fluctuations		-	-	-	-
Income tax expenses (income)		(1,039)	(39)	(939)	(61)
Cash flows from operating activities after adjustment		**62,247**	**64,632**	**(5,989)**	**3,604**
CHANGES IN WORKING CAPITAL					
Decrease (increase) in inventories		(8,496)	(6,898)	(1,307)	(291)
Decrease (increase) in trade and other receivables and prepayments		(62,727)	(64,485)	1,952	(194)
Increase (decrease) in current and non-current trade payables and received prepayments		44,970	42,640	2,694	(364)
Increase (decrease) in employment related liabilities		751	322	222	207
Increase (decrease) in other non-current and current payables		(683)	(551)	(102)	(30)
Income tax (paid)		-	-	-	-
Net cash from operating activities		**36,062**	**35,660**	**(2,530)**	**(2,932)**
CASH FLOW FROM INVESTING ACTIVITIES					
(Acquisition) of non-current assets		(305,506)	(289,276)	(16,230)	-
Disposal of non-current assets		119	-	-	119
Change in prepayments for non-current assets		(7,960)	(7,960)	-	-
Interest received		215	-	-	215
Net cash flows from investing activities		**(313,132)**	**(297,236)**	**(16,230)**	**334**

	Pastabos	Bendrovė	SPEC	GPĮ	KPP
CASH FLOWS FROM FINANCING ACTIVITIES					
Loans received		-	-	-	-
Loans (repaid)		(15,555)	(14,805)	(750)	-
Interest paid		(4,993)	(4,654)	(335)	(4)
Grants received (repaid, used)		263,573	263,573	-	-
Interest on lease liability		(1)	(1)	-	-
Payments of lease liabilities		(939)	(757)	(141)	(41)
Dividends paid		-	-	-	-
Cash flows related to owners		-	-	-	-
Repaid loans of the previous period to Activity		-	-	(11,887)	(740)
Received loans from Activities of the previous period		-	66	1,663	10,898
Net cash flows from financing activities		**242,085**	**243,422**	**(11,450)**	**10,113**
Net increase (decrease) in cash and cash equivalents		**(34,985)**	**(18,154)**	**(30,209)**	**13,378**
Cash and cash equivalents at the beginning of the period		**112,007**	**112,007**	**-**	**-**
Borrowing from Activities (deducted net balance)	**11**	**-**	**-**	**30,209**	**-**
Loans to Activities (deducted net balance)	**11**	**-**	**(16,831)**	**-**	**(13,378)**
Cash and cash equivalents at the end of the period		**77,022**	**77,022**	**-**	**-**

Explanatory notes to the financial statements

1. Non-current assets. The Company's non-current assets, other than construction in progress and non-current prepayments, are allocated between activities on the basis of the criteria for allocation to activities – the proportion of depreciation costs attributable to the activity compared to the total depreciation costs of the activities. Construction in progress and non-current prepayments are classified according to the nature of the investment projects, i.e. it is assessed in which activity the asset will be used.

2. Inventories. Superstructure inventories are attributed to SPEC and RSF activities only. Classification to SPEC activities is performed according to the share of the total road length of the main roads in the total road length, and to RSF according to the share of the total road length of the main roads in the total road length of the stations and access roads. The remaining inventories are allocated on the basis of the criteria for allocation of costs to activities (excluding depreciation).

3. Trade and other receivables. Trade and other receivables are allocated to activities by directly assessing the nature of the debt, i.e. identifying trade and other receivables by service.

4. Authorised share capital. The authorised capital of the business units are formed in accordance with the proportion as at 31 December 2023 between the Company's equity investment in non-current assets (carrying amount of non-current assets - carrying amount of grants) and the activity-specific share of the same investment.

5. Legal reserve. The legal reserve is established in proportion to the amount of retained earnings of the business unit to the amount of retained earnings of the Company.

6. Grants. Asset-related grants are allocated between activities on the basis of the criteria for allocation of depreciation to activities.

7. Non-current and current liabilities. Non-current and current liabilities arising from specific activities are allocated directly to the activity, e.g. loans and financial debts in accordance with the purpose of the loans, liabilities (payables/guarantees received/cash on hand) arising in the course of an investment project. The remaining liabilities are allocated on the basis of the criteria for allocation of costs to activities.

8. Balancing of liabilities. As the balance sheet items are allocated according to the mentioned criteria and are not directly accounted for on an activity-by-activity basis, this results in a difference between Assets and Equity and Liabilities in the activity balance sheets. The reconciliation of these parts of the balance sheet is carried out under current liabilities in the "Balancing of liabilities" line.

9. Finance expenses:

- Finance expenses incurred in accordance with the Description of the Minister of Communications of the Republic of Lithuania "On the Approval of the Description of the Procedure for the Establishment of the Fines for the Disruption of Train Traffic and the Compensation of the Enterprises Affected by Such Disruptions" are directly attributable to the SPEC activities;

- Interest expenses on non-current loans are allocated directly according to the purpose of the loans;

- Interest expenses of short-term loans are assigned to the activity in proportion to the formed production cost of services;

- Interest expense on long-term lease are assigned on the basis of the criteria for allocation of depreciation to activities;

- The remaining unallocated finance expenses are allocated to OAR activities.

10. Income tax. Income tax is allocated between activities on the basis of the share of profit (loss) before income tax attributable to the activity in the value of the Company's profit (loss) before taxation.

11. Inter-activity loans. Inter-activity loans are deducted in accordance with the statement of cash flows, i.e. if the amount of the increase (decrease) in the net cash flow for the period added to the cash and cash equivalents at the beginning of the period gives a negative result, a loan is granted to the activity.