



2021

Report of UAB Geležinkelio Tiesimo Centras

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### ABBREVIATIONS:

LTG - AB Lietuvos Geležinkeliai  
 LTG Group, Group, Company group - AB Lietuvos Geležinkeliai and its subsidiaries  
 LTG Cargo – AB LTG Cargo  
 LTG Link – UAB LTG Link  
 LTG Infra – AB LTG Infra  
 GTC- UAB Geležinkelio Tiesimo Centras  
 LTSA - Lithuanian Transport Safety Administration  
 EU - the European Union  
 SOE – State owned enterprise

Annual and interim reports as well as financial statements are available publicly on the website: <https://www.gtc.lt>



## CEO'S FOREWORD

**To our respected Partners, Employees and Clients,**

In 2021 we found ourselves working in a highly dynamic environment: the challenges posed by COVID-19 were accompanied by the changed geopolitical situation, which further encouraged the entire team of the company to focus and adapt to the changed environment at a faster pace.

The geopolitical situation has led to suspension of as many as several important projects of development and repair of railway network, in which our company would have played an important role. Being strong as a fist even in such a difficult time, our team paid special attention to both the search for new projects and successful and timely implementation of the existing ones.

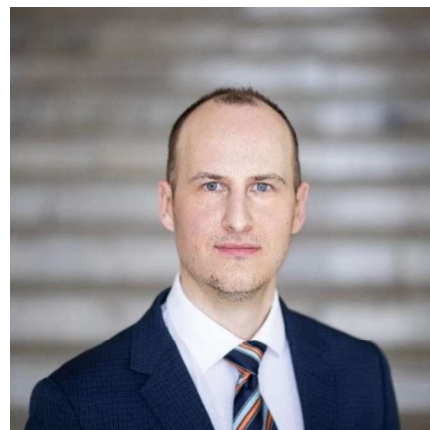
A complex and very important project of construction of secondary tracks in the section Livintai-Gaižiūnai, in the main artery of the country – Vilnius-Klaipėda – is being carried out on schedule and in compliance with the obligations.

The year 2021 is exceptional as new activities and markets have been entered. For the first time in the company's history we have been awarded to contracts of tenders and started construction of sound-reducing barriers in Klaipėda and Kretinga district. The project of the company's strategic development to Poland continues successfully.

We also successfully participate in public tenders. All the victories are important, and we can single out the most important ones: participation together with other LTG Group companies in construction of a physical barrier at the Lithuanian-Belarusian border and involvement in an electrification project significant for the railways.

We can be proud that the transformation taking place within the company determines the success of our activities and further development. The foundation of the company is employees, therefore we aim to increase their engagement and offer competitive working conditions. Another one strategic direction of ours is operational efficiency. By increasing the operational efficiency we are implementing modern technologies (of the system of accounting, technical repair management and project management) and modernizing the existing technical base.

I believe that during 20 years we have managed to establish ourselves in the market as a responsible, strong, cohesive, professional team capable of performing tasks and commitments in a timely and high-quality manner. We are ready to continue to prove that we can take on even more new activities, establish ourselves in new markets..



**VYTAUTAS RADZEVIČIUS**

Chief Executive Officer  
UAB Geležinkelio Tiesimo Centras

## MAIN DETAILS ABOUT THE COMPANY

<b>Name</b>	<b>UAB Geležinkelio Tiesimo Centras</b>
<b>Head office address:</b>	Trikampio St. 10, Lentvaris, Trakai district
<b>Legal form</b>	Limited Liability Company, Private legal entity of limited civil liability
<b>Date and place of registration</b>	21 December 2001, Register of Legal Entities of the Republic of Lithuania
<b>Company code</b>	181628163
<b>Telephone</b>	+370 6 553 70 23
<b>E-mail</b>	<a href="mailto:info@gtc.lt">info@gtc.lt</a>
<b>Website</b>	<a href="http://www.gtc.lt">www.gtc.lt</a>
<b>Principal activity</b>	Construction and repair of railway track infrastructure
<b>Chief Executive Officer</b>	Vytautas Radzevičius
<b>Shareholders</b>	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 Center of Registers

## THE COMPANY'S SUBSIDIARIES

<b>Name</b>	<b>OOO Rail Lab</b>
<b>Head office address:</b>	Internacionalnaja St. 36-1, Minsk, the Republic of Belarus
<b>Legal form</b>	Entity of limited civil liability
<b>Date and place of registration</b>	26 May 2020, the Republic of Belarus
<b>Company code</b>	192827267
<b>Telephone</b>	+375 29 312 52
<b>E-mail</b>	<a href="mailto:vladimir.dervenkov@litrail.lt">vladimir.dervenkov@litrail.lt</a>
<b>Website</b>	-
<b>Principal activity</b>	Production of rolling stocks and locomotives, repair and maintenance of vehicles, wholesale trade of other machinery and plant
<b>Portion of shares controlled by the Company</b>	1% of shares is controlled by UAB Geležinkelio Tiesimo Centras

## THE COMPANY'S BRANCHES, REPRESENTATIVE OFFICES ABROAD

During the analyzed period the Company did not have established branches and representative offices.



## ACTIVITY OF THE COMPANY

GTC started its activity in the sector of repair and construction of railway tracks of all types in 1948. Currently, the Company specialises in the fields of construction of railway tracks, repair, maintenance of tracks and structures, repair of other engineering structures, reconstruction and construction. As well as in sectors of lease of machinery and plant, installation of transport infrastructure engineering systems as well as design and consulting.

The principal activity of UAB Geležinkelio Tiesimo Centras is focused on maintenance of railway infrastructure, implementation of construction, repair and modernisation projects.

The key segments of GTC principal activities:

- Construction and repair of railway tracks;
- Maintenance of railway tracks and structures;
- Construction, reconstruction and repair of other structures;
- Lease of machinery and plant;
- Installation of transport infrastructure engineering systems;
- Designing and consulting.

## MARKET

**LITHUANIAN MARKET.** GTC competes in the sector of construction of engineering structures in Lithuania which includes maintenance and repair of railway infrastructure. The Lithuanian market is consisted of public infrastructure which is controlled by AB LTG Infra and private infrastructure. The public infrastructure covers a significant proportion of market; yet, the Company focuses both on public and private infrastructure markets as well as competition of the Company in all markets.

**FOREIGN MARKET.** A modern machinery and plant park, qualified personnel, successful implementation of infrastructure projects, and valuable experience provide for a unique possibility to the Company to take advantage of the experience internationally and to expand the Company's activities geographically through proposal of services in the neighbouring market.

## CUSTOMERS AND MAIN CUSTOMER GROUPS

Public railway infrastructure managers, large, medium and small companies which own sidings, use rolling stocks and have load bars allocated to them are users of the Company's services. Also, potential clients of GTC in the markets are general contractors and subcontractors.

## REGULATORY ENVIRONMENT

The conditions of railway transport activities, requirements for railway transport employees and relations arising from the carriage of passengers, luggage and / or freight by rail of the Republic of Lithuania are established by the Railway Transport Code of the Republic of Lithuania, the provisions of which are in compliance with legislation of the European Union. Under the Article 7 of the Code, public administration of railway transport is conducted by the government of the Republic of Lithuania, Ministry of Transport and Communications, State Railway Inspectorate under the Ministry of Transport and Communications. The mentioned institutions design strategy of railway transport, coordinate its implementation, perform functions set out by other legal acts, legislate on railway transport matters under its competence, and controls enforcement of legislation either directly or through authorised institutions. The principal regulatory legislation of the Company is the Civil Code, the Construction Act, and the Construction Technical Regulations (CTR).

## MANAGEMENT OF THE COMPANY

### INFORMATION ON SHARES AS OF 31 DECEMBER 2021

The Company is part of AB Lietuvos Geležinkeliai Group whose sole shareholder is the parent company AB Lietuvos Geležinkeliai.

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 Group companies.

Company	Amount authorised capital, EUR thousand	Number of shares, items	Par value per share, EUR
UAB Geležinkelio Tiesimo Centras	30,897	109,748	281.53
Subsidiary			
OOO Rail Lab	BYR 1,186 thousand	-	-

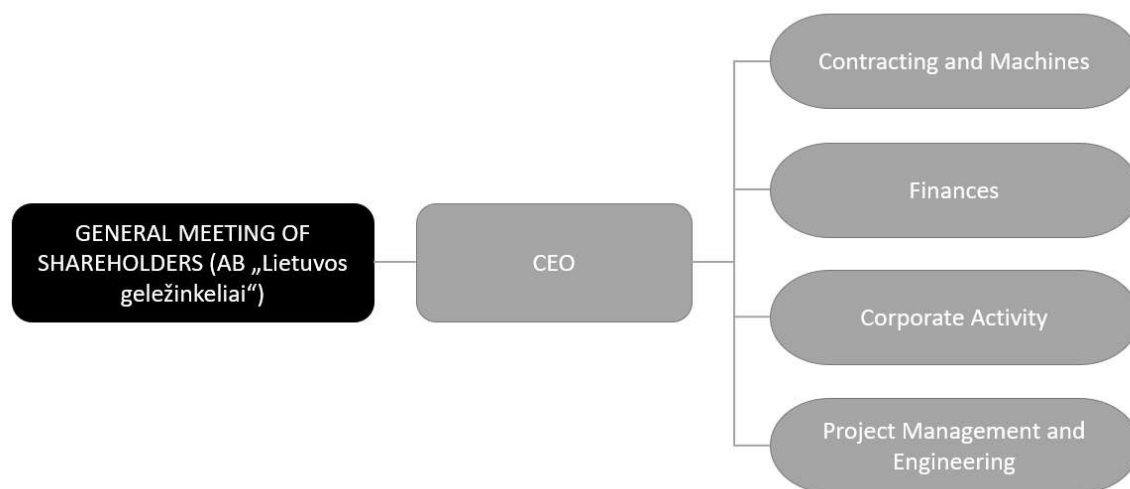
### MANAGEMENT AND ORGANISATIONAL STRUCTURE OF THE COMPANY

UAB Geležinkelio Tiesimo Centras and its subsidiary OOO Rail Lab belong to AB Lietuvos Geležinkeliai company Group.

The sole shareholder of the Company is the parent company AB Lietuvos Geležinkeliai. The shareholder of AB Lietuvos Geležinkeliai is the State which is controlling 100% of shares and the shareholder's rights and obligations are implemented by the Ministry of Transport and Communications of LoR.

In seeking for the AB Lietuvos Geležinkeliai Group companies' long-term growth in value, rational and effective utilisation of funds, assets and other resources as well as fulfilment of the shareholder's expectations and interests, the operating model of the Group is oriented towards purification of principal activities and their refocusing in subsidiaries and companies of subsequent levels. Being part of AB Lietuvos Geležinkeliai companies Group, GTC is 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 its activities GTC is independent, it makes relevant decisions and ensures reporting and responsibility for operating results.

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



### THE COMPANY'S ARTICLES OF ASSOCIATION

The Company's Articles of Association is the principal document the Company follows in its activities. Articles of Association of GTC are amended by the decision of the sole shareholder AB Lietuvos Geležinkeliai, adopted by a qualified majority of votes, which shall be at least 2/3 of the votes granted by the shares of all shareholders participating in the meeting.

During the reporting period GTC Articles of Association were amended by the decision of the sole shareholder AB Lietuvos Geležinkeliai, dated 20/12/2020, when the Company's collegial management body, the Board, was revoked. The new wording of the Articles of Association was registered with the Centre of Registers on 29/12/2021.

Articles of Association of GTC are available in the Company's website at <https://gtc.lt/w/bendroves-valdymas/>.

### GOVERNING BODIES OF THE COMPANY

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

- General Meeting of Shareholders;
- Board<sup>1</sup>;
- Chief Executive Officer – Director General.

**General Meeting of Shareholders** is the supreme governing body of the Company. The competence of the General shareholders meeting, the procedure of its convening as well as resolution-passing is established by the Law on Companies as well as in the Articles of Association of the Company published on the website [HTTPS://GTC.LT/W/BENDROVES-VALDYMAS/](https://gtc.lt/w/bendroves-valdymas/).

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

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

In accordance with the Company's Articles of Association in effect, an additional competency of the General Meeting of Shareholders is to approve the decisions of the Company's CEO regarding the following:

- Approval of the Company's activity strategy and long-term goals;
- Establishment of the Company's activity indicators;
- Approval of the Company's investment plan;
- Approval of the Company's annual budget and activity plan;
- Investment, purchase or sale of the Company-owned property and facilities important for ensuring national security, conclusion of any other transfer of ownership, pledge or mortgage transactions;

<sup>1</sup> On 29/12/2021 a new version of the Articles of Association of GTC was registered with the State Enterprise Centre of Registers, in which the collegial body – the Board – was not provided for.



- Investment of the Company's long-term assets with the book value equal to or exceeding EUR 300,000 (excluding VAT tax) in the companies of AB Lietuvos Geležinkeliai group of companies or third parties, transfer or lease of these assets (calculated separately for each type of transaction);
- Pledge and mortgage of the Company's long-term assets with the book value equal to or exceeding EUR 300,000 (excluding VAT) (the total amount of transactions is calculated);
- Suretyship of or guaranteeing the fulfillment of obligations of other persons equal to or exceeding EUR 300,000 (excluding VAT);
- Acquire long-term assets at a price equal to or exceeding EUR 300,000 (excluding VAT);
- Consent that the Company's manager to concluded purchase transactions of goods, services and / or works, the value of which without value added tax is equal to or exceeds EUR 300,000 (excluding VAT);
- Essential terms of the service contracts provided by the Company, if the planned annual revenue or revenue for the entire term of the contract may be equal to or exceed EUR 300,000 (excluding VAT);
- The Company's participation or establishment of other legal entities;
- The Company to start a new type of activity or to terminate the Company's activity, if the relevant decision has not been made when approving the Company's strategy;
- Approval of the Company, as a shareholder of the subsidiaries, of the decisions of the boards of the subsidiaries in respect of becoming the founding members of the other legal entities (except for the decisions on becoming the founding members or participants of associations);
- Approval of the total amount allocated to the Company's employees for promotion with respect to annual performance;
- other.

During the reporting period, the property and non-property rights of the shareholder were not restricted, no special rights were provided for the shareholder.

#### Most important decisions adopted by the General Meeting of Shareholders in 2021:

- Approval of the Company's financial statements for 2020;
- Distribution of the Company's earnings (loss) to be distributed for the year 2020;
- Articles of Association of GTC were amended, in which the collegial body of the Company – the Board – was not provided for.

**Board** – until 28 December 2021, the Company's Articles of Association provided for the collegial management body, consisting of 5 members. On 29/12/2021 a new version of the Articles of Association of GTC was registered with the State Enterprise Centre of Registers, in which the collegial body – the Board – was not provided for.

Office term of the Board: 13/12/2017 - 13/12/2021.

Members of the Board do not own shares of the Group companies.

25 Board meetings took place during the reporting period

## COMPOSITION OF THE COMPANY'S BOARD



### LINAS BAUŽYS

Chairman of the Board  
Held office from  
13/12/2017 until 13/12/2021

#### Education

- Klaipėda University, Seaport Management;
- ISM University of Management and Economics, Financial Strategy and Management

#### Main employer, position held

Chief Executive Officer of UAB LTG Link, Geležinkelio St. 16, Vilnius, company code 305052228

#### Other positions

Board member of the Municipal Enterprise Susisiekimo Paslaugos, Žolyno g. 15, Vilnius, company code 124644360, (as of 10/01/2022)



### ROKAS JANUTĖNAS

Board member  
Held office from  
13/12/2017 until 09/11/2021

#### Education

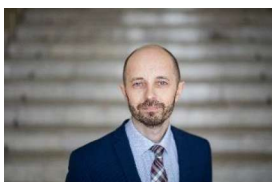
- University of Glasgow, Economics

#### Main employer, position held

Head of Strategy and Operational Efficiency of AB Lietuvos Geležinkeliai Geležinkelio g. 16, Vilnius, company code 110053842.

#### Other positions

-



### SIGITAS KUBILIS

Board member  
Held office from  
13/12/2017 until 13/12/2021

#### Education

- Vilnius Gediminas Technical University, Engineering Economics and Management

#### Main employer, position held

AB Lietuvos Geležinkeliai  
Head of Investment Planning and Control Geležinkelio g. 16, Vilnius, company code 110053842.

#### Other positions

-



### BRIGITA VALENČIENĖ

Board member  
Held office from  
29/11/2019 until 13/12/2021

#### Education

- Kaunas University of Technology, Business Management

#### Main employer, position held

AB Lietuvos Geležinkeliai  
Head of HR Business Partners Geležinkelio g. 16, Vilnius, company code 110053842.

#### Other positions

Board member of AB LTG Cargo, Geležinkelio g. 12, Vilnius, company code 304977594



**VAIDOTAS DIRMEIKIS**

Board member

Held office from

29/11/2019 until 13/12/2021

**Education**

- ISM University of Management and Economics, Management

**Main employer, position held**

Head of Treasury and Finances of AB Lietuvos Geležinkeliai  
Geležinkelio g. 16, Vilnius, company code 110053842.

**Other positions**

-

**CHANGES IN THE COMPOSITION OF THE BOARD DURING THE REPORTING PERIOD**

Composition of the Board did change during the reporting period. Upon the request of Rokas Janutėnas, a member of the Board, by the decision of the General Meeting of Shareholders of 2021 November 9, a member of the Board was removed from office.

On 29/12/2021 a new version of the Articles of Association of GTC was registered with the State Enterprise Centre of Registers, in which the collegial body – the Board – was not provided for.

**INFORMATION ON MEETINGS OF THE BOARD, AUDIT AND NOMINATION COMMITTEES AND PARTICIPATION THEREIN**

Name, surname of a member	Board meetings
Number of meetings in 2021 (including away days, early-voting in writing)	25
Linas Baužys	25
Rokas Janutėnas	21
Sigitas Kubilis	23
Brigita Valenčienė	22
Vaidotas Dirmeikis	25

**MOST IMPORTANT DECISIONS ADOPTED IN 2021**

- The Company's goals for 2022 were set;
- The Company's annual report for 2020 was approved;
- The Company's financial statements for 2020 were approved;
- Key performance indicators of the Company and goals of CEO were set for 2021;
- The Company's interim financial statements for the six-month period ended 30 June 2021 were approved;
- The management structure of the Company was changed;
- The Company's activity plan (budget) was approved;
- The Company's updated activity strategy for 2022-2040 was approved.

**THE BOARD'S SELF-ASSESSMENT ON PERFORMANCE AND RESULTS**

In line with the Company's Articles of Association and good governance practices, in early 2021 the Board carried out a self-assessment of its performance in 2020.

The results of the self-assessment were discussed at the Board Meeting in which the areas for improvement were established and the action plan was prepared for 2021. The area for improvement identified by the Board: strengthening of competences in the areas of activity performed by the Company and updating of the Company's strategy by adopting decisions and regular monitoring of implementation thereof.



**Chief Executive Officer (Head of the Company)** – is the sole executive body who is responsible for organisation of day-to-day business of the company and manages it. The competence areas of the CEO are defined in the Law on Companies of the Republic of Lithuania and the Articles of Association of the Company available at [HTTPS://GTC.LT/W/BENDROVES-VALDYMAS/](https://gtc.lt/w/bendroves-valdymas/). The CEO is elected for a term of 5 years by the General Meeting of Shareholders that he is accountable to. The same person may be elected as a Chief Executive Officer no more than for two consecutive office terms.

Prior to becoming the Chief Executive Officer of GTC, he held the position of Director of Strategy and Management Department at Lietuvos geležinkelių infrastruktūra. And prior to joining the management team of Lietuvos Geležinkeliai, Mr V. Radzevičius was head of the division of SEB Gyvybės draudimas for a period of 4 years (2013-2017).

Mr Vytautas Radzevičius - the Chief Executive Officer of GTC - has an academic degree in the field of business economics (Vilnius University, Master's degree).

## THE COMPANY'S MANAGEMENT

<b>VYTAUTAS RADZEVIČIUS</b>	Chief Executive Officer	Appointed on 12 April 2019
<b>MINDAUGAS KEKYS</b>	Chief Financial Officer	Held office from 2 May 2018 until 21 May 2021
<b>EDGARAS KATELOVIČIUS</b>	Chief Financial Officer	Appointed on 24 May 2021
<b>VILIUS MITKEVIČIUS</b>	Head of Corporate Affairs	Held office from 15 April 2019 until 21 March 2021
	Head of Contracting and Machinery	Appointed on 22 March 2021
<b>VILMA NOVIKIENĖ</b>	Head of Corporate Affairs	Appointed on 24 May 2021
<b>ERIKAS STANKEVIČIUS</b>	Head of Contracting and Machinery	Held office from 15 July 2019 until 21 March 2021
<b>VYTAUTAS ŽIRGUTIS</b>	Head of Project Management and Engineering	Appointed on 16 September 2019

Members of the Board, the CEO and the Company's managers have submitted declarations on private interest, which can be found in the [register of private interests](#) of the Chief Official Ethics Commission. There were no conflicts of interest between the members of the Board, the CEO and the Company's managers during the reporting period.

## INFORMATION ON REMUNERATION OF BOARD MEMBERS AND THE COMPANY'S CHIEF EXECUTIVE OFFICER

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

- Basic monthly salary.** The Company's Chief Executive Officer's basic monthly salary set out in the employment contract amounted to EUR 7,100 as at the end of the reporting period. The Company's Chief Executive Officer's basic monthly salary increased by 4%, from EUR 6,800 to EUR 7,100.
- Annual incentives.** The annual variable remuneration (annual incentive) directly related to achievement of annual goals and dependent on actual achievement of the established annual indicators **may be paid** to the Company's Chief Executive Officer next to the basic monthly salary. Each year, the Board of the Company approves the structure of annual goals of the Group, threshold values for their achievement and benchmarks, and after the end of year the Board of the Company approves the results of achievement of these objectives and the possibility of paying annual incentive.

The maximum amount of the variable annual incentive is up to 30% of the annual basic salary. The maximum monthly proportion (i.e. 1/12) of the annual incentive shall not exceed EUR 2,130. In 2021, a **monthly** portion (1/12) of the annual incentive to the Company's CEO for achievement of the goals of the year 2020 amounted to EUR 1,707.

Board members delegated by the shareholder AB Lietuvos Geležinkeliai, as well as Chairman of the Board, do not receive remuneration for their activity at the Board.

## STRATEGY

LTG company group, together with GTC, plans its activities not only in the short but also in the long term. The long-term Strategy is reviewed and updated annually due to the constantly changing environment, both external and internal. At the end of 2021, the Board of LTG approved the updated sustainable growth strategy for 2040 of AB Lietuvos Geležinkeliai.

In order to ensure that the strategic directions and goals provided for in the long-term corporate strategy were focused on the specific activities of LTG group of companies as much as possible, annually updated and long-term strategies of individual LTG business units are prepared. One of them is the Long-Term Strategy of UAB Geležinkelio Tiesimo Centras for 2022 – 2040, approved by the Board of GTC on 2 December 2021.

### MISSION, VISION AND STRATEGIC DIRECTIONS

**MISSION** – Partner for development of railway infrastructure.

**VISION** – The most modern company of railway infrastructure solutions in the region.

**STRATEGIC DIRECTIONS:** The leading partner of railway infrastructure construction.

1. Top-level operational efficiency and digitization.
2. Business development.
3. Green Deal.
4. Full safety.
5. Strong organizational culture.

### PLANNED STRATEGIC PROJECTS UNTIL 2040:

- Development of activity of co-construction and ground works;
- Electrification;
- Energy, low voltage, communications sector;
- Distribution;
- Disposal of hazardous wood waste.

### IMPLEMENTATION OF GOALS IN 2021

At the end of 2020, the Board of the Company approved GTC's strategic activity plan, at the beginning of 2021 annual goals were approved, as well as indicators and the guidelines for measuring achievement thereof, linked to the strategic directions of activity. In line with the approved annual goals, personal goals have been set for GTC's personnel. In this way, the Company's employees are involved in the process of implementing the strategy, linking the achievement of goals with the employees' career and education plans, the payment of performance incentives and the review of the base salary.

Main goals	Unit of measure	Guidelines for achievement of goals in 2021	Indicators of achievement of goals in 2021
Revenue	Eur million	>34.6	31.2
Revenue from external customers	Eur million	>1.5	4.3
Employee engagement	%	>47	49
Indicator of time loss of GTC due to injuries	LTIIR	<6.49	9.12

**MOST SIGNIFICANT PROJECTS IMPLEMENTED IN 2021:**

- Modernized automatic security system.
- Gasoline spins have been abandoned in small mechanization, they were switched to electronic ones, climate change is reduced.
- Disposal of unused property.
- Modernized padding block "Duomatic".
- Implementation of the program "All Device".



## **MOST SIGNIFICANT EVENTS IN 2021**

### **JANUARY**

- A contract was concluded for Installation of Noise Reduction Measures in Kretinga Railway Station, in Kretinga District Municipality. The value of the project is EUR 2.6 million. This project reflects the range of development of the services provided as it will be the first of its kind to be performed by the Company.
- Training material for users of "All device" was prepared for working with computers and phones.

### **FEBRUARY**

- GTC undertook to carry out snow cleaning works on the railway network of LTG Infra. During February, 74 calls were received with a response time of up to 6 hours.
- Annual goals of GTC's personnel for 2021 were planned and approved.
- The audit of the financial statements of GTC for the year 2020 was carried out and the auditor's report was signed on 1 March 2021.

### **MARCH**

- GTC and LTG Infra concluded the contract for the design and construction of noise reducing barriers in Klaipėda railway station. The value of the contract is EUR 3.9 million without VAT.
- GTC was awarded a contract in the tender for major repairs for the section Raudėnai - Tryškiai. During the project the Company will have to carry out 7 km of full major repairs, including ground works within the period of 180 days. The value of the project is EUR 1.7 million without VAT.
- The access control system has started operating in the office of GTC, the offices were prepared for the implementation of the concept of a mobile office.

### **APRIL**

- GTC was awarded a contract in the tender "Contract works for basic repairs of track I of the railway section Lentvaris – Vievis". The value of the contract is EUR 3.3 million without VAT.

### **MAY**

- GTC was awarded a contract in the tender "Contract works for basic repairs of track I of the railway section Valčiūnai – Jašiūnai (EUR 2.8 million) and track I, II of the railway section Šilėnai – Zokniai (EUR 1.5 million).

### **JUNE**

- 8 units of unused vehicles were sold at the auction with the value of EUR 45 thousand.

### **JULY**

- Installation of the business management system (Navision) was started.
- Modernization of Duomatic 08-32 was completed in accordance with the approved investment programme.

### **AUGUST**

- GTC was awarded a contract in the tender for contract works of repair in the intermediate station of the railway section Naujoji Vilnia – Kyviškės. The value of the bid is EUR 1.8 million.
- GTC was awarded a contract in the tender for contract works of repair in the intermediate station of Šateikiai – Kūlpėnai. The value of the bid is EUR 2.8 million.
- As of 12 August performance of construction works of the second railway track Plungė – Šateikiai was suspended. The remaining amount of non-implemented project is EUR 11.6 million. As of 17 August the project of the programme of majors repairs of Valčiūnai – Jašiūnai was suspended. The value of the project is EUR 2.8 million.
- Physical works of the project of Installation of the Railway Branch according to the Technical Design "Establishment and Development of the Industrial Park of Šiauliai City (territory near Dubijos, Radviliškio and P. Motiekaičio streets). Phase II. Communications and Engineering Networks" (or, in short, Šiauliai FEZ) were started.

### **SEPTEMBER**

- GTC was awarded a contract in the tender "Contract works for repair of level crossing in the intermediate station Kūlpėnai-Kretinga 351+780 km" the value whereof is EUR 0.105 million.

- GTC was awarded a contract in the tender "Works for Replacement of Railway Switches in regions of Klaipėda, Šiauliai, Vilnius and Kaunas". The tender consisted of two parts and GTC was awarded with contracts for both of them. The value of the project is EUR 0.633 million.
- Physical works of the first stage were completed in the project Transnest. The customer accepted the object by organizing the procedures of completion of construction.
- Railway track works were completed in the project of Raudėnai – Tryškiai. In October the commission for acceptance of all works of the project is to be organized.

#### OCTOBER

- GTC was awarded a contract in the tender "Contract works for repair of level crossing in the intermediate station Vilnius-Naujoji Vilnia 2+868 km" the value whereof is EUR 0.252 million.
- MS Dynamics NAV was put into use.

#### NOVEMBER

- GTC was awarded a contract in the tender "Purchase of lease of special railway rolling stock and special wagons" the value whereof is EUR 0.2 million
- GTC started construction of the physical barrier in the Lithuanian-Belarusian border.

#### DECEMBER

- Board of GTC approved the long-term strategy of the company for 2022-2040.
- Board of GTC approved the budget for 2022 and goals of the Company.
- Amended Articles of Association were registered with the State Enterprise Centre of Registers.

### EVENTS AFTER THE REPORTING PERIOD

#### JANUARY

- GTC was awarded a contract in the tender of AB Lietuvos Geležinkeliai for repair works of viaduct. The Company was a winner of 3 out of 4 parts of the tender. The value is EUR 0.3 million.
- GTC was awarded a contract in the tender "Electrification of the section Vilnius–Klaipėda (Draugystės station).
- GTC was awarded a contract in the tender "Works of upper railway track of Radviliškis-Pagėgiai 113+489 km". During the project repair works of the bridge will be carried out with the value of EUR 0.3 million.

### IMPACT OF COVID-19 ON THE COMPANY'S ACTIVITY

Many sectors of the country are still affected by the ongoing global coronavirus (COVID-19) pandemic. The prevention of COVID-19 in GTC is ensured by the Emergency Management Group established by the Group, which coordinates the implementation of unified measures and actions in all the Group companies. Employees of GTC are provided with personal protective equipment, cleaning and disinfection services were organized, the possibility of working remotely and constant communication with employees is ensured. The Company provides employees with a possibility to get vaccinated against Covid-19, and in the event of feeling unwell, a paid "Vaccination Leave" is given on the next day after the vaccination.

### IMPACT OF SANCTIONS IMPOSED ON REPUBLIC OF BELARUS ON THE COMPANY'S ACTIVITY

Following the imposition of sanctions on Belarus, the need for major repairs of the main customer has decreased, and the Company has actively sought other sources of revenue. One of the new activities is construction of a physical barrier at the Lithuanian-Belarusian border.

### INFORMATION ON THE IMPACT OF UKRAINE-RUSSIA WAR ON THE COMPANY'S ACTIVITY

Due to the war between Russia and Ukraine which broke out on 24 February 2022, a hardly predictable and unprecedented situation arose not only in Lithuania but also around the world. On the same day, a state of emergency was declared in Lithuania. Currently the Company has no customers or suppliers from Ukraine, Russia and Belarus and did not plan to provide services in these countries or purchase materials from them, therefore the Company's operations should not be directly affected by it. However, given that the situation related to the outbreak of war is very dynamic, the actions of governments of Lithuania and other countries are changing rapidly, it is difficult to reliably assess the possible impact on the annual results.

## **CLIMATE CHANGE MANAGEMENT MEASURES AND IMPACT ON THE COMPANY'S ACTIVITIES**

In fulfilment of strategic goals and priorities of management of sustainability, established in LTG Sustainable Growth Strategy 2040, LTG Company Group is especially committed to environmental protection. One of the main strategic activity areas of the Group and its individual companies is the Green Deal.

In 2021, the Group approved the Environmental Protection Strategy 2030+, which identifies the Group's environmental priorities and areas in which the Group companies have or may have an impact due to their activities, and sets specific targets the achievement whereof would reduce this impact. The strategy is based on the national legislation, international agreements (Paris Agreement on Climate Change, the European Green Deal) on the environment, including climate change.

GTC has not currently identified any assets used in its operations that may be affected by events or factors related to the climate change. The Environmental Protection Strategy 2030+ also sets out the objective of assessing measures to adapt to and change the effects of climate change and increase the resilience of railway infrastructure to the climate change.

The main strategic provisions, directions and goals are also transferred to the Company's Long-Term Strategy (2040) related to the implementation of the Group's sustainability goals. Environmental goals are included in the annual goals of the Company's managers and employees, the implementation of indicators measuring them is monitored and it is significant in assessing the Company's activities and performance.

During the reporting period, no risks and uncertainties were identified due to the changing legal regulations (probably, due to stricter ecological requirements) and there are no doubts about the Company's ability to continue as a going concern.



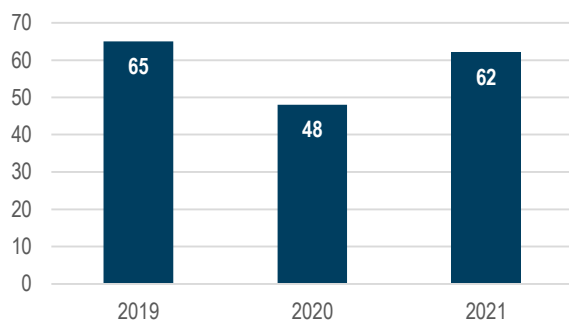
## OVERVIEW OF KEY PERFORMANCE INDICATORS

The difference in the number of indicators, depending on the specifics of the ongoing projects between 2021 and 2020 is insignificant. The increase in the amount of rail welding was caused by the failure of the plant of long-track welding.

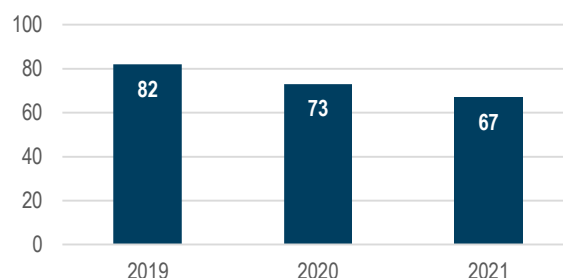
### OVERVIEW OF KEY PERFORMANCE INDICATORS

Items	Unit measure	of	2019	2020	2021	2021/2020 Δ, %
Assembly / reassembly of railway track	km		63	51	66	31%
Dismantling of railway tracks	km		68	49	38	-22%
Dismantling of a railway track in individual components	km		18	35	12	-66%
Construction of railway tracks	km		65	48	62	29%
Ballasting	1,000 m <sup>3</sup>		102	89	74	-16%
Replacement of inventory / existing rails with long-rails	km		82	73	67	-8%
Chip management	km		73	72	36	-50%
Road repair	km		239	223	100	-55%
Installation of switches	Set		6	18	20	11%
Repair of switches	Set		107	51	46	-10%
Replacement of rails (up to length of 25 km)	100 pcs.		22	7	7	-4%
Replacement of railway ties	1,000 pcs.		19	24	2	-71%
Rail welding	100 pcs.		11	16	32	99%
Replacement of clips	1,000 pcs.		73	110	6	-95%
Working hours of leased machinery	Hour		1,847	1,392	1,068	-23%
Leased wagons	Day		2,547	3,294	410	-88%

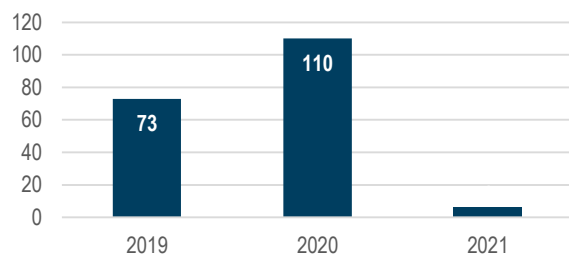
Construction of railway tracks (km)



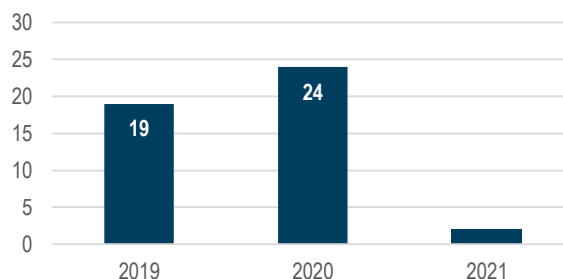
Replacement of inventory / existing rails with long-rails (km)



Replacement of clips (1,000 pcs.)



Replacement of railway ties (1,000 pcs.)



## ANALYSIS OF FINANCIAL AND PERFORMANCE RESULTS

### OPERATING RESULTS

#### SALES REVENUE

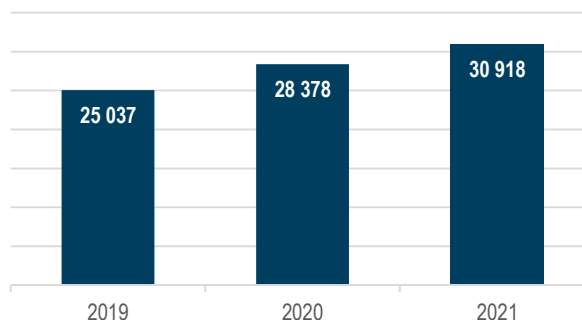
##### Dynamics of sales revenue of GTC in 2019-2021, EUR thousand

Type of revenue	2019	2020	2021
Construction and repair of railway	18,068	24,709	25,249
Maintenance of railway tracks and structures	3,994	1,838	310
Construction, reconstruction and repair of other structures	678	775	4,094
Lease of machinery and plant	961	819	548
Construction and repair works in the area of security, automation and electrification	1,211	0	0
Design works	66	89	385
Other works (snow removal, sales of non-current assets etc.)	59	508	332
<b>Total</b>	<b>25,037</b>	<b>28,738</b>	<b>30,918</b>

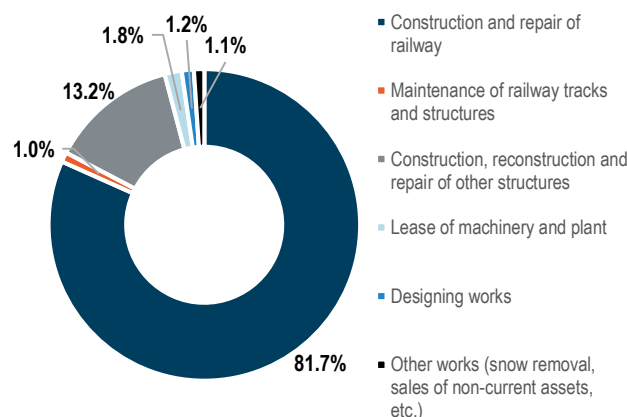
Sales revenue of GTC amounted to EUR 30,918 thousand and increased by EUR 2,180 thousand or 7.6% as compared to 2020.

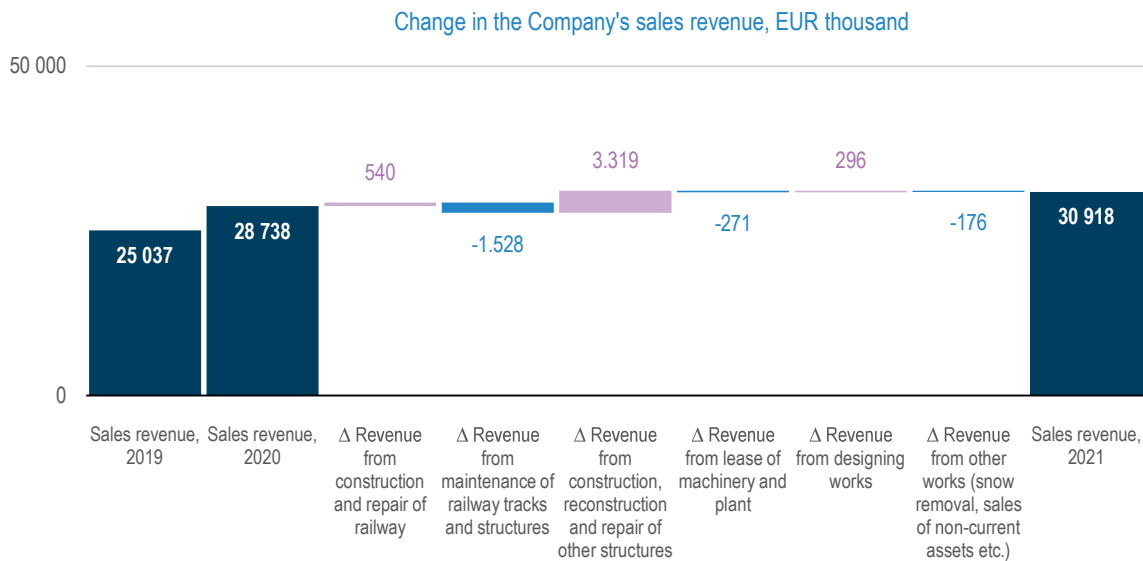
The major portion of the Company's operating income in 2021 consisted of construction of railway (81.7%). Revenue of this segment increased by EUR 540 thousand or 2.2% in 2021 as compared to 2020 due to ongoing projects with the customer's materials (secondary tracks of Livintai – Gaižūnai and Plungė - Šateikiai). Portion of the revenue from maintenance of railway tracks and structures accounted for 1.0% in 2021. Revenue from this segment in 2021 amounted to EUR 1,528 thousand or was lower by 83.1% as compared to 2020, as the Company was not awarded contracts for maintenance. In 2021, the Company rendered more services of construction, reconstruction and repair of other structures. Revenue of this segment was equal to 13.2%, and it accounted for 2.7% of total sales revenue a year ago. The increase resulted from the projects of noise reducing walls and physical barrier at the Lithuanian/Belarusian border. During the reporting period the Company also rendered additional services - lease of assets (machinery and specialised plant), designing and other. In 2021, the Company's activity was carried out in Lithuania. The major portion of works (86.7%) was conducted in accordance with the public procurements of the public infrastructure manager and subsidiary managers. The Company's technology park and existing competences make all assumptions of increasing sales volumes of other customers not only in Lithuania but also abroad.

Company's revenue, EUR thousand



Revenue structure in 2021, %





## COSTS

Changes in the Company's work volumes directly affected costs; therefore, in 2021 there was an increase not only in the Company's sales revenue but also costs.

In 2021 the operating costs of GTC amounted to EUR 30,606 thousand as compared to EUR 1,142 thousand in 2020. Increase in costs is directly related to increased costs for materials.

Structure of GTC costs in 2019-2021, EUR thousand

Type of costs	2019	2020	2021
Salaries and related costs	10,276	9,175	8,356
Materials	1,083	7,263	9,364
Fuel	680	606	669
Depreciation and amortisation	3,002	2,894	2,522
Other expenses	9,702	9,526	9,695
<b>Total</b>	<b>24,743</b>	<b>29,464</b>	<b>30,606</b>

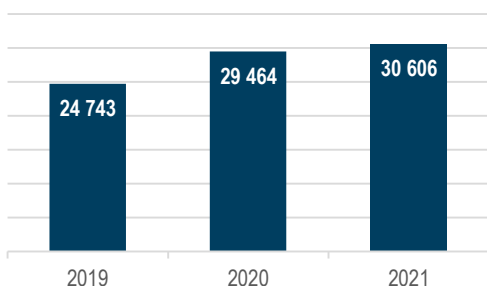
The major portion of the Company's operating costs in 2021 consisted of other costs (31.7%). There is an increase in other costs by EUR 169 thousand or 0.2% as a result of more subcontracting works.

In 2021, salaries and related costs of GTC comprised 27.3% of total costs, which results in decrease by EUR 819 thousand as compared to 2020 due to a decreased number of employees and increased efficiency of employees.

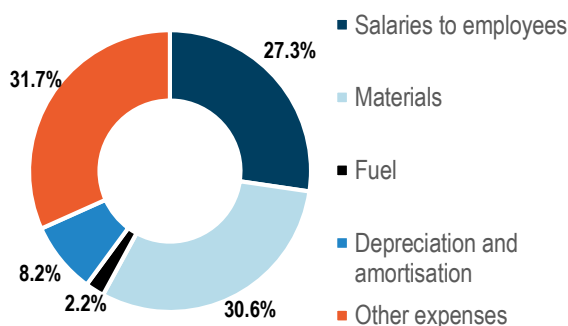
In 2021, costs of materials comprised 30.6% of total costs incurred by the Company. These costs increased by EUR 2,101 thousand comparing to 2020 because of projects carried out with the customer's materials (secondary roads Livintai – Gaiziūnai and Plungė – Šateikiai).

Other expenses include operating costs related to freight transport, locomotives and brigades, special rolling stocks, lease of other assets and other costs which proportionally depend on work volumes.

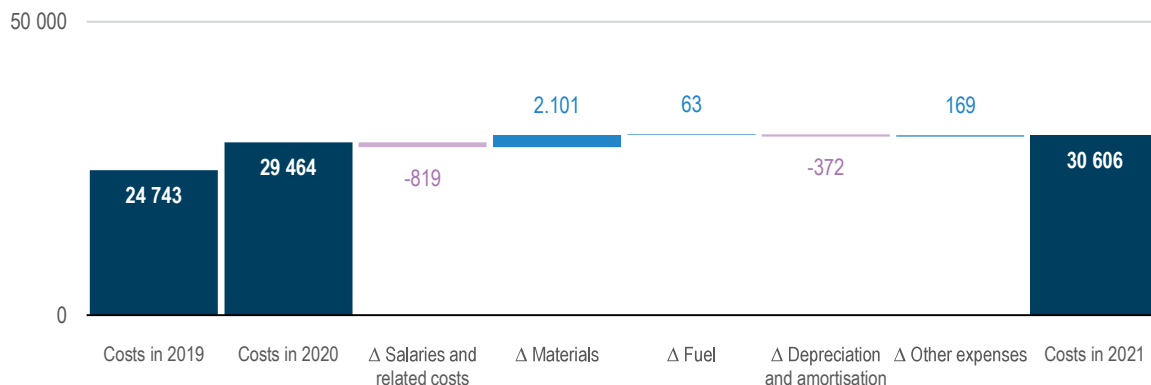
Company's costs, EUR thousand



Structure of the Company's costs in 2021, %



Change in the Company's costs, EUR thousand





## OPERATING RESULTS

EBITDA (profit after tax, results of financial activities, depreciation and amortisation) of GTC amounted to EUR 3,107 thousand in 2021, and it was higher by EUR 650 thousand or 26.5% if compared with 2020.

Revenue of GTC amounted to EUR 31,191 thousand in 2021; i.e. it increased comparing to EUR 29,026 thousand in 2020. The most significant impact on the increase in revenue was made by construction of noise reducing walls and the physical barrier at the Lithuanian/Latvian border and projects of secondary tracks (Plungė – Šateikiai, Livintai – Gaižiūnai).

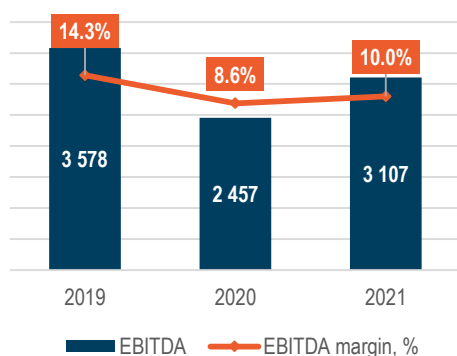
Costs of operating and other activities incurred by GTC amounted to EUR 30,606 thousand in 2021. Compared to 2020, costs increased by EUR 1,142 thousand or 3.9%. In 2021, the major portion of costs comprised remuneration costs (27.3%), other expenses (31.7%) and costs for materials (30.6%).

In implementing instruments increasing efficiency of employees and control of machinery, GTC has carried out structural reorganisation. Given the aggressive competitive environment and management of changing circumstances, in 2021 the Company generated net profit of EUR 352 thousand.

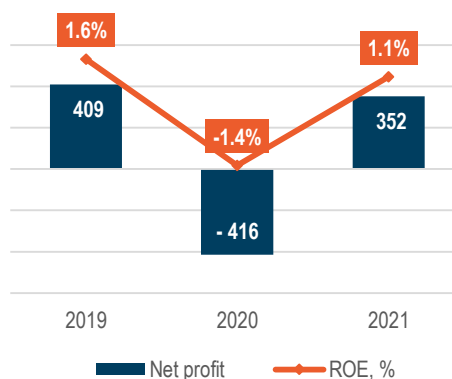
Better result of GTC in 2021 was shaped by the following main reasons:

- efficiency in managing the Company's fixed costs;
- projects of secondary tracks Livintai - Gaižiūnai and Plungė-Šateikiai;
- Completed project of Šiauliai FEZ;
- Project of construction of physical barrier at the Lithuanian-Belarusian border;
- Project of installation of noise reduction measures in Kretinga district.

Company's EBITDA, EUR thousand



Company's net profit, EUR thousand



## BALANCE SHEET CHANGES

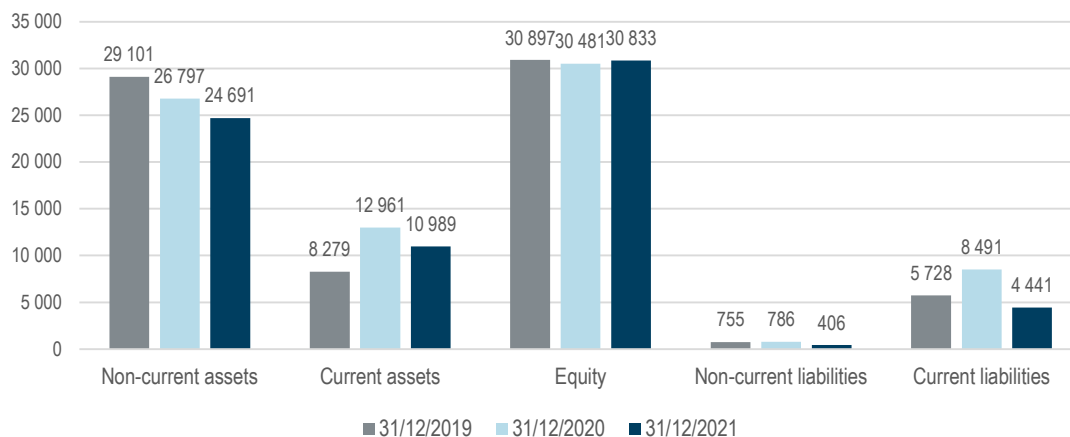
During the reporting period, the value of the Company's assets decreased by EUR 4,078 thousand from EUR 39,758 thousand in the end of 2020 to EUR 35,680 thousand at the end of the analyzed period. As at 31 December 2021, the increase in asset value resulted from increased inventories due to the terminated project of secondary tracks of Plungė – Šateikiai, and in the end of the analyzed period, we incurred decrease in inventories. Non-current assets of GTC comprised 69.2% of total asset structure. It must be mentioned that the value of non-current assets decreased by EUR 2,106 thousand from EUR 26,797 thousand as at the end of 2020 to EUR 24,691 thousand as at the end of the analysed period because the unused machinery was sold.

Current assets of GTC accounted for 30.8% as at 31 December 2021. Effective planning allows not only retaining an optimal level of inventories in the warehouse but also reducing costs related to additional orders and storage of excess inventory.

As at 31 December 2021, the Company's share capital amounted to EUR 30,833 thousand and decreased by EUR 352 thousand comparing to 2020, respectively.

As 31 December 2021, current liabilities of GTC decreased by 47.7% comparing to 2020 due finished projects.

Balance sheet changes, EUR thousand



**KEY FINANCIAL INDICATORS\***

	Unit of measure	2019	2020	2021
Sales revenue	EUR thousand	25,037	28,738	30,918
Other income	EUR thousand	280	288	273
Total income	EUR thousand	25,317	29,026	31,191
Costs	EUR thousand	24,743	29,464	30,606
EBITDA	EUR thousand	3,578	2,457	3,107
EBITDA margin	%	14,3	8,6	10,0
EBIT	EUR thousand	574	-437	585
EBIT margin	%	2,3	-1,5	1,9
Net profit	EUR thousand	409	-416	352
Net profit margin	%	1,6	-1,4	1,1
		<b>31/12/2019</b>	<b>31/12/2020</b>	<b>31/12/2021</b>
Non-current assets	EUR thousand	29,101	26,797	24,691
Current assets	EUR thousand	8,279	12,961	10,989
Total assets	EUR thousand	37,380	39,758	35,680
Equity	EUR thousand	30,897	30,481	30,833
Financial debt	EUR thousand	2,242	794	423
Net debt	EUR thousand	789	-883	412
Return on equity (ROE)	%	1.3	-1.4	1.2
Return on assets (ROA)	%	1.1	-1.1	0.9
Return on Investment (ROI)	%	1.3	-1.3	1.2
Financial liability/EBITDA	times	0.6	0.3	0.1
Debt/Equity	%	7.3	2.6	1.4
Net debt/EBITDA*	times	0.2	-0.4	0.1
Equity ratio	%	83	77	86
Asset turnover ratio	times	0.7	0.7	0.9
Total liquidity rate	times	1.4	1.5	2.5

\*Definitions of indicators are presented on page 35 hereof.

## FINANCING OF THE COMPANY

As at 31 December 2021, the Company did not have any financial liabilities to credit institutions.

To balance the working capital, in 2021 the Company used the LTG Group's cash pool. The parent company of the Group has concluded an agreement with a credit institution on provision of services of the Group's cash pool; accordingly, the Company has concluded a cash pool agreement valid until 31 December 2022. The terms of the agreement are in compliance with an arm's length principle.

## DIVIDEND POLICY

The payment of dividends by state-owned enterprises and the amount of profit distributions is governed by Resolution No 665 of 6 June 2012 of the Government of the Republic of Lithuania 'On approval of the procedure for exercising pecuniary and non-pecuniary rights of the state in state owned enterprises', and the amendments thereto ([LINK](#)). The consolidated version is effective as of 28 December 2021.

The allocation and payment of dividends by the Group companies is regulated by the Dividend Policy of LTG Group.

Allocation of dividends for the financial year or a shorter period than the financial year is planned taking into consideration the level of return on equity, net profit earned, financial ability to pay dividends 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 the return on equity at the end of the reporting period (ROE):

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

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

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

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

During the recent three years, UAB Geležinkelio Tiesimo Centras did not pay any dividends.

## INVESTMENTS

In 2021, the investments of GTC in tangible and intangible non-current assets amounted to EUR 807 thousand. All the investments (100%) have been financed by the Company's own funds.

Investments, EUR thousand	2019	2020	2021	2021/2020 Δ, %
Software	-	-	11	-
Machinery and equipment	61	237	226	-4.6%
Equipment, fittings, tools and other	98	17	570	3,252.9%
<b>Total</b>	<b>159</b>	<b>254</b>	<b>807</b>	<b>217.7%</b>

### SIGNIFICANT INVESTMENT PROJECTS CARRIED OUT IN 2021:

During the reporting period, the project of *Renewal of Machinery* has been continued. The excavator and tipper (truck) were purchased, the machine of track repair was modernized. The project will allow providing more efficient and high-quality services of repair of railway tracks.

The project of *Installation of Security Systems at Lentvaris and Šilėnai GTC bases* was fully completed. This project increases the level of security of employees and assets (including intangible assets) by installing technical measures and optimizing the Company's costs used for ensuring physical protection.

In 2021, the acquisition of equipment of *Engineering Systems* was launched. The aim of this project is to extend the package of services rendered.

### PLANNED INVESTMENT PROJECTS/INVESTMENT DIRECTIONS:

- Engineering systems; increase technical capabilities and acquire new knowledge in various spheres of railway work.
- Major repairs of machinery.

## EMPLOYEES

### INITIATIVES AND MATERIAL EVENTS IN 2021

The year 2021 remained full of pandemic challenges, therefore the focus continued to be on decent working conditions and provision of all protective equipment for operational activities, and the transition to a hybrid work model took place in the administrative functions.

In 2021, the focus was on developing the organizational culture. The extended survey of the factors influencing the culture of the organization "Employees' Voice" was re-conducted and actions were taken to improve the areas for improvement. Also, in the course of the year the regular structural divisions were abandoned, such definitions as 'department', 'centre', 'unit' – a transition to the names of divisions reflecting the functions thereof was made. Differentiating definitions, such as 'director of the department' or 'head of the unit' or 'group leader' were also abandoned in the titles of managerial positions, leaving a uniform designation of the heads of specific functions.

Consistent care is taken to raise the qualification and competence of employees, and retrain them, if necessary.

In order to successfully implement the strategy, efficiently conduct daily activities, create a competitive advantage and adapt to changing business needs, the Company follows the personnel management principles based on good personnel management practices. Focusing on employees is a strategic direction, primarily implemented through the development of corporate culture.

The whole LTG Group, pursues the culture of high results based on the existing LTG values.



**WE ARE  
AMBITIOUS**



**WE WORK FOR  
OUR CLIENTS**



**WE RESPECT  
EACH OTHER**



**WE PROMOTE  
INTEGRITY**



**WE ARE  
RESPONSIBLE**

As at 31 December 2021, the Company had 340 employees (the number includes only active employees (non in long-time absence)). The number of employees has decreased by 33 or 9%, compared to the data as at 31 December 2020. The mentioned change in the number of employees was caused by the change in the scope of activities and efficiency measures.

The average monthly salary, as compared to 2020, has changed from EUR 1,669 to EUR 1,819. The largest influence on the growth of salaries was caused due to the revision of wages and the decrease in the number of qualified employees due to implemented efficiency measures.

In April 2021, the Company, as also other LTG Group entities, granted employees an annual motivation bonus of EUR 0.35 million for performance results

### NUMBER OF THE COMPANY'S EMPLOYEES AND AVERAGE SALARY

Function groups	31/12/2019		31/12/2020		31/12/2021					
	Actual number of employees at the end of the period	Average salary, EUR	Actual number of employees at the end of the period	Average salary, EUR	Actual number of employees at the end of the period			Average salary, EUR		
					Total	Women	Men	Total	Women	Men
General director *	1	6,800	1	6,800	1	-	1	7,100	-	-
High level executives*	1	4,150	1	4,500	1	-	1	4,900	-	-
Senior executives and specialists in exceptional fields*	4	5,357	3	5,504	5	1	4	4,465	-	-
Middle-level managers and individual experts	29	2,656	29	3,096	24	7	17	3,240	2,815	3,424



Team leaders and experienced specialists	60	2,000	60	2,134	60	11	49	2,247	1,781	2,358
Specialists in experienced operational/service staff	144	1,632	116	1,671	108	14	94	1,771	1,564	1,804
Operational/service staff, qualified workers	222	1 094	163	1 198	141	10	131	1 298	1 032	1 315
<b>Total</b>	<b>461</b>	<b>1 532</b>	<b>373</b>	<b>1 669</b>	<b>340</b>	<b>43</b>	<b>297</b>	<b>1 819</b>	<b>1 759</b>	<b>1 828</b>

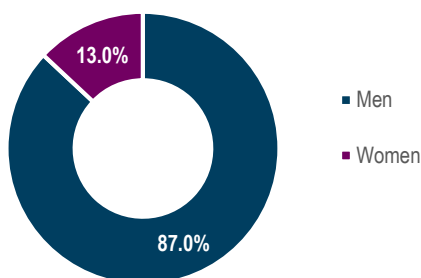
\* fixed remuneration at the end of the period.

As at 31 December 2021, the fixed monthly salary of the Company's general director amounted to EUR 7,100 and the average actual salary, including the annual motivation bonus for performance results, amounted to EUR 8,715.

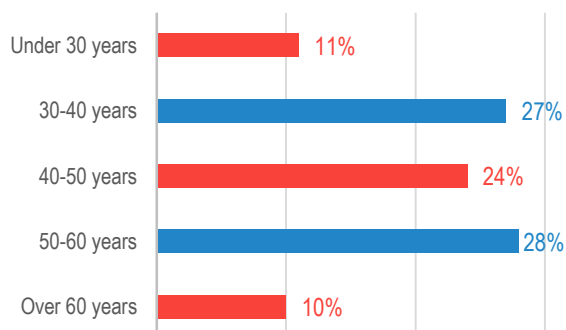
As at 31 December 2021, the fixed monthly salary of high and middle level executives and employees of exceptional fields, as stated in their employment contracts, amounted to EUR 4,538, and the average actual salary of this function group, including the annual bonus for performance results, amounted to EUR 5,316.

**Distribution of the Company's employees by age, gender, length of service and education as at 31/12/2021.**

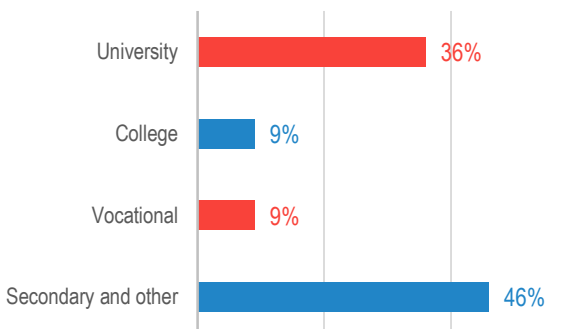
Employee distribution by gender, %



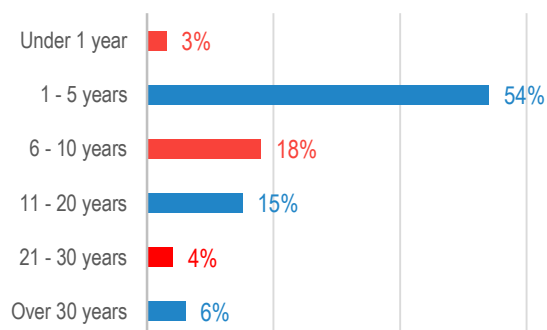
Employee distribution by age groups, %



Employee distribution by education, %



Employee distribution by length of service, %



Age group	Average length of service, years
Under 30 years	3.0
From 30 to 40 years	5.0
From 40 to 50 years	7.0
From 50 to 60 years	11.0
Over 60 years	15.0
<b>Average length of service</b>	<b>8.2</b>

## SOCIAL PARTNERSHIP

The Company has 3 trade unions. Just as in the entire LTG Group, the Company applies the sectoral collective agreement of the Company Group of Lietuvos Geležinkeliai and the general procedure of additional benefits for employees is in force.

At the beginning of 2021, information on the Company's position, structure, past and planned changes was presented to the employees' representatives, the Company's business plans, wage changes and expected trends, the results of the implementation of occupational safety and health measures, helping to improve the working environment, were discussed and the fulfilment of the collective agreement in 2020 was reported.

In order to strengthen the social dialogue with the employees' representatives and implement the provisions of the sectoral collective agreement, LTG Company Group organized trainings for the chairmen of the trade unions on the topics of remuneration and feedback.

Meetings with employees' representatives are held on a regular basis to discuss issues of importance to employees. The Company's planned projects and projected changes are introduced to employees' representatives, and issues affecting the social and economic situation of employees are discussed.

## REMUNERATION AND PERFORMANCE MANAGEMENT

The general principles of remuneration formation are focused on:

- attracting, motivating and retaining highly qualified and competent employees;
- encouraging employees to improve;
- ensuring internal justice in remuneration for work and employees' efforts;
- continuous improvement of employees' conditions;
- motivating employees through a package of added benefits;
- effective personnel cost management.

Classical elements are used to achieve the identified tasks through remuneration management: methodological appraisal of positions; periodic comparison of internal remuneration data with the market and implementation of the review; the direct link between the possibilities of the change in remuneration and the efficiency of the employee's activities - the results of achieving the annual goals.

A local scale of corporate levels is used to publish the results of methodological job evaluation in the organization. Each employee is given the opportunity to see the corporate levels of their position and other positions in the organization. At the same time, information on the remuneration levels of each corporate level is available to each employee. In this way, the principles of transparency are established in the organization and preconditions for self-assessment and planning of internal career opportunities are created.

Every year, a periodic review of remuneration is conducted, which is linked to the comparison of the existing remuneration of employees with the market, the Company's financial results and the budget allocated for the review, as well as the assessment of the annual performance of each employee. The periodic review of remuneration generally takes effect on April 1 of each year.

At the end of the financial year and after evaluating the results achieved by the Company, an annual incentive fund is allocated to employees. Such fund is an incentive for employees at the initiative of the employer for a job well performed and positive results of the Company, as specified in Article 139(2)(6) of the Labor Code of the Republic of Lithuania, and which is allocated pursuant to Article 142(1)(2) of the Labor Code of the Republic of Lithuania. This incentive is also forward-looking as an incentive for employees, and individual annual incentive opportunities are linked to the corporate levels of positions and the evaluation of each employee's annual performance.

The decision on both the budget for the periodic review of remuneration and the annual incentive fund is adopted by the Board of the Company after a detailed assessment of all the circumstances.

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

The process of managing and evaluating the performance of employees remains focused on establishing a culture of high performance, personal responsibility and continuous feedback, and the principle of "the best are rewarded the most".

## RISKS AND THEIR MANAGEMENT

In managing risks that may affect the day-to-day operations and achievement of strategic goals the Company relies on a **unified risk management system of LTG Group**. According to it, risks are periodically reviewed, control over the implementation of management measures is performed, and quarterly risk management status reports are prepared and submitted to the top management.

Considering the specifics of the Company's activity, external context and the history, the following main risks relevant to the Company in 2021 are presented below.

Name of the risk	Level of risk	Description of the risk and its effects	Basic risk management measures
Increase in prices of materials	High	<ul style="list-style-type: none"> <li>- Rising raw material prices may result in higher prices of materials used in the company's operations.</li> <li>- This may have an adverse financial effect on the company.</li> </ul>	<ul style="list-style-type: none"> <li>• Refining of fundamental categories.</li> <li>• Preparation of strategies of refined categories.</li> <li>• Market monitoring.</li> </ul>
Delays in works due to supply chain disruptions	Moderate	<ul style="list-style-type: none"> <li>- A disrupted global supply chain due to the pandemic can lead to delays in purchase of goods and services.</li> <li>- In the company this would be reflected in faulty processes and execution of works.</li> </ul>	<ul style="list-style-type: none"> <li>• Communication with current suppliers.</li> <li>• Accumulation of inventories according to the need.</li> </ul>

## INFORMATION ON THE COMPLIANCE WITH THE GUIDELINES ON TRANSPARENCY

The Company follows the requirements of the Description of the Guidelines for Ensuring Transparency of State-Owned Enterprises approved by Resolution No 1052 of the Government of the Republic of Lithuania of 14 July 2010 when disclosing the required information in annual and interim reports and ensuring the disclosure of information on its website <http://www.gtc.lt>.

### STRUCTURED INFORMATION OF THE COMPLIANCE WITH THE GUIDELINES ON TRANSPARENCY

Clause of the Description	Provision of the description Disclosure of the Company's information	Yes/No
5.	The following data and information must be announced in the internet website of a state-owned enterprise:	-
5.1.	Name;	Yes
5.2.	Code and register, where data about the company is filed and stored;	Yes
5.3.	Headquarters (address);	Yes
5.4.	Legal status, if a state-owned enterprise is under reformation, reorganization (indicate the way of reorganization), liquidation, is becoming or has become bankrupt;	Legal status not registered
5.5.	The name of the institution representing the State and a link to its website;	Yes
5.6.	Operating goals, vision and mission;	Yes
5.7.	Structure;	Yes
5.8.	Data about the head of the enterprise;	Yes
5.9.	Data about the chairman and members of the Board, if formed according to the Articles of Association;	Yes
5.10.	Data about the chairman and members of the Supervisory Council, if formed according to the Articles of Association;	Not formed
5.11.	Names of committees, if formed; data about their chairmen and members;	Disclosed in the website of the parent 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 authorized capital of the state-owned enterprise;	Yes
5.13.	The performed special obligations that are determined as to recommendations approved by the Minister of Economics and Innovations of the Republic of Lithuania: the purpose of the special obligations, state budget appropriations allocated their implementation in the current calendar year and the legal acts entrusting the state-owned enterprise with the performance of the special obligation, the conditions for fulfilment of the special obligations and (or) regulatory pricing;	The Company does not fulfil 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 management and supervisory bodies as well as the members of the committees, formed in a state-owned enterprise, the following data of the persons referred to in sub-points 5.8 – 5.11 of the Description shall be published: name, surname, commencement date of current duties, other current managerial positions in other legal entities, education, qualification, professional experience. If the person stated in sub-points 5.9 – 5.11 of the Description has been elected or appointed as an independent member, this information should be additionally disclosed under his data.	Yes
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

Clause of the Description	Provision of the description Disclosure of the Company's information	Yes/No
7.6.	Annual and interim financial statements and auditor's reports on annual financial statements for a period of at least five years;	Yes
8.	When a state-owned enterprise is a parent company, the structure of the group of companies is to be published on its website as well as the information of its subsidiaries and further subsidiaries as specified in Clauses 5.1–5.3 of the Description, the website addresses, the share (percentage) of the share capital owned by the parent company in their authorized capital, also consolidated financial statements and consolidated annual reports.	Yes
9.	When a state-owned enterprise is a participant of legal entities other than those specified in Clause 8, the details of these legal entities specified in Clauses 5.1–5.3 of the Description as well as their website addresses must be published on its website.	Yes
9 <sup>1</sup> .	When a company is a subsidiary or a subsequent subsidiary of a state-owned enterprise, the details of its parent company specified in Clauses 5.1–5.3 of the Description as well as the link to the parent company's website must be published on its website.	Yes
10.	If details specified in Clause 5, 6, 7.1–7.4, 8, 9 and 9 <sup>1</sup> of the Description change or are found to be false, information and documents must also be immediately corrected on the website.	Yes
11.	A set of annual financial statements of a state-owned enterprise, an annual report of a state-owned enterprise, an auditor's report on the annual financial statements of a state-owned enterprise must be posted on the website of the state-owned enterprise within 10 business days after their approval.	Yes
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
<b>Preparation of sets of financial statements and reports</b>		
14.	State-owned enterprises maintain their accounts in a manner that ensures the preparation of financial statements in accordance with international accounting standards.	Yes
15.	In addition to a set of annual financial statements, a state-owned enterprise must prepare a set of interim financial statements for periods of 6 months.	Yes
16.	A state-owned enterprise, considered to be a public interest company in accordance with the Law on the Audit of Financial Statements of the Republic of Lithuania, apart from the annual report must additionally prepare a 6-month interim report.	Yes
17.	The following additional details must be provided in an annual report of a state-owned enterprise or an annual activity report of a state enterprise:	Yes
17.1.	A short description of the operating model of the state-owned enterprise;	Yes
17.2.	Information about major events, which had occurred during a fiscal year and later (prior to the preparation of the annual report or the annual activity report) and which were of primary importance to the activities of the state-owned enterprise;	Yes
17.3.	The results of implementation of the targets specified in the established business strategy of the state-owned enterprise;	Yes
17.4.	The profitability, liquidity, assets negotiability, and debt indicators;	Yes
17.5.	The fulfilment of the specific obligations;	Company does not fulfill special obligations
17.6.	The implementation of the investment policy, planned investment projects and investments as well as those under implementation during the reporting year;	Yes
17.7.	The implementation of the risk management policy applicable at the state-owned enterprise;	Yes
17.8.	The implementation of the dividend policy at state-owned enterprises;	Yes
17.9.	The implementation of the remuneration policy;	Yes
17.10.	The total annual payroll fund, the average monthly salaries according to the positions held and (or) divisions;	Yes

Clause of the Description	Provision of the description Disclosure of the Company's information	Yes/No
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 environmental protection, social and personnel-related issues, the protection of human rights, anti-corruption and anti-bribery measures.	Yes
19.	If the information specified in Clause 17 of the Description is considered a commercial (industrial) secret or confidential information of a state-owned enterprise, the state-owned enterprise is entitled not to disclose such information; however, it must specify in its annual report or the annual activity report that this information is not being disclosed and specify reasons for nondisclosure.	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 enterprise, which is a parent company, must provide the structure of the group of companies, the details of each subsidiary specified in Clauses 5.1–5.3 of the Description, the equity interest in the subsidiary (the percentage share), the financial and non-financial performance results of a fiscal year in its consolidated annual report, and if it is not obliged to prepare a consolidated annual report, in its annual report. If a state-owned enterprise, which is a parent company, prepares a consolidated annual report, the requirements of Clause 17 of the Description apply to it <i>mutatis mutandis</i> .	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



#### AUDIT INFORMATION

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

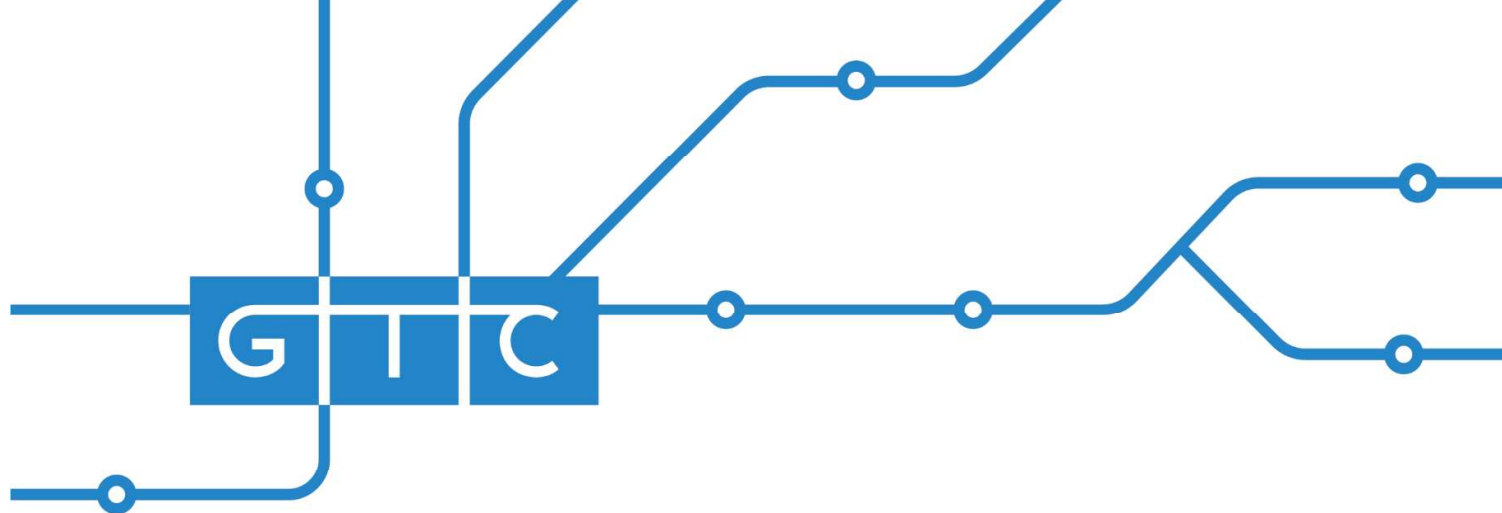
The public procurement contract for the audit of the consolidated financial statements of the Company and financial statements of separate subsidiaries, prepared in accordance with International Financial Reporting Standards, as adopted by the EU, for the year 2020–2022, was awarded to KPMG Baltics,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

During the reporting period the auditor provided services of assessment and translation of the financial statements into the English language. During the reporting period, the auditor did not provide any additional services not related to the audit of the financial statements of the Company.

The fee set for the audit firm for the audit of the financial statements of the Company for 2021 amounts to EUR 23 thousand (VAT excluded).

## DEFINITIONS

<b>Revenue</b>	Sales revenue + Other operating income excluding income from other activities
<b>Sales revenue</b>	Revenue, excluding income from other activities and income from financial activities
<b>Costs</b>	Costs, excluding the corporate tax and income from financial activities
<b>Financial debt</b>	Interest-bearing financial debt, including finance leases
<b>Net debt</b>	Interest-bearing financial debt, including finance leases, less cash, and cash equivalent investments
<b>Return On Equity (ROE)</b>	Net profit/loss for the period of the last 12 months / average equity as at the beginning and the end of the reporting period
<b>Return On Assets (ROA)</b>	Net profit/loss for the period of the last 12 months / average assets as at the beginning and the end of the reporting period
<b>Return On Investment (ROI)</b>	Net profit/loss for the period of the last 12 months / average assets as at the beginning and the end of the reporting period - average short-term liabilities as at the beginning and the end of the reporting period
<b>EBIT</b>	Profit (loss) before the corporate tax – the result of financial activities
<b>EBITDA</b>	Profit (loss) before the corporate tax – the result of financial activity + depreciation and amortization
<b>EBIT margin</b>	EBIT/sales revenue
<b>EBITDA margin</b>	EBITDA/sales revenue
<b>Net profit margin</b>	Net profit (loss) / sales revenue
<b>Equity ratio</b>	Equity at the end of the reporting period / assets at the end of the reporting period
<b>Financial debt / EBITDA</b>	Financial debt / EBITDA of the previous 12-month period
<b>Net debt / EBITDA</b>	Net debt / EBITDA of the previous 12-month period
<b>Asset turnover ratio</b>	Sales revenue for the period of the last 12 months / assets at the end of the reporting period
<b>Total liquidity rate</b>	Current assets at the end of the reporting period / current liabilities at the end of the reporting period
<b>Number of employees</b>	The number of listed active employees as of the end of the period (excluding the employees on parental leave, military service, long-term incapacity)
<b>Average salary</b>	Average gross salary per employee



UAB GELEŽINKELIO TIESIMO CENTRAS

## **FINANCIAL STATEMENTS**

Prepared in accordance with International Financial Reporting Standards,  
as adopted by the European Union,  
and Independent Auditor's Report  
for the year ended  
31 December 2021



**KPMG Baltics, UAB**  
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# Independent Auditor's Report

To the Shareholders of UAB Geležinkelio tiesimo centras

## Opinion

We have audited the financial statements of UAB Geležinkelio tiesimo centras ("the Company"). The Company's financial statements comprise:

- the statement of financial position as at 31 December 2021,
- the statement of profit or loss and other comprehensive income for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Information

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

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

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

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

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

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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



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

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

On behalf of KPMG Baltics, UAB

**VILMANTAS KARALIUS** Digitally signed by VILMANTAS KARALIUS  
Date: 2022.03.02 19:42:06 +02'00'

Vilmantas Karalius  
Certified Auditor

Vilnius, the Republic of Lithuania  
2 March 2022

*The electronic auditor's signature applies only to the Independent Auditor's Report on pages 37 to 39 of this document.*



**STATEMENT OF FINANCIAL POSITION**

ASSETS	Notes	31/12/2021	31/12/2020
<b>Non-current assets</b>			
<b>Property, plant and equipment</b>		<b>24,029</b>	<b>26,102</b>
Land			
Buildings and structures	8	3,399	3,601
Machinery and plant	8	14,875	15,778
Road vehicles	8	114	174
Railway rolling stocks	8	4,971	5,433
Other equipment, fittings and tools	8	228	325
Right-of-use assets	9	385	780
Construction in progress and prepayments	8	57	11
<b>Intangible assets</b>		<b>11</b>	<b>1</b>
Software	7	11	1
<b>Financial assets</b>		<b>4</b>	<b>5</b>
Investments in associates, subsidiaries and other companies	10	4	5
<b>Deferred tax asset</b>	<b>27</b>	<b>647</b>	<b>689</b>
<b>Total non-current assets</b>		<b>24,691</b>	<b>26,797</b>
<b>Current assets</b>			
Inventories	11	1,805	4,146
Assets arising from contracts with customers	13	765	53
Prepayments	12	447	9
Trade receivables	14	4,926	2,788
Receivables from related parties	14	2,992	3,876
Other receivables	15	43	412
Cash and cash equivalents	16	11	1,677
<b>Total current assets</b>		<b>10,989</b>	<b>12,961</b>
<b>TOTAL ASSETS</b>		<b>35,680</b>	<b>39,758</b>

**STATEMENT OF FINANCIAL POSITION (CONTINUED)**

EQUITY AND LIABILITIES	Notes	31/12/2021	31/12/2020
<b>Equity</b>			
Share capital	17	30,897	30,897
Share premium		-	-
Legal reserve	18	-	-
Other reserves	18	-	-
Retained earnings (loss)		(64)	(416)
<b>Total equity</b>		<b>30,833</b>	<b>30,481</b>
<b>Non-current liabilities</b>			
Lease liabilities	20	333	729
Provisions	21	73	57
Deferred tax liabilities	27	-	-
<b>Total non-current liabilities</b>		<b>406</b>	<b>786</b>
<b>Current liabilities</b>			
Liabilities arising from contracts with customers	23	181	-
Loans	19	23	-
Lease liabilities	20	67	65
Prepayments received	23	776	3,615
Trade payables	24	1,301	2,042
Payables to related parties	24	276	601
Provisions	21	312	368
Corporate income tax liabilities	27	-	-
Employment related liabilities	22	867	1,195
Other payables	24	638	605
<b>Total current liabilities</b>		<b>4,441</b>	<b>8,491</b>
<b>Total liabilities</b>		<b>4,847</b>	<b>9,277</b>
<b>Total equity and liabilities</b>		<b>35,680</b>	<b>39,758</b>

Chief Executive Officer \_\_\_\_\_

Vytautas Radzevičius \_\_\_\_\_

Chief Financial Officer \_\_\_\_\_

Edgaras Katelovičius \_\_\_\_\_

Acting Chief Accountant \_\_\_\_\_

Larisa Vaidžiulienė \_\_\_\_\_

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	31/12/2021	31/12/2020
Revenue	25	30,918	28,738
Other revenue	25	273	288
<b>Total revenue</b>		<b>31,191</b>	<b>29,026</b>
Depreciation and amortisation		(2,522)	(2,894)
Remuneration and related costs		(8,356)	(9,175)
Fuel		(669)	(606)
Materials		(9,364)	(7,263)
Repair		(1,474)	(1,515)
Electricity		(102)	(88)
Impairment losses of receivables		26	(14)
Impairment losses of inventories		(29)	222
Change in provisions		31	61
Change in vacation accruals and other remuneration-related accruals		138	152
Taxes		(73)	(6)
Other expenses		(8,212)	(8,337)
<b>Operating profit</b>		<b>585</b>	<b>(437)</b>
Finance income	26	2	6
Finance costs	26	(193)	(82)
<b>Profit (loss) before taxation</b>		<b>394</b>	<b>(513)</b>
Corporate income tax	27	(42)	97
<b>Net profit</b>		<b>352</b>	<b>(416)</b>
Other comprehensive income (expenses)			
<b>Total comprehensive income (expenses)</b>		<b>352</b>	<b>(416)</b>

Chief Executive Officer \_\_\_\_\_

Vytautas Radzevičius \_\_\_\_\_

Chief Financial Officer \_\_\_\_\_

Edgaras Katelovičius \_\_\_\_\_

Acting Chief Accountant \_\_\_\_\_

Larisa Vaidžiulienė \_\_\_\_\_



# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(all amounts are in EUR thousand unless otherwise stated)

## STATEMENT OF CHANGES IN EQUITY

	Notes	Authorised share capital	Share premium	Legal reserve	Other reserves	Retained earnings (losses)	Total
<b>Balance as at 31 December 2019</b>		<b>31,785</b>	<b>1</b>	-	-	<b>(889)</b>	<b>30,897</b>
Impact of initial application of IFRS 16		-	-	-	-	-	-
Net profit (loss)		-	-	-	-	<b>(416)</b>	<b>(416)</b>
Other comprehensive income after tax		-	-	-	-	-	-
<i>Total comprehensive income (expenses)</i>						<b>(416)</b>	<b>(416)</b>
Profit (loss) not recognised in the statement of profit or loss and other comprehensive income		-	-	-	-	-	-
Increase in share capital by contribution of a shareholder		-	-	-	-	-	-
Decrease in share capital		<b>(888)</b>	<b>(1)</b>	-	-	<b>889</b>	-
Reserves formed		-	-	-	-	-	-
Reserves used		-	-	-	-	-	-
<b>Balance as at 31 December 2020</b>		<b>30,897</b>	-	-	-	<b>(416)</b>	<b>30,481</b>
Net profit (loss)		-	-	-	-	<b>352</b>	<b>352</b>
Other comprehensive income after tax		-	-	-	-	-	-
<i>Total comprehensive income (expenses)</i>						<b>352</b>	<b>352</b>
Profit (loss) not recognised in the statement of profit or loss and other comprehensive income		-	-	-	-	-	-
Increase in share capital		-	-	-	-	-	-
Decrease in share capital		-	-	-	-	-	-
Reserves formed		-	-	-	-	-	-
Reserves used		-	-	-	-	-	-
Dividends		-	-	-	-	-	-
<b>Balance as at 31 December 2021</b>		<b>30,897</b>	-	-	-	<b>(64)</b>	<b>30,833</b>

Chief Executive Officer

Vytautas Radzevičius

Chief Financial Officer

Edgaras Katelovičius

Acting Chief Accountant

Larisa Vaidžiulienė

**STATEMENT OF CASH FLOWS**

	31/12/2021	31/12/2020
<b>Cash flows from operating activities</b>		
Net profit (loss)	352	(416)
<b>Adjustment to non-cash items:</b>		
Depreciation and amortisation expenses	2,522	2,895
(Gain) loss from disposal/write-off of non-current assets (except for financial assets)	157	287
Impairment (reversal) of property, plant and equipment and financial assets	1	-
Impairment (reversal) of trade receivables and prepayments	(26)	15
Impairment (reversal) of inventories to net realisable value	29	(222)
Decrease (increase) in accrued income	(527)	(384)
Interest (income)	-	-
Interest expenses	52	31
Lease liability interest	22	33
Increase (decrease) in provisions	(40)	(61)
Loss (gain) from corporate income tax	42	(97)
	<b>2,584</b>	<b>2,081</b>
<b>Change in working capital</b>		
Decrease (increase) in inventories	2,312	(2,488)
Decrease (increase) in trade and other receivables and prepayments	(1,297)	(1,774)
Increase (decrease) in non-current and current trade payables and prepayments received	(3,905)	4,732
Increase (decrease) in employment-related liabilities	(328)	(91)
Increase (decrease) in other non-current and current payables	33	58
(Paid) corporate income tax	-	(49)
<b>Net cash from operating activities</b>	<b>(601)</b>	<b>2,469</b>
<b>Cash flows from investing activities</b>		
(Acquisition) of non-current assets	(808)	(254)
Disposals of non-current assets	187	-
<b>Net cash flows from investing activities</b>	<b>(621)</b>	<b>(254)</b>
<b>Cash flows from financing activities</b>		
Loans received	12,167	11,909
Loans (repayment)	(12,144)	(13,396)
Grants received (repaid)	-	-
Lease payments	(393)	(440)
Interest (paid)	(52)	(31)
Lease liability interest	(22)	(33)
<b>Net cash flows from financing activities</b>	<b>(444)</b>	<b>(1,991)</b>
<b>Increase (decrease) in net cash flows</b>	<b>(1,666)</b>	<b>224</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,677</b>	<b>1,453</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>11</b>	<b>1 677</b>

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

Chief Executive Officer

Vytautas Radzevičius

Chief Financial Officer

Edgaras Katelovičius

Acting Chief Accountant

Larisa Vaidžiulienė

## EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

### 1. Background information

UAB Geležinkelio tiesimo centras (hereinafter – Company or GTC) is a limited liability company registered in the Republic of Lithuania. The Company was registered in the Register of Legal Entities on 21 December 2001 after termination of the structural branch of AB Lietuvos geležinkeliai – a Railway repair station in Lentvaris. In its activities the Company follows the Constitution of the Republic of Lithuania, Law on Companies of the Republic of Lithuania, the Railway Transport Code of the Republic of Lithuania, and other valid legal acts of the Republic of Lithuania.

The Company is a profit-making entity of limited civil liability that is independently organising economic, financial, organisational and legal activities. The Company is a private limited company, and its shareholder is AB Lietuvos geležinkeliai, registration code: 10053842, head office address: Mindaugo St. 12/14, Vilnius. The Company's registration code 181628163, VAT payer's code LT816281610, legal (registration) and head office of the Company is Trikampio St. 10, Lentvaris, LT-25112 Trakai district.

In enforcement of the shareholder's decisions, UAB Geležinkelio tiesimo centras and UAB Gelmagis were reorganised by way of merger on 30 November 2010. On 22 September 2017, UAB Geležinkelių projektavimas was merged to UAB Geležinkelio tiesimo centras. The reorganisation was carried out in accordance with reorganisation conditions approved by the Company's management bodies. Upon the reorganisation, UAB Geležinkelio tiesimo centras took over all the assets, rights and liabilities of UAB Geležinkelių projektavimas and continues its activities. The reorganisation was performed at carrying amounts by way of merger.

As at 31 December 2021 and 2020, the Company's main activity was construction and repair of railway infrastructure, railway tracks and other traffic facilities, and lease of railway track maintenance equipment.

As at 31 December 2021 and 2020, the sole shareholder of the Company was AB Lietuvos geležinkeliai owning 100% shares of UAB Geležinkelio tiesimo centras.

As at 31 December 2021, the share capital of UAB Geležinkelio tiesimo centras comprised 109,748 ordinary registered shares with par value of EUR 281.53 each. Value of the share capital amounted to EUR 30,897.

On 10 November 2020, acting as the sole shareholder AB Lietuvos geležinkeliai made a decision to change the nominal value of shares issued by the Company. Based on the decision, the nominal value of one ordinary registered share (hereinafter - Share) is changed from EUR 289.62 to EUR 281.53. Upon the change of the nominal value of one share, the share capital of GTC was divided into 109.748 shares. The Company did not acquire its own shares.

As at 31 December 2021, the Company's investments in subsidiary consisted of:

Company name	Registered address	Owned share, %		Main activities
		31/12/2021	31/12/2020	
OOO Rail Lab	Internacionalnaja ul., 36-1, Minsk, the Republic of Belarus	1	-	Production of locomotives and rolling stocks, repair and maintenance of vehicles, wholesale trade of other machinery and plant

As at the end of the period, the listed number of the Company's employees (except for employees on parental leave, on military service and in long-term disability) was 340 as at 31 December 2021 (as at 31 December 2020: 373).

Auditor of the Company is KPMG Baltics, UAB which, under the contract No SUT(VLRD)-125 dated 23 June 2020, carried out the audit of the Company's financial statements for the year 2021 comprising the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and the notes to the financial statements. Additionally, the auditor provided the services of translation of the financial statements into the English language. There were no other non-audit services provided by the auditor of the financial statements.

Compensation agreed on for audit services amounts to EUR 23 thousand.

### 2. Significant accounting policies

**Basis of preparation.** The Company's financial statements have been prepared in accordance with the International Accounting Standards (hereinafter - IAS) and the International Financial Reporting Standards (hereinafter - IFRS) as adopted within the European Union. The financial statements were prepared based on the going concern assumption. The Company's financial year coincides with the calendar year.

**Changes in accounting policies.** The main accounting policies applied when preparing the financial statements of the Company are provided below. The mentioned policies were applied to all the reporting periods presented in the financial statements unless stated otherwise.



## 2. Significant accounting policies (continued)

**Use of estimates and judgements.** The preparation of the financial statements in conformity with the IFRS requires the use of certain significant accounting estimates and assumptions, which affect application of accounting principles, and amounts related to assets, liabilities, income and expenses. Estimates and assumptions related to them have been based on historical experience and other factors, which conform to existing conditions, and based on their results a conclusion is made about the carrying amounts of assets and liabilities, decisions on which cannot be made based on other sources. The estimates and related assumptions are continually revised and rely upon historical experience and other factors, including expectations on future events based on existing circumstances. Judgements made by the management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk within the next financial year are discussed in Note 5 Significant accounting estimates and judgements.

**Going concern.** These financial statements for the year ended 31 December 2021 have been prepared in accordance with an assumption made by the Company's management that the Company would continue its activities.

**Functional and presentation currency.** The functional currency of the Company is euro. The amounts in these financial statements have been presented in euros, unless otherwise stated. In these financial statements all amounts have been expressed in euros and rounded down to the nearest thousand (EUR '000).

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

**Property, plant and equipment.** Property, plant and equipment are non-current tangible assets which: a) are kept for purposes of production of goods or provision of services, or for administrative purposes; and b) are intended to be used for a period longer than one reporting period. The cost of property, plant and equipment shall only be recognised as assets when and only when: a) it is probable that the future economic benefits embodied in the asset will eventuate; and b) the asset possesses a cost or other value that can be measured reliably.

Property, plant and equipment are accounted for at cost less accumulated depreciation and impairment loss. The initial value of non-current tangible assets comprises their acquisition cost, including unrecoverable taxes of acquisition, capitalised borrowing costs and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the tangible non-current assets have been put into operation are normally charged to profit or loss in the period the costs are incurred.

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

At the end of each reporting period, if any impairment indicators exist, property, plant and equipment are tested for impairment. If any indicators of impairment are noticed, the recoverable amount as an asset's fair value less costs to sell or its value in use (whichever is higher), is determined. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the Statement of profit or loss and other comprehensive income. Impairment loss recognised for an asset in the previous year is reversed where appropriate if any changes occur in the estimates used to determine the asset's value in use or the fair value less costs to sell. The impairment of assets is reversed to the extent of the increase in the recoverable amount but not exceeding the carrying amount before accounting of impairment, assessing the estimated depreciation.

Subsequent to their recognition property, plant and equipment shall be accounted for at cost less any accumulated depreciation and any impairment loss.

Repair costs are added to the carrying amount of property, plant and equipment, if it is probable that the Company will obtain economic benefits from these costs and they can be measured reliably. The carrying amount of the replaced part is written off. All other repair and maintenance expenses are recognised as costs when incurred.

A gain or a loss on the sale of property, plant and equipment is determined by the comparison of the proceeds from asset sale with its carrying amount and is recognized in the Statement of profit or loss and other comprehensive income.

## 2. Significant accounting policies (continued)

**Depreciation.** Land is not depreciated. Depreciation on other groups of property, plant and equipment is calculated using the straight-line method to allocate their cost to their carrying amounts over their estimated useful lives.

Groups of property, plant and equipment	Useful life
Buildings and structures	8–110
Machinery and plant	5–40
Road vehicles	4–15
Railway rolling stocks (including wagons)	8–46
Computers and hardware	3–15
Other equipment, fittings and tools	4–18

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

**Investments in subsidiaries.** In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. The Company accounts for investments in subsidiaries in the financial statements applying the equity method. According to the equity method, during the initial recognition the investment is stated at cost. Subsequently to the initial recognition, investments in subsidiaries are adjusted so that the shareholder's interest is reflected in the Company's net profit (loss).

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

Costs directly related to development of unique software controlled by the Company are presented as intangible asset if it expected that future economic benefit will exceed the incurred costs. Capitalised costs include software development personnel costs and related overhead costs. All other costs related to software such as software maintenance are recognised as costs as incurred.

Intangible assets are amortised applying the straight-line method during estimated useful life that can make up from 3 to 20 years. Amortization period shall be reviewed at the end of each financial year.

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

Useful lives of non-amortised intangible assets shall be reviewed during every reporting period, in order to determine whether the events and circumstances confirm such assessment of indefinite useful life. If not, the reversal of indefinite useful life to definite shall be recorded as an adjustment to accounting estimate.

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

**Impairment of property, plant and equipment and intangible assets.** On each date of the Statement of financial position the Company reviews the carrying amount of its property, plant and equipment, and intangible assets to determine whether there is any indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset is assessed in order to determine the extent of impairment (if any). 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least once a year and whenever there is an indication that the asset may be impaired.

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.

## 2. Significant accounting policies (continued)

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 recognized immediately through profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately through profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### Financial instruments

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

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

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

- a) financial assets that are measured at amortised cost in subsequent periods;
- b) financial assets that are subsequently measured at fair value through other comprehensive income;
- c) financial assets that are subsequently measured at fair value through profit or loss.

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

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

A financial asset is measured at amortized cost if both of the following criteria are met:

- a) the financial asset is held according to a business model, an objective of which is to hold the financial asset to collect its contractual cash flows; and
- b) due to contractual conditions of the financial asset cash flows may occur on set dates, which represent solely payments of principal and interest.

Financial assets that do not include cash flows that meet only the payment requirement of the principal loan and the interest are measured at fair value with the change in the fair value carried in profit or loss in the Statement of profit or loss and other comprehensive income.

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

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

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

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

- a) the right to receive cash flows from the asset has expired;
- b) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement;
- c) the Company transfers its right to receive the cash flows and/or:
  - transfers substantially all risks and rewards of the asset,
  - neither transfers nor retains substantially all the risks and rewards of the asset, but has transferred control of the asset.

## 2. Significant accounting policies (continued)

When the Company transfers the rights to receive cash flows from an asset and neither transfers nor retains risks and benefit related to ownership to the financial asset, but transfers control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. The Company's relation to assets that take the form of a guarantee over the transferred asset are measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

The Company directly reduces the gross carrying amount of the financial asset if it cannot reasonably expect to recover all or part of the financial asset. Writing down is an event of derecognition.

**Financial liabilities.** The Company's financial liabilities comprise loans and other financial debts, liabilities arising from contracts with customers, trade and other payables.

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

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

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

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

A financial liability, measured at fair value through profit or loss, is measured at fair value, and any net profit and loss, including any interest costs, is recognized in the statement of profit or loss and other comprehensive income.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest costs and foreign exchange profit or loss are recognised in the Statement of profit or loss and other comprehensive income. Any costs of derecognition of the financial liability are recognised in the Statement of profit or loss and other comprehensive income.

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

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

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

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

At the end of each reporting period, the Company recalculates and records the provision for expected credit losses in accordance with past events, current market conditions and future prospects. The Company applies a three-stage approach based on change in a financial asset's credit risk since the moment of initial recognition. At the initial recognition of financial asset, the Company registers a deferred loss of financial asset measured at fair value for subsequent 12 months. Such recognition is applied to financial assets which may lead to financial loss in the future due to certain events or circumstances during the subsequent 12 months (no necessarily over 12 months). At the end of each financial period the Company assesses whether there has been a significant change in the credit risk of the financial instrument since initial recognition.

The Company assumes that the major risk of default occurs when the outstanding amounts are delayed for more than 90 days of the due date of payment. For financial instruments with low credit risk, the Company applies an insignificant increase in credit risk.

At the end of each reporting period, the Company assesses whether the value of financial assets carried at amortised cost is impaired. Financial assets are impaired when one or more events have occurred that have a negative impact on the expected future cash flows of the financial assets. Other principal criteria given below are also used to determine whether there is objective evidence that impairment loss has occurred:

- a) the counterparty experiences a significant financial difficulty as evidenced by financial information it provides;
- b) where there is a breach of contract, such as default or delay for more than 90 days;
- c) the counterparty considers bankruptcy or intends to take measures for financial reorganization;
- d) there is an adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions which affect the counterparty;
- e) the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

Losses on financial assets measured at amortised cost are deducted from the gross value of such assets.

## 2. Significant accounting policies (continued)

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

**Derivative financial instruments.** In 2021 and 2020, the Company did not have any derivative financial instruments.

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

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

Cash and cash equivalents reported in the cash flow statement comprise cash in bank accounts.

**Financial guarantees.** Financial guarantee contract is the contract that binds the Company to make specific payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or updated terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by due amounts received.

### Leases

Lease means a contract or part of a contract that gives the right to use the asset (leased property) for a certain period of time for consideration. A contract is a lease contract or includes a lease if, for consideration, it confers the right to control the use of an asset for a certain period of time.

#### *The Company as a lessee*

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

The Company does not apply the lease recognition provisions to short-term leases (leases of up to one year) and leases with low value property (computers, telephones, printers, furniture, etc.). In deciding whether the value of an asset is low, the Company assesses each asset separately. In deciding whether the value of an asset is low, lease charges over the entire lease period are not assessed. Assets with a value of up to EUR 4 thousand are considered low value assets. Contributions related to short-term leases and to the rental of low-value assets are directly recognised as expenses in the statement of profit or loss and other comprehensive income. The Company does not apply the lease recognition provisions to all intangible assets. The Company applies the provisions of IAS 38 *Intangible Assets* to such assets.

The Company recognises the right-of-use asset and the lease liability in the statement of financial position at the commencement of the lease.

On the commencement date, the Company measures the right-of-use assets at cost. Subsequent to initial recognition, right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment losses, and an adjustment to any revaluation of the liability.

On the commencement date the Company measures 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 uses the incremental borrowing rate charged by the lessee. The incremental borrowing rate of the lessee is recorded by the Company at the beginning of each year and used for all new contracts signed in that year and for contracts the terms of which (not all but only for which the lease liability must be reassessed) have changed during that year. A reassessment of a lease liability occurs when the cash flows change from the original conditions of the lease, for example, when changes in the lease term or lease payments change based on an index or interest rate. Changes that were not part of the original lease contract are considered to be lease changes.

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

**Subsequent measurement of right-of-use assets.** After the commencement date, the Company assesses the right-of-use assets applying the cost method. By applying the cost method the Company measures the right-of-use assets at cost: less any accumulated depreciation and any accumulated impairment losses; and adjusted for reassessment of the lease liability.



## 2. Significant accounting policies (continued)

In calculation of the depreciation of right-of-use assets, the Company applies the depreciation requirements of IAS 16 *Property, Plant and Equipment*.

**Initial measurement of the lease liability.** On the commencement date the Company measures a lease liability at the present value of the lease payments outstanding at that date. Lease fees are discounted using the interest rate provided for in the lease contract, if that rate can be readily determined. If this rate cannot be readily determined, the Company uses the borrowing rate published by the Bank of Lithuania.

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

### **The Company as a lessor**

Every lease of a lessor is classified either as a finance lease or an operating lease. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form.

**Finance lease.** On the commencement date the Company recognises assets leased under finance leases in the statement of financial position and presents them as a receivable equal to the amount of the net investment in the lease. In order to assess the net investment in the lease, the Company uses the interest provided for in the lease contract. In the case of sublease, if the interest rate provided for in the sublease contract cannot be easily determined, the Company uses the discount rate used for the underlying contract (adjusted for any initial direct costs associated with the sublease) to assess the net investment in sublease as an intermediate lessor. The initial direct costs are included in the initial assessment of the net investment in the lease and reduce the amount of income recognised during the lease period. The interest rate provided for in the lease contract is determined in such a way that the initial direct costs are automatically included in the amount of net investment in the lease; they are added separately.

The Company recognises finance income during the lease period on the basis of a method which shows a constant periodic rate of return on the Company's net investment in the lease. The Company deducts lease fees related to the period from the gross investment in the lease in order to gradually reduce both basic and unearned finance income.

**Operating lease.** The Company recognises the lease fees related to operating lease, as income on a straight-line basis. Costs (including depreciation) incurred in earning lease related income are recognised by the Company as costs. The initial direct costs incurred in obtaining the operating lease are included by the Company in the carrying amount of the leased assets and are recognised as expenditure during the lease period on the same basis as the lease income. The Company accounts for the change in the operating lease as a new lease from the date of the change entry into force and treats the lease fees paid or accrued in advance in relation to the original lease as part of the new lease.

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

The income tax rate applicable for the companies of the Republic of Lithuania in 2021 and 2020 was 15%.

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

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

## 2. Significant accounting policies (continued)

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

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

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

Taxable losses can be carried forward for an unlimited time, except for the losses that have originated due to disposal of securities and (or) derivative financial instruments. Such carrying forward is disrupted if the Company changes its activities due to which these losses incurred except when the Company does not continue its activities due to reasons which do not depend on the Company itself. Losses originated due to disposal of securities and (or) derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

In calculation of tax losses of the year 2014 and subsequent years, the total amount of tax losses carried forward cannot cover more than 70 percent of taxable profit of a taxable period. The losses from disposal of securities can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

Deferred tax asset and liabilities are recognised in the Statement of financial position if the Company has a legal right to set off the recognised amounts. A right conferred by law shall be deemed existing if the amounts are related to the same taxpayer (including the Company paying a capital taxes), except for amounts which are taxable on the basis of one-off fee or similar method in case the set-off with a tax determined by the general rules is not permitted subject to the tax law.

**Inventories.** Inventories are measured at acquisition or production cost, and subsequently are accounted for at the lower of the cost or the net realisable value. The net realisable value is a sale price under normal business conditions less expenses of completion and possible costs to sell. The cost is calculated under the FIFO method. The inventories that may not be realised are fully written off.

**Dividends.** Dividends are recognised as a liability and deducted from equity in the period in which they are declared and approved. Dividends are accounted for in the financial statements in the period when they are approved by the annual General Shareholders' Meeting. If dividends are declared subsequent to reporting period, but antecedent the approval of financial statements by the management, they are disclosed in the explanatory notes.

**Ordinary shares.** Ordinary shares are classified as share capital. Costs directly attributed to the issue of new shares or options, net of taxes, are stated in equity reducing the proceeds received. Only the nominal value of shares is recorded in the share capital account. If the share issue price exceeds the nominal value, difference between the issue price and the nominal value is accounted for as share premium.

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

The Company's equity is the assets value less value of all liabilities. The Company's equity includes:

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

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



## 2. Significant accounting policies (continued)

**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. There are no long-term payments to employees.

**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 Profit and Loss Statement and other comprehensive income 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 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 carried at present value discounted using the market interest rate.

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

**Provisions for warranty repairs.** The Company is obliged to remedy defects in construction objects over the warranty period and incurs costs but does not earn income. In order to incur expenses in the same period when income in relation to the expenses incurred is earned, the Company forms a provision for potential expenses of remedies for defects over the warranty period. The amount of provision is estimated based on historical data; i.e. the amount of expenses related to warranty repair, remedies of defects and similar expenses the Company incurs every year. In formation of a provision, the Company estimates the period which is covered by the guarantee and during which the Company is obliged to remedy defects.

**Provisions for potential liabilities related to litigation.** The Company is involved in litigation as a creditor, claimant or defendant, examines claims where the Company is in cooperation with external lawyers. As the remuneration for legal services remains fixed regardless of the court decision, the Company forms a provision for potential legal consultation expenses. The amount of provision is estimated based on historical data.

**Revenue recognition.** Revenue from rendering of services is recognised in the reporting period during which the control of services is transferred to a customer; i.e. after provision of services. Revenues of the Company are recognised in accordance with IFRS 15, i.e., the Company recognises income at the time and to such an extent that the transfer of committed goods or services to customers would represent an amount that corresponds to the consideration that the Company expects to obtain in exchange for those goods or services. The Company takes into account the terms of the contract and all relevant facts and circumstances.

For that purpose the Company's revenue is recognised using the 5-step model:

### Step 1 – Identification of contracts with customers

An agreement between two and (or) more parties (depends on sale or purchase conditions), which creates enforceable rights and liabilities, is recognised as a contract. A contract subject to IFRS 15 is only recognised if the following criteria are satisfied:

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

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

### Step 2 – Identification of the performance obligations in the contract

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

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

## 2. Significant accounting policies (continued)

### Step 3 – Determination of the transaction price

The transaction price may be fixed, variable or both.

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

### Step 4 – Allocation of the transaction price to each performance obligation

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

### Step 5 – Recognition of revenue when the Company satisfies performance obligations

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

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

Revenue is recognised applying the following approaches:

#### Revenue from sale of services

Revenue from the sale of services are recognised based on the invoices issued to customers for the services rendered. Invoices are issued under the deeds of acceptance and delivery of works. At the end of the period, revenue from the services, which were rendered but not invoiced, are accrued on an accrual basis.

#### *Revenue from sale of goods*

Revenue from the sale of goods are recognised if all the following conditions are met:

- the Company disposed of the control of asset to the customer;
- the Company is unable to continue neither management of goods to the extent that is normally related to ownership nor their effective control;
- the amount of revenue may be reliably estimated;
- it is probable that an economic benefit will be received from the transaction and the transaction-related costs, that were or may be incurred, may be reliably estimated.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Revenue from sales is recognised net of VAT and discounts, including accrued expected discounts for the year.

Revenue is recognised under the provisions of IFRS 15; i.e. the Company recognises income at the time and to such an extent that the transfer of committed goods or services to customers would represent an amount that corresponds to the consideration that the Company expects to obtain in exchange for those goods or services. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

Revenue of the Company is earned through provision of different types of services. Sales revenue is classified into the following groups based on:

- The type of revenue:
  - construction and repair of railways;
  - maintenance of railway track and structures;
  - construction, reconstruction and repair of other structures;
  - construction and repair works in the area of security, automation and electrification;
  - design works.

## 2. Significant accounting policies (continued)

In 2021 and 2020, the Company's revenue from every transaction in progress is recognised in accordance with the level and extent of completion of works and rendering of services. In applying this approach, transaction revenue is compared to costs resulting from the execution of a current transaction. Transaction losses are recognised at the moment when there is an indication that a transaction will be onerous.

- lease of machinery and plant;

Lease income arising from leases of other assets is accounted for on a straight-line basis over the lease term.

- other revenue. Other revenue comprises snow removal, sales of current assets, and other revenue.

In 2021 and 2020, the Company's other revenue is recognised at the moment of rendering of services.

- **The nature of revenue recognition:**

- immediately upon rendering of services;
- for an ongoing period.

The Company recognises revenue when goods are transferred to a customer, the deed of acceptance and delivery of works is signed). The table below provides information on the nature and timing of the fulfilment of performance obligations provided in contracts with customers, payment terms and accounting policies for revenue recognition:

Type of services	Nature and timing of performance obligation fulfilment, payment terms	Revenue recognition under IFRS 15
Construction and repair of railways	Invoices are issued after the service has been rendered and the deed of acceptance and transfer has been signed. A common term for payment of invoices is 30 days.	Revenue is recognised over a period of time based on stage of completion method. The related costs are recognised in profit or loss and other comprehensive income when incurred. Expected contract related loss is recognised immediately in the Statement of profit or loss and other comprehensive income.  Advances received are included into contractual liabilities.  If services under one agreement are rendered in different reporting periods, then the consideration is allocated based on their relative stand-alone sales prices. The stand-alone sales price is determined based on service prices indicated in the agreement.
Maintenance of railway track and structures		
Construction, reconstruction and repair of other structures		
Construction and repair works in the area of security, automation and electrification		
Design works		
Lease of machinery and plant	Invoices for additional services are issued immediately after the service has been rendered. Revenue after sale of goods are recognised after the loading of goods from a warehouse. A common term for payment is 30 days.	Revenue is recognised immediately after the service delivery or loading goods from warehouse. Services are considered provided after the deed of acceptance and delivery of works is signed. Revenue after sale of goods are recognised after the loading of goods from a warehouse.
Other revenue		

**Recognition of expenses.** The Company's expenses are recognized on the basis of accrual and matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred. The amount of expenses is usually estimated as paid or payable amount, excluding VAT. When settlement term is long and interest not specified, the amount of costs is valued at the amount of settlement discounted by the market interest rate.

**Finance income and costs.** Finance income comprises interest and delay interest income.

Interest income is recognised on an accrual basis, using the effective interest rate method. Interest income is recognised when it is probable that the Company will receive economic benefit and the amount of income can be reliably estimated.

Delay interest is recognised as income upon receipt.

**Finance costs.** Finance costs comprise interest expense. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest rate method. Currency exchange gain or loss in profit or loss is presented at a net value.

**Use of estimates in the preparation of financial statements.** The preparation of financial statements according to International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and costs and contingencies. Significant areas of these financial statements where estimates are utilised comprise depreciation and valuation of non-current tangible assets, deferred tax asset. Future events may cause the assumptions used in arriving at the estimates to change. The effect of such changes in the estimates will be recorded in the financial statements when determined.

## 2. Significant accounting policies (continued)

**Contingent assets and liabilities.** Contingent liabilities are not recognized 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 recognized 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.** Events after the reporting period are events which provide additional information on the Company's standing as at the reporting date. Adjusting events are reported in the financial statements. Non-adjusting subsequent events are described in the notes, if significant.

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

**Related parties.** Related parties are defined as shareholders, employees, members of the management board, their close relatives and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the 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 estimates and assumptions

The preparation of the financial reporting in accordance with IFRS, as adopted by the EU, requires from the Company's management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from estimates. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Significant estimates and assumptions.** Information on significant estimates and assumptions is provided below:

**Events after the reporting period.** After the end of the reporting period, the management considered significant non-adjusting events and their impact on disclosures in the financial statements and potential impact on the going concern.

**Moment of revenue recognition.** The Company's management assesses the moment of revenue recognition, i.e. whether revenue is recognised over time or at a point of time.

**The date when assets are brought into use.** An asset is included in operations and its impairment is begun to be calculated when it is prepared for usage, i.e. the assets is in the right place and conditions are set for it to be used according to the management's intended method. The Company's management included the asset into operations after it was properly tested and all permissions to begin activities were obtained.

**Useful lives of intangible assets and property, plant and equipment.** The useful lives are reviewed on an annual basis and, if necessary, are adjusted to reflect the current estimate of remaining useful life, considering technological changes, future economic use of assets and their physical condition. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate in accordance with IAS 8.

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

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

**Duration of the lease period.** In determining the lease term, management considers all the facts and circumstances that give rise to the economic incentive to exercise the option to extend the contract or not to exercise the option to terminate it. The possibility of extending the contract (or the periods after the possibility of terminating the contract) is provided for in the leases only if it can be reasonably expected that the lease will be extended (or not terminated).

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

### 3. Significant estimates and assumptions (continued)

**Impairment losses of amounts receivable.** The Company assesses receivables for impairment at least quarterly. In order to determine whether it is necessary to recognize 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. Impairment is calculated using a formula:

Impairment of inventories = the balance of physically and morally depreciated inventories that are to be written down + (the balance of good inventories held for more than 24 months with no expected date of use \* 0.75) + (the carrying amount of sold inventories – the realisable value of sold inventories).

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

**Deferred income tax.** Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation of assets and settlement of liabilities. Deferred tax is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Values of deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 4. Impact of COVID-19 on key accounting estimates, assumptions and valuation contingencies

To prepare the financial statements in accordance with IFRS, the management needs to make certain assumptions and estimates which have impact on the disclosure of amounts of assets, liabilities, income and expenses, and contingencies. Future events may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determined. Significant judgements made by the management regarding application of accounting policies and main sources of uncertainties applied in preparation of the financial statements were the same as those applied in preparation of the financial statements for the year ended 31 December 2021, except for those accounting estimates which are subject to an increased level of uncertainty due to the COVID-19 pandemic. Except for the COVID-19 pandemic, there were no other areas where significant and complex judgements were required or areas in regard to which applicable assumptions and accounting estimates significantly affected these financial statements, in comparison to the financial statements for the year 2020. The key areas taken into consideration by the management in assessing impact of COVID-19 are presented below.

In assessing potential impact of the COVID-19 related factors on the Company's activities and results, the Company's management estimated possible disruptions of cash flows, fund raising, the risk of employees who perform primary functions to be exposed to COVID-19, and the risk of delay of the ongoing projects.

**Going concern.** In assessing the key factors related to COVID-19 that may potentially affect the Company's results and ability to continue as a going concern, the Company's management estimated potential disruptions related to cash flows, funding sources, the risk of employees exposure to COVID-19 and project completion delay risk taking into account all information on future threats posed by COVID-19 available as at the date of the financial statements and did not identify any circumstances that could raise doubts on the Company's ability to continue as a going concern.

Even though consequences caused by the quarantine have not had an instant and significant economic impact on the Company, the Company's management closely monitors economic development and changes, and it measures potential long-term financial impact on the Company's results.

**Management of the risk regarding employees exposure to COVID-19.** It would be impossible to manage the Company's infrastructure in the event of a significant number of employees being exposed to COVID-19, which is one of the main risks. It may cause a decrease in amount of performed work or loss of customers and, subsequently, a decrease in income and profit. During the quarantine period, the Company is in strict compliance with all recommendations provided by the Government of the Republic of Lithuania regarding management of potential threat related to COVID-19. Conditions for an effective remote work are introduced in the Company, and no direct and significant discrepancies in performance of primary functions of employees are incurred. Manufacturing employees are provided with additional personal protective equipment and personal care supplies, actions to ensure employee shifts are prepared and implemented, etc. As at the date of the interim financial statements, discrepancies related to performance of these functions incurred by the Company due to COVID-19 were not major.



#### 4. Impact of COVID-19 on key accounting estimates, assumptions and valuation contingencies (continued)

**Disruptions in supply chains.** Supply chain disruptions comprise supply of IT and telecommunication services which are essential to ensure proper remote work and functioning of IT systems as well as supply of goods and services, which are essential to implement projects in a timely manner. The Company's management constantly communicates with suppliers to monitor the situation and assess their ability to fulfil its liabilities on time. As at the date of the financial statements, there were no indications that would affect the Company's financial statements for the year 2021.

**Compliance with contracts and potential losses.** The Company has properly evaluated information on loss from compliance with lease, sale and other similar contracts, especially when the loss was caused by decrease in business capacity as a result of the pandemic. As at the date of preparation of the financial statements, the amount of inevitable losses arising from compliance with contracts effective as at the end of the financial statements was calculated, and it was evaluated whether any provisions should have been formed for the mentioned losses. Past events, the Company's current activity conditions and the expected economic situation were taken into consideration by the Company in assessing the potential.

**Useful life of intangible assets and property, plant and equipment.** The Company reviewed the useful life of non-current assets to evaluate whether they comply with the intended nature of use and purpose of non-current assets taking into consideration potential impact of COVID-19 on that asset. The review of useful life was based on expected events and economic conditions which may be created by the COVID-19 pandemic in the future.

The review carried out by the management did not lead to identification of any use discrepancies of intangible assets and property, plant and equipment both in a long-time and short-time periods.

**Impairment losses of property, plant and equipment.** The Company has identified a budget gap between the estimated costs and the actual costs and income earned; therefore, the Company's management carried out impairment tests for property, plant and equipment. The management has reviewed the key assumptions which are used for impairment testing of property, plant and equipment. More information is disclosed in Note 8.

**Write-down of inventories to net realisable value.** Based on the management's assessment, as COVID-19 has not caused activity disruptions, the carrying amount of inventories is equal to at least its net realisable value as at 31 December 2021.

**Classification of financial instruments as current and non-current.** The management reviewed classification of granted and received loans and other financial debts as well as other receivables/payables as current and non-current. There were no circumstances identified that would require material adjustment of their classification.

**Impairment losses of amounts receivable.** In order to determine expected credit losses of receivables, the Company uses a loss ratio matrix. The loss ratio matrix is based on historical data on the settlement of receivables over their validity period and is adjusted on the basis of future projections. The Company's management has considered past events and both current and future economic conditions known as at the issue date of the financial statements to determine potential credit losses due to COVID-19. The Company's management has determined that future economic situation as a result of COVID-19 does not have significant impact on loss ratios used for calculation of expected credit losses for financial assets as at 31 December 2021 as compared to loss ratios used as at 31 December 2020. In addition, the Company has reviewed the expected credit losses of financial assets which are assessed individually and did not determine any significant impairment losses due to COVID-19.

**Management of liquidity risk.** The Company's short-term liquidity risk is managed using a binding credit line and overdrafts as well as borrowing within the Group through the cash-pool. As at the date of the financial statements, the Company's liquidity risk is insignificant.

**Provisions and contingent liabilities.** Upon review and assessment of contracts, the management did not identify any indications or circumstances for ongoing contracts to be onerous. Therefore, provisions equal to outstanding balances under ongoing onerous contracts are not formed as at the date of the financial statements.

**Lease contracts: duration of lease terms and a discount rate were reviewed (incremental borrowing rate).** The management estimated all significant facts and circumstances to exercise or not to exercise the following options:

- to exercise the right of extending a lease term;
- to exercise the right of acquiring the leased asset at the end of lease term; or
- not to exercise the right of terminating lease prior to its maturity term.

COVID-19 did not affect the Company's expectations of exercising or not exercising the previously mentioned rights. The management arrived at the conclusion that revaluation of lease liabilities and right-of-use assets due to COVID-19 is not required.

**General information on COVID-19 and related impact on the Company's activities.** As to the assessment of the management, implementation of the Plan and decisions made by the Government of the Republic of Lithuania regarding management of the COVID-19 outbreak did not have a significant effect on the Company's activities. The management did not identify any threats posed on the Company's ability to implement projects and continue as a going concern.

## 5. New standards and interpretations not yet adopted

The new standards, amendments to standards and interpretations that are effective after 1 January 2021 and have not been early adopted by the Company in preparing these financial statements. The new standards, amendments to standards and interpretations effective after 1 January 2021 which have not affected these financial statements are set out below.

*Amendments to IFRS 4: Effective date of IFRS 9 has been deferred by two years for insurance companies*  
(published on 25 June 2020, effective from 1 January 2021)

The aim of amendments is related to aligning the effective dates of IFRS 9 and IFRS 17. According to IFRS 4, qualified insurers shall adopt IFRS 9. These standards shall be applied by qualified insurers from 1 January 2023. These amendments will not have effect on the Company's financial position and operating results as it is not engaged in insurance activities.

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

### *a) New standards, amendments and interpretations not yet adopted*

New standards, amendments to standards and interpretations, which are not effective for annual periods beginning on or after 1 January 2021 and which have not been applied in preparing these financial statements are set out below:

*Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture*  
(published on 11 September 2014, effective date deferred indefinitely)

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015, the International Accounting Standards Board (hereinafter - IASB) deferred the endorsement of these amendments indefinitely until the research project on the equity method has been concluded. According to the assessment of the Company's management, the application of amendments will not have a significant impact on the Company's financial statements.

*IFRS 17: Insurance Contracts (New)*  
(published on 18 May 2017, effective from 1 January 2023)

IFRS 17 replaces IFRS 4 which permits entities to apply the existing accounting policy to insurance contracts. This made it difficult for investors to compare the financial performance of similar insurance companies. IFRS 17 is a general principles-based standard setting accounting requirements for all types of insurance contracts, including reinsurance contracts held by an insurer. This standard requires recognition and measurement of insurance contract classes: (i) future cash flows (cash flows arising from the performance of the contract) at risk-adjusted present value, which includes all available information about the cash flows arising from the performance of the contract consistent with observable market data; by adding (if this value is a liability) or subtracting (if this value is an asset); (ii) an amount representing the unearned profit from the group of contracts (the contractual service margin). The profits generated by a group of insurance contracts will be recognised by insurers during the period when the insurance cover is granted and from the moment of transfer of risk. If a group of contracts is or becomes unprofitable, the entity recognises the loss immediately. The standard has not yet been adopted by the European Union. This standard will not have effect on the Company's financial position or operating result as it does not engaged in insurance activities.

*Amendments to IAS 1: Classification of liabilities as current or non-current*  
(published on 23 January 2020, effective from 1 January 2023)

Amendments are applicable to annual reporting periods beginning on or after 1 January 2023, early application is permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect liabilities presented in the statement of financial position and do not change existing requirements related to either measurement or the moment of recognition of assets, liabilities, income and expense or to information on those items disclosed by entities. In addition, the amendments clarify classification requirements for debt that may be settled by issuing equity instruments. Currently, the Company is assessing the effect of this amendment on the financial statements. The amendments have not yet been adopted by the European Union.



## 5. New standards and interpretations not yet adopted (continued)

*Amendments to IFRS 3, IAS 16 and IAS 37 and annual improvements: Narrow-scope changes*  
(published on 14 May 2020, effective from 1 January 2022)

Amendments are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards.

- Amendments to IFRS 3 *Business Combinations* update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing its requirements.
- Amendments to IFRS 16 *Property, Plant and Equipment* prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, an entity will recognise such sales revenue and related expenses in profit or loss.
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* set out what costs should be included in determining whether a contract is onerous.
- Minor amendments to explanatory examples in IFRS 1, IFRS 9, IAS 41 and IFRS 16 have been made in annual improvements. The amendments have not yet been adopted by the European Union. Currently, the Company's management is assessing the effect of this amendment on the financial statements.

The amendments have not yet been adopted by the European Union. According to the assessment of the Company's management, the application the amendments will not have a significant impact on the Company's financial statements.

*Amendments to IFRS 17: Effective date of IFRS 17 has been deferred by two years*  
(published on 25 June 2020, effective from 1 January 2023)

The amendments aim at helping insurance companies implement the Standard and making it easier for them to explain their financial performance. Amendments are made to the following main scopes of the Standard:

- Effective date of IFRS 17 and IFRS 9 has been deferred by two years for insurers;
- Scope of application of the standard;
- The insurer expects to recover insurance acquisition cash flows from future renewals of an insurance contract;
- Contractual service margin related to investment activities;
- Application of the risk mitigation option on insurance contracts with direct participation features;
- Reinsurance contracts held — expected recovery of losses on underlying onerous contracts;
- Simplified presentation of insurance contracts in the statement of financial position;
- Additional transition reliefs.

In addition to the above changes, the amendments also include several other (minor) amendments and editorial changes to IFRS 17. The amendments have not yet been adopted by the European Union. These amendments will not have effect on the Company's financial position or operating result as it does not engaged in insurance activities.

## 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; therefore, their fair value fluctuation is not significant.

The fair value of financial instruments is the value at which, at the valuation date, an asset or liability would be sold under current market conditions under an orderly 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:

Financial assets	31/12/2021	31/12/2020
Assets arising from contracts with customers	765	53
Trade receivables	4,926	2,788
Receivables from related parties	2,992	3,876
Cash and cash equivalents	11	1,677
<b>Total</b>	<b>8,694</b>	<b>8,394</b>

## 6. Financial instruments and risk management (continued)

Financial liabilities	31/12/2021	31/12/2020
Liabilities arising from contracts with customers	181	-
Loans and other financial debts	-	-
Lease liabilities	400	794
Trade payables	1,301	2,042
Payables to related parties	276	601
Other payables and liabilities	650	599
<b>Total</b>	<b>2,808</b>	<b>4,036</b>

Fair value is defined as the price at which the asset would be disposed of at the date of valuation or a liability settled under current market conditions, independent on whether this price is directly observable or established using valuation techniques.

In determining the fair value of financial instruments, the Company applies such approaches and assumptions and distinguishes three levels of fair value hierarchy.

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

The fair value hierarchy consists of the following levels:

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

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

Level 3 – original inputs for the asset or liability that are not based on observable market data (unobservable original inputs).

The following is a comparison of the values of the Company's financial instruments:

	Total carrying amount	Level 1	Fair value Level 2	Level 3
<b>Financial assets</b>				
Assets arising from contracts with customers	765	-	-	765
Trade receivables	4,926	-	-	4,926
Receivables from related parties	2,992	-	-	2,992
Cash and cash equivalents	11	11	-	-
<b>Total</b>	<b>8,694</b>	<b>11</b>	<b>-</b>	<b>8,683</b>
<b>Financial liabilities</b>				
Lease liabilities	400	-	-	400
Trade payables	1,301	-	-	1,301
Payables to related parties	276	-	-	276
Liabilities arising from contracts with customers	181	-	-	181
Other non-current and current payables and liabilities	650	-	-	650
<b>Total</b>	<b>2,808</b>	<b>-</b>	<b>-</b>	<b>2,808</b>

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

**Loans and other financial debts.** The fair value of long-term loans is determined on the basis of market price of the same or similar loan or based on interest rate applicable at that time to debts of the same term. Fair value of loans is attributable to Level 2 of the fair value calculation approach. Fair value of received loans is equal to their carrying amount.

**Amounts receivable and payable.** The carrying amount of current trade receivables, current trade creditors approximates their fair value.

### Risk management

The Company faces uncertainty about external and internal factors, identifies operational risks, anticipates their impact and likelihood in advance, and seeks to mitigate them at least in part. The Company has risk managers who are trained on a regular basis, and a regular assessment of risks is carried out. Assessment results are provided to the Company's management. Monitoring of implementation of unacceptable risks is performed. Risk management policy and management systems are reviewed on a regular basis to ensure they are in compliance with changes in the Company's activities and market conditions. The Company aims at establishing a disciplinary and constructive risk management environment where all employees are aware of their functions and responsibilities.

According to the strategic goals of the Company, summarised risk groups, which are considered as the most important and are likely to have a large impact on the achievement of the operating objectives of the Company, are determined. Possible impacts of the activity risks, including financial and legal impact as well as impact on reputation, are assessed at the Company.

The Company is exposed to the following financial risks: credit, liquidity, currency exchange, interest rate and capital risks as well as a customer dependency risk. 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.

## 6. Financial instruments and risk management (continued)

**Credit risk.** Credit risk arises due to cash in bank, issued loans and trade receivables.

Credit risk is a risk that the Company will incur financial losses, if a buyer or other party fails to fulfil its contractual liabilities. 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.

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. To assess whether there has been a significant increase in credit risk, the Company compares the risk of default related to assets as at the reporting date to the risk of default on 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 major credit risk relates to the carrying amount of each group of assets.

The Company's exposure to credit risk is mainly determined by individual features of each client. However, the management also considers factors that might have impact on the credit risk of its customer base, including the risk of default related to the industry and the country which customers operate in.

Trade receivables from major customers of the Company consisted of:

	2021	2020
Client A	2,996	3,876
Client B	2,490	-
Others	2,532	2,914
Impairment	(100)	(126)
<b>Total</b>	<b>7,918</b>	<b>6,664</b>

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 receivables as at 31 December 2021 by separate external customers:

	Initial value	Expected credit losses, %	Impairment	Carrying amount
Low risk	7,917	0.0005%	(4)	7,913
Fair risk	0	0.0%	0	0
Increased risk	0	0.0%	0	0
High risk	101	95.0%	(96)	5
<b>Total</b>	<b>8,018</b>		<b>(100)</b>	<b>7,918</b>

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 for more than 120 days.

The Company applies a simplified method to calculate credit losses over the period of validity and use a provisioning matrix for all trade and other receivables. For calculation of the expected credit losses using the provisioning matrix, trade receivables and other receivables are categorised into separate groups according to credit risk characteristics. The amounts for each group are analysed by the number of days past due. The table below provides information on expected credit losses calculated according to each group of amounts past due. As trade and other receivables usually do not include deposit or other collaterals, the ratio of expected losses coincides with the probability of default.

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

## 6. Financial instruments and risk management (continued)

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

	Expected credit losses, %	Initial value	Impairment	Carrying amount
Not past due	0.0005%	7,798	(4)	7,794
Past due for 1 to 30 days	0.0%	119	-	119
Past due for 31 to 60 days	0.0%	0	-	-
Past due for 61 to 120 days	0.0%	0	-	-
Past due for over 120 days	95.0%	101	(96)	5
<b>Total</b>		<b>8,018</b>	<b>(100)</b>	<b>7,918</b>

Impairment accounted for by the Company reflects estimated losses caused by doubtful receivables from customers. The principal component of impairment is individually assessed losses from significant doubtful trade receivables. Impairment measurement methods are revised on an ongoing basis in order to minimize differences between estimated losses and actual losses.

The Company's movement of impairment allowance for doubtful trade receivables:

	2021	2020
<b>Balance at the beginning of the period</b>	(126)	(112)
Change in impairment of trade receivables	26	(14)
<b>Balance at the end of the period</b>	<b>(100)</b>	<b>(126)</b>

The expected credit losses with regard to trade and other receivables are calculated according to the requirements of IFRS 9.

As at 31 December 2021, impairment for receivables at the Company has been reflected in the Statement of profit or loss and other comprehensive income, in the item of increase (decrease) in value of receivables.

Although economic circumstances may affect the recovery of owed amounts, in the opinion of the management, the Company is not exposed to a significant risk of incurring losses that would exceed the already recognised impairment. Impairment for doubtful receivables is estimated according to ECLs.

The maximum credit risk of cash and cash equivalents is equal to fair value of cash and cash equivalents which are classified under this heading as at the date of the Statement of financial position. In the opinion of the Company's management, the risk related to cash in bank and cash equivalents is insignificant as cash are held in Lithuanian commercial banks with a high level of credit rating.

Credit risk concentration at the Company is insignificant.

**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.

	31/12/2021	31/12/2020
Debt ratio, %	0.14	23.2
Long-term debt ratio, %	0.01	2.0
Short-term debt ratio, %	21.2	21.4
Asset structure ratio, %	30.8	32.6
Debt-to-equity (leverage) ratio, %	15.8	30.4
Critical liquidity ratio, times	2.06	1.0
Basic liquidity ratio, times	2.5	1.5

Repayment terms of the Company's trade payables and lease liabilities using the undiscounted flow method:

Financial liabilities	Carrying amount	Total	Within one year	From one to five years	After five years
Lease liabilities	400	450	75	375	-
Trade payables	1,301	1,301	1,301	-	-
Payables to related parties	276	276	276	-	-
Other non-current and current payables and liabilities	650	650	650	-	-
<b>Total</b>	<b>2,627</b>	<b>2,677</b>	<b>2,302</b>	<b>375</b>	<b>-</b>

## 6. Financial instruments and risk management (continued)

Liquidity risk is managed by the Company using the following instruments:

- Current liquidity risk is managed through utilisation of contractual credit lines and overdrafts, borrowing within the LTG Group through the Cash pool platform.
- Non-current liquidity risk is managed through constant funding of the Company's activities using loans granted by commercial banks and other instruments. The lending process is performed in a centralised manner; i. e. funds are borrowed on behalf of LTG - the parent company – and, subsequently, LTG lends the funds to companies of the LTG Group.

Usually, the Company ensures sufficient cash to cover the intended operating costs, including repayment of financial debts. This ensuring does not include impact of potential unpredictable extraordinary circumstances (e. g. natural disasters).

Basically, without assessing the outbreak of COVID-19 virus, the Company manages liquidity risk through planning of cash flows which make it easier to manage cash and, if there is a lack of cash, make it easier to choose a way if financing.

Conservative management of liquidity risk at the Company allows retaining sufficient amount of cash, and the Company aims at retaining financing flexibility. Management of liquidity risk in the Company comprises a projection of cash flows. The more comprehensive and accurate this projection, the better liquidity management. Payments for rendered services may be deferred for 30 to 60 days, in rare cases for 60 to 90 days. Payments for services and supply of materials are made within 30 days on average. Such projection foresees the upcoming payments and receipts of cash and allows to plan short-term borrowing and investing. At the end of the current year, the next year's budget is drawn up. A long-term projection (over one year) is part of strategic business planning. Such cash flow projections provide information on the level of cash surpluses and needs, when cash surplus and need will arise, how long the period of cash surplus and need will last, how the cash surplus will be utilized or the need financed.

As at the date of the financial statements, the Company's liquidity risk is insignificant.

**Market risk.** Market risk is the risk that changes in market prices will impact the Company's results or the value of financial instruments held.

**Currency risk.** Currency exchange risk is the risk that changes in market prices due to changes in foreign exchange rates will affect the Company's results or the value of available financial instruments. As at 31 December 2021 and 2020, the Company's monetary assets and liabilities are mainly denominated in euros; therefore, the Company's management believes that the currency exchange risk is insignificant. During 2021 and 2020, the Company did not enter into derivative financial transactions to manage the risk of exchange rate fluctuations with servicing banks.

**Interest rate risk.** All loans received by the Company are subject to variable interest rates related to EURIBOR. Taking into account the situation in interbank interest rates, in 2021 and 2020 the Company did not enter into any financial instrument contracts designed to manage the risk of interest rate fluctuation.

**Capital management.** Capital includes equity attributable to shareholders. The primary objective of the Company's capital management is to ensure that it meets external capital requirements. The objectives of the Company's capital management is to ensure the Company's ability to continue as a going concern while seeking to earn profit for the shareholders and maintain an optimal capital structure by decreasing capital cost. In order to maintain or change the capital structure, the Company may pay the capital to the shareholders or issue new shares. According to the Law on Companies of the Republic of Lithuania, the share capital of a private limited liability company must be at least EUR 2.5 thousand, and equity at least 50 percent of the Company's share capital.

The Company's management controls compliance with the provisions of the Law on Companies of the Republic of Lithuania stating that if the Company's equity becomes less than 1/2 of the share capital specified in the Articles of Association, the Board must convene a general meeting of shareholders not later than within 3 months from the day on which it became aware or should have become aware of the situation, which must consider the issues referred to in Article 59 (10) (2) and (11) of this Law.

The situation in the Company must be rectified no later than within 6 months from the date on which the Board became aware or should have become aware of the situation.

In 2021 and 2020, the Company complied with the requirements of the above-mentioned provisions of the Law on Companies of the Republic of Lithuania.

## 7. Intangible assets

	Software	Total
<b>Acquisition cost</b>		
<b>31 December 2019</b>	<b>80</b>	<b>80</b>
- acquisitions	-	-
- received from company group	-	-
- assets sold, written off, disposed	(11)	(11)
- reclassifications	-	-
<b>31 December 2020</b>	<b>69</b>	<b>69</b>
- acquisitions	11	11
- assets sold, written off, disposed	(13)	(13)
- reclassifications	-	-
<b>31 December 2021</b>	<b>67</b>	<b>67</b>
<b>Accumulated depreciation and impairment losses</b>		
<b>31 December 2019</b>	<b>73</b>	<b>73</b>
- amortisation	6	6
- impairment during the year	-	-
- assets sold, written off, disposed	(11)	(11)
- received from company group (+)	-	-
- reclassifications	-	-
<b>31 December 2020</b>	<b>68</b>	<b>68</b>
- amortisation	1	1
- impairment during the year	-	-
- assets sold, written off, disposed	(13)	(13)
- received from company group (+)	-	-
- reclassifications	-	-
<b>31 December 2021</b>	<b>56</b>	<b>56</b>
<b>Carrying amount</b>		
<b>31 December 2019</b>	<b>7</b>	<b>7</b>
<b>31 December 2020</b>	<b>1</b>	<b>1</b>
<b>31 December 2021</b>	<b>11</b>	<b>11</b>

The Company does not have internally generated intangible assets.

Fully amortised intangible assets used in the Company's activities:

	31/12/2021	31/12/2020
Software	56	69
<b>Total</b>	<b>56</b>	<b>69</b>

Amortisation costs of the Company's intangible assets which amounted to EUR 1 thousand in 2021 (in 2020 – EUR 6 thousand) are charged to the items of depreciation and amortisation in the Statement of profit or loss and other comprehensive income.

Intangible assets which were fully amortised but still used by the Company amounted to EUR 56 thousand (in 2020 – EUR 67 thousand). The major part of amortised assets comprised of software.



**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
(all amounts are in EUR thousand unless otherwise stated)

**8. Property, plant and equipment**

	Buildings and structures	Machinery and equipment	Road vehicles	Railway rolling stocks	Other equipment, fittings and tools	Construction in progress and prepayments	Total
<b>Acquisition cost</b>							
<b>31 December 2019</b>	<b>5,246</b>	<b>25,325</b>	<b>1,829</b>	<b>8,284</b>	<b>1,144</b>	<b>-</b>	<b>41,828</b>
- acquisitions during the year, reclassifications from current assets	-	171	66	-	6	11	254
- assets sold, written off, disposed, reclassified to current assets	-	(159)	(243)	(61)	(229)	-	(692)
- received from group companies (+)	-	-	-	-	-	-	-
- reclassifications	-	42	-	-	113	-	155
<b>31 December 2020</b>	<b>5,246</b>	<b>25,379</b>	<b>1,652</b>	<b>8,223</b>	<b>1,034</b>	<b>11</b>	<b>41,545</b>
- acquisitions during the year	-	690	-	23	37	46	796
- reclassifications from current assets	-	(567)	(564)	(162)	(299)	-	(1,592)
- assets sold, written off, disposed, reclassified to current assets	-	-	-	-	-	-	-
- received from group companies (+)	-	-	-	-	-	-	-
- reclassifications	-	-	-	-	-	-	-
<b>31 December 2021</b>	<b>5,246</b>	<b>25,502</b>	<b>1,088</b>	<b>8,084</b>	<b>772</b>	<b>57</b>	<b>40,749</b>
<b>Accumulated depreciation and impairment losses</b>							
<b>31 December 2019</b>	<b>1,439</b>	<b>7,990</b>	<b>1,678</b>	<b>2,355</b>	<b>630</b>	<b>-</b>	<b>14,092</b>
- depreciation	206	1,740	36	449	105	-	2,536
- impairment during the year	-	(129)	(236)	(14)	(26)	-	(405)
- assets sold, written off, disposed, reclassified to current assets	-	-	-	-	-	-	-
- received from group companies (merger)(+)	-	-	-	-	-	-	-
- reclassifications	-	-	-	-	-	-	-
<b>31 December 2020</b>	<b>1,645</b>	<b>9,601</b>	<b>1,478</b>	<b>2,790</b>	<b>709</b>	<b>-</b>	<b>16,223</b>
- depreciation	202	1,495	43	424	87	-	2,251
- impairment during the year	-	(469)	(547)	(101)	(252)	-	(1,369)
- assets sold, written off, disposed, reclassified to current assets	-	-	-	-	-	-	-
- received from group companies (merger)(+)	-	-	-	-	-	-	-
- reclassifications	-	-	-	-	-	-	-
<b>31 December 2021</b>	<b>1,847</b>	<b>10,627</b>	<b>974</b>	<b>3,113</b>	<b>544</b>	<b>-</b>	<b>17,105</b>
<b>Carrying amount</b>							
<b>31 December 2019</b>	<b>3,807</b>	<b>17,335</b>	<b>151</b>	<b>5,929</b>	<b>514</b>	<b>-</b>	<b>27,736</b>
<b>31 December 2020</b>	<b>3,601</b>	<b>15,778</b>	<b>174</b>	<b>5,433</b>	<b>325</b>	<b>11</b>	<b>25,322</b>
<b>31 December 2021</b>	<b>3,399</b>	<b>14,875</b>	<b>114</b>	<b>4,971</b>	<b>228</b>	<b>57</b>	<b>23,644</b>



## 8. Property, plant and equipment (continued)

Depreciation costs, included in the Statement of profit or loss and other comprehensive income of the Company, amounted to EUR 2,251 thousand, excluding depreciation costs of right-of-use assets (in 2021 – EUR 270 thousand). The value of acquired assets amounted to EUR 796 thousand.

Acquisition cost of fully depreciated property, plant and equipment still in use consisted of the following:

	31/12/2021	31/12/2020
Buildings and structures	525	525
Machinery and plant	1,006	1,450
Road vehicles	283	466
Railway rolling stocks	1,382	1,450
Other equipment, fittings and tools	740	992
<b>Total</b>	<b>3,936</b>	<b>4,448</b>

The major part of fully depreciated property, plant and equipment consisted of machinery and plant as well as railway rolling stocks.

In 2021, in preparing the financial statements, the Company's management calculated the recoverable amount of property, plant and equipment. Estimation was performed discounting the expected future cash flows from the Company's activity. The forecast of the Company's operating results was made on the basis of the following key assumptions:

- in order to calculate the recoverable amount, a long-term growth rate equal to 2%, which was closest to the asset valuation date, was used to calculate the continuing value. The long-term growth rate used by asset valuers was based on the forecasted Consumer Price Index (CPI) of Lithuania.
- weighted capital costs ratio was estimated referring to the WACC model and comprised 5.6%;
- cash flows are forecasted for the period of 4 years (2022–2025).

The performed testing of the recoverable amount disclosed that the recoverable amount exceeds the carrying amount; thus, no impairment was accounted for.

## 9. Right-of-use assets

	Buildings and structures	Vehicles	Total
<b>Acquisition cost</b>			
<b>31 December 2019</b>	<b>78</b>	<b>864</b>	<b>942</b>
- acquisitions during the year	103	284	387
- derecognition during the year	-	-	-
<b>31 December 2020</b>	<b>181</b>	<b>1,148</b>	<b>1,329</b>
- acquisitions during the year	-	-	-
- derecognition during the year	(77)	(357)	(434)
<b>31 December 2021</b>	<b>104</b>	<b>791</b>	<b>895</b>
<b>Accumulated depreciation and impairment losses</b>			
<b>31 December 2019</b>	<b>43</b>	<b>152</b>	<b>195</b>
- depreciation	37	316	353
- derecognition	-	-	-
- impairment	1	-	1
<b>31 December 2020</b>	<b>81</b>	<b>468</b>	<b>549</b>
- depreciation	34	236	270
- derecognition	(77)	(232)	(309)
- impairment	-	-	-
<b>31 December 2021</b>	<b>38</b>	<b>472</b>	<b>510</b>
<b>Carrying amount</b>			
<b>31 December 2019</b>	<b>35</b>	<b>712</b>	<b>747</b>
<b>31 December 2020</b>	<b>100</b>	<b>680</b>	<b>780</b>
<b>31 December 2021</b>	<b>66</b>	<b>319</b>	<b>385</b>

As at the date of the financial statements, the Company has lease contracts of property (premises) and vehicles concluded. The remaining lease term is up to 4 years. A discount rate of 3.79% was applied to the lease contracts. Impact on the Company's results in the statement of comprehensive income is insignificant.

## 10. Investments in associates, subsidiaries and other companies

As at 31 December 2021, information on the Company's investments in subsidiaries is presented below:

Company name	Owned share,	Investment value	
	% 58%	31/12/2021	31/12/2020
<b>Shares of subsidiaries</b>			
OOO Rail lab	1	4	5
<b>Total, net</b>		<b>4</b>	<b>5</b>

In 2020, UAB Vilniaus lokomotyvų remonto depas and the Company established a subsidiary OOO Rail Lab in Belarus and acquired 1% of shares of the established subsidiary and committed to contribute EUR 4.5 thousand to the established subsidiary's authorised capital. OOO Rail Lab was registered in the Register of Legal Entities of Belarus on 26 May 2020. The main activity of the subsidiary is production of locomotives and rolling stocks, repair and maintenance of vehicles, wholesale trade of other machinery and plant.

In March 2021, the Company recognised impairment resulting from currency translation into euros of a foreign subsidiary, the functional currency of which is foreign currency.

As at 31 December 2021, net loss of OOO Rail Lab amounted to 57,290 Belarusian ruble.

## 11. Inventories

	31/12/2021	31/12/2020
Materials	279	222
Materials of track superstructures	1,254	3,443
Spare parts	504	593
Fuel	40	29
Work clothing	20	17
Inventory	17	115
Greases	11	4
Inventories in transit	-	-
Less: decrease in realisable value (-)	(320)	(281)
<b>Total raw materials, materials and component parts</b>	<b>1,805</b>	<b>4,142</b>
Goods for resale	-	14
Less: decrease in realisable value (-)	-	(10)
<b>Total goods for resale</b>	<b>-</b>	<b>4</b>
<b>Total</b>	<b>1,805</b>	<b>4,146</b>

The carrying amount of the Company's inventories before adjustment of the net realisable value as at 31 December 2021 amounted to EUR 2,125 thousand (as at 31 December 2020: EUR 4,437 thousand).

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

## 12. Prepayments

Prepayments of the Company comprised:

	31/12/2021	31/12/2020
Prepayments	445	4
Deferred costs	2	5
<b>Total</b>	<b>447</b>	<b>9</b>

## 13. Assets arising from contracts with customers

The Company's assets arising from contracts with customers consisted of:

	31/12/2021	31/12/2020
Guaranties paid to suppliers	19	16
Accrued income	746	37
<b>Total</b>	<b>765</b>	<b>53</b>

#### 14. Trade receivables

The Company's trade and other receivables consisted of:

	31/12/2021	31/12/2020
Trade receivables	5,026	2,914
Receivables from related parties	2,992	3,876
Impairment of receivable debts (-)	(100)	(126)
<b>Total trade receivables:</b>	<b>7,918</b>	<b>6,664</b>

Fair value of receivables proximate their carrying amount.

The Company determines expected credit losses for trade receivables on the basis of historical data on customer settlements and assesses the impact of change in economic conditions on the customers' ability to pay their debts.

Trade receivables are interest-free, and their payment period is usually from 30 to 60 days.

Analysis of trade receivables as of 31 December 2021:

	31/12/2021	31/12/2020
Not past due	7,798	6,664
Past due for 0 to 60 days	119	-
Past due for 61 to 180 days	-	-
Past due for over 180 days	101	126
Impairment (-)	(100)	(126)
<b>Total</b>	<b>7,918</b>	<b>6,664</b>

#### 15. Other receivables

Other receivables consisted of:

	31/12/2021	31/12/2020
Recoverable VAT	-	258
Other receivables from the budget	43	154
<b>Total</b>	<b>43</b>	<b>412</b>

#### 16. Cash and cash equivalents

The Company's cash and cash equivalents consisted of:

	31/12/2021	31/12/2020
Cash in bank	11	1,677
Cash in transit	-	-
<b>Total</b>	<b>11</b>	<b>1,677</b>

As at 31 December 2021 and 2020, the Company had no term deposits. Cash was not pledged.

## 17. Share capital

The nominal value of the Company's shares is EUR 281.53 per share. All shares are paid.

Change in the share capital is presented in the table below:

	Share capital	Number of shares, units
Authorised share capital		
Number of shares 31/12/2020	30,897	109,748
Increased	-	-
Decreased	-	-
Number of shares 31 December 2021	30,897	109,748
2. Capital structure		
2.1. By type of shares	-	-
2.10. Ordinary shares	30,897	109,748
2.11. Preference shares	-	-
2.2. State capital	-	-
B. Amounts unclaimed and amounts claimed but not yet paid, including therein:	-	-
Shareholders (debtors)	-	-
<b>Total</b>	<b>30,897</b>	<b>109,748</b>

On 10 November 2020, acting as the sole shareholder AB Lietuvos geležinkeliai made a decision to decrease the Company's share capital by reducing the nominal value of issued shares. Based on the decision, the nominal value of one ordinary registered share is changed from EUR 289.62 to EUR 281.53. Upon the change of the nominal value of one share, the share capital of GTC was divided into 109,748 shares. The size of share capital was EUR 30,897 thousand.

## 18. Reserves

**Legal reserve.** A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit are compulsory until the reserve reaches 10% of the authorised share capital. The legal reserve cannot be distributed as dividends, but can be used to cover future losses.

**Other reserves.** As at 31 December 2021, the Company did not have other reserves.

Allocation of the Company's profit of 2020 was approved by the Shareholder's decision No [S-AS(LG)-33 dated 6 April 2021. Legal and other reserves were not formed.

## 19. Loans and other financial debts

	31/12/2021	31/12/2020
Loans and other financial debts	23	-
<b>Financial debts</b>	<b>23</b>	<b>-</b>

As at 31 December 2021, the Company's financial debts comprised EUR 23 thousand.

Movement of financial debts:

	2021	2020
Balance at the beginning of the year	-	1,487
Received	12,167	11,909
Repaid	(12,144)	(13,396)
<b>Balance at the end of the year</b>	<b>23</b>	<b>-</b>

During 2021 the Company has repaid EUR 12,144 thousand of financial debts and paid EUR 52 thousand of interest.

On 21 December 2018, the LTG Group's cash-pool agreement was signed with Swedbank, AB. On 29 March 2019, the Company signed an agreement pursuant to which it has access to the cash-pool. Under this agreement the members of the Group may borrow and lend funds to Group members under market conditions and for a period shorter than one year. As at 31 December 2021, the amount of the Company's receivable debts or liabilities comprised EUR 23 thousand.

## 20. Lease liabilities

The Company's lease liabilities comprised the following:

	31/12/2021	31/12/2020
Non-current	333	729
Current	67	65
<b>Lease liabilities</b>	<b>400</b>	<b>794</b>

The Company leases rents buildings and other assets (vehicles). Lease contracts are usually concluded for a fixed period with or without an option of extending it.

Lease liabilities were discounted using the borrowing interest rate which was equal to 3.79% as at 31 December 2021 and 2020.

## 21. Provisions

The Company's provisions consisted of:

	31/12/2021	31/12/2020
Non-current provisions	73	57
Current provisions	312	368
<b>Total</b>	<b>385</b>	<b>425</b>

Movement of provisions:

	31/12/2021	31/12/2020
<b>Provisions</b>		
Balance at the beginning of the period	425	486
Increase (formed)	16	3
Decreased (used)	(56)	(64)
<b>Balance at the end of the period</b>	<b>385</b>	<b>425</b>

**Provisions for warranty repairs.** The amount of provisions for warranty repairs is estimated taking into account the historical data; i. e. the amount of expenses related to warranty repair, remedies of defects and similar expenses the Company incurs every year. In formation of a provision, the Company estimates the period which is covered by the guarantee and during which the Company is obliged to remedy defects.

**Provisions for received claims.** Provisions for claims are accounted for based on the received claims. The management assesses the reasonableness of the received claims and potential expenses.

**Provisions for pensions and similar liabilities.** Pursuant to the Labour Code of the Republic of Lithuania, each employee leaving the Company at the age of retirement is paid a compensation of up to two-month-average salary. In addition, a compensation of up to one month average salary is paid to an employee in the event of 25 years length of service pursuant to the collective agreement effective in the Company. Jubilee payments also comprise provisions for pensions and similar liabilities.

Key assumptions applied in assessing the Company's non-current liabilities to employees are as follows:

	31/12/2021	31/12/2020
Discount rate	0.76%	0.4%
Employee turnover rate	28.9%	30.7%
Annual salary increase	1.9%	1.9%

## 22. Employment related liabilities

Current employee benefits by type:

	31/12/2021	31/12/2020
Vacation accruals	532	627
Payable remuneration	-	-
Payable personal income tax contributions	-	-
Payable social insurance contributions	164	177
Accrued portion of variable remuneration	171	391
<b>Total</b>	<b>867</b>	<b>1,195</b>

### 23. Liabilities arising from contracts with customers

As at 31 December 2021, liabilities arising from contracts with customers consisted of:

	31/12/2021	31/12/2020
Accrued income	181	-
Prepayments received	776	3,615
<b>Total</b>	<b>957</b>	<b>3,615</b>

In 2020, prepayments received by the Company consisted of advances paid for project implementation.

### 24. Trade and other payables

As at 31 December 2021, trade and other payables consisted of:

	31/12/2021	31/12/2020
Financial guarantees received	1	115
Other charges payable to the budget	73	6
Trade union membership fee	2	2
Trade payables	1,301	2,042
Payables to related parties	276	601
Accrued costs	558	474
Other payables and non-current liabilities	4	8
<b>Total</b>	<b>2,215</b>	<b>3,248</b>

Accrued expenses in the Company consisted of accrued management fee and other atypical accruals formed.

### 25. Sales revenue

Revenue comprised:

	2021	2020
Revenue arising from contracts with customers	30,918	28,738
Other revenue	273	288
<b>Total</b>	<b>31,191</b>	<b>29,026</b>

Information related to each segment disclosed is presented below. Sales revenue of a segment is used for measurement of operating results of a segment. Information on segments is prepared in accordance with the same accounting policies as those used in the statements of the Company's operating results.

Revenue according to the type:

	2021	2020
Construction and repair of railways	25,249	24,709
Maintenance of railway track and structures	310	1,838
Construction, reconstruction and repair of other structures	4,094	775
Lease of machinery and plant	548	819
Construction and repair works in the area of security, automation and electrification	-	-
Design works	385	89
Other works (snow removal, sales of non-current assets, etc.)	332	508
<b>Total</b>	<b>30,918</b>	<b>28,738</b>

Sales according to the customer group:

	2021	2020
LG and group companies	15,620	18,869
Other customers	15,298	9,869
<b>Total</b>		<b>28,738</b>
	<b>30,918</b>	<b>8</b>

Works and services were delivered to group companies of AB Lietuvos geležinkeliai and other customers.

## 25. Sales revenue (continued)

As at 31 December 2021 and 2020, liabilities arising from contracts with customers consisted of:

	2021	2020
Prepayments received	776	3,615
<b>Total</b>	<b>776</b>	<b>3,615</b>

Expected recognition periods of unsatisfied (or partially unsatisfied) performance obligations as of the end of the reporting period as revenue:

	Total transaction price	2022	2023
Contracting works	39,297	7,822	0
<b>Total</b>	<b>39,297</b>	<b>7,822</b>	<b>0</b>

### Long-term contracts

Revenue in the Company is earned within more than one year; i. e. the Company has long-term selling contracts. Recognition of ongoing projects as the Company's revenue under the signed long-term construction contracts is based on the completion stage of contractual obligations. The stage of completion is measured by comparing actual costs incurred to all the budgeted costs. The table below provides information on the ongoing contracts as of the end of the year:

Ongoing contracts	2021	2020
Revenue and profit (loss) recognised under ongoing contracts	527	384
The amount of invoices issued under ongoing contracts	23,185	20,004
<b>Total</b>	<b>23,712</b>	<b>20,388</b>

As at the end of 2021, there were 13 ongoing construction contracts signed, recognition of which was subject to IFRS 15. From the starting date of performance of the contract, the invoices issued for carried out works amounted to EUR 31,474 thousand.

As at the end of 2020, there were 45 ongoing construction contracts signed, recognition of which was subject to IFRS 15. From the starting date of performance of the contract, the invoices issued for carried out works amounted to EUR 20,951 thousand.

## 26. Result from financing activities

Financing activity results of the Company consisted of:

	2021	2020
<b>Total finance income</b>	<b>2</b>	<b>6</b>
Penalties and default interest for overdue trade receivables	2	6
Interest	-	-
<b>Total finance costs</b>	<b>(193)</b>	<b>(82)</b>
Interest	(52)	(31)
Lease liability interest	(22)	(33)
Fines, penalties, delay interest	(119)	(18)
Currency exchange loss	-	-
<b>Result from financing activities</b>	<b>(191)</b>	<b>(76)</b>

## 27. Corporate income tax and deferred tax

Corporate income tax was calculated at a 15% tax rate.

During the year ended 31 December 2020, the Company's income tax costs (benefit) consisted of:

	2021	2020
Profit (loss) before tax	394	(513)
Corporate income tax at a statutory tax rate	59	(78)
Non-deductible expenses	(14)	14
Non-taxable income	(3)	(14)
Income tax adjustment of the previous year	-	(19)
<b>Total corporate income tax expenses (income) recognised in profit or loss</b>	<b>42</b>	<b>(97)</b>
<b>Total</b>	<b>42</b>	<b>(97)</b>
Effective rate	10.65%	18.9%

	31/12/2021	31/12/2020
Corporate income tax of the reporting year	-	-
Income tax adjustment of the previous year	-	(19)
Deferred tax expenses (income)	42	(78)
<b>Total corporate income tax expenses (income) recognised in profit or loss</b>	<b>42</b>	<b>(97)</b>
<b>Total</b>	<b>42</b>	<b>(97)</b>



## 27. Corporate income and deferred tax (continued)

During 2021, 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.

Calculation of the Company's deferred tax asset is presented below:

	31/12/2021	31/12/2020
<b>Net profit before tax</b>	<b>394</b>	<b>(513)</b>
Change in temporary differences	(682)	(507)
Permanent differences	(8)	65
<b>Taxable profit of the year</b>	<b>(296)</b>	<b>(955)</b>
<b>Decrease in taxable profit of the year due to investment projects</b>	<b>-</b>	<b>-</b>
<b>Decrease in taxable profit of the year due to deduction of operating loss amount</b>	<b>-</b>	<b>-</b>
Income tax (expenses) of the reporting year	-	-
Income tax adjustment of the previous year	-	19
Change in realisation of deferred tax due to change in temporary differences	(42)	78
<b>Income tax (expenses) accounted for in the Statement of profit or loss</b>	<b>(42)</b>	<b>97</b>
<b>Temporary differences</b>	<b>4,312</b>	<b>4,594</b>
<b>Deferred tax asset before realisation valuation</b>	<b>647</b>	<b>689</b>
<b>Realisation valuation</b>	<b>-</b>	<b>-</b>
<b>Deferred tax asset, net value</b>	<b>647</b>	<b>689</b>
Components of deferred tax are given below:		
<b>Deferred tax asset:</b>		
Impairment of amounts receivable and write-off of bad debts	15	19
Accrued income	-	-
Impairment of inventories	48	44
Vacation accruals	2	2
Pension accruals	11	9
Warranty repair provisions	47	52
Bonuses	25	59
Other provisions	84	74
Tax loss carry-forward	314	413
Valuation of non-current assets (increase and decrease in value) and differences in depreciation rates	16	11
Other temporary differences	85	12
<b>Deferred tax asset before realisation valuation</b>	<b>647</b>	<b>695</b>
<b>Realisation valuation</b>	<b>-</b>	<b>-</b>
<b>Deferred tax asset after realisation valuation</b>	<b>647</b>	<b>695</b>
<b>Deferred tax liability:</b>		
Tax value difference of non-current assets	-	(6)
<b>Deferred income tax liability</b>		<b>(6)</b>
<b>Deferred income tax asset, net value</b>	<b>647</b>	<b>689</b>

As at 31 December 2021, deferred tax asset was calculated applying a 15% tax rate and amounted to EUR 647 thousand.

Deferred tax asset for taxable losses was fully recognised as the Company's management believes that future taxable profit available against which the deductions can be utilised will be sufficient. Deferred tax assets and deferred income tax liabilities are offset to the extent that the deferred tax liability will be realised at the same time as deferred tax assets. In addition, they are related to the same tax authority.

## 28. 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 at 31 December 2021 and 2020, the Company's related parties and related-party transactions were as follows:

31/12/2021	Purchases	Sales	Receivables	Payables
AB Lietuvos geležinkeliai	1,068	202	-	54
AB LTG Infra	1,015	15,418	2,992	76
AB LG Cargo	1,904	-	-	27
UAB LTG Link	7	-	-	1
UAB Gelsauga	-	-	-	-
UAB Saugos paslaugos	28	-	-	-
UAB Vilniaus lokomotyvų remonto depas	197	-	-	-
UAB voestalpine Railway Systems Lietuva	1,020	-	-	118
	<b>5,239</b>	<b>15,620</b>	<b>2,992</b>	<b>276</b>

31/12/2020	Purchases	Sales	Receivables	Payables
AB Lietuvos geležinkeliai	1,198	202	14	98
AB LTG Infra	1,048	18,313	3,878	109
AB LG Cargo	2,786	-	-	117
UAB LTG Link	7	-	3	1
UAB Gelsauga	1	-	-	-
UAB Saugos paslaugos	264	-	-	21
UAB Vilniaus lokomotyvų remonto depas	554	198	-	-
UAB voestalpine Railway Systems Lietuva	705	156	-	255
	<b>6,563</b>	<b>18,869</b>	<b>3,895</b>	<b>601</b>

## Remuneration to management and other benefits

As at 31 December 2021, the number of managers was 5; i.e. Chief Executive Officer, Chief Financial Officer, Chief Contracting and Technical Officer, Chief Project Management and Technology Officer, and Chief Corporate Matters Officer.

	31/12/2021	31/12/2020
Remuneration employment related remunerations except for employer's social insurance contributions	296	392
Remuneration to other related parties	-	-
Number of management personnel	5	5

During 2021 and 2020, no loans, guarantees, or other disbursements or accruals or disposals of assets were made to the Company's management, except for those disclosed above.

## 29. Off-balance liabilities, contingent assets and liabilities

As at 31 December 2021, the Company had issued guarantees for the amount of EUR 5,504 thousand.

## 30. Non-cash transactions

During 2021 and 2020, the Company did not perform any non-cash transactions which are not reflected in the Statement of cash flows.

## 31. Events after the reporting period

On 24 February 2022, Russia started war in Ukraine, which led to the development of an unpredictable and unprecedented situation not only in Lithuania, but globally. On the same day, the state of emergency was announced in Lithuania. Currently, the Company has no clients or suppliers from Ukraine, Russia or Belarus and has no plans to provide services in these countries or buy materials from them; therefore, the situation should not have a direct effect on the Company's activities. However, considering a highly dynamic nature of the situation related to the outbreak of war and high volatility of actions of Lithuanian and other governments, the effect on the annual results is complex to reliably estimate.

**UAB GELEŽINKELIO TIESIMO CENTRAS**  
**SUSTAINABILITY REPORT FOR 2021<sup>2</sup> (UNAUDITED)**

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<sup>2</sup> Not audited

## About sustainability in GTC

The global transport system and supply chains are undergoing major changes due to the rapidly changing demographic, social, macroeconomic and geopolitical environment. The European Commission's target of crucial importance is to become the first climate-neutral continent until 2050, which requires major changes. Railways are the transport of the future, and their importance in Europe will only increase with the change in the concept of mobility, as the era of fossil fuels gives way to clean power and the attraction of other renewable energy sources. Fostering sustainable performance will help organizations build a competitive advantage in the transport sector, encourage a range of stakeholders to choose more sustainable modes of transport.

For these reasons, LTG Group, the operation whereof is based on environmental protection, social partnership, good governance and economic progress, as well as the creation of value for the state, seeks to contribute to a more sustainable future through its actions. To achieve this goal, in 2021 the Group started to develop the Sustainability Policy – a document aimed at setting the goals and objectives of LTG Company Group's sustainability activities, sustainability principles and priorities, governance model, defining key sustainability-related activities and procedures. This policy sets out the priorities for the relevant areas of sustainability in which LTG Company Group has the greatest impact on the environment and seeks to create the biggest value. Given the significant contribution and impact of LTG Company Group's activities at the national level, the group's sustainable activities aim to contribute not only to organization of the group's activities but also to the state's progress in the field of sustainability.

Sustainable activities in LTG Group are based on the principles of the United Nations Global Compact, the resolutions of the Paris Agreement, the EU Strategy Papers (the European Commission's Communication on Promoting Corporate Social Responsibility, the Green Paper), the International Labor Organization Declaration on Fundamental Principles and Rights at Work and recommendations of the Management Coordination Center, established by the Government of the Republic of Lithuania to ensure the implementation of principles of good governance in state-owned enterprises, and other recommendations in the field of sustainability.

## Stakeholders

### Main stakeholders in the activity of GTC:

- Employees
- Parent company (LTG)
- State authorities, regulators
- Non-governmental, international institutions, associations
- Corporate customers
- Suppliers
- Communities
- Media

Close and proactive communication and cooperation with stakeholders is a high priority in the activities of LTG Group. The Group identifies 8 key stakeholders in its activities and bases its sustainability activities on their expectations, assessing potential impacts. GTC, being a company of LTG Group, contributes to activities which are of interest to the society and the whole country: participates in development and maintenance of the country's railway infrastructure, which helps to ensure smooth transport of passengers and freight in environmentally friendly transport and traffic safety. Due to the nature of its activities and its impact on the society, it is particularly important for the Group to identify, assess and respond to the expectations of stakeholders of all companies. Sustainability management throughout the Group is centralized and equally important for all the Group companies and activities, therefore GTC contributes to the implementation and goals of the Sustainability Policy of LTG Group.

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

in this report details a wide-ranging impact of the Group's and Company's activities on all environmental, social and governance stakeholders in the identified priority areas for sustainability.

## Sustainable development goals and other international agreements

GTC, as a part of LTG Group, by implementing its strategic goals and sustainability management priorities, seeks to make a direct contribution to implementation of the global Goals for Sustainable Development established by the United Nations Global, with a particular emphasis on:

- Good health and well-being (goal 3),
- Decent work and economic growth (goal 8),
- Industry, innovation and infrastructure (goal 9),
- Sustainable cities and communities (goal 11),
- responsible consumption and production (goal 12),
- Climate change mitigation (goal 13) priorities

In addition to the stated goals, the group also contributes to other global priorities by making a positive impact on the efficient use of energy and natural resources, gender equality, in order to ensure access to education of high quality etc.

Through its actions and initiatives, the Company contributes to the implementation of the European Green Deal and the Paris Agreement, committing itself to reduce the net CO2 emissions to zero by 2050. LTG Company Group is committed to the principles of the Global Compact in the areas of human rights, employee rights, non-discrimination, environmental protection, the development of environmentally friendly technologies and the fight against corruption.



## ENVIRONMENTAL AREA

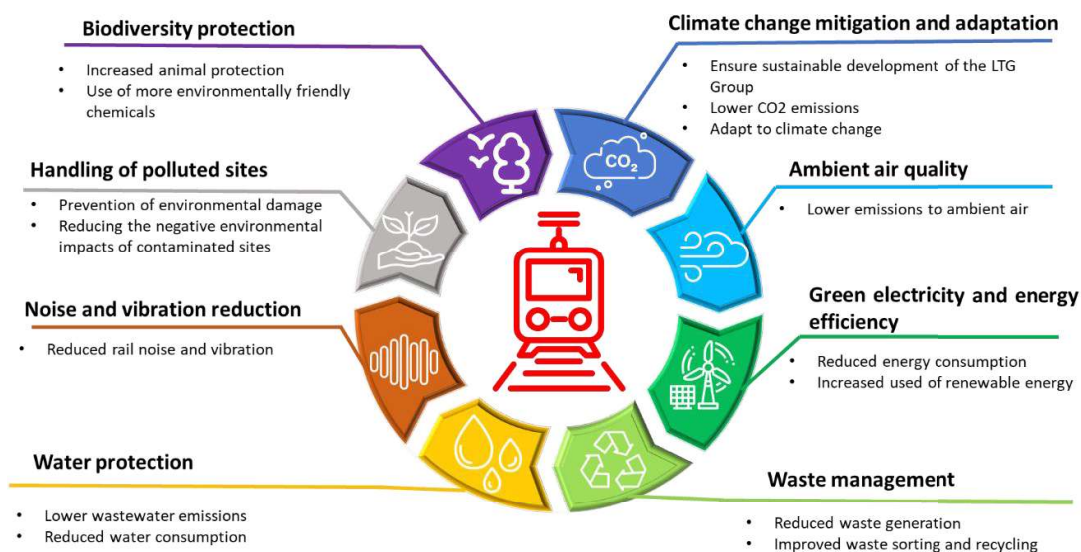
Railway transport is one of the environmentally friendliest modes of transport, consuming up to ten times less fuel for freight and passengers than road transport. Together with the constantly improved legal framework of the European Union and balanced financial support, this creates preconditions for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

The modern economy is inseparable from the transport sector. Railways are one of the greenest modes of transport and have not lost their relevance and importance for many years. The main activity of GTC – construction and maintenance of railways – contributes to the goal of the whole LTG Group to encourage transport of passengers and freight by trains which are environmentally friendlier mode of transport. In its operation GTC seeks for ways to use cleaner, greener technologies, tools and devices and, thereby, make an additional contribution to the initiatives of LTG Group related to environmental protection.

The Company has also implemented and continuously supports the certified Integrated Environmental Management System in accordance with ISO 14001.

### Reduction of climate impact

As a socially responsible company, GTC as the entire LTG Group, operates in compliance with its environmental obligations: it uses energy and natural resources efficiently and seeks solutions to reduce the negative impact of its activities on the environment and climate change. In this context, in 2021 the Environmental Protection Strategy 2030+ of LTG Group (hereinafter referred to as “the Strategy”) was prepared and approved, the essence of which is to set the environmental protection objectives of LTG Company Group until 2030, and provide for measures to implement them in order to reduce the negative effects on the environment and climate change in a targeted manner and become a climate-neutral organization by 2050. The Company contributes to achievement of these goals. The mentioned strategy specifies 8 main priorities of LTG Group:

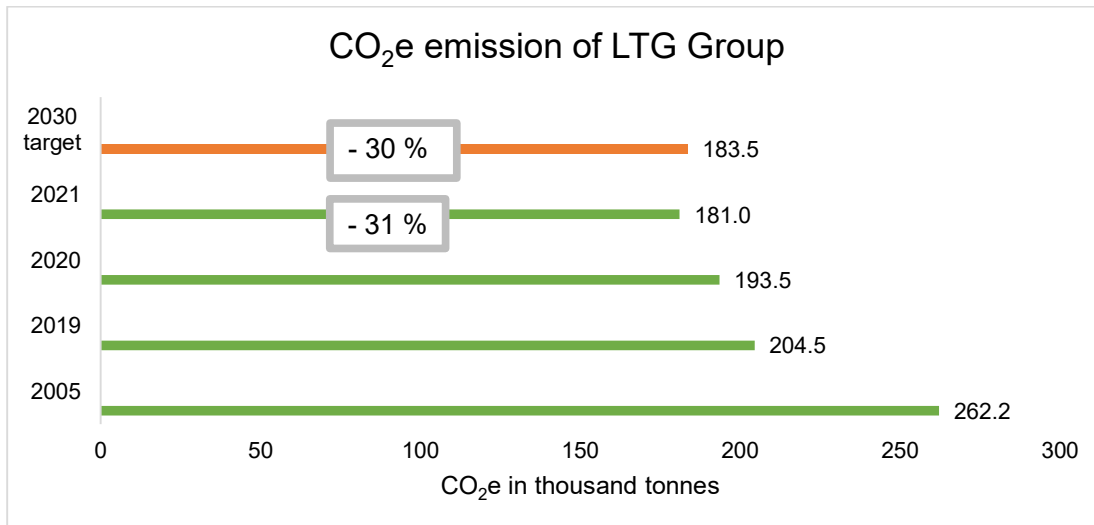


### Climate change mitigation

In accordance with international commitments, the following targets are established in the Strategy allowing to mitigate the climate change and adapt to it in a better way:

- Reduce total CO<sub>2</sub>e emissions from railway transport by 30% by 2030, as compared to 2005.
- Reduce specific CO<sub>2</sub>e emissions (emissions directly depending on the volumes of operation such as passenger or freight turnover) from freight and passenger transport by 50% until 2030, as compared to 2005.
- Assess the measures of adapting to the climate change and its effects and strengthen resilience of railway infrastructure against climate change and its effects.

In 2021, the total amount of CO<sub>2</sub>e from railway transport was 181 thousand tonnes of CO<sub>2</sub>e and it decreased by 31% compared to 2005. The decrease was due to lower volumes of freight and passenger transportation.



To achieve these goals, LTG Company Group develops a number of strategic projects that will significantly contribute to climate change mitigation and LTG Company Group's ambition to achieve that by 2050 it became a climate-neutral organization. Activities of GTC as an existing or potential contractor for works are mainly related to these strategic projects:

- Electrification of main roads - for example, to electrify the main corridor Vilnius-Klaipėda by 2025, providing possibilities to replace old diesel locomotives and trains with electric locomotives and electric trains, thus reducing pollution and traction costs for carriers;
- Re-electrification of previously electrified roads to modernize roads which are resource-ending. Reconstruction of Vilnius-Kaišiadorys track is planned first;
- Construction of Rail Baltica is a greenfield project of infrastructure of railway transport, the aim of which is to integrate the Baltic States into the European railway network by connecting Helsinki, Tallinn, Pärnu, Riga, Panevėžys, Kaunas, Vilnius and Warsaw. At present, the European track to Kaunas has already been built and the connection with Kaunas Intermodal Terminal (KIT) has been completed.

In 2021, in LTG Group, as well as in GTC, a strong emphasis was put on the vehicle management policy and its update, with clear guidelines for fleet electrification and the development of a fleet renewal programme. Taking into account the goals of purchasing electric vehicles, the development of their charging infrastructure is also being assessed. A focus is also placed on encouraging employees to use car-sharing services to ensure efficient vehicle use and reduce environmental pollution.

Seeking to assess measures to adapt to climate change and its effects and increase the resilience of railway infrastructure to climate change and its effects, in 2022 the analysis of the adaptation of railway infrastructure to climate change will be initiated and appropriate solutions for infrastructure managed by LTG will be sought.

### Green electricity and energy efficiency

In order to increase energy efficiency, the outdoor lighting used in GTC is equipped with light sensors, i.e. it switches on only during the dark hours of the day, and also in 2021 GTC purchased electric wrenches to replace the old gasoline ones. In addition, GTC aims to use energy-efficient tools and vehicles in its works.

In May 2020, LTG and the Ministry of Energy of the Republic of Lithuania concluded a cooperation agreement during the economic conference "Lithuanian Davos", whereby it was undertaken to save energy: by 2030 the group plans to save 1.3 TWh of end energy. This agreement is a part of the measures provided for by the Energy Efficiency Law, which aim to save at least 27 TWh of end energy over the next decade. In order to save energy, LTG Group has committed to modernize equipment, electrify rolling stock, optimize real estate, modernize buildings and boiler houses and renew the vehicle fleet, and GTC seeks to contribute to these objectives by using efficient modern technologies and tools.

### Waste management and the circular economy

The priorities of LTG Company Group waste management are to reduce the amount of waste generated, ensure safe management of waste for human health and the environment, and the rational use of material and energy resources, thus reducing the use of natural and other resources and landfilling. The target is to achieve by 2030 that 98% of the waste generated by LTG Company Group was suitable for recycling or generation of energy.

At the group level from 2019 onwards we are significantly reducing the amount of paper used for printers and documents. Thanks to the project "No Paper", excellent results were achieved in 2021: as many as 91% of all documents in the group were digital, signed only with an





electronic signature, without the use of paper. In 2020, GTC was the winner of the project "No Paper" at LTG Group level, by reducing the use of paper documents to the largest extent.

### Noise prevention

LTG Company Group pays particular attention to reducing the number of residents affected by noise and vibration caused by railway transport. This problem has been identified as one of the most important ones by the International Union of Railways (UIC), which has also set a target for 2050 to achieve that noise and vibration would no longer be an issue for rail transport, i.e. that is, railway traffic would be operated within the established noise and vibration limits. GTC directly contributes to attempts to achieve this goal – construction of noise reducing barriers in at railways. Noise reducing barriers of 37,315 km in total are installed in the public railway infrastructure. 9 projects are in progress, according to which it is planned to additionally build more than 17.2 km of noise barriers, as well as to install embankments and the replacement of windows and doors.

In 2021, GTC directly contributed to noise prevention by implementing the projects of construction of noise reducing barriers in Klaipėda and Kretinga district.

### DIGITALIZATION AND PROMOTION OF INNOVATION

The Company is undergoing digital transformation, which helps to use GTC's resources more efficiently, reduces the amount of waste and pollutants generated and directly contributes to environmental protection and lower pollution. Digitization also provides a wider opportunity to enter new areas of activity, increase and diversify revenue flows and make a significant contribution to increasing productivity and efficiency. The aim is to ensure smooth delivery of services, essential business processes and the competence of employees and enable the development of an innovation ecosystem, especially in the fields of the environment and the circular economy.

A modern company is able to grow, improve and remain competitive in an ever-changing market only through a modern process management, therefore the Company implements and develops innovative technologies, modern operational and management processes, strengthens employees' competencies, which allows to increase operational efficiency and improve customer service. By moving many day-to-day complex processes to the digital space it is aimed to make the most of resources, increase the speed and validity of decisions, reduce the likelihood of errors and strengthen security.

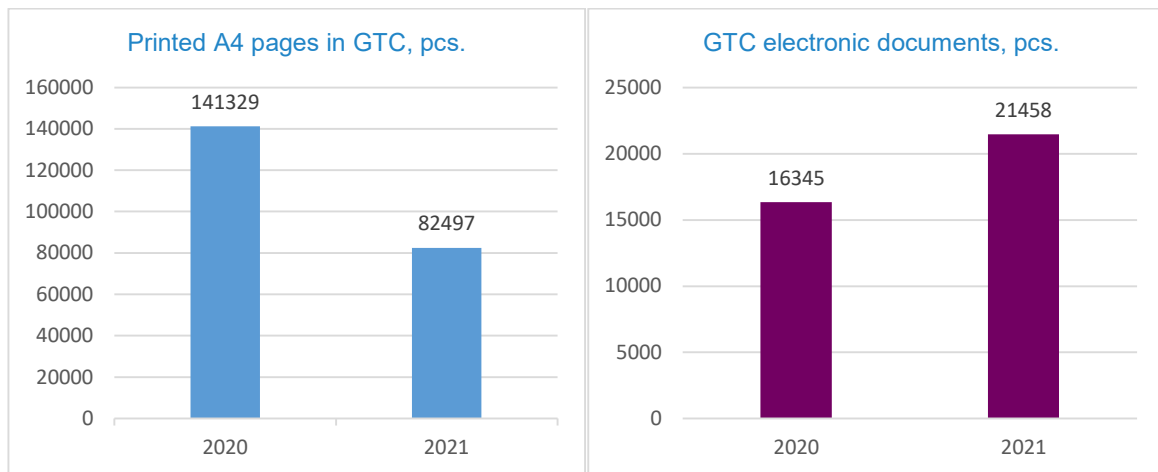
LTG Group as of 1 January 2022 has renounced the status of a fixed line operator and the wired connection is no longer working (as many as 3,400 wired connection points were smoothly switched off). GTC abandoned fixed phones and fax in Q4 of 2021.

Move (formerly SAP ERP Modernization Programme) is the largest change program in LTG Group launched in 2021, helping to implement the principles of modern work: it will be the backbone, connecting all operations from sales, customer management, to assets, production, finances. This programme is necessary due to the current fragmented business processes, the absence of a single correct source of information, the limited capabilities of the current system, and will provide operations with efficiency, integrity, flexibility and a competitive advantage in the market. In 2021, the SAP / Move change was launched in LTG HR and is focused on facilitating the use of HR services such as taking a vacation or reviewing a work schedule. Changes in GTC are also planned for the future.

The implementation of the project "No Paper" is continued throughout LTG Group, the aim whereof is reduction of paper costs, sustainable use of natural resources as well as streamlining of work processes in the organization. After optimization of business processes and a careful review of the turnover of all documents, it has already been achieved that the main business documents were mostly signed electronically by managers and employees. The share of paper documents (calculated in pages) went down to 42% as compared to 2020, the number of electronic documents in the document management system ManoGTC increased by 31%.

Successful and timely implementation of the project "Modern Team" of the entire LTG Group is the first of the Mobile-first cloud-first strategy projects. In April 2021, phones were provided to all employees of GTC. CAT S52 and Samsung XCover 4s phones were purchased and provided. Together with phones employees received access to DVS ManoGTC used by GTC (version for workers). Workers also got access to mano.litrail.lt - LTG group information portal. Workers received unlimited calls, unlimited SMS and unlimited internet. The migration of GTC to MS365 was completed in early March of 2020 before the quarantine. In 2021 all GTC data were transferred from the local file server to the cloud. GTC started using MS Sharepoint solutions.

In the second half of 2021, LTG Digital, a company of LTG Group, started to create a cyber security operational center, which will take care not only of technical IT security measures and respond to the attacks that have already taken place but will also take operational and preventive actions: monitor and analyze information and virtual space, identify potential threats and preventive measures to prevent threats (which is not usually done by cyber security centers in companies). GTC IT management is centralized, therefore the launched initiatives are successfully adapted in the Company. In the initial stages of the project, a team is formed, tools are tested and the development of processes begins. The establishment of the Cyber Security Operational Center is of great importance in order to protect the operation of the Lithuanian railways as one of the most important infrastructures in the country.



In order to ensure centralized and efficient management, administration and control of IT services in the Information, the unified IT service management tool ServiceNow implemented in the Technology Center during the ITSM project carried out by LTG Digital and used ever since 2020, continues to be successfully developed in the stages planned for 2021. Based on this tool, ITC services are provided to the entire LTG Company Group and it provides an opportunity to take the management of IT services to a new level by using one of the best rated products on the market. The main goal and the biggest benefit is a unified system that combines the management of IT services into one ServiceNow interface. This allows IT services to be provided in accordance with the best practices in the world, based on the ITIL methodology. This project addresses the lack of specialized tools or the management of IT services in different tools.

GTC has actively digitized its work processes. In 2021, "All device" program was installed to manage machinery and repair projects. In addition, in the first quarter of 2021, all GTC employees were provided with smartphones with the ability to connect to manoGTC system, read news, access documents, submit requests for vacation leave using the self-service and arrange other day-to-day work processes. In the second half of 2021, the integration of the NAVISION system automated the work of not only the accounting but also the company's warehousing.

## SOCIAL AREA

LTG Company Group is one of the largest employers in Lithuania and a big infrastructure business with a significant impact on society. Therefore, the Company strives to be not only the national company that generates the greatest economic benefits for the state but also the one of which both employees and the general public would be most proud. The company realizes that only transparent, open, efficient activities based on modern management principles promote the progress of the state economy. As a result, responsibility is felt not only in respect of the shareholder with whom the financial returns are shared through dividends but also in respect of the employees and society as a whole. GTC's goal of sustainable growth, just as the one of other group companies, is unimaginable without sustainable integration into society, so social partnership is an area to which a special attention is paid. The Company seeks to provide society with not only financial but also social benefits, so considerable investments are made in education, social initiatives and campaigns and communication with the public is based on the principles of equal opportunities, social welfare, security and human rights

### Ensuring well-being of employees and developing an organizational culture of high performance

The Company pays a special attention to ensuring the well-being and functional competencies of its employees, as well as to raising human capital and encouraging employees to become engaged in the activities of GTC. The aim is to develop an effective social dialogue with employees and create more comfortable working conditions by implementing advanced technological solutions and providing employees with the necessary work tools and benefits. The leadership of employees and managers is encouraged and the importance of digital competencies for both current and potential employees is actively promoted through educational initiatives with social and educational partners. A high-performance organizational culture is formed and maintained, the aim is to create the employee behavior based on the group's values in daily activities, increase employees' engagement and loyalty and develop employees' honesty and respect for people.

### Social partnership

The Group has 24 trade unions and the work council, which represents the employees of LTG group, and GTC has 3 trade unions. All Group companies apply the sectoral collective agreement of Lietuvos Geležinkeliai group companies, all the Group companies have a single procedure for additional benefits for employees: for example, employees are provided with additional voluntary health insurance, accident insurance, free travel to / from work by trains, as well as during the leisure time, medical examination costs are reimbursed etc.

In the beginning of 2021, information on the status, structure, past and planned changes of LTG Group companies were presented to representatives of trade unions, business plans, changes in wages and their expected trends, the results of the implementation of occupational safety and health measures that help to improve the working environment were discussed and performance of the collective agreement in 2020 was reported.

In order to strengthen the social dialogue with the employees' representatives and implement the provisions of the sectoral collective agreement, LTG group organized trainings for the chairmen of the trade unions on the topics of remuneration and feedback. Meetings with employees' representatives are held on a regular basis to discuss issues of importance to employees. Employees' representatives are introduced to the planned projects and planned changes in LTG group of companies and matters affecting the social and economic situation of employees are discussed.

## Training and development of competences

In GTC we promote professional and personal development of our employees by creating a work environment that promotes continuous professional growth and a culture of continuous learning. In the organization, priority is given to self-education, learning at a workplace and internal training.

The Company regularly organizes internal and external training and periodic certifications in order for the employees to acquire or update professional knowledge, strengthen the required skills and maintain a high professional level. In 2021, 642 employees of the Company participated in mandatory professional and in-service training (certain employees participated in several different training programmes). Workers performing high-risk work, working with and maintaining potentially hazardous equipment have been trained in safe working methods. Employees participated in organized trainings according to internal mandatory vocational training programmes on traffic safety and occupational safety and health (prepared in accordance with the provisions of the Law on Railway Safety of the Republic of Lithuania and European regulations), studied at external training institutions.

GTC is actively involved in trainings and initiatives organized by LTG Group. The LTG Internal Lecturers' Club, established in 2019, brings together employees who want to share their knowledge, experience, value the benefits of knowledge sharing and create and nurture a culture of knowledge sharing in our organization. In 2021, we learned from each other the basics of feedback, strategic planning and management, change and project management, performance management, and more.

Strengthening leadership is one of LTG Group's priorities. Managers strengthened their leadership competencies in the training of LTG Management Academy, which has been operating since 2019, in the areas of operational efficiency, team leadership, operational infrastructure, personal efficiency, and work with clients. The internal training programme "LTG Manager Standard" on the basic principles and standards of team leadership, which is taken by each new manager of LTG Group and GTC continues.

Much attention is paid to the feedback culture in the organization. For the third year in a row, a 360-degree feedback survey of leadership competencies has been conducted, during which each leader receives comprehensive and high-quality feedback on their leadership competencies from the immediate work environment - immediate supervisor, colleagues and subordinates, identifies strong and improved behaviors and develops individual learning plans. In 2021, 30 executives of GTC participated in the feedback survey.

Not only professional but also "soft" competencies were strengthened. Training programmes for personal effectiveness at work have been supplemented with current topics on feedback, emotional intelligence, creative thinking, innovation, adaptability to change (adaptability) and lifelong learning. In 2021, the Company's employees were offered remote lectures focused on strengthening well-being at work, psychological resilience, psychological and physical health.

## Development of organizational culture

### Goals and priorities

Focus on employees and the development of organizational culture is one of the strategic directions of LTG Group, primarily implemented through the development of organizational culture. In March of this year, LTG Group Management Committee reviewed and approved 5 priority cultural goals of the LTG Group organization: leadership, openness and trust, talents and career, focus on high results, physical work environment.

### Indicators and measurement thereof

Every year LTG Group conducts an extended survey of the factors influencing the culture of the organization – Employees' Voice. The survey evaluates 3 key indicators: employees' engagement, satisfaction, loyalty (eNPS). In addition, other critical areas influencing organizational culture, such as collaboration, careers and education, organizational values, performance management, customer orientation, leadership, diversity management, empowerment, the workplace, and occupational safety are evaluated.

This year almost 300 employees of GTC (79 percent) participated in the Employee's Voice survey. The extremely high activity rate shows the willingness of employees to talk about how satisfied they are at work and what they would like to change. High activity also ensures the reliability of the test results.

### Results

- Employees' engagement: 49%. Employees' engagement increased by 6 percentage points over the year. This indicator shows what proportion of employees is confidently proud of their workplace, constantly and proactively striving to do more for the company than is required and is true ambassadors of their organization. Employees' engagement in excess of 60% is generally considered to be extremely high in companies. Therefore, a significantly increased participation rate of GTC in recent years has brought it closer to the best organizations.

- Employees' satisfaction: 77%. Employee satisfaction increased by 14 percentage points over the year. This result is also extremely positive, as it is higher by 7% than the average of Lithuanian companies and shows that more than 200 GTC employees are in general completely satisfied with their organization.



- Employees' Loyalty (eNPS): +1. The employer's NPS indicator (net promoter score) shows how likely it is that employees will recommend the organization to others as a place of employment. This indicator increased by 15 points compared to last year.

#### Priorities of activities in 2021

Based on the results of the Employees' Voice Survey, individual activities established individual priorities for the development of the organization's culture that are significant for specific activities. In summary, most of this year's initiatives focus on improving collaboration, internal communication, preparing for change and internal career development.

#### Equal opportunities

The Company follows the Equal Opportunities Policy, LTG Group's Rules of Procedure and the Code of Ethics of LTG Group, which define the principles of ensuring equal opportunities and diversity and the measures for their implementation.

We value a person's uniqueness by paying a special attention to his or her competencies and experience, therefore we promote diversity and the implementation of equal opportunities in order to create a work environment in which everyone has equal opportunities to succeed. We strive to treat all existing and potential employees fairly and respectfully at all stages of their employment, to ensure that no employees are discriminated against in any way, and that all employees have equal opportunities to contribute and realize their potential, regardless of personal differences.

GTC does not tolerate direct or indirect discrimination, instructions to discriminate, any form of harassment, psychological violence, bullying or abuse of position.

Reports of equal opportunities or other violations may be submitted by channels of trust line: by phone 370 650 39971 and e-mail [pranesk@gtc.lt](mailto:pranesk@gtc.lt).

#### Cooperation with educational institutions

The company cooperates with educational institutions and enables students of universities and colleges to apply theoretical knowledge and acquire practical skills.

The company has concluded cooperation agreements with Kaunas University of Technology and Vilnius Gediminas Technical University.

Cooperation between the higher education institution and Lietuvos Geležinkeliai group of companies is planned for training specialists, improving study programs, engaging in the study process, accepting students for internships and offering research and final thesis topics. It was agreed to pay considerable attention to research, professional development, exchange of information on ongoing activities, implementation of advanced technologies, technical solutions etc.

The Company enables students of higher and vocational schools to apply theoretical knowledge and acquire practical skills. Students admitted to the internship are both coming according to the internship programmes provided by the educational institutions and wishing to perform a voluntary internship.

The Company has a paid internship programme "Growing Leaders" in place: university students of final years are invited to join GTC team.

On 11 August 2021 a presentation of GTC's activities and a tour for the participants of the programme "Growing Leaders" were organized.

#### Ambassadors' Club

At the beginning of 2021, the LTG Ambassadors' Club, which invites every active employee to join it and jointly create and organize various initiatives for the benefit of the entire LTG Group and colleagues, was restored. The main goal of this club is to increase employees' involvement and promote employees' commitment to the collective goals of the LTG Group, strengthen internal communication in LTG Group companies and individual divisions, promote employee feedback and cooperation between divisions and volunteering. The club had a significant challenge during quarantine and pandemic to find ways to surprise, cheer and engage LTG colleagues. Employees of GTC are also members of the Ambassador's Club, and the number of involved employees is continuously increasing, therefore the Club can be happy about many successful projects:

- lectures were organized that promoted physical and psychological health (12 lectures on health were organized together with the Vilnius Public Health Bureau, 2 lectures by E. Laurinaitis responding to psychological health, 2 lectures by I. Bakėjus responding to physical health) and 300 interactive sports programmes with books were given to our employees;
- in cooperation with authors of the initiative walk15, a unique campaign was developed in LTG Group – "Step up with LTG". Employees of the Group made almost 340 million steps in total and in this way "grew up" 1,500 virtual trees;
- the club organized the Summer Festival of LTG;
- also, 7 competitions were also organized, children's drawings exhibitions at the railway station passenger hall, 6 "Meeting on the Platform" events during which employees had the opportunity to get to know the leaders of the LTG Group better, the campaign "Share your kindness: help abandoned animals", the mindfight "LTG train of minds", for which as many as 239 teams signed up, and other initiatives.

## OPENNESS TO SOCIETY AND COOPERATION WITH THE COMMUNITIES

The Company considers the proactive, timely information and involvement of communities and concerned social groups in the activities of LTG Company Group, sustainability, transparency and other initiatives to be an important priority. GTC undertakes to periodically educate and acquaint the public with the activities of railways and sustainable transport, ongoing and planned projects, and actively develops a mutual dialogue. The Company realizes that only transparent, open, efficient activities based on modern management principles promote the progress of the state economy.

The Company aims to operate openly, involving stakeholders and taking into account their needs and in accordance with national legislation. The Company discloses key information on the its website [www.gtc.lt](http://www.gtc.lt), manages its accounting in accordance with international accounting standards.

## FULL SAFETY

In its activity the Company aims to eliminate accidents through sustainable, digitization and other appropriate and high-quality measures, and various training programmes are carried out. The aim is to preserve the capacity, health and life of employees at work and protect employees from existing or potential risks to the protection of professional and personal data. A priority is given to the road safety in order to protect road users and passengers, as well as infrastructure, rolling stock, freight and luggage, from rail traffic accidents, unauthorized interference and related consequences. An important part of full security is timely identification and management of the protection of objects important to the national security and the risk factors that may pose a threat.

### Data protection

The Company cares about protection of personal data and values the information that it is entrusted with by its employees, customers and partners. In doing so, the Company strictly follows the requirements of the EU General Data Protection Regulation and other data protection legislation for the protection of data subjects.

In order to implement the requirements of data protection legislation, in 2021 in the field of data protection the Company:

- employees' awareness of personal data protection has been made a matter of concern. Data protection training was organized for the employees of the Company Group and Company and data protection memos were sent, which provided essential information on data protection;
- updated and prepared new internal Company's legal acts, standard procedures, privacy notices related to the field of personal data protection. These include the most important documents: rules for video data processing, rules for processing telephone call records, management of personal data breach, exercise of rights of data subject, procedure for assessment of data protection impact;
- a lot of attention was dedicated to the review and updating of the Company's mandatory data processing activity records, involving the responsible employees of the Company in the ongoing processes;
- in order to comply as much as possible with the requirements of the General Data Protection Regulation, data protection risks were identified and measures to mitigate these risks were put in place;
- in order to ensure compliance with the requirements of the General Data Protection Regulation, in the Company data processing operations were subject to data protection impact assessments, balances of legitimate interests, conclusions, identified risks and risk mitigation measures, were, as appropriate;
- standard data processing and data transfer agreements were concluded with data processors and co-controllers;
- employees of the Company were provided with recommendations and consultations regarding the performed data processing operations, legal acts, agreements, compliance with the General Data Protection Regulation and other legislation regulating the protection of personal data;
- there were no records of requests in the Company for exercising rights of data subjects in accordance with the General Data Protection Regulation;
- There were no records of personal data breaches in the Company.

### Occupational safety and health

The most important goals in ensuring occupational safety and health (OHS) in GTC, just as in the entire LTG Group, are to strengthen the leadership and culture of employees and improve processes and measures regulating occupational safety and health with a view to reducing the risk of health disorders or occupational accidents. To achieve an independent corporate safety culture, LTG Group's activities are standardised and organised in line with the PDCA elements (plan-do-check-adjust), while additionally enabling the leadership of each employee and ensuring social dialogue, allocation of duties, rights, and responsibilities in the area of safety.



## MANAGEMENT OF OSH RISKS IN 2021:



Following the management guidelines 'Occupational safety and health management systems. Requirements and application instructions' contained in standard ISO 45001:2018, we ensured the implementation in daily activities of the Methodology for ensuring occupational safety and health, along with the processes ensuring safe and healthy conditions (instructing, occupational risks assessment, selection and provision of personal protection measures for employees, alcohol testing, management of accounts-permissions etc.), ensured the compliance of legislation of LTG Group companies on occupational safety and health with the set requirements.

For the development of a social dialogue between the employer and employees, employees' representatives for safety and health elected by the Group companies are cooperated with on the Microsoft Teams platform, as well as are the members of the committees of employees' safety and health – they are notified of employees' safety and health indicators, the progress of implementation of preventive measures and recommendations.

In order to develop a safe work culture, GTC maintains a constant dialogue and cooperation between structural units and organizes monthly discussions on violations in the workplace. In 2021 a standard for the procedure of forming safe behavior for employees has been developed and implemented.

In 2021 the Management's handbook for safety was prepared for the practical use of the heads of the Group's units, and Safety forums took place, Safety academies were held with the participation of all the Group's employees where the following topics were introduced: hearing protection and exposure to noise, respiratory protection, protection against falls from a height, head protection and the importance of wearing PPE, eye and face protection, management of psychosocial risks, prevention of suicide in the immediate environment and other relevant topics.

Prevention of work-related incidents, accidents at work and on the way to and from work, health disorders and occupational diseases are carried out by GTC, all accidents are investigated. Employees of the Company are additionally insured against accidents at the employer's expense. In order to create safe and healthy conditions, a sufficient number of occupational safety and health and occupational health specialists is ensured, plans for occupational risk assessment, inspection of departments, contractors and clients are drawn up and after their implementation, preventive measures are implemented and monitored. Standardization and digitization of inspection questionnaires has ensured proper data management and analysis.

Depending on the influenza vaccination service available on the market, an influenza vaccination service and a tick-borne encephalitis vaccination were organized. Acquisition of new breathalysers with biometric identification function was initiated and performed.

Employees have a free access to psychologists at work in case of a psychological trauma after an accident or incident.

Managed COVID-19 situation:

- The prevention of COVID-19 is ensured by the Group of Management of Emergencies formed by the Group;
- The possibility to work remotely considering the professional risks of remote work (remote work was organized for 114 employees, business continuity ensured) was ensured;
- Vaccination of employees from COVID-19 in cooperation with vaccination busses was organized, the level of immunization of GTC's just as that of the Group's employees is around 92%;
- a risk assessment of biological factors has been performed;
- the behaviour of employees was regulated, isolation was ensured, leaflets, posters, information on safe behaviour were prepared and are available on internal website of LTG;
- employees were given personal protection measures for COVID-19 prevention, thermometers and thermovisors were acquired to measure the body temperature of employees and third persons;

- periodic inspections were carried out on implementation of COVID-19 prevention.
- seeking to improve communication with personnel and heads of units, consultations on vaccination, testing and work organization are carried out through specially designed channels on the Microsoft Teams platform, which includes members of the Occupational Safety and Health Committee and representatives.

All employees are provided with high-quality collective and personal protection measures, ensuring rental services of work clothing with periodical cleaning and repairing, acquisition of work footwear and other personal protection measures. Employees are involved in decision making with regard to selection and procurement of more convenient personal and other protection measures.

We cooperate with contractors, customers, suppliers of goods providing information on risk factors and ensuring mandatory safety requirements when providing services/goods in the territory of LTG Group companies, we control the implementation of safety provisions provided for by the agreements. An instruction for safe work of contractors in the catenary network has been prepared, which sets out the documents defining the limits of liability of LTG and contractors.

Seeking to provide clear and relevant information and documents related to the occupational safety and health to all employees, a column of the Occupational Safety and Health was created on the internal Group's website

## Traffic safety

The vision of GTC in the field of traffic safety is simple and all-encompassing – **0 (zero) incidents**, i.e. safe society and the Company without any railway catastrophes, accidents and incidents.

In order to ensure high level of the railway traffic safety, the Company identified relevant safety objectives focused on the highest operational risks, developed and implemented a comprehensive plan of measures how to achieve them.

In 2021 UAB Geležinkelio Tiesimo Centras paid much attention to raising the safety awareness of employees, thus fostering an integrated safety culture model. A safety culture reflects the interaction between the requirements of a safety management system and how people make sense of them and implement them based on their attitudes, values and beliefs, how they behave and what decisions they make in their daily activities. A positive safety culture is characterized by a shared commitment by all employees to behave safely at all times.

For the first time, the Company's employees had the opportunity to participate in the survey on the level of safety maturity of all railway companies (carriers), infrastructure managers, safety authorities and other companies / institutions / organizations involved in railway transport in the European Union, organized by European Union Agency for Railway. Taking into account the results of the survey on the maturity level of safety culture carried out, the elements of the safety culture to be improved were identified and an action plan was prepared for further fostering of the safety awareness of the employees. In addition, in order to foster a positive safety culture, in 2021 GTC:

- organized security academies on a quarterly basis, during which educational meetings were held with LTG security experts and guest speakers to present safety advice and solutions to the most important safety-related issues, discussing security issues for employees - from cyber security to health assurance.
- developed a safety ambassadorship, during which employees are consulted rather than inspected, dangers related to traffic safety in structural units are analyzed and the aim is to reduce them.
- prepared a safety book for managers, which summarizes the functions of managers in the field of safety, providing what each manager must know in each safety area, together with relevant references to the most important safety documents.
- rewarded employees who made the greatest contribution to strengthening safety through their personal contributions.

In 2021, UAB Geležinkelio Tiesimo Centras also paid much attention to standardization and improvement of activities and procedures related to traffic safety:

- the management system for road safety and related procedures were updated;
- instructions for management of road traffic were updated and standardized;
- uniform notification of employees of documents related to traffic safety took place;
- the rule book for train drivers was updated.

In order to ensure the compliance of the Company's activities with the established requirements and continuous improvement, other measures were implemented to eliminate or reduce the greatest threat to road safety risks to the lowest acceptable level (ensured competence of employees and organized periodic training, employees are regularly informed about events and trained on how to avoid them etc.). Also, targeted inspections of railway traffic safety and periodic audits of the elements of the railway traffic safety management system are carried out, continuous, based on safety indicators, monitoring of the state of growth took place in order to proactively prevent railway accidents, railway traffic accidents, railway traffic incidents and their consequences, and investigate them when they occur in order to prevent the recurrence of similar events in the future.

## Governance area

LTG Group has successfully transformed the corporate governance of the Group companies and is constantly striving to improve its governance. In order to achieve long-term value growth, rational and efficient use of funds, assets and other resources, fulfillment of shareholder's expectations and interests of LTG Group companies, the corporate operating model is focused on refining and concentrating core activities in subsidiaries. Companies follow a clear and transparent operating architecture aimed at the implementation of long-term and short-term strategic goals of LTG, interoperability and possible synergies.



## Creating long-term value for the state and society

The Company aims to be a competitive, growing company that generates sustainable returns for its shareholder and the state and creates long-term value for the society. In LTG Group, investments are focused on creation of long-term value, sustainable borrowing resources are used for strategic projects and the aim is to ensure the necessary financial resources, the financial ratios required for borrowing at the lowest cost and stable financing for long-term projects. GTC, just as LTG Group, pays much attention to creation of socio-economic value for the society: promotes the use of more sustainable means of transport, constantly reduces the negative impact on the environment and society, contributes to increasing public welfare and strengthening of citizenship.

The governance of the Company is focused on creating sustainable, long-term value and ensures proper shareholder's representation, compatibility of the interests of stakeholders, refinement of the interaction between the management bodies, implementation of management and control functions. Effective and balanced corporate governance establishes stable, clear and understandable relationships, increases the Company's attractiveness to the shareholders, customers, partners, employees, society and creates preconditions for value growth and sustainable development of the Group in the long run.

The Company seeks to be competitive, growing and creating return to the shareholder and the public. Its investments are focused on creation of long-term value, and sustainable borrowing resources are used for strategic projects. The organization uses financial resources responsibly to fulfil its strategic obligations.

The Company sets ambitious investment goals in its Strategy. By the year 2040, LTG Group plans to make significant investments in the businesses it is developing and aims to become one of the leaders in sustainability in the region, thus making a significant contribution to achieving the goals of the European Green Agreement. The financial sustainability of the Group and the Company also enables to set ambitious goals. This allows funding the implementation of the Strategy through borrowing under favourable terms from institutions, banks or capital markets. Not only strong financial performance but also the investment programme focused on greenery and sustainable investment direction contribute to the opportunity of cheap borrowing. For the past 5 years, the Company has not invested in projects that would worsen the climate situation or pose risks related to climate change in the future.

## Ensuring business continuity and risk management

LTG Group pays special attention to preventive and timely risk identification and management, therefore a unified and standardized risk management system and processes are implemented, which are integrated into key activities and decision-making. The importance of the LTG Group's activities for the state and society is recognized, therefore complex business continuity assurance mechanisms (business continuity plans, exercises, testing etc.) are being developed and applied to ensure continuous operations. Focus is placed on the organization-wide ability to apply risk management practices and sharing the best practices with other organizations.

## Prevention of corruption and bribery

GTC applies the principle of zero tolerance for corruption, which means that the Company does not tolerate any form of corruption. In its activities, GTC implements a set of measures and processes aimed at forming a transparent and smoothly functioning company with an impeccable reputation.

Fair and responsible behavior in the company is expected of all employees, thus all employees of GTC in their daily work adhere to the ethical principles and standards set out in the Code of Ethics for Employees approved in 2020.

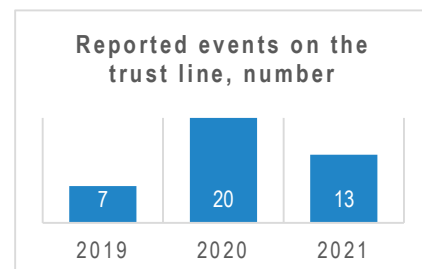
GTC is committed to ensuring the declaration of public and private interests and the management of conflicts of interest. Therefore, employees, who are obliged, submit declarations of private interests in accordance with the procedure established by the Law on the Coordination of Public and Private Interests of the Republic of Lithuania, employees, who do not have this obligation, declare private interests in the employees' self-service module "Manolitrail".

In the interest of objectivity and transparency in decision-making, the procedures for preparing, considering or adopting decisions on the removal and removal of staff from decisions which may give rise to a conflict of interest shall be addressed.

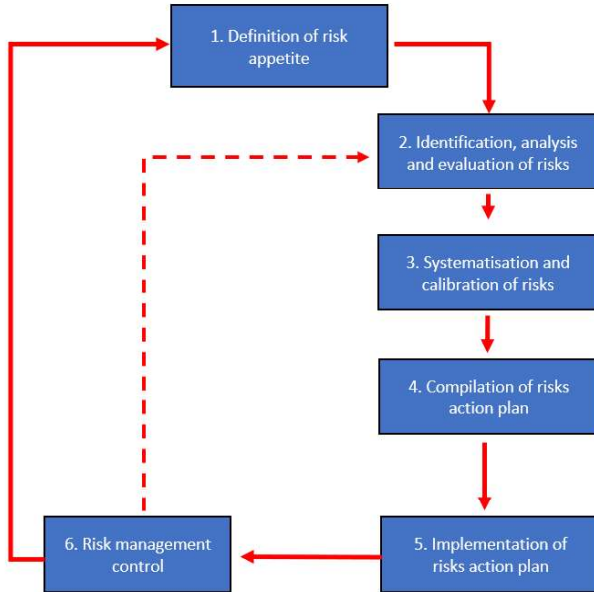
GTC complies with the legal requirements for checking the compliance of recruited persons and assessing them in terms of impeccable reputation. At the same time, the Company is demanding of its partners - the solvency and reputation of the business partners are analyzed and assessed, in order to identify the risks that may arise due to the business partners.

To promote responsibility and activity of employees and other persons, AB Lietuvos Geležinkeliai enables them to report anonymously about violations of corruptive nature through the following reporting channels (tel. No. (8 5) 269 3600, e-mail [prevencija@beporupcijos.lt](mailto:prevencija@beporupcijos.lt), a sample report on violation is on the website <https://www.litrail.lt/en/korupcijos-prevencija>).

On a yearly basis, the Company conducts a targeted employee survey on resistance corruption - the opinion of each employee matters and helps to strengthen the transparency of the company's activities. In 2021, the survey on tolerance to corruption was carried out in the Company.



to



## Principles of work ethic

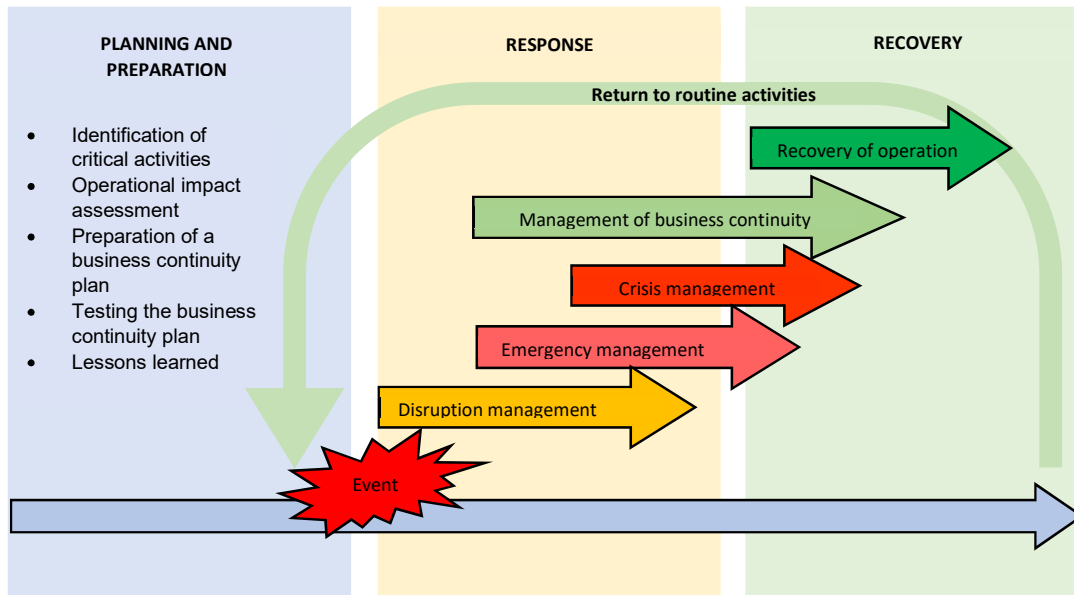
As a result of the pandemic, new living and working habits were shaped for many people, so the Group's employees quickly learned to work flexibly, often remotely, trusting each other and organizing their work to achieve their goals effectively. In order to respond to the changes in the rules of procedure, in 2021 the rules of procedure of LTG Group, including those of GTC, previously in force were revised, which are to come into effect as of 1 January 2022 and are called the Work Principles in LTG. The Work Principles in LTG are a document defining the daily behavior of employees, the principles of work ethic, safety and health requirements, other rights and responsibilities, and liability for improper performance of duties, which will guide all employees of GTC in their work.

## Going concern

Management of business continuity is one of the risk management subsystems of LTG Group, the purpose whereof is to ensure that regardless of the scale of the event (disruption, emergency, crisis) during which operations may be disrupted or completely suspended, LTG Group was able to meet its obligations to customers and to the shareholder.

In order to achieve this goal, LTG Group is implementing a consistent, systematic and standardized model of management

of business continuity. It consists of three integral stages: planning and preparation (preparation of plans, implementation of preventive measures), response (response to disruption) and recovery (return to routine activities).



The business continuity model is established in the Business Continuity and Crisis Management Methodology developed in 2021 and detailed in procedure standards, which are based on the international standard ISO 22301 applicable to these activities and good practices of large companies.

## Risk management

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

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

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

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

In the Group, risk management responsibilities are divided according to the Model of Three Lines of Defense. According to it:

- 1<sup>st</sup> line risk management activities are performed by LTG Group companies and LTG corporate functions, which identify, assess and manage risks;
- 2<sup>nd</sup> line risk management activities are performed by LTG Risk Management, which develops and improves the overall system and performs coordination and control activities;
- 3<sup>rd</sup> line risk management is performed by the Internal Audit Division of LTG, which carries out an independent assessment of the effectiveness of risk management level 1 and 2, and provides comments and recommendations.

It is important to emphasize that both managers at various levels and collegial bodies are actively involved in risk management practices. LTG Group has the Risk Management Committee, which calibrates risks and refines risks that are relevant at the Group level.

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

Risk management activities receive increasing attention and importance. One of the important steps to ensure this was a change in the structure of the risk management function implemented in 2021. The function is now reporting directly to the Group's CFO, thus ensuring direct reporting channels. The risk management team (2<sup>nd</sup> line of defense) is also strengthened by competent experts.

### Control system and internal audit

In order to ensure transparent and efficient operation of LTG Group and an appropriate internal control system, a centralized Internal Audit function has been established in the Group. In LTG Group, internal audit acts as the third "line of defense". Internal Audit reports directly to the board, thus ensuring the independence and objectivity of the internal audit, and thereby facilitating the identification of weaknesses and areas for improvement.

The purpose of internal audit is to perform independent and objective assurance and consulting activities, and the function is organized in accordance with the basic principles set out in the International Standards for the Professional Practice of Internal Audit. Internal Audit's staff carries out internal audits of the Company and regularly monitors the implementation of the recommendations made and the correction of other internal control weaknesses identified by the external auditors and supervisory authorities.

In 2021 the activities of the Internal Audit covered areas selected on the basis of a risk assessment and the identification of priority activities and processes to be audited. The conclusions of the performed audits were presented to the heads of the responsible divisions and the top management of the Company, as well as to the Audit Committee and the Board of LTG.

### Integrated management system

The Company has also implemented and continuously maintains the certified Integrated Quality, Environmental and Occupational Safety and Health Management System (hereinafter - IMS) in accordance with the requirements of the international standards ISO 9001 "Quality Management Systems. Requirements", ISO 14001 "Environmental Management Systems. Requirements and guidelines for use" and ISO 45001 "Occupational health and safety management systems. Requirements and application instructions".

The responsibilities of the Company's top management in the IMS are defined by the Policy of Quality of the Integrated Management System, Environmental Protection and Occupational Safety and Health.

In order to ensure that the IMS meets the requirements of the Company and the management standards, internal audits of the IMS are performed in the planned intervals. The external certification body carries out third-party control audits once a year and a recertification audit every three years.

In order to ensure the continuous suitability, adequacy and effectiveness of the IMS, the Company conducts the assessment and analysis of management at least once a year.

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