LTG CARGO

The Company’s Management Report, Separate Financial Statements, Independent Auditor’s Report for 2024

Contents

CEO's foreword

Dear All,

From the beginning, the year 2024 promised that the logistics and transport sector would not be short of dynamism, uncertainty and challenges. A slowing European economy has increased competition between carriers, decreased investments have resulted in increased operating costs of transport businesses, and the war launched by Russia against Ukraine has further reduced international freight flows. Climate change is playing an increasingly important role on the agenda of decision-makers. The drive to reduce CO2 emissions is becoming more and more concrete, with requirements being translated into legislation and funding conditions.

It is therefore particularly important that LTG Cargo, together with the entire LTG Group, has a clear vision of being the backbone of the transport system and an important link between the European countries around us. In order to realise this vision and in recognition of the changes in the markets, we have already updated our strategy to consolidate our integration into Northern and Western Europe. Operational efficiency, business resilience and an organisational culture focused on improving the customer experience have become our priorities. It is time to take stock of the steps we have taken in 2024 to achieve our goals.

LTG Cargo is expanding its business into new European markets together with its subsidiaries LTG Cargo Polska and LTG Cargo Ukraine. In almost five years of operation, LTG Cargo Polska has not only managed to establish itself on the Polish market, which is considered the gateway to the West for all the Baltic States, but also to take 4,5% of the intermodal market share in the Poland. LTG Cargo Ukraine, which strengthens the logistics and supply chains between Lithuania and Ukraine, has expanded its customer base and organised the delivery of more than 250 wagons to their owners in both countries.

The financial performance, which exceeded expectations with an adjusted EBITDA of EUR 77.2 million, 56.5% higher than in 2023, allowed additionally to finance LTG Cargo's subsidiary LTG Cargo Polska, thus strengthening its capital balance and enabling it to participate in and bid for projects promoting intermodality in Poland.

In 2024, we transported a total of 25.7 million tonnes of freight by rail, of which 16.1 million tonnes was transported locally. This is by 4.4% more than in 2023. We are focusing on the development of this segment by adding new wagons to our fleet to be able to offer Lithuanian businesses more sustainable and competitive transportation that meets their needs.

Although international freight traffic is declining - a change that is mainly driven by the decline in transit and outbound traffic - we have managed to expand our geography. At the beginning of the year, we started regular shipments of petroleum products on the route Bugeniai (Mažeikiai district) – Valga (Estonia). For the first time, using only the European-gauge track (1435 mm) we transported 220 new Škoda passenger cars to Kaunas from the Czech Republic, destined for the Baltic market. From Austria, we transported more than 600 tonnes of new rails, which will be used by LTG Infra for railway maintenance and repair work.

In the electrification programme, LTG Cargo has carried out an international tender and signed a contract for 17 electric locomotives, the first of which will arrive in Lithuania in 2027. This is a crucial step, opening up the possibility of transporting half of the freight we transport in Lithuania without any CO2 footprint.
In 2024, the grain season was slightly earlier, thus reaching its peak earlier than usual - in July, when the transportation of grain reached a record. Approximately 270 thousand tonnes of this agricultural produce was transported in Lithuania. In order to transport additional 1.2 million tonnes of grain to our customers, we have acquired 500 new wagons. In 2024, almost half of the wagons specially built for LTG Cargo have arrived in Lithuania, with LTG Cargo Ukraine organising most of the transport via Poland.

At the end of the year, we also signed a contract for 200 new semi-wagons to transport bulk products, which means that we will have the capacity to transport additionally 700 thousand tonnes of crushed rock, including the demand for the construction of Via Baltica and Rail Baltica.

As part of the FREE Rail programme, we are withdrawing from the Moscow-based Rail Transport Council (RTC). The registration of the LTG Cargo wagons in the European Vehicle Register started in 2024. This enables to perform trans-Baltic transportation without any interface with the systems and processes of the Moscow-based RTC. We have also announced that we will start to operate on European principle of a private wagon fleet from 2025. By moving away from the shared fleet model used in the broad (1520 mm) gauge space, we are taking another step in transforming LTG Cargo's operations towards diversification to the West and adapting the company to operate in accordance with the agreements valid in Europe.

We support Ukraine in its defence against the aggressor, consistently ensuring that sanctions designed to weaken Russia economically are effective. As part of our sanctions control, we have not approved more than 1,800 wagons to enter Lithuania in 2024. This not only makes us more efficient in enforcing sanctions, but also more efficient in using our resources by improving our control processes and measures. I am pleased that we can also see a positive change in our customers' competences in performing sanctions control.

Eglė Šimė
Chief Executive Officer of AB LTG Cargo

Last year, the LTG Cargo divisions in Radviliškis and Šeštokai experienced significant changes. The modernisation of the freight wagon depot in Radviliškis has accelerated and has already led to significant improvements in working conditions for the employees. The depot's daily rolling stock repairs are assisted by a metal-cleaning laser and the only welding robot of its kind in the Baltics. The modernisation of the European (1435 mm) gauge locomotive repair workshop in Šeštokai has also improved working conditions: insulated walls and roof, replaced windows, and installed heat pumps, air curtains and extraction fans.

These and other works of the LTG Cargo team and purposeful changes in customer service processes have contributed to the change in the customer perception of the LTG Cargo services over the year. The result of the NPS survey carried out in 2024 went from negative to +18. We appreciate the trust of our customers and thank them for choosing to transport their freight by rail.

Customer satisfaction is largely determined by engaged and motivated employees. The "Employee Voice" study conducted in 2024 shows that the employee engagement rate at LTG Cargo has reached 77 points, satisfaction - 74 points, and ENPS - +6. We thank each and every colleague who with their daily work brings our vision closer to reality!

Activity of the company

Background information on the company

Name: AB LTG Cargo

Registered office: Geležinkelio g. 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

Name	LTG Cargo Polska Sp. z o.o.	LLC LTG Cargo Ukraine	UAB LTG Wagons
Head office address	Świętojerska 5/7, Warsaw, Poland	Chikalenka 21 g., Kyiv, Ukraine	Geležinkelio g. 12, Vilnius
Legal form	Private limited liability company	Private limited liability company	Private limited liability company
Date and place of registration*	21 July 2020, the Polish National Court Register	9 December 2020, the United State Register of Legal Entities, Individual Entrepreneurs and Public Organisations	4 November 2020, the Register of Legal Entities of the Republic of Lithuania
Company code	386573260	43987945	305651295
Telephone	+48 22 103 38 15	+380 68 1769673	+370 618 84991
E-mail	office@ltgcargo.pl	Contacts are available on the website http://ltgcargo.ua	info@ltgwagons.lt
Website	http://ltgcargo.pl	http://ltgcargo.ua	http://ltgcargo.lt
Main activity	Freight transportation and provision of related services in Poland	Freight transportation and provision of related services in Ukraine	Lease of wagons used for freight transportation
Head of the company	Laimonas Nekrošius	Saulius Stasiūnas	Mindaugas Skunčikas
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

**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 LTG Cargo Polska Sp.zo.o., which is registered in Poland, and LTG Cargo Ukraine LLC, which is registered in Ukraine.*

Branches of the company, representative offices abroad

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

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.

We have expanded geography of transportation in the Baltic states and European countries in 2024. We have become a carrier in Latvia and Estonia: at the beginning of the year, we made independent regular transportation of oil products on the route Bugeniai (Mažeikiai district) in transit through Latvia to Valga (Estonia). We transported 220 passenger cars on European (1435 mm) gauge rail from the Czech Republic, and 642 tons of railway tracks from Austria.

In 2024, we purchased 17 electric locomotives (EUR 115.7 million) and the first ones will get to Lithuania in 2027; 200 semi-wagons for bulk and crushed rock to be delivered in 2025 (EUR 12.7 million); 500 grain wagons (EUR 36 million) and 205 of them have already been delivered; we started modernisation of Radviliškis depot for rolling stock (EUR 10 million). Total planned investments into these assets amount to EUR 174.4 million.

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

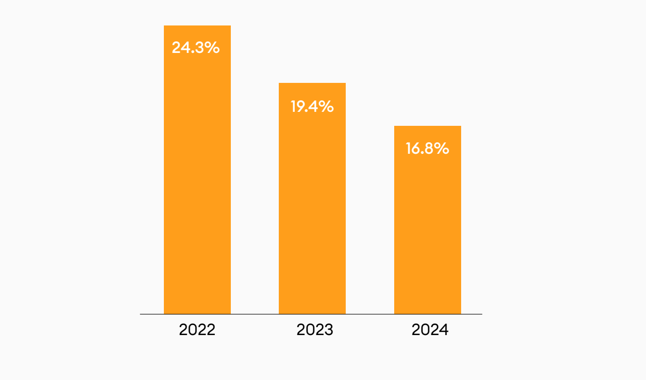
The main activities of the company are transport of freight by railway on domestic and international routes. Lithuania has 1520mm and 1435mm gauges, over 200 locomotives, over 6 thousand of wagons of different types and around 400 own containers, therefore, we can transport and deliver freights to the required country according to the needs of the customer. LTG Cargo transports freight of all types, including intermodal, containers and semi-trailers. LTG Cargo delivers almost 2 million wagons to customers during the year. When the freight is transported by railway, the Company consumes up to 10 times less fuel than transporting the same amount of freight by road, therefore, it is environment-friendly.

LTG Cargo, the freight company, offers the following services:

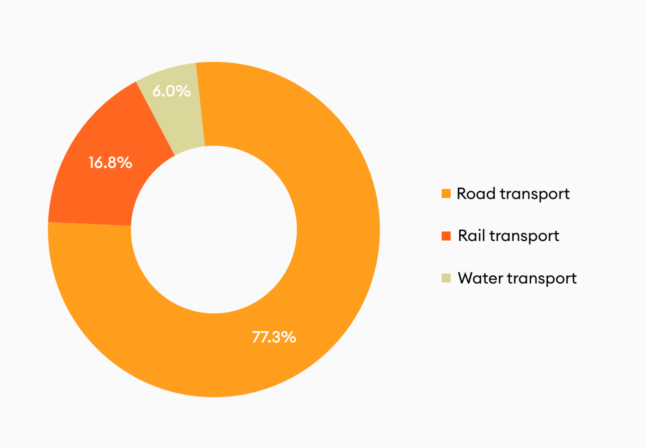
- Transportation of freight on domestic and international routes
- Transportation of semi-trailers
- Lease of freight wagons and containers
- Locomotives
- Wagon shunting
- Freight forwarding and services related to freight transportation
- Customs brokerage
- Repair and modernisation of wagons and locomotives
- Other types of repair (repair of junctions, containers, wholesale trade).

Market and competitive environment

Graphic 1. **Share of rail freight in tonnes in the territory of the Republic of Lithuania, %***



Graphic 2. **Freight transport in tonnes by all modes of transport in the territory of the Republic of Lithuania in 2024,%***



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 transhipment. In 2024, the competitive environment in the transport and logistics sector has been particularly intense due to the growing demand from customers for services to transport freight at lower costs, and dynamic in order to retain customers by meeting their need for high quality services. The transport and logistics sector, in terms of freight transportation volumes by all types of transport, has resumed its growth by 8.8% but it was still lower by 4.8% as compared to 2021.

**Data from the State Database Agency*

According to the data of the State Database Agency for 2024 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 16.8% and continued to decrease, and decreased by 2.6% compared to the same period in 2023. Almost all of this market share was taken up by road transport, which has increased its share of the market by 2.3% in 2024 in relation to the corresponding period in 2023.

A part of the volume of the Company's domestic freight transportation by railway in the territory of Lithuania (in tons) keeps increasing due to redistribution of freight from international to domestic. In 2022, this part amounted to 44.8%; in 2023, it increased up to 56.6%, and in 2024, it reached 62.6%. The volume of domestic freight increased due to the need for transportation of construction materials, chemical and mineral fertilisers (renewed operation of Lifosa factory) and total increase in the Lithuanian economics by 2.6%.

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, respectively, to 43.4% in 2023 and 37.4% in 2024. A larger part of such transportation is transportation in transit through Lithuania in the direction of the Kaliningrad region, i.e. essential goods in transit between the mainland of the Russian Federation and the Kaliningrad region through an EU country in compliance with the EU restrictions.

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 the focus was on profitable operations, the latter route of intermodal freight was suspended due to insufficient load.

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 freight forwarder 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. A detailed review of the strategy is carried out annually to take account of the changes in the transport services market and the evolving operating environment.

LTG Cargo's strategy was updated on 16 December 2024: detailed plan for the next 5 years and strategic guidelines up to 2040 were prepared.

LTG Cargo's updated strategy foresees that the total freight volumes of general and intermodal freight will continue to grow steadily and reach 30.9 million tonnes in 2029.

In 2024, freight controls were further tightened to stop the movement of sanctioned freight across territory of Lithuania. In 2024, 242 transport applications (amounting to 1,940 wagons) were rejected, 385 wagons were refused to enter the territory of our country at the border control points and internal stations (where SMGS is not approved due to risk). An internal inspection regarding obligations of the customers of AB LTG Cargo to meet the sanctions, submitted declarations and know-your-client questionnaires was carried out; this information is required from every customer. Transit controls in Kaliningrad were further reinforced by requesting full documents from customers and checking compliance of the wagon owners with the EU, USA and UK sanctions.

In 2024, assessment of LTG Cargo's freight transportation services according to NPS 18. Compared to 2023, this indicator increased by 22 points and it is expected to reach the average level of the sector (43) by 2027. In order to achieve the goal of improving customer satisfaction, the model for customer service, installation of customer journey map have been improved, rolling stock fleet is being renewed and preparations for changes in the customer portal have started in 2024. The complex implementation of all the measures has a positive impact on customer satisfaction with LTG Cargo services.

Strategy implementation measures

- **Project transports are continued.** In 2024, 143 transports of military equipment were carried out on the 1520 and 1435 network (compared to 145 trains were transported in 2023). 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. Also, pilot transportation of cars by railway from Czech Republic to Lithuania was carried out. Other car manufacturers got interested in the success of this route, therefore, it is expected to continue expanding this area.
- **In Lithuania, domestic intermodal transport remains frozen at current levels to reduce the loss from intermodal operations.** The decision may be changed in case of changes in the assumptions related to road taxes. The international intermodal route (containers and semi-trailers) KIT–Slawkow-KIT was closed due to low interest of the customers. In the future, once the development model is clarified, it is planned to further develop the international intermodal route KIT–Duisburg-KIT and look for new customers and routes.
- **Technology Asset Management projects are continued.** The purchase of freight electric locomotives starts. 17 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. In order to meet the needs of Lithuanian grain growers and constructions sector, grain wagons (500) and semi-wagons (200) were bought in 2024 and their delivery will be completed in 2025. Further renewal and modernisation of wagon fleet is planned up to 2029. 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. It is expected to get a construction permit in 2025 and to complete construction in 2028. 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 have been launched, as well as the equipment for improving the working environment in Vilnius (CO2 cut-off systems for the traction rolling stock and air filtration system for the freight wagon depot) have been implemented and further procurement for other locations have been planned. Procurement of the replacement of locomotive safety systems was carried out; the term for completion of installation of the system in 111 locomotives is still discussed with the producer. Replacement of unsafe systems on locomotives will start as early as 2025.
- **Projects of operational efficiency.** Implementation of a culture based on the LEAN philosophy will ensure continuous improvement in the organisation. Following the success of the pilot project to repair locomotives according to their condition, investments will be made in the purchase and installation of equipment in order to have more efficient management of assets and human resources, improve readiness of locomotives and reduce maintenance and operating costs. Development of a tool to manage the utilisation and maintenance of technological assets, which will improve the efficiency of repair planning. New planning system (RCP - Rail Cargo Planning) started as planned. Functionality testing has been installed and carried out in LTG Cargo services operation. Modules that optimise or automate the planning of trains and capacity, locomotives, crews, orders, empty wagons and station operations have been installed. Digital workstation project has been launched at the end of 2023 and functionalities that allow full planning of repairs and monitoring of repair efficiency have been added, work on digital terminal started ((an employee can conveniently scan the job card and see/manage the tasks scheduled for him/her) in 2024. Train document automation project which digitalises specific service delivery processes is being completed. There are plans to reduce fuel consumption, both in terms of expenses and CO2 emissions. Synthetic fuel pilot is carried out to test reduction of potential CO2 emissions from diesel locomotives to 90%. The project for increase in hours of locomotives to increase efficiency from current 13 to 17 hours for electric locomotives and to 15 hours for Siemens locomotives is being launched this year. This would allow using the assets for more efficient operations of LTG Cargo.
- **LTG's subsidiary LTG Cargo Polska continued its rolling stock lease and acquisition programmes:** in 2024, 4 LTG Cargo's locomotives were transferred (7 own locomotives in total) and contracts with new customers were concluded as well as cooperation with CFL Cargo for transportation of fuel (coke) by intermodal trains to Germany and Denmark started. Also, the need for transportation of oil from Lithuania (Mockava terminal) to Ukraine (Jagodin) as well as transportation of oil products for other customers increased. The number of trains carried has tripled from 1,715 (2023) to 2,329 freight trains by 2024. The company's activity reached 4.5% of the Polish intermodal market in terms of freight transport volumes.
- **LTG Cargo Ukraine continued to operate as a freight forwarding and train operator in 2024.** Freight transport by full trains (16 ktn) was organised, participation in the logistics chain with a partner in the organisation of transportation of more than 110 ktn of oil product from Orlen terminal in Mockava to Ukraine.

Mission, vision, values

Connecting people and businesses for a more sustainable future

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

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

Mission

Being the backbone of the transport system

Transport axis. By laying the foundations for more sustainable domestic connectivity for passengers and freight, we are promoting the transformation of railways from a rudimentary link to a major axis to which other modes of transport connect: roads, seas and airports converge into a single network.

Smooth connection. We smoothly integrate Lithuania with other European countries.

Critical infrastructure. We ensure important transportation infrastructure for civil and military mobility, supply of essential goods.

Our values are born from within the organisation, identified as the most important by employees themselves. They guide us in our day-to-day operations to achieve our vision.
to which other modes of transport connect: roads, seas and airports converge into a single network.

VISSION

Responsibility

I do what I say.
I promise what I can.
I protect myself and others.
I boldly commit.

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

Customer experience

Goal - average NPS in the industry (43). This will be achieved by improving customer experience managements, increasing quality of services and promoting culture oriented towards customer.

Business development and diversification

Freight flows and revenues are growing as the business expands: Expansion of the North-West-South corridors and development of new routes. Logistics "corridor" (Kaunas – Muuga, Kaunas - Duisburgas) for intermodal freight to/from Western Europe is under construction and it will allow moderate growth in international intermodal flows as soon as political incentives occur (e.g. Increase in road taxes). 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, Ukraine and Germany, search for possibilities in the Central Europe.

Operational efficiency

Improving efficiency by engaging the culture of continuous improvement: 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.

Environment, Social Responsibility and Governance (ESG)

The aim is to minimize negative environmental and climate change impacts and develope reponsibly 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.

Inclusive organisational culture

The aim is to increase employee engagement, satisfaction and productivity by creating an open and inclusive working environment, promoting inclusive and developmental leadership based on LTG Group values.

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, successfully managing the risks related to sanction implementation and others, and increasing the employees' competence regarding safety issues.

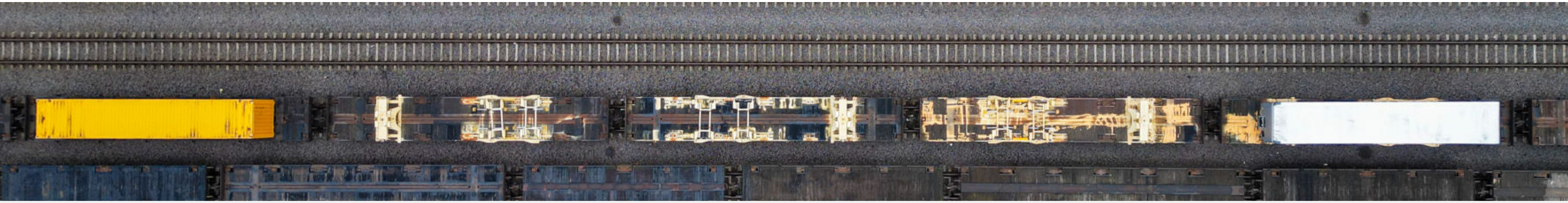
Implementation of objectives for 2024

At the end of 2023, the LTG Cargo Board approved LTG Cargo's annual objectives for 2024, 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.

[1]*EUR 6.7 million from non-ordinary activities has been eliminated – impairment of LTG Cargo's rolling stock and inventories.*

[2]*Revenues from foreign markets and new business development initiatives – includes consolidated revenues of the LTG Cargo Group: revenues from LTG Cargo's international shipments on the routes KIT-Duisburg and KIT-Slawkow and LTG Cargo Polska's domestic shipments.*

Strategic activity goals	Strategic activity indicators	Unit of measure	Weight, %	Goals 2024	Goal implementation indicators 2024	Goal achievement 2024
First choice for logistic services	EBITDA margin in LTG Cargo group[1]	%	20%	17.5	24.2*	Exceeded
Operational efficiency	Expenses of LTG Cargo Group through freight turnover	EUR/tkm	15%	0.042	0.041	Achieved
Business development	LTG Cargo's revenue from foreign markets and new initiatives for business development[2]	million EUR	15%	34	30.6	Achieved in part
	LTG Cargo Lietuva NPS	%	20%	7	18	Exceeded
ESG	Purchase of freight electric locomotives	Level of completion completion	10%	Final tender proposals from suppliers have been received and evaluated, proposals are prioritized.	Final tender proposals from suppliers have been received and evaluated, proposals are prioritized, successful proposal is announced.	Exceeded
Business resilience	Risk management level	%	5%	90	95	Exceeded
	Lost time injury frequency rate (LTIFR)	Accidents at work *1 M / total working hours	5%	2	2.73	Achieved in part
Strong organisational culture	Employee engagement (LTG Cargo)	%	10%	53	58	Exceeded



Key events in 2024

February

LTG Cargo performed the first test run through Latvia to Valga station in Estonia. This freight transport was organised entirely within the company's capacity - all logistical decisions for the route were taken by LTG Cargo independently. This is the first step towards the introduction of regular services through all three Baltic States, thus enabling customers to choose competitive green logistics services. The new route is an important milestone for the company's future freight services on the Northern Corridor - the Rail Baltica route.

March

The District Court of Vilnius City dismissed the complaint of the company Intermodal container service, by which it requested LTG Cargo to pay almost EUR 60 thousand for damages allegedly caused by LTG Cargo's refusal to carry freight. The Court confirmed that LTG Cargo had correctly determined that the ultimate beneficiary of the transport of these goods was a sanctioned person.

LTG Cargo won an international tender organised by Orlen Lietuva, the operator of the oil refinery in Mažeikiai, to provide a service for the transport of petroleum products on the route Bugeniai (Lithuania) - Valga (Estonia). For this purpose, a team was formed containing specialists and engineers, as well as locomotives certified in Latvia. LTG Cargo can transport cargo up to 5300 tonnes through the Baltic States in combinations with conventional wagons or tanks. On average, the freight from Lithuania via Latvia to Valga station in Estonia will be transported in less than one day.

The District Court of Vilnius City has held that LTG Cargo had lawfully terminated the contract of cargo transportation with the company Uosto vartai. The company attempted to demonstrate that its cargoes complied with international sanctions but refused to provide supporting evidence.

Green mileage certificates were issued to intermodal transport customers. They note that in 2023, customers opting for intermodal transport services have collectively saved 66.5 thousand tonnes of CO_2 - greenhouse gases that would have been emitted by road transport of those goods.

April

LTG Cargo terminated the contract with the company Skinest Baltija in order to prevent the supply of defective parts and delays in maintenance work. Skinest Baltija was supposed to supply spare parts for diesel engines and their systems for freight locomotives, but it was delayed by more than 100 days and also supplied goods with defects. The company was placed on the list of unreliable suppliers and was fined EUR 30 thousand for breach of contractual obligations.

LTG Cargo has started testing highly intelligent remote diagnostics equipment on five Siemens type locomotives, which allows monitoring of a wide spectrum of locomotive operating parameters and signals. This will allow the company to anticipate possible wear and tear of the parts. It is expected that this system will ensure even more efficient maintenance of the fleet of locomotives and will save up to EUR 1.5 million per year.

Saulius Vaičekauskas, a professional in his field, joined LTG Cargo management team as Head of Service Delivery function. S. Vaičekauskas has more than 20 years of experience in leading service, operational, engineering activities in various companies such as ESO, Civinity, PRO BRO, and his geography of work covers various European countries.

May

The LTG Group and the company Ukrainian Railways have agreed to strengthen international cooperation and develop a joint international intermodal route to Klaipeda-Kyiv through the territory of Poland. In the future, this route should be used for regular freight traffic. This will create an efficient transport corridor between Lithuania and Ukraine and exploit the potential of the countries' railways, port terminals and border crossing points.

As a result of tightened controls, LTG Cargo identified more attempts to circumvent the applicable sanctions. Various attempts to circumvent the sanction control system applied at the company are recorded on a continuous basis, but LTG Cargo succeeds in identifying them and takes the necessary measures in a timely manner, even by returning the wagons at the border or not handling advance requests for the transport of sanctioned goods.

Key events in 2024

June

The selection of an independent member of the Board of LTG Cargo took place. This position was awarded to Aivaras Čičelis a professional in finance and corporate boards. The new board member was selected from more than 30 candidates. A. Čičelis distinguished himself through his experience on corporate boards, his international business development expertise and his ability to successfully implement ambitious projects.

July

LTG Cargo purchased 500 wagons for the transport of cereal crops. Part of the wagons were delivered, registered in the European transport register and put into use for the transport of grain in Lithuania before the end of the year. The new wagons will enable LTG Cargo to significantly increase its freight transport capacity- the company is expected to be able to transport additional 1,2 million tonnes of freight per year.

In July 2024, LTG Cargo transported a record quantity of grain in Lithuania, amounting to approximately 270 thousand tonnes. This is by 80% more than in the same month in 2023.

August

LTG Cargo obtained certificates of quality and environmental management ISO 9001:2015 a ISO 14001:2015. This is an external confirmation that the Company in its day-to-day operations is following the standards applied by most advanced and efficient companies, who apply environmentally friendly and quality assurance solutions in the day-to-day operations.

September

It was announced that LTG Cargo Polska, the Polish subsidiary of LTG Cargo, which is continuing its diversification towards the West , will be led by Laimonas Nekrošius, who has been in charge of sales and development services of LTG Cargo for more than two years. According to L. Nekrošius, his main objective is to apply best practices and experience in order to ensure a targeted and ambitious expansion of the LTG Cargo Group in western markets.

October

LTG Cargo, the freight company of the LTG Cargo Group, has introduced changes in the basic tariffs of services, which will take effect as of 1 January 2025. Changes in the basic tariffs have affected about one -fifth of cargo flow, including transit cargo to Kaliningrad.

Verslo Žinios announced LTG Cargo one of the leaders of the Lithuanian logistics and transport sector. This assessment was driven by the ability to recover after Covid-19 and make business development decisions that allowed both income and profits to grow.

November

Arūnas Žilys became the Chief Financial Officer of LTG Cargo. A. Žilys has gained experience in the areas of attracting and managing finances, developing strategic projects and organisations, and holding the position of finance manager in companies such as UAB Vilniaus kogeneracinė jėgainė, UAB Vilniaus vystymo kompanija, Novaturas. A. Žilys will focus on the efficient development of the finance function, the proper management of data and the decisions based on it.

LTG Cargo carried out the first transport of passenger cars only on European (1435 mm) gauge rail from the Czech Republic to Palemonas. 220 new Škoda passenger cars for the Baltic market were brought to Lithuania by car train. It would have taken about 30 trucks to transport them by road.

Key events in 2024

December

LTG Cargo organised the first freight transport by rail from Austria to Lithuania: special cargo was transported by European (1435 mm) gauge rail to Šeštokai - over 600 tonnes of new railway tracks which will be used by the railway infrastructure managing company LTG Infra for maintenance and repair of railway.

LTG Cargo continues to expand its rolling stock fleet and has acquired 200 new semi-wagons in Lithuania for the transport of bulk and other goods resistant to atmospheric impact. These semi-wagons will allow additional 0,7 million tonnes of freight to be transported and will improve transport efficiency and service quality.

The Supreme Court of Lithuania has adopted a non-appealable ruling on the complaint of UAB Margūnas, in which the company requested that the LTG Group freight transportation company LTG Cargo be awarded almost EUR 60 thousand in damages due to the fact that in 2023 LTG Cargo, after tightening the mechanisms for ensuring compliance with sanctions and additionally assessing the submitted freight transportation applications, refused to transport the plaintiff's wagons from Kaunas railway station to a railway station in Belarus.

LTG Cargo acquired spare parts, maintenance and support services in the first three years of operation of 17 locomotives specially manufactured in Lithuania for transport purposes. It is planned that after electrification of the Vilnius–Klaipėda railway section, the network will use electricity generated from renewable energy sources, so electric locomotives will transport cargo without emitting any carbon dioxide into the environment. The contract provides for the possibility of producing 17 more locomotives as needed, and supplying them with parts and maintenance services.

The Company has been granted an ECM certificate valid throughout Europe. This means that LTG Cargo is able to service rolling stock registered in Lithuania and coming from other EU countries.

Events after the reporting period

January

In accordance with the agreement with the Railway Transport Council (RTC), LTG Cargo has rejected the shared wagon fleet model used for 1520 mm railway track as of 1 January 2025. Thus, all LTG Cargo's wagons became private and no longer are a part of the previous model. This change contributes to the national security as well as helps us to meet the needs of our customers better.

LTG Cargo successfully performed the first test run through the Baltic states to Muga port in Estonia by applying the standard of EU railway sector - without exchanging information and connections with Russian systems of the Railway Transport Council (RTC).

On 30 January, Íñigo Parra, the head of Stadler Valencia which manufactures electric locomotives for LTG Cargo visited Vilnius. The electric locomotives are based on Stadler's existing Eurodual six-axle locomotive model, but adapted to the broad gauge and Lithuanian climate: they will be able to operate in temperatures as low as -40 °C.

February

Kristijonas Bakutis joined the management team of LTG Cargo as a professional in his field, who will head the service sales and development function. K. Bakutis has more than a decade of experience in sectors such as aviation, retail and service provision. Kristijon's main professional areas are business development, sales and large-scale project management.

02 Results

Key performance indicators

In 2024, rail freight transport reached 25.7 million tonnes, i.e. by 5.8% less than in 2023. Transport of oil and its products, building materials and plant products were dominant in transportation by railway. These types of freight accounted for 70% 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 5.8% from 27.2 million tonnes in 2023 to 25.7 million tonnes in 2024, and freight transport turnover by 3.9% from 6.3 billion tkm in 2023 to 6.1 billion tkm in 2024.

Domestic transport, which accounted for 62.6% of the total freight transported, increased by 4.4%, compared to 2023, and reached 16.1 million tonnes. The increase resulted from the growth of transportation of construction materials (due to increased need for improvement of the condition of road infrastructure) and chemical and mineral fertilizers (renewed operation of Lifosa factory). Freight flows through the Klaipėda Seaport from local customers remained at the same level and amounted to 7.7 million tons; reduced flows of oil products were offset by transportation of chemical and mineral fertilisers and construction materials.

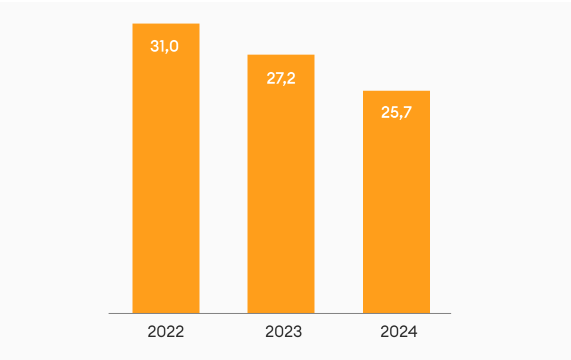
International transport, which accounted for 37.4% of the total freight transported, decreased by 18.9% to 9.6 million tonnes as compared to 2023. During the analysed period, the flow of goods in transit through the territory of the Republic of Lithuania decreased by 18.7% The flow of cargo in transit towards Kaliningrad region also decreased by 19.2%. The most significant decrease was in the volume of grain and construction materials transported in this direction. The decrease in the volume of freight entering and leaving Klaipėda Seaport in 2024 was 25,9%. The entry into force of a national ban on imports of food products from Russia and Belarus has led to a substantial decrease of 49.8% in the volume of shipments of food industry's products. Decrease in the amount of freight has also resulted from a stricter regulation on transportation of products to Klaipėda Seaport for companies that have been sanctioned as a result of Russia's military invasion of Ukraine and entry into force of restriction on gas import.

The volume of intermodal transport decreased by 13.5% to 105.4 thousand TEUs (the equivalent of a 20-foot container) in 2024. Mainly it was due to the reduced access of CIS countries which resulted in the decrease of container train transportation by 14.9% to 94.9 thousand TEUs. On the other hand, the volume of intermodal transportations by semi-trailer trains remained stable and amounted to 5,266 semi-trailers.

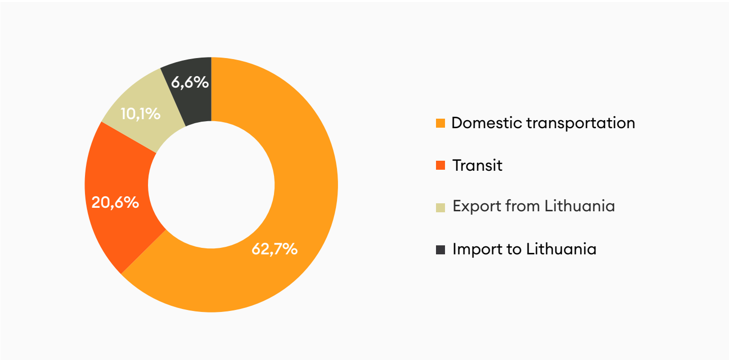
Key performance indicators

Transport volume indicator	Unit of measure	2024	2023	2023/2024 Δ,%	2022
Turnover of freight transportation	billion tons-kilometres	6.1	6.3	(3.9%)	7.4
Average distance travelled per tonne	km	236	232	1.9%	238
Total freight transportation	million tons	25.7	27.2	(5.8%)	31.0
Domestic transportation	million tons	16.1	15.4	4.4%	13.9
International transportation	million tons	9.6	11.8	(18.9%)	17.1
Transit	million tons	5.3	6.5	(18.7%)	8.1
Export from Lithuania	million tons	2.6	3.3	(22.4%)	3.6
Import to Lithuania	million tons	1.7	2.0	(13.8%)	5.4

Graphic 3. Freight transport volumes (in million tons)



Graphic 4. Segments of freight transport in 2024, %



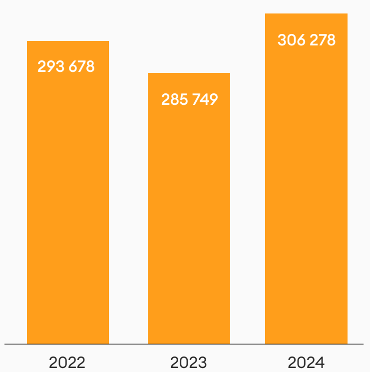
Financial performance

In 2024, the Company's sales revenue from main activity amounted to EUR 306,278 thousand; i. e. an increase by 7.2% compared to 2023. The major portion thereof – 94% comprised revenue from freight transportation.

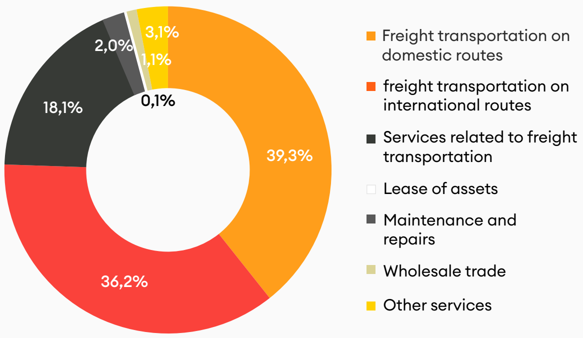
Revenue

- **In 2024, revenue from freight transportation on domestic routes** amounted to EUR 120,419 thousand, an increase of EUR 6,214 thousand (5.4%) compared to 2023 due to a 4.4% increase in transport volumes in this segment and higher transport tariffs. The increase of the volumes of domestic transportation resulted from the increase in the volume of transportation of mineral products (excluding mineral fertilisers) by 16%, chemical and mineral fertilisers by 16% and food industry's products (including feed), drinks and tobacco by 30%.
- **Revenue from freight transportation on international routes** in 2024 amounted EUR 110,919 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 2023, international freight revenues decreased by EUR 15,485 thousand (16.2%).International revenue growth was mainly maintained by revenue from transit with lower volumes being offset by higher freight transportation rates. The decrease in transit volumes 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. To compensate decreasing volumes of transit, LTG Cargo successfully performed the first test run through Latvia to Valga station in Estonia. Freight transportation has been organised by LTG Cargo - all logistical decisions for the route were taken independently and significantly increased international income.
- **Other freight-related revenues** in 2024 amounted to EUR 55,450 thousand and it was EUR 1,825 thousand (3.2%) lower compared to the comparative period. Detailed information on this revenue and any changes thereof is provided below.
    - In 2024, **revenue from empty wagon transport** amounted to EUR 25,442 thousand, which is a decrease by EUR 2,698 thousand (11.9%) compared to 2023. Increase in this revenue resulted from the change in service tariff.
    - **Freight forwarding revenues** amounted to EUR 4,926 thousand in the period under analysis and, compared to 2023, decreased by 16.3% due to the decrease of freight volumes from Ukraine to Poland.
    - In 2024, **revenue from the use of freight wagons abroad** amounted to EUR 130 thousand and decreased by EUR 1,838 thousand (93.4%) due to one customer's decision to perform transportations using own wagons.
    - **Other freight-related services** in 2024 amounted to EUR 24,951 thousand and it was EUR 1,723 thousand (6.5%) lower compared to the comparative period. 74% of decrease amounts for the revenue from freight storage and warehousing that are discontinued after the expiry of agreements with customers. These services to the customers are provided by LTG Infra. Revenue from freight storage decreased due to lower amount of detained wagons as compared to 2023 and lower flows in general.
- **In 2024, revenue from maintenance and repair** amounted to EUR 6,275 thousand and, compared to the previous year, it increased by EUR 1,370 thousand or 27.9% mainly due to an increase in demand for freight wagon repairs from external customers.
- **In 2024, revenue of locomotives and locomotive crews working abroad** was EUR 1,292 thousand – EUR 246 thousand, which is 16.0% less than in 2023, due to a decrease in the volumes of freight in and out of Lithuania.
- **In 2024, revenue from other services** (wholesale trade, rental of wagons, locomotives and other assets, and remaining services) was EUR 11,922 thousand and, compared to 2023, it decreased by EUR 470 thousand or 3.8%.

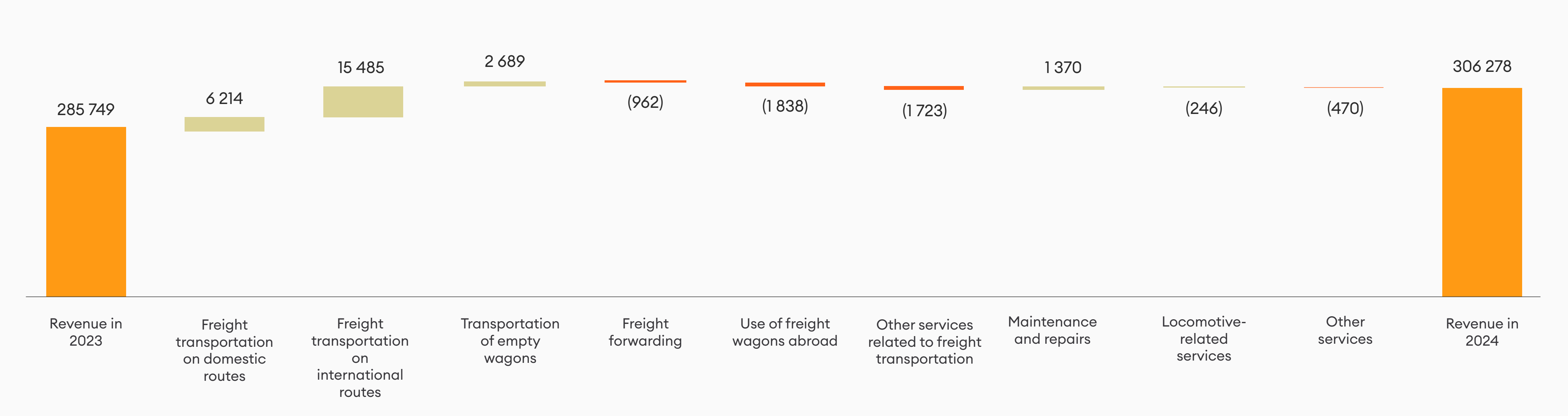
Graphic 5. **Company's sales revenue, EUR thousand**



Graphic 6. **Structure of the Company's sales revenue in 2024, %**



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

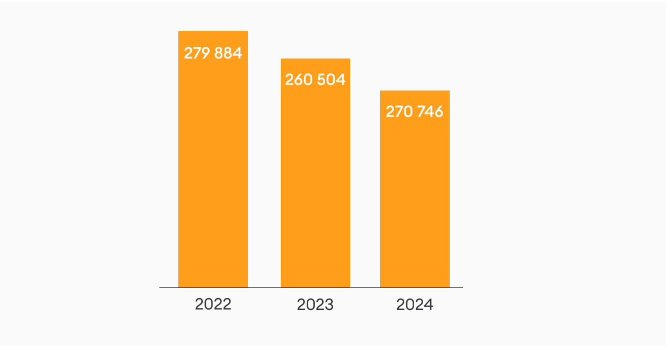


Expenses

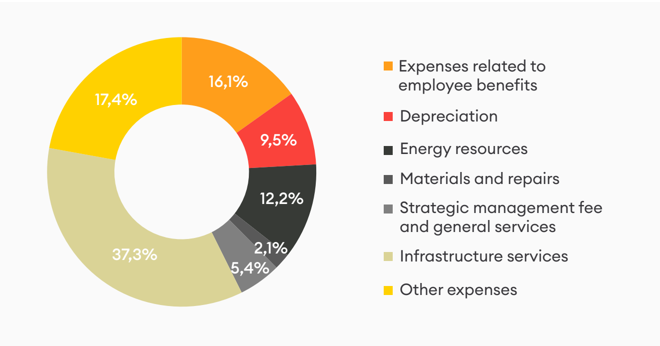
The Company's expenses of operating and other activities in 2024 amounted to EUR 270,746 thousand, i.e. EUR 10,242 thousand or 3.9% more than in 2023.

The majority of the Company's expenses in 2024 include infrastructure charges (37%), wages and salaries (16%), energy resources (fuel, electricity) (12%), and (5%) costs of strategic management and general services.

Graphic 8. Company's expenses, EUR thousand

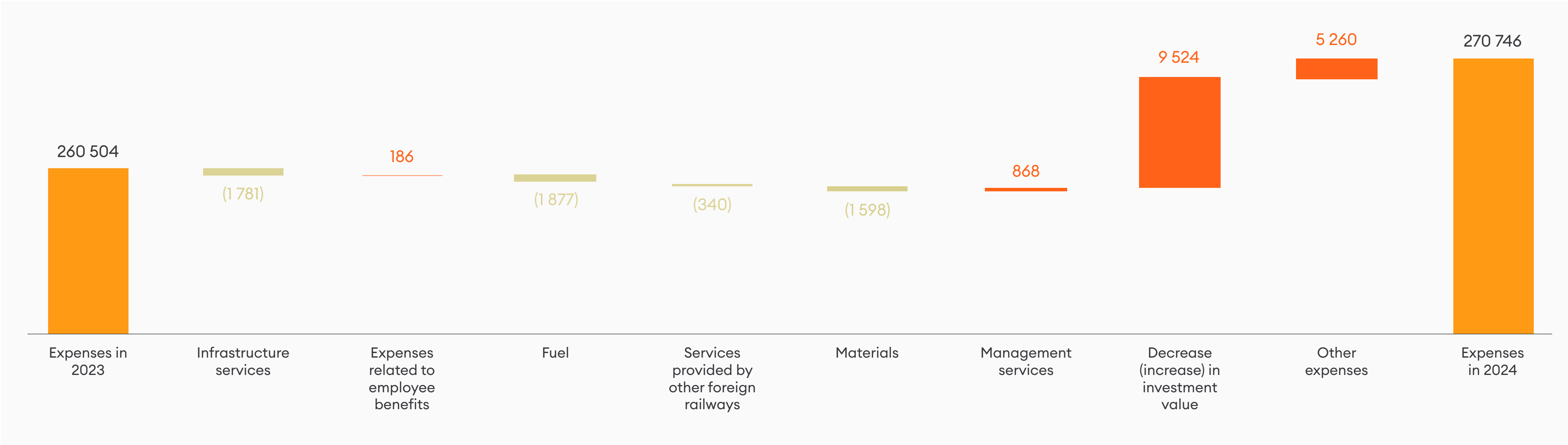


Graphic 9. Structure of the Company's expenses in 2024, %



- **Infrastructure expenses** amounted to EUR 101,051 thousand in 2024, which is a decrease by EUR 1,781 thousand (1.7%) as compared to 2023. The main reason for the decrease in these expenses is the 3.9% drop in freight turnover.
- **In 2024, salary and related expenses** amounted to EUR 43,528 thousand and, compared to 2023, increased by EUR 186 thousand (0.4%). Expenses were significantly impacted by the optimisation of counting Company's employees, the increase in remuneration of employees and successful operations in 2024.
- **Fuel expenses** for the reporting period amounted to EUR 32,418 thousand and, compared to the previous year, decreased by EUR 1,877 thousand (5.5%). The decrease in expenses was driven by a 3% decrease in train working volumes, and by an average 2.4% lower diesel price.
- **In 2024, expenses related to impairment of investments** amounted to EUR 8,623 thousand. Expenses resulted from partial impairment of LTG Cargo's investments into LTG Cargo Polska.

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



- **Expenses related services provided by other foreign railways** amounted to EUR 6,777 thousand during the reporting period and, compared to 2023, decreased by EUR 340 thousand or 4.8%. Decrease in expenses resulted from the change in the volume of freight (grain and carbon) from Ukraine through Poland. Lower level of expenses resulted from geopolitical situation, 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 remain lower.

- **In 2024, expenses related to materials** reached EUR 4,475 thousand and, compared to 2023, decreased by EUR 1,598 thousand (26.3%) as a result of changed volume of rolling stock repairs.

- **In 2024, management and related services expenses** amounted to EUR 14,615 thousand and, compared to 2023, increased by EUR 868 thousand (6.3%). Increase of expenses resulted from increasing salaries in the market, increasing prices for the services of technical maintenance of information systems and lease of software, volumes of the consulting services provided for the management of SAP ERP project.

- **In 2024, other expenses** amounted to EUR 59,259 thousand and, compared to the previous year, increased by EUR 5,260 thousand or 9.7%. The main factors determining the growth of costs are: 1) The costs of decrease (increase) of the value of fixed assets increased by EUR 4,881 thousand due to the additional value reduction of rolling stock and the reduction of the value of inventories in fixed assets, 2) Depreciation and amortisation expenses increased by EUR 1,695 thousand due to ongoing investments in wagon and locomotive repairs, 3) Repair and maintenance costs decreased by EUR 1,126 thousand due to the change in the volume of rolling stock repairs and 4) the reduction of various other costs in the amount of EUR 190 thousand.

Performance results

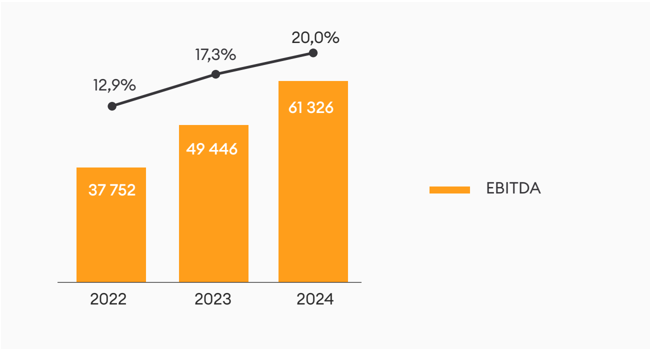
Analysing the Company's financial results, we can see that due to the impact of the sanctions on Russia and Belarus and the desire to reduce the links with these countries, the volumes of freight transported from 2022 onwards have been decreasing: the volumes of freight transported in 2024 were lower by 25.7 million tonnes, i.e. 5.8%, than in 2023 and lower by 17.1% than in 2022.

As freight transport volumes declined, revenue growth was driven by an increase in transport tariffs. Faster revenue growth than cost growth and determined the Company's results: EBITDA in 2024, compared to 2023, increased by EUR 11,880 thousand (24.0%), and the EBITDA margin from 17.3% in 2023 to 20.0%. The growth of EBITDA and EBITDA margins was determined by the increase in operational efficiency.

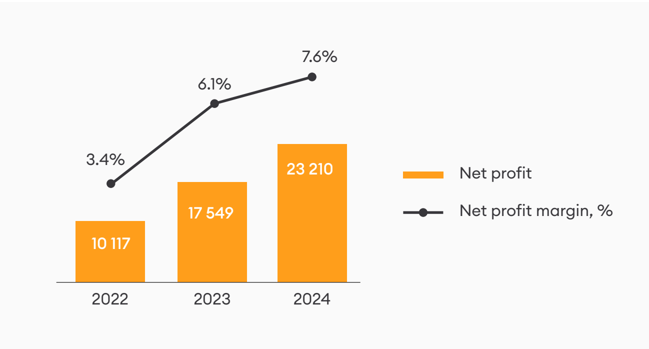
In 2024, adjusted EBITDA (when decrease in the value of non-current assets, inventories, investments and interest expenses is eliminated) amounted to EUR 77,249 thousand and was higher by EUR 27,887 thousand than in 2023, and adjusted EBITDA margin increased from 17.3 % to 25.2%. In 2024, we managed to stabilize the impact of the decrease in the freight volumes due to the war started by Russia in Ukraine in 2022 on the financial results. In 2024, the Company had 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 2024 increased, compared to 2023, by EUR 5,661 thousand (32.3%) to EUR 23,210 thousand.

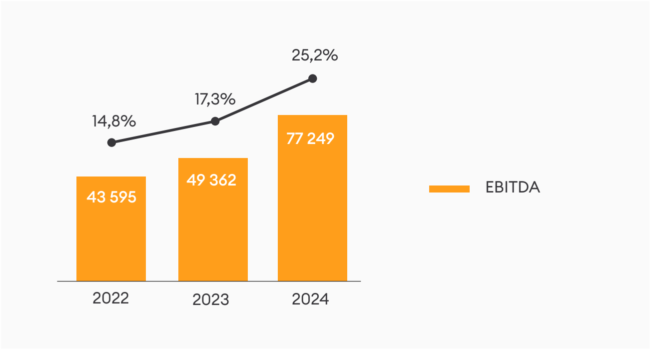
Graphic 11. **Company's EBITDA, EUR thousand**



Graphic 12. **Net profit of the Company, EUR thousand**



Graphic 13. **Adjusted EBITDA of the Company, EUR thousand**



Balance sheet changes

As at 31 December 2024, the Company's assets amounted to EUR 334,600 thousand and, compared to 31 December 2023, increased by 0,7%. Non-current assets increased by 4,1% to EUR 260,984 thousand in 2024. As at 31 December 2024, the right-of-use assets amounted to EUR 24,217 thousand, i.e. decreased by EUR 4,023 thousand compared to 31 December 2023 due to a decrease in the volume of long-term leases.

Current assets at the end of 2024 amounted to EUR 73,615 thousand and decreased by 9,7%, i.e. EUR 7,902 thousand, compared to the end of 2023. The decrease in current assets was primarily due to the decrease in Cash and cash equivalents by EUR 4,551 thousand (7.8%) and trade and other receivables by EUR 1,381 thousand (10,1%).

Authorised capital remained stable at EUR 44,087 thousand during the period under review. In 2024, equity increased by EUR 12,667 thousand and amounted to EUR 129,164 thousand as at 31 December 2024. The change resulted from the decreased profit, paid dividends.

Financial debt decreased by EUR 19,503 thousand during the period under analysis due to the repayment of part of the loan to the bank and amounted to EUR 138,866 thousand by EUR. No new loans were obtained in the period under review. EIB loan was repaid during the reporting period.

Graphic 14. **Change in the main balance sheet items, EUR million**

Key financial indicators

	Unit of measure	2024 m.	2023 m.	2022 m.
Sales revenue	EUR thousand	306,278	285,749	293,691
Revenue from other activities	EUR thousand	113	215	148
Total revenue	EUR thousand	306,391	285,964	293,839
Expenses	**EUR thousand**	**270,746**	**260,504**	**279,885**
EBITDA	EUR thousand	61,326	49,446	37,752
Adjusted EBITDA	EUR thousand	77,249	49,362	43,595
EBITDA margin	%	20,0%	17.3%	12.9%
Adjusted EBITDA margin	%	25.2%	17.3%	14.8%
EBIT	EUR thousand	35,645	25,460	13,955
EBIT margin	%	11,6%	8.9%	4.8%
Net profit	**EUR thousand**	**23,210**	17,549	10,117
Net profit margin	%	7,6%	6.1%	3.4%
	Unit of measure	31/12/2024	31/12/2023	31/12/2022
Non-current assets	tūkst. Eur	260,984	250,723	243,232
Current assets	tūkst. Eur	73,615	81,517	82,413
Total Asset	tūkst. Eur	334,599	332,240	325,645
Equity	tūkst. Eur	129,164	116,496	105,512
Financial debt	tūkst. Eur	138,866	158,369	161,005
Net debt	tūkst. Eur	85,363	100,315	108,023
Return on equity (ROE)	%	18.9%	15.8%	10.1%
Return on assets (ROA)	%	7.0%	5.3%	3.2%
Return on investment (ROI)	%	8.7%	6.6%	4.0%
Financial debt / EBITDA	In times	2.3	3.2	4.3
Financial debt / Equity (D/E)	%	1.1	1.4	1.5
Net debt / EBITDA	In times	1.4	2.0	2.9
Net debt / Adjusted EBITDA	In times	1.1	2.0	2.5
Loan servicing ratio	In times	*	4.2	3.9
Equity ratio	%	38.6%	35.1%	32.4%
Asset turnover ratio	In times	0.9	0.9	0.9
Quick liquidity rate	In times	1.0	1.1	1.2
Total liquidity rate	In times	1.1	1.2	1.4

Note there were no external loans, EIB loan was repaid at the end of the year.*

Financing of the Company

As at 31 December 2024, LTG Cargo's loan portfolio (having assessed accumulated interest) amounted to EUR 114.4 million (EUR 130.0 million as at 31 December 2023). The weighted average interest rate of the Company's loan portfolio was 4.783% as at 31 December 2024 (5.02% as at 31 December 2023).

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

The Company repaid loans in the amount of EUR 9,3 million and paid interest in the amount of EUR 12.1 million during 2024.

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, each year the Company enters into a mutual lending agreement under the terms and conditions that correspond to normal market conditions.

Performance results of subsidiaries

At the end of 2022, LTG Cargo Ukraine became the operator of cargo transport between Lithuania and Ukraine via Poland. The revenue generated by the Company in 2024 was EUR 1,017 thousand, which, compared to 2023 was higher by EUR 244 thousand. LTG Cargo Ukraine has become profitable from 2023. In 2024, the net profit amounted to EUR 654 thousand and more than doubled (EUR 362 thousand) compared to 2023.

During the reporting period, LTG Cargo Polska expanded its transport on international routes, concluded contracts with new customers and grew transportation volumes, and optimised its rolling stock fleet by leasing and acquiring rolling stock. 2,329 freight trains were transported in 2024 (compared to 1,715 trains in 2023). In 2024, LTG Cargo Polska generated revenue of EUR 39,135 thousand, i.e. 4.4% more than in 2023. In 2024, expenses increased by EUR 10,753 thousand (26,5%) while the increase of revenue was lower, i.e. EUR 2,320 thousand, therefore, the higher net loss amounting to EUR 12,206 thousand was generated from operating activity during the reporting period.

LTG Cargo is expanding its freight services to Poland in order to reduce its dependence on traditional freight routes. During the implementation of this direction of activity, the authorized capital of LTG Cargo Polska in 2024 was increased by a property contribution - by 4 locomotives. Also, LTG Cargo Polska has concluded long-term lease agreements for railway rolling stock for 19 386 thousand euros for the purpose of carrying out its activities. Eur.

LTG Wagons did not perform sales operations during the reporting period.

Indicator, EUR thousand	LTG Cargo Polska			LTG Cargo Ukraine		
	2024	2023	2022	2024	2023	2022
Revenue	39,135	36,815	13,056	1,017	773	258
Expenses	51,341	40,588	15,196	372	481	412
Net profit / loss	-12,206	-3,773	(2,140)	654	292	(154)
	31/12/2024	31/12/2023	2022 12 31	31/12/2024	31/12/2023	31/12/2022
Assets	32,684	16,779	7,673	1,499	759	621
Equity	6,437	653	(2,497)	956	316	60
Liabilities	26,247	16,126	10,170	543	443	561

Investments

Investments of the Company

In 2024, investments of LTG Cargo amounted to EUR 43.5 million*. Most of the investments were intended for overhaul repairs of freight rolling stock (52%).

LTG Cargo is expanding its freight services to Poland in order to reduce its dependence on traditional freight routes.

Investments, EUR thousand	2024 m.	2023 m.	2022 m.
Overhaul repair of locomotives	12,678	11,853	10,487
Overhaul repair of freight wagons	9,937	7,310	3,079
Acquisition of freight wagons	18,632	-	-
Other investments of LTG Cargo	2,283	1,344	3,359
Total LTG CARGO*	43,530	20,507	16,925

**Investments of the subsidiary LTG Cargo Polska are not included.*

Key investment projects

Main projects/project groups	Work in 2024
Rolling stock repairs	Major investments of LTG Cargo in 2024 were aimed at renewing rolling stock (locomotives and wagons) in operation to ensure continuity of freight transport operations and safe transport of freight: • EUR 12.7 million for capitalised repairs of locomotives. 134 freight and shunting locomotives were repaired in 2024. • EUR 9.9 million for capitalised repairs of freight wagons. 2,403 freight wagons were repaired in 2024.
Acquisition of electric locomotives.	As part of the LTG Group's rail electrification programme, LTG Cargo has acquires 17 electric locomotives. In 2024, purchases were made and a contract was concluded with the manufacturer Stadler Valencia from Spain. New electric locomotives will replace old diesel locomotives and ensure environment-friendly freight transport on the electrified railway corridor Kena-Vilnius/Vaidotai-Radviliškis-Klaipėda. It is expected that operation of the new electric locomotives on the Lithuanian rail network will begin in 2027.
Renewal and development of the fleet of freight wagons	• To meet the need of the Lithuanian companies for transportation of grain by rail, 500 new wagons for transportation of grain (grain wagons) have been purchased. Purchase was made in 2024; manufacture and deliveries started in the second half of the year. The project will be completed in 2025. • During the renewal of depreciated fleet of semi-wagons, the purchase was made and a contract for the purchase of 200 new semi-wagons was signed in 2024. Manufacture and delivery of semi-wagons is expected in 2025.
Other projects	• In 2024, LTG Cargo continued the implementation of the Operational Control Centre in order to increase operational efficiency. The project results 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; • The project for replacement of Locomotive Safety Systems (LSS) is implemented. It is planned to replace unsafe Russian-made KLUB-U systems currently used in 44 mainline locomotives and 67 shunting locomotives. Designing of a new system and other preparation work started in 2024; replacement work will start in 2025.

Investments into freight transportation activities planned for the near future

- Projects implemented in 2024 and not yet completed are being continued, the most important being: Acquisition of electric locomotives (designing and launch of production of locomotives is expected in 2025) and the project for construction of the depot for rolling stock repairs in Vaidotai (the design is expected to be completed and the project is expected enter the phase of contract works and acquisition of technological equipment in 2025).
- Upkeep 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 of new grain wagons and semi-wagons is continued;
- The project for replacement of locomotive safety systems is continued.

Smaller projects in progress:

- renewal and modernisation of depots;
- installation of the new Order Management System;
- development of a condition-based locomotive repair system and etc.

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). 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 which has been updated and approved by the LTG Board during the reporting period. The Dividend Policy is publicly available on the Company's website http://ltgcargo.lt.

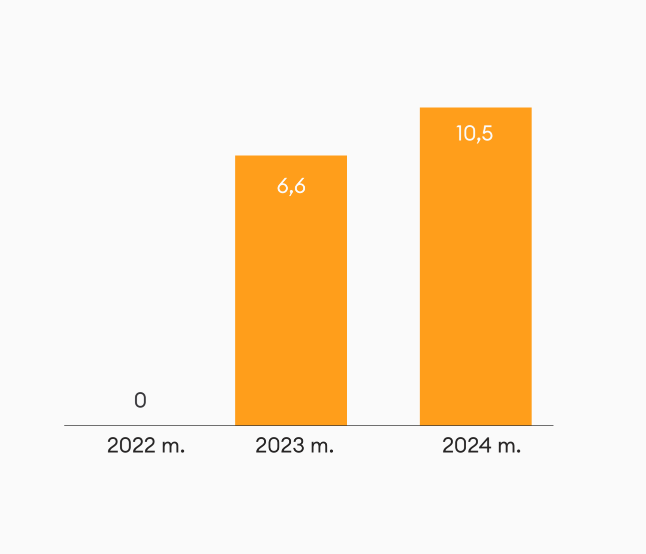
Allocation of dividends for the financial year or a shorter period than the financial year is planned taking into consideration the level of return on equity, net profit earned, financial ability to pay dividends, implementation of economic projects of state importance, as well as other circumstances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

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

The Company's Board may propose to the shareholder to set a lower or higher portion of profit for dividend distribution or propose not to distribute them, taking into account the conditions and circumstances listed in the Dividend Policy.

In 2024, the Company paid dividends in the amount of EUR 10,534 thousand from the distributable profit for 2023. In 2023, the dividends paid by the Company from the distributable profit for 2022 amounted to EUR 6,573 thousand. The Company did not pay out dividends in 2022 and the previous year.

Graphic 15. Dividends allocated by the Company to the shareholder, EUR million

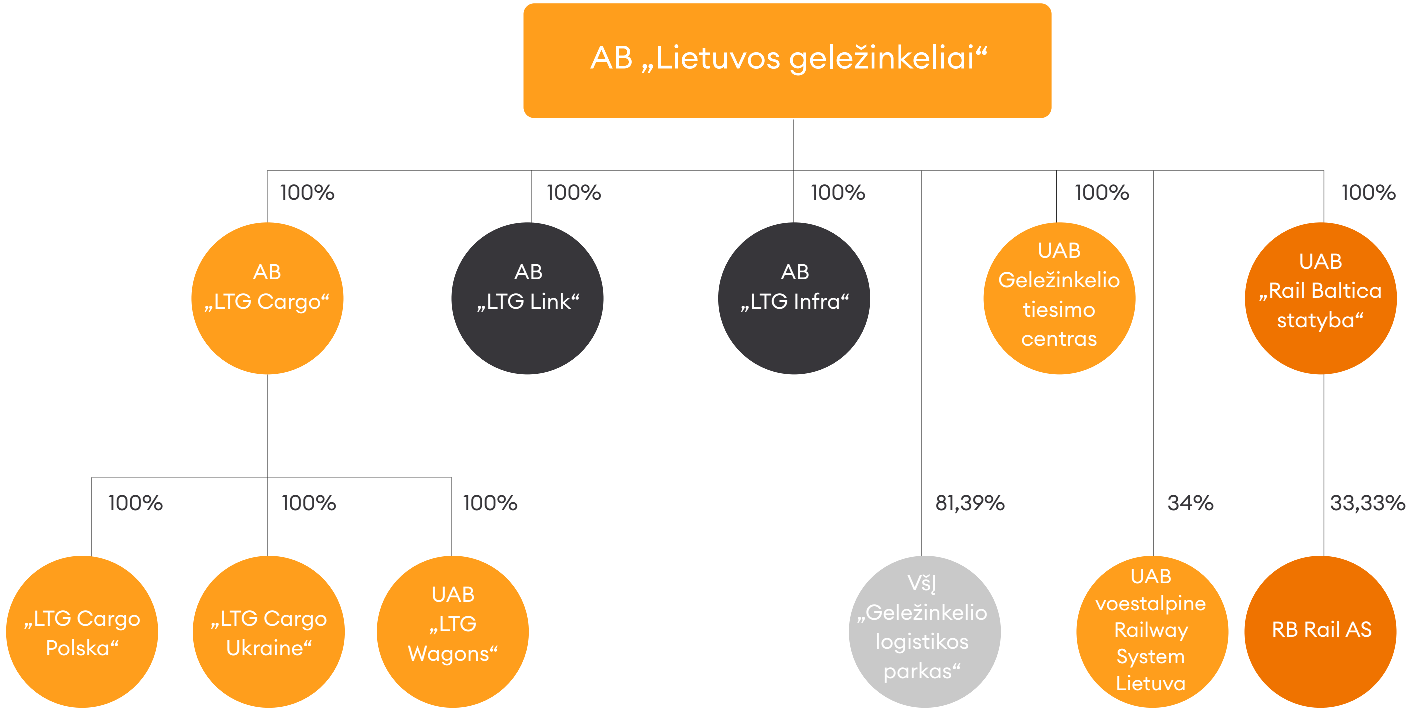


03 Governance report

Governance report

The Company belongs to the LTG Group that is the largest in the Baltic States in terms of freight, passenger transport and infrastructure management. 100% of the Company's shares are owned by LTG.

Structure of the LTG Group



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

Governance model and principles

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.

Governance principles

The corporate governance of the LTG Group is 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.

Information on shares as at 31 December 2024

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 39,678,000	39,678	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. An increase by a non-monetary contribution in the authorised capital of LTG Cargo Polska sp. z o.o., a subsidiary of LTG Cargo AB, was registered in the National Register of Legal Entities of Poland on 25 November 2024 (the former authorised capital of PLN 34,398,000 was increased to PLN 39,678,000).

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.

Recognitions of governance

In the evaluation of the good governance index of state-owned enterprises (SOEs) for 2023/24, 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 transparency, collegial bodies, and strategic planning.

A+
Transparency

A+
Collegial bodies

A+
Strategic planning and implementation

A+
Good Governance Index

The assessment tool developed by the Governance Coordination Centre - the Good Governance Index for SOEs - is used to assess the quality of 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 that the Company follows in its activities.

During the reporting period, the Company's Articles of Association were not amended.

The currently valid Articles of Association of the Company are available on the Company's website applicable version of the Company's Articles of Association.

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 of the Company

In accordance with the LTG Corporate Governance Policy, LTG establishes the policies and rules that apply to the LTG group as a whole. Accordingly, the policies approved by the LTG Board are also applicable to other LTG group companies, including the Company.

During the reporting period, the following operational policies were approved by the LTG Board and have been implemented in the LTG group:

- An updated **Risk Management Policy,** which provides a coherent and common principles-based risk management framework for the LTG group to achieve the objectives set out in the LTG Strategy and to maintain and enhance the value of the LTG Group.
- The **Stakeholder Policy** which aims to understand the key concerns and expectations of stakeholders for the LTG group and to respond consistently and quickly to issues and concerns of stakeholders.
- The **People and Culture Policy**, which establishes general principles governing the People and Culture function within the LTG group, with the aim of managing the human potential and the cultural domain in order to sustainably achieve the LTG group's strategic objectives.
- The **Sustainability Policy**, which aims to set out the LTG group's sustainability principles and priorities, defining key sustainability-related activities and governance model. The policy prioritises the relevant sustainability areas where the LTG group's activities have the greatest environmental impact and seek to create the greatest value.
- The **Whistleblowing Policy**, which sets out a unified model, principles and responsibilities for the management of whistleblowing channels within the LTG group. The LTG group complies with the responsible conduct framework in accordance with the Guidelines for Multinational Enterprises adopted by the Organisation for Economic Co-operation and Development.
- The **Internal Audit Policy** that defines the fundamental principles, objectives and organisation of the management of internal audit activities within the LTG group.
- An updated **Compliance Management Policy**, which sets out a unified compliance management model, principles and responsibilities for the LTG group.
- The **Transport Management Policy**, which aims to set out the procedures and conditions for the allocation, use and control of official vehicles, shared vehicles and private vehicles for LTG Group employees.
- The **Dividend Policy**, which lays down the dividend policy for the LTG group as a whole, to be followed by the governing bodies of the companies in the LTG group when deciding on the distribution of dividends to those companies. The implementation of the Policy aims at contributing to the creation of greater value for the LTG group and ensuring that shareholders and other market participants of LTG Group companies are properly informed about the future long-term return on their investment in the LTG Group.

Management bodies

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

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

The General Meeting of Shareholders

is the supreme management 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 LTG, 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 2024:

- The set of the financial statements of the Company for the year ended 31 December 2023 was approved.
- The Company's distributable profit (loss) for 2023 was allocated.
- The member of the Board was recalled from the position of the member of the Board and a new member of the Board was elected.
- The decision of the Board of the Company to prioritise the Company's risks and to approve the Company's risk management strategies was approved.
- The decision of the Board of the Company for the Company to become the member of the International rail freight business association was approved.
- The decision of the Board of the Company to conclude an agreement for purchase of the strategic management fee was approved.
- The decision of the Board to conclude mutual lending and borrowing agreement with LTG was approved.
- The decision of the Board of the Company to enter into agreements for the purchase of repair services for engine blocks; internal combustion engines and generators; brake equipment for Siemens ER20CF locomotives was approved.
- The decision of the Board of the Company to enter into agreements for services in the railway service equipment was approved.
- The decisions of the Board of the Company to approve the agreements for purchase of wagons, traction energy of LTG Cargo Polska sp. z o.o. were approved.
- The decisions of the Board of the Company to approve financing transactions of LTG Cargo Polska sp. z o.o. were approved.
- The decision of the Board of the Company to enter into the purchase transaction for semi-wagons was approved.
- The decision of the Board of the Company to enter into the financing transaction for purchase of grain wagons was approved.

Board

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.

Independent Board members are elected in accordance with the Procedures for the Nomination of Candidates to the Board of Directors of a State or Municipal Enterprise and Candidates to the Supervisory or Governing Body of a State- or Municipality-owned Enterprise Elected by the General Meeting of Shareholders (hereinafter - Nomination Procedures), approved by Resolution No 631 of the Government of the Republic of Lithuania of 17 June 2015 (with successive amendments). When forming the board, the provisions of the Selection Description regarding the versatility of the competences of the board members, the requirements for compliance with general and special requirements are followed.

The 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.

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

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

Composition of the Company's Board

Composition of the company's board during the reporting period

Vitalij Rakovski

Independent Board Member, Chairperson
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

- Head of UAB Perlas Finance, Olimpiečių g. 15-1, Vilnius, company code 301169732.

Aivaras Čičelis

Independent Member of the Board
Member of the Board from 1 June 2024.

Education

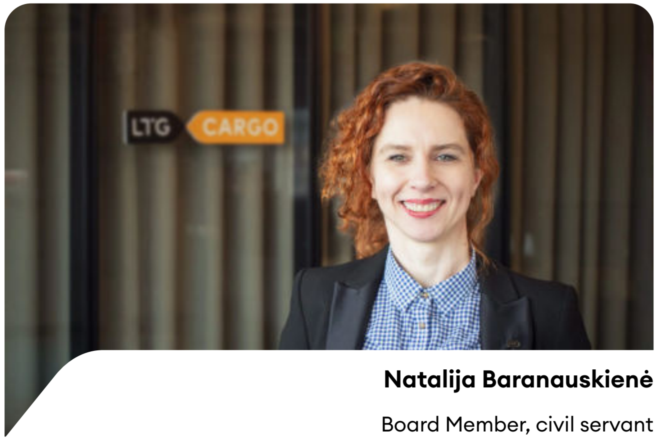
- Vilnius University, Master in Finance and Banking
- Vilnius University, Bachelor in Economics
- University of Wisconsin, USA, Bachelor in Finance Management

Main employer, position held

- -

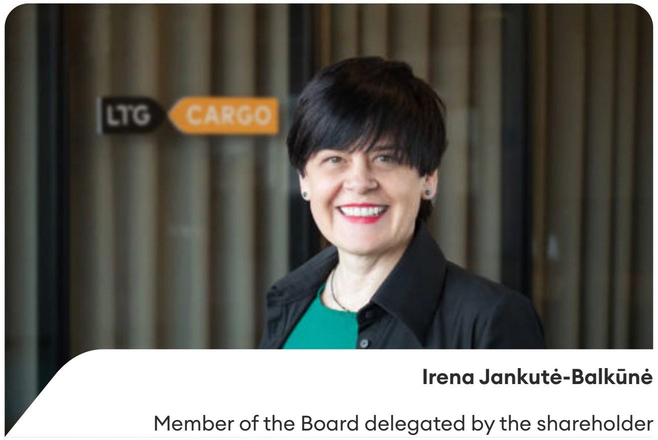
Other current positions

- AB HISK, Panevėžys, S. Kerbedžio g. 7, company code 147710353, Independent Member of the Board.
- BMI Executive Institute, VšĮ, Vilnius, Konstitucijos pr. 18B, company code 195005151, Independent Member of the Board.
- UAB ILTE, Vilnius, Konstitucijos pr. 7, company code 110084026, Deputy Chairperson of the Supervisory Board.



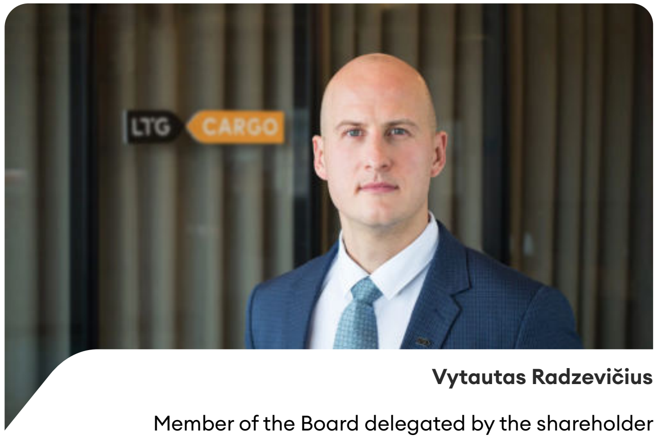
Natalija Baranauskienė

Board Member, civil servant
Holds position from 6 March 2023.



Irena Jankutė-Balkūnė

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



Vytautas Radzevičius

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

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 People and Culture of AB Lietuvos geležinkeliai, Geležinkelio g. 16, Vilnius, company code 110053842

Other current positions:

- Head of Lietuvos geležinkelių įmonių asociacija, Geležinkelio g. 16, Vilnius, company code 304949011

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 g. 16, Vilnius, company code 110053842

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 g. 5, company code 300022163

Changes in the management board during the reporting period

January

During the reporting period, Arnoldas Ūkeniekas resigned from the position of member of the Board of the Company on 11 January 2024.

Vitalij Rakovski has been holding the position of the chairperson of the Board of the Company from 12 January 2024.

Aivaras Čičelis has been elected as the member of the Board on 1 January 2024.

Interest management

Members of the Board declare their jobs and positions publicly, information can be found and checked in the Register of Private Interests.

https://pinreg.vtek.lt/app/deklaraciju-paieska

Competency matrix

Composition of the Board members	Competences of a civil servant	Competences of members delegated by the parent company		Competences of independent members of the Board	
	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 business development	Financing strategy
General requirements (compulsory, applicable to all candidates)					
Higher university education of its equivalent					
Candidate may not be disqualified and restricted from holding the position he/she is applying for and from performance of functions of the respective position					
The candidate must not have been removed from a single-person or collegiate body of a legal person for misconduct within the last 5 years					
He/she must have an impeccable reputation					
He/she may not have any relations to any other natural or legal persons that could create a conflict of interests in case of holding the position					
Special requirements (compulsory, applicable to all candidates)					
Very good English skills (written and verbal)					
Experience in implementation of strategic goals and sustainable increase in the company's value					
Excellent skills in leadership, teamwork and cooperation with parties of interest					
Excellent skills in leadership, teamwork and cooperation with parties of interest					
Special requirements (according to the area of competence)					
At least 5 years of experience in a senior management position (s 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 investment risk management					
Experience in freight forwarding services					
Experience in development of organisation and its culture					

Competency matrix

Composition of the Board members	Competences of a civil servant	Competences of members delegated by the parent company		Competences of independent members of the Board	
	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	International business development	Financing strategy
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					
Good knowledge of strategies and goals of Lietuvos geležinkeliai Group of companies					
At least 5 years of experience in a senior management position in financial management, financial advisory, financial services and audit					
Darbo patirtis B2B sektoriuje					
Experience of working in collegiate supervisory and management bodies					

Compulsory   Advantage

The Company’s Board members must meet the general and special requirements set out in the Board Member Selection Guidelines for AB Lietuvos geležinkeliai Group companies (AB LTG Cargo, AB LTG Infra, UAB LTG Link), applicable to civil servants and parent company delegates.

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 for 20224 approved on 8 December 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 2025 was approved on 3 December 2024.

During the reporting period, a total of 28 meetings of the Board were held, including 4 (four) meetings which took place in the form of a survey (in writing).

Information on the attendance of Board meetings in 2024

Name, surname of a member	Board meetings
Number of meetings in the reporting period (including away days, early-voting in writing)	28
Vitalij Rakovski	28
Aivaras Čičelis	15*
Natalija Baranauskienė	28
Irena Jankutė-Balkūnė	28
Vytautas Radzevičius	28
Arnoldas Ūkeniekas	2*

**Aivaras Čičelis has been elected as a member of the Board of the Company as of 1 June 2024, so there is a difference in attendance.*

**Arnoldas Ūkeniekas resigned from the position of a member of the Board of the Company on 11 January 2024, so there is a difference in attendance.*

Key decisions of the Board in 2024

Operating strategies and planning decisions

Based on the annual business plan for 2024 approved by the Board, in 2024, the Board of the Company discussed the Company's business strategy and its implementation, planning of the Company's activities, main investments and projects, the Company's risks and their management.

The Board made decisions that are essential for ensuring efficient and uninterrupted operations of the Company:

- The new Chairperson of the Board of the Company was elected.
- The updated Rules of Procedure of the Board of the Company were approved.
- The level of achievement of the Company's annual goals for 2023 was approved.
- The Annual Report of the Company for 2023 and the set of Financial Statement of the Company for 2023 were approved.
- The interim management report of the Company for 2023 was approved.
- New management structure of the Company was approved.
- The risks Company were prioritised and the Company's risk management strategies were approved.
- The updated operational strategy of the Company for 2025-2029 was approved.
- The goals of the Company for 2025 were set.
- The annual operational plan (budget) of the Company for 2025 was approved.
- The Company's intent to become the member of the International rail freight business association was approved.
- Decision to conclude an agreement for the purchase of the strategic management fee was adopted.
- The decision of the Board to conclude mutual lending and borrowing agreement with LTG was adopted.
- The decision to enter into agreements for the purchase of repair services for engine blocks; internal combustion engines and generators; brake equipment for Siemens ER20CF locomotives was adopted.
- The decision to enter into agreements for services in the railway service equipment was adopted.

Decisions of the boards of subsidiaries

During the reporting period, the Board of the Company paid special attention to the operations of LTG Cargo Polska as a part of the operational strategy of the Company as well as considered, analysed and approved the transactions of the highest value of the subsidiary LTG Cargo Polska sp. z o.o. The most important decisions of the Board of the Company regarding the transactions of the subsidiary's board:

- A decision to transfer non-current assets of the Company to the Company's subsidiary LTG Cargo Polska sp. z o.o. by increasing the authorised capital of this company by a non-monetary contribution, and to approve increase of the authorised capital of LTG Cargo Polska Sp. z o.o by PLN 5,280,000 (five million two hundred and eighty thousand PLN) by the Company as the sole shareholder of LTG Cargo Polska sp. z o.o. Was adopted;
- The agreements for purchase of wagons, traction energy of LTG Cargo Polska sp. z o.o. were approved.
- Financing transactions of LTG Cargo Polska sp. z o.o. Were approved.

Projects of the Company

During the reporting period, the Board of the Company paid special attention to the following most significant projects of the LTG Group and the Company as well as their implementations: intermodal, Free Rail. The progress in these projects has been presented on regular basis in the meetings of the Board.

The Board has considered and made the decisions that are significant from the financial and strategical point of view:

- The decision to enter into a purchase transaction for semi-wagons was made.
- The decision to enter into a financing transaction for purchase of grain wagons was made.

Self-assessment and performance of the Board

In accordance with the Board's Rules of Procedure and in line with good governance practices, on 11 February 2025 the Board carried out its evaluation of its performance for 2024. The Board identified key areas for improvement and actions required in communication between the Board and the Manager of the Company, in the areas of strengthening the transport competences of the Company's Board and organising Board meetings. The Board's self-assessment index rose from 4.04 to 4.56, compared to 2023.

Committees and their activities

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.

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 2024

Name, surname of a member	Remuneration for activity of a member of the Board in 2024, EUR
Aivaras Čičelis	18,900.59
Arnoldas Ūkeniekas	1,700.50
Irena Jankutė-Balkūnė	15,312.00
Natalija Baranauskienė	15,312.00
Vitalij Rakovski	40,502.91
Vytautas Radzevičius	15,312.00

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

Management

The Head of the Company

The Head of the Company(Chief Executive Officer) is a single-person management body of the Company who organises and manages daily operation of the Company in accordance with his/her powers. The competence areas of the Head of the Company are defined in the Law on Companies of the Republic of Lithuania and the Articles of Association of the Company. The Head of the Company 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 head of the Company for no more than 2 consecutive terms of office.

The Head of the Company's powers are in accordance with those established by the Law on Companies of the Republic of Lithuania and other applicable legislation.

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

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. Eglė Šimė is the graduate of the Baltic Institute of Corporate Governance (BICG) Board member education programme.

Information on remuneration of the Company's CEO

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

- **Basic monthly salary.** The monthly base salary of the Company's CEO at the end of the reporting period, as set out in the employment contract, was EUR 10,800. During the period under review, the monthly base salary of the Company's CEO has increased by 10.8% from EUR 9,750 to EUR 10,800.
- **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 achievements of the LTG Group's annual goals, and 40% is influenced by the level of achievements of the Company's annual goals. Each year, the Board of the Company approves the structure of annual goals of the Group, threshold values for their achievement and benchmarks, and after the end of year the Board of the Company approves the results of achievement of these objectives and the possibility of paying annual incentive.

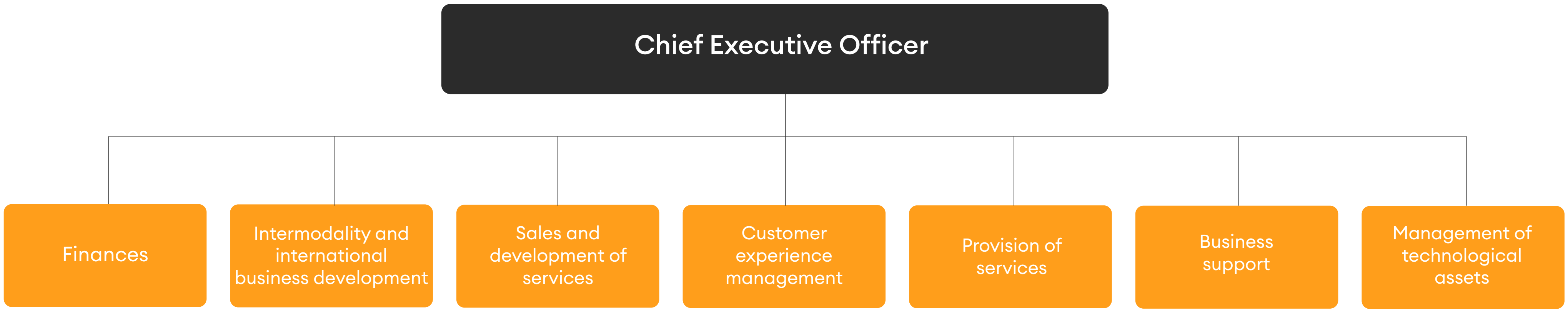
The maximum amount of the variable annual incentive is up to 30% of the annual basic salary. The maximum amount of monthly incentive, i.e. 1/12 of the annual incentive share for 2023, could not exceed EUR 2,925.

In 2024, **a monthly portion (1/12) of the annual incentive** to the Company's CEO for achievement of the goals of the year 2023 amounted to EUR 2,165.

Goals of the Company for 2023:

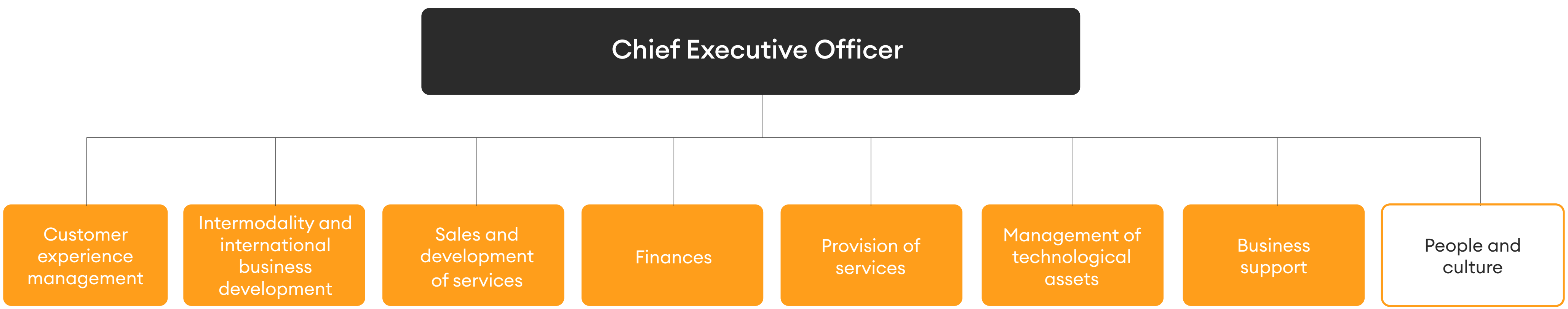
Main goals	Indicators to measure achievement of goals	Measuring unit	Weight, %	Goals 2023	Goal implementation indicators 2023
First choice of logistics services	Volume of freight transportation by LTG Cargo (Lithuania)	billion tkm	10%	>4,9	6.31
	Implemented LTG Cargo Customer Satisfaction Improvement Plan NPS for 2023	Percentage of plan implementation	20%	>80	87
Increasing the value created by LTG Cargo	EBIDTA margin	Percentage	20%	>13,5	17.3
Increasing 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	Lost time injury frequency rate (LTIFR)	Accidents at work *1 million / total working hours	10%	<3	0.32

Management and organisational structure of the Company



**Organisational structure of the Company as at 31/12/2024*

Organisational structure of the Company applicable from 1 January 2025 was approved by the Board of the Company in the meeting held on 3 December 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
Andrius Ladauskas	Head of Finance of the Company	Held position from 4 March 2024 to 27 September 2024
Alma Rupšienė		Held position from 1 October 2024 to 4 November 2024
Arūnas Žilys		Holds position from 5 November 2024
Mindaugas Skunčikas	Head of Intermodality ad International Business Development of the Company	Holds position from 1 January 2024
Laimonas Nekrošius	Head of Sales and Development of Services of the Company	Held position from 1 January 2024 to 30 September 2024
Justinas Žvirblis		Holds position temporarily from 1 October 2024
Vita Remezaitė-Mateikienė	Head of Client Experience Management of the Company	Holds position from 1 January 2024 (held the position of the Head of Customer Services from 1 August 2023 to 1 January 2024)
Aušra Mockaitė	Head for Service Delivery of the Company	Held position from 3 January 2023 to 30 April 2024
Saulius Vaičekauskas		Holds position from 1 May 2024
Milda Pranskaitė	Head of Business Support of the Company	Holds position from 1 August 2023
Audrius Pukas	Head of Technological Asset Management of the Company	Holds position from 15 June 2020
Rasa Latvėnienė	Partner of People and Culture of the Company	Holds position from 1 February 2025

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 strengthen the organisation's ability to create, protect and preserve value by providing independent, risk-based and objective assurance, advice, insight and foresight, thereby contributing to LTG Cargo's strategic objectives.

The unit'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.

04 Employees/ Remuneration report

Employee engagement remains one of the core priorities of the LTG Group's organisational culture, directly influencing the Company's performance, employee productivity, job satisfaction, loyalty and emotional and physical well-being. To increase employee engagement, we focus on programmes that enable organisational culture change – we ensure a fair and transparent remuneration and benefits package, continuously invest in improving working tools, working conditions and employee development, reinforcing value behaviours, encouraging feedback and internal career development, ensuring the principles of equal opportunities and diversity, continuously working on prevention of violence and harassment and other initiatives or measures necessary for the successful implementation of the Company's strategy and the promotion of employee well-being.

Initiatives and key events in 2024

- Special attention was paid to fostering the LTG Group's values (Customer, Responsibility, Cooperation, Improvement) – team activities were organised in Lithuania and Poland using a unique board game "LTG Genas" developed by LTG employees and external suppliers. As more and more employees are involved in this format, we have seen an increase in the awareness of values, team building, mutual knowledge, cooperation and trust in each other.
- A periodic extended organisational culture survey "Voice of Employees" was carried out, measuring employee engagement, satisfaction, employee (eNPS) and customer loyalty (NPS) indicators, identifying progress in organisational culture and areas for improvement. In 2024, the study revealed high employee engagement, satisfaction and rapidly growing loyalty rates, significantly above the Scandinavian transport sector average.
- To embed the principles of inclusive and nurturing leadership, measures have been implemented to strengthen leadership competences: continuous development programmes for middle level and team leaders, e-learning cycle for leadership competences, leadership through strengths sessions; shift programme, updated and digitalised training programme for new managers, "The Manager's Standard". To ensure the development of the necessary competences, mandatory and professional training has been organised through external suppliers and the LTG Group's internal resources, which include an e-learning and knowledge testing base and in-house trainers' training. In line with the principles of flexible learning, the "Friday for Growth" initiative was implemented for the personal growth of all LTG Group employees, covering topics such as sustainability, emotional well-being, personal effectiveness, digital literacy, etc. In order to improve the learning experience of new LTG employees during their adaptation to the organisation, a "Newcomer" programme was developed, based on video training content and interactive group activities.
- The LTG group became a member of the Diversity Charter. A diversity awareness project was also initiated, SOPA's DUOday initiative was joined, Diversity Month was celebrated in May, the ABC of Equality and Non-Discrimination training was launched, and the Equal Opportunities Ombudsman's Office awarded the LTG Group the third Equal Opportunities Wing out of a possible three for its commitment to a safe and inclusive environment.
- The LTG Group has paid particular attention to cooperation with educational institutions: in order to raise the profile of the railway professions and to encourage students to pursue engineering studies, knowledge and experience were shared at conferences, lectures, public discussions, working groups, active involvement in initiatives of educational partners, suggesting railway topics for final theses at higher education institutions, and carrying out LTG Group shadowing projects. The Company active participated in the project "Transport and Communications Career Laboratory" initiated by the Ministry of Transport and Communications of the Republic of Lithuania and in the project "Vilnius is a School" initiated by the Vilnius City Municipality and the EDU. A consortium agreement was signed for the Massachusetts Institute of Technology (MIT) International Science and Technology Initiatives (MISTI) programme for Lithuania. A cooperation agreement was signed with the State College of Šiauliai to expand the range of educational partners. The doubling of the number of young talents involved in the Growing Leaders internship programme, now in its third consecutive year, was also encouraging.
- A non-formal training programme for train driver's certificate has been launched. Employees of the Company who wish to become train drivers joined the first group of learners. This programme guarantees interchangeability of train drivers as well as provides employees with a great possibility professional improvement.
- A detailed plan has been prepared for Radviliškis district and it is aimed at recruiting new employees, retaining current employees, improvement of working conditions and promoting a value-based culture. Also, cooperation with the Employment Service, training centres has been improved, open days have been organised, equipment, tools and premises have been renewed, quarterly meetings with employees and other initiatives have been organised.
- To increase engagement of employees, quarterly meetings of the top management with the employees in the regions have been organised and current issues, projects in progress and achievements of the Company have been presented.

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 of remuneration generally takes effect on 1 April of each year. The implementation of the review for 2024 resulted in an increase in the Company's monthly payroll fund by EUR 215 thousand, and 90% of staff have received a pay rise on the basis of uniform review criteria.

After the end of the financial year and after an assessment of the Company's performance, an annual performance incentive fund is established by a decision of the Company's Board. Such fund 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 April 2024, the incentive fund distributed to the Company's employees for 2023 performance amounted to EUR 1.7 million.

The process of managing and summarising employee performance remains focused on raising the LTG Group's and the Company's annual objectives, achieving high performance, embedding a culture of personal accountability, value-based behaviour 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 provided with a discount programme for various goods and services, insurance against accidents and additional voluntary health insurance, which compensates employees for outpatient and inpatient treatment and diagnostics, preventive health check-ups and vaccinations, medicines and medical supplies. In addition, employees can choose dental, rehabilitation or optical services. Around 80% of employees declare their choice of supplementary voluntary health insurance each year.

The remuneration policy approved by the LTG Board is applied to all subsidiaries and is publicly published on the Company's website under 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 is also observed in certain function groups, where women, although not predominant, occupy positions for which the market shortage leads to relatively higher remuneration, in which case remuneration of women outperforms men's remuneration.

Number of employees and their remuneration

Number of employees of ltg cargo group

Group companies	31/12/2024	31/12/2023	31/12/2022
AB LTG Cargo	1,658	1,723	1,929
UAB LTG Wagons	1	1	1
LTG Cargo Polska Sp.zo.o.	133	126	89
LLC LTG Cargo Ukraine	5	6	5
OOO Rail Lab (liquidated)	-	-	2
Total	1,793*	1,852*	2,026

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

Number of employees of the company and average salary

Position group	31/12/2024**						31/12/2023		31/12/2022	
	Number of employees			Average salary, EUR			Number of employees	Average salary, EUR	Number of employees	Average salary, EUR
	Total	Women	Men	Total	Women	Men				
The Head of the Company*	1	1	-	10,800	-	-	1	9,750	1	9,200
Top level management*	8	2	6	7,166	-	7,305	8	6,560	5	6,357
Senior managers and specialists in exceptional fields	20	3	17	5,223	-	5,147	24	4,973	21	4,556
Middle-level managers and individual experts	106	40	66	3,278	3,266	3,285	100	2,961	88	2,727
Team leaders and experienced specialists	327	155	172	2,311	2,231	2,378	320	2,133	329	2,007
Specialists and experienced operational/service staff	950	108	842	2,528	1,769	2,696	548	2,417	597	2,127
Operational/service staff, qualified workers	246	111	135	1,744	1,560	1,794	722	1,627	888	1,500
Total	1,658	420	1,238	2,322	2,083	2,405	1,723	2,098	1,929	1,826

As at 31 December 2024, the number of the Company's employees was 1658, 22 employees were on long-term leave (parental leave, maternity leave, military service, etc.). The number of employees has decreased by 65 or 3.8%, compared to the data as at 31 December 2023.

The average monthly salary, compared to 2023, increased from EUR 2,098 to EUR 2,322. The most significant impact on remuneration developments was the LTG Group-wide review of remuneration in April.

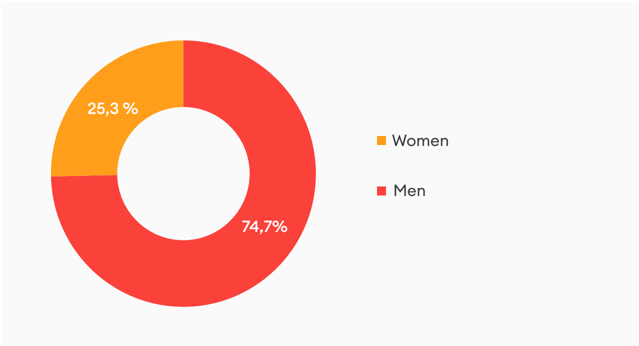
The total payroll fund amounted to EUR 47 million (excluding compensations for unused leave, severance payments, accruals, non-capitalised wages) and increased by EUR 1.1 million compared to 2023 (from EUR 45.9 million to EUR 47 million). In addition, in April 2024, as in other LTG Group companies, the annual incentives for performance in the amount of EUR 1.7 million were paid to the Company's employees.

** Fixed remuneration as at the end of the period. The components of the remuneration of the Company's Chief Executive Officer are described in the Corporate Governance Report 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 managers as established in their employment contracts as at 31 December 2024 amounted to EUR 7,166, and the average actual salary of this function group, taking into account the annual performance incentives, amounted to EUR 8,007.*

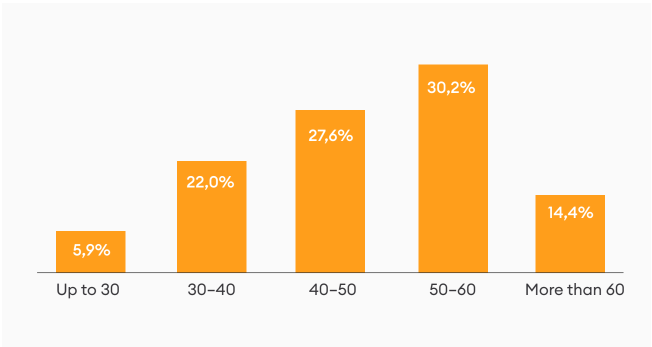
***For reasons of confidentiality, information on and difference in average salary by gender is not disclosed, if there are less than 5 employees of the same gender in the function group.*

Distribution of the Company's employees by age, gender, length of service and education as at 31 December 2024

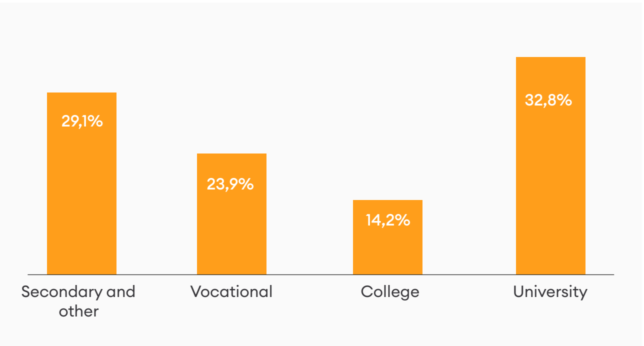
Graphic 16. **Employee distribution by gender, %**



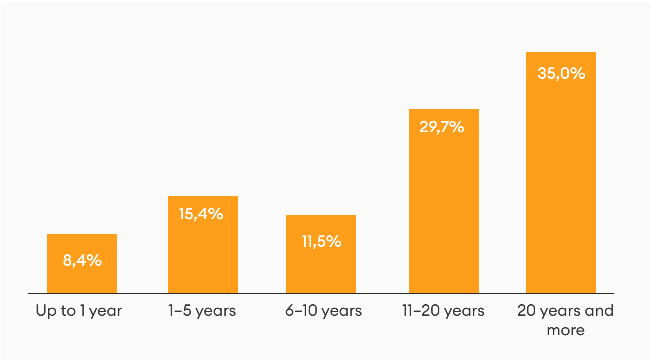
Graphic 17. **Employee distribution by age groups, %**



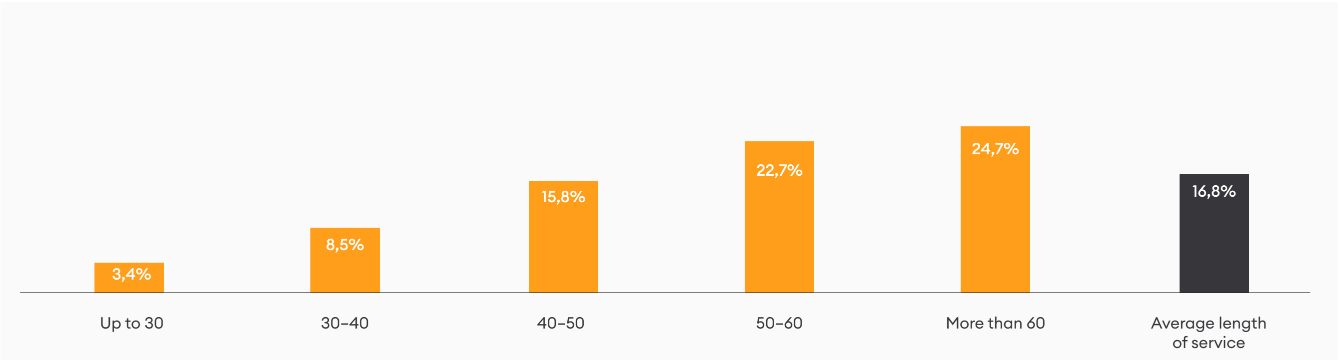
Graphic 18. **Employee distribution by education, %**



Graphic 19. **Employee distribution by length of service, %**



Graphic 20. **Employee distribution by age group and average length of service, in years**



Ratio of average earnings between women and men in the Company

Group by positions	2024	2023	2022
Total employees	1 : 0.87	1 : 0.85	1 : 0.83
Senior managers and specialists in exceptional fields	-	1 : 1.18	1 : 1.20
Middle-level managers and individual experts	1 : 0.99	1 : 0.92	1 : 0.96
Team leaders and experienced specialists	1 : 0.94	1 : 0.93	1 : 0.93
Specialists and experienced operational/service staff	1 : 0.66	1 : 0.64	1 : 0,67
Operational/service staff, qualified workers	1 : 0.87	1 : 0.85	1 : 0.85

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

*** for reasons of confidentiality, information on ratio in average salary by gender is not disclosed if there are less than 5 employees of the same gender in the function group.*

People and Culture Policy

The People and Culture Policy is approved by the LTG Board and its provisions and principles apply to all LTG Group companies. This policy, as all other legislation approved by the LTG Board, is publicly announced.

Inclusive organisational culture. The aim is to increase employee engagement, which has a direct impact on performance, productivity, job satisfaction, loyalty and the emotional and physical well-being of employees. **In 2024, a particular focus was placed on: LTG Group's values** - through the unique board game "LTG Gene", team-building activities were organised, which resulted in increased awareness of values, mutual knowledge, cooperation and trust in each other; **employee development** - leadership competences were strengthened through various development programmes, the "Manager's Standard" was updated, and the initiative "Friday for Growth" was implemented for the personal growth of all LTG group employees (various topics: sustainability, emotional well-being, digital literacy, etc.); **diversity awareness topics** - LTG became a member of the Diversity Charter, joined the SOPA DUODay, started the "ABC of Equality and Non-Discrimination" training, and the Equal Opportunities Ombudsman's Office awarded the LTG Group the third out of the three "Equal Opportunities Wings" for ensuring a safe and inclusive environment; **cooperation with educational institutions** - to raise the profile of the railway professions, knowledge was shared at conferences, lectures and active involvement in the initiatives of educational partners, participation in the projects "Transport and Communications Career Laboratory" and "Vilnius is a School", signing of a cooperation agreement with the State College of Šiauliai and the Massachusetts Institute of Technology for the International Science and Technology Initiatives Programme, doubling of the number of young talent in the "Growing Leaders" internship programme. Also, this year, **a "New Traveller" programme for new staff was created, the concepts of the LTG Women's Club and the LTG Cultural Ambassadors Club were updated, and the women's mentorship programme took place.** In 2024, the periodic extended **organisational culture survey "Voice of the Employees" was conducted,** which revealed high employee engagement, satisfaction and rapidly increasing loyalty rates, significantly above the Scandinavian transport sector average, and helped to identify areas for improvement, which will be the focus of initiatives and activities in 2025.

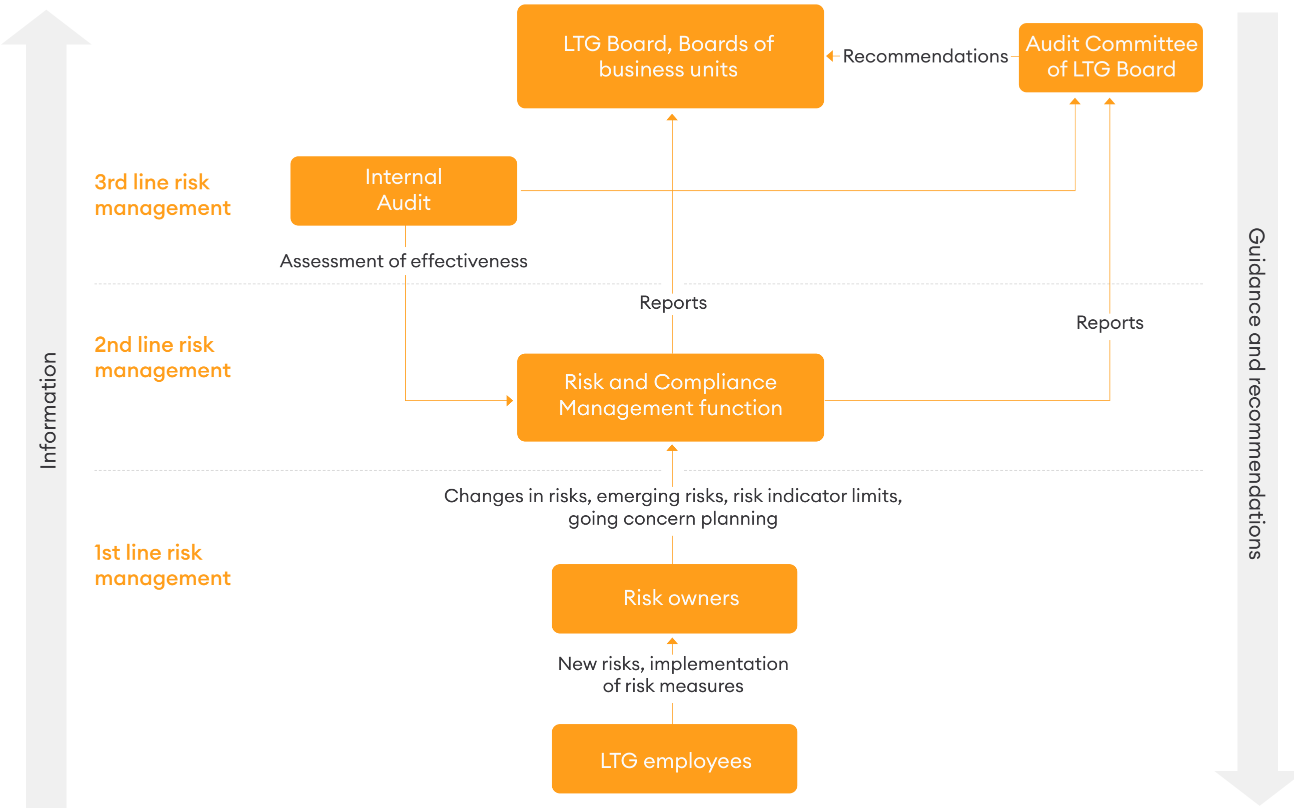
05 Risks and their management

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 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.
- 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 discloses the risk management system, detailing the flow of information and distribution of responsibilities.



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

01 Risk identification, analysis and assessment.

02 Developing risk management plans.

03 Implementation of risk management plans.

04 Monitoring of risk management.

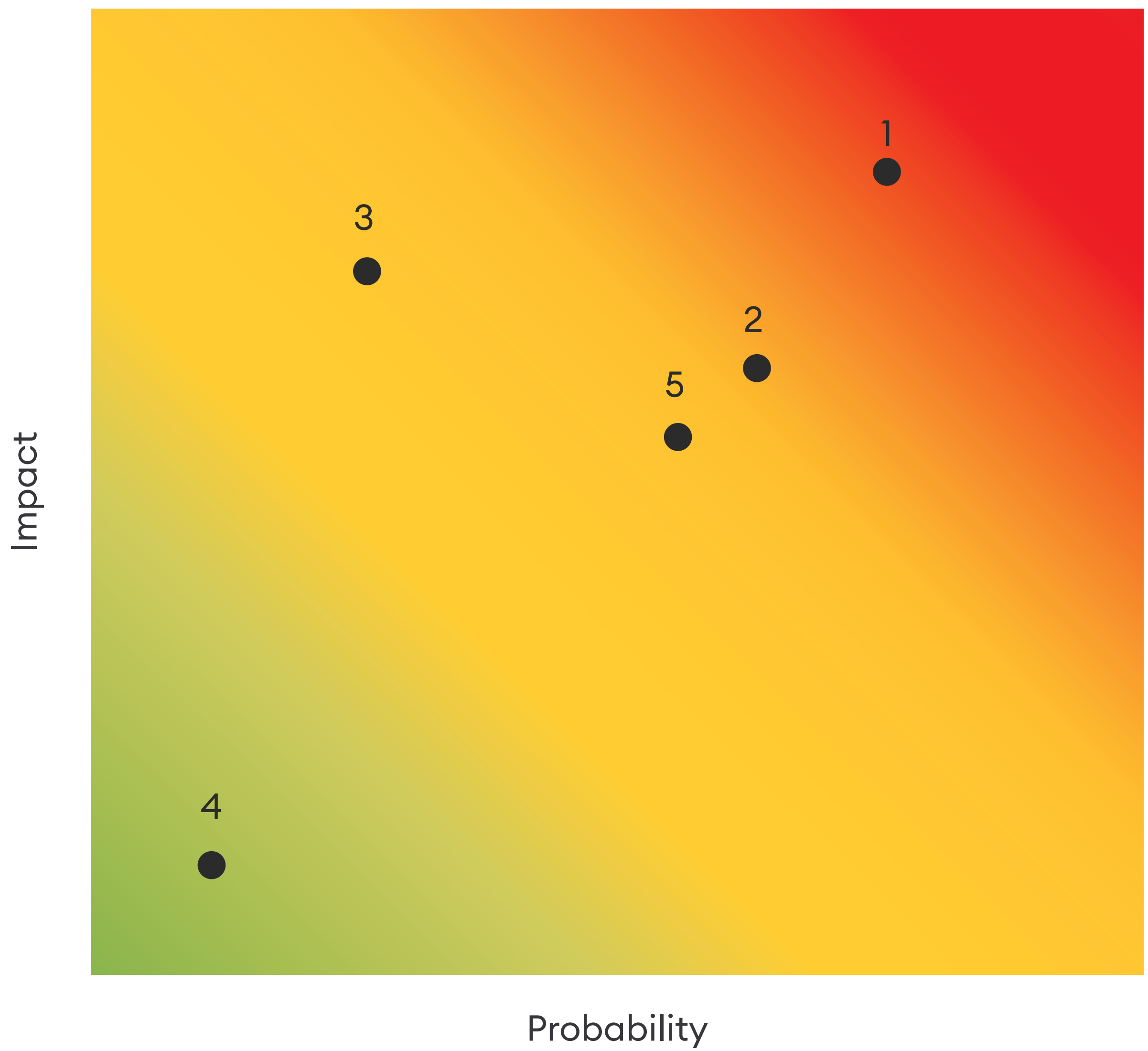
05 Reporting and communication.

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 management boards of the companies and the LTG Group. The LTG Group Management Board is informed on a monthly basis about the risks exceeding the appetite. Such a cyclical system not only helps to monitor the status of identified risks, but also provides an opportunity to discuss the emergence of new risks.

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 2024 are presented below.

Risk map



Main risks and their management measures

1. Risks of expansion in foreign markets
2. Failure to ensure that IT systems meet business needs
3. Risk of sanctioned freight transport/circumvention schemes
4. Supply chain and technological dependence on "third parties"
5. Risk of safety incidents

Risk	Main risk sources	Possible impact	Main risk management measures
Risks of expansion in foreign markets	• Increasing competition in the market • Lack of specialists with specific competences • Lack of wagons, transhipment systems, locomotives • Inadequate customer service	• Revenue targets not met • Non-compliance with good governance practices • Delays in transportation	• Expansion of service supply • Consolidation of the customer service process • Ensuring quality control • Ensuring competences as required
Failure to ensure that IT systems meet business needs	• The changing business environment creates new needs • Insufficient digitisation and automation	• Performance disorders • Low operational efficiency • Financial losses • Reputational damage	• System modernisation and development of new systems • Corrective changes to functionalities • Updating access control processes and tools
Risk of sanctioned freight transport/ circumvention schemes	• Possible malicious attempt by customers to circumvent sanctions	• Reputational damage • Financial losses	• Sanction control and monitoring • Continous cooperation with authorities • Maintenance of competences
Supply chain and technological dependence on "third parties"	• Increase in prices of materials and raw materials • Extended delivery time • Possible sanctions for suppliers	• Operational failures due to lack of repair parts • Work delays • Increase in expenses	• Advance planning • Replacement of technologies • Search for and validation of alternative suppliers • Rolling stock restoration programmes
Risk of safety incidents	• Failure to comply with work safety instructions • Failure to comply with technological requirements during repair work *Inherent risks specific in conducted activity. These risks are managed with a strong focus applying continuous and systematic measures*	• Financial losses due to damage to rolling stock or infrastructure • Damage to reputation due to failure to ensure traffic/worker safety • Disruption of operations due to traffic accidents	• Periodic training and coaching • Inspections of safety systems • Periodic monitoring of physical and technical security • Inspections of quality control

06 Additional information

Information on external audit

Audit of the Company's annual 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 contract for the audit services was signed on 27 July 2023.

The fee set to the audit firm for the audit of the financial statements and translation services for the year 2024 amounts to EUR 84 thousand and other non-audit services as of EUR 15 thousand (limited assurance engagement on accounting separation report (an accounting separation system to separate the accounting of income, expenses, assets and (or) liabilities by certain business units) in accordance with International Standard on Assurance Engagements (ISAE) 3000, total amount as of EUR 99,0 thousand (VAT excluded).

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 or similar events and has not incurred any additional costs that have had a material impact on the financial statements.

Details, goals and indicators related to environmental protection, personnel, human rights, anti-corruption and anti-bribery is disclosed in the LTG Group's Consolidated Management Report for 2024, where the Sustainability Report forms part thereof, covering information on sustainability related matters both of the parent company and the subsidiaries. LTG Group's Sustainability Report for 2024 follows European Sustainability Reporting Standards (ESRS), the Law on Reporting by Undertakings and Groups of Undertakings of the Republic of Lithuania, while incorporating the recommendations and best practices of the Governance Coordination Centre. LTG Cargo does not prepare a separate sustainability report but we provide information on the most significant LTG Cargo initiatives and projects that make a significant contribution to the Group's sustainable performance management.

On sustainability management within the group

LTG strives to operate with minimal environmental impact while maximising positive contributions to quality of life. Sustainability activities across the Group are managed centrally. The LTG Strategy and LTG Group Sustainability Policy serve as the primary documents establishing the group's sustainable development goals and directions. The LTG Sustainability Policy, updated in 2024, is a key document defining LTG's sustainability objectives, tasks, principles and priorities. The policy establishes long-term environmental, social and governance priorities in areas where LTG's operations have the greatest environmental impact and potential to create significant value and change.

LTG Cargo, as part of LTG Group, aligns its environmental, social and governance priorities and strategic objectives with areas where operations have the most significant environmental impact and potential for creating measurable value and change. LTG Cargo strategy defines the following key long-term sustainability objectives and indicators across environmental, social and governance dimensions:

	Strategic goals	Indicator	2025	2029
Environmental protection	Minimise impact on environment i and climate change	LTG Cargo (Lithuania) CO_2 emissions per revenue unit, tCO_2e/k EUR	0.283	0.153
	Enhance energy efficiency of LTG Cargo (Lithuania)	Total energy consumption reduction, GWh	0.9	36.9
Social responsibility	Increase the level of occupational safety	Lost Time Injury Frequency Rate (LTIFR): injuries per million working hours	2.40	1.95
	Promote inclusive high-performance culture	Employee engagement indicator (measured in the course of employee survey, %)	78	82
	Reduce danger to traffic	Safety risk indicator: weighted number of major and minor incidents per million train kilometres	0.51	0.40
Governance	Improve/maintain good governance index	Good governance index	A+	A+

LTG envisions a future grounded in sustainability culture, where all business decisions align with rigorous sustainability principles and values. The sustainable operations across the Group are guided by UN Global Compact principles, Paris Agreement resolutions, and EU strategic documents (including the European Commission Communication on promoting corporate social responsibility and the Green Paper). Additionally, the sustainability framework incorporates the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and recommendations of the Governance Coordination Centre established by the Government of the Republic of Lithuania, ensuring implementation of good governance principles in state-owned enterprises.

The Company maintains a sustainable and conscientious approach to environmental stewardship and stakeholder relationships, encompassing employees, society, state institutions, customers, suppliers, and partners.

Environment-related initiatives and projects of the Company

The Environmental Area section of the LTG Group's Sustainability Report discloses targets and priorities of the LTG Group aimed at contributing to reduction of environmental impact and climate change mitigation as well as becoming a climate-neutral organisation by 2050; in addition, it also discloses the initiatives and projects carried out by the LTG Group, including the Company, aimed at reducing the impact on the climate and the environment, and the environmental indicators monitored.

Key projects of LTG Cargo, which contribute to the environmental goals of the Group to reduce GHG emissions and increase energy efficiency:

- **Reduction of emission and pollution:**
  - Acquisition of electric locomotives. LTG Cargo, the freight transportation company of LTG Group, acquired spare parts, maintenance and support services in the first three years of operation of 17 locomotives specially manufactured in Lithuania for transport purposes. It is planned that after electrification of the Vilnius–Klaipėda railway section, the network will use electricity generated from renewable energy sources, so electric locomotives will transport cargo without emitting any carbon dioxide into the environment. 17 electric locomotives have been acquired with the possibility of ordering 17 additional locomotives at a later date. The value of this project is EUR 115.66 million. It is planned that the new locomotives will be put into service as early as 2027-2028. They will be able to replace up to 24 diesel locomotives, thus further reducing LTG Cargo's GHG emissions by 30,000 tonnes per year.
  - Acquisition of semi-wagons. 200 semi-wagons have been acquired, which will be delivered in Q2, 2025. Semi-wagons will mainly transport crushed stone, which will reduce road transport and, accordingly, CO_2;
  - Development of a condition-based locomotive repair system. When implemented and the system benefits confirmed, the pilot project will be installed on all Siemens locomotives. Benefits: less replacement parts, reduced fuel consumption.
  - Phase I of the renewal and expansion of the grain wagons park. 500 grain wagons have been acquired. 220 of them were delivered in 2024. The purchase will allow for more grain to be transported by railway and reduce CO_2 emissions.
  - LTG Cargo, the freight company of the LTG Group, will organise transport and locomotive manoeuvring in a more efficient and environmentally friendly way with a view to further reducing its carbon footprint. All these measures helped to save 216,000 litres of fuel during the year. The main measures of the fuel consumption reduction plan are as follows:
    - Developed and implemented locomotive engine off rules;
    - Abandonment of the 2M62M locomotives scheduled for the use during the grain season.
    - Fuel consumption monitoring tool developed for drivers. Mainline locomotives equipped with GPS.
    - Reserve mileage reduced by 2.2% per month.
- **Promoting and publicising sustainability:**
  - Green Kilometre Certificates. All customers transporting goods intermodally, in 2024 received Green Mileage Certificates, indicating CO_2e emission reductions during 2023. The Green Mileage Certificate is a paper and electronic certificate that tells customers about the "savings" in CO_2e and other pollutant emissions when transporting freight with us, compared to the same freight by road. The objectives of the Green Mileage Certificates are: 1) Creating value for customers by encouraging them to choose a greener, more environmentally friendly way of transporting freight; 2) Promoting and contributing to the accountability of companies' sustainability goals; 3) Increasing brand awareness and linking it to sustainability principles and values.
  - In 2024, the Green Mileage Certificates were awarded for the second time. Green Mileage Certificates are awarded to customers who opt for intermodal train services.
  - To measure impact and efficiency, we encourage our customers to use the LTG Cargo Green Mileage calculator. The calculator provides a preliminary estimate of the CO_2e saved when transporting freight on intermodal routes. This encourages and motivates customers to contribute to reduction of the growing carbon footprint. The calculator is also useful for setting and monitoring sustainability targets, making data-driven transport decisions, considering the greenest.
  - Pursuant to the new standard LST EN 14083:2023, the methodology for the assessment of CO_2e emissions was updated in 2024. This methodology calculates the greenhouse gas emissions of intermodal freight transport, which is used to issue the GHG Emission Assessment Declaration for CO_2e savings certificates.
  - Setting up a digital work place. In 2024, the system was installed in locomotive and wagon depots, all repairs in the locomotive depot are registered and managed in the system, a significant productivity growth has been recorded. The transition reduces paper consumption in line with the paperless policy, as reports are online, and it is planned to provide workshops with access to digitised repair documentation.
- **Energy efficiency:**
  - Modernisation of existing 1520 locomotive repair depots. The project included the acquisition of new equipment, refurbishment/modernisation of the existing equipment and improvement of the infrastructure in the locomotive repair depots. Benefits - the new equipment and LED lighting reduce electricity consumption.
  - Upgrading freight wagon depot equipment, infrastructure and technology. The objective is to upgrade the equipment and infrastructure of the freight wagon depot in order to improve technology and operational efficiency. Objective of Phase I, launched in 2024: To ensure the continuity of operations at the Radviliškis Freight Wagon Depot by modernising the brake component repair workshop. The new

equipment will reduce electricity consumption.

- Construction of the rolling stock repair depot in Vaidotai. In 2024, a technical design was prepared for a new depot in Vaidotai, which will replace the energy-inefficient and worn-out depot at Geležinkelio 12, Vilnius.
- Transfer of components of the braking system. The transfer of equipment needed for daily operations from a separate building to the repair premises allowed to avoid the transport of components through the outside by lifting the gates. We are down to 20 openings a day on average. In addition, the transport of parts is carried out with the aid of an forklift to the adapted premises without any additional reloading.
- Laser cleaning of metal parts. 1.5-fold reduction in electricity consumption for laser cleaning of metal parts compared to previously used sanding technology.

- **Reduction of waste or consumption, or promotion of recycling**
  - Metal trimming equipment. The acquired metal trimming equipment allows the restoration of worn-out metal components of freight wagons, thus avoiding the purchase of new stock.
- **Certification of the environmental management system:**
  - A responsible approach to the quality of operations and environmental protection of LTG Cargo is demonstrated by the Quality and Environmental Management Certificate ISO 9001:2015 and ISO 14001:2015, obtained in July 2024. It is an external confirmation that in its day-to-day operations the Company is following the standards of the most advanced and efficient companies.
  - LTG Cargo applies environmentally friendly solutions that ensure operational quality in its daily operations. Customer confidence, the focus on efficiency and the creation of value for customers, aspiration to strengthen the Company's competitiveness in both internal and external markets, impose an obligation to find the best ways of operation. The certificate thus granted to the Company constitutes an objective confirmation of this continuous work.

Well-being of employees and organisational culture

The Social Area section of the LTG Group's Sustainability Report discloses the LTG Group's social priorities, initiatives carried out throughout LTG Group companies to ensure well-being, development, safe work environment, equal opportunities, etc. for employees, also unified policies, standards and other internal documentation regulating personnel related issues applied within the LTG Group as a whole, and the monitored priority indicators related to personnel.

Employee engagement and safety remain among the Company's key social priorities. More information on LTG Cargo's employee-related indicators, targets and achievements in this area is provided in the Employees section of this annual management report, while the measures to maximise performance in this area are detailed in the LTG Group report. LTG Cargo's key employee-related initiatives for 2024 are:

- **Increasing employee motivation and engagement**
  - HR initiatives to increase engagement after the Employee Voice Survey:
    - Quarterly meetings were organised in Vilnius, Radviliškis, Klaipėda to present LTG Cargo results, projects and news.
    - "Leaders' Days" were organised for training of managers.
    - Attention was given to Radviliškis region. A plan prepared for the Freight Wagon Repair and Production division in Radviliškis to attract employees to the region, improve working conditions and strengthen the value-based culture.
    - A pilot incentive programme on managing difficult situations was launched for customer service and sales managers.
    - A plan of replaceability of critical positions was prepared.
  - **Values game the "LTG Gene" was introduced.** The "LTG Gene", a simulation game of values, was launched in April 2024. The aim of the "LTG Gene" is to communicate the values and behaviours of the organisation and to help employees to internalize them, involving all levels of employees and using them in induction, team building, performance reviews, management development, events, forums and employer branding. 22.61% or 387 employees have already played the LTG Cargo values game. After the game, the feedback from the employees who played it was very good, so in 2025 we will continue inviting employees to try the game and offering other team activities as well as.
  - A new Initiative of LTG Cargo. Kaizen-based employee engagement. Engaged are employees at all levels who, when notice waste in their daily work or think of ways how to improve the process, implement the changes and in this way improve the quality and process efficiency. The project was initiated in 2021, and during 2024, the register of initiatives was updated, with more than 800 ideas for improvement registered, of which 450 were implemented. 100 most active employees were rewarded for their engagement.
- **Improving employee welfare and health/safety**
  - Installation of CO2 termination system. In the workshops where diesel engines are repaired, we install fume extraction systems to protect the workers' health, In 2024, the system was installed in Vilnius and in 2025 it is expected to be implemented in Radviliškis and Klaipėda.
  - Installation an air filtration system in the Radviliškis freight wagon depot. The PVD workshops in Radviliškis have air filtration towers where abrasives or welding are used. Clean air protects the health of our employees.
  - Shower rooms. The renovation of the employee shower rooms in Radviliškis was completed in 2024.

The LTG Group follows the principle of zero tolerance for corruption, which means that Group companies do not tolerate any form of corruption. In the Governance Area section of the LTG Group's Sustainability Report, internal documents which, in addition to the laws and regulations of the Republic of Lithuania, regulate corruption prevention within the LTG Group, including conclusion of business transactions and public procurements, and which are followed by each LTG Group company in the course of their activities. It identifies corruption risks and measures to manage them, measures to educate employees on corruption prevention, and monitors corruption resilience indicators. It should be noted that the LTG Group for several years has been working in accordance with the international standard 37001:2016 Anti-corruption management systems. Requirements and Guidelines for Use, and focuses on the review and improvement of internal business processes.

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

Information on the main intangible resources

Information on the main intangible resources and their impact on the business value is disclosed in the sections Strategy, Government Report, Employees, Information on Sustainability Report of the Company's management report.

More information is provided in the consolidated management report of the LTG Group, the integral part of which is the Sustainability Report that includes sustainability-related information of the parent company as well as all subsidiaries including the information on intangible resources (human resources, working conditions, training and applicable motivational systems, value creation mechanism and participants of the value chain, use of innovative technologies in activities and innovative projects in progress, relations with customers, suppliers and investors as well as their management, all unified policies and standards applicable across the LTG Group, etc.).

Information on compliance with the guidelines for ensuring transparency of state-owned enterprises

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

Structured information of the compliance with the Guidelines on Transparency

Point of the description	Provision of the description	Yes/No
	Section II **Disclosure of information of a state-owned enterprise**	
5.	**The following data and information must be announced in the internet website of a state-owned enterprise:**	
5.1.	Name;	Yes
5.2.	Code and register, where data about the company is filed and stored;	Yes
5.3.	headquarters (address;)	Yes
5.4.	legal status, if a state-owned enterprise is under reformation, reorganisation (indicate the way of reorganisation), liquidation, is becoming or has become bankrupt;	Legal status not registered
5.5.	the name of the institution representing the State and a link to its website;	
5.5.	operating goals, vision and mission;	Yes
5.7.	structure;	Yes
5.8.	data about the head of the enterprise;	Yes
5.9.	data about the chairman and members of the Board, if formed according to the Articles of Association;	Yes
5.10.	data about the chairman and members of the Supervisory Council, if formed according to the Articles of Association;	No, the Supervisory Council is not formed
5.11.	names of committees, if formed; data about their chairmen and members;	Disclosed in the website of the parent company LTG
5.12.	the sum of the nominal values of the state-owned shares (in euro to the nearest euro cent) and the share (in percentage) in the authorised capital of the state-owned enterprise;	Yes, share disclosures are made in respect of the parent LTG
5.13.	special obligations shall be carried out in accordance with the guidelines approved by the Minister of Economy and Innovation of the Republic of Lithuania: the purpose of the special obligations is specified, the state budget appropriations allocated for their execution in the current calendar year and the legal acts, by which the state-owned enterprise is entrusted with the execution of the special obligation, are indicated, the terms and conditions for the execution of the special obligation and/or the regulated pricing shall be specified;	The Company does not perform any special obligations
5.14.	information on social responsibility initiatives and measures, important ongoing or planned investment projects.	Yes
6.	In order to ensure publicity regarding the professionalism of the members of the management and supervisory bodies, as well as of the committees, of State-owned enterprises, the following data is published for the persons referred to in sub-paragraphs 5.8 to 5.11 of the Description: name, surname,	Yes

Point of the description	Provision of the description	Yes/No
	Section II **Disclosure of information of a state-owned enterprise**	
6.	date of commencement of the current position, any other managerial positions held in other legal entities, education, qualifications, professional experience. If the person referred to in points 5.9 to 5.11 of the Description is elected or appointed as an independent member, this shall be indicated in addition to his details.	Yes
7.	The following documents shall be announced in the website of a State-owned enterprise:	Yes
7.1.	Articles of Association;	Yes
7.2.	statement from an institution representing the State regarding the establishment of the goals and expectations of the State in a state-owned enterprise;	Yes
7.3.	the business strategy or a summary thereof in cases where the business strategy contains confidential information or information which is considered a commercial (industrial) secret;	Yes
7.4.	document establishing the remuneration policy, setting out the remuneration of the head of a state-owned enterprise and the remuneration of members of collegial bodies and committees formed in a state-owned enterprise, as detailed in the Code of Corporate Governance;	Yes
7.5.	annual and interim reports of a state-owned enterprise, annual and interim activity reports of a state-owned enterprise for a period of at least five years;	Yes
7.6.	ne trumpesnio kaip 5 metų laikotarpio metinių ir tarpinių finansinių ataskaitų rinkiniai ir metinių finansinių ataskaitų auditoriaus išvados.	Yes
8.	If the State-owned company is the parent company, its website shall publish the structure of the group of companies, as well as the particulars referred to in points 5.1 to 5.3 of the Description, the website addresses, the percentage of the parent company's shareholding in the share capital of the subsidiaries, the annual consolidated financial statements and the consolidated annual reports.	Yes
9.	If the State-owned company is a participant in legal entities other than those referred to in point 8 of the Description, the data and website addresses of those legal entities referred to in points 5.1 to 5.3 of the Description shall be published on its website.	Yes
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 website addresses, the website of the parent company.	Yes
10.	Any change or publication of incorrect data, information and documents referred to in points 5 and 6, 7.1 to 7.4, 8, 9 and 9.1 of the Description shall be immediately amended and published on the website.	Yes

Structured information of the compliance with the Guidelines on Transparency

Point of the description	Provision of the description	Yes/No
	Section II **Disclosure of information of a state-owned enterprise**	
11.	A set of annual financial statements of a state-owned enterprise, an annual report of a state-owned enterprise, an auditor's report on the annual financial statements of a state-owned enterprise must be posted on the website of the state-owned enterprise within 10 business days after their approval.	Yes
12.	Sets of interim financial statements of a state-owned enterprise, interim reports of a state-owned enterprise must be posted on the website of the state-owned enterprise within 2 months after the end of the reporting period.	Yes
13.	Documents specified in Clause 7 of the Description must be posted in the PDF format with the option of printing.	Yes
	Section III **Preparation of sets of financial statements, reports and activity reports**	
14.	State-owned enterprises maintain their accounts in a manner that ensures the preparation of financial statements in accordance with international accounting standards.	Yes
15.	In addition to a set of annual financial statements, a state-owned enterprise must prepare a set of interim financial statements for periods of 6 months, and a state enterprise prepares sets of interim financial statements for periods of 3, 6 and 9 months.	Yes
16.	A State-owned company classified as a public-interest entity under the Law on Audit of Financial Statements of the Republic of Lithuania prepares, in addition to the annual report, a 6-month interim report. 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
17.	The following additional details must be provided in an annual report of a state-owned enterprise or an annual activity report of a state enterprise:	
17.1.	a short description of the operating model of the state-owned enterprise;	Yes
17.2.	information about major events, which had occurred during a fiscal year and later (prior to the preparation of the annual report or the annual activity report) and which were of primary importance to the activities of the state-owned enterprise;	Yes
17.3.	the results of implementation of the targets specified in the established business strategy of the state-owned enterprise;jgyvendinimo rezultatai;	Yes
17.4.	the profitability, liquidity, assets negotiability, and debt indicators;	
17.5.	the fulfilment of the specific obligations;	The Company does not perform any special obligations

Point of the description	Provision of the description	Yes/No
	Section III **Preparation of sets of financial statements, reports and activity reports**	
17.6.	the implementation of the investment policy, planned investment projects and investments as well as those under implementation during the reporting year;	Yes
17.7.	the implementation of the risk management policy applicable at the state-owned enterprise;	Yes
17.8.	the implementation of the dividend policy at state-owned enterprises;	Yes
17.9.	the implementation of the remuneration policy;	Yes
17.10.	the total annual payroll fund, the average monthly salaries according to the positions held and (or) divisions;	Yes
17.11.	information on the compliance with the provisions of Chapters II and II of the Description, including the information on how they are being implemented, what provisions have not been complied with and why.	Yes
18.	State-owned enterprises, which are not imposed a duty to prepare a social responsibility report, are recommended to respectively provide information in their annual reports on the issues of environment protection, social and personnel-related issues, the protection of human rights, anti-corruption and anti-bribery measures.	
19.	If the information specified in point 17 of the Description is considered a commercial (industrial) secret or confidential information of a state-owned enterprise, the state-owned enterprise is entitled not to disclose such information; however, it must specify in its annual report or the annual activity report that this information is not being disclosed and specify reasons for non-disclosure.	Yes
20.	Other information not specified in the Description may be provided in an annual report of a state-owned enterprise.	Yes
21.	A State-owned company which is the parent company shall disclose in its consolidated annual report or, if it is not required by law to prepare a consolidated annual report, in its annual report, the structure of the group of companies, as well as, for each of its subsidiaries and for each of its subsidiaries in subsequent rows, the particulars referred to in points 5.1 to 5.3 of the Description, the percentage of the shareholding held in the subsidiary's authorised capital, and the financial and non-financial performance of its operations in the financial year. If a state-owned company which is a parent company prepares a consolidated annual report, the requirements of point 17 of the Description shall apply mutatis mutandis to it.	Yes
22.	An interim report of a state-owned enterprise or an interim activity report of a state enterprise must contain a short description of the operating model of the state-owned enterprise, the analysis of financial performance for a reporting period, information on major event, which had occurred during the reporting period, and also profitability, liquidity, assets negotiability, debt indicators and their changes in comparison with the respective period of the previous year.	Yes

Definitions

Indicator	Formula
Revenue	Sales revenue + Other operating income (excluding income from financial activities)
Sales revenue	Revenue, Revenue from other activities
Expenses	Expenses, excluding the corporate tax and income from financial activities
Financial debt	Long-term loans + Long-term lease liabilities + Current portion of long-term loans + Short-term loans + Current portion of lease liabilities
Net debt	Financial debt - Cash and cash equivalent investments
Return on equity (ROE)	Net profit (loss) for the last 12 months
	Average of equity at the beginning and end of the reporting period
Return on assets (ROA)	Net profit (loss) for the last 12 months
	Average of assets at the beginning and end of the reporting period
Return on investments (ROI)	Net profit (loss) for the last 12 months
	Average of assets at the beginning and end of the reporting period – Average of current liabilities at the beginning and end of the reporting period
EBIT	Profit (loss) before the corporate tax – the result of financial activities
EBITDA	Profit (loss) before the corporate tax – the result of financial activity + depreciation and amortisation
Adjusted EBITDA	Profit (loss) before taxation + Interest expenses - Interest income + Depreciation and amortisation + Increase (decrease) in the value of non-current assets, inventories and investments + Increase (decrease) in the value of amounts receivable and contract assets + Expenses of provisions not related to ordinary activities
EBIT margin	EBIT
	Sales revenue
EBITDA margin	EBITDA
	Sales revenue
Adjusted EBITDA margin	Adjusted EBITDA
	Sales revenue
Net profit margin	Net profit (loss)
	Sales revenue
Equity ratio	Equity at the end of the reporting period
	Assets at the end of the reporting period

Indicator	Formula
Loan servicing ratio	Net profit/(loss) for the last 12 months + amortisation, depreciation and grant costs of the last 12 months + interest expenses of the last 12 months (adjusted considering the non-monetary items)
	Amortisation of debt for interest + Interest payable for the last 12 months
Asset turnover ratio	Sales revenue for the period of the last 12 months
	Assets at the end of the reporting period
Financial debt / EBITDA	Financial debt
	EBITDA of the last 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 last 12-month period
Quick liquidity rate	Current assets at the end of the reporting period / current liabilities at the end of the reporting period
	EBITDA of the last 12-month 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
GDPR	General Data Protection Regulation
Company / LTG Hoding / LTG	Parent company AB Lietuvos Geležinkeliai
EU	European Union
GTC	UAB Geležinkelio tiesimo centras
IT	Information technologies
LTG Cargo Polska	LTG Cargo Polska Sp.zo.o.
LTG Cargo Ukraine	LLC LTG Cargo Ukraine
LTG Group, Group	AB Lietuvos geležinkeliai and its subsidiaries
LTG Infra	AB LTG Infra
LTG Link	UAB LTG LINK
Government of RoL	Government of the Republic of Lithuania
RBS	UAB Rail Baltica statyba
SAP	Business management system
IFRS	International Financial Reporting Standards,
AS	Average salary
GCC	VšĮ Governance Coordination Centre – an analytical and governance excellence centre established by the Lithuanian Government to ensure professional and consistent management of state-owned enterprises
SOE	State-owned enterprise

07 Separate financial statements and independent auditors’s report

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Independent Auditor's Report

To the Shareholders of AB ”LTG Cargo“

Opinion

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

- the separate statement of financial position as at 31 December 2024,
- 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 2024, 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 and Other Assurance Services 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 and Other Assurance Services 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 management report, but does not include the separate financial statements and our auditor's report thereon. Management is responsible for the other information.

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

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

Company code: 111494971
VAT code: LT114949716

In addition, our responsibility is to consider whether information included in the Company's management report for the financial year for which the separate financial statements are prepared is consistent with the separate financial statements and whether management report, excluding the requirements for the information on sustainability matters, 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 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 management report, excluding the requirements for the information on sustainability matters, has been prepared in accordance with the requirements of the Law on Reporting by Undertakings and Groups of 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

Vilmantas Karalius
Certified Auditor

Vilnius, the Republic of Lithuania
11 April 2025

The electronic auditor's signature applies only to the Independent Auditor's Report on pages 62 to 64 of this document.

Separate statement of financial position

	Notes	31/12/2024	31/12/2023
Non-current assets			
Property, plant and equipment	7	215,535	210,329
Right-of-use assets	8;18	24,217	28,239
Intangible assets	9	2,595	2,944
Financial assets	10	17,621	8,224
Prepayments	13	1,017	987
Total non-current assets		**260,985**	**250,723**
Current assets			
Inventories	11	4,747	6,811
Non-current assets held for sale	11	1,486	1,315
Trade and other receivables	12	12,232	13,614
Prepayments	13	1,646	1,723
Cash and cash equivalents	14	53,504	58,054
Total current assets		**73,615**	**81,517**
Total assets		**334,600**	**332,240**

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

The separate financial statements and the explanatory notes on pages 65-95 were approved and signed on 11 April 2025:

	Notes	31/12/2024	31/12/2023
Equity			
Authorised capital		44,087	44,087
Legal reserve	15	3,260	2,382
Other reserves	15	58,615	52,470
Retained profit (losses)	16	23,202	17,557
Total equity		**129,164**	**116,496**
Liabilities			
Non-current liabilities			
Loans and other financial debts	17	94,571	111,766
Lease liabilities	18	21,391	25,242
Employee benefits	19	1,844	1,746
Deferred income tax liabilities	25	17,965	11,578
Total non-current liabilities		**135,771**	**150,332**
Current liabilities			
Loans and current portion of long-term loans	17	19,764	18,194
Lease liabilities	18	3,141	3,167
Income tax liabilities		1,841	439
Employee benefits	19	8,271	7,553
Trade and other payables	20	36,441	35,743
Provisions	21	207	316
Total current liabilities		**69,665**	**65,412**
Total equity and liabilities		**334,600**	**332,240**

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

Eglė Šimė
Chief Executive Officer

Arūnas Žilys
Chief Financial Officer

Raimonda Duobuvienė
UAB LTG Kompetencijų centras
Finance Controller acting under decision No SPR-L1(KC)-23/2025 of 05/03/2025

Separate statement of profit or loss and other comprehensive income

	Notes	2024	2023
Sales revenue	22	306,278	285,749
Revenue from other activities		113	215
Total revenue		306,391	285,964
Infrastructure services		(101,051)	(102,832)
Employee benefits costs	23	(43,528)	(43,342)
Depreciation and amortisation	7;8;9	(25,681)	(23,986)
Fuel		(32,418)	(34,295)
Materials		(4,475)	(6,073)
Services rendered by other foreign railway companies		(6,777)	(7,117)
Management services		(14,615)	(13,747)
Electricity		(524)	(960)
Repairs and maintenance		(1,216)	(2,342)
(Decrease) increase in the value of investments		(8,623)	901
(Decrease) increase in the value of non-current assets		(6,068)	(1,187)
(Decrease) increase in the value of non-current assets held for sale		(95)	(984)
(Write down) of inventories to net realisable value		(525)	693
Increase (decrease) in the value of receivables		(357)	(71)
Change in provisions		109	(235)
Other expenses		(24,902)	(24,927)
Total expenses:		(270,746)	(260,504)
Operating profit (loss)		35,645	25,460
Finance income	24	1,731	974
Finance expenses	24	(6,238)	(5,398)
Net result from financial activity	24	(4,507)	(4,424)

	Notes	2024	2023
Profit (loss) before taxation		31,138	21,036
Income tax	25	(7,928)	(3,487)
Net profit (loss)		23,210	17,549
Other comprehensive income (expenses)		-	-
Total comprehensive income (expenses)		23,210	17,549

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

Separate statement of changes in equity

	Notes	Authorised capital	Legal reserve	Other reserves	Retained profit (loss)	Total
Balance as at 31 December 2022		**44,087**	**1,876**	**49,437**	**10,112**	**105,512**
Net profit (loss)		-	-	-	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		-	-	-	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**
Net profit (loss)	16	-	-	-	23,210	23,210
Other comprehensive income, after tax		-	-	-	-	-
Total comprehensive income (expenses)		-	-	-	23,210	23,210
Unrecognised profit (loss) in the statement of profit or loss and other comprehensive income		-	-	-	(8)	(8)
Transfers between reserves	15	-	-	-	(7,023)	-
Dividends		-	878	6,145	(10,534)	(10,534)
Total transactions with owners of the Company		-	-		*(10,534)*	*(10,534)*
Balance as at 31 December 2024		**44,087**	**3,260**	**58,615**	**23,202**	**129,164**

Separate statement of cash flows

	Notes	2024	2023
Cash flows from operating activities			
Net profit (loss)		23,210	17,549
Adjustments			
Depreciation and amortization costs	7,8,9	25,681	23,986
(Gain) loss from disposal of non-current assets		3,579	3,165
Change in impairment of receivables		357	71
Impairment (reversal) of the value of non-current assets, inventories and investments		15,311	(441)
Change in accrued expenses		(2,060)	(4,898)
Interest (income) expenses		4,336	4,330
Interest on lease liability		426	381
Increase (decrease) in provisions		(109)	235
Impact of currency exchange fluctuations		(33)	(13)
Income tax expenses (income)	25	7,928	3,487
Cash flows from operating activities after adjustments		78,626	47,852
Changes in working capital			
Decrease (increase) in inventories		1,773	(485)
Decrease (increase) in trade and other receivables and prepayments		1,071	523
Increase (decrease) in current and non-current trade payables and received prepayments		2,759	4,652
Increase (decrease) in employment related liabilities		816	584
Increase (decrease) in other non-current and current payables		3,142	(5,481)
Net cash flows from operating activities		88,187	47,645

	Notes	2024	2023
Cash flows from investing activities			
(Acquisition) of non-current assets;		(51,161)	(25,929)
(Acquisition) of financial assets		(16,805)	(7,230)
Income from sale of non-current assets and investments Interest received		134	315
Interest received		1,450	697
Net cash flows from investing activities		(66,382)	(32,147)
Cash flows from financing activities			
Repayment of loans (cash pool)		-	-
Interest (paid)		(12,147)	(144)
Interest on lease liabilities		(426)	(381)
Payments of lease liabilities		(3,248)	(3,328)
Cash flows related to owners	16	(10,534)	(6,573)
Net cash flows from financing activities		(26,355)	(10,426)
Net increase (decrease) in cash and cash equivalents		(4,550)	5,072
Cash and cash equivalents at the beginning of the period		58,054	52,982
Cash and cash equivalents at the end of the period	14	**53,504**	**58,054**

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

Explanatory notes to the separate financial statements

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 2024 and 31 December 2023, the sole shareholder of the Company was the parent company AB Lietuvos Geležinkeliai. As at 31 December 2024, 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 offices.

As of 31 December 2024, 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 1,658 (as of 31 December 2023 – 1,723 employees).

Investments in subsidiaries are as follows:

Company	Head office address	Owned share, %		Main activit
		2024	2023	
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 g. 12, Vilnius	100	100	Lease of wagons used for freight transportation
LLC LTG Cargo Ukraine	Evgena Chykalenko St. 21, Kiev	100	100	Freight transportation and provision of related services in Ukraine

2. Basis of preparation

- **Basis of preparation** The Company's financial statements for the year ended 31 December 2024 have been prepared in accordance with IFRS Accounting Standards as adopted by the EU. These financial statements have been prepared on a going concern basis and valued using the historical cost method unless otherwise stated.
- **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 2023, with the exception of the new standards which became effective during 2024.
- **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, stand-by 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.

Groups of property, plant and equipment	Useful life
Buildings and structures	10-80
Machinery and equipment	3-15
Road vehicles	5-10
Rolling stock (including railway wagons)	8-42
Computers and hardware	3-10
Other equipment, fittings and tools	3-15

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

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

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 2024 and 2023 was 15%. From 2025, the income tax rate is 16%.

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 assess 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.

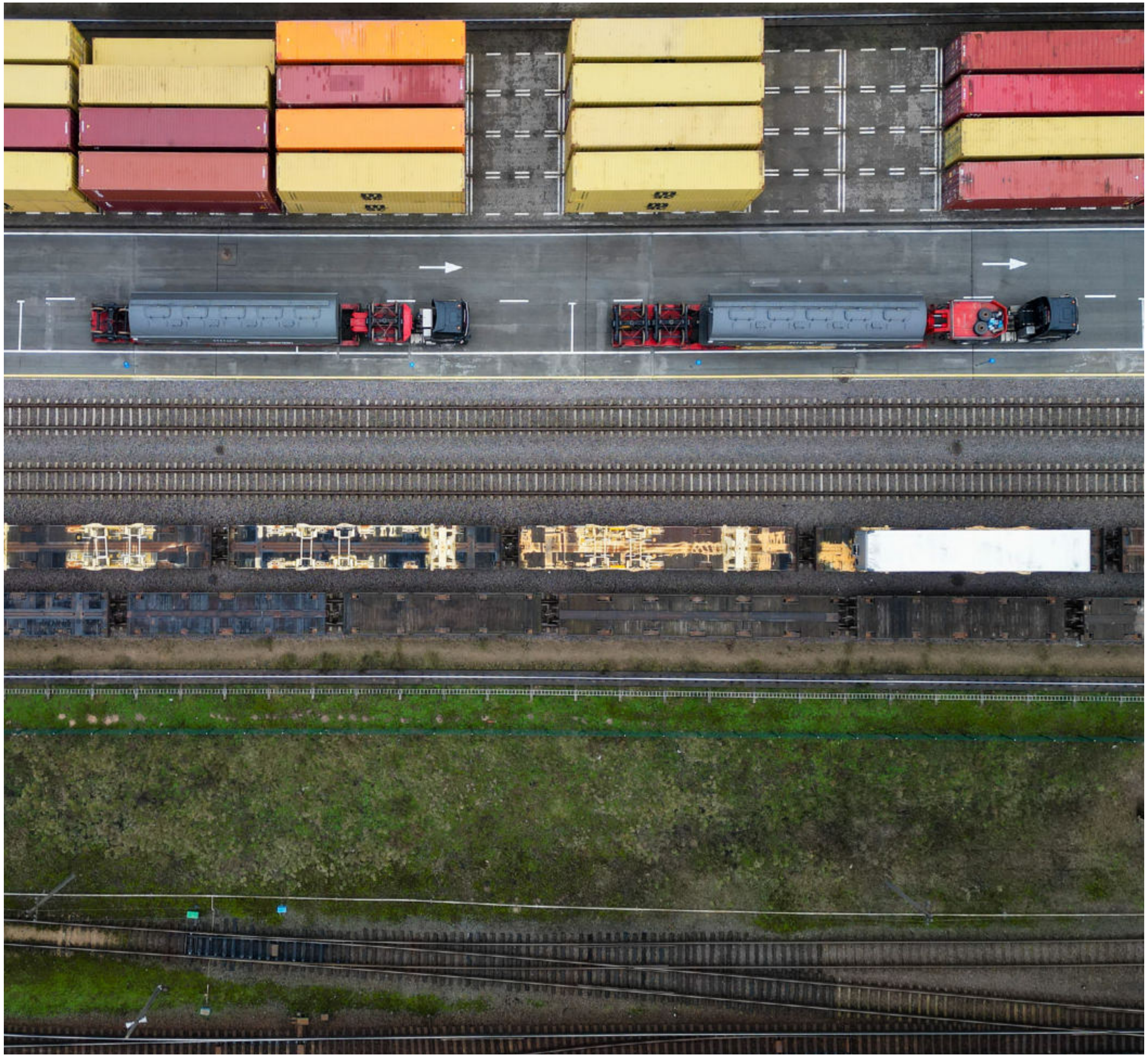
Local freight transportation service: rail freight transportation service, where a train crosses no border of the EU member state.

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	Invoices for freight transportation and related additional services are issued at intervals agreed with a buyer in a contract (daily, every ten days, monthly) by forming them on the basis of primary freight transportation and additional services documents upon provision of a service: for transit freight transportation – according to the date of export from Lithuania, for import – on the date of transfer of delivered freight to a consignee, for export and transportation in Lithuania - on the date of freight dispatch, for additional services – on the actual date of provision of a service. Upon evaluation of reliability of a service buyer payment conditions are established in contracts: • Prepayment; • After provision of services by applying collaterals (cash deposit, bank guarantee, commercial credit)); • After provision of services without collaterals (up to 30 days, mostly 7 to 10 days); • Standard invoice payment term is 30 days.	Income earned from services related to freight transportation is recognised at a certain moment after services have been rendered, i.e. upon delivery of freight to a place agreed in a shipping document. Most often freight carriage lasts up to 24 hours, so income is recognised immediately. Revenue from freight transportation on international routes is recognised immediately upon provision of services. Revenue from services related to freight transportation on domestic routes is recognised immediately upon provision of services. An amount of recognised income is estimated in shipping documents and a price is specified in documents for additional services. Prepayments received are included into contractual obligations. If services under one agreement are provided at different reporting periods, remuneration is distributed according to their relative individual sales prices. A separate sales price is established based on service prices specified in a contract.
Income from repairs and maintenance	Invoices are issued after the service has been provided and the deed of acceptance-transfer of the performed works has been signed. Standard invoice payment term is 30 days. A 10-day term is applied for uncoupling repairs of private rail cars; cash collateral may be additionally applied.	Revenue related to locomotives and locomotive crews working abroad are recognised as soon as the services are rendered. 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. Wholesale revenue is recognised immediately. Related costs are recognised in the statement of profit or loss and other comprehensive income when incurred. Probable loss arising from a contract is recognised immediately in the statement of profit or loss and other comprehensive income. Prepayments received are included into contractual obligations. If services under one agreement are provided at different reporting periods, remuneration is distributed according to their relative individual sales prices. A separate sales price is established based on service prices specified in a contract.
Other additional income	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. 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.	Revenue from the lease of assets is recognised on a monthly basis over time when the services are rendered. Revenue is recognised directly using the cost method, which can be applied to the Company's progress seeking to fully satisfy performance obligation and measure it over time, on the basis of measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract.

- **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% impairment allowance is applied to the Company's stationary inventories and inventories acquired 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 CO_2 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 2025 and have not been applied in the preparation of these financial statements are set out below:

Lack of Exchangeability – Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates"

The International Accounting Standards Board has issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, effective from 1 January 2025. These amendments provide guidance to entities on assessing currency exchangeability and determining spot exchange rates when they are not readily available.

The amendments clarify the accounting treatment for foreign currency transactions or operations where exchangeability is restricted, In addition, it establishes a framework by which an entity may determine the spot exchange rate at the measurement date. Under these new requirements, entities are not permitted to restate comparative information. Instead, they must recalculate the affected amounts using estimated spot exchange rates at the date of initial application, with corresponding adjustments to retained earnings or the foreign currency translation reserve.

The amendments apply to annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted but this must be disclosed.

The Company does not expect these amendments to have a significant impact on its results and financial position.

Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures.

The IASB has issued amendments to IFRS 9 and IFRS 7.

Amendments:

1) clarify the recognition date and derecognition date for certain financial assets and liabilities, and a new exemption is applied to certain financial liabilities when settling through an electronic payment system;

2) provide additional guidance on assessing whether financial assets meet the solely payments of principal and interest (SPPI) criterion;

3) introduce new disclosures for instruments with contractual terms that may modify cash flows;

4) update disclosures for equity instruments measured at fair value through other comprehensive income (FVOCI).

These amendments to IFRS 9 and IFRS 7 will be effective for annual reporting periods beginning on or after 1 January 2026. 1 January 2026. Earlier application is permitted.

The Company will assess the potential impact of these amendments on its results and financial position.

Annual Improvements to IFRS Accounting Standards – Amendments

The annual improvements include amendments relating to:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Hedge Accounting by a First-time Adopter
- IFRS 7 Financial Instruments: Disclosures and its implementation guidance
- IFRS 9 Financial Instruments – Derecognition of lease liabilities and transaction prices
- IFRS 10 Consolidated Financial Statements – determination of a 'de facto agent'
- IAS 7 Statement of Cash Flows – cost method.

The amendments apply to annual reporting periods beginning on or after 1 January 2026.

Earlier application is permitted. The Company will assess the potential impact of these amendments on its results and financial position.

IFRS 18 Presentation and Disclosure in Financial Statements (new standard)

The new standard on presentation and disclosure in financial statements focuses primarily on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to the structure of the statement of profit or loss, required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures), and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'.

IFRS 18 will apply for reporting periods beginning on or after 1 January 2027 and also applies to comparative information.

The Company does not expect these amendments to affect its results and financial position; however, changes in presentation may require additional disclosures.

IFRS 19 Subsidiaries without Public Accountability: (new standard) (new standard)

The IASB has issued a new accounting standard for subsidiaries.

Public Accountability will enable subsidiaries to keep only one set of accounting records to meet the needs of both their parent company and the users of their financial statements. In addition, applying IFRS 19 will reduce disclosures better suited to the needs of the users of their financial statements while maintaining the usefulness of the information. The new standard is not applicable to financial statements.

The Company will assess the potential impact of these amendments on its results and financial position.

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 2024 did not have a significant impact on the financial statements for 2024.

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:

	2024	2023
Financial assets		
Trade and other receivables	11,323	12,735
Cash and cash equivalents	53,504	58,054
Total	**64,827**	**70,789**
Financial liabilities		
Loans and other financial debts financial debts	114,335	129,960
Lease liabilities	24,532	28,409
Trade and other payables	22,340	23,089
Total	**161,207**	**181,458**

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 Company had no financial assets carried at fair value.

The carrying amounts of the Company's financial assets and financial liabilities are accounted for at amortised cost which approximates their fair value.

Risk management

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

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

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:

	2024	2023
Customer A	564	292
Customer B	542	260
Customer C	507	425
Customer D	503	175
Customer E	460	150
Customer F	306	302
Other	5,891	6,485
Total	8,773	8,089

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 2024:

	Gross carrying amount	Expected credit losses, %	Impairment	Net carrying amount
Low risk	10,055	0.01%	(1)	10,054
Fair risk	630	0.37%	(2)	628
Increased risk	55	3.22%	(2)	53
High risk	2,718	78.37%	(2,130)	588
Total	13,458		(2,135)	11,323

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

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 2024:

	Expected credit losses, %	Gross carrying amount	Impairment	Net carrying amount
Not past due	0.01%	10,055	(1)	10,054
1-30 days past due	0.37%	630	(2)	628
31-60 days past due	0.33%	46	-	46
61-120 days past due	22.94%	9	(2)	7
More than 120 days past due	78.37%	2,718	(2,130)	588
Total		13,458	(2,135)	11,323

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 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.

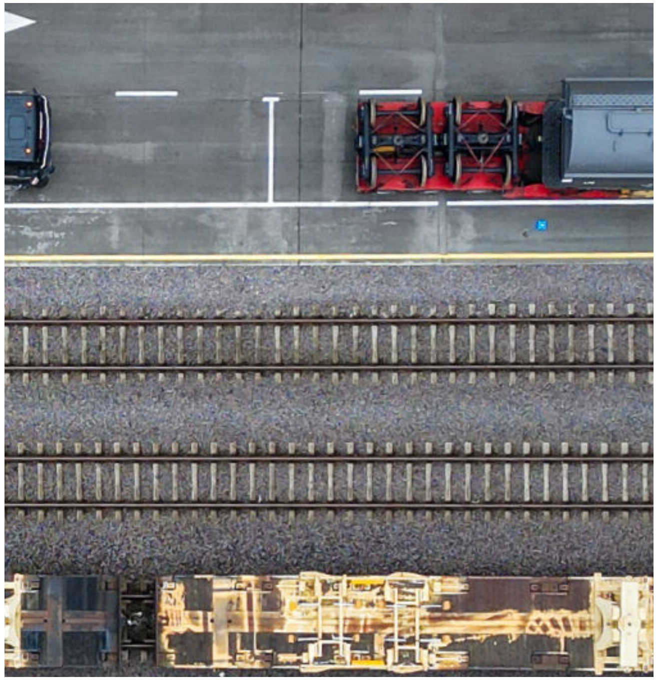
The Company's movement of impairment of doubtful trade and other receivables:

	2024	2023
Balance at the beginning of the period	(2,598)	(2,544)
Change in provision of trade and other receivables	(357)	(71)
Impairment for written down debts	820	17
Balance at the end of the period	(2,135)	(2,598)

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).

	2024	2023
Aa3,AA credit rating	51,385	25,167
Baa1 credit rating	-	32,836
Baa2; BBB credit rating	6	51
Lower than BBB-/Baa3	2,113	-
Total	53,504	58,054



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 2024:

Financial liabilities	Total	Within one year	From one to five years	After five years
Loans and other financial debts	127,227	21,878	59,918	45,431
Lease liabilities	26,799	3,498	11,472	11,829
Trade and other payables	22,340	22,340	-	-
Total	176,366	47,716	71,390	57,260

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

Payment specification of the Company's loans and other financial debts, including interest, as at 31 December 2024:

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	11,330	10,548	59,918	45,431
Total	11,330	10,548	59,918	45,431

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

- **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 2024 and 2023, 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 114,335 thousand (as of 31 December 2024 – EUR 129,960 thousand).

  If interest rate goes up by 0.5 percentage point during the year 2025, annual interest costs will increase by EUR 517 thousand.

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

  In addition, the Company, by managing capital risk in the long-term, aims to maintain an optimum capital structure which would ensure a harmonised implementation of objectives for capital costs and risk minimisation. The Company's capital structure is formed by assessing the internal factors of its regular operations, planned investments and growth, as well as by taking into account the Company's business strategy and the external regulatory and market environment factors relevant to the Company's operations, both current and anticipated.

  During 2024 and 2023, 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 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
acquisitions	-	-	-	-	42,159	42,159
assets sold, written off, disposed	-	(30)	(4,904)	(28)	-	(4,962)
reclassification from/(to) current assets	-	(19)	(796)	(35)	(3,040)	(3,890)
reclassifications	-	531	32,927	96	(33,554)	-
31 December 2024	630	4,598	316,573	1,415	26,810	350,026
Accumulated amortisation and impairment losses						
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
31 December 2023	(236)	(1,636)	(102,605)	(556)	(1,357)	(106,390)
depreciation	(50)	(476)	(22,916)	(192)	-	(23,634)
impairment	-	6	(5,176)	-	(898)	(6,068)
assets sold, written off, disposed	-	20	1,205	25	-	1,250
reclassification (from)/ to current assets	-	7	316	28		351
reclassifications	-	-	-	-	-	-
31 December 2024	(286)	(2,079)	(129,176)	(695)	(2,255)	(134,491)
Carrying amount						
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
31 December 2024	**344**	**2,519**	**187,397**	**720**	**24,555**	**215,535**

Depreciation and amortisation expense included in the Statement of Profit or Loss and Other Comprehensive Income amounted to EUR 25,681 thousand (2023 – EUR 23,986 thousand). This amount includes EUR 23,634 thousand (2023 – EUR 21,737 thousand) of depreciation of property, plant and equipment, EUR 3,426 thousand (2023 – EUR 3,695 thousand) of depreciation of right-of-use assets and EUR 634 thousand (2023 – EUR 281 thousand) of amortisation of intangible assets. Capitalised depreciation amounted to EUR 2,013 thousand (in 2023 – EUR 1,727 thousand).

The major portion of construction in progress and prepayments consists of inventories for overhaul amounting to EUR 11,122 thousand.

Impairment of unused rolling stock amounting to EUR 5,176 thousand has been accounted for after the analysis of non-current assets.

In 2024, the Company significantly exceeded its targets, maintaining strong positive results for several consecutive years. According to both the approved strategy and the strategy under development, the performance trends are expected to continue improving. Furthermore, the 2023 impairment test of non-current assets, including sensitivity analysis of WACC and growth rate indicators, showed no risks related to asset recoverability. Therefore, there was no need or indication to perform these tests in the current year.

The cost of the Company's fully depreciated property, plant and equipment still in use amounted to EUR 11,242 thousand (EUR 11,958 thousand as at 31 December 2023). The majority of fully depreciated property, plant and equipment consisted of transport vehicles.

8. Right-of-use assets

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

	Buildings and structures	Other assets	Total
Acquisition cost			
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
acquisitions	3,649	319	3,968
assets sold, written off, disposed	(5,258)	(235)	(5,493)
reclassifications	-	-	-
31 December 2024	31,263	535	31,798
Accumulated amortisation and impairment losses			
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)
depreciation	(3,290)	(136)	(3,426)
assets sold, written off, disposed	732	197	929
reclassifications	-	-	-
31 December 2024	(7,370)	(211)	(7,581)
Carrying amount			
31 December 2022	28,656	525	29,181
31 December 2023	28,060	179	28,239
31 December 2024	**23,893**	**324**	**24,217**

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 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
acquisitions	-	285	285
assets sold, written off, disposed	-	-	-
reclassifications	842	(842)	-
31 December 2024	3,275	447	3,722
Accumulated amortisation and impairment losses			
31 December 2022	(279)	(37)	(316)
amortisation	(241)	(40)	(281)
assets sold, written off, disposed	101	3	104
reclassifications	-	-	-
31 December 2023	(419)	(74)	(493)
amortisation	(583)	(51)	(634)
assets sold, written off, disposed	-	-	-
reclassifications	-	-	-
31 December 2024	(1,002)	(125)	(1,127)
Carrying amount			
31 December 2022	1,156	1,226	2,382
31 December 2023	2,014	930	2,944
31 December 2024	**2,273**	**322**	**2,595**

The Company's fully amortised intangible assets still in use amounted to EUR 4 thousand (31 December 2023 – EUR 4 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, %	31/12/2024 Investment value	31/12/2024 Impairment	31/12/2024 Carrying value	31/12/2023 Investment value	31/12/2023 Impairment	31/12/2023 Carrying value
Shares of subsidiaries								
LTG Cargo Polska Sp. Zo.o.	a)	100	25,755	(8,623)	17,132	7,735	-	7,735
UAB LTG Wagons	b)	100	150	(150)	-	150	(150)	-
LLC LTG Cargo Ukraine	c)	100	489	-	489	489	-	489
Total			26,394	(8,773)	17,621	8,374	(150)	8,224

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 October 2024, AB LTG Cargo made an additional investment into LTG Cargo Polska Sp. Zo.o. by transferring 4 locomotives (EUR 1,215 thousand) and increasing the authorised capital of the latter. In December 2024, AB LTG Cargo transferred EUR 16,805 thousand and increased the capital reserve of LTG Cargo Polska Sp. Zo.o., which is the authorised capital of this company, to cover the accumulated losses in the financial statements. Based on the calculation of the recoverable amount of the investment, the investment into LTG Cargo Polska Sp. Zo.o. was partially impaired.

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 2039, after which continuous growth is assessed (continuing period);
- Data from the approved strategy of LTG Cargo Polska are used in calculation;
- The projected long-term growth rate is 2%;
- 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 12.18%;

LTG Cargo's calculation of the recoverable amount of the investment into LTG Cargo Polska based on the data as at 31 December 2024 indicates that the investment is not fully recoverable, therefore, an impairment of investment amounting to EUR 8,623 thousand was made.

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).

Movement of the Company's investments in the companies of related parties:	Investment value
Acquisition value as at 31 December 2022	16
Acquisition (+)	7,307
Impairment (-)/reversal (+)	901
Acquisition value as at 31 December 2023	8,224
Acquisition (+)	18,020
Impairment (-)/reversal (+)	(8,623)
Acquisition value as at 31 December 2024	17,621

Unaudited financial position of the subsidiaries:

	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity
31/12/2024					
LTG Cargo Polska Sp. Zo.o.	25,141	7,543	14,133	12,114	6,437
UAB LTG Wagons	-	13	-	122	(109)
LLC LTG Cargo Ukraine	1	1,498	-	543	956
31/12/2023					
LTG Cargo Polska Sp. Zo.o.	16,172	8,491	3,476	19,436	1,751
UAB LTG Wagons	-	5	-	76	(71)
LLC LTG Cargo Ukraine	2	757	11	432	316

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

	2024			2023		
Įmonės pavadinimas	Revenue	(Expenses)	Profit (loss)	Revenue	(Expenses)	Profit (loss)
LTG Cargo Polska Sp. Zo.o.	39,513	(51,719)	(12,206)	36,815	(40,588)	(3,773)
UAB LTG Wagons	-	(38)	(38)	-	(26)	(26)
LLC LTG Cargo Ukraine	1,083	(426)	657	773	(481)	292

11. Inventories

The Company's inventories consisted of:

	31/12/2024	31/12/2023
Fuel	1,096	1,401
Materials	2,382	4,166
Other	1,266	1,241
Total raw materials, supplies and components	4,744	6,808
Purchased goods for resale	3	3
Purchased goods for resale, total	3	3
Non-current assets held for sale	1,486	1,315
Non-current assets held for sale, total	1,486	1,315
Total	6,233	8,126

The carrying amount of the Company's inventories amounting to EUR 5,679 thousand (2023 – EUR 7,129 thousand) was reduced by EUR 932 thousand (31 December 2023 – EUR 408 thousand) to the net realisable value as at 31 December 2024. 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 1,079 thousand (2023: 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 2024, the inventories of EUR 4,475 thousand (2023 – EUR 6,073 thousand) (without fuel) were written off at operating costs.

12. Trade and other receivables

The Company's trade and other receivables included:

	31/12/2024	31/12/2023
External trade receivables, gross value	10,908	10,687
Impairment (-)	(2,135)	(2,598)
Total external trade receivables	8,773	8,089
Receivables from related parties	1,876	3,458
Impairment (-)	-	-
Total receivables from related parties	1,876	3,458
VAT receivable	703	549
Other receivables from the budget	206	330
Accrued income from related parties	-	390
Accrued income	636	750
Other receivables	38	48
Impairment (-)	-	-
Total other receivables	1,583	2,067
Total	12,232	13,614

13. Prepayments

The Company's prepayments consisted of:

	31/12/2024	31/12/2024
Prepayments to external suppliers	37	212
Prepayments to related parties	1,062	1,205
Guarantees paid to external suppliers	35	32
Guarantees paid to related parties	639	735
Deferred expenses	890	526
Total	2,663	2,710

The guarantees paid to related parties consist of a non-current part of EUR 1,017 thousand and a current part of EUR 45 thousand.

14. Cash and cash equivalents

The Company's cash and cash equivalents consisted of:

	2024 12 31	2023 12 31
Cash in bank	53,504	58,054
Total	53,504	58,054

As at 31 December 2024, 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 2024, the legal reserve amounted to EUR 3,260 thousand (which is currently 7.39%). By the end of the year 2023, the compulsory reserve amounted to EUR 2,382 thousand.

- **Other reserves**

As at 31 December 2024, other reserves amounted to EUR 58,615 thousand. As at 31 December 2023, other reserves amounted to EUR 52,470 thousand.

16. Retained earnings (loss)

In the Company's undistributed profit (loss), which amounted to EUR 23,202 thousand in 2024 (EUR 17,557 thousand in 2023), there was an unrecognised loss of EUR 8 thousand.

Dividends distributed from the distributable profit of LTG Cargo for the year 2023 and paid amounted to EUR 10,534 thousand. Dividends distributed from the distributable profit for the year 2022 and paid amounted to EUR 6,573 thousand.

17. Loans and other financial debts

The Company's financial debts consisted of:

	31/12/2024	31/12/2023
Long-term loans	94,571	111,766
Short-term loans	17,195	18,187
Interest	2,569	7
Total	114,335	129,960

The Company's loans consisted of:

	31/12/2024	31/12/2023
Bank EIB – 4	-	667
AB Lietuvos Geležinkeliai	111,766	129,286
Interest	2,569	7
Total	114,335	129,960
Long-term loans	94,571	111,766
Short-term loans	19,764	18,194
Total	114,335	129,960

EIB-4 was the loan for the procurement of new railway rolling stock. During 2024, AB LTG Cargo repaid EUR 667 thousand of the loan and paid EUR 9 thousand of interest. The loan was repaid on 5 February 2024.

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. During 2024, AB LTG Cargo repaid EUR 8,598 thousand of the loan and paid EUR 12,138 thousand of interest.

Movement of loans:

	2024	2023
Financial liabilities in the beginning of the period	129,960	131,744
Loans received	-	-
Loans repaid	(9,265)	(6,667)
Calculated interest	5,787	5,027
Paid interest	(12,147)	(144)
Financial liabilities at the end of the period	114,335	129,960

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 2024.

In 2024, 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.

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 2024, EUR 175 thousand of such costs were stated under the item of other costs (in 2023 - EUR 550 thousand).

The discount rate applied for lease agreements in 2024 comprises 6-month EURIBOR and market research, market margin determined under the current market conditions.

The Company's lease liabilities and their movement:

	2024	2023
Lease liabilities at the beginning of the period	28,409	29,261
Lease contracts concluded	3,968	3,705
Lease contracts terminated	(5,023)	(1,610)
Interest calculated	426	381
Lease payments	(3,248)	(3,328)
Lease liabilities at the end of the period	24,532	28,409
Long-term lease liabilities	21,391	25,242
Short-term lease liabilities	3,141	3,167

If the discount rate applied by the Company increased or decreased by 1%, the amount of lease liabilities at 31 December 2024 would decrease or increase by EUR 2,000 thousand.

Future lease payments under non-cancellable leases:

	2024	2023
Lease liabilities with maturity		
Within one year	3,498	3,638
From one to five years	11,472	13,669
After five years	11,829	13,474
Total	26,799	30,781

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:

	31/12/2024	31/12/2023
Discount rate	3.67 %	3.37 %
Employee turnover rate	10.06 %	10.26 %
Salary increase rate	5.00 %	5.00 %

Employee benefits by type:

	31/12/2023	Charged to the Statement of Profit or Loss and Other Comprehensive Income	Capitalised costs calculated	Paid	31/12/2024
Non-current liabilities					
Provisions for pensions and similar liabilities	1,746	459	-	(361)	1 844
Total non-current liabilities:	1,746	459	-	(361)	1,844
Current liabilities					
Accumulated leave	1,975	2,658	-	(2,587)	2,046
Wages and salaries payable	1,996	17,189	7,671	(24,793)	2,063
Social security contributions payable	946	11,436	138	(11,524)	996
Personal income tax payable	650	9,672	-	(9,638)	684
Other employment-related liabilities	1,986	2,115	-	(1,619)	2,482
Total current liabilities:	7,553	43,070	7,809	(50,161)	8,271
Total	9,299	43,529	7,809	(50,522)	10,115

20. Trade and other payables

The Company's trade and other payables consisted of:

	31/12/2024	31/12/2023
Trade accounts payable	4,222	4,513
Trade accounts payable to related parties	10,280	8,555
Prepayments received	6,453	5,005
Prepayments received from related parties	7,219	7,216
Cash guarantees received	400	527
Other taxes payable to the budget	429	433
Accumulated costs of foreign railway services	216	550
Accumulated payables to related parties	1,569	8,078
Accrued expenses	5,642	859
Other accounts payable and liabilities	11	7
Total	36,441	35,743

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 at 31 December 2022	81
Accrued	235
Used	-
Balance as at 31 December 2023	316
Accrued	-
Used	(109)
Balance as at 31 December 2021	207

Atidėjiniai suformuoti teisminėms byloms bei garantiniam remontui.

22. Sales revenue

The Company's revenue consisted of:

	2024	2023
Revenue from domestic freight transportation	120,419	114,205
Revenue from international freight transportation	110,919	95,434
Provision of services related to freight transportation	55,450	57,275
Locomotives and work of locomotive crews abroad	1,292	1,537
Maintenance and repair	6,275	4,905
Wholesale trade	3,464	3,649
Lease of assets	336	263
Other services	8,123	8,481
Total	306,278	285,749

Compared to 2023, international freight revenues increased and international revenue was mainly driven by transit revenue, with the decrease in volumes offset by higher transport tariffs.

The increase of the volumes of domestic transportation resulted from the increase in the volume of transportation of mineral products (excluding mineral fertilisers), chemical and mineral fertilisers and food industry's products, drinks and tobacco.

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

	2024	2023
Recognised immediately	292,792	274,059
Recognised over an ongoing period	13,516	11,690
Total	306,278	285,749

23. Expenses related to employee benefits

Employee benefits costs by type:

	2024	2023
Wages and salaries	42,069	37,185
Social security contributions	971	868
Accrued vacation reserve (reversal)	400	4,491
Pensions and similar liabilities (reversal)	88	798
Total	43,528	43,342

24. Result from financial activity

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

	2024	2023
Total finance income	1,731	974
Penalties and default interest for overdue trade receivables	247	264
Interest	1,451	697
Impact of currency exchange fluctuations	33	13
Total finance costs	(6,238)	(5,398)
Interest	(5,786)	(5,027)
Disposal of investments	-	(8)
Other expenses	(452)	(363)
Total	(4,507)	(4,424)

25. Income tax and deferred tax

Income tax was calculated at a rate of 15 percent.

	2024	2023
Income tax for the reporting year	1,840	432
Adjustment of income tax of the previous year	(304)	-
Corporate income tax in foreign countries	4	-
Deferred tax expenses (benefit)	6,388	3,055
Total income tax expense (benefit) recognised in profit or loss statement	7,928	3,487

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

	2024	2023
Profit (loss) before tax	31,138	21,035
Income tax	4,672	3,155
Non-allowable (+) /additional allowable (-) deductions	2,376	436
Non-taxable income	(34)	(104)
Income tax adjustments of the previous year	(304)	-
Difference due to percentage change	1,218	-
Total income tax expenses (income)	7,928	3,487
Effective rate	25.46%	16.58%

The Company's deferred tax calculation is given below:

	2024	2023
Deferred tax assets:		
Accumulated tax losses	-	3,156
Impairment of inventories	149	61
Impairment of receivables	342	390
Impairment of investment property held for sale	173	-
Accrual of leave and bonuses	721	593
Long-term employee benefits liabilities	295	262
Accrued expenses	1,523	1,267
Deferred tax assets	3,203	5,729
Deferred income tax liability:		
Difference in the value of non-current assets with tax	(21,168)	(17,307)
Deferred income tax liability	(21,168)	(17,307)
Deferred income tax asset (liability), net	(17,965)	(11,578)

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;
- 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:

	2024		31/12/2024	
	Purchases	Sales	Receivables	Payables
AB Lietuvos geležinkeliai	58,793	672	717	127,290
AB LTG Infra	98,238	468	299	6,186
AB LTG LINK	347	8,442	792	34
UAB Geležinkelio tiesimo centras	-	764	58	-
LLC LTG Cargo Ukraine	324	63	113	1
LTG Cargo Polska SP. Zo.o.	13,175	1,143	1,134	343
UAB voestalpine VAE Legetecha	-	75	-	3
Total	170,877	11,627	3,113	133,857

The major part of purchases in 2024 includes the following:

**fuel – EUR 29,985 thousand, management services – EUR 2,906 thousand, general services – EUR 11,799 thousand;*

***Infrastructure services – EUR 98,225 thousand.*

	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 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.*

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 2024, the number of executives was 8 people, i.e. Chief Executive Officer, Head of Finance, Head of Business Development, Head of Business Maintenance, Head of Technological Asset Management, Head of Sales, Head of Service Delivery, Head of Customer Service Management.

	2024	2023
Management remuneration	830	775
Incentives*	118	63
Accumulated long-term benefits **	2	1
Number of executives	8	7
Allowances for members of the Board	107	110
Number of Board members	5	5

** 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 2024, 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.

Guarantees received by Cargo:

The guarantee of EUR 30 thousand received from UAB LTG Link, the guarantee is valid until 16 February 2026.

Guarantees issued by Cargo:
The guarantee of EUR 36 thousand issued to UAB Geležinkelio tiesimo centras, the guarantee is valid until 14 September 2025.

The guarantee of EUR 987 thousand issued to UAB LTG Link, the guarantee is valid until 1 July 2026.

Contracts for purchase of rolling stock:

1) electric locomotives (EUR 115.7 million),

2) semi-wagons (EUR 12.7 million),

3) grain wagons (EUR 20.6 million).

4) Replacement of safety systems (EUR 5.4 million).

28. Events after the reporting period

The credit agreement in the amount of EUR 36.46 million for financing of purchases of rolling stock was signed and the first payments amounting to EUR 12.93 million were made on 9 January 2025.

The loan agreements with LTG Cargo Polska SP. Zo.o. in the amount of EUR 5 million each were signed on 12 February 2025 and 27 February 2025. The first payment of EUR 2.5 million was made on 12 February 2025.