

LTG CARGO

Company's annual report,
financial statements and
independent auditor's report
for the year 2023



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ANNUAL REPORT

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Overview

CEO's foreword

Dear All,

After the turbulence in the sector in recent years, this year we have learnt to be more flexible and decisive, even under uncertain conditions. We have focused on developing a new long-term strategy which consolidates our integration into Northern and Western Europe. We have also improved operational efficiency, business resilience and sustainability, and developed an organisational culture which is primarily focused on improving customer satisfaction. The whole Europe continues to pursue ambitious goals to green the logistics sector. We also understand that this is important. Therefore, together with the entire LTG Group, we are pursuing a common vision to be the backbone of the transport system in Lithuania and an important link with the neighbouring European countries.

Although Russia's war in Ukraine is still ongoing, we remain confident of Ukraine's victory and continue to develop projects that contribute to the creation of logistics links between Lithuania and Ukraine.

We ended 2023 with more than 27 million tonnes of freight, which is significantly more than we planned taking into account such aspects as focused work on sanctions control and stricter rules on freight applications. Targeted efficiency improvements and diversification and expansion projects into new markets ensured that we ended the year with a net profit of EUR 17.5 million, an increase of 73.5% compared to the previous year.

Development of new routes to the West is inextricably linked to Poland which is our axis for international expansion and diversification. We develop international routes linking Lithuania with Western Europe and Ukraine through our neighbouring country. In Poland, we also strengthen provision of services in the internal market.

As our customers wanted reach developed industrial regions in Poland, we provided them with a regular route between Kaunas and Sławków in just six months. To promote intermodal freight transportation, we have added a new connection to Warsaw. We respond to our customers' needs, therefore, under their request, we can deliver freight to Ukraine on this route

We help our customers to reach their sustainability goals, therefore, in 2023, we introduced a new methodology for capturing CO2 savings in intermodal freight, and created certificates for customers to prove it.

This year, we have further increased business resilience and tightened controls on freight transport. At the beginning of the year, when we detected that companies attempt to circumvent sanction control mechanisms, we worked with LTG Group to strengthen checks on freights from Belarus and other countries, to expand the scope of information collected from customers, and to tighten the application rules. During the year, these and other decisions resulted in the rejection of almost 4,000 freight applications, which meant that more than 52,000 wagons with different freight were not transported.



Eglė Šimė
Chief Executive Officer of AB LTG Cargo

When we noticed potential schemes to violate sanctions by exporting luxury cars via Lithuania to third countries, we carried out an internal investigation, contacted law enforcement bodies with the material we had gathered and stopped the export of such cars to third countries.

In the middle of the year, we took a firm step towards service efficiency and sustainability improvement by commencing the procurement process for new electric locomotives. We intend to invest around EUR 100 million in a project which would ensure sustainable transport on the most important railway artery between Vilnius and Klaipėda port. We estimate that the purchase of electric locomotives will save around 780,000 tonnes of CO₂ (compared to road transport), thus ensuring sustainable transport to and from one of the most important logistics centres in the country.

A few months later, we announced our decision on significant expansion of the country's technical fleet for grain farmers by purchasing up to 500 new grain wagons through public procurement. To respond to our customers' needs, we expand our technical fleet and, thus, strengthen our services provided to the country's grain growers. This year we provided our services by focusing on our customers: we formed sets of wagons effectively, we increased our operational planning, and kept consistent cooperation with our customers.

We took an important step in Kazakhstan and joined the Southern Corridor Development Association in autumn. Soon after, we announced about our preparations and secured carrier safety certificates in Latvia and Estonia. We carried out test runs in the latter country, and will start operating in Latvia and Estonia in 2024.

LTG Cargo has also been recognised at the annual European Railway Award, where we received the Rail Trailblazer of the Year award. This award encouraged us to continue spreading news about our experience and our goal to improve gender equality in the sector. Although I had the hon-

our of accepting it personally, the Company's ambitious and innovative team had a contribution to this international award.

By continuing our projects on integration to the West, we have increased operational efficiency and digitalisation by further automating the Operations Control Centre and transferring more and more tasks to advanced business planning programmes. By focusing on our customers' needs, we provide them with increasingly expeditious transport services and more accurate information about their freight or maintenance of technical fleet.

This year, a new LTG Cargo Board was elected in compliance with the highest corporate governance standards. It includes two independent members, two members delegated by the LTG Group and a civil servant. When the chairperson left the office at the end of the year for personal reasons, the Board continued its meaningful work and a new member will be added to its team after the selection procedure.

Together with the LTG Group, we are actively developing the FREE Rail programme launched in 2023. This way, we are taking the lead in the region to implement a rail operating model tailored to the Baltic region. It will be based on the EU rail standards and best practices that allow developing a new, high-quality and independent railway.

We are going into 2024 with a clear and long-term vision. We and our team will continue to strengthen our, as the logistics backbone, position in Lithuania and the surrounding countries. Promotion of sustainable rail transport and the customer are at the core of our activities. All of this is possible only when we work together with our colleagues, partners and customers both in Lithuania and across Europe - thank you all.



Activity of the Company

Background information on the Company

Name: AB LTG Cargo

Head office address: Geležinkelio St. 12, LT-02100 Vilnius

Legal form: Joint Stock Company

Date and place of registration: 28 December 2018, Register of Legal Entities

Company code: 304977594

Telephone: (+370 5) 202 1515

E-mail: info@ltgcargo.lt

Website: <http://ltgcargo.lt>

Main activity: Freight transportation and provision of related services, rolling stock repair services

Chief Executive Officer: Eglė Šimė

Shareholders: 100% of shares are owned by AB Lietuvos Geležinkeliai

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

Subsidiaries and downstream entities

Name	LTG Cargo Polska Sp. z o.o.	UAB LTG Wagons	LLC LTG Cargo Ukraine	OOO Rail Lab (liquidated)
Head office address	Świętojska 5/7, Warsaw, Poland	Geležinkelio St. 12, Vilnius	Pushkin St. 21, office no 3, Kiev, Ukraine	Internacionalnaja St. 36-1, office 423.3, Minsk, Belarus
Legal form	Private limited liability company	Private limited liability company	Private limited liability company	Limited liability company
Date and place of registration*	21 July 2020, the Polish National Court Register	4 November 2020, the Register of Legal Entities of the Republic of Lithuania	9 December 2020, the United State Register of Legal Entities, Individual Entrepreneurs and Public Organisations	26 May 2020, Minsk City Executive Committee, State registration
Company code	386573260	305651295	43987945	192827267
Telephone	+48 22 103 38 15	+370 618 84991	+370 612 27634	-
E-mail	office@ltgcargo.pl	info@ltgwagons.lt	Contacts are available on the website http://ltg-cargo.ua	-
Website	http://ltgcargo.pl	http://ltgcargo.lt	http://ltgcargo.ua	-
Main activity	Freight transportation and provision of related services in Poland	Lease of wagons used for freight transportation	Freight transportation and provision of related services in Ukraine	The company was liquidated and deregistered from the State Register of Legal Entities of Belarus on 7 September 2023
Head of the company	Michał Szlendak	Vladas Ambrozevičius	Saulius Stasiūnas	Liquidator of the company Vladimir Dervenkov
Portion of shares controlled by the Company, %	100% of shares are owned by AB LTG Cargo	100% of shares are owned by AB LTG Cargo	100% of shares are owned by AB LTG Cargo	2% of shares were owned by AB LTG Cargo

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

Branches of the Company, representative offices abroad

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

Historical facts about the Company

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

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

In order to diversify its activities and to provide services to different markets, in particular Western Europe, LTG Cargo established the subsidiaries LTG Cargo Polska Sp. z o. o. and LLC LTG Cargo Ukraine in 2020. LTG Cargo Polska develops the activities of rail freight transport in Poland and between Lithuania and Poland, Germany and Ukraine. LTG Cargo Ukraine develops the activities of freight forwarding and train operator in Ukraine.

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

In April 2022, LTG Cargo started regular intermodal transportation to Duisburg and, thus, looked for opportunities to refocus supply chains to Western Europe.

In February 2023, LTG Cargo, the company of the LTG Group, started transporting intermodal freight in containers between Kaunas Intermodal Terminal and Slavkov in Poland.

Business model of the Company

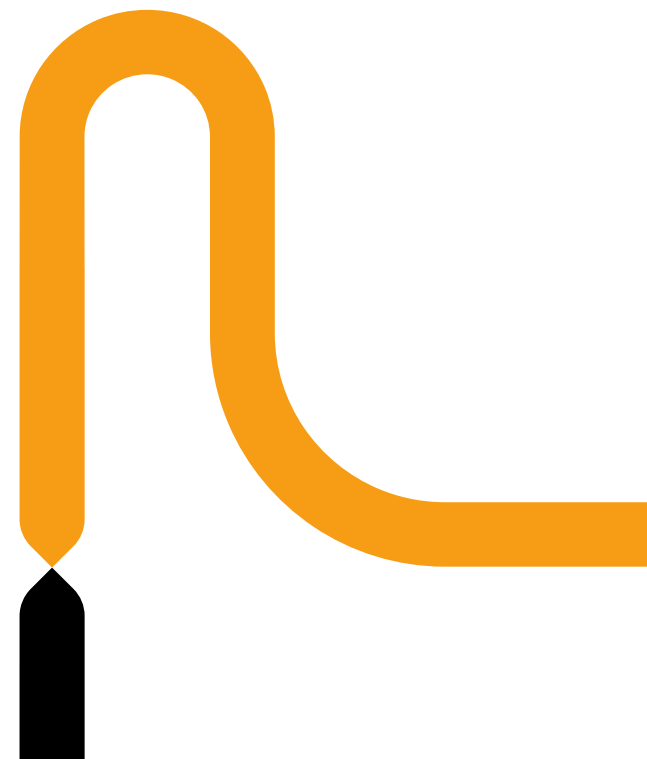
LTG Cargo together with the parent company AB Lietuvos Geležinkeliai and its directly and indirectly controlled legal entities comprise the LTG group. LTG provides management services to the companies in the LTG Group. To ensure compliance with the said requirements, all decisions concerning the execution of the functions of LTG Cargo are taken by the head of the Company or by the Company's employees authorised by him/her.

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.

Activities of the Company and provided services

- Transportation of freight on domestic and international routes: Lithuania has 1520mm and 1435mm gauges, thus there are no limitations on the lists of routes – the Company is able to carry freight to the required country according to the needs of the customer. LTG Cargo transports freight of all types, including containers. The latter type of carriages has been increasing in growth lately due to the safety of freight, lower transportation and security costs, and the optimal delivery deadlines
- Transportation of semi-trailers by rail.
- Rental services of commercial wagons and containers in Lithuania and abroad.
- Services related to the forwarding of freight as well as the services related to the carriage of freight, including by road and air transport.
- Customs brokerage services.

- Domestic and cross-border work and coordination of locomotives and locomotive crews.
- Manufacture of new locomotives, wagons and infrastructure road machinery;
- Overhaul repair, servicing and maintenance of railway rolling stocks;
- Other types of repair and other activities (repair of junctions, containers, wholesale trade).
- LTG Cargo also provides services of access to railway service facilities and services provided in railway service facilities – maintenance of locomotives, large-scale maintenance of locomotives, detachable repair and upkeep of freight wagons.



Market and competitive environment

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

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

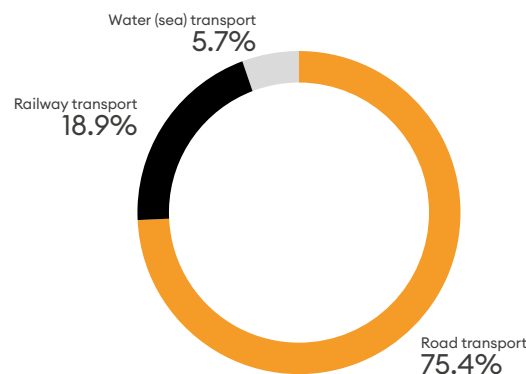
According to the data of the State Database Agency for I-III quarter of 2023 regarding the freight transported by all modes of transport on domestic routes, freight in and out of Lithuania, and freight in transit through the territory of Lithuania (measured in tonnes), the share of railways in the freight transport market amounted to 18.9%, which has shrunk by 4.9% compared to the same period in 2022. This market share was taken up by road transport, which has increased its share of the market by 6.3% in I-III quarter of 2023 in relation to the corresponding period in 2022.

The share of **domestic transportation** in the volume (in tonnes) of rail freight on the territory of Lithuania has been growing in recent years, reaching 28.7 % in 2021, 44.8 % in 2022, and already 56.5 % in 2023.

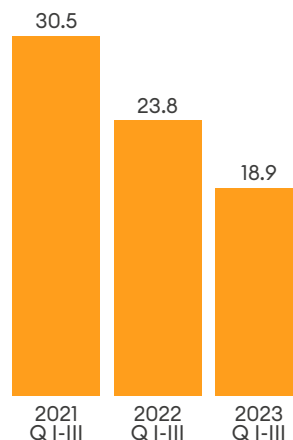
The hostilities of the Russian Federation against Ukraine and the sanctions imposed on Russia and Belarus as Russia's ally in the war, to a large extent resulted in a decline in the transit of freight through the territory of Lithuania as well as in a decline in the transport of Belarusian products to the Klaipėda Seaport via the territory of Lithuania. The decline in the Company's freight traffic in Lithuania was also influenced by the independent decisions of some customers not to ship

from Russia and Belarus and by the Company's actions since the beginning of the war in Ukraine to reduce its links with these countries. The share of **international transportation** in rail freight on the territory of the territory of Lithuania fell from 71.3% in 2021 to 55.2% in 2022 and to 43.5% in 2023. A larger part of such transportation is transportation in transit through Lithuania in the direction of the Kaliningrad region,

1 pav. Freight transport in tonnes by all modes of transport in the territory of the Republic of Lithuania in Q I-III 2023, %*



2 pav. Share of rail freight in tonnes in the territory of the Republic of Lithuania, %*



*Data from the State Database Agency

i.e. essential goods in transit between the mainland of the Russian Federation and the Kaliningrad region through an EU country in compliance with the EU restrictions.

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

In 2022, LTG Cargo began a comprehensive diversification and **expansion into new markets, in particular Western Europe**. As part of this strategy, the Company is developing freight transport on 1435 mm gauge track. An important step in the expansion of LTG Cargo's activities in this direction was taken in July 2021, when Kaunas Intermodal Terminal was connected to the European rail system. LTG Cargo is working intensively in this strategic direction, and keeps strengthening its position in Poland. Together with its subsidiary LTG Cargo Polska, in 2022, the Company started semi-trailer transports between Kaunas Intermodal Terminal (KIT) and Duisburg and back. This activity is gaining momentum and the number of these trips is increased and new routes are developed. In June 2023, LTG Cargo, together with LTG Cargo Polska, started regular intermodal freight transportation on the route Kaunas (KIT) - Sławków.

As part of the above-mentioned strategy of diversification and expansion into new markets, LTG Cargo has also started operations on the Ukrainian market, and at the end of 2022 LTG Cargo's subsidiary LTG Cargo Ukraine became the operator of freight transport between Lithuania and Ukraine (via Poland).

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

The main competitor of the Company in the field of locomotive and wagon repair services in Lithuania, Latvia and Estonia is the Daugavpils Locomotive Repair Plant which has huge manufacturing premises and enormous repair capacities.

Strategy

The LTG Group's activities are based on rational strategic planning and management. LTG's long-term corporate strategy was approved back in 2018, which covered all LTG Group companies' activities - freight and passenger transport and related logistics services in domestic and international markets, management of railway infrastructure, and implementation of priority investment projects. In order to ensure the quality of the implementation of the strategy and to ensure that the LTG Group does not deviate from its objectives in the context of a continuously changing external and internal environment, the LTG Group's strategy is reviewed and updated annually. Ensuring a stronger focus of the anticipated strategic lines and objectives on specific activities managed by the LTG Group, long-term strategies of individual business units of LTG have been prepared. One of them is the **Strategy of AB LTG Cargo 2028** (hereinafter referred to as the Strategy).

Circumstances and actions in 2023 that affected updating of the strategy

Due to changes in the geopolitical environment, the renewal of the Strategy of LTG Cargo in 2022 has been extended and postponed to 2023, and the Strategy of LTG Cargo has been renewed and approved twice by the Board of LTG Cargo: On 28 March 2023 and 8 December 2023, the update of the strategy included a detailed planning of the next 5 years and provided strategic guidelines until 2040.

LTG Cargo's performance in 2023 was achieved by engaging and enabling the following strategic resources: a fleet of 217 locomotives, a fleet of 7,212 freight wagons, and a total of 1,935 employees, including 1,723 employees in LTG Cargo, 162 employees in LTG Cargo Polska (including those on civil contracts), and 6 employees in LTG Cargo Ukraine. In 2023, 27.2 million tonnes of freight were transported, which is 10% more than planned. Cargo turnover reached 6.31 billion tkm or was 17% more than planned. Although the freight result for 2022 was 31 million tonnes, it can be said that the decline in freight volumes that started in 2022 has been stabilised in 2023. The improvement in transport performance was driven by an in-

crease in domestic transport of general cargo nomenclatures such as oil products, chemical and mineral fertilisers, agricultural and mineral products, as well as by freights in transit through Lithuania at the beginning of the year. Annual intermodal volumes on routes in Lithuania were 24% lower than in 2022 and amounted to 122,000 TEUs. The international intermodal routes KIT-Duisburg-KIT and KIT-Slawkow-KIT were further developed. LTG Cargo's updated strategy foresees that freight volumes will continue to grow steadily and reach 36 million tonnes in 2028.

In 2023, freight controls were further tightened to stop the movement of sanctioned freight across territory of Lithuania. During the year, 288 transport applications were rejected and 1,795 wagons with freight were refused to enter the country. The implementation of the sanctions policy has significantly reduced the flow of rail freight transiting through the territory of Lithuania to the Port of Klaipėda.

In 2023, assessment of LTG Cargo's freight transportation services according to NPS -4. The goal is to reach the average sector level by 2026 (43 points). In order to achieve the goal of improving customer satisfaction, the structure of the Customer Service activities has been restructured and an action plan was developed. The plan covers the areas of improvement of the employees' competences, the use of telephony and digital tools, business process redevelopment, and product purification and renewal. The complex implementation of all the measures starts a cultural change in the organisation, which will have a positive impact on customer satisfaction with LTG Cargo services.

Technology Asset Management projects have been actively implemented over the past year. Strategies for the development of freight wagons and locomotives have been developed in order to optimise the rolling stock fleet and respond to customer needs. Purchases of new grain wagons and semi-wagons and modernisation of existing semi-wagons are planned until 2028.

Updates of the strategy in 2023

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

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

- **Revised freight flow forecasts.** The freight flow forecasts in the Lithuanian market increased after the meetings with major customers and reassessment of their future needs for freight transportation services. The need for rolling stock was updated accordingly.

- **Decisions related to diversification and activity orientation towards the West.** As part of the reorientation of the business from East to West, we develop intermodal transportation activities, look for new routes in Western Europe as well as the possibilities of transporting semi-trailers in the Baltic States in order to establish ourselves in the North-South direction and to prepare for activities on the route of Rail Baltica; we constantly evaluate the potential for growth of intermodal freight from/to the Klaipėda port and we look for possibilities to expand the capacity of the intermodal terminals in Kaunas and Vilnius.

- **FREE Rail.** The need to separate from the Railway Transport Council (RTC) and find alternative spare parts manufacturers, suppliers, technological and IT solutions in the West within the scope of the FREE Rail programme, and to adapt railway operations model, that is based on EU railway standards, best practices and is aligned with the broad-gauge specifications (EU+), has been clearly identified.

- **Pricing.** Results of the review of pricing of the entire LTG Group carried out by the controlling company AB Lietuvos Geležinkeliai and the set corrective measures were included in the strategy in order to ensure the profitability of all the services and to identify areas where internal actions are not sufficient and where the involvement of external stakeholders is necessary (e.g. regarding the promotion of intermodal transport at the state level).

- **Investments review.** Investment priorities in rolling stock, repair programmes and IT systems were revised by emphasising operational efficiency and value for money.

Mission, vision, values



Connecting people and businesses for a more sustainable future



Being the backbone of the transport system

MISSION AND VISION



Responsibility

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



Customer

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



Cooperation

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



Development

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

VALUES

Strategic directions



First choice for logistics services

The aim is to become the largest rail carrier in the Baltics. In 2040, LTG Cargo group will transport approximately 40 million tons of freights in the Baltic states, Poland and Ukraine and other European countries.



Operational efficiency

Improving top-level operational efficiency: focusing on digitisation projects, use of rolling-stock fleet and improvement of efficiency of repair programmes to increase profitability. Long-term and short-term planning (including the creation of an operational control centre), adaptation of the best asset management models, automation and digitisation of daily operations.



Business developments

Freight flows and revenues are growing as the business expands: Expansion of the North-West-South corridors and development of new routes. The logistics "corridor" (Amber train, Duisburg, Slawkow) for intermodal freight to/from Western Europe is under construction and will allow a significant increase in international intermodal flows. In order to meet the customer needs, the rolling stock strategies are developed, investments and acquisitions of new rolling stocks are planned, and the existing fleet of rolling stock is optimised. Business expansion into foreign markets: Latvia, Estonia, Poland and Ukraine.



Environment, social responsibility and governance (ESG)

The aim is to minimize environmental and climate change impacts and develop responsibly in line with the Green Deal: sustainable, environmentally friendly solutions creating value to society are being developed, including the 'green' transformation of the traction park by reducing CO2 emissions and energy consumptions of freight transportation.



Business resilience

The FREE Rail project is aimed at increasing national security and business resilience by breaking away from the Railway Transport Council (RTC) system. Ensuring comprehensive safety through implementation of cyber security initiatives Ensuring comprehensive security through cyber security initiatives while maintaining a high level of traffic and business safety and increasing the employees' competence regarding safety issues.



Strong organisational culture

The aim is to increase employee engagement, satisfaction and productivity through competence development, and to improve the employee experience in the organisation by creating a high-performance organisational culture.

Strategy implementation measures

- Project transports are continued. At the beginning of 2023, the number of 1520 mm gauge wagons for transport of heavy equipment was increased to 33 units. The number of locations for loading military equipment increased, with loading by LTG Cargo not only at Lithuanian stations but also in Latvia and Estonia. During the year, a total of 145 transports of military equipment were carried out on the 1520 and 1435 network (compared to 102 trains in 2022). A steady growth of military equipment handling is foreseen throughout the main strategy period up to 2028, in line with the development of military and dual-use sites in Lithuania.
- Intermodal (containers and semi-trailers) transport is further developed. In 2023, containers were transported on the Vilnius Shuttle/VIT Express route (9.6 thousand TEUs) and the Kaunas Shuttle (8.6 thousand TEUs). Existing international intermodal routes are to be developed and new routes opened by 2028.
- Technology Asset Management projects are continued. The purchase of freight electric locomotives starts. The new electric locomotives will transport freight on the electrified section between Vilnius and Klaipėda (Corridor IX B) from 2027 onwards, using electricity from renewable energy sources. The purchase of 500 grain wagons was launched to meet the needs of Lithuanian grain growers. Further acquisition and modernisation of the wagon fleet (grain wagons, semi-wagons, 1435 mm platforms) is foreseen until 2028. The design of the infrastructure for a new depot for the maintenance of 1520 mm and 1435 mm rolling stock, including electric locomotives, has started and the necessary land plots have been secured. Construction is expected to

end in 2026. The new depot will meet the future maintenance needs of the rolling stock fleet, as well as increase the efficiency of LTG Cargo's operations and the use of its assets (automated processes, energy-saving systems). Procurement of equipment for upgrading and improving the efficiency of the repair depots, as well as the procurement of equipment for improving the working environment (CO2 cut-off systems for the traction rolling stock and air filtration system for the freight wagon depot) have been launched. Procurement of the replacement of locomotive safety systems. Replacement of unsafe systems on locomotives will start as early as 2024.

- Projects of operational efficiency. In the LTG Cargo Operations Centre project, as part of the Service Process Optimisation and Automation Project 2023, modules that optimise or automate the planning of trains and capacity, locomotives, crews, orders, empty wagons and station operations have been installed and tested for functionality in the Cargo Services operation. The new planning system (RCP - Rail Cargo Planning) is ready for launch in 2024, when all activities from capacity to tasks at stations will be planned. As part of the improvement of the management of Services at Stations, process optimisation and automation work has been carried out: an automated penalty checking tool is being developed, and a tool is being implemented for the automatic generation of the wagon sheet in the IS Krovinys system.

- LTG Cargo's subsidiary LTG Cargo Polska continued its rolling stock lease and acquisition programmes with the acquisition of 2 more own locomotives during the year (total number of own locomotives - 3). The routes in Poland

(Swarzedz - Duisburg) were expanded and contracts were concluded with new customers (RailForce One, Rail Cargo Logistics, iCargo). The number of trains carried has tripled from 583 (2022) to 1,715 freight trains by 2023. The company's activity reached 5.08% of the Polish intermodal market in terms of freight transport volumes. Net loss for the year amounts to EUR -3 million. The business model of LTG Cargo Polska will be finalised by 2024.

- LTG Cargo Ukraine continued to operate as a freight forwarding and train operator in 2023. In total, 104 trains were organised, 1,340 TEUs of freight were transported, a turnover of EUR 2.3 million was achieved, and the company's profit amounted to EUR 0.292 million. LTG Cargo Ukraine carried out 125 wagon transport services in 2023. During the strategy period, due to the uncertainty of the situation in Ukraine, the operator's activities are planned to be postponed until after the end of the war in Ukraine.

Implementation of objectives for 2023

At the beginning of 2023, the LTG Cargo Board approved LTG Cargo's **annual objectives**, the indicators against which they are measured and the target values linked to the implementation of the strategy. Taking account of LTG Cargo's ambition and strategic objectives, the annual targets set out help to ensure that LTG Cargo is the first choice for logistics services, that value is created by integrating into Western European markets, that operational efficiency is improved, and that business development is supported by a strong commitment to comprehensive safety. Based on the approved annual objectives, LTG Cargo employees have personal goals set. In this way, LTG Cargo employees are involved in a structured and coherent process of implementing the LTG Group's strategy, linking the achievement of objectives to career, development and incentive plans.

Taking into account the directions set out in the letter of shareholder's expectations and endorsed in the Strategy, the Board of the Company has set the following performance goals for 2023.

Strategic activity goals	Strategic activity indicators	Unit of measure	Weight, %	Goal achievement guidelines 2023	Goal implementation indicators 2023
First choice for logistic services	Freight activity volume of LTG Cargo (Lithuania)	Billion tkm	10%	>4.9	6.31
	Implemented LTG Cargo Customer Satisfaction Improvement Plan NPS for 2023	Percentage of plan implementation	20%	≥80	87
Increase value created by LTG Cargo	EBIDTA margin	Percent	20%	>13.5	17.3
Increase operational efficiency	Employee efficiency in LTG Cargo group	Million tkm./ average number of employees	10%	>2.8	3.65
	Operating expenses and revenue of LTG Cargo group	Ratio	10%	<1.03	0.928
Business development	Revenue of LTG Cargo group from foreign markets	EUR million	20%	>31	22.5
Comprehensive safety	LTG Cargo's lost time due to injuries (LTIIR)	Accidents at work *1 M / total working hours	10%	<3	0.32

Highlights 2023

January

The selection of new members of the LTG Cargo Board took place. The selection was carried out by the committee composed of representatives of the Ministry of Transport and Communications, the Management Coordination Centre (MCC) established by the Government, and LTG. The selection of the most suitable candidates for independent Board members was facilitated by the MasterClass Lietuva executive search experts. The selected members included two independent Board mem-

bers and two members delegated by AB Lietuvos Geležinkeliai, the shareholder of LTG Cargo. A repeated announcement was published for the selection of a member of the LTG Cargo Board – a civil servant with expertise in regional and national transport policy.

LTG Cargo started transporting coal on behalf of a Polish state-owned coal importer. This international project is expected to help Poland meet its demand for solid fuels.

On 17 January 2023, the Articles of Association of LTG Cargo AB were amended to add new powers for the Board and to increase the limits of transactions from EUR 1 million subject to approval by the Board.

February

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

A valuation of the LTG Cargo loading business was carried out, and based on the decision of the LTG Board on 21 February 2023, the loading business will be sold to LTG Infra on 1 May 2023. The value of the cargo loading business as at 31 December 2022, as assessed by independent business valuers, amounts to EUR 438 thousand. LTG Cargo's loading business was not the core business and was loss-making. Therefore, taking into account the growing influence of the terminal business on the implementation of LTG Group's strategic objectives, in order to optimize its operations, increase efficiency as well as to achieve the centralization of the terminals and cargo handling operations in a single operating unit - LTG Infra, the LTG Board made a decision that LTG Cargo should sell this business to LTG Infra.

LTG Cargo is tightening controls on freight carriage. The Company carries out extremely detailed inspections on all cargo, both from Belarus and from other countries. LTG Cargo's customers have already been informed and will have to comply with stricter application rules, which will help the Company to manage its risks even more rigorously and to prevent possible circumvention of penalties.

LTG Cargo CEO Eglė Šimė was awarded the Rail Trailblazer of the Year award at the annual European Railway Award. A panel of international sector experts, politicians and journalists commended Eglė Šimė both for her management of the company's comprehensive diversification and for her contribution to empowering women's participation in the railway sector. During the gala evening, the Rail Champion award went to Ukrainian Railways.

LTG Cargo has introduced a new intermodal freight route Kaunas – Sławków. The terminal near Katowice is an important hub on the Polish railway system, connecting the 1435 mm gauge railway lines from Lithuania and 1520 mm gauge lines from Ukraine.

March

From 1 March, all LTG Cargo customers transporting freight by 1520 mm gauge are required to provide additional detailed information and documentation. In the event of any suspicion of attempts to circumvent the sanctions, or if customers refuse to provide any of the additional documents requested, the Company has stopped, and will continue to stop, the transport of such cargo.

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

The decision of the Board of LTG of 22 March 2023 approves the Sanctions Implementation and Control Policy. The Sanctions Enforcement and Control Policy establishes a unified model and principles for the LTG Group's Sanctions Enforcement and Control in order to ensure compliance with the United Nations Security Council, the European Union, and national sanctions regulations, and to ensure alignment with the requirements of the sanctions regimes of the United States of America and United Kingdom of Great Britain and Northern Ireland.

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

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

April

LTG Cargo has received some of the same reactions as the LTG Group has tightened up its freight controls even further, by carrying out extremely detailed checks on all cargo and expanding the amount of information it collects from customers. Although almost 40 companies, institutions and bodies from the aggressor countries have objected to the enhanced sanction control principles, the Company continues to work consistently with the other authorities responsible for sanction control and is taking all necessary steps to prevent any attempts to circumvent the limits.

May

On 1 May, the cargo handling business was successfully transferred to AB LTG Infra.

LTG Cargo said that after tightening controls on freight transport, carrying out extremely detailed checks on all cargo and expanding the amount of information collected from customers, the Company has rejected more than 1,000 applications from customers for the carriage of freight between Lithuania and foreign countries in just two months. Almost half of these rejected freight applications were for export or import from/to Belarus.

June

LTG Cargo has strengthened freight transport opportunities between Lithuania and Poland by launching regular Kaunas - Slawkov routes and securing an intermodal freight link with Warsaw.

July

LTG Cargo reported that it is strengthening its capacity by allocating up to 10% more of the Company's wagon fleet to grain transport than in 2022, continued to streamline its wagon formation practices, and strengthened its operational planning and communication with its customers. The Company also expanded its services for wagons deliveries from Ukraine in order to help the country's businesses to secure the wagons and containers that are missing on the market due to the Russia's war in Ukraine and that are essential for grain transport.

September

LTG Group presented its results for the first half of the year. The Group's sales revenue from rail freight transportation services increased by EUR 0.9 million or 0.6% and amounted to EUR 137.9 million. Due to the impact of sanctions and the reduction of links with Russia and Belarus, freight turnover decreased by 23.0% in the first half of this year, but LTG Cargo Group companies' consistent development of services on the Polish market and other international transport activities resulted in an increase in revenues.

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

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

October

LTG Cargo announced that it carried out important preparatory work to secure Carrier Safety Certificates in Latvia and Estonia after it successfully completed test runs in Estonia.

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

In line with the principles of sanction control and zero tolerance for risk, LTG Cargo has announced that, as of 1 December, it will not approve any applications for the transport by rail of luxury cars i.e., cars manufactured within the last five years and valued at more than EUR 50 000, to the above mentioned third countries.

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

LTG Cargo and Ukrainian Railways have tested the new Kaunas-Kiev freight route. The test run of the new route was implemented just two months after the official meeting between LTG Cargo and Ukrainian Railways in September which was aimed at developing mutually beneficial solutions for the development of international transport.

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

December

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

The practitioners of sanctions control and management were brought together by the LTG Group for the first ever Sanctions Management Forum. Eglė Šimė, Head of LTG Cargo, took part and shared the Company's experience in the discussion "How to identify and prevent sanction circumvention schemes?".

With truck congestion at the Poland-Ukraine border lasting for two weeks or more, and Ukraine facing challenges in getting cargo in and out of the country, LTG Cargo has formed a train from Kaunas Intermodal Terminal to Ukraine with the consolidated freight of three customers in containers.

After further tightening of the application rules at the beginning of last year, LTG Cargo received 25,609 freight applications last year (1 March-31 December). Following an assessment of compliance with the Company's sanction control and zero risk tolerance principles, as well as other aspects, 21,773 freight applications were approved during the period in question. 3,836 applications were rejected. One third (1,222) of these rejected freight applications were for export or import from/to Belarus. A total of 52,307 wagon applications were rejected in March-December.

Subsequent events

January

LTG Cargo announced about planned changes in its Board: as of 11 January, Arnoldas Ūkeniekas resigns from the positions of the member and chairperson of the Board for personal reasons.

February

Selection of an independent board member was launched by LTG Cargo.

Results



Key performance indicators

In 2023, rail freight transport reached 27.2 million tonnes, i.e. by 12.1% less than in 2022. Transport of oil and its products, building materials and plant products were dominant in transportation by railway. These types of freight accounted for more than half of the total rail freight transported in the period under review.

The geopolitical situation, Russia's war against Ukraine and the wide range of sanctions imposed on Belarus and Russia by the United States and the European Union have reduced freight volumes by 12.1% from 31.0 million tonnes in 2022 to 27.2 million tonnes in 2023, and freight transport turnover by 14.5% from 7.4 billion tkm in 2022 to 6.3 billion tkm in 2023. Significant decrease was recorded in the segments of transport of chemical and mineral fertilisers, ferrous metals and solid mineral fuels.

Domestic transport, which accounted for 56.5% of the total freight transported, decreased by 10.8%, compared to 2022, and reached 15.4 million tonnes. The growth was driven by an increase in carriage of petroleum and petroleum products, construction materials (due to increased demand for road infrastructure improvements) and products of plant origin, which compensated for the drop in carriage of chemical and mineral fertilisers. Cargo flows through the Klaipėda Seaport from local customers increased by 3% to 7.7 million tonnes. This increase is largely due to an increase in the volume of cereal carriage.

Transport volume indicator	Unit of measure	2021 m.	2022 m.	2023 m.	2023/2022 Δ, %
Turnover of freight transportation	billion tonnes- kilometres	14.6	7.4	6.3	(14.5%)
Average distance travelled per tonne	km	285	238	232	(2.7%)
Total freight transportation	million tons	51.1	31.0	27.2	(12.1%)
Segments of freight transportation					
Domestic transportation	million tons	14.7	13.9	15.4	10.8%
International transportation	million tons	36.4	17.1	11.8	(30.7%)
Transit	million tons	11.5	8.1	6.5	(19.6%)
Export from Lithuania	million tons	4.9	3.6	3.3	(8.2%)
Import to Lithuania	million tons	20.0	5.4	2.0	(62.9%)



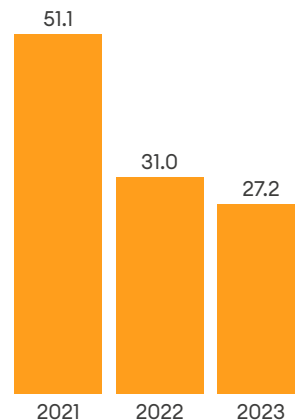
International transport, which accounted for 43.5% of the total freight transported, decreased by almost 31%, compared to 2022, and reached 11.8 million tonnes. During the analysed period, the flow of goods in transit through the territory of the Republic of Lithuania decreased by 19.6%. The flow of cargo in transit towards Kaliningrad region decreased by 19.7%. The most significant decrease was in the volume of solid mineral fuels, oil and its products transported in this direction. The decrease in the volume of freight entering and leaving Klaipėda Seaport in 2023 was 56.1%. This decrease was mainly due to the discontinued transportation of Belarusian fertilisers from February 2022, which led to a decrease by 70.2% in the total volume of Belarusian cargoes transported through the port, as well as due to suspension of the transport of products to the Klaipėda Seaport by the companies that have been sanctioned as a result of Russia's military invasion of Ukraine.

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

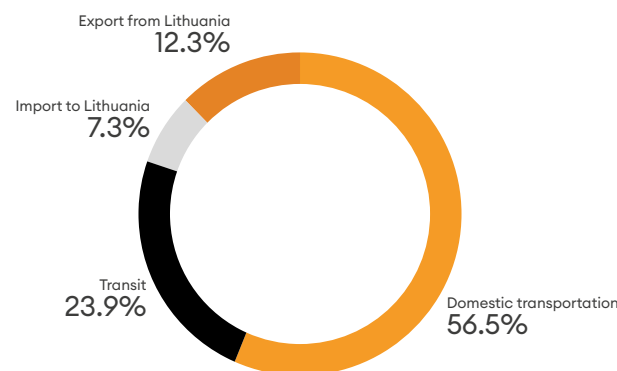
The volume of **intermodal** container train transport decreased by 27.5% to 80,000 TEUs (20-foot equivalent unit) in 2023. Meanwhile, intermodal transport by semi-trailer trains is growing. These carriages have been organised since 2021 and have almost doubled compared to 2022 from 2,562 semi-trailers in 2022 to 5,222 semi-trailers in 2023. According to the forecast, intermodal demand continues growing as a result of diversification solutions.

Intermodal transport is currently loss-making and no significant growth in this flow is foreseen in the coming years; instead efforts are being made to create the conditions for a greater shift of volumes from road to rail in the future, when a more favourable regulatory environment will come into force (road taxes, other restrictions that will have a significant impact on the volumes and profitability of intermodal transport).

3 pic. Freight transport volumes (in million tons)



4 pic. Segments of freight transport in 2023, %



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

- LTG's Board decided to expand its business into Western Europe, with significant investments in Poland for the development of new and existing services and the acquisition of equipment for LTG Cargo Polska;
- LTG Cargo has started intermodal cargo transportation to Germany on the route Kaunas Intermodal Terminal - Duisburg;
- freight services from Kaunas Intermodal Terminal to terminals in Poland have been developed and started to be offered to customers;
- The first international cooperation agreements are signed with Kazakh companies. Together they aim to strengthen the intermodal Trans-Caspian logistics corridor and develop new alternatives for transporting cargo from Asia to Klaipėda Seaport;

Financial performance

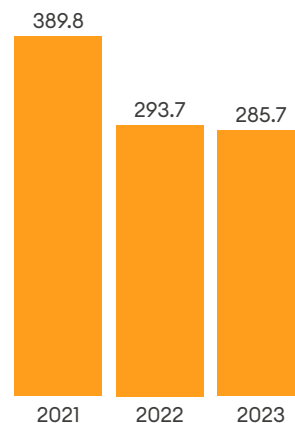
Sales revenue

In 2023, the Company's sales revenue amounted to EUR 285,749 thousand; i. e. a decrease by 2.7% compared to 2022. The major portion thereof – 73% comprised revenue from freight transportation.

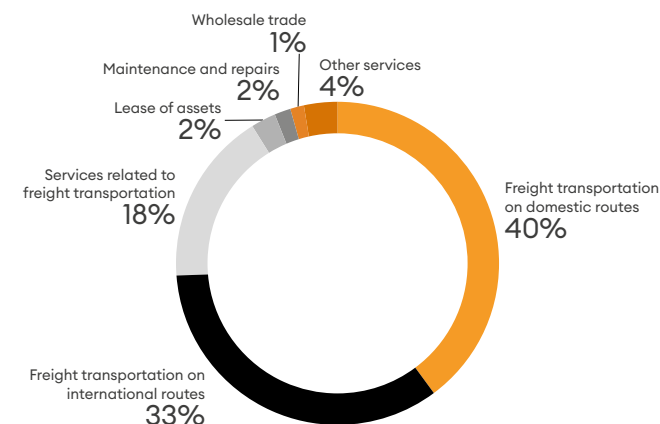
- In 2023, **revenue from freight transportation on domestic routes** amounted to EUR 114,205 thousand, an increase of EUR 20,338 thousand (21.7%) compared to 2022 due to a 10.8% increase in transport volumes in this segment and higher transport tariffs. An increase in the volume of domestic transportation was a result of an increased volume in transportation of construction materials by 26% due to an increased demand for road infrastructure improvements, increased volume in transportation of plant products by 24% due to export of the remaining previous year's harvest stored in elevators in anticipation of a higher selling price for grain, and increased volume in transportation of oil and its products by 8%.

- Revenue from freight transportation on international routes** in 2023 amounted EUR 95,434 thousand. 45% of the volume (in tonnes) of the international transportation was transportation of freight to and out of Lithuania and 55% was transportation of freight in transit through Lithuania in the direction of the Kaliningrad region, i.e. in transit through Lithuania between the mainland of the Russian Federation and the Kaliningrad region in accordance with the EU restrictions. Compared to 2022, international freight revenues decreased by EUR 19,673 thousand (17.1%). The decrease in revenue occurred due to geopolitical developments, military actions by the Russian Federation in Ukraine, and the sanctions imposed on Belarus and Russia during the reporting and comparative period as well as LTG Cargo's ambition to reduce links to these countries. Revenues from inbound, outbound and transit (excluding empty wagons) of Russian and Belarusian freight to Lithuania accounted for a significant share of LTG Cargo's revenues from transportation on international routes until 2022 (82% in 2021).

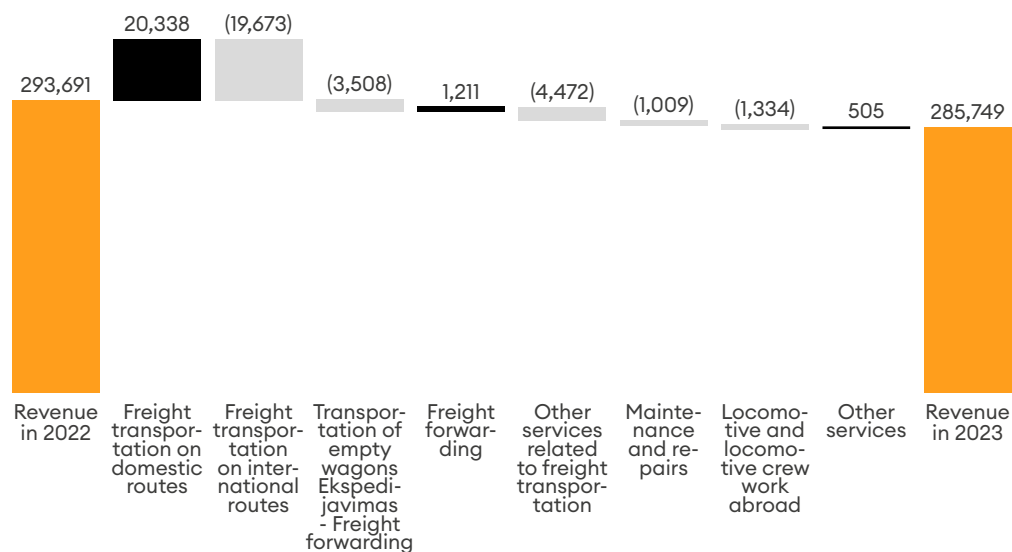
5 pic. Company's sales revenue, EUR million



6 pic. Structure of the Company's sales revenue 2023, %



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



- In 2023, **revenue from empty wagon transport** amounted to EUR 22,744 thousand, which is a decrease by EUR 3,508 thousand (13.4%). The reasons for this decrease are the same as for international freight transport.

- **Freight forwarding revenues** amounted to EUR 5,888 thousand in the period under analysis and, compared to 2022, increased by 25.9% due to the increase of volumes in military freight transport.

- **Other freight-related revenues** in 2023 amounted to EUR 22,121 thousand and it was EUR 4,472 thousand (16.8%) lower compared to the comparative period. The decrease in these revenues is due to lower volumes of services provided abroad to railways in other countries due to a decrease in the volume of international transport, a decrease in the volume of freight handling activities as a result of the sale of these activities to AB LTG Infra in April 2023, shorter duration of the time that the wagons used by the customers stayed on the public infrastructure tracks, and the demand for storage of freight on public infrastructure tracks.

- In 2023, **revenue from maintenance and repair** amounted to EUR 4,905 thousand and, compared to the previous year, it decreased by EUR 1,009 thousand or 17.1% due to a decrease in demand for freight wagon repairs from external customers, repair prices that were not increased and the lack of spare parts.

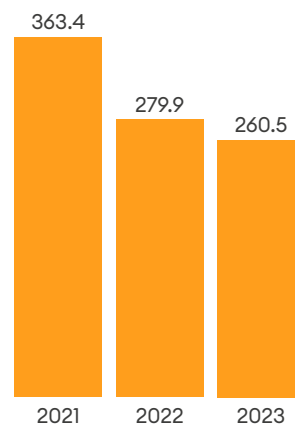
- In 2023, **revenue of locomotives and locomotive crews working abroad** was EUR 1,537 thousand – EUR 1,334 thousand, which is 46.5% less than in 2022, due to a decrease in the volumes of freight in and out of Lithuania.

- In 2023, **revenue from other services** (wholesale trade, rental of wagons, locomotives and other assets, and remaining services) was EUR 18,915 thousand and remained at the 2022 level.

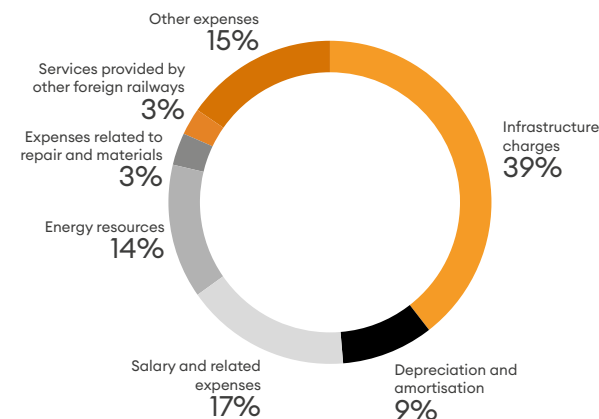
Expenses

The Company's expenses of operating and other activities in 2023 amounted to EUR 260,504 thousand, i.e. by EUR 19,380 thousand or 6.9% less than in 2022.

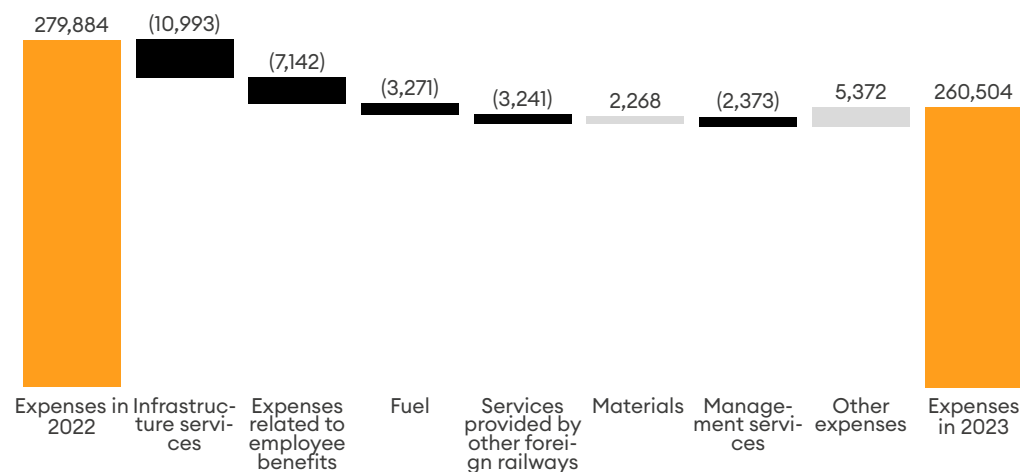
8 pic. Company's expenses, EUR million



9 pic. Structure of the Company's expenses in 2023, %



10 pic. Change in the Company's expenses, EUR thousand



The majority of the Company's expenses in 2023 include infrastructure charges (39%), wages and salaries (17%) and energy resources (fuel, electricity) (14%).

- **Infrastructure expenses** amounted to EUR 102,832 thousand in 2023, which is a decrease by EUR 10,993 thousand (9.7%) as compared to 2022. The main reason for the decrease in these expenses is the 14% drop in freight turnover

- **Salary and related expenses** amounted to EUR 43,342 thousand and, compared to 2022, decreased by EUR 7,142 thousand (14.1%). The decrease was caused by optimisation of the number of employees in the Company.

- **Fuel expenses** for the reporting period amounted to EUR 34,295 thousand and, compared to the previous year, decreased by EUR 3,271 thousand (8.7%). The decrease in expenses was driven by a 14% decrease in train working volumes, but this was mitigated by an average 2% higher diesel price.

- **Expenses related services provided by other foreign railways** amounted to EUR 7,117 thousand during the reporting period and, compared to 2022, decreased by EUR 3,241 thousand or 31.3%. The decrease in expenses occurred due to geopolitical developments, Russia's military actions in Ukraine and the sanctions imposed on Belarus and Russia. The volume of shipments from Belarus and Russia and, consequently, the use of rail wagons and other services from these countries fell. The decline in container flows from China reduced the expenses of freight transportation in China and territories of other countries.

- In 2023, **expenses related to materials** reached EUR 6,073 thousand and, compared to 2022, were higher by EUR 2,268 thousand (60%) as a result reached increase prices of spare parts.

- In 2023, **expenses related to management and general services** amounted to EUR 13,747 thousand and, compared to 2022, decreased by EUR 2,373 thousand (14.7%) due to a decrease in LTG's expenses attributed to this service as a result of the lower number of employees due to the review and optimisation of activities, lower purchases of techni-

cal maintenance services for the information systems and lease of software, as well as reduction of the volumes of the consulting services provided for the management of SAP ERP project.

- In 2023, **other expenses** amounted to EUR 53,098 thousand and, compared to the previous year, increased by EUR 5,372 thousand or 11.3%. The increase resulted due to the higher volume of purchase of freight operator services from LTG Cargo Polska, a subsidiary of LTG Cargo, which is expanding its operations, in the amount of EUR 7,530 thousand for the services of the freight operator for the transports on Kaunas-Düsseldorf and Kaunas-Slawkow. Impairment expenses on non-current assets held for sale also increased by EUR 984 thousand; an increase in expenses was balanced by a reversal of inventory write-downs amounting to EUR 861 thousand and an increase in the value of investments amounting to EUR 1,747 thousand.

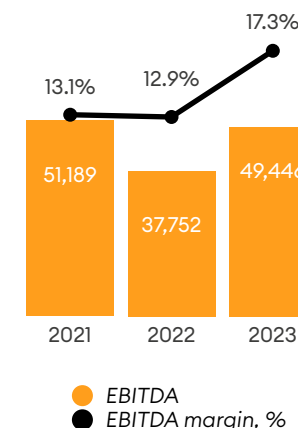
Operating results

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 been decreasing: the volumes of freight transported in 2023 were 27.2 million tonnes, i.e. lower by 12.1%, than in 2022 and lower by 46.7% than in 2021.

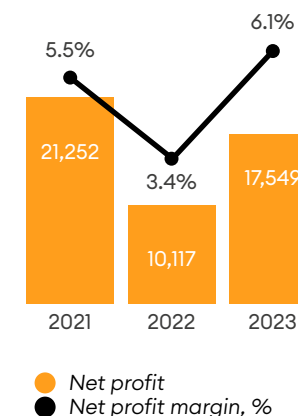
While the volumes of freight transport decreased, the results of the Company increased: in 2023, compared to 2022, EBITDA increased by EUR 11,694 thousand (31.0%), and the margin of EBITDA increased from 12.9% in 2022 to 17.3%. The increase in EBITDA and EBITDA margin was a result of the Company's **operational optimisation programme**, which includes efficiency improvements, staff optimisation, cost reduction, diversification and expansion into new markets, particularly in Western Europe.

The Company's net profit for 2023 increased by EUR 7,432 thousand (73.5%), compared to 2022.

11 pic. EBITDA of the Company, EUR thousand



12 pic. Net profit of the Company, EUR thousand



Balance sheet changes

As at 31 December 2023, the Company's assets amounted to EUR 332,240 thousand and, compared to 31 December 2022, increased by 2.0%.

Non-current assets increased by 3.1% to EUR 250,723 thousand in 2023.

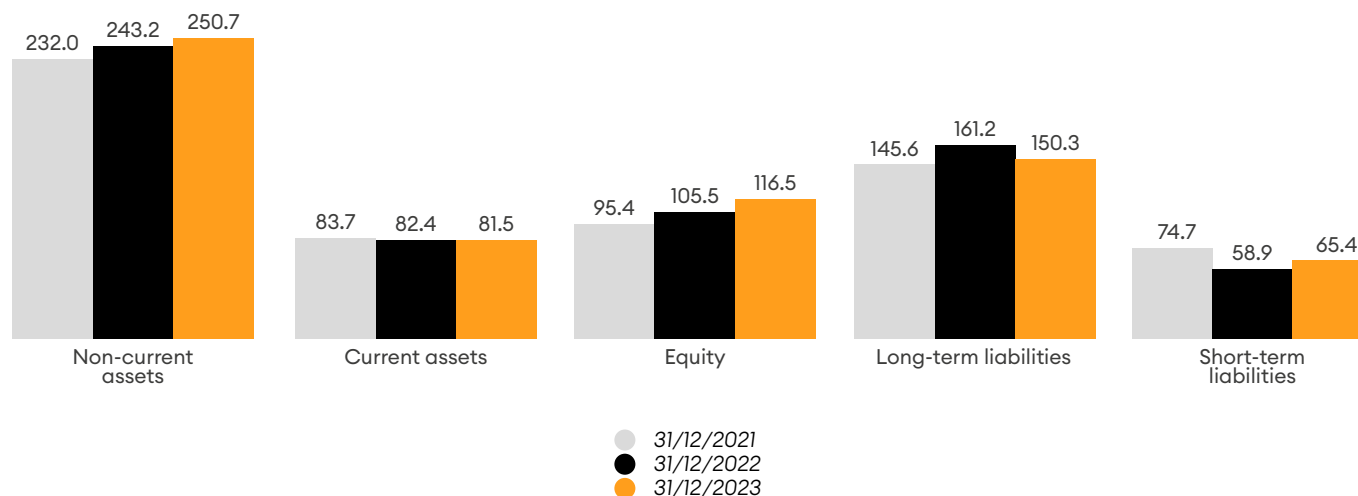
As at 31 December 2023, the right-of-use assets amounted to EUR 28,239 thousand, i.e. decreased by EUR 942 thousand compared to 31 December 2022 due to a decrease in the volume of long-term leases.

Current assets at the end of 2023 amounted to EUR 81,517 thousand and decreased slightly by EUR 896 thousand compared to the end of 2022: inventories decreased by EUR 6,618 thousand due to delays in the supply of spare parts for locomotives and wagons due to the disruption of the Company's international supply chains, while the balance of cash and cash equivalents increased by EUR 5,072 thousand.

Authorised capital remained stable at EUR 44,087 thousand during the period under review. In 2023, equity increased by EUR 10,984 thousand and amounted to EUR 116,496 thousand as at 31 December 2023. The changes were due to an increase in the Company's profit for the reporting period and dividends paid.

Financial debt (including finance/operating leases) decreased by EUR 2,636 thousand during the period under analysis due to the repayment of part of the loan to the bank and amounted to EUR 158,369 thousand by EUR. No new loans were obtained in the period under review.

13 pic. Changes in the Company's main balance sheet items, EUR million



Key financial indicators

	Unit of measure	2021 m.	2022 m.	2023 m.
Sales revenue	EUR thousand	389,817	293,691	285,749
Revenue from other activities	EUR thousand	158	148	215
Total revenue	EUR thousand	389,975	293,839	285,964
Expenses	EUR thousand	363,422	279,885	260,504
EBITDA	EUR thousand	51,189	37,752	49,446
Normalised EBITDA*	EUR thousand	51,434	43,595	49,362
EBITDA margin	%	13.1%	12.9%	17.3%
Normalised EBITDA margin	%	13.2%	14.8%	17.3%
EBIT	EUR thousand	26,553	13,955	25,460
EBIT margin	%	6.8%	4.8%	8.9%
Net profit	EUR thousand	21,252	10,117	17,549
Net profit margin	%	5.5%	3.4%	6.1%
	Matavimo vnt.	2021 12 31	2022 12 31	2023 12 31
Non-current assets	EUR thousand	232,035	243,232	250,723
Current assets	EUR thousand	83,719	82,413	81,517
Total Asset	EUR thousand	315,754	325,645	332,240
Equity	EUR thousand	95,400	105,512	116,496
Financial debt	EUR thousand	149,469	161,005	158,369
Net debt	EUR thousand	144,499	108,023	100,315
Return on equity (ROE)	%	25.0%	10.1%	15.8%
Return on assets (ROA)	%	7.1%	3.2%	5.3%
Return on investment (ROI)	%	9.2%	4.0%	6.6%
Financial debt / EBITDA	In times	2.9	4.3	3.2
Financial debt / Equity	In times	1.6	1.5	1.4
Net debt / EBITDA	In times	2.8	2.9	2.0
Net debt / Normalised EBITDA	In times	2.8	2.5	2.0
Loan servicing ratio	In times	4.3	3.9	4.2
Equity ratio	%	30.2%	32.4%	35.1%
Asset turnover ratio	In times	1.2	0.9	0.9
Quick liquidity rate	In times	1.0	1.2	1.1
Total liquidity rate	In times	1.1	1.4	1.2

* For the calculation of Normalised EBITDA for 2022, the cost of EUR 3,115 thousand relates to severance and compensation payments to employees dismissed as part of the business optimisation project. For definitions of the indicators see page 63 of the Report.

Financing of the Company

The loan portfolio of LTG Cargo amounted to EUR 129,960 thousand as at 31 December 2023 (31 December 2022 - EUR 131,744 thousand). The weighted average interest rate of the Company's loan portfolio was 5.02% as at 31 December 2023 (1.49% as at 31 December 2022). No new loans were received.

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

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

14 pav. Repayment of the Company's loans, EUR million



Financial indicators monitored by banks

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

Ratio	Unit of measure	31/12/2023	Value set by the bank
Net debt / normalised EBITDA	In times	(0.4)	Not higher than 4.0
Equity ratio	%	71.3	Not lower than 35%
Loan servicing ratio	In times	4.2	Not lower than 2



Performance results of subsidiaries

At the end of 2022, LTG Cargo Ukraine became the operator of cargo transport between Lithuania and Ukraine via Poland. LTG Cargo Ukraine ensures control and monitoring of the entire logistics chain, and plans to carry out carriages 3-4 times a week as soon as the situation in Ukraine gains momentum and certainty. The revenue generated by the Company in 2023 was EUR 773 thousand, which, compared to 2022 was higher by EUR 515 thousand. In 2023, LTG Cargo Ukraine started generating profit and the net profit was EUR 446 thousand higher than in 2022.

In the period under review, LTG Cargo Polska expanded its transport on international routes and started domestic transport services in Poland, concluded contracts with new customers, increased its rolling stock fleet by leasing and acquiring rolling stock. 1,715 freight trains were transported in 2023 (compared to 583 trains in 2022). LTG Cargo Polska generated revenue of EUR 37,465 thousand in 2023, i.e. almost 3 times more than in 2022. The net result for 2023 is a loss of EUR 2,884 thousand, as the growth in revenues lagged behind the growth in costs because of the rapid expansion during the reporting period.

LTG Cargo is expanding its freight services to Poland in order to reduce its dependence on traditional freight routes. As part of this activity, in 2023 LTG Cargo Polska continued the investments in European-gauge rolling stock with the purchase of 2 modernized locomotives and 146 units of specialised containers for the transport of bulk cargo. LTG Cargo Polska also has long-term rolling stock lease agreements for its operations. LTG Cargo Polska's investments (including long-term rolling stock lease) in 2023 amounted to EUR 12,986 thousand, which is an increase of EUR 8,442 thousand compared to 2022.

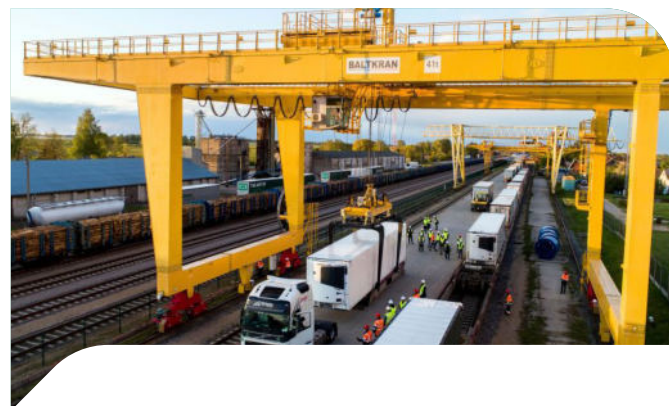
During the period under review, LTG Wagons did not carry out any sales activities, OOO Rail Lab did not carry out any sales activities, was liquidated and was deregistered from the State Register of Legal Entities of Belarus on 7 September 2023. Therefore, the financial performance of these subsidiaries of the Company is not presented.

Indicator, EUR thousand	LTG Cargo Polska		LTG Cargo Ukraine	
	2022	2023	2022	2023
Revenue	13,056	37,465	258	773
Expenses	15,196	40,349	412	481
Net profit / loss	(2,140)	(2,884)	(154)	292
	31/12/2022	30/06/2023	31/12/2022	30/06/2023
Assets	7,673	17,969	621	759
Equity	(2,497)	1,834	60	316
Liabilities	10,170	16,126	561	443

Investments

In 2023, investments of LTG Cargo amounted to **EUR 20.5 million**. All the investments (100%) have been financed with the Company's own funds.

Investments, EUR thousand	2021	2022	2023
Overhaul repair of locomotives	19,432	10,487	11,853
Overhaul repair of freight wagons	6,106	3,079	7,310
Other investments of LTG Cargo	12,019	3,359	1,344
Total LTG CARGO	37,557	16,925	20,507



Major investment projects in 2023:

1. Major investments of LTG Cargo in 2023 were aimed at renewing rolling stock (locomotives and wagons) in operation to ensure continuity of freight transport operations and safe transport of freight:

- **EUR 11.9 million** for capitalised repairs of locomotives. 71 freight and shunting locomotives were repaired in 2023.

- **EUR 7.3 million** for capitalised repairs of freight wagons. 1,467 freight wagons were repaired.

2. As part of the LTG Group's rail electrification programme, LTG Cargo has started acquiring electric locomotives. The purchase of at least 17 new electric locomotives has started. The electric locomotives will replace old diesel locomotives and ensure environment-friendly freight transport on the electrified railway corridor Kena-Vilnius/Vaidotai-Radviliškis-Klaipėda.

3. The project to optimise LTG Cargo's technological bases is being implemented. The technical design is being finalised as part of the design contract signed in 2022. The plan is to move out from the worn-out repair bases in the centre of Vilnius city and relocate locomotive maintenance and repair activities to the area near Vaidotai station. The aim is to make the new bases suitable for servicing electric locomotives currently being acquired and to increase the efficiency of locomotive repairs. The project is expected to end in 2026.

4. In 2023, LTG Cargo continued the implementation of the Operational Control Centre in order to increase operational efficiency. The project resulted in the planning and management of freight transport activities in accordance with new business processes, automation and digitalisation of activities, and data exchange with the relevant LTG systems.

5. Replacement of old Locomotive Safety Systems (LSS) has been initiated in 44 mainline locomotives and 67 shunting locomotives. LSS safety systems KLUB-U used by LTG Cargo so far comply with RTC zone requirements. LTG Cargo is implementing FREE Rail programme, where one of the measures is the replacement of safety systems on rolling stock, in order to leave the RTC zone and to secure technological independence.

Investment projects / investment directions planned:

Investments in freight transport activities are planned in the near future (first of all, in 2024):

- Projects started in 2023 and not yet completed are being continued, the most important being:

- Acquisition of electric locomotives. It is expected to complete the purchase and conclude a contract in 2024;

- Optimisation of technological bases. In 2024, the design is expected to be completed and the project is expected enter the phase of contract works and acquisition of technological equipment;

- Repair programmes for the 1,520 rolling stock (locomotives and freight wagons) currently in service are being implemented;

- Renewal of the depreciated fleet of freight wagons, in particular the acquisition (and/or modernisation) of new grain wagons and semi-wagons is planned;

- Continuous investments in the continuity and expansion of LTG Cargo Polska's operations (European rolling stock, terminal);

- When the war in Ukraine is over, it is planned to invest in the Ukrainian railways business.



Dividend policy

The payment of dividends and the amount of profit contributions of state-owned enterprises is regulated by Resolution No. 665 of the Government of the Republic of Lithuania dated 6 June 2012 On the Approval of the Description of the Procedure for the Implementation of the Property and Non-property Rights of the State in State-owned Enterprises and its amendments ([link](#)). The summary version has been valid since 5 April 2022.

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

Allocation of dividends for the financial year or a shorter period than the financial year is planned taking into consideration the level of return on equity, net profit earned, financial ability to pay dividends, implementation of economic projects of state importance, as well as other circumstances and conditions as set out in the Dividend Policy. The dividend pay-out ratio, calculated on retained earnings, depends on ROE at the end of the reporting period.

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 ra-

tios (net profit, EBITDA, financial debt to EBITDA ratio, financial debt to equity ratio) at the end of the reporting period, if the payment of such higher share of profit would not have a negative effect on the implementation of the Company's long-term strategy.

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

- The Company has incurred a net loss for the reporting period;
- The Company's performance as monitored by institutional creditors at the end of the reporting period, for which dividends are proposed, would not meet contractual requirements or would have a negative impact on the credit rating;
- The Company implements or participates in implementing an important economic project recognised as of national importance by resolutions of the Government of the Republic of Lithuania or the Seimas of the Republic of Lithuania, or a particularly important project that affects the implemented long-term strategy by the LTG Group;

The Company's equity after payment of dividends would become less than the amount of its authorised capital, compulsory reserve, revaluation reserve and reserve for acquiring own shares of the LTG Group company;

- The Company is insolvent or would become such after the payment of dividends.

By the decision of the Board of LTG Cargo dated 7 June 2023 and the decision of AB Lietuvos Geležinkeliai, the sole shareholder of LTG Cargo, dated 16 June 2023, the dividends allocated to LTG Cargo from the Company's distributable profit for 2022 amounted to EUR 6,573 thousand.

The Company did not pay out dividends in the previous year.

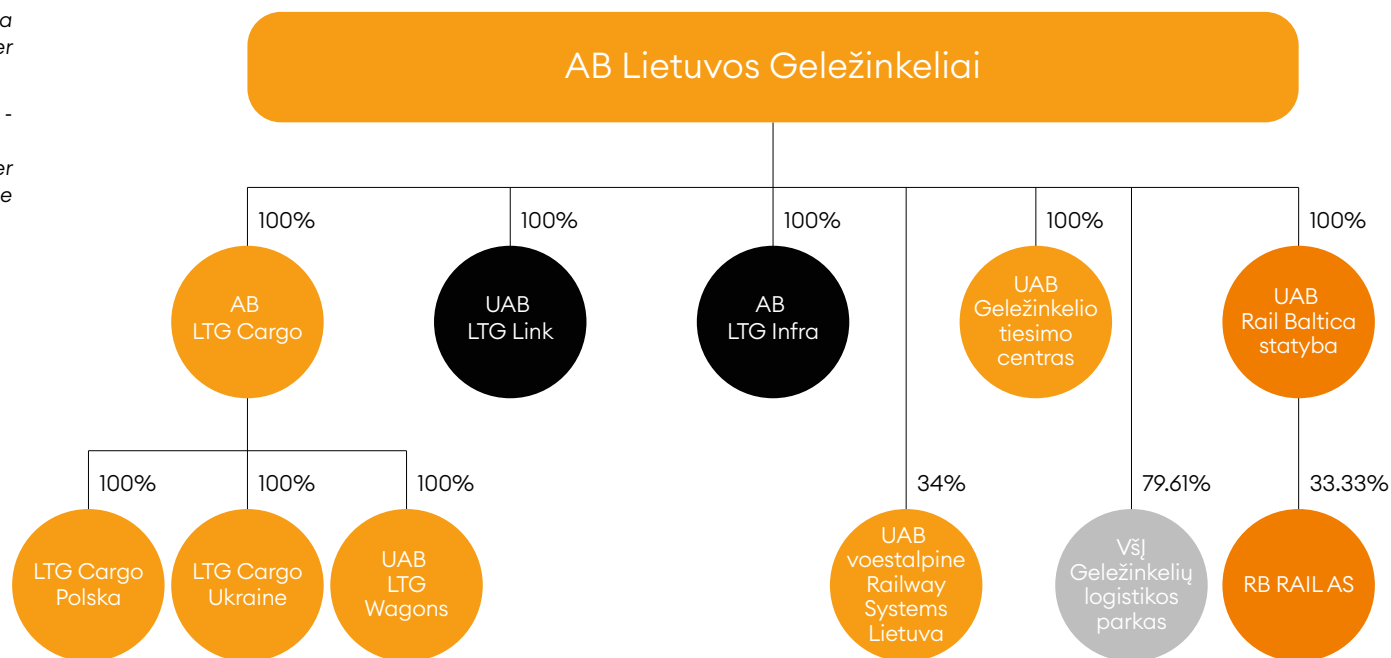
Indicator of the Company's ROE (%)	Portion of distributed profit allocated to dividends (%)
≤1	≥85
>1 ir ≤3	≥80
>3 ir ≤5	≥75
>5 ir ≤10	≥70
>10 ir ≤15	≥65
>15	≥60

Governance report

LTG Group structure

AB LTG Cargo belongs to the AB Lietuvos Geležinkeliai companies group that is the largest in the Baltic States in terms of freight, passenger transport and infrastructure management. 100% of shares of the Company are owned by AB Lietuvos Geležinkeliai.

- Subsidiaries and downstream companies operating in a competitive market under the same conditions as other Lithuanian and foreign market participants;
- Subsidiaries performing functions assigned by the state - special obligations
- UAB Rail Baltica statyba is the founder and shareholder of RB RAIL AS which coordinates implementation of the project Rail Baltica;
- Public institution



Information on shares as of 31 December 2023

Company	Amount of authorised capital	Number of shares, items	Par value per share
Parent company			
AB LTG Cargo	EUR 44,086,741.36	209,299	EUR 210.64
Subsidiaries			
LTG Cargo Polska sp. z o.o.	PLN 34,398,000	34,398	PLN 1,000
UAB LTG Wagons	EUR 150,000	150	EUR 1,000
LLC LTG Cargo Ukraine	UAH 17,027,000	-	-

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

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

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

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

Rail Lab was adopted on 19 September 2022 and OOO Rail Lab was deregistered on 7 September 2023. An increase in the authorised capital of LTG Cargo Polska sp. z o.o., a subsidiary of the Company, was registered in the National Register of Legal Entities of Poland on 21 August 2023 (the former authorised capital of PLN 2,225,000 was increased to PLN 34,398,000).

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

Overview of governance

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. parent 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.

LTG Group applies the functional leadership model, which means that added value is created by centralising operational support, corporate function management as well as the functions themselves, consolidating competencies and introducing functional excellence. The parent company coordinates the finance, legal, planning and monitoring, human resources, risk management, audit, technology, communication and other general areas of 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.

Governance principles

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;
- 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.

Recognitions of governance

In the evaluation of the good governance index of state-owned enterprises (SOEs) for 2022/23, in the category of large enterprises, the LTG Group was recognised as one of the leaders among SOEs and received the highest A+ rating.

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

The assessment tool developed by the Governance Coordination Centre - the Good Governance Index for SOEs - is used to assess the quality of SOE's 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.



Internal regulation

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

The Company's articles of association

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

During the reporting period, the Articles of Association of LTG Cargo were amended once by adding new competences for the Board and modifying the limits of transactions approved by the Board:

- On 23 January 2023, an updated version of the Articles of Association of the Company was registered.

The Company's Articles of Association are available on the Company's website [Articles of Association of AB_LTG_Cargo \(ltgcargo.lt\)](#).

The Articles of Association of the Company 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.

Operating policies applied within the LTG Group

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

- **The Corporate Governance Policy** aims at setting out common principles for the LTG Group in terms of govern-

ance structure, the formation of governing bodies and separation of functions, corporate governance, control and transparency, the optimal governance structure, decision-making and reporting framework and the relationship between the governing bodies of the LTG Group companies.

- **The Related-Party Transaction Policy** aims to protect the interests of the LTG Group in order to properly assess the conflicts of interest related to such transactions, to minimise the potential negative consequences of such transactions and to ensure that information is properly disclosed in the financial statements of LTG Group.

- **The Board Member Engagement Policy**, which aims to ensure the effective and seamless engagement and involvement of elected board members of LTG Group companies in the course of their activities as a Board member in the LTG Group companies.

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

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

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

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

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

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

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

Governing bodies of the Company

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

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

The General Meeting of Shareholders

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

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

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

Additional Competence of the General Meeting of Shareholders

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

- on the prioritisation of the Company's material risks and the approval of strategies to manage them;

- on the investment of the Company-owned property and facilities of importance to ensuring national security, conclusion of purchase or sale, or any other transfer of ownership, pledge or mortgage transactions;

- on the approval of the material terms of contracts concluded by the Company concerning freight tariffs or discounts applied to them, if the estimated annual revenue of the contract, or the revenue estimated for the entire duration of the contract, may be equal to or more than EUR 10,000,000 (ten million euro) (excluding value added tax) or if the duration of the contract is more than 3 (three) years (with the exception of contracts of unlimited duration);

- on participation in or establishment of other legal entities;

- on the Company's commencement of a new activity or discontinuation the Company's existing activities, unless a decision to that effect has been taken at the time of approval of the Company's business strategy;

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

- on the investment, disposal or lease of the Company's non-current assets with a carrying amount equal to or greater than EUR 3,000,000 (three million) (excluding value added tax) in the Company's group companies or third parties;

- on the pledge and mortgage of the Company's non-current assets with a carrying amount equal to or greater than EUR 3,000,000 (three million) (excluding value added tax);

- on guaranteeing or indemnification of other persons for the fulfilment of obligations of an amount equal to or greater than EUR 3,000,000 (three million) (excluding value added tax);

- to purchase non-current assets for a price equal to or more than EUR 3,000,000 (three million) (excluding value added tax);

- on the loan or other financing transactions with a value equal to or greater than EUR 3,000,000 (three million);

- to enter into transactions for the purchase of goods, services and works with a value equal to or greater than EUR 3,000,000 (three million euros, excluding value added tax), and to approve the material terms and conditions of such transactions (prior to the commencement of the Company's procurement procedures);

- on the approval of the Company, as a shareholder of the subsidiaries, of the decisions of the governing bodies of the subsidiaries, as referred to in the Articles of Association of the subsidiaries, concerning the investment, transfer, lease, acquisition, mortgage, pledge, hypothecation, and the granting of sureties and guaranties for the obligations of others, the purchase of goods, services, and works, and the granting of a loan or any other financing transactions, where the value of the transaction is equal to or exceeds EUR 3,000,000 (three million euros, excluding 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 adopted in 2023:

- The set of the financial statements of the Company for the year ended 31 December 2022 was approved.
- The Company's distributable profit (loss) for 2022 was allocated.
- The decision of the Board of the Company to agree that the Company, as the sole shareholder of LTG Cargo Polska Sp. z o.o., would increase the authorised capital of LTG Cargo Polska Sp. z o.o. by the amount of EUR 7,230,000 (seven million two hundred and thirty thousand euro) was approved.
- The decision of the Board of the Company to enter into a purchase transaction for electric locomotives was approved.
- The decision of the Board of the Company to prioritise LTG Cargo's risks and to approve LTG Cargo's risk management strategies was approved.
- The decision of the Board of the Company to conclude a purchase transaction of purchase of locomotive safety systems was approved.
- The decision of the Board of the Company to enter into the purchase transaction for grain wagons was approved.

The Board

is a collegial governing body provided for in the Articles of Association of the Company, consisting of 5 (five) members, including 2 (two) independent members, 1 (one) civil servant, 2 (two) members delegated by the shareholder of the Company. The members of the Board are elected by the General Meeting of Shareholders for a term of 4 (four) years. The Board elects the chairman of the Board from among its members. The same person may be elected as a member of the Board no more than for two consecutive offices.

The Board is accountable to the General Meeting of Shareholders.

Competence of the Board

The competence of the Board meets the competencies of boards laid down in the Law on Companies of the Republic of Lithuania and the additional competences of the Board set forth in the Articles of Association.

Additional competence areas of the Board during the reporting period:

- to approve the Company's business strategy;
- to set Company goals;
- to approve the Company's annual business plan (budget);
- to approve the list of information considered to be the Company's trade (industrial) secrets and confidential information, as well as the conditions for the use and storage of such information;
- to analyse and assess the Company's material risks (prioritised by the Board when assessing such risks) and approve the strategies to manage them;
- to make decisions on the investment, sale and purchase, or any other transfer, pledge or mortgage of the Company's facilities and assets of national security importance;
- to make decisions on the investment, disposal or lease of the Company's non-current assets with a carrying amount equal to or greater than EUR 1,000,000 (one million euros) (excluding value added tax) in the Company's group companies or third parties;
- to make decision on pledges and mortgages of the Company's non-current assets with a carrying amount equal to or greater than EUR 1,000,000 (one million) (excluding value added tax);
- to decide on the guaranteeing or indemnifying of other persons in respect of obligations of an amount equal to or greater than EUR 1,000,000 (one million euros) (excluding value added tax);

- to make decisions to acquire non-current assets for a price equal to or greater than EUR 1,000,000 (one million) (excluding value added tax);

- to make decisions on loan or other financing transactions with a value equal to or greater than EUR 1,000,000 (one million) (excluding value added tax);

- to make decisions to enter into transactions for the purchase of goods, services and works with a value equal to or greater than EUR 1,000,000 (one million euros), and to approve the material terms and conditions of such transactions (before the Company commences the procurement procedure);

- to make decisions on the approval of the material terms of contracts concluded by the Company concerning freight tariffs or the discounts applied to them, if the estimated annual revenue of the contract, or the revenue estimated for the entire duration of the contract, may be equal to or more than EUR 10,000,000 (ten million euro) (excluding value added tax) or if the duration of the contract is more than 3 (three) years (with the exception of contracts of unlimited duration);

- to make decisions on the Company becoming a founder or participant of other legal entities;

- to make decisions for the Company to commence new activities or to discontinue the Company's existing activities if the relevant decision has not been taken at the time of approval of the Company's business strategy;

- to make decisions to establish branches and representative offices of the Company, to terminate their activities, to appoint and dismiss the heads of the Company's branches and representative offices, to approve the regulations of the branches and representative offices;

- to make decisions on the approval of the Company, as a shareholder of the subsidiaries, of the decisions of the governing bodies of the subsidiaries, as referred to in the Articles of Association of the subsidiaries, concerning the investment, transfer, lease, acquisition, mortgage, pledge,

hypothecation, and the granting of sureties and guaranties for the obligations of others, the purchase of goods, services, and works, and the granting of a loan or any other financing transactions, where the value of the transaction is equal to or exceeds EUR 1,000,000 (one million euros, excluding value added tax);

- to make decisions on the Company's approval, as a shareholder of the subsidiaries, of the decisions of the governing bodies of the subsidiaries to merge, amalgamate, demerge, subdivide, divide, transfer, or transfer their activities by any other legal means, and to become a founder or a participant in any other legal entity (except for the decisions to become a founder or a participant in associations);
- to approve the procedures for calculating basic freight tariffs and granting discounts, and to decide on the indexation of basic freight tariffs;
- to approve the basic freight tariffs and the Ancillary Services Price List;
- to approve, promote and sanction the terms and conditions of employment of the Company's Chief Executive Officer;
- to approve the aggregate amount of performance incentives to be granted to the Company's employees, taking into account the performance of the Company;
- to analyse and evaluate other information provided by the Company's Chief Executive Officer on key issues relating to the Company's business;
- to analyse other matters relating to the Company's business which fall within the Board's remit and, if necessary, take decisions on such matters;

The Board also performs the following supervisory functions:

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

Declaration of the interests of the members of the Board

Members of the Board declare their jobs and positions publicly, and the information can be found and verified in the Register of Private Interests at <https://pinreg.vtek.lt/app/deklaraciju-paieska>

Composition of the Company's Board during the reporting period

The term of office of the previous Board was from 21 December 2018 to 23 January 2023.

Egidijus Lazauskas held the position of the Chairperson of the Board from 4 January 2022 to 23 January 2023, he held office of Board member from 21 December 2018 to 23 January 2023.

Brigita Valenčienė held office of Board member from 29 November 2019 to 23 January 2023.

The term of office of the Board elected during the reporting period is from 23 January 2023 to 23 January 2027.

None of the members of the Board holds shares in LTG Group companies.

The term of office of the Board is from 23 January 2023 to 23 January 2027



ARNOLDAS ŪKENIEKAS

Independent Member of the Board, Chairperson (until 11 January 2024)

Member of the Board from 23 January 2023 to 11 January 2024 and Chairperson of the Board from 7 February 2023 to 11 January 2024

EDUCATION

- ISM University of Management and Economics, Business Management
- FIATA certificate
- Vilnius Pedagogical University, Bachelor of Geography and Tourism Management

MAIN EMPLOYER, POSITION HELD

- Business Development Manager of UAB Hegelmann transportas, Kaunas district municipality, Domeikava eldership, Žemaitkiemis village, Pirklių st. 5, company code 300022163



VITALIJ RAKOVSKI

Independent Member of the Board

Member of the Board from 23 January 2023 and Chairperson of the Board from 12 January 2024.

EDUCATION

- Vilnius University, Bachelor of Business Administration and Management

MAIN EMPLOYER, POSITION HELD

- General Manager of AB Novaturas, A. Mickevičiaus st. 27, Kaunas, company code 135567698 (until December 2023).



NATALIJA BARANAUSKIENĖ

Board Member, civil servant
Holds position from 6 March 2023

EDUCATION

- Vilnius Gediminas Technical University, Master of Business Management
- Vilnius Gediminas Technical University, Bachelor of Transport Engineering

MAIN EMPLOYER, POSITION HELD

- Senior Adviser to the Ministry of Transport and Communications of the Republic of Lithuania, Vilnius, Gedimino pr. 17, legal entity code 188620589



IRENA JANKUTĖ-BALKŪNĖ

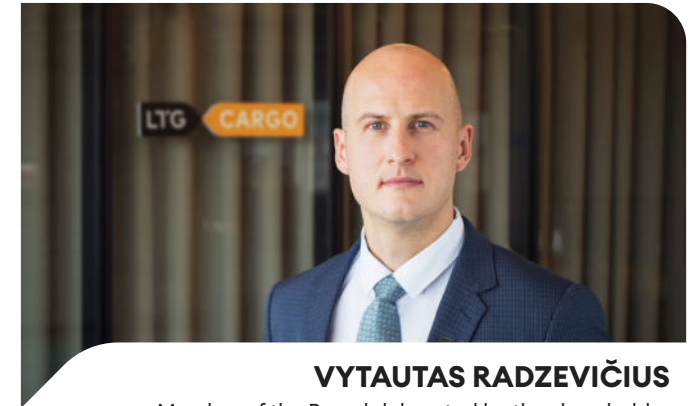
Member of the Board delegated by the shareholder
Holds position from 23 January 2023

EDUCATION

- Vytautas Magnus University, Master of Applied Sociology
- Vytautas Magnus University, Bachelor of Sociology

MAIN EMPLOYER, POSITION HELD

- Director of People and Culture, AB Lietuvos Geležinkeliai, Geležinkelio st. 16, Vilnius, company code 110053842



VYTAUTAS RADZEVIČIUS

Member of the Board delegated by the shareholder
Holds position from 23 January 2023

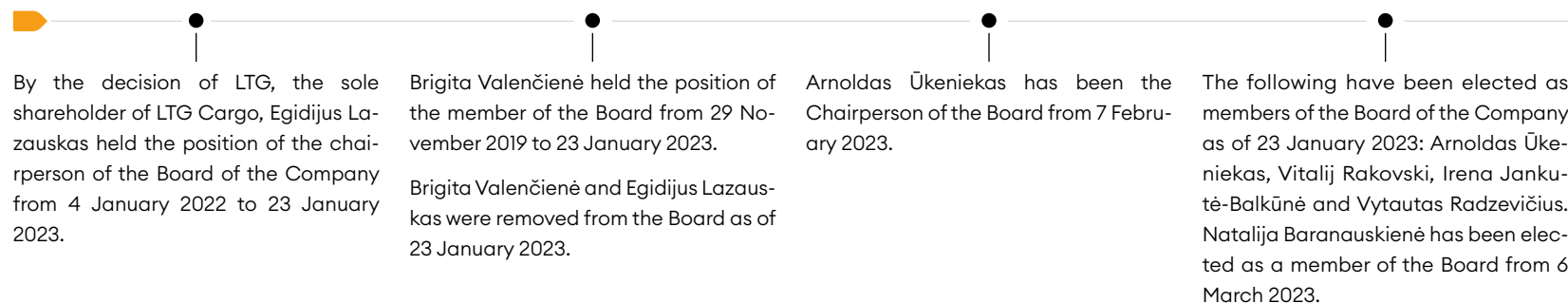
EDUCATION

- Graduate of the Baltic Institute of Corporate Governance (BICG) Board member education programme
- Vilnius University, Master of Management and Business Administration
- Vilnius University, Bachelor of Management and Business Administration

MAIN EMPLOYER, POSITION HELD

- Director of Strategy and Business Development, AB Lietuvos Geležinkeliai, Geležinkelio st. 12, Vilnius, company code 110053842

Changes in the composition of the Board during the reporting period



Changes in the composition of the Board after the reporting period



Competence matrix

Selection of the new members of the Board in 2023 was carried out in compliance with the description of the selection of the members of the board – civil servants and members delegated by the parent company of AB LTG Cargo, AB TG Infra, UAB TG Link that are the companies of AB Lietuvos Geležinkeliai group of companies.

The following specific requirements apply to members of the Board of the Company (by area of expertise) during the reporting period:

Composition of the Board members	Competences of a civil servant	Patronuojančios bendrovės deleguojamų narių kompetencijos		Nepriklausomų valdybos narių kompetencijos	
	Member No. 1	Member No. 2	Member No. 3	Member No. 4	Member No. 5
Areas of competences	Regional and national transport policy	Organisational development and change management	Strategic management and business development	International logistics, intermodality	Financing strategy
Special requirements (according to the area of competence)					
At least 5 years of experience in a senior management position (as a company manager, as a top level manager reporting directly to the company manager or as a member of a collegiate body for management or supervision)					
Management of the Company's strategic planning, organisational transformations and changes					
Experience in business development to international markets					
Experience in development of organisation and its culture					
Experience in application/introduction of digitalisation, innovation, efficiency solutions					
Practical knowledge of marketing, customer experience, brand development					
Experience in project management, evaluation and financing					
Knowledge of and experience in financing of state-regulated activities					
Knowledge of the goals and regulatory principles of strategic national and regional transport sector					
Experience of working in collegiate supervisory and management bodies					

● Compulsory ● Advantage

Attendance of the Board meetings in 2023

Attendance of the meetings in 2023 by the Board with the term ending on 23 January 2023

Name, surname of a member	Board meetings
Number of meetings in 2023 (including away days, early-voting in writing)	3
Egidijus Lazaukas	3
Brigita Valenčienė	3

Attendance of the meetings in 2023 by the Board with the term starting on 23 January 2023

Name, surname of a member	Board meetings
Number of meetings in 2023 (including away days, early-voting in writing)	22
Arnoldas Ūkeniekas	22
Vitalij Rakovski	22
Natalija Baranauskienė	19*
Irena Jankutė-Balkūnė	22
Vytautas Radzevičius	22

*Natalija Baranauskienė has been elected as a member of the Board of the Company as of 6 March 2023, so there is a difference in attendance.

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

During the reporting period, the Board of the Company organised its work in accordance with the Board's annual activity plan approved on 7 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 8 December 2023.

Key decisions made by the Board in 2023

- The decision to agree that the Company, as the sole shareholder of LTG Cargo Polska Sp. z o.o., would increase the authorised capital of LTG Cargo Polska Sp. z o.o. by the amount of EUR 7,230,000 (seven million two hundred and thirty thousand euro) was made.
- The Company's goals for 2023 were set.
- The Company's annual business plan (budget) for 2023 was approved.
- The decision of the Board to enter into a purchase transaction for electric locomotives was made.
- A decision to approve the Sanctions Implementation and Control Methodology approved on 24 April 2023 by the order of the Director of Business Resilience of AB Lietuvos Geležinkeliai No. PO(KORP)-17/2023 for a full scope application at the Company was adopted.
- Decision to prioritise the Company's risks and to approve the Company's risk management strategies was adopted.

- The Company's annual management report for 2022 was approved.
- In 2022, the set of financial statements of the Company for 2022 and project of profit or loss distribution of the Company for 2022 were approved.
- Decision to conclude a contract for the purchase of safety systems for locomotives was made.
- The Company's interim management report for 2023 was approved.
- The decision to enter into a purchase transaction for grain wagons was made.
- The decision on the transactions for access to and provision of services in railway service facilities was made.
- New versions of LTG Cargo's Freight Rate Book TKT-LTG Cargo, Freight Rate Book 01-LTG Cargo and Pricing of Additional Services PP-LTG Cargo were approved.
- New management structure of the Company was approved.
- The Company's goals for 2024 were set.
- The decision to conclude a transaction for the provision of General Internal Administration Services with Lietuvos Geležinkeliai AB was made.
- The Company's updated operational strategy for 2024-2028 was approved.
- Consolidated activity plan (budget) of the Company and its subsidiaries for 2024 was approved.

Self-assessment and performance of the Board

In compliance with the paragraph 38 of the Company's Articles of Association, the members of the Company's Board performed an assessment of the Board's activity for 2023, which was discussed in the meeting of the Company's Board, and identified areas of work activity that should be improved and prepared a plan of measures to improve the activity.

The main areas for improvement identified by the members of the Company's Board are as follows: role and responsibilities of the Chairman of the Board; activities of the Board and its role in relation to the state's expectations for the Company as the LTG Group company; quality of material and discipline of its presentation; smoother organisation of the Board's meetings; communication between the Board and CEO of the Company; and improvement of the Board's competences.

Committees and their activities

Although the company did not have any committees during the reporting period, the Nomination and Remuneration Committee and the Audit Committee of AB Lietuvos Geležinkeliai Board were active at LTG Group level.

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

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

Chief executive officer (head of the Company)

is the sole executive body who is responsible for organisation of day-to-day business of the Company. The competence areas of the CEO are defined in the Law on Companies of the Republic of Lithuania and the Articles of Association of the Company. The CEO is elected for a term of 5 years by the Board which the CEO is accountable to. The same person may be appointed as the CEO for no more than 2 consecutive terms of office.

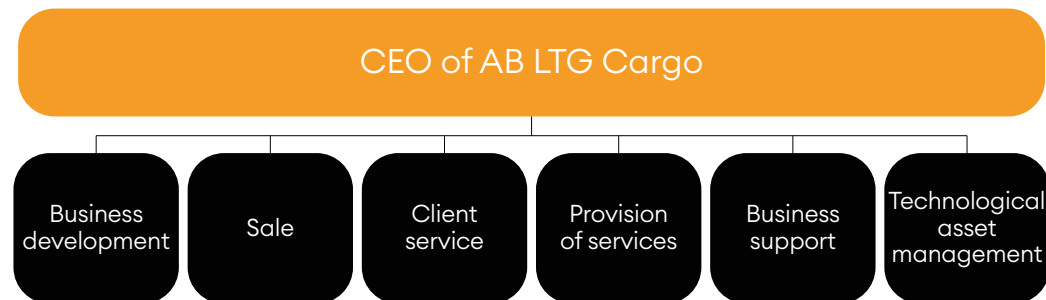
The first 5-year term of office of the Company's Chief Executive officer Eglė Šimė began on 22 August 2022

Managment structure of the Company

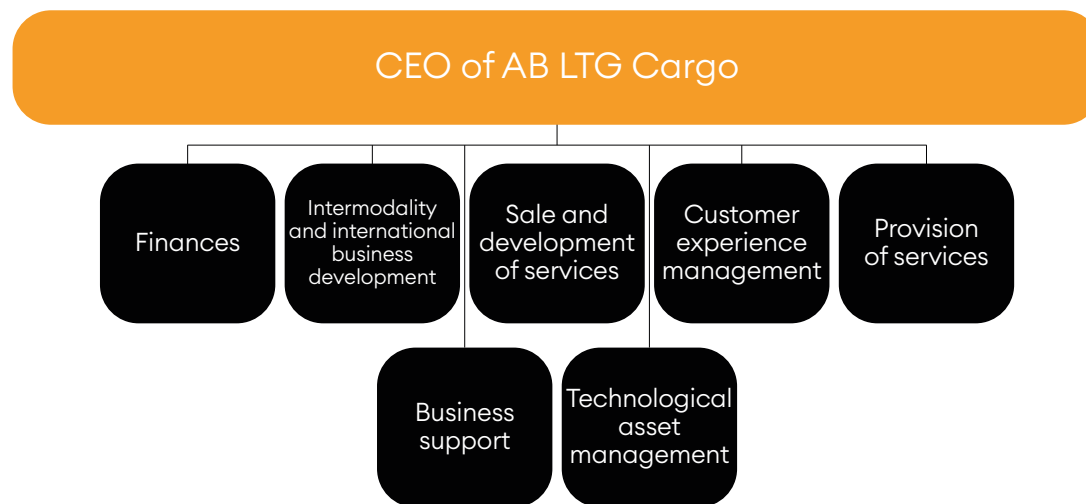
Information on structural changes after the reporting period

On 13 November 2023, the Board of the Company made a decision to approve the new management structure of LTG Cargo, which came into force from 1 January 2024. In the new structure of the Company, a new Finance function has been created, the Business Development function has been expanded and is called Intermodal and International Business Development as of 1 January 2024, the Company's Sales function has also been expanded and is called Services Sales and Development as of 1 January 2024, and the structure of the Company's Customer Service function is being flattened and new teams are being formed, so as of 1 January 2024 this function is called Customer Experience Management.

15 pic. Management structure of the Company during the reporting period



16 pic. Management structure of the Company from 01/01/2024



Management of the Company

Eglė Šimė	Chief Executive Officer	Held position from 4 January 2022 to 21 August 2022 Holds position from 22 August 2022
Mindaugas Skunčikas	Head of Business Development of the Company (from 1 January 2024 Head of Intermodality and International Business Development)	Holds position from 7 December 2021
Laimonas Nekrošius	Head of Sales of the Company (from 1 January 2024 Head of Sales and Development of Services)	Holds position from 9 May 2022
Vita Remezaitė-Mateikienė	Head of Customer Service of the Company (from 1 January 2024 Head of Customer Experience Management)	Holds position from 1 August 2023
Indrė Kolesnikovienė	Head for Service Delivery of the Company	Held position from 4 January 2022 to 2 January 2023 (temporarily)
Aušra Mockaitė		Holds position from 3 January 2023
Mindaugas Liutkus	Head of Business Support of the Company	Held position from 1 May 2019 to 2 January 2023
Indrė Kolesnikovienė		Held the position from 3 January 2023 to 16 June 2023
Milda Maslauskaitė		Holds position from 1 August 2023
Audrius Pukas	Head of Technological Asset Management of the Company	Holds position from 15 June 2020

Additional information about the CEO of the Company

Before being appointed as the CEO of the Company on 19 August 2019, Eglė Šimė was Head for Service Delivery of the Company. Until then Eglė Šimė has gained experience

in company management by managing the company UAB Franmax of the Maxima group, the companies UAB Verslo Aptarnavimo Centras and Public Institution Energy Training Centre of the Ignitis group.

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

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 Cargo. 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 Cargo Board on the operational weaknesses identified during the audits and on the progress of the implementation of recommendations.

Interest management

As at the end of the reporting period, members of the Board, the CEO and the Company's managers have submitted declarations on private interest, which can be found on the website <http://www.vtek.lt> of the Chief Official Ethics Commission.

Information on remuneration of the Company's CEO

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

1. Basic monthly salary. The monthly base salary fixed in the employment contract with the Company's CEO amounted to EUR 9,750 at the end of the reporting period. The monthly basic salary of the CEO of the Company increased by 6 percent from EUR 9,200 to EUR 9,750.

2. Annual incentives. The annual variable remuneration (annual incentive) might be paid to the Company's Chief Executive Officer in addition to the basic monthly salary. The incentive scheme shall be approved by the LTG Board. According to this scheme, 60% of the annual incentive payment is influenced by the level of achievement of the LTG Group's annual goals, 30% by the level of achievement of the Company's annual goals, and 10% by the achievement of team management and personal goals. Each year, the Board of the Company approves the structure of annual goals of the Company and the Company's Chief Executive Officer's team leadership and personal objectives, threshold values for their achievement and benchmarks, and after the end of year the Board of the Company approves the results of achievement of these objectives and the possibility of paying annual incentive.

The maximum amount of the variable annual incentive is up to 30% of the annual basic salary.

Goals of the Company for 2022:

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

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

The maximum **monthly proportion (i.e. 1/12) of the annual incentive** for 2022 could not exceed EUR 2,760.

In 2023, a monthly portion (1/12) of the annual incentive to the Company's CEO for achievement of the goals of the year 2022 amounted to EUR 1,711.

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.

Implementing the provisions of the aforementioned Resolution, the Order of the Minister of Transport and Communications of the Republic of Lithuania of 2 December 2022 approved the updated regulation of the remuneration of the

members of the Board of AB Lietuvos Geležinkeliai, which mutatis mutandis applies to the members of the collegial bodies of the subsidiaries.

The remuneration of the members of the Board of the Company was determined by a decision of the Company's sole shareholder, with the monthly remuneration of the Chairperson of the Board of the Company being EUR 3,401, the monthly remuneration of the independent member of the Board of the Company being EUR 2,551, the monthly remuneration of the member of the Board of the Company who is a civil servant and the monthly remuneration of the member of the Board who is a delegate of the parent Company being EUR 1,276. 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 a member	Remuneration for activities performed by the member of the Board in 2023, EUR
Irena Jankutė-Balkūnė	14,674
Vytautas Radzevičius	14,674
Arnoldas Ūkeniekas	38,508
Vitalij Rakovski	29,337
Natalija Baranauskienė	12,538

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

Employees



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

Initiatives and major events in 2023

- The activity was stabilised following adjustment to changes in the changed business environment in previous years: total number of employees changed as a result of consistent efficiency and automation initiatives, changes in voluntary rotation of employees decreased.
- New **LTG Group values** were introduced to employees at the beginning of the year: **Responsibility, Customer, Cooperation, Improvement**. Values dissemination and reinforcement events were organised in all regions and consistent communication of the values was carried out. Quarterly most valuable employees election were launched.
- 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 re-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 identified 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 place. 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. In order to develop the competences of TOP managers, middle managers and team leaders, a model for the assessment of leadership competences was developed, which helped to prepare a manager training

program. Leaders' days - events to develop the necessary competences - have started to take place.

- 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 during which 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 the employees of the group

Number of the employees of LTG Cargo Group

Group companies	31/12/2021	31/12/2022	31/12/2023
AB LTG Cargo	2,802	1,929	1,723
UAB LTG Wagons	2	1	1
Sp. z o.o. LTG Cargo Polska	11	89	126
TOV LTG Cargo Ukraine	5	5	6
OOO Rail Lab (liquidated)	2	2	-
Total	2,822	2,026	1,852*

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

Number of employees of the parent Company and average salary

Employee groups by position	31/12/2021		31/12/2022		31/12/2023**					
	Number of employees as at the end of the reporting period	Average salary, in EUR	Number of employees as at the end of the reporting period	Average salary, in EUR	Number of employees as at the end of the reporting period			Average salary, in EUR		
					Total	Women	Men	Total	Women	Men
Chief Executive Officer*	1	8,600	1	9,200	1	1	-	9,750	-	-
Top level management*	8	5,981	5	6,357	8	3	5	6,560	-	6,516
Senior managers and specialists in exceptional fields	22	4,169	21	4,556	24	5	19	4,973	5,606	4,763
Middle-level managers and individual experts	85	2,708	88	2,727	100	32	68	2,961	2,783	3,031
Team leaders and experienced specialists	450	1,916	329	2,007	320	145	175	2,133	2,044	2,199
Specialists and experienced operational/ service staff	811	2,073	597	2,127	548	127	421	2,417	1,692	2,658
Operational/service staff, qualified workers	1,425	1,421	888	1,500	722	130	592	1,627	1,427	1,673
Total	2,802	1,772	1,929	1,862	1,723	443	1,280	2,098	1,853	2,182

The number of the Company's employees as at 31 December 2023 was 1,723, with a further 26 employees on long-term absence (parental leave, maternity leave, military service etc.). The number of employees has decreased by 206 or 10.7%, compared to the data as at 31 December 2022.

The average monthly salary changed from EUR 1,862 to EUR 2,098 as compared to the year 2022. The most significant impact on remuneration developments was the LTG Group-wide review of remuneration in April.

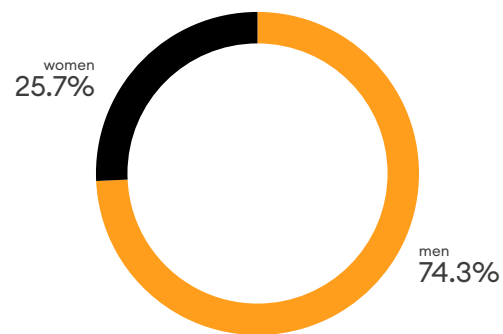
The total remuneration fund amounted to EUR 45.9 million (excluding compensations for unused vacation, severance payments, accruals, and capitalised salaries) and it decreased by EUR 6.2 million (from 52.1 million to 45.9 million) as compared to 2022. In addition, in June 2023, in line with other LTG Group companies, the Company's employees were paid an annual incentive of EUR 1.4 million for their performance.

* Amount of 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. The average monthly salary of top-level executives provided in their employment contracts as at 31 December 2023 amounted to EUR 6,560 and the average actual salary of this group of employees, taking into account the annual incentive, amounted to EUR 7,588.

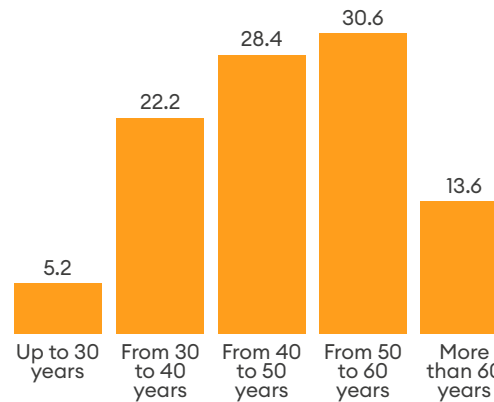
**As of the year 2021, the Company started publishing remuneration data according gender. For confidentiality, if a particular function group includes less than 5 employees of the same gender, the information on the average wage and the difference of the average wage are not disclosed.

Distribution of employees of the parent Company by age, gender, length of service and education as at 31 December 2023

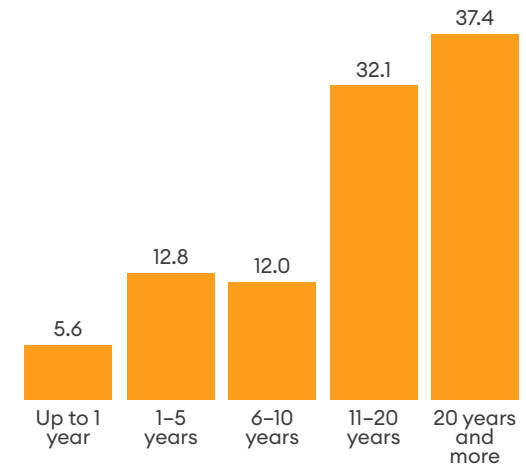
17 pic. Employee distribution by gender, %



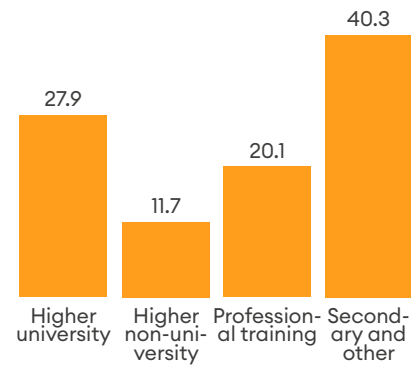
18 pic. Employee distribution by age groups, %



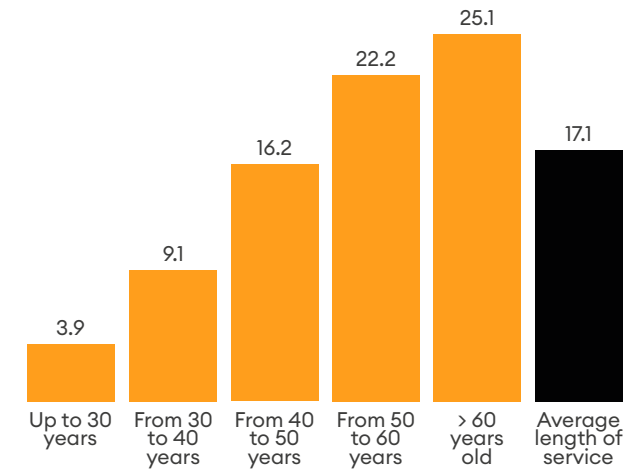
20 pic. Employee distribution by length of service, %



19 pic. Employee distribution by education, %



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



Management of remuneration and operational efficiency

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 appraisal 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 of positions is used to publicise the results of the methodological position evaluation

within 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.

A periodic review of remuneration is performed each year, and the principles of the review are linked to clear and objective criteria, such as a comparison of current staff remuneration with the market, the Company's financial performance and the budget allocated for the review, and an assessment of each employee's annual performance. The periodic review generally takes effect on 1 April of each year. The implementation of the review for 2023 has resulted in an increase in the Company's monthly payroll fund by EUR 208 thousand, and 84% of employees 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 is an employer-initiated employee incentive for good performance and positive performance of the Company, as referred to in Article 139(2)(6) of the Labour Code of the Republic of Lithuania, and shall be granted on the basis of Article 142(1)(2) of the Labour Code of the Republic of Lithuania. This incentive is also forward-looking as a motivational tool for employees, and individual incentive opportunities are linked to corporate levels of position and each employee's annual performance evaluation. In June 2023, incentive fund distributed to the Company's employees for 2022 performance amounted to EUR 1.4 million.

The process of managing and summarising employee performance remains focused on cascading the LTG Group's and 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 fringe benefits package of the Company includes lump-sum payments in the event of the birth of an employee's child or the death of a close family member, support in the event of natural disasters, loyalty allowances for employees who leave the organisation when they reach the age of retirement, additional leave, and other benefits as provided for in the LTG Group's collective agreement of the branch and in the Compensation Methodology. Employees are also covered by accident insurance and supplementary voluntary health insurance, under the terms of which they are reimbursed for outpatient and inpatient treatment and diagnostics, preventive health check-ups and vaccinations, and medicines and medical aids. In addition, employees can choose dental, rehabilitation or optical services. Around 80% of employees declare their choice of supplementary voluntary health insurance each year.

From 2023, lump-sum payments for the birth of a worker's child or the death of a close family member have been increased 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

conditions of the updated supplementary voluntary health insurance, which will be effective 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, a knowledge base for employees, as well as in the news section.

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

Ratio of average earnings between women and men in the Company

Group by positions	2023	2022	2021
TOTAL EMPLOYEES	1 : 1.18	1 : 1.21	1 : 1.18
Senior managers and specialists in exceptional fields	1 : 0.85	1 : 0.84	1 : 0.97
Middle-level managers and individual experts	1 : 1.09	1 : 1.05	1 : 1.13
Team leaders and experienced specialists	1 : 1.07	1 : 1.07	1 : 1.07
Specialists and experienced operational/service staff	1 : 1.57	1 : 1.49	1 : 1.58
Operational/service staff, qualified workers	1 : 1.17	1 : 1.18	1 : 1.18

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



Report on risks and their management

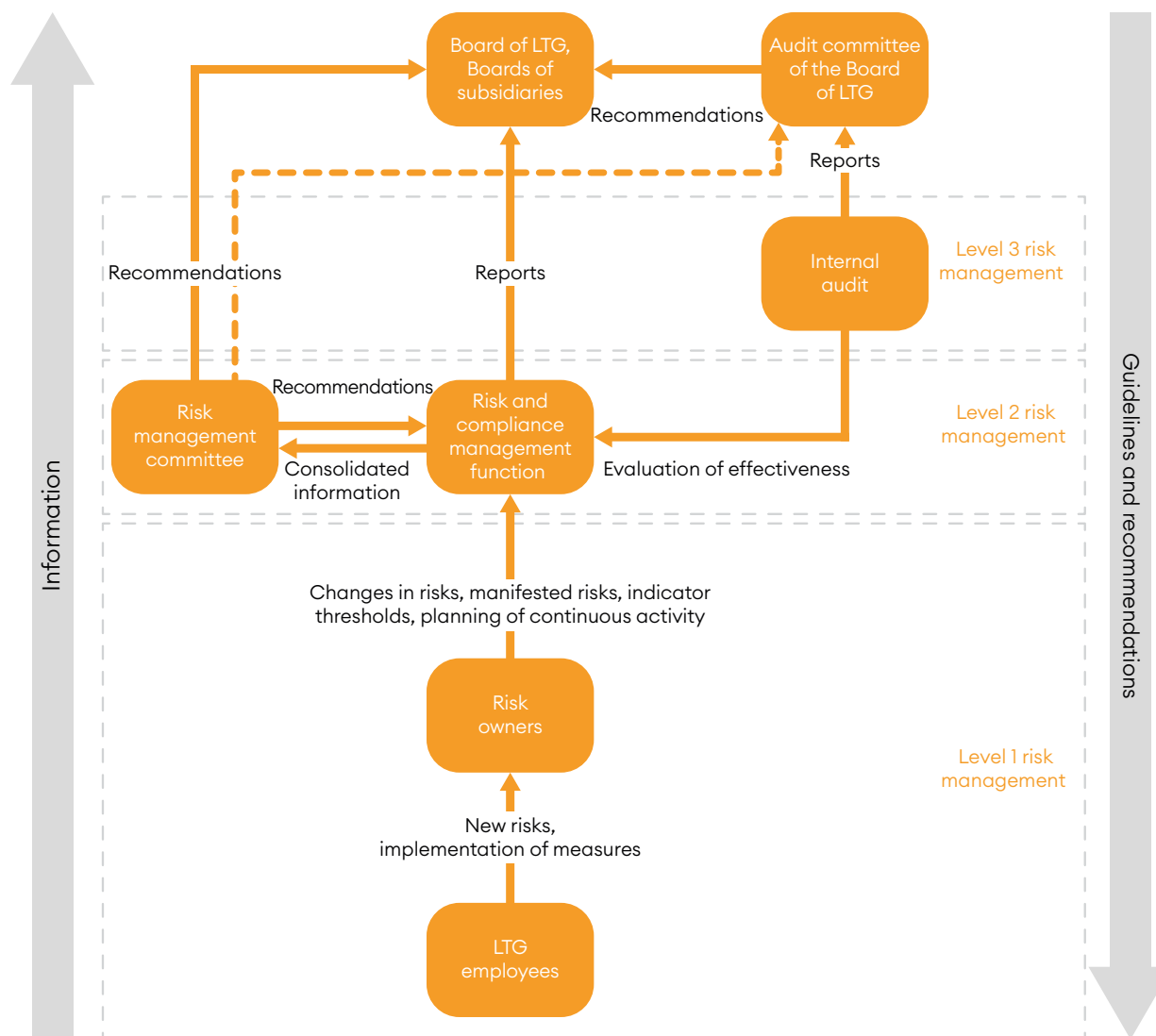
The LTG Group's unified risk management system is implemented and continuously improved in the Company. It is defined in the LTG Group's risk management policies, methodologies and process standards, which have been developed with reference to the International Organization of Standardization's (ISO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

In the LTG Group, the risk management responsibilities are allocated according to **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 main steps:

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

The level of identified risks is assessed by determining their likelihood and potential impact (assessing financial, legal 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, for each of the risks, risk owners and the necessary management/mitigation actions are selected. Risk dynamics and progress in the implementation of measures are monitored on a quarterly basis.

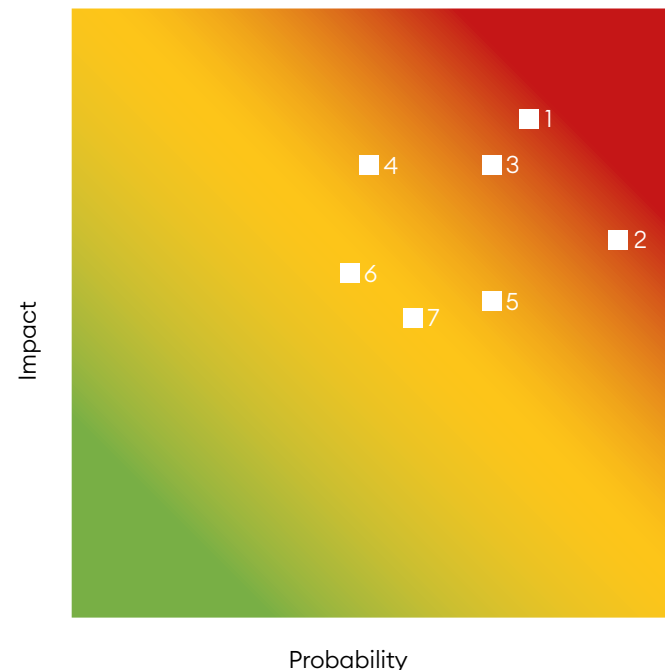
Periodic and timely dissemination of risk-related information is ensured by a well-established and settled preparation and reporting system. On a quarterly basis, the risk management status of each of the companies is reviewed in reports to the boards of the companies and the LTG Group. The Board of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

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 related global risks and the context of the external environment. Based on the nature of the Company's business, the main risks relevant in 2023 are presented below.

Main risks and their management measures

1. Risk of sanctioned freight transport/circumvention schemes
2. Failure to ensure that IT systems meet business needs
3. Supply chain disruptions
4. Risks of expansion in foreign markets
5. Insufficient financial resources to implement investment plans
6. Lack of terminal capacities
7. Risk of safety incidents

Risk map



Risk	Main risk sources	Possible impact	Main risk management measures
Risk of sanctioned freight transport / circumvention schemes	<ul style="list-style-type: none"> Malicious attempt by customers to circumvent sanctions Lack of information to verify compliance with sanctions 	<ul style="list-style-type: none"> Reputational damage Financial losses Criminal liability to managers for damage to the interests of the Republic of Lithuania 	<ul style="list-style-type: none"> Establishment of a system for controlling and monitoring sanctions Conducting of an internal audit Continuous monitoring of legislation Implementation of changes in organizational structure Development of a competence support system
Failure to ensure that IT systems meet business needs	<ul style="list-style-type: none"> Insufficient digitisation and automation The changing business environment creates new needs 	<ul style="list-style-type: none"> Performance disorders Financial losses Reputational damage Low operational efficiency 	<ul style="list-style-type: none"> System modernisation and development of new systems Corrective changes to functionalities Updating access control processes and tools
Supply chain disruptions	<ul style="list-style-type: none"> Increase in prices of materials and raw materials Extended delivery time Possible sanctions for suppliers 	<ul style="list-style-type: none"> Operational failures due to lack of repair parts Work delays 	<ul style="list-style-type: none"> Sanctions checks on suppliers Advance planning Reallocation of resources to busier sections Search for and validation of alternative suppliers Rolling stock restoration programmes Improvement of employee's competences
Risks of expansion in foreign markets	<ul style="list-style-type: none"> Lack of specialists with specific competences Repair work on railway sections Lack of wagons, transshipment systems, locomotives Inadequate customer service 	<ul style="list-style-type: none"> Revenue targets not met Failure to ensure implemented controls Failure to ensure implementation of sanctions Non-compliance with good governance practices Delays in transportation 	<ul style="list-style-type: none"> Ensuring the need for skilled professionals Consolidation of the customer service process Ensuring quality control
Insufficient financial resources to implement investment plans	<ul style="list-style-type: none"> Possible change in funding priorities Supply chain disruptions High technical base/infrastructure costs 	<ul style="list-style-type: none"> Financial impact Reputational damage 	<ul style="list-style-type: none"> Expansion in foreign markets New product supply Seeking alternative financing sources
Lack of terminal capacities	<ul style="list-style-type: none"> Inaccurate capacity planning Competition with other carriers 	<ul style="list-style-type: none"> Potential impact on revenue Declining customer satisfaction with services 	<ul style="list-style-type: none"> Detailed advance planning Search for terminals in new markets
Risk of safety incidents	<ul style="list-style-type: none"> Failure to comply with work safety instructions Failure to comply with technological requirements during repair work <p><i>Inherent risks specific in conducted activity. These risks are managed with a strong focus applying continuous and systematic measures</i></p>	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Periodic training and coaching Mobile app to help keep workers safe Inspections of safety systems Periodic monitoring of physical and technical security Inspections of quality control

Additional information



Information on external audit

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

The public procurement tender for the audit of the consolidated financial statements of the Company and financial statements of separate subsidiaries, prepared in accordance with International Financial Reporting Standards, adopted by the EU, for the year 2023–2025, was won by KPMG Baltics, UAB. The candidacy of auditors was confirmed by the LTG Audit Committee and the Board of LTG and the confirmation of the shareholder was obtained. The audit contract was signed on 27 July 2023.

A contractual fee set to the audit firm for the audit of the financial statements for the year 2023 amounts to EUR 81.6 thousand, and a fee for other non-audit services amounts to EUR 17.4 thousand i.e. for translation services EUR 2.4 thousand and for limited assurance engagements on accounting separation reports (accounting separation framework for the segregation of revenue, expenses, assets and/or liabilities by specific business units) in accordance with International Standard on Assurance Engagements 3000 EUR 15.0 thousand, - in total EUR 99.0 thousand (VAT excluded).

During the reporting period, the auditor provided services of translation of the financial statements. It also carried out an engagement of approved procedures to help assess the composition and cost of LTG Cargo's assets and liabilities to be transferred to LTG Infra AB for EUR 6 thousand (excluding VAT).

Information about sustainability report

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

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

The Environmental section of the LTG Group's Sustainability Report discloses the LTG Group's environmental objectives and priorities in order to contribute to the reduction of climate impact and mitigation of climate change and to become a climate-neutral organisation by 2050, as well as LTG Group companies', including the Company's, ongoing initiatives and projects to reduce climate and environmental impact and the monitored environmental indicators.

LTG Group has a zero-tolerance approach to corruption, which means that any form of corruption is not tolerated in LTG Group companies. The Governance section of the LTG Group's Sustainability Report discloses the internal documents which, in addition to the laws and legislation 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. Corruption risks and measures of their management, measures to educate employees on corruption prevention, and monitored corruption resistance indicators are disclosed. It should be noted that the LTG Group has been working for several years in

accordance with the international standard 37001:2016 Anti-Bribery Management Systems. Requirements with Guidance for Use and a strong focus is given to reviewing and improving internal business processes.

The Social section of the LTG Group's Sustainability Report discloses social priorities of the LTG Group to ensure the well-being, development, safe working environment, equal opportunities, etc. of its employees, as well as the initiatives undertaken in the LTG Group companies, as well as the application of uniform policies, standards and other internal documents across the whole LTG Group to regulate personnel issues, and the monitored priority indicators of personnel.

Information on the LTG Group's sustainability activities and projects is also available on the parent company's website at www.ltg.lt.

Information on compliance with the transparency guidelines

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

Structured information on the implementation of the transparency guidelines

Point of the description	Provision of the description	Yes/No	Point of the description	Provision of the description	Yes/No
Disclosure of the Company's information on website			Disclosure of the Company's information on website		
5.	The following data and information must be announced in the internet website of a state-owned enterprise:	-	6.	In order to ensure publicity regarding the professionalism of the members of the management and supervisory bodies, as well as of the committees, of State-owned enterprises, the following data is published for the persons referred to in sub-paragraphs 5.8 to 5.11 of the Description: name, surname, date of commencement of the current position, any other managerial positions held in other legal entities, education, qualifications, professional experience. If the person referred to in points 5.9 to 5.11 of the Description is elected or appointed as an independent member, this shall be indicated in addition to his details.	Yes
5.1.	Name;	Yes	7.	The following documents shall be announced in the website of a State-owned enterprise:	-
5.2.	Code and register, where data about the company is filed and stored;	Yes	7.1.	Articles of Association;	Yes
5.3.	headquarters (address);	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
5.4.	legal status, if a state-owned enterprise is under reformation, reorganisation (indicate the way of reorganisation), liquidation, is becoming or has become bankrupt;	Legal status not registered	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
5.5.	the name of the institution representing the State and a link to its website;		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
5.5.	operating goals, vision and mission;	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
5.7.	structure;	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
5.8.	data about the head of the enterprise;	Yes	8.	If the State-owned company is the parent company, its website shall publish the structure of the group of companies, as well as the particulars referred to in points 5.1 to 5.3 of the Description, the website addresses, the percentage of the parent company's shareholding in the share capital of the subsidiaries, the annual consolidated financial statements and the consolidated annual reports.	Yes
5.9.	data about the chairman and members of the Board, if formed according to the Articles of Association;	Yes	9.	If the State-owned company is a participant in legal entities other than those referred to in point 8 of the Description, the data and website addresses of those legal entities referred to in points 5.1 to 5.3 of the Description shall be published on its website.	Yes
5.10.	data about the chairman and members of the Supervisory Council, if formed according to the Articles of Association;	No, the Supervisory Council is not formed	9.1.	If the company is a subsidiary or a secondary row subsidiary of a State-owned company, the website shall contain the information specified in points 5.1 to 5.3 of the Description and a link to the website of the parent company.	Yes
5.11.	names of committees, if formed; data about their chairmen and members;	Disclosed in the website of the parent company LTG			
5.12.	the sum of the nominal values of the state-owned shares (in euro to the nearest euro cent) and the share (in percentage) in the authorised capital of the state-owned enterprise;	Yes, share disclosures are made in respect of the parent LTG			
5.13.	special obligations shall be carried out in accordance with the guidelines approved by the Minister of Economy and Innovation of the Republic of Lithuania: the purpose of the special obligations is specified, the state budget appropriations allocated for their execution in the current calendar year and the legal acts, by which the state-owned enterprise is entrusted with the execution of the special obligation, are indicated, the terms and conditions for the execution of the special obligation and/or the regulated pricing shall be specified;	The Company does not perform any special obligations			
5.14.	information on social responsibility initiatives and measures, important ongoing or planned investment projects.	Yes			

Point of the description	Provision of the description	Yes/No	Point of the description	Provision of the description	Yes/No
10.	Any change or publication of incorrect data, information and documents referred to in points 5 and 6, 7.1 to 7.4, 8, 9 and 91 of the Description shall be immediately amended and published on the website.	Yes	17.6.	the implementation of the investment policy, planned investment projects and investments as well as those under implementation during the reporting year;	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	17.7.	the implementation of the risk management policy applicable at the state-owned enterprise;	Yes
12.	Sets of interim financial statements of a state-owned enterprise, interim reports of a state-owned enterprise must be posted on the website of the state-owned enterprise within 2 months after the end of the reporting period.	Yes	17.8.	the implementation of the dividend policy at state-owned enterprises;	Yes
13.	Documents specified in Clause 7 of the Description must be posted in the PDF format with the option of printing.	Yes	17.9.	the implementation of the remuneration policy;	Yes
Preparation of sets of financial statements, reports and activity reports			17.10.	the total annual payroll fund, the average monthly salaries according to the positions held and (or) divisions;	Yes
14.	State-owned enterprises maintain their accounts in a manner that ensures the preparation of financial statements in accordance with international accounting standards.	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
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, and a state enterprise prepares sets of interim financial statements for periods of 3, 6 and 9 months.	Yes	18.	State-owned enterprises, which are not imposed a duty to prepare a social responsibility report, are recommended to respectively provide information in their annual reports on the issues of environment protection, social and personnel-related issues, the protection of human rights, anti-corruption and anti-bribery measures.	Yes
16.	A State-owned company classified as a public-interest entity under the Law on Audit of Financial Statements of the Republic of Lithuania prepares, in addition to the annual report, a 6-month interim report. A State company classified as a public-interest entity under the Law on Audit of Financial Statements of the Republic of Lithuania prepares, in addition to the annual activity report, a 6-month interim activity report.	Yes	19.	If the information specified in point 17 of the Description is considered a commercial (industrial) secret or confidential information of a state-owned enterprise, the state-owned enterprise is entitled not to disclose such information; however, it must specify in its annual report or the annual activity report that this information is not being disclosed and specify reasons for non-disclosure.	Yes
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:	-	20.	Other information not specified in the Description may be provided in an annual report of a state-owned enterprise.	Yes
17.1.	a short description of the operating model of the state-owned enterprise;	Yes	21.	A State-owned company which is the parent company shall disclose in its consolidated annual report or, if it is not required by law to prepare a consolidated annual report, in its annual report, the structure of the group of companies, as well as, for each of its subsidiaries and for each of its subsidiaries in subsequent rows, the particulars referred to in points 5.1 to 5.3 of the Description, the percentage of the shareholding held in the subsidiary's authorised capital, and the financial and non-financial performance of its operations in the financial year. If a state-owned company which is a parent company prepares a consolidated annual report, the requirements of point 17 of the Description shall apply mutatis mutandis to it.	Yes
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	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
17.3.	the results of implementation of the targets specified in the established business strategy of the state-owned enterprise;	Yes			
17.4.	the profitability, liquidity, assets negotiability, and debt indicators;	Yes			
17.5.	the fulfilment of the specific obligations;	The Company does not perform any special obligations			

Definitions

Revenue	Sales revenue + Other operating income excluding income from financial activities
Sales revenue	Revenue, excluding income from other activities and income from financial activities
Expenses	Expenses, excluding the corporate tax and expenses from financial activities
Financial debt	Interest-bearing financial debt, including lease
Net debt	Interest-bearing financial debt, including leases, less cash, and cash equivalent investments
Return on equity (ROE)	Net profit/loss for the period of the last 12 months / average equity as at the beginning and the end of the reporting period
Return on assets (ROA)	Net profit/loss for the period of the last 12 months / average assets as at the beginning and the end of the reporting period
Return on investments (ROI)	Net profit/loss for the period of the last 12 months / (average assets as at the beginning and the end of the reporting period - average short-term liabilities as at the beginning and the end of the reporting period)
EBIT	Profit (loss) before the corporate tax – the result of financial activities
EBITDA	Profit (loss) before the corporate tax – the result of financial activity + depreciation and amortisation
Normalised EBITDA	Profit (loss) before taxation + Interest expenses - Interest income + Depreciation and amortisation + Increase (decrease) in the value of non-current assets, inventories and investments + Increase (decrease) in the value of amounts receivable and contract assets + Expenses of provisions not related to ordinary activities
EBIT margin	EBIT / sales revenue
EBITDA margin	EBITDA / sales revenue
Normalised EBITDA margin	Normalised EBITDA / sales revenue
Net profit margin	Net profit/(loss) / sales revenue
Equity ratio	Equity at the end of period / assets at the end of period
Loan servicing ratio	(Net profit/(loss) for the period of the last 12 months + amortisation, depreciation and grant costs of the last 12 months + interest expenses of the last 12 months (adjusted considering the non-monetary items)) / (debt for interest amortisation + interest payable for the last 12 months))
Financial debt / EBITDA	Financial debt / EBITDA of the previous 12-month period
Financial debt / Equity (D/E)	Financial debt / Equity at the end of the reporting period

Net debt / EBITDA	Net debt / EBITDA of the previous 12-month 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 – inventories at the end of the reporting period) / current liabilities at the end of the reporting period
Total liquidity rate	Current assets at the end of the reporting period / current liabilities at the end of the reporting period
Turnover of freight transportation (ton/km)	Freight transport indicator, which is the product of the amount of transported freight (tonnes) and the distance travelled (kilometres)
Number of employees	The number of listed active employees as of the end of the period (excluding the employees on parental leave, military service, long-term incapacity)
Average salary	The average gross salary per employee

Abbreviations

ESG Environmental, Social and Corporate Governance	
CO2	Carbon dioxide
EU	European Union
LTG	AB Lietuvos Geležinkeliai
LTG Cargo, the Company	AB LTG Cargo
LTG Cargo Group	AB LTG Cargo and its subsidiaries
LTG Cargo Polska	LTG Cargo Polska Sp.zo.o.
LTG Cargo Ukraine	LLC LTG Cargo Ukraine
LTG Group	AB Lietuvos Geležinkeliai and its subsidiaries
Government of RoL	Government of the Republic of Lithuania
LTG Wagons	UAB LTG Wagons
IFRS	International Financial Reporting Standards,
AS	Average salary
SOE	State-owned enterprise

Financial statements,

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

for the financial year ended 31 december 2023



Independent Auditor's Report

To the Shareholders of AB LTG Cargo

■ Opinion

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

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

In our opinion, the accompanying separate financial statements give a true and fair view of the non-consolidated financial position of the Company as at 31 December 2023, and of its non-consolidated financial performance and its non-consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards, as adopted by the European Union.

■ Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate 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, but does not include the separate financial statements and our auditor's report thereon. Management is responsible for the other information.

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

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

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

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

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

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

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

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

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

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

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

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



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

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

On behalf of KPMG Baltics, UAB

Rūta Kupinienė
Certified Auditor

Vilnius, the Republic of Lithuania
14 March 2024

The electronic auditor's signature applies only to the Independent Auditor's Report on pages 65 to 67 of this document.

Separate statement of financial position

	Notes	31/12/2023	31/12/2022
NON-CURRENT ASSETS			
Property, plant and equipment	7	210,329	210,633
Buildings and structures		394	483
Machinery and equipment		2,480	2,207
Vehicles		186,741	192,125
Other equipment, fittings and tools		826	1,029
Construction in progress and prepayments		19,888	14,789
Right-of-use assets	8; 18	28,239	29,181
Intangible assets	9	2,944	2,382
Financial assets	10	8,224	16
Prepayments	13	987	1,020
Total non-current assets		250,723	243,232
CURRENT ASSETS			
Inventories	11	6,811	13,429
Non-current assets held for sale	11	1,315	7
Trade and other receivables	12	13,614	12,856
Prepayments	13	1,723	3,139
Cash and cash equivalents	14	58,054	52,982
Total current assets		81,517	82,413
TOTAL ASSETS		332,240	325,645

	Notes	31/12/2023	31/12/2022
EQUITY			
Authorised capital		44,087	44,087
Legal reserve	15	2,382	1,876
Other reserves	15	52,470	49,437
Retained profit (losses)	16	17,557	10,112
Total equity		116,496	105,512
LIABILITIES			
Non-current liabilities			
Loans and other financial debts	17	111,766	125,010
Lease liabilities	18	25,242	26,053
Employee benefits	19	1,746	1,588
Deferred income tax liabilities	25	11,578	8,523
Total non-current liabilities		150,332	161,174
CURRENT LIABILITIES			
Loans and current portion of long-term loans	17	18,194	6,734
Lease liabilities	18	3,167	3,208
Income tax liabilities		439	7
Employee benefits	19	7,553	7,248
Trade and other payables	20	35,743	41,681
Provisions	21	316	81
Total current liabilities		65,412	58,959
TOTAL EQUITY AND LIABILITIES		332,240	325,645

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

The financial statements and the explanatory notes on pages 68-97 were approved and signed on 21 March 2024:

Eglė Šimė
Chief Executive Officer

Darius Saladžius
AB Lietuvos Geležinkeliai, Acting Finance
Controller for Accounting, Financial Reporting
and Control Acting under Power of Attorney No
JG(CARGO)-118/2023 of 22/12/2023

Separate statement of profit or loss and other comprehensive income

	Notes	2023	2022
Sales revenue	22	285,749	293,691
Revenue from other activities		215	148
Total revenue		285,964	293,839
Infrastructure services		(102,832)	(113,825)
Employee benefits costs	23	(43,342)	(50,484)
Depreciation and amortisation	7;8;9	(23,986)	(23,798)
Fuel		(34,295)	(37,566)
Materials		(6,073)	(3,805)
Services rendered by other foreign railway companies		(7,117)	(10,358)
Management services		(13,747)	(16,120)
Electricity		(960)	(1,335)
Repairs and maintenance		(2,342)	(1,784)
(Decrease) increase in the value of investments		901	(846)
(Decrease) increase in the value of non-current assets		(1,187)	(936)
(Decrease) increase in the value of non-current assets held for sale		(984)	-
(Write down) of inventories to net realisable value		693	(168)
Increase (decrease) in the value of receivables		(71)	(1,330)
Change in provisions		(235)	73
Other expenses		(24,927)	(17,602)
Operating profit (loss)		25,460	13,955
Finance income	24	974	238
Finance expenses	24	(5,398)	(2,756)
Profit (loss) before taxation		21,036	11,437
Income tax	25	(3,487)	(1,320)
Net profit (loss)		17,549	10,117
Other comprehensive income (expenses)		-	-
Total comprehensive income (expenses)		17,549	10,117

Separate statement of changes in equity

	Notes	Authorised capital	Share premium	Legal reserve	Other reserves	Retained profit (loss)	Total
Balance as at 31 December 2021		44,087	-	814	29,717	20,782	95,400
Net profit (loss)		-	-	-	-	10,117	10,117
Other comprehensive income, after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		-	-	-	-	10,117	10,117
Unrecognised profit (loss) in the statement of profit or loss and other comprehensive income	16	-	-	-	-	(5)	(5)
Transfers between reserves	15	-	-	1,062	19,720	(20,782)	-
Dividends		-	-	-	-	-	-
Total transactions with owners of the Company		-	-	-	-	-	-
Balance as of 31 December 2022		44,087	-	1,876	49,437	10,112	105,512
Net profit (loss)	16	-	-	-	-	17,549	17,549
Other comprehensive income, after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		-	-	-	-	17,549	17,549
Unrecognised profit (loss) in the statement of profit or loss and other comprehensive income	16	-	-	-	-	8	8
Transfers between reserves	15	-	-	506	3,033	(3,539)	-
Dividends		-	-	-	-	(6,573)	(6,573)
Total transactions with owners of the Company		-	-	-	-	(6,573)	(6,573)
Balance as at 31 December 2023		44,087	-	2,382	52,470	17,557	116,496

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

Separate statement of cash flows

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit (loss)		17,549	10,117
ADJUSTMENTS			
Depreciation and amortisation costs	7, 8, 9	23,986	23,798
(Gain) loss from disposal of non-current assets		3,165	(71)
Change in impairment of receivables		71	1,330
Impairment (reversal) of the value of non-current assets, inventories and investments		(441)	1,951
Change in accumulated income / expenses		(4,898)	6,226
Interest income (costs)		4,330	1,766
Interest on lease liability		381	198
Increase (decrease) in provisions		235	(73)
Effect of currency exchange fluctuations		(13)	55
Income tax expenses (income)	25	3,487	1,320
Cash flows from operating activities after adjustments		47,852	46,617
CHANGES IN WORKING CAPITAL			
Decrease (increase) in inventories		(485)	(1,957)
Decrease (increase) in trade and other receivables and prepayments		523	49,776
Increase (decrease) in current and non-current trade payables and received prepayments		4,652	(18,842)
Increase (decrease) in employment related liabilities		584	(4,069)
Increase (decrease) in other non-current and current payables		(5,481)	5,970
Net cash from operating activities		47,645	77,495
CASH FLOWS FROM INVESTING ACTIVITIES			
(Acquisition) of non-current assets		(25,929)	(22,550)
(Acquisition) of investments		(7,230)	-
Income in sale of non-current assets and investments		315	15
Interest received		697	42
Net cash flows from investing activities		(32,147)	(22,493)

	Notes	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans (cash pool)		-	(2,503)
Interest (paid)		(144)	(481)
Interest on lease liability		(381)	(198)
Payment of lease liabilities		(3,328)	(3,803)
Cash flows related to owners	16	(6,573)	(5)
Net cash flows from financing activities		(10,426)	(6,990)
Net increase (decrease) in cash and cash equivalents		5,072	48,012
Cash and cash equivalents at the beginning of the period		52,982	4,970
Cash and cash equivalents at the end of the period	14	58,054	52,982

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

Explanatory notes

1. General information

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

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

The main activities of the company are freight transport and logistics, loading and unloading, wagon rent, coordination of locomotives and crews, manufacture of new locomotives, auto-drains and infrastructure road machinery, overhaul

and technical maintenance of railway rolling stock, manufacture of freight wagons and depot repair, overhaul repair and servicing of freight wagons. Repair and maintenance works of railway locomotives and rolling stock are also performed.

As at 31 December 2023 and 31 December 2022, the sole shareholder of the Company was the parent company AB Lietuvos Geležinkeliai. As at 31 December 2023, the sole shareholder of AB Lietuvos Geležinkeliai was the Republic of Lithuania, the property rights of which are exercised by the Ministry of Transport and Communications of the Republic of Lithuania (100% of shares).

The Company has no branches and representative offices.

As of 31 December 2023, the listed number of active employees at the end of the period (excluding the employees on parental leave, employees doing military service, employees on long-term incapacity) was 1,723 (as of 31 December 2022 – 1,929 employees).

Investments in subsidiaries are as follows:

Company	Head office address	Owned share, %		Main activity
		2023	2022	
LTG Cargo Polska Sp. Zo.o.	Świętojerska 5/7.1, Warsaw	100	100	Freight transportation and provision of related services in Poland
UAB LTG Wagons	Geležinkelio St. 12, Vilnius	100	100	Lease of wagons used for freight transportation
LLC LTG Cargo Ukraine	Puškinsko St. 21, Kiev	100	100	Freight transportation and provision of related services in Ukraine
OOO Rail Lab	Internacionalnaja St. 36-1, office 423.3, Minsk	-	2	Production of locomotives and rolling stocks. Repair and maintenance of vehicles. Wholesale trade of other machinery and plant (liquidated)

2. Basis of preparation

• **Basis of preparation.** The Company's Financial Statements have been prepared in accordance with the IFRS accounting standards as adopted within the European Union for the year ended 31 December 2023 have on a going concern basis and valued using the historical cost method unless otherwise stated. These financial statements present comparative information for the previous reporting period.

• **Changes in accounting policies.** 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 have been expressed in thousands of euros unless stated otherwise; figures between tables may not coincide as a result of rounding. 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 cost of property,

plant and equipment comprises the acquisition cost, including non-refundable acquisition taxes, capitalised borrowing costs and any directly attributable costs incurred in preparing the asset for use or bringing it to the place of use. Costs incurred after the property, plant and equipment was taken into use are generally charged to the profit or loss in the period in which they are 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, standby equipment and servicing 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.** Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives. The residual value of an asset is the estimated amount that

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

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

• **Construction in progress.** Construction in progress is accounted for at the cost of acquisition. This includes the cost of construction, structures and equipment, and other directly attributable expenses. Construction in progress is not depreciated until construction is completed and assets are ready for service. Inventories intended for repair of property, plant and equipment and complying with the provisions of IAS 16 are transferred from inventories to construction in progress. Construction in progress is reclassified to the appropriate groups of non-current assets when construction in progress is completed and asset is ready for its intended use. Prepayments for non-current assets are classified as non-current assets due to their usage in a long-term operation, and are shown under construction in progress in the statement of financial position. The item of construction in progress includes property, plant and equipment under construction. The acquisition cost of such assets includes design, construction work, plant and equipment transferred for installation and other direct expenses. Tangible non-current assets are recorded at acquisition (production) cost.

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

Expenditures related to development of unique software controlled by the Company, are recorded as intangible assets, where it is expected that future economic benefit will exceed expenditures incurred. The Company's capital expenditures include costs of a software development team and related overhead costs. Any other software-related costs, e.g. soft-

ware maintenance works, are recognised costs when incurred.

The Company's intangible assets are amortised on a straight-line basis over their estimated useful lives, which can be from 3 to 15 years respectively. The amortisation period is reviewed at the end of each financial year.

• **Investments in subsidiaries.** Investments in a subsidiary are accounted for in the parent company's statement of financial position at cost less impairment losses when the residual value of investment exceeds its estimated recoverable value. After the value adjustment, the difference is written-down in the statement of profit or loss. If, at the date of the statement of financial position, the basis for the write-down can no longer be substantiated, the amount of write-down must be reversed. In case of an existing liability to cover a loss arising in subsidiaries, a provision is recognised for the amount of such loss.

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

The Company does not have any property, plant and equipment with an indefinite useful life.

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.

• **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 receivables and other receivables, 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 amortised cost, is measured by using the effective interest method. The amortised cost is reduced due to impairment loss. Interest income, foreign exchange profit and loss are accounted for through profit (loss). Any profit or loss from derecognition accounted for in the statement of profit or loss and other comprehensive income.

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

The 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 primary 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). ECLs are discounted by applying an effective interest rate. The ECL for cash and cash equivalents is calculated by considering the credit ratings of the financial institutions where the cash is held and other relevant criteria (such as liquidity, capital adequacy maintenance). Management has assessed that the ECL of cash and cash equivalents is usually not material.

The expected credit losses on loans receivable and trade receivables throughout the period are recognised in the Statement of Profit or Loss.

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

• **Write-off 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, non-fulfilment of obligations for more than 120 days, and the likely case of bankruptcy of the customer.

The gross carrying amount of a financial asset is written down when the Company has no reasonable expectations of recovering all or part of the asset. Unrecoverable assets are written off according to the recognised impairment if all necessary actions were taken to recover the assets and the amount of losses has been determined.

For financial assets which are written off and are also subject to the activity of securing fulfilment, the Company takes actions related to legal regulation so that the amounts were recovered to the maximum extent.

Subsequent recoveries of amounts previously written off are credited to the impairment loss item in the Statement of Profit or Loss and Other Comprehensive Income.

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

Financial liabilities are initially carried at fair value less transaction costs. In subsequent periods, financial liabilities are carried at amortised cost using the effective interest method. Interest expense is recognised using the effective interest rate method.

Financial liabilities are classified as non-current if a financing agreement concluded before the statement of financial position date provides evidence that the liability was

non-current in nature at the statement of financial position date.

Trade payables are obligations to pay for goods and services purchased from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if they are due for payment within one year. Otherwise, they are shown as non-current liabilities.

• **Derecognition of financial liabilities.** The Company derecognises a financial liability when the contractual obligations are discharged, cancelled, or expire, the terms are modified and the cash flows of the modified liability are materially different. The new financial liability is recognised at fair value in accordance with the amended contractual terms.

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

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

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

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

• **Cash and cash equivalents.** Cash includes cash the value of which approximates to the fair value. Cash comprise cash at bank accounts and at hand. Cash equivalents represent short-term highly liquid investments easily convertible to a

known amount of cash. The term of such investments does not exceed three months and the risk of changes in value is insignificant.

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

Right-of-use assets

• Lease

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

• Leases, where the Company is a lessee

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

The Company has concluded lease contracts for premises, production buildings, and other non-current assets used for ensuring the Company's activities. Such contracts are concluded for 6-10 years, other tangible assets - for 2-3 years.

• **Short-term lease and lease of low-value assets.** The Company applies recognition exemption on short-term leases (i. e. on leases that expire within 12 months from the commencement date and there is no purchase option). In addition, recognition exemption on low-value assets is applied to leases that are considered to be low-value leases. The Company evaluates each asset unit individually. In deciding whether the value of an asset is low, lease fees over the entire lease period are not assessed. Assets with a value of up to EUR 4 thousand are considered low value assets. Short-term lease fees and lease fees of low-value assets are recognised as costs on a time proportion basis over the entire lease period.

• **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. The income tax rate applicable for the companies of the Republic of Lithuania in 2023 and 2022 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 income tax

Deferred tax is accounted for using the liability method. Deferred tax assets and liabilities are recognised for future tax purposes noting the differences between the carrying amount of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are recognised for all temporary differences that will subsequently increase taxable profit, while deferred tax assets are recognised only to the extent that is likely to reduce taxable profit in the future.

The carrying amount of deferred tax assets is reviewed every time a set of financial statements is prepared, and it is reduced if it is not probable that sufficient taxable profits will be generated in the future to realise the asset or part

of it. The amount of deferred tax assets is reduced to an amount that is likely to reduce taxable profit in the future. Deferred tax is calculated using the tax rates that are expected to be applied when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets with current tax liabilities, and when the deferred tax relates to the same tax administration.

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

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

sess the liability of such retirement payments. The liability is accounted for at present value discounted using the market interest rate.

• **Provisions for warranty repairs.** The Company's rolling stock warranty repair liabilities are recognised as a provision under the signed contracts and the main requirements for the repair and modernisation of traction rolling stock, units and aggregates. The company has a legal obligation to provide warranty repair services for rolling stock and in order to fulfil this obligation it must use economic resources and cannot avoid future costs. The Company's repair costs are recognised in the period in which the repair service is sold rather than in the period in which the vehicle is repaired and are, therefore, recognised in the period in which they are earned. The amount of the provisions is determined on the basis of experience of similar activities, expert findings, and after-balance-sheet events. In calculation of the provisions for warranty repairs, the following is taken into account: the Company's experience in vehicle repair services, the established practice of knowing which repairs have been carried out and which vehicles and parts are most likely to be damaged, and the additional work to be carried out after the sale of the repair service, based on expert assessments and calculations. Provisions for warranty repair of rolling stock are allocated to short-term liabilities and its formation costs are allocated to operating costs.

• **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:

Income from freight transportation, services related to freight transportation

Freight transportation includes import, export and transit.

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

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

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

- Other income from operating activities.

The following are other operating revenue generated by the Company:

- Property lease;
- Locomotives and work of locomotive crews abroad;
- Maintenance and repair;
- Other services.

	Nature, timing and payment conditions of operating liabilities	Revenue recognition under IFRS 15
Income from freight transportation, services related to freight transportation	<p>Invoices for freight transportation and related additional services are issued at intervals agreed with a buyer in a contract (daily, every ten days, monthly) by forming them on the basis of primary freight transportation and additional services documents upon provision of a service: for transit freight transportation – according to the date of export from Lithuania, for import – on the date of transfer of delivered freight to a consignee, for export and transportation in Lithuania - on the date of freight dispatch, for additional services – on the actual date of provision of a service. Upon evaluation of reliability of a service buyer payment conditions are established in contracts:</p> <ul style="list-style-type: none"> - Prepayment; - After provision of services by applying collaterals (cash deposit, bank guarantee, commercial credit)); - After provision of services without collaterals (up to 30 days, mostly 7 to 10 days); - Standard invoice payment term is 30 days. 	<p>Income earned from services related to freight transportation is recognised at a certain moment after services have been rendered, i.e. upon delivery of freight to a place agreed in a shipping document. Most often freight carriage lasts up to 24 hours, so income is recognised immediately.</p> <p>Revenue from freight transportation on international routes is recognised immediately upon provision of services.</p> <p>Revenue from services related to freight transportation on local routes is recognised immediately upon provision of services.</p> <p>An amount of recognised income is estimated in shipping documents and a price is specified in documents for additional services. Prepayments received are included into contractual obligations.</p> <p>If services under one agreement are provided at different reporting periods, remuneration is distributed according to their relative individual sales prices. A separate sales price is established based on service prices specified in a contract.</p>
Income from repairs and maintenance	<p>Invoices are issued after the service has been provided and the deed of acceptance-transfer of the performed works has been signed. Standard invoice payment term is 30 days.</p> <p>A 10-day term is applied for uncoupling repairs of private rail cars; cash collateral may be additionally applied.</p>	<p>Revenue related to locomotives and locomotive crews working abroad are recognised as soon as the services are rendered.</p> <p>Revenue from maintenance and repair is recognised at a certain moment because the customer gains control of the goods and services when the goods are loaded from the warehouse and the services have been provided. Services are considered provided when the deed of acceptance-transfer of the performed works is signed. The customer acquires the control over the good and service when he receives all benefits related to the good and service. Revenue is recognised on a monthly basis over time when the services are rendered.</p> <p>Wholesale revenue is recognised immediately.</p> <p>Related costs are recognised in the statement of profit or loss and other comprehensive income when incurred. Probable loss arising from a contract is recognised immediately in the statement of profit or loss and other comprehensive income.</p> <p>Prepayments received are included into contractual obligations.</p> <p>If services under one agreement are provided at different reporting periods, remuneration is distributed according to their relative individual sales prices. A separate sales price is established based on service prices specified in a contract.</p>
Other additional income	<p>Invoices for additional services provided are issued immediately after the services are provided. Revenue from the sale of goods is recognised upon loading of goods from the warehouse. Standard payment term is 30 days.</p> <p>Invoices are issued after the service has been provided and the deed of acceptance-transfer of the performed works has been signed. Standard invoice payment term is 30 days. Payments for one-off works are subject to a 7-to-30-day term, a cash deposit may also be applied.</p>	<p>Revenue from the lease of assets is recognised on a monthly basis over time when the services are rendered.</p> <p>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.</p>

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

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

- **Events after the reporting period.** These are events that provide additional information about the Company's position at the date of the Statement of Financial Position. 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 28.

- **Related parties.** Related parties are defined as shareholders, employees, members of the board, their close relatives and companies that directly, or indirectly through one or more intermediaries, control the Company or are controlled by 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. Significant accounting estimates and judgements

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.

Significant judgements

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

- **Duration of the lease period.** When determining the rental period, the management evaluates all facts and circumstances, which give rise to economic incentives to avail themselves of the possibility to extend or terminate the contract. The possibility of extending the contract (or the periods after the possibility of terminating the contract) is provided for in the leases only if it can be reasonably expected that the lease will be extended (or not terminated).

Significant estimates and assumptions

- **Review of impairment of investments in subsidiaries.** The investments in subsidiaries are accounted for by the Company at the acquisition cost less impairment. At the date of each annual financial statements, the Company determines whether there is any indication that the investments may be impaired. If any such indication exists, the Company calculates impairment as the difference between the subsidiary's carrying amount and its recoverable amount and the result is accounted for in the item of profit or loss. The Company performed impairment tests on its investments in subsidiaries and the results are disclosed in Note 10.

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

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

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

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

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

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

During the assessment, the Company's management analysed whether there have been any significant changes; in addition, the reassessed assumptions applied in the assessment of the recoverable amount have had an insignificant effect on the change in the carrying amount. After the impairment test, an additional impairment shall be applied to: A 75 per cent impairment allowance is applied to obsolete inventories and inventories purchased more than two years ago. Inventories, which meet the criteria for asset recognition under IAS 16, are 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 21.

Contingent liabilities are not recognised in the financial statements. They are described in the financial statements, except in cases where the use of resources for their fulfilment is not probable.

Contingent assets are not recognised in the financial statements but are disclosed when it is probable that income or economic benefits will be received.

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

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

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

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

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

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

4. New standards and interpretations not yet adopted

The new standards, amendments to standards and interpretations that are effective for annual periods beginning on or after 1 January 2024 and have not been applied in the preparation of these financial statements are set out below:

Non-current liabilities with bank-specific indicators (amendments to IAS 1)

The amendments to IAS 1 Presentation of Financial Statements for 2020 and 2022 clarify the requirements for classifying liabilities as current or non-current depending on the rights held at the end of the reporting period. The amendments were due to apply from 1 January 2022, but the date of entry into force was later postponed to 1 January 2023 and then to 1 January 2024. The International Accounting Standards Board issued additional amendments clarifying the distinction between non-current and current liabilities.

The new amendments clarify that the specific bank indicators for loan contracts will not affect the classification of liabilities at the end of the reporting period if the entity is required to comply with the specific bank indicators after the end of the reporting period. However, if an entity is required to comply with these indicators at or before the reporting date, this will affect classification, even if compliance with the bank's specific indicators is not tested until after the end of the reporting period.

The amendments require disclosures if an entity has classified a liability as a non-current liability and the liability is subject to specific bank indicators that must be met within

12 months of the end of the reporting period. The disclosures include:

- the carrying amount of the liability;
- information about the special bank indicators;
- the facts and circumstances, if any, indicating that the entity may have difficulty in meeting the special bank indicators.

The amendments shall be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Based on the currently available information, according to the assessment of the Company's management, the new amendments, after initial application, will not have a significant 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 apply to annual reporting periods on 1 January 2024.

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.

Supplier Financing Arrangements (amendments to IAS 7 and IFRS 7)

In May 2023, the International Accounting Standards Board issued amendments to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures' to clarify the characteristics of supplier financial arrangements and to require additional disclosures about such arrangements.

The disclosure requirements in the amendments are designed to help users of financial statements understand the impact of supplier financing arrangements on an entity's liabilities, cash flows and liquidity risk.

The amendments apply to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted but this must be disclosed.

Based on the currently available information, according to the assessment of the 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 apply to annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted but this must be disclosed.

Based on the currently available information, according to the assessment of the 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 not yet effective that could have a material impact on the Company.

5. Significant changes in accounting policy

The standards and amendments effective as of 1 January 2023 did not have a significant impact on the financial statements for 2023.

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

The Company's financial instruments according to their types:

	2023	2022
FINANCIAL ASSETS		
Trade and other receivables	12,735	12,522
Cash and cash equivalents	58,054	52,982
Total	70,789	65,504
FINANCIAL LIABILITIES		
Loans and other financial debts	129,960	131,744
Lease liabilities	28,409	29,261
Trade and other payables	23,089	22,558
Total	181,458	183,563

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		
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
FINANCIAL ASSETS ARE ACCOUNTED FOR AT AMORTISED COST								
Trade and other receivables	12,735	-	-	-	12,522	-	-	-
Cash and cash equivalents	58,054	-	-	-	52,982	-	-	-
Total	70,789	-	-	-	65,504	-	-	-
FINANCIAL LIABILITIES ARE ACCOUNTED FOR AT AMORTISED COST								
Loans and other financial debts	129,960	-	-	-	131,744	-	-	-
Lease liabilities	28,409	-	-	-	29,261	-	-	-
Trade and other payables	23,089	-	-	-	22,558	-	-	-
Total	181,458	-	-	-	183,563	-	-	-

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 financial debts	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.

Risk management

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

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

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

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

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

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

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

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

	2023	2022
Customer A	3,473	2,839
Customer B	802	410
Customer C	425	321
Customer D	278	332
Customer E	263	260
Customer F	135	39
Others	2,713	3,729
Total	8,089	7,930

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

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

	Gross carrying amount	Expected credit losses, %	Impairment	Net carrying amount
Low risk	11,282	0.01%	(1)	11,281
Fair risk	602	0.38%	(2)	600
Increased risk	119	9.88%	(12)	107
High risk	3,330	77.58%	(2,583)	747
Total	15,333		(2,598)	12,735

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	11,674	0.01%	(2)	11,672
Fair risk	239	0.32%	(1)	238
Increased risk	640	19.10%	(122)	518
High risk	2,513	96.27%	(2,419)	94
Total	15,066		(2,544)	12,522

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

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

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

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

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

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

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

	Expected credit losses, %	Gross carrying amount	Impairment	Net carrying amount
Not past due	0.01%	11,448	(1)	11,447
1-30 days past due	0.35%	491	(2)	489
31-60 days past due	8.88%	103	(9)	94
61-120 days past due	0.08%	52	-	52
More than 120 days past due	79.84%	3,239	(2,586)	653
Total		15,333	(2,598)	12,735

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	0.01%	11,674	(2)	11,672
1-30 days past due	0.32%	239	(1)	238
31-60 days past due	13.13%	126	(17)	109
61-120 days past due	20.56%	514	(105)	409
More than 120 days past due	96.27%	2,513	(2,419)	94
Total		15,066	(2,544)	12,522

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

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

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

	2023	2022
Balance at the beginning of the period	(2,544)	(1,296)
Change in provision of trade and other receivables	(71)	(1,330)
Impairment for written down debts	17	82
Balance at the end of the period	(2,598)	(2,544)

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

Cash and cash equivalents consist of cash and cash on hand, so the credit risk associated with them is minimal. The Company's cash resources are subject to the principle of diversification, the funds are held in banks with an international long-term borrowing rating of not less than Baa3, BBB. If the credit rating is lower, the amount of cash in the bank cannot exceed the maximum amount of deposits insured by the state (EUR 100 thousand).

	2023	2022
Aa2,AA credit rating	-	-
Aa3,AA credit rating	25,167	42,645
Baa1 credit rating	32,836	10,215
Baa2; BBB	51	122
Total	58,054	52,982

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

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

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

The Company used the LTG Group's cash pool to balance its working capital. The parent company of the LTG Group has an agreement with a credit institution for servicing the Group's account and, accordingly, the Company has an inter-lending agreement for one year. The terms and conditions of the agreement are in line with normal market conditions. The Company enters into mutual lending and borrowing agreements respectively for each calendar year.

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

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

Financial liabilities	Total	Within one year	From one to five years	After five years
Loans and other financial debts	150,699	21,467	63,954	65,278
Lease liabilities	30,781	3,638	13,669	13,474
Trade and other payables	23,089	23,089	-	-
Total	204,569	48,194	77,623	78,752

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

Financial liabilities	Total	Within one year	From one to five years	After five years
Loans and other financial debts	149,191	6,809	78,531	63,851
Lease liabilities	32,088	3,998	13,255	14,835
Trade and other payables	22,558	22,558	-	-
Total	203,837	33,365	91,786	78,686

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

Financial liabilities	Up to 2 months	From 2 months to 1 year	From one to five years	After five years
Loans and other financial debts	675	20,792	63,954	65,278
Total	675	20,792	63,954	65,278

Payment specification of the Company's loans and other financial debts, including interest, as at 31 December 2022:

Financial liabilities	Up to 2 months	From 2 months to 1 year	From one to five years	After five years
Loans and other financial debts	2,674	4,136	78,531	63,851
Total	2,674	4,136	78,531	63,851

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

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 made in euros, impact of exchange rate fluctuations is low.

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

Long-term loans mostly affect increase in the interest rate risk. As of 31 December 2023, the value of the Company's long-term loan portfolio was EUR 129,953 thousand (as of 31 December 2022 – EUR 131,677 thousand).

If interest rate goes up by 0.5 percentage point during the year 2024, annual interest costs will increase by EUR 610 thousand.

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

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

7. Property, plant and equipment

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

	Buildings and structures	Machinery and equipment	Vehicles	Other equipment, fittings and tools	Construction in progress and prepayments	Total
ACQUISITION COST						
31 December 2021	592	6,769	270,209	1,686	7,319	286,575
- acquisitions	23	452	11,535	28	4,858	16,896
- assets sold, written off, disposed	-	(10)	(4,377)	(245)	-	(4,632)
- reclassification from/(to) current assets	-	(2)	(48)	-	(2)	(52)
- reclassifications	81	(3,798)	1,163	(60)	2,614	-
31 December 2022	696	3,411	278,482	1,409	14,789	298,787
- acquisitions	-	-	-	-	19,594	19,594
- assets sold, written off, disposed	-	(97)	(5,102)	(42)	-	(5,241)
- reclassification from/(to) current assets	(66)	(27)	(4,701)	(15)	8,388	3,579
- reclassifications	-	829	20,667	30	(21,526)	-
31 December 2023	630	4,116	289,346	1,382	21,245	316,719
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES						
31 December 2021	(162)	(1,404)	(64,634)	(423)	-	(66,623)
- depreciation	(51)	(481)	(20,745)	(236)	-	(21,513)
- impairment	-	-	(936)	-	-	(936)
- assets sold, written off, disposed	-	7	653	243	-	903
- reclassification (from)/ to current assets	-	2	13	-	-	15
- reclassifications	-	672	(708)	36	-	-
31 December 2022	(213)	(1,204)	(86,357)	(380)	-	(88,154)
- depreciation	(50)	(510)	(20,956)	(221)	-	(21,737)
- impairment	-	(12)	466	-	(1,357)	(903)
- assets sold, written off, disposed	-	81	1,640	39	-	1,760
- reclassification (from)/ to current assets	27	9	2,602	6	-	2,644
- reclassifications	-	-	-	-	-	-
31 December 2023	(236)	(1,636)	(102,605)	(556)	(1,357)	(106,390)
CARRYING AMOUNT						
31 December 2021	430	5,365	205,575	1,263	7,319	219,952
31 December 2022	483	2,207	192,125	1,029	14,789	210,633
31 December 2023	394	2,480	186,741	826	19,888	210,329

Depreciation and amortisation expense included in the Statement of Profit or Loss and Other Comprehensive Income amounted to EUR 23,986 thousand (2022 – EUR 23,798 thousand). This amount includes EUR 21,737 thousand (2022 – EUR 21,513 thousand) of depreciation of property, plant and equipment, EUR 3,695 thousand (2022 – EUR 3,809 thousand) of depreciation of right-of-use assets and EUR 281 thousand (2022 – EUR 102 thousand) of amortisation of intangible assets. Capitalised depreciation amounted to EUR 1,727 thousand (in 2022 – EUR 1,626 thousand).

The major portion of construction in progress and prepayments consists of inventories for overhaul amounting to EUR 15,059 thousand, an impairment of EUR 1,250 thousand was formed as a result of the company's analysis of stranded/non-moving spare parts and it is presented in the item of the costs of impairment of non-current assets in the Statement of Profit or Loss and Other Comprehensive Income.

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

- The cash flows are assessed for a period of 5 years up to and including 2028, after which continuous growth is assessed (continuing period);
- The calculation uses data from the Company's approved strategy;
- The projected long-term growth rate is 2%;
- Freight volumes are forecast taking into account the beginning of oil product flows to Latvia and Estonia and intermodal transportation in 2024, the decreasing transit towards Kaliningrad and the increasing intra-EU freight flows. The Company does not forecast import and export flows from/Belarus and Russia;
- Annual growth in freight tariffs is forecast, reflecting the projected increases in energy, wages and other costs. Taking into account changes in freight volumes, tariffs and costs, the EBITDA margin will grow and exceed 20% over the continuing period;

- The calculation of the asset's recoverable amount uses a weighted average pre-tax cost of capital (pre-tax rate) of 9.31%;

- Depreciation of the continuing period is equal to the investments, taking into account that the Company must maintain the level of assets available to generate cash flows by renewing them accordingly;

- Calculation of sensitivity analysis using more conservative assumptions and values for earnings and pre-tax WACC.

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

The performed sensitivity analysis showed that, if WACC increased by 1% point, the recoverable amount would decrease by 21%.

The performed sensitivity analysis showed that, if WACC decreased by 1% point, the recoverable amount would increase by 30%.

The performed sensitivity analysis showed that, if growth rate increased by 1% point, the recoverable amount would increase by 23%.

The performed sensitivity analysis showed that, if growth rate decreased by 1% point, the recoverable amount would decrease by 16%.

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

The cost of the Company's fully depreciated but still used property, plant and equipment amounted to EUR 11,958 thousand (2022 – EUR 17,880 thousand). Vehicles accounted for the majority of fully depreciated property, plant and equipment.



8. Right-of-use assets

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

	Buildings and structures	Other assets	Total
ACQUISITION COST			
31 December 2021	11,035	933	11,968
- acquisitions	25,629	224	25,853
- assets sold, written off, disposed	(5,476)	(171)	(5,647)
- reclassifications	-	-	-
31 December 2022	31,188	986	32,174
- acquisitions	3,717	(12)	3,705
- assets sold, written off, disposed	(2,033)	(523)	(2,556)
- reclassifications	-	-	-
31 December 2023	32,872	451	33,323
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES			
31 December 2021	(3,145)	(405)	(3,550)
- depreciation	(3,584)	(225)	(3,809)
- assets sold, written off, disposed	4,197	169	4,366
- reclassifications	-	-	-
31 December 2022	(2,532)	(461)	(2,993)
- depreciation	(3,536)	(159)	(3,695)
- assets sold, written off, disposed	1,256	348	1,604
- reclassifications	-	-	-
31 December 2023	(4,812)	(272)	(5,084)
CARRYING AMOUNT			
31 December 2021	7,890	528	8,418
31 December 2022	28,656	525	29,181
31 December 2023	28,060	179	28,239

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

9. Intangible assets

The Company's intangible assets consisted of:

	Software	Other intangible assets	Total
ACQUISITION COST			
31 December 2021	524	952	1,476
- acquisitions	911	313	1,224
- assets sold, written off, disposed	-	(2)	(2)
- reclassifications	-	-	-
31 December 2022	1,435	1,263	2,698
- acquisitions	-	843	843
- assets sold, written off, disposed	(101)	(3)	(104)
- reclassifications	1,099	(1,099)	-
31 December 2023	2,433	1,004	3,437
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES			
31 December 2021	(203)	(13)	(216)
- depreciation	(76)	(26)	(102)
- assets sold, written off, disposed	-	2	2
- reclassifications	-	-	-
31 December 2022	(279)	(37)	(316)
- depreciation	(241)	(40)	(281)
- assets sold, written off, disposed	101	3	104
- reclassifications	-	-	-
31 December 2023	(419)	(74)	(493)
CARRYING AMOUNT			
31 December 2021	321	939	1,260
31 December 2022	1,156	1,226	2,382
31 December 2023	2,014	930	2,944

The Company's fully amortised intangible assets still in use amounted to EUR 4 thousand (31 December 2022 – EUR 108 thousand). The main part of fully amortised assets consisted of software.

10. Investments

Movement of investments in subsidiaries and other companies consisted of:

Company	Controlled share, %	31/12/2023			31/12/2022			
		Investment value	Impairment	Carrying value	Investment value	Impairment	Carrying value	
SHARES OF SUBSIDIARIES								
LTG Cargo Polska Sp. Zo.o.	a)	100	7,735	-	7,735	476	(462)	14
UAB LTG Wagons	b)	100	150	(150)	-	150	(150)	-
LLC LTG Cargo Ukraine	c)	100	489	-	489	432	(430)	2
OOO Rail Lab (liquidated)	d)	-	-	-	-	9	(9)	-
Total			8,374	(150)	8,224	1,067	(1,051)	16

a) On 20 July 2020, the company LTG Cargo Polska Sp. Zo.o. was established issuing 2,225 ordinary registered shares with par value of PLN 1,000.00, the formed and paid share capital amounted to PLN 2,225 thousand (EUR 507 thousand). The agreement to increase the authorised capital by PLN 32,173 thousand (EUR 7,230 thousand) was signed on 18 July 2023 and on 21 August 2023 an increase in the authorised capital was registered. In accordance with the accounting policy, investments in subsidiaries are accounted for using the cost method, and the impairment of the investment made in 2022 has been reversed following an assessment of the Company's prospective results.

Calculation of the recoverable amount of the investment into LTG Cargo Polska was carried out by discounting estimated future cash flows of LTG Cargo Polska and was based on the following assumptions:

- The cash flows are assessed for a period of 15 years up to and including 2038, after which continuous growth is assessed (continuing period). Relatively longer period is used to estimate future cash flows in order to assess and estimate business opportunities properly in a new market;
- Data in calculation is used from the strategy of LTG Cargo Polska approved in February 2024;
- The projected long-term growth rate is 2%;
- Moderate growth in freight transportation services in the Polish market and growth of intermodal flows to north-south are forecasted;

- Annual growth in freight tariffs is forecast, reflecting the projected increases in energy, wages and other costs. Taking into account changes in freight volumes, tariffs and costs, the EBITDA margin will grow and exceed 20% over the continuing period;

- The calculation of the investment's recoverable amount uses a weighted average post-tax cost of capital (WACC post-tax) of 7.87%;

- Depreciation of the continuing period is equal to the investments, taking into account that the Company must maintain the level of assets available to generate cash flows by renewing them accordingly;

- The calculation of the recoverable amount showed no indication of impairment of the investment.

A sensitivity analysis of the calculation was carried out by changing the assumptions for the long-term growth rate and the weighted average cost of capital after tax:

- If WACC post-tax increased by 1%, the recoverable amount would decrease by 69%;
- If WACC post-tax decreased by 1%, the recoverable amount would increase by 103%;
- If long-term growth rate increased by 1%, the recoverable amount would increase by 58%;
- If long-term growth rate decreased by 1%, the recoverable amount would decrease by 41%;

Investment recoverable amount is sensitive to the weighted

average cost of capital after tax used in the calculation; in other cases, sensitivity analysis does not indicate a value impairment of the investment.

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

c) On 9 December 2020, the company LLC LTG Cargo Ukraine was registered and the capital amounting to UAH 17,027 thousand (EUR 489 thousand). In accordance with the accounting policy, investments in subsidiaries are accounted for using the cost method, and the impairment of the investment made in 2022 has been reversed following an assessment of the Company's prospective results.

d) On 1 April 2021, following the acquisition of share of business of UAB Vilniaus Lokomotyvų Remonto Depas, OOO Rail Lab was also acquired, the share capital of which amounts to BYN 1,175 thousand (EUR 381 thousand). On 9 June 2022, a share buy-back agreement was registered for the shares of OOO Rail Lab, according to which LTG Cargo AB owns 2% of the shares in the amount of BYN 24 thousand (EUR 9 thousand) and the remaining 98% of the shares are owned by OOO Rail Lab in the amount of BYN 1,163 thousand (EUR 439 thousand). On 19 September 2022, AB LTG Cargo, the stakeholder of OOO Rail Lab, made a decision to wind up the company. The company was liquidated on 7 September 2023.

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

	Investment value
Acquisition value as at 31 December 2021	1,385
Acquisition (+)	(523)
Impairment (-)	(846)
Acquisition value as at 31 December 2022	16
Acquisition (+)	7,307
Impairment (-)/reversal (+)	901
Acquisition value as at 31 December 2023	8,224

Financial position of the subsidiaries:

31/12/2023	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity
LTG Cargo Polska Sp. Zo.o.	9,296	8,664	6,808	9,318	1,834
UAB LTG Wagons	-	5	-	76	(71)
LLC LTG Cargo Ukraine	2	757	11	432	316
31/12/2022	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity
LTG Cargo Polska Sp. Zo.o.	2,959	4,714	-	10,170	(2,497)
UAB LTG Wagons	-	9	-	54	(45)
LLC LTG Cargo Ukraine	3	618	7	554	60
OOO Rail Lab (liquidated)	17	23	-	1	39

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

Įmonės pavadinimas	2023			2022		
	Revenue	(Expenses)	Profit (loss)	Revenue	(Expenses)	Profit (loss)
LTG Cargo Polska Sp. Zo.o.	37,465	(40,349)	(2,884)	13,056	(15,196)	(2,140)
UAB LTG Wagons	-	(26)	(26)	-	(87)	(87)
LLC LTG Cargo Ukraine	773	(481)	292	258	(412)	(154)
OOO Rail Lab (liquidated)				-	(147)	(147)

11. Inventories

The Company's inventories consisted of:

	31/12/2023	31/12/2022
Fuel	1,401	1,710
Spare parts	-	8,455
Materials	4,166	2,435
Other	1,241	826
Total raw materials, supplies and components	6,808	13,426
Purchased goods for resale	3	3
Purchased goods for resale, total	3	3
Non-current assets held for sale	1,315	7
Non-current assets held for sale, total	1,315	7
Total	8,126	13,436

The carrying amount of the Company's inventories amounting to EUR 7,219 thousand (2022 – EUR 14,269 thousand) was reduced by EUR 408 thousand (2022 – EUR 833 thousand) to the net realisable value as at 31 December 2023. The change in the write-down of the Company's inventories to net realisable value is reflected in the item of Write down to inventories to net realisable value in the statement of Profit (loss) and other comprehensive income.

Write down to the net realizable value of the Company's non-current assets held for sale, less costs to sell amounting to EUR 984 thousand, is represented under costs of impairment of non-current assets held for sale in the statement of profit or loss and other comprehensive income. The majority of the Company's non-current assets held for sale consists of locomotives held for sale.

During 2023, the inventories of EUR 6,073 thousand (2022 – EUR 3,805 thousand) (without fuel) were written off at operating costs.

12. Trade and other receivables

The Company's trade and other receivables included:

	31/12/2023	31/12/2022
External trade receivables, gross value	10,687	10,474
Impairment (-)	(2,598)	(2,544)
Total external trade receivables	8,089	7,930
Receivables from related parties	3,458	1,841
Impairment (-)	-	-
Total receivables from related parties	3,458	1,841
VAT receivable	549	-
Other receivables from the budget	330	334
Accrued income from related parties	390	1,723
Accrued income	750	977
Other receivables	48	51
Impairment (-)	-	-
Total other receivables	2,067	3,085
Total	13,614	12,856

13. Prepayments

The Company's prepayments consisted of:

	31/12/2023	31/12/2022
Prepayments to external suppliers	212	87
Prepayments to related parties	1,205	1,237
Guarantees paid to external suppliers	32	-
Guarantees paid to related parties	735	1,721
Deferred expenses	526	1,114
Total	2,710	4,159

The guarantees paid to related parties consist of a non-current part of EUR 987 thousand and a current part of EUR 218 thousand.

14. Cash and cash equivalents

The Company's cash and cash equivalents consisted of:

	31/12/2023	31/12/2022
Cash in bank	58,054	52,982
Total	58,054	52,982

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

15. Reserves

Legal reserve

Legal reserve is compulsory in accordance with the Lithuanian legislation. An annual transfer of 5% of net profit to the legal reserve is compulsory until the reserve reaches 10% of the share capital. As at 31 December 2023, the legal reserve amounted to EUR 2,382 thousand (which is currently 5.40%). By the end of the year 2022, the compulsory reserve amounted to EUR 1,876 thousand.

Other reserves

As at 31 December 2023, other reserves amounted to EUR 52,470 thousand. As at 31 December 2022, other reserves amounted to EUR 49,437 thousand.

16. Retained earnings (loss)

In the retained profit (losses) of the Company amounting to EUR 17,549 thousand in 2023 (EUR 10,117 thousand in 2022 and an unrecognised loss for the reporting year amounting to EUR 5 thousand, which was the result of the transfer of cash to OOO Rail Lab for the procedures of the closing of the company, was accounted for) an unrecognised profit for the reporting year amounting to EUR 8 thousand, which was the result of the sale of the handling business to LTG Infra AB, was accounted for.

On 30 April 2023, the Company sold the freight handling business complex, which includes assets, liabilities, contracts

and employees related to freight handling services to LTG Infra AB. The fair market value of the transferred business was determined by an independent valuer and amounted to EUR 438 thousand. The net asset value of the business transferred amounted to EUR 430 thousand and the difference of EUR 8 thousand between the market and carrying values was recorded as unrecognised profit for the reporting year.

Dividends distributed from the distributable profit of LTG Cargo for the year 2022 and paid amounted to EUR 6,573 thousand. The Company did not pay dividends before.

17. Loans and other financial debts

The Company's financial debts consisted of:

	31/12/2023	31/12/2022
Long-term loans	111,766	125,010
Short-term loans	18,187	6,667
Interest	7	67
Total	129,960	131,744

The Company's loans consisted of:

	31/12/2023	31/12/2022
Bank EIB – 4	667	7,333
AB Lietuvos Geležinkeliai	129,286	124,344
Interest	7	67
Total	129,960	131,744
Long-term loans	111,766	125,010
Short-term loans	18,194	6,734
Total	129,960	131,744

EIB-4 is the loan for the procurement of new railway rolling stock. During 2023, AB LTG Cargo repaid EUR 6,667 thousand of the loan and paid EUR 144 thousand of interest.

The loan agreement of EUR 163,862 thousand value was made with AB Lietuvos Geležinkeliai (LTG) on 12 March 2019. The purpose of the loan – purchase of railway rolling stocks – rail cars, containers and locomotives under asset sale and purchase agreement of 25 January 2019 made between LTG

and the Company. The loan was awarded as non-current asset, repayment term until the year 2031. Interest has been established by applying a variable interest rate that consists of 6-month EURIBOR and the margin established by a market survey. After the restructuring of the loans in 2020, the loan of LTG and the Company is considered subordinated in respect of the EIB loans, i.e. both loan and interest payments are not possible until the EIB loan repayment maturity date in 2024; consequently, neither loan nor interest repayments were made during 2023.

Movement of loans:

	2023	2022
Financial liabilities in the beginning of the period	131,744	140,961
Loans received	-	-
Loans repaid	(6,667)	(10,545)
Calculated interest	5,027	1,809
Paid interest	(144)	(481)
Financial liabilities at the end of the period	129,960	131,744

In 2023, the interest accrued to the company increased as a result of high increase in the EURIBOR interest rate.

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

No breaches of fulfilment of financial and non-financial terms of the loan agreements were identified as at 31 December 2023.

In 2023, in order to manage funds more effectively and ensure liquidity, the Company used the Group account (Cash-pool). As at 31 December 2023, the Company had no financial liabilities.

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

	2023	2022	Value set by the bank
Net debt/ Normalised EBITDA*	comply	comply	Not higher than 4.0
Equity ratio**	comply	comply	Not lower than 35%
Loan servicing ratio	comply	comply	Not lower than 2

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

**Equity ratio – capital + subordinated loan.

18. Lease liabilities

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

Possible future cash payments were not included in the lease obligations as there is no reason to be certain that the leases will be extended (or not terminated).

Short-term leases of 12 months or less and lease payments for low-value assets are recognised directly in the Statement of income (loss) and other comprehensive income. During 2023,

EUR 550 thousand of such costs were stated under the item of other costs (in 2022 - EUR 1,091 thousand).

The discount rate applied for lease agreements in 2023 comprises 6-month EURIBOR and market research, market margin determined under the current market conditions.

The Company's lease liabilities and their movement:

	2023	2022
Lease liabilities at the beginning of the period	29,261	8,508
Lease contracts concluded	3,705	25,853
Lease contracts terminated	(1,610)	(1,495)
Interest calculated	381	198
Lease payments	(3,328)	(3,803)
Lease liabilities at the end of the period	28,409	29,261
Long-term lease liabilities	25,242	26,053
Short-term lease liabilities	3,167	3,208

If the discount rate applied by the Company increased or decreased by 1%, the amount of lease liabilities at 31 December 2023 would decrease or increase by EUR 2,551 thousand.

Future lease payments under non-cancellable leases:

	2023	2022
LEASE LIABILITIES WITH MATURITY		
Within one year	3,638	3,998
From one to five years	13,669	13,255
After five years	13,474	14,835
Total	30,781	32,088

19. Employee benefits

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

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

	31/12/2023	31/12/2022
Discount rate	3.37%	3.54%
Employee turnover rate	10.26%	11.26%
Salary increase rate	5.00%	5.00%

Employee benefits by type:

	31/12/2022	Charged to the Statement of Profit or Loss and Other Comprehensive Income	Capitalised costs calculated	Paid	31/12/2023
NON-CURRENT LIABILITIES					
Provisions for pensions and similar liabilities	1,588	798	-	(640)	1,746
Total non-current liabilities:	1,588	798	-	(640)	1,746
CURRENT LIABILITIES					
Accumulated leave	2,328	4,491	-	(4,844)	1,975
Wages and salaries payable	1,815	21,357	3,422	(24,598)	1,996
Social security contributions payable	932	8,005	1,634	(9,625)	946
Personal income tax payable	576	6,836	1,122	(7,884)	650
Other employment-related liabilities	1,597	1,855	-	(1,466)	1,986
Total current liabilities:	7,248	42,544	6,178	(48,417)	7,553
Total	8,836	43,342	6,178	(49,057)	9,299

20. Trade and other payables

The Company's trade and other payables consisted of:

	31/12/2023	31/12/2022
Trade accounts payable	4,513	2,305
Trade accounts payable to related parties	8,555	5,198
Prepayments received	5,005	6,225
Prepayments received from related parties	7,216	7,216
Cash guarantees received	527	657
Other taxes payable to the budget	433	5,682
Accumulated costs of foreign railway services	550	721
Accumulated payables to related parties	8,078	1,580
Accrued costs	859	12,084
Other accounts payable and liabilities	7	13
Total	35,743	41,681

The major part of the accumulated costs relate to not received invoices for fuel. The Company accounted for EUR 99 thousand liability for audit and other non-audit services in the accrued costs.

21. Provisions

The Company's provisions consisted of:

Balance as of 31 December 2021	154
Accrued	97
Used	(170)
Balance as of 31 December 2022	81
Accrued	235
Used	-
Balance as of 31 December 2023	316

Provisions formed for legal proceedings and warranty repairs.

22. Sales revenue

The Company's revenue consisted of:

	2023	2022
Revenue from domestic freight transportation	114,205	93,867
Revenue from international freight transportation	95,434	115,107
Provision of services related to freight transportation	50,753	57,522
Locomotives and work of locomotive crews abroad	1,537	2,871
Maintenance and repair	4,905	5,914
Wholesale trade	3,649	4,583
Lease of assets	6,785	6,065
Other services	8,481	7,762
Total	285,749	293,691

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

Increased volumes in transportation of construction materials, plant products and oil and its products resulted in the increase in the volumes of domestic transportation.

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

	2023	2022
Recognised immediately	274,059	281,712
Recognised over an ongoing period	11,690	11,979
Total	285,749	293,691

23. Expenses related to employee benefits

Employee benefits costs by type:

	2023	2022
Wages and salaries	37,185	45,078
Social security contributions	868	893
Accrued vacation reserve (reversal)	4,491	5,844
Pensions and similar liabilities (reversal)	798	(1,331)
Total	43,342	50,484

24. Result from financial activity

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

	2023	2022
Total finance income	974	238
Penalties and default interest for overdue trade receivables	264	196
Interest	697	42
Impact of currency exchange fluctuations	13	-
Total finance costs	(5,398)	(2,756)
Impact of currency exchange fluctuations	-	(55)
Interest	(5,027)	(1,809)
Disposal of investments	(8)	(141)
Other expenses	(363)	(751)
Total	(4,424)	(2,518)

25. Income tax and deferred tax

Income tax was calculated at a rate of 15 percent.

	2023	2022
Income tax for the reporting year	432	-
Adjustment of income tax of the previous year	-	24
Deferred tax expenses (benefit)	3,055	1,296
Total income tax expense (benefit) recognised in profit or loss statement	3,487	1,320

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

	2023	2022
Profit or loss before tax	21,035	11,437
Income tax	3,155	1,716
Non-allowable (+) /additional allowable (-) deductions	436	(441)
Non-taxable income	(104)	21
Income tax adjustments of the previous year	-	24
Total income tax expenses (income)	3,487	1,320
Effective rate	16.58%	11.54%

The Company's deferred tax calculation is given below:

	2023	2022
DEFERRED TAX ASSETS:		
Accumulated tax losses	3,156	4,523
Impairment of inventories	61	125
Impairment of receivables	390	381
Accrual of leave and bonuses	593	571
Long-term employee benefits liabilities	262	255
Accrued costs	1,267	12
Deferred tax assets	5,729	5,867
DEFERRED INCOME TAX LIABILITY		
Difference in the value of non-current assets with tax	(17,307)	(14,152)
Accrued receivables	-	(238)
Deferred income tax liability:	(17,307)	(14,390)
Deferred income tax asset (liability), net	(11,578)	(8,523)

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

26. Related party transactions

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

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

- The Government of the Republic of Lithuania acts as the owner of all shares of AB LTG Cargo;

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

- Parent company AB Lietuvos Geležinkeliai;

- Subsidiaries of the parent company AB Lietuvos Geležinkeliai;

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

- Board members, their close relatives and companies under their control;

- All key management personnel, their close relatives and companies under their control.

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

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

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

Related party transactions of the Company:

	2023		31/12/2023	
	Purchases	Sales	Receivables	Payables
AB LIETUVOS GELEŽINKELIAI	59,395	84	1,469	143,353
AB LTG Infra.	99,984	604	736	9,948
AB LTG LINK	336	8,283	2,049	29
UAB Geležinkelio tiesimo centras		1,559	16	-
LLC LTG Cargo Ukraine	261	68	76	21
LTG Cargo Polska SP. Zo.o.	15,467	711	794	334
UAB LTG Wagons	-	-	-	-
UAB voestalpine VAE Legetecha	-	90	19	-
Total	175,443	11,399	5,159	153,685

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

*fuel – EUR 30,937 thousand, management services – EUR 13,633 thousand;

**Infrastructure services – EUR 98,392 thousand.

	2022		31/12/2022	
	Purchases	Sales	Receivables	Payables
AB LIETUVOS GELEŽINKELIAI	61,852	64	1,733	140,841
AB LTG Infra.	110,679	556	1,891	10,992
AB LTG LINK	382	7,250	1,369	27
UAB Geležinkelio tiesimo centras	-	1,651	39	-
UAB Gelsauga	-	-	-	-
LLC LTG Cargo Ukraine	140	213	219	85
LTG Cargo Polska SP. Zo.o.	7,819	568	173	422
UAB LTG Wagons	-	1	-	-
UAB voestalpine VAE Legetecha	-	39	11	-
Total	180,872	10,342	5,435	152,367

The major part of purchases in 2022 includes the following:

*fuel – EUR 38,185 thousand, management services – EUR 16,120 thousand;

**Infrastructure services – EUR 108,944 thousand.

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

Management remuneration and other benefits

As of 31 December 2023, the number of executives was 7 people, i.e. Chief Executive Officer, Head of Business Development, Head of Business Maintenance, Head of Technological Asset Management, Head of Sales, Head of Service Delivery, Head of Customer Service.

	2023	2022
Management remuneration	775	673
Incentives*	63	81
Accumulated long-term benefits **	1	1
Number of executives	7	6
Allowances for members of the Board	110	-
Number of Board members	5	2

* Incentives are performance bonuses and lump sums.

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

As of 31 December 2023, no loans, guarantees, or other disbursements or accruals or disposals of assets were made to the Company's management other than as set forth above.

27. Contingent assets and liabilities

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

The contract for the purchase of a Locomotive Safety System for EUR 12.2 million is signed.

28. Events after the reporting period

After the end of the reporting period there were no other significant events which should be recognised or disclosed in the financial statements for the year 2023.

