2023

UAB Geležinkelio tiesimo centras

ANNUAL REPORT,

FINANCIAL STATEMENTS AND

INDEPENDENT AUDITOR’S REPORT
FOR THE YEAR 2023

CONTENT

Annual and interim reports as well as financial statements are available publicly on the Company's website http://www.gtc.lt.

ANNUAL REPORT

1. OVERVIEW

1.1 CEO'S FOREWORD

Dear partners, employees, clients,

In the past year 2023, UAB Geležinkelio tiesimo centras faced various challenges. However, we can confidently say that we have adapted to the changing business environment and have successfully implemented the most important tasks set for the company, including the optimisation of business processes and the company's strategic expansion into Poland.

To optimise the company's operations, we restructured the company and formed a new team of leaders. We initiated the disposal of idle fleet, discontinued non-profitable activities, and reviewed employee functions. All these changes helped streamline operations, contributing to profitable operation in 2023 and the achievement of the planned EBIDTA. We intend to maintain our focus on efficiency and maximum use of resources this year as well.

In the first half of last year, we became a contracting entity. This was a significant challenge for the company, requiring a reorganisation of the supply chain process and planning additional investments. The actions taken have enabled us to successfully adapt to and manage the risks associated with the change in status and to ensure the continuity of works and the efficient continuation of activities.

Last year, as part of our active expansion of the geographical scope of the company's services, we started providing mechanized services in Poland and made efforts to become a competitive market participant in other European countries.

I would also like to highlight the most important projects of the past year: the renovation of track I in Vievis-Žasliai intermediate station on the Vilnius-Klaipėda railway section. The recent renovation was unique as the work was carried out underneath a catenary and on a dual carriageway with adjacent train traffic, and the repair of the Plungė-Šateikiai intermediate station on the Vilnius-Klaipėda section. The renovated 15-kilometre section also included two railway stations and other engineering structures such as level crossings and bridges.

Last year, after winning a tender, we started adapting the railway stations of Šiauliai, Kaunas, Kaišiadorys, Naujoji Vilnia and Radviliškis to people with specific needs.

In 2024, we expect that the company will adapt flexibly to the changing business environment and successfully implement ongoing projects. UAB Geležinkelio tiesimo centras has a strong team of employees with indispensable competences, allowing us to take pride in the company's achievements.

JUSTAS VYŽINTAS
Chief Executive Officer
UAB Geležinkelio tiesimo centras

1.2. CORE BUSINESS AND SERVICES

Currently, the Company specialises in the fields of construction of railway tracks, repair, technical 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

COMPANY PROFILE

Name	**UAB Geležinkelio tiesimo centras**
Address	Trikampio g. 10, Lentvaris, Trakų raj.
Legal form	Limited Liability Company, Private legal entity of limited civil liability
Date and place of registration	21 December 2001, Register of Legal Entities
Company code	181628163
Telephone	+370 655 37023
E-mail	info@gtc.lt
Website	www.gtc.lt
Main activities	Construction and repair of railway track infrastructure
CEO of the Company	Justas Vyžintas
Shareholders	100% of shares held by AB Lietuvos geležinkeliai

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

THE COMPANY'S BRANCHES AND REPRESENTATIVE OFFICES ABROAD

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

THE COMPANY'S ACTIVITY MODEL

The Company's office is located at Trikampio g. 10, Lentvaris, Trakų raj. The Company has two production bases located in strategically convenient locations: in a 10 ha territory in Lentvaris and a 12 ha territory in Šilėnai (Šiauliai district). The Company has implemented and maintains the Integrated Quality, Environmental and Occupational Safety and Health Management System in accordance with ISO 9001, ISO 14001 and ISO 45001 international management standards.

MARKET AND COMPETITIVE ENVIRONMENT

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. Currently, the Company organises activities in Poland.

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, the Ministry of Transport and Communications, Lithuanian Transport Safety Administration. 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).

1.3. STRATEGY

The 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. 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 2023–2040, approved by the Board of GTC on 29 December 2023.

MISSION, VISION, VALUES AND STRATEGIC DIRECTIONS

MISSION – We connect people and businesses for a more sustainable future.

VISION – To be the backbone of the transport system.

VALUES – Responsibility; Customer; Collaboration; Development

STRATEGIC DIRECTIONS:

1. A modern railway infrastructure construction partner – continuous search for new external clients to expand activities.
2. Operational efficiency – investments into modernisation of the technology park, improvement of the project management tool, new tools (BIM – data digitalisation) and etc., strong emphasis on increase in efficiency of the use/management of assets, technology park, and increase in employee productivity.
3. Business development, diversification of activities – efforts made to expand at international level: Rail Baltica (Latvia, Estonia), business development in Poland.
4. The Green Deal – GTC follows the guidelines of LTG sustainability policy and in its activities focuses on reduction of energy resources, invests into improvement of the environmental situation.
5. Total safety – GTC aims to create a safe and transparent work environment which helps to prevent potential incidents. Employee safety culture is constantly improved, investments are made into employee safety trainings, management trainings and constant improvement of internal processes.
6. Strong organisational culture – GTC aims to increase employee engagement by strengthening the company's mission and purpose, reviewing and establishing values, the principles of diversity and leadership of the highest level. Another important part is guaranteeing future competences with the aim to attract and (or) develop talents for our main competences by creating the image of the best employer in a highly competitive and ageing local and international environment of labour markets.

BUSINESS PLANS AND FORECASTS:

- Modernising and efficient use of the fleet;
- Decrease in value of non-current assets;
- Decrease in depreciation.

FORECASTS AND PLANNED STRATEGIC PROJECTS UP TO 2040:

- Diversification – reducing dependence on AB LTG Infra (GTC's projected share of external revenues is at least 50%);
- Maintaining a business value of at least 50% of the railway construction market in Lithuania;
- Reducing the assets used for operations, improving ROA;
- Expansion in Polish, Latvian, Estonian markets;
- The rental of railway track construction equipment is carried out in Poland.

ACHIEVEMENTS OF STRATEGIC INITIATIVES IN 2023:

- The rental of railway track construction equipment is carried out in Poland.
- Efficiency improvement measures for the technology park are implemented (modernisations are in progress, new equipment is purchased).

IMPLEMENTATION OF OBJECTIVES FOR 2023

At the beginning of 2023, the GTC Committee approved the **ANNUAL OBJECTIVES OF GTC**, the indicators against which they are measured and the target values linked to the implementation of the LTG Strategy 2028. Considering the ambition and strategic objectives of GTC, the annual targets are designed to help ensure the creation of value as a modern railway infrastructure construction partner while integrating into western markets, increased operational efficiency, operational development and a strong commitment to comprehensive safety. Based on the approved annual objectives, GTC employees have personal goals set. In this way, GTC employees are involved in a structured and coherent process of implementing the LTG Group's strategy, linking the achievement of objectives to career, development and incentive plans.

Main goals	Indicators of achievement of goals	Measurement unit	2023 benchmarks for achievement of goals	2023 indicators of implementation of goals
Value creation while integrating into western markets	EBITDA margin	Percent	9.7	14.9
Operational efficiency	Return On Assets (ROA)	Percent	0.4	5.5
Comprehensive safety	Lost Time Injury Rate (LTIIR)	Number of accidents * million / hours actually worked	5.4	3.98

1.4. HIGHLIGHTS 2023

JANUARY

- On January 1, a four-year collective agreement was concluded for the group of companies in the sector.
- GTC has won the tender "Barrier-free route adaptation for people with disabilities" of AB Lietuvos geležinkeliai for a simple repair contract worth EUR 198 thousand.

FEBRUARY

- Justas Vyžintas, CEO of UAB Geležinkelio tiesimo centras, has been newly appointed for a five-year term of office.

MARCH

- There were no major events in March and the company carried out business as usual.

APRIL

- On April 20, the Public Procurement Office adopted a decision concluding that GTC meets the definition of a contracting entity.
- GTC has won two lots out of four in LTG's EUR 2.5 million contract for track and switch maintenance works in Vilnius, Kaunas, Šiauliai and Klaipėda regions.
- GTC has won five LTG contracts for simple repairs of the territory of railway stations in Kaunas, Lentvaris, Kaišiadorys, Šiauliai and Naujoji Vilnia, with a total value of EUR 0.6 million.

MAY

- On May 22, UAB Geležinkelio tiesimo centras appealed the decision of the Public Procurement Office to the Vilnius Regional Administrative Court.
- GTC has won the project for the simple repair of the Plungė-Šateikiai track I, worth EUR 4.55 million.
- GTC has won the project for the simple repair of the Vievis-Žasliai track I, worth EUR 6.4 million.

JUNE

- GTC has won a track maintenance contract in Vilnius and Kaunas regions worth EUR 1.7 million.

JULY

- The structure of the company has changed: Supply chain management unit moved to Corporate Affairs, Dainius Suprikas became Head of Corporate Operations.
- On July 7, Nerijus Žėkas, Head of Project Management and Engineering, joined the GTC team.
- On July 27, Darius Silius, Head of Production, also joined the GTC team.

AUGUST

- There were no major events in August and the company carried out business as usual.

SEPTEMBER

- On September 11, a contract for the purchase of a Trimble GEDO rail measurement and analysis system was signed.
- On September 27, GTC started public procurement and the status of "Contracting Entity" came into force.
- GTC has won contract worth EUR 0.46 million to repair the 188+631 km level crossing at Radviliškis railway station.

OCTOBER

- There were no major events in October and the company carried out business as usual.

NOVEMBER

- The Finance Unit was renamed to Business Control and Accounting. The unit was transferred to Corporate Affairs.

DECEMBER

- GTC has won the project for the simple repair of the Tarvainiai-Plungė track I, worth EUR 2.7 million.

1.5. EVENTS AFTER THE REPORTING PERIOD

JANUARY

- There were no major events in January and the company carried out business as usual.

FEBRUARY

- GTC has won the project for the contracting works of the Dotnuva-Gudžiūnai track I, worth EUR 3.7 million.

MARCH

- GTC has been awarded EUR 0.4 million contract for switches replacement works in the Šiauliai and Klaipėda regions.

2. RESULTS

2.1. OVERVIEW OF KEY PERFORMANCE INDICATORS

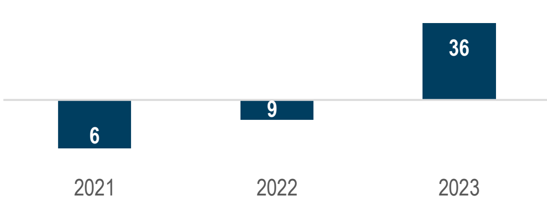
The difference in the number of indicators, depending on the specifics of the ongoing projects, between 2023 and 2022 significant differences resulted from:

- Major works and maintenance work on roads and structures started earlier.

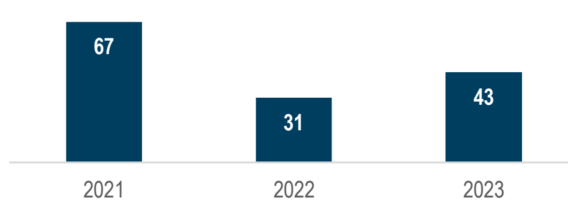
KEY PERFORMANCE INDICATORS

Indicators	Measurement unit	2021	2022	2023	2023/2022 Δ, %
Assembly / reassembly of railway track	km	66	16	27	68.8%
Dismantling of railway tracks	km	38	25	31	24.0%
Dismantling of a railway track in individual components	km	12	5	18	260.0%
Construction of railway tracks	km	62	28	33	17.9%
Ballasting	1,000 m3	74	40	45	12.5%
Replacement of inventory / existing rails with long-rails	km	67	34	43	26.5%
Chip management	km	36	31	39	25.8%
Road repair	km	100	75	107	42.7%
Installation of switches	Set	20	5	17	240.0%
Repair of switches	Set	46	55	51	-7.3%
Replacement of rails (up to length of 25 km)	100 pcs.	7	4	9	125.0%
Replacement of railway ties	1,000 pcs.	2	7	12	71.4%
Rail welding	100 pcs.	32	4	4	0.0%
Replacement of clips	1,000 pcs.	6	9	36	300.0%
Working hours of leased machinery	Hour	1,068	10	1	-90.0%
Leased wagons	Days	410	39	34	-12.8%

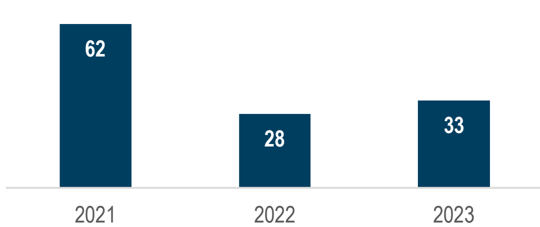
Replacement of clips (1,000 pcs.)



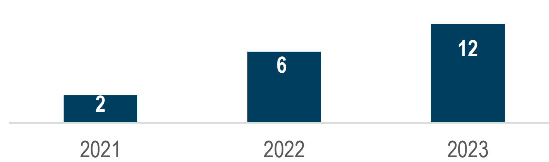
Replacement of inventory / existing rails with long-rails (km)



Construction of railway tracks (km)



Replacement of railway ties (1,000 pcs.)



2.2. Financial results

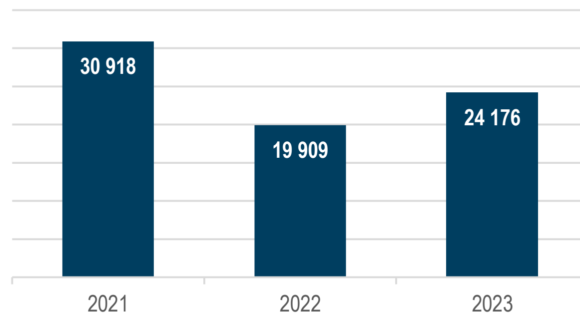
Sales revenue

Dynamics of sales revenue of GTC in 2021-2023, EUR thousand

Type of revenue	2021	2022	2023
Construction and repair of railways	25,249	11,218	19,043
Maintenance of railway track and structures	310	2,264	2,755
Construction, reconstruction and repair of other structures	4,094	5,427	1,266
Lease of plant and machinery	548	588	550
Construction and repair of signalling, automation and electrification	0	25	317
Designing works	385	208	57
Other works (snow removal, sales of current assets, etc.)	332	179	188
Total	**30,918**	**19,909**	**24,176**

In 2023, sales revenue of GTC amounted to EUR 24,176 thousand and increased by EUR 4,267 thousand or 21.4% as compared to 2022.

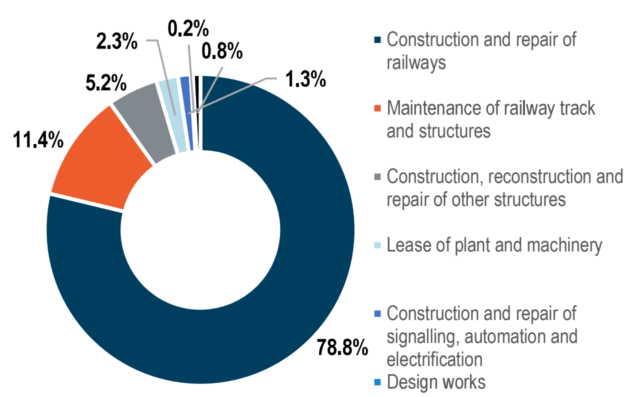
Company's revenue, EUR thousand



Railway construction and repair accounted for 78.8% of the Company's operating revenues in 2023. Revenue from this segment in 2023 amounted to EUR 7,825 thousand or was higher by 69.8% compared to 2022 due to maintenance works started early.

Portion of the revenue from maintenance of railway tracks and structures accounted for 11.4% in 2023. In 2023, this segment's revenue was EUR 2,755 thousand or 21.7% higher compared to 2022, as the 2022 works started in June while the 2023 maintenance works started in January.

Revenue structure in 2023, %

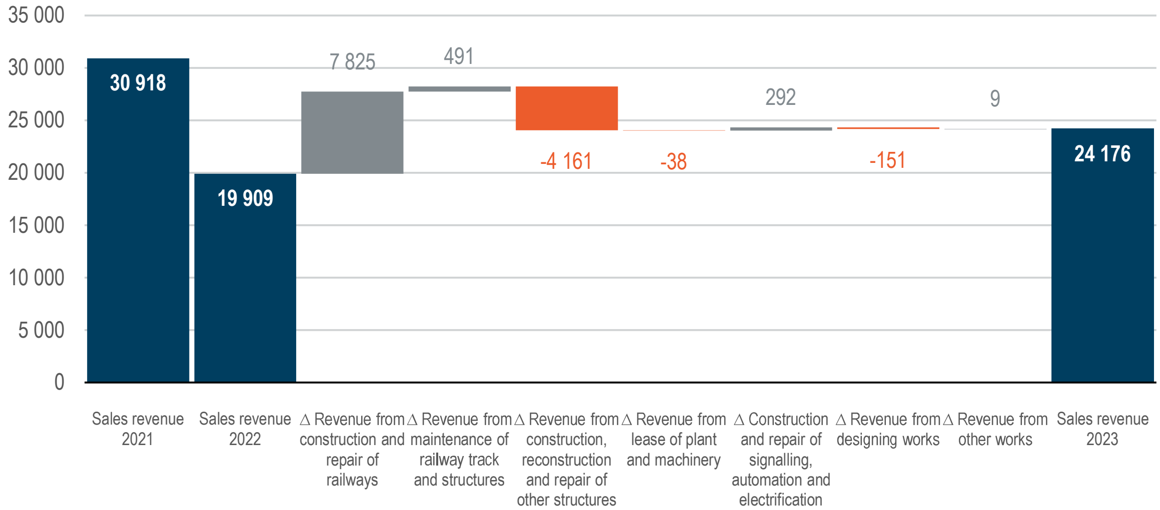


In 2023, revenue from repair, reconstruction and construction of other engineering structures was lower by EUR 4,161 thousand or 76.7% compared to 2022. The decrease in revenue resulted from the project of sound-reducing barriers carried out in Klaipėda in 2022.

During the reporting period the Company also rendered additional services – lease of assets (machinery and specialised plant), designing and other.

In 2023, the Company's activity was carried out in Lithuania. The major portion of works (83.0%) 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.

Change in Company's sales revenue, EUR thousand



Costs

In 2023, the operating costs of GTC amounted to EUR 22,618 thousand, compared to 2022 costs decreased by EUR 1,893 thousand or 7.7%. The decrease in costs is directly related to lower costs for materials necessary to carry out projects.

Structure of GTC costs in 2021-2023, EUR thousand

Type of costs	2021	2022	2023
Salaries and related costs	8,356	8,108	8,068
Materials	9,364	3,970	2,150
Fuel	669.	853	650
Depreciation and amortisation	2,522	2,295	1,985
Subcontracting	3,889	4,056	4,727
Other costs	5,806	5,229	5,038
Total	**30,606**	**24,511**	**22,618**

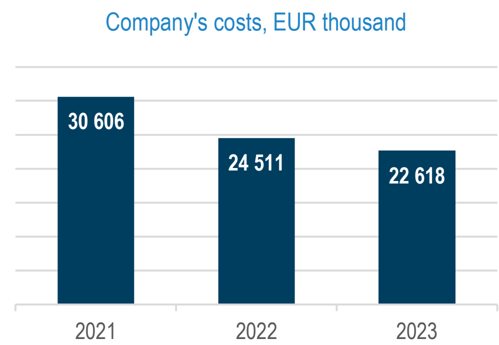
In 2023, salaries and related costs of comprised the largest portion of the Company's operating costs (35.7%), which is by EUR 40 thousand lower as compared to 2022 due to a decreased number and increased efficiency of employees.

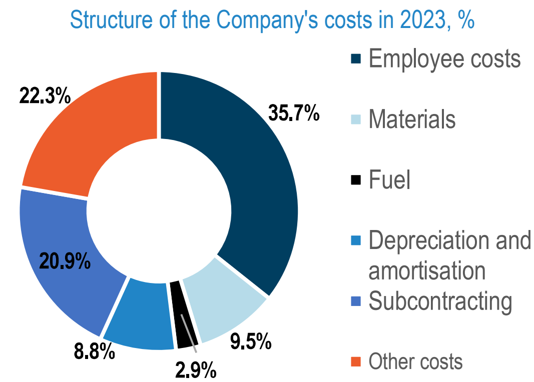
In 2023, other costs of GTC accounted for 22.3% of total costs, a decrease of EUR 191 thousand compared to 2022 due to the write-down of property, plant and equipment.

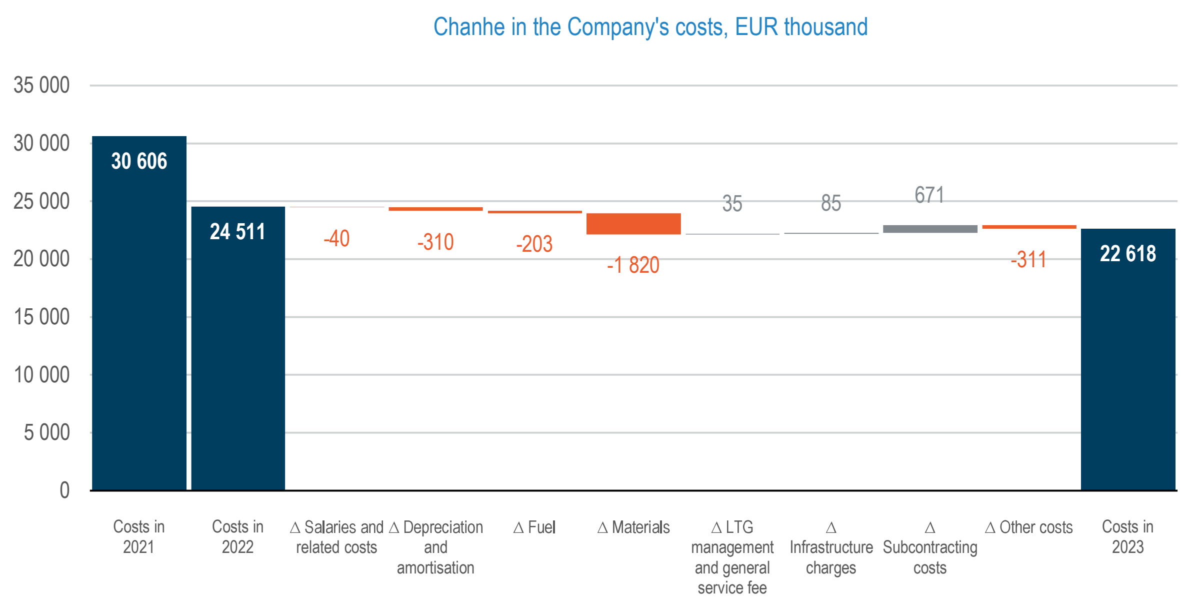
In 2023, subcontracting costs comprised 20.9% of total costs incurred by the Company. These costs are EUR 671 thousand higher compared to 2022 due to the earlier start of major and maintenance works.

In 2023, costs of materials comprised 9.5% of total costs incurred by the Company. These costs are EUR 1,817 thousand lower compared to 2022 for works carried out with contractor's materials.

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
30 606
24 511
22 618
2021
2022
2023


Structure of the Company's costs in 2023, %
Employee costs
Materials
Fuel
Depreciation and amortisation
Subcontracting
Other costs
35.7%
9.5%
2.9%
8.8%
20.9%
22.3%


Chanhe in the Company's costs, EUR thousand
35 000
30 000
25 000
20 000
15 000
10 000
5 000
0
30 606
24 511
-40
-310
-203
-1 820
35
85
671
-311
22 618
Costs in 2021
Costs in 2022
△ Salaries and related costs
△ Depreciation and amortisation
△ Fuel
△ Materials
△ LTG management and general service fee
△ Infrastructure charges
△ Subcontracting costs
△ Other costs
Costs in 2023

OPERATING RESULTS

EBITDA (profit after tax, results of financial activities, depreciation and amortisation) of GTC amounted to EUR 3,608 thousand in 2023, and it was lower by EUR 5,751 thousand compared to 2022.

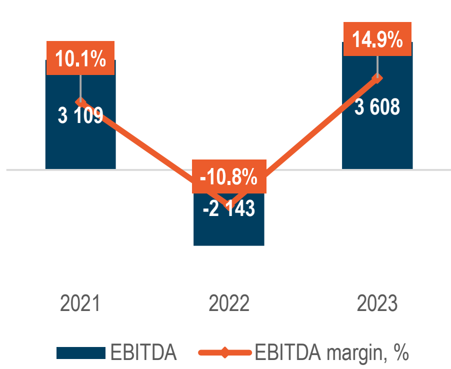
Revenue of GTC amounted to EUR 24,241 thousand in 2023 and it was EUR 4,168 thousand higher compared to 2022. The main revenue contributor was the increase in income from construction and repair of railways, which was EUR 7,825 thousand or 69.8% higher due to the earlier start of major works.

In 2023, GTC incurred EUR 22,618 thousand in costs with regard to its principal and other activities. Compared to 2022, the costs decreased by EUR 1,893 thousand or 7.7%. In 2023, the major portion of costs comprised salaries and related costs (35.7%), other costs (22.3%), subcontracting costs (20.9%), materials (9.5%), fuel and depreciation (11.7%).

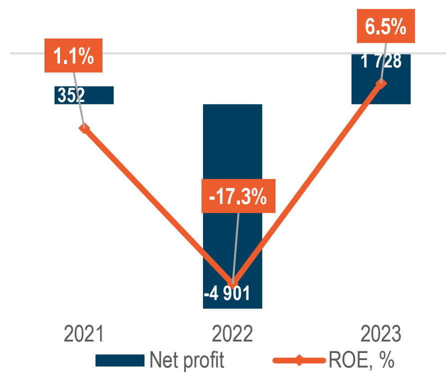
In 2023, the Company generated a net profit of EUR 1,728 thousand.
The result of GTC in 2023 improved due to the following main reasons:

- Early start of major repairs and maintenance works;
- Lower costs of materials;
- Optimisation of the company's operations.

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 increased by EUR 1,039 thousand or by 3.3% compared to 2022.

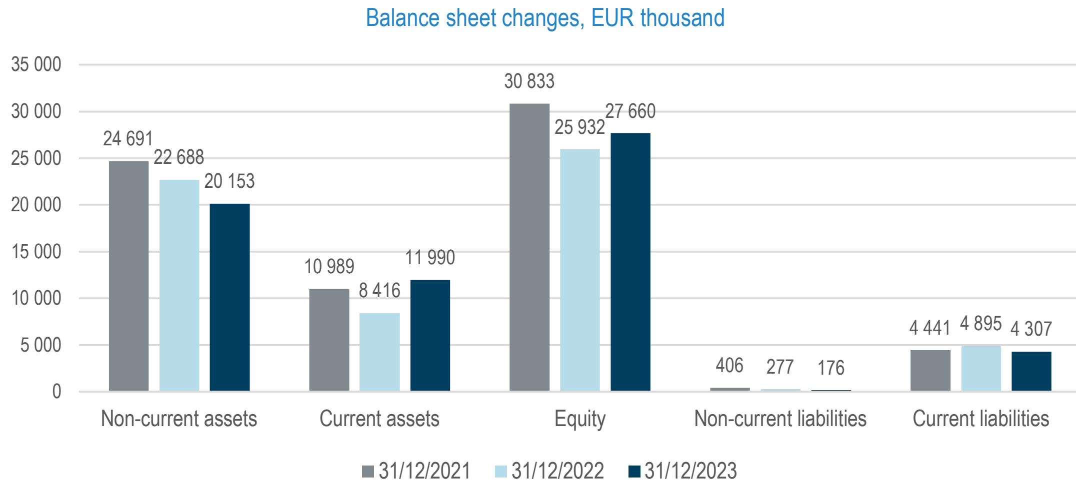
Non-current assets of GTC comprised 62.7% of the total asset structure. It must be mentioned that the value of non-current assets decreased by EUR 2,535 thousand or by 11.2% compared to 2022. The decrease was due to sale of machinery and plant and depreciation of assets.

The value of current assets increased by EUR 3,574 thousand in 2023 or by 42.5% compared to the reporting period of 2022 due to increasing cash and cash equivalents (cash and cash equivalents increased by EUR 3,595 thousand).

Equity in 2023 increased by EUR 1,728 thousand and amounted to EUR 27,660 thousand as at 31 December 2023. The changes resulted from the result of the Company for the reporting period.

Non-current liabilities decreased by EUR 101 thousand in 2023 or by 36.5% compared to the end of the reporting year 2022. The changes were due to decreased non-current lease liabilities.

Current liabilities decreased by EUR 588 thousand in 2023 or by 12.0% compared to the end of the reporting year 2022. The changes resulted from the decreased debts to related companies.


Balance sheet changes, EUR thousand
35 000
30 000
25 000
20 000
15 000
10 000
5 000
0
24 691
22 688
20 153
10 989
8 416
11 990
30 833
25 932
27 660
406
277
176
4 441
4 895
4 307
Non-current assets
Current assets
Equity
Non-current liabilities
Current liabilities
31/12/2021
31/12/2022
31/12/2023

KEY FINANCIAL INDICATORS

	Measurement unit	2021	2022	2023
Revenue	EUR thousand	30,918	19,909	24,176
Other income	EUR thousand	273	164	64
Total income	EUR thousand	31,191	20,073	24,240
Costs	EUR thousand	30,606	24,511	22,618
EBITDA	EUR thousand	3,107	(2,143)	3,608
Adjusted EBITDA	EUR thousand	3,109	(1,998)	3,814
EBITDA margin	%	10.0	(10.8)	14.9
Adjusted EBITDA margin	%	10.1	(10.0)	15.8
EBIT	EUR thousand	585	(4,438)	1,622
EBIT margin	%	1.9	(22.3)	6.7
Net profit	EUR thousand	352	(4,901)	1,728
Net profit margin	%	1.1	(24.6)	7.1

		31/12/2021	31/12/2022	31/12/2023
Non-current assets	EUR thousand	24,691	22,688	20,153
Current assets	EUR thousand	10,989	8,416	11,990
Total assets	EUR thousand	35,680	31,104	32,143
Equity	EUR thousand	30,833	25,932	27,660
Financial debt	EUR thousand	423	442	297
Net debt	EUR thousand	412	380	(3,361)

Return On Equity (ROE)	%	1.2	(17.3)	6.5
Return On Assets (ROA)	%	0.9	(14.7)	5.5
Return on Investment (ROI)	%	1.2	(17.1)	6.4
Financial debt / EBITDA	Times	0.1	(0.2)	0.1
Financial debt / Equity (D/E)	%	1.4	1.7	1.1
Net debt / EBITDA	Times	0.1	(0.2)	(0.9)
Net debt / Adjusted EBITDA	Times	0.1	(0.2)	(0.9)
Equity ratio	%	86	83	86
Asset turnover ratio	Times	0.9	0.6	0.8
Total liquidity rate	Times	2.5	1.7	2.8

* For definitions of the indicators, see section 6.3 of the Annual Report.

FINANCING OF THE COMPANY

As at 31 December 2023, the Company did not have any financial liabilities to credit institutions.

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

2.3. INVESTMENTS

In 2023, the investments of GTC in non-current assets amounted to EUR **640** thousand. All the investments (100%) have been financed by the Company's own funds.

Investments, EUR thousand	2021	2022	2023
Software	11	-	16
Machinery and equipment	226	222	387
Equipment, fittings, tools and other	570	17	38
Replacement of GTC KLUB-U	-	-	199
Total	**807**	**239**	**640**

KEY INVESTMENT PROJECTS IN 2023

During 2023, works were carried out on the renewal of operating machinery (major repairs), the acquisition of minor mechanisation and the renewal of surveying equipment.

The replacement of Locomotive Safety Systems (LSS) in self-propelled rolling stock has been implemented, replacing the KLUB-U systems on 4 rolling stocks.

PLANNED INVESTMENT PROJECTS/INVESTMENT DIRECTIONS

GTC investments planned in the near future, primarily in 2024:

- Operating machinery renewal works;
- Replacement of worn-out GTC wagons with new ones is planned.

2.4. 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).

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 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).

During the recent three years, UAB Geležinkelio tiesimo centras did not pay any dividends.

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

Allocation of dividends for the financial year or a shorter period than the financial year is planned taking into consideration the level of return on equity, net profit earned, financial ability to pay dividends, implementation of economic projects of state importance, as well as other circumstances and conditions as set out in the Dividend Policy.

The dividend pay-out ratio, calculated on retained earnings of the Company, depends on return on equity (ROE) at the end of the reporting period.

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

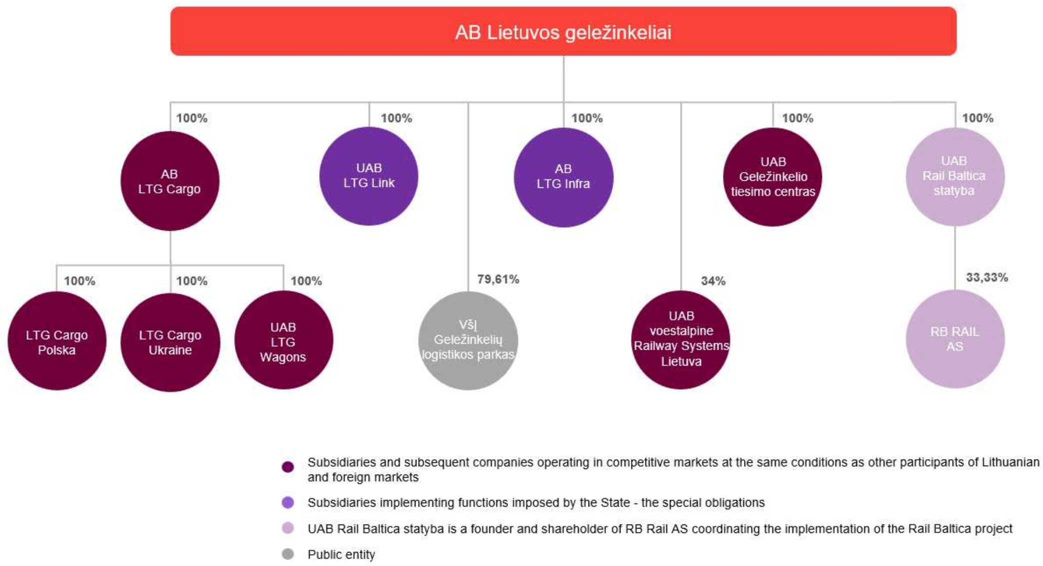
The Board of the Company may propose a lower profit share to be allocated for dividends or no allocation at all, if at least one of the following conditions is met:

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

3. GOVERNANCE REPORT

GOVERNANCE MODEL

The Company belongs to the LTG Group, the largest freight, passenger and infrastructure management group in the Baltic States. 100% of the Company's shares are owned by AB Lietuvos geležinkeliai. The Company had no subsidiaries in the reporting period.



The corporate governance of the LTG Group is organised in such a way as to maintain an effective and results-oriented balance between management and control measurements of the LTG Group. The governance model of the LTG Group is centralised, i.e. the governance bodies of the parent LTG company consider and approve consolidated business strategy, consolidated performance objectives, performance indicators and targets, the consolidated budget and operating plan of the LTG Group. LTG establishes rules and procedures for coordination of the operating plans of the LTG Group companies, their supervision and control.

LTG Group applies the **functional leadership model**, which means that added value is created by centralising operational support, corporate function management as well as the functions themselves, consolidating competencies and introducing functional excellence. The parent company coordinates financial, legal, planning and monitoring, human resources, risk management, auditing, technology, communications and other general areas of the companies of LTG Group, within the framework of common policies, regulations and norms applicable to all companies of LTG Group.

THE CORPORATE GOVERNANCE OF THE LTG GROUP IS ORGANISED ACCORDING TO THE FOLLOWING PRINCIPLES:

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

COMMITTEES

The Nomination and Remuneration and Audit Committees of the Board of AB Lietuvos geležinkeliai acted at LTG Group level.

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

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

OPERATING POLICIES APPLIED WITHIN THE LTG GROUP

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

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

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

The Onboarding Policy for Board Members aims to ensure the effective and efficient onboarding and engagement of elected Board members of LTG Group companies in the performance of their activities as Board members in LTG Group companies.

The Remuneration Policy comprises general principles for remuneration and performance management of the LTG Group.

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

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

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

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

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

The Support Management Policy regulates the procedure of awarding and providing support to the beneficiaries of the LTG Group for publicly beneficial purposes.

GOVERNANCE ACKNOWLEDGEMENTS

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

The Company received the highest rating of “A+” in the categories of strategic planning and “A” in transparency.

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

THE COMPANY'S ARTICLES OF ASSOCIATION

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

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

The Company's Articles of Association are available on the Company's website https://gtc.lt/w/bendroves-valdymas/.

The Company's Articles of Association are amended under decision of the General Meeting of Shareholders, 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.

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

GOVERNING BODIES OF THE COMPANY

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

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

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

INFORMATION ON SHARES AS AT 31 DECEMBER 2023

Amount of the authorised capital (EUR)	Number of shares (units)	Nominal value per share (EUR)
30,897,354	109,748	281.53

The Company is part of AB Lietuvos geležinkeliai Group whose sole shareholder is the parent company AB Lietuvos geležinkeliai. The shareholder of AB Lietuvos geležinkeliai is the State of Lithuania, it owns 100% of its shares, and the shareholder's rights and duties are carried out by the Ministry of Transport and Communications of the Republic of Lithuania.

All the shares are of the same class, i.e. ordinary registered shares. The shares are non-certified, and they are recorded in personal securities accounts, in accordance with the procedure established by the legislation. The Company has not issued preference shares. During the reporting period, a voting right was not restricted.

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

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

- regarding the approval of operational strategy and long-term goals of the Company;
- regarding the setting the Company's performance indicators;
- regarding the approval of the Company's investment plan;
- regarding the approval of annual budget and operational plan of the Company;
- regarding the investment, purchase and sale of the Company's facilities and assets important for ensuring national security, or any other property transfer, on the revaluated or mortgage transactions;
- regarding the Company's non-current assets, the carrying amount of which is equal to or exceeds EUR 300,000 (three hundred thousand) (without value added tax):
  - investment into the Company's group companies or third parties, transfer or lease of these assets (separately for each type of transaction);
  - pledge or mortgage (aggregate amount of transactions).
- on surety or guarantee of the fulfilment of the obligations of other persons, the amount of which is equal to or exceeds EUR 300,000 (three hundred thousand) (without value added tax);
- regarding acquisition of non-current assets for the price equal to or exceeding EUR 300,000 (three hundred thousand) (without value added tax);
- regarding the conclusion of transactions for the purchase of goods, services and/or works where the value of such transactions is equal to or exceeds EUR 300,000 (three hundred thousand) (without value added tax) (prior to the announcement by the

Company of such a purchase of goods and/or services and/or works, or prior to the initiation by the CEO of the Company of the establishment of a dynamic purchasing system for the conclusion of transactions of the values referred to in this paragraph);

- regarding the approval of the essential conditions of the service contracts provided by the Company, if the planned annual income of the contract or the planned income during the entire period of validity of the contract may be equal to or exceed EUR 300,000 (three hundred thousand) (without value added tax);
- regarding the Company's becoming a founder or participant of other legal entities;
- the Company's decision 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;
- regarding the approval of the total amount of the incentive to be awarded to the Company's employees for their annual performance;
- regarding the establishment of the Company's branches or representative offices and approval of their provisions;
- in other cases set out under the Company's Articles of Association.

During the reporting period, the property and non-property rights of the shareholder were not restricted, the shareholder was not granted special rights.

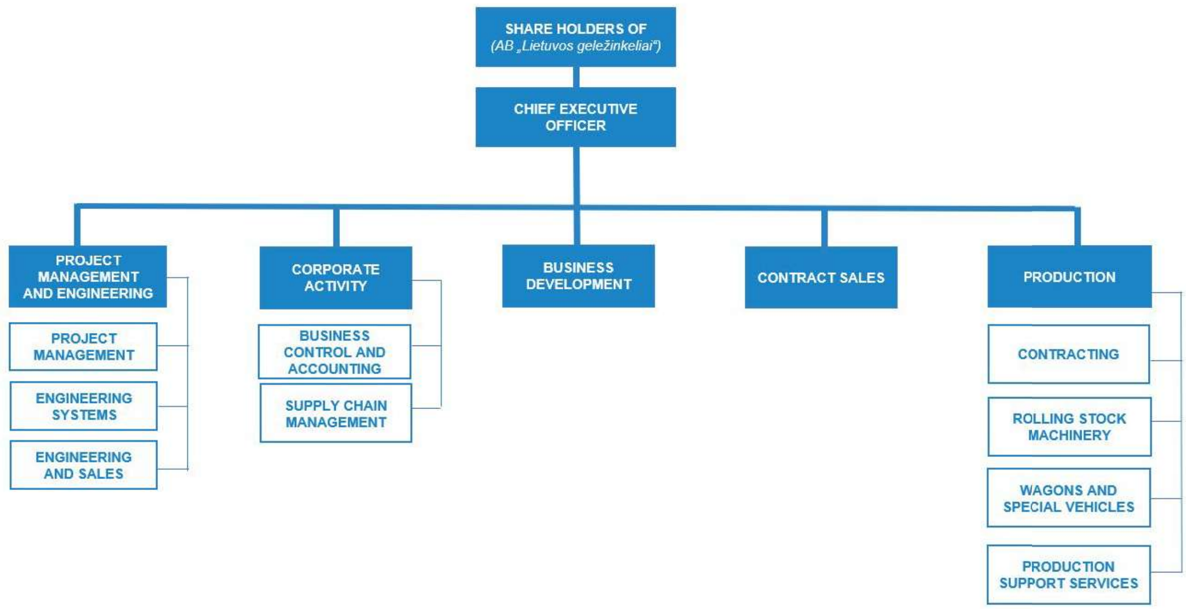
MOST IMPORTANT DECISIONS ADOPTED BY THE GENERAL MEETING OF SHAREHOLDERS IN 2023

- adopted a decision on the appointment of the CEO;
- approved the procurement of a contract for the construction of trunk lines;
- approved the procurement of contracts for the provision of railway track repair works;
- endorsed the CEO's decision to approve the operational plan and budget for 2023;
- endorsed the CEO's decision to set the goals of the Company and the Company's CEO for 2023;
- approved the set of the Company's financial statements for 2022;
- endorsed the CEO's decision to approve the long-term strategy of the Company;
- endorsed the CEO's decision to enter into a contract for the purchase of management services;
- endorsed the CEO's decision to register the Company as a taxpayer in the Republic of Poland;
- approved the procurement of a contract for road maintenance;
- endorsed the CEO's decision to approve an updated business strategy of the Company until 2040;
- endorsed the CEO's decision to set the goals of the Company and the Company's CEO for 2024;
- endorsed the CEO's decision to enter into a transaction for the purchase of general internal administration services;
- endorsed the CEO's decision to approve the operational plan (budget) for 2024.

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. 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 appointed as the CEO for no more than 2 consecutive terms of office. As of 20 February 2023, the position of the Chief Executive Office of GTC is held by Justas Vyžintas.

Justas Vyžintas has extensive experience in the areas of operational management and risk management of large-scale infrastructure projects. Before becoming the CEO, Justas Vyžintas held the position of Finance Director and Administration Director in the company Kauno Keliai, was a Board Member there. In 2010 Justas Vyžintas was awarded an international master's degree of management (the topic of his thesis was: "Analysis of Strategy Development within European Airlines").

MANAGEMENT STRUCTURE OF THE COMPANY



MANAGEMENT OF THE COMPANY

JUSTAS VYŽINTAS	Chief Executive Officer	Holds office from 20 February 2023
VILIUS MITKEVIČIUS	Chief Executive Officer	Held office from 3 January 2023 until 19 February 2023
VYTAUTAS ŽIRGUTIS	Chief Executive Officer	Held office from 5 April 2022 until 2 January 2023
NERIJUS ŽĖKAS	Head of Project Management and Engineering	Holds office from 7 July 2023
GIEDRIUS ŠIUGŽDA	Head of Project Management and Engineering	Held office from 14 April 2022 until 28 July 2023
EDGARAS KATELOVIČIUS	Chief Financial Officer	Held office from 1 September 2021 until 13 October 2023
DARIUS SILIUS	Head of Production	Holds office from 27 July 2023
DAINIUS SUPRIKAS	Head of Corporate Operations Department	Holds office from 5 July 2023
VILMA NOVIKIENĖ	Head of Corporate Affairs	Held office from 1 September 2021 until 17 March 2023
DAINIUS SUPRIKAS	Head of Supply Chain Management	Held office from 27 March 2023 until 4 July 2023
ERIKAS STANKEVIČIUS	Head of Business Development	Holds office from 20 March 2023
IRMANTAS REMEIKA	Head of Contracting Sales	Holds office from 24 July 2023

MANAGEMENT OF INTERESTS

At the end of the reporting period, the CEO and the managers of the Company have submitted declarations on private interest, which can be found on the website of the Ethics Commission at http://www.vtek.lt.

4. EMPLOEES

OVERVIEW

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

MAIN WORKS AND INITIATIVES IN 2023

- In adapting to the changing business environment, a plan to improve operational efficiency and reduce costs was consistently implemented in 2023.
- At the beginning of the year, employees were introduced to the LTG Group's new values: Customer; Collaboration; Responsibility; Development. Values dissemination and reinforcement events were organised in all regions and consistent communication of the values was carried out.
- As part of the ongoing initiatives to develop organisational culture, the extended "Voice of the Employees" organisational culture survey was carried out for the fourth consecutive year. In order to assess progress, the Employee Loyalty Indicator (ELI) and its determinants were measured once again in autumn in an additional employee survey. The results of both culture surveys were used to identify short- and long-term actions to amend areas identified for improvement.
- In order to foster the culture of continuous feedback, employees were offered a feedback tool, allowing them to exchange feedback in real time by giving or asking for feedback on themselves and their work. Training on how to use the tool and lectures to reinforce feedback skills are organised on a regular basis.
- Ongoing strengthening of leadership and management skills is in place. A continuous training programme on authentic leadership and teamwork was offered to middle managers in year 2023. Peer-to-peer and e-learning approaches are supported on topics related to feedback, motivating staff, and work organisation. A substantially updated LTG Leadership Standard Training Programme was launched for new managers on the key principles and standards for working with teams in an organisation and creating best employee experience.
- The Company is creating an open and inclusive working environment, promoting diversity and equal opportunities in the workplace through various initiatives: European Diversity Month, International Day against Homophobia, Transphobia and Biphobia, World Mental Health Day, Human Rights Day, during which lectures and communication took place for all employees. A year-end survey on the Equal Opportunities ruler, a situational assessment tool developed by the Office of the Equal Opportunities controller, was organised in order to assess the success of fostering a work environment open to diversity and to identify areas for improvement
- In 2023, the organisation continued to focus on emotional well-being, psychological resilience and personal effectiveness through lectures for all staff.

REMUNERATION POLICIES AND STRUCTURE

- The remuneration policies are aimed at making long-term decisions related to employee well-being, ensuring:
- a competitive remuneration package to attract and retain employees with the necessary competencies;
- equal opportunities and non-discrimination in summarising employee performance and determining remuneration;
- the principle of internal fairness in the remuneration for similar work;
- increasing inclusion;
- an incentive for employees to improve their skills and enhance competencies;
- promoting transparency and responsible governance;
- effective personnel cost management and creation of shareholder value.

The key elements of setting and reviewing remuneration are:

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

A local scale of corporate levels is used to publish the results of methodological position appraisal in the organisation. Each employee has access to information on the corporate levels of his/her position and other positions within the organisation, as well as on the basic salary ranges for each corporate level, providing systematic measures of embedding the principles of transparency and assessing internal career opportunities.

The periodic review of basic salaries is carried out annually and the principles of the review are linked to clear and objective criteria - 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 a summary of the annual performance of each employee. The periodic review of remuneration generally takes effect on April 1 of each year. After implementing the review for 2023, the Company's basic monthly salary increased by EUR 30 thousand, and the salary increase, guided by uniform review criteria, was implemented for 92 percent of employees.

After the end of the financial year and after an assessment of the Company's performance, an annual performance incentive fund is established by a decision of the Company's Board. Such fund is an 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 Labour Code of the Republic of Lithuania, and which is allocated pursuant to Article 142(1)(2) of the Labour Code of the Republic of Lithuania. This incentive is also forward-looking as an incentive for employees, and individual opportunities for such incentive are linked to the corporate levels of positions and the evaluation of each employee's annual performance. In June 2023, the performance incentive fund allocated to the Company's employees for the results of 2022 amounted to EUR 0.21 million.

At the end of 2023, the LTG Board approved a remuneration policy for all subsidiaries, effective from 1 January 2024, which is publicly available on the Company's website, REMUNERATION SECTION. The implementation provisions of this policy are described in the Remuneration Methodology and internal process standards are used to define more detailed principles for practical implementation. All relevant documents are published on the LTG Group's intranet, a knowledge base for employees, as well as in the news section.

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

RATIO OF AVERAGE SALARIES OF WOMEN AND MEN IN THE COMPANY

Function group	2023	2022
ALL EMPLOYEES	1 : 0.98	1 : 0.99
Middle-level managers and individual experts	1 : 1.07	1 : 1.20
Team leaders and experienced specialists	1 : 1.24	1 : 1.27
Specialists and experienced operational/service staff	1 : 1.17	1 : 1.13
Operational/service staff, qualified workers	1 : 1.13	1 : 1.24

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

PERSONNEL POLICY

The employee performance management and appraisal process remains focused on cascading the LTG Group’s and the Company’s annual objectives, the pursuit of high performance, personal responsibility and continuous feedback, and the principle of “the best are rewarded the most”.

The Company's package of fringe benefits includes lump-sum payments in the event of the birth of an employee's child or the death of a close family member, support in the event of natural disasters, loyalty payments for employees who leave the organisation at retirement age, additional holidays and other benefits as provided for in the LTG Group’s Collective Agreement of the branch and the Remuneration Methodology. Employees are also provided with insurance against accidents and additional voluntary health insurance, which compensates employees for outpatient and inpatient treatment and diagnostics, preventive health check-ups and vaccinations, medications 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.

From 2023, lump-sum payments for the birth of an employee’s child or the death of a close family member were increased by 50%, from EUR 200 to EUR 300 after tax. In autumn 2023, the staff fringe benefit package was extended with a discount programme for various services and goods. The updated accident insurance conditions increase the coverage for injuries. The conditions of the updated supplementary voluntary health insurance, which will be effective from 2024, have also been improved, by increasing the limits and reimbursement amounts for covered services.

INFORMATION ON REMUNERATION OF THE COMPANY'S CHIEF EXECUTIVE OFFICER

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

1. Basic monthly salary. The monthly base salary of the Company's Chief Executive Officer at the end of the reporting period, as set out in the employment contract, was EUR 7,000. During the reporting period, the basic monthly salary of the Company’s Chief Executive Officer increased by 6% from EUR 6,600 to EUR 7,000.
2. Annual incentives. The annual variable remuneration (incentive for annual performance results) might be paid to the Company’s Chief Executive Officer in addition to the basic monthly salary. The scheme of incentives shall be approved by the Company’s Board. Under this scheme, the payout of the incentive is linked to the achievement of the LTG Group’s annual goals (60%), the achievement of the Company’s annual goals (30%), and the achievement of team leadership and personal goals (10%). Every year, the Board of the Company approves the structure of the Company’s annual goals, the management team and personal goals of the Company’s CEO, the threshold values and comparative weights for their achievement, while at the end of the year, the Board approves the results of achieving these goals and the possibility of paying out the annual incentive.

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

The maximum amount of monthly incentive, i.e. 1/12 of the annual incentive share for 2022, could not exceed EUR 1,980.

A monthly portion (1/12) of the annual incentive paid to the Company’s CEO in 2023 for achievement of the implemented goals of the year 2022 amounted to EUR 1,142. The average actual salary of the CEO in 2023, taking into account the annual performance incentive, was EUR 8,045.

The average monthly salary of high level executives established in their employment contracts as at 31 December 2023 amounted to EUR 6,750, and the average actual salary of this group of employees, taking into account the annual incentive, amounted to EUR 5,952.

NUMBER OF THE COMPANY'S EMPLOYEES AND AVERAGE SALARY

Function groups	31/12/2021		31/12/2022		31/12/2023**					
	Number of employees as at the end of the period	Average salary, EUR	Number of employees as at the end of the period	Average salary, EUR	Number of employees as at the end of the period			Average salary, EUR		
					Total	Women	Men	Total	Women	Men
CEO*	1	7,100	1	6,600	1	-	1	7,000	-	7,000
High level executives*	1	4,900	3	5,468	1	-	1	6,750	-	6,750
Senior executives and specialists in exceptional fields	5	4,465	3	4,482	5	-	5	4,968	-	4,968
Middle-level managers and individual experts	24	3,240	20	3,553	13	4	9	3,669	-	-
Team leaders and experienced professionals	60	2,247	58	2,302	43	7	36	2,500	2,094	2,595
Specialists and experienced operational/service staff	108	1,771	92	1,821	73	8	65	2,041	1,769	2,074
Operational/service staff, qualified workers	141	1,298	114	1,426	91	2	89	1,656	-	1,661
Total	**340**	**1,819**	**291**	**1,947**	**227**	21	206	**2,130**	2,161	2,127

* fixed remuneration at the end of the period.
** from 2021, the Company has started to publicly announce remuneration data according to gender. For reasons of confidentiality, information on and difference in average salary is not disclosed if there are less than 5 employees of the same gender in the function group.

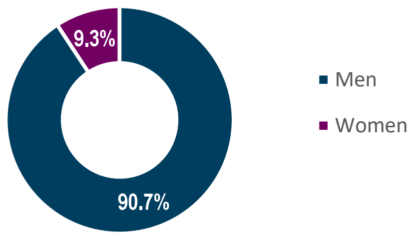
As at 31 December 2023, the Company had 227 employees (the number includes only active employees (not in long-time absence)). The number of employees has decreased by 64 or 22%, compared to the data as at 31 December 2022. The changes in the number of employees were influenced by the company's optimisation processes.

The average monthly salary changed from EUR 1,947 to EUR 2,130 as compared to the year 2022. The main contributors to the change in salaries were the LTG Group-wide salary review and the reduction in the number of employees.

The total remuneration fund amounted to EUR 8.1 million. In April 2023, the Company, as also other LTG Group entities, granted employees an annual motivation bonus of EUR 0.21 million for performance results.

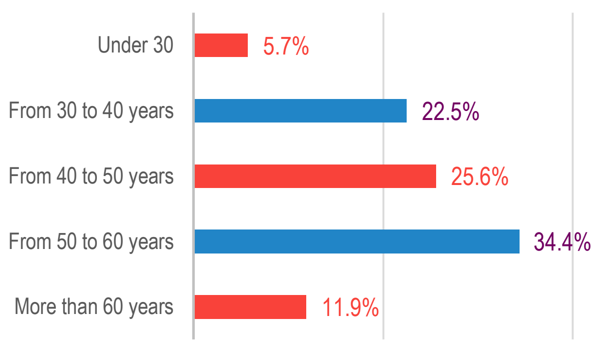
DISTRIBUTION OF THE COMPANY'S EMPLOYEES BY AGE, GENDER, LENGTH OF SERVICE AND EDUCATION AS AT 31 DECEMBER 2023

Employee distribution by gender, %

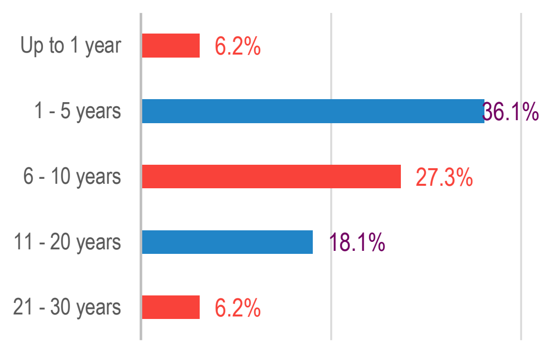


Age group	Average length of service, years
Up to 30 years	3.75
From 30 to 40 years	6.83
From 40 to 50 years	7.64
From 50 to 60 years	12.52
Over 60 years	16.47
Average length of service	**8.74**

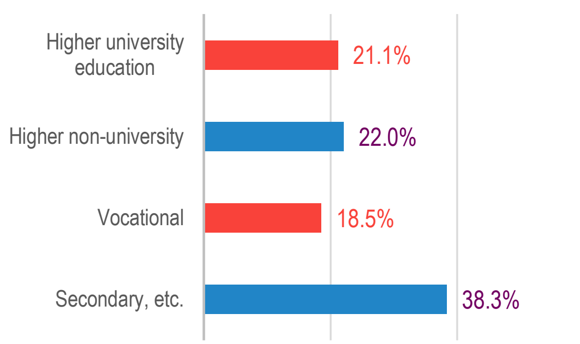
Employee distribution by age groups, %



Employee distribution by length of service, %



Employee distribution by education, %



5. REPORT ON RISKS AND THEIR MANAGEMENT

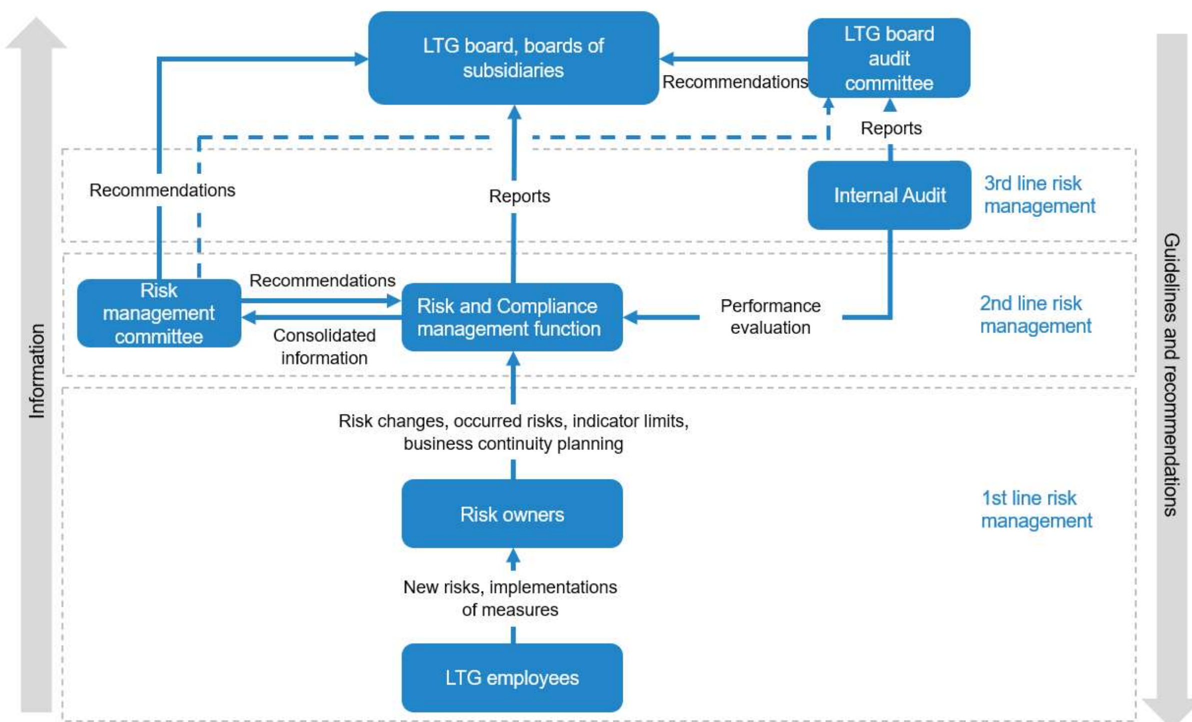
RISKS AND THEIR MANAGEMENT

The Company applies and is continuously improving the LTG Group's unified risk management system. 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.

The LTG Group allocates risk management responsibilities according to the Three Lines Model. It is based on:

- 1st line risk management activities are performed by the managers and employees of LTG Group companies and LTG corporate functions, which identify, assess and manage risks, ensuring the development of continuity plans.
- 2nd line risk management activities are performed by LTG Risk and Compliance Management, which develops and improves the overall system and performs coordination and control activities, provides advice and education on methodological and expert risk management issues to companies and units performing 1st line risk management activities, and prepares risk management reports to senior management. The Risk and Compliance Management function is supported by the LTG Risk Management Committee to ensure an effective risk management system.
- 3rd line risk management is performed by the Internal Audit Division of LTG, which carries out an independent assessment of the effectiveness of risk management levels 1 and 2, and provides independent comments and recommendations on the improvement of risk management system.

The figure below discloses the risk management system, detailing the flow of information and distribution of responsibilities.



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

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

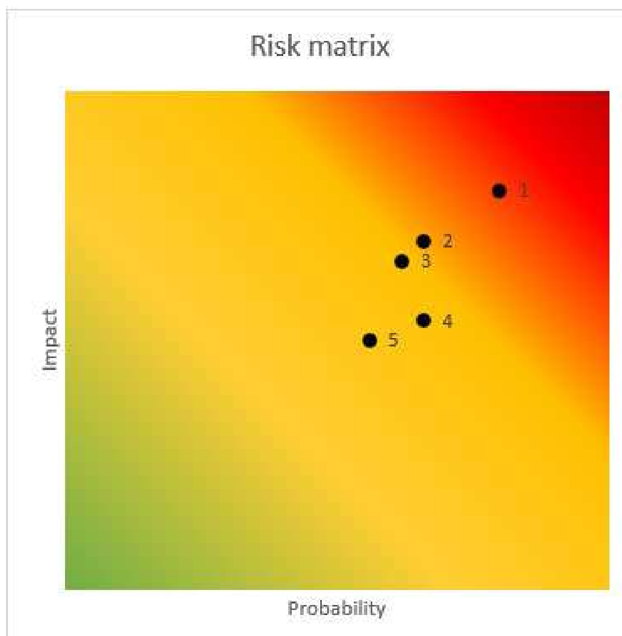
The level of identified risks is assessed by determining their likelihood and potential impact (assessing financial, legal and reputational impact, impact on activities as a going concern, on employee safety) and attributing them to one out of four risk categories (strategic, operational, financial,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

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

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

MAIN RISKS AND THEIR MANAGEMENT MEASURES

1. Loss of competitiveness of the Company
2. Insufficient size of the sales project portfolio necessary to achieve strategic objectives
3. Supply chain disruptions
4. Risk of delays in contractual projects
5. Risk of safety incidents



Risk	Main sources of risk	Potential impact	Basic risk management measures
Loss of competitiveness of the Company	• Significant changes in the regulatory environment	• Ensuring going concern • Financial impact • Reputation damage	• Participation in consultations and working groups • Action plan to maintain operational flexibility
Insufficient size of the sales project portfolio necessary to achieve strategic objectives	• High cost base of the machinery fleet • Increasing number of market players	• Revenue targets not met	• Developing new products on the Lithuanian market • Expansion abroad
Supply chain disruptions	• Increase in prices of materials and raw materials • Increased delivery times • Possible sanctions for suppliers	• Operational failures due to lack of repair parts • Delays in works	• Supplier checks due to sanctions • Advance planning • Reallocation of resources to busier sections • Search and validation of alternative suppliers • Rolling stock restoration programmes • Improvement of staff competences
Risk of delays in contractual projects	• Lack of efficiency in project management • Delays in the supply of materials • Lack of quality of the work carried out	• Financial losses • Ensuring going concern • Reputation damage	• Supplier reliability assessment • Implementation of efficiency initiatives • Development of project management tools
Risk of safety incidents	• Failure to comply with work safety instructions • Failure to comply with technological requirements during repair work *Inherent risks that are specific to the performed activity. The management of these risks requires high level of attention, continuous and systemic measures*	• Financial losses due to damage to rolling stock or infrastructure • Damage to reputation due to failure to ensure traffic/worker safety • Disruption of operations due to traffic accidents	• Periodic training and coaching • Mobile app to help keep workers safe • Safety system inspections • Periodic monitoring of physical and technical security • Quality control reviews

6. ADDITIONAL INFORMATION

6.1. EXTERNAL 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 LTG and separate financial statements of LTG Group subsidiaries, prepared in accordance with International Financial Reporting Standards, adopted by the EU, for the year 2023–2025, was awarded to KPMG Baltics, UAB. The candidacy of auditors was confirmed by the Audit Committee of LTG, it was approved by the Board of LTG and the confirmation of the shareholder was obtained. The audit services contract was signed on 27 July 2023.

The audit fee set for the audit of the financial statements for 2023 amounts to EUR 33 thousand (excluding VAT).

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

6.2. Information on compliance with the Transparency Guidelines

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

Structured information on the implementation of the Transparency Guidelines

Clause of the Description	Provision of the description	Yes/No
	Disclosure of the Company's information on website	
5.	The following data and information must be announced in the internet website of a state-owned enterprise:	-
5.1.	Name;	Yes
5.2.	Code and register, where data about the company is filed and stored;	Yes
5.3.	Headquarters (address);	Yes
5.4.	Legal status, if a state-owned enterprise is under reformation, reorganization (indicate the way of reorganization), liquidation, is becoming or has become bankrupt;	Legal status not registered
5.5	The name of the institution representing the State and a link to its website;	Yes
5.5.	Operating goals, vision and mission;	Yes
5.7.	Structure;	Yes
5.8.	Data about the head of the enterprise;	Yes
5.9.	Data about the chairman and members of the Board, if formed according to the Articles of Association;	Yes
5.10.	Data about the chairman and members of the Supervisory Council, if formed according to the Articles of Association;	Not formed
5.11.	Names of committees, if formed; data about their chairmen and members;	Disclosed in the website of the parent LTG
5.12.	The sum of the nominal values of the state-owned shares (in euro to the nearest euro cent) and the share (in percentage) in the authorized capital of the state-owned enterprise;	Yes
5.13.	The performed special obligations that are determined as to recommendations approved by the Minister of Economics and Innovations of the Republic of Lithuania: the purpose of the special obligations, state budget appropriations allocated their implementation in the current calendar year and the legal acts entrusting the state-owned enterprise with the performance of the special obligation, the conditions for fulfilment of the special obligations and (or) regulatory pricing;	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:	-
7.1.	Articles of Association;	Yes
7.2.	Statement from an institution representing the State regarding the establishment of the goals and expectations of the State in a state-owned enterprise;	Yes
7.3.	The business strategy or a summary thereof in cases where the business strategy contains confidential information or information which is considered a commercial (industrial) secret;	Yes
7.4.	Document establishing the remuneration policy, setting out the remuneration of the head of a state-owned enterprise and the remuneration of members of collegial bodies and committees formed in a state-owned enterprise, as detailed in the Code of Corporate Governance;	Yes
7.5.	Annual and interim reports of a state-owned enterprise, annual and interim activity reports of a state-owned enterprise for a period of at least five years;	Yes
7.6.	Annual and interim financial statements and auditor's reports on annual financial statements for a period of at least five years;	Yes
8.	When a state-owned enterprise is a parent company, the structure of the group of companies is to be published on its website as well as the information of its subsidiaries and further subsidiaries as specified in Clauses 5.1–5.3 of the Description, the website addresses, the share (percentage) of the share capital owned by the parent company in their authorized capital, also consolidated financial statements and consolidated annual reports.	Yes
9.	When a state-owned enterprise is a participant of legal entities other than those specified in Clause 8, the details of these legal entities specified in Clauses 5.1–5.3 of the Description as well as their website addresses must be published on its website.	Yes
9[1].	When a company is a subsidiary or a subsequent subsidiary of a state-owned enterprise, the details of its parent company specified in Clauses 5.1–5.3 of the Description as well as the link to the parent company's website must be published on its website.	Yes

Clause of the Description	Provision of the description	Yes/No
10.	If details specified in Clause 5, 6, 7.1–7.4, 8, 9 and 9[1] 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
	Preparation of sets of financial statements, reports and activity reports	
14.	State-owned enterprises maintain their accounts in a manner that ensures the preparation of financial statements in accordance with international accounting standards.	Yes
15.	In addition to a set of annual financial statements, a state-owned enterprise must prepare a set of interim financial statements for periods of 6 months, and a state enterprise prepares sets of interim financial statements for periods of 3, 6 and 9 months.	Yes
16.	A state-owned enterprise, considered to be a public interest company in accordance with the Law on the Audit of Financial Statements of the Republic of Lithuania, apart from the annual report must additionally prepare a 6-month interim report. A state enterprise, considered to be a public interest company in accordance with the Law on the Audit of Financial Statements of the Republic of Lithuania, apart from the annual activity report must additionally prepare a 6-month interim activity report.	Yes
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;	The Company does not fulfil 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
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 *mutatis mutandis.*	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

6.3. DEFINITIONS

Revenue	Sales revenue + Other operating income (excluding income from financial activities)
Sales revenue	Revenue, excluding income from other activities and income from financial activities
Costs	Costs, excluding the Corporate tax and Financial expenses
Financial debt	Interest-bearing financial debt, including lease
Net debt	Interest-bearing financial debt, including leases, less cash, and cash equivalent investments
Return On Equity (ROE)	Net profit/loss for the period of the last 12 months / average equity as at the beginning and the end of the reporting period
Return On Assets (ROA)	Net profit/loss for the period of the last 12 months / average assets as at the beginning and the end of the reporting period
Return On Investment (ROI)	Net profit/loss for the period of the last 12 months / average assets as at the beginning and the end of the reporting period - average short-term liabilities as at the beginning and the end of the reporting period
EBIT	Profit (loss) before the corporate tax – the result of financial activities
EBITDA	Profit (loss) before the corporate tax – the result of financial activity + depreciation and amortisation
Normalized EBITDA	Profit (loss) before the corporate tax + interest expenses – interest income + depreciation and amortisation + (decrease) increase in the value of non-current assets, inventories and investments + (decrease) increase in the value of amounts receivable and contract assets + costs of provisions not related to operating activities
EBIT margin	EBIT / sales revenue
EBITDA margin	EBITDA / sales revenue
Normalized EBITDA margin	Adjusted EBITDA / sales revenue
Net profit margin	Net profit (loss) / sales revenue
Equity ratio	Equity at the end of the reporting period / assets at the end of the reporting period
Financial debt / EBITDA	Financial debt / EBITDA of the previous 12-month period
Financial debt / Equity (D/E)	Financial debt / equity at the end of the reporting period
Net debt / EBITDA	Net debt / EBITDA of the previous 12-month period
Asset turnover ratio	Sales revenue for the period of the last 12 months / Assets at the end of the reporting period
Quick liquidity rate	Current assets at the end of the reporting period – inventories at the end of the reporting period / current liabilities at the end of the reporting period
Total liquidity rate	Current assets at the end of the reporting period / current liabilities at the end of the reporting period
Number of employees	The number of listed active employees as of the end of the period (excluding the employees on parental leave, military service, long-term incapacity)
Average salary	Average gross salary per employee

6.4. ABBREVIATIONS

LTG – AB Lietuvos geležinkeliai, the Company
LTG Group – AB Lietuvos geležinkeliai and its subsidiaries
EU – the European Union
SOE – State-owned enterprise

INFORMATION ABOUT SUSTAINABILITY REPORT

During the reporting period, the Company has not had any financial liabilities related to ESG (Environmental, Social and Governance) performance indicators, and they have neither faced any litigation or complaints regarding climate change related or similar events, nor incurred additional costs that would significantly affect the financial statements.

More information on issues related to environmental protection, personnel, anti-corruption and anti-bribery is disclosed in the LTG Group's Consolidated Annual Report for 2023, where the Sustainability Report forms part thereof, covering information on sustainability related matters both of the parent company and the subsidiaries.

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

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

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

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

UAB GELEŽINKELIO TIESIMO CENTRAS

FINANCIAL STATEMENTS

Prepared in accordance with IFRS Accounting Standards, as adopted by the European Union, independent auditor's report for the year ended 31 December 2023

"KPMG Baltics", UAB
Lvivo str. 101
LT 08104 Vilnius
Lithuania

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

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

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

Basis for Opinion

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

Other Information

The other information comprises the information included in the Company's annual management report, 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.

Company code: 111494971
VAT code: LT114949716

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

On behalf of KPMG Baltics, UAB

RŪTA KUPINIENĖ
Digitally signed by RŪTA KUPINIENĖ
Date: 2024.03.21 20:56:49 +02'00'

Rūta Kupinienė
Certified Auditor

Vilnius, the Republic of Lithuania
21 March 2024

The electronic auditor's signature applies only to the Independent Auditor's Report on pages 38 to 40 of this document.

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	31/12/2023	31/12/2022
Non-current assets			
Property, plant and equipment		**19,000**	**22,283**
Land			
Buildings and structures	8	2,996	3,199
Machinery and equipment	8	10,890	13,717
Road vehicles	8	35	75
Railway rolling stocks	8	4,027	4,653
Other equipment, fittings and tools	8	196	184
Right-of-use assets	9	289	428
Construction in progress and prepayments	8	567	27
Intangible assets		**19**	**7**
Software	7	19	7
Financial assets		**-**	
Investments in associates, subsidiaries and other companies			-
Deferred tax asset	26	**1,134**	**398**
Total non-current assets		**20,153**	**22,688**
Current assets			
Inventories	10	1,366	2,050
Non-current assets held for sale	10	669	-
Assets arisings from contracts with customers	12	19	894
Prepayments	11	8	8
Trade receivables	13	562	1,588
Receivables from related parties	13	5,666	3,683
Other receivables	14	43	131
Cash and cash equivalents	15	3,657	62
Total current assets		**11,990**	**8,416**
TOTAL ASSETS		**32,143**	**31,104**

STATEMENT OF FINANCIAL POSITION (CONTINUED)

EQUITY AND LIABILITIES	Notes	31/12/2023	31/12/2022
Equity			
Share capital	**16**	30,897	30,897
Share premium		-	-
Legal reserve	**17**	-	-
Other reserves	**17**		
Retained earnings (loss)		(3,237)	(4,965)
Total equity		**27,660**	**25,932**
Non-current liabilities			
Lease liabilities	**19**	128	211
Provisions	**20**	48	66
Deferred tax liabilities	**26**	-	-
Total non-current liabilities		**176**	**277**
Current liabilities			
Liabilities arising from contracts with customers	**22**	1,305	680
Loans	**18**	-	1,171
Lease liabilities	**19**	169	231
Prepayments received	**22**	1	8
Trade creditors	**23**	991	825
Payables to related parties	**23**	312	192
Provisions	**20**	298	293
Corporate income tax liabilities	**26**	91	-
Employment related liabilities	**21**	819	814
Other payables	**23**	321	681
Total current liabilities		**4,307**	**4,895**
Total liabilities		**4,483**	**5,172**
Total equity and liabilities		**32,143**	**31,104**

Chief Executive Officer	Justas Vyžintas
Head of Corporate Operations	Dainius Suprikas
Head of Finance and Control	Gustas Staniukaitis

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	31/12/2023	31/12/2022
Revenue	**24**	24,176	19,909
Other income	**24**	64	164
Total income		**24,240**	**20,073**
Depreciation and amortisation		(1,985)	(2,295)
Salaries and related costs		(8,068)	(8,108)
Fuel		(651)	(853)
Materials		(2,150)	(3,970)
Repair		(911)	(1,190)
Electricity		(98)	(160)
Reversal of impairment of receivables		2	(10)
Proceeds from impairment of inventories		50	58
Change in provisions		13	26
Change in vacation accruals and other remuneration-related accruals		27	(50)
Taxes			(57)
Other costs		(8,847)	(7,902)
Operating profit		**1,622**	**(4,438)**
Finance income	**25**	20	4
Finance costs	**25**	(559)	(218)
Profit (loss) before taxation		**1,083**	**(4,652)**
Corporate income tax	**26**	645	(249)
Net profit		**1,728**	**(4,901)**
Other comprehensive income (expenses)			
Total comprehensive income (expenses)		**1,728**	**(4,901)**

Chief Executive Officer	Justas Vyžintas
Head of Corporate Operations	Dainius Suprikas
Head of Finance and Control	Gustas Staniukaitis

STATEMENT OF CHANGES IN EQUITY

	Notes	Authorised share capital	Share premium	Legal reserve	Other reserves	Retained earnings (losses)	Total
Balance as at 31 December 2021		**30,897**	**-**	**-**	**-**	**(64)**	**30,833**
Impact of initial application of IFRS 16		-	-	-	-	-	-
Net profit (loss)		-	-	-	-	(4,901)	(4,901)
Other comprehensive income, after tax		-	-	-	-	-	-
Total comprehensive income (expenses)						(4,901)	**(4,901)**
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		-	-	-	-	-	-
Reserves formed		-	-	-	-	-	-
Reserves used		-	-	-	-	-	-
Balance as at 31 December 2022		**30,897**	**-**	**-**	**-**	**(4,965)**	**25,932**
Net profit (loss)		-	-	-	-	1,728	1,728
Other comprehensive income, after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		-	-	-	-	1,728	**1,728**
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		-	-	-	-	-	-
Balance as at 31 December 2023		**30,897**	**-**	**-**	**-**	**(3,237)**	**27,660**

Chief Executive Officer Justas Vyžintas

Head of Corporate Operations Dainius Suprikas

Head of Finance and Control Gustas Staniukaitis

STATEMENT OF CASH FLOWS

	31/12/2023	31/12/2022
Cash flows from operating activities		
Net profit (loss)	**1,728**	**(4,901)**
Adjustment to non-cash items:		
Depreciation and amortisation expenses	1,985	2,295
(Gain) loss from disposal/write-off of non-current assets (except for financial assets)	117	(70)
Impairment (reversal) of property, plant and equipment and financial assets	-	-
Impairment (reversal) of trade receivables and prepayments	13	10
Impairment (reversal) of inventories to net realisable value	(50)	(58)
Decrease (increase) in accrued income	833	369
Interest (income)	(8)	-
Interest expenses	246	110
Lease liability interest	13	21
Increase (decrease) in provisions	(13)	(26)
Loss (gain) from corporate income tax	(736)	249
	4,128	**(2,001)**
Change in working capital		
Decrease (increase) in inventories	39	(187)
Decrease (increase) in trade and other receivables and prepayments	(871)	2,988
Increase (decrease) in non-current and current trade payables and prepayments received	279	(1,328)
Increase (decrease) in employment-related liabilities	6	(53)
Increase (decrease) in other non-current and current payables Increase	(360)	42
(Paid) corporate income tax	-	-
Net cash from operating activities	**3,221**	**(539)**
Cash flows from investing activities		
Disposals of financial assets	**-**	3
(Acquisition) of non-current assets)	(926)	(608)
Disposals of non-current assets	1,574	199
Net cash flows from investing activities	**648**	**(406)**
Cash flows from financing activities		
Loans received	13,643	13,172
Loans (repayment)	(13,643)	(12,024)
Grants received (repaid)	-	-
Lease payments	(34)	(42)
Interest (paid)	(227)	(89)
Interest on lease liability	(13)	(21)
Net cash flows from financing activities	**(274)**	**996**
Increase (decrease) in net cash flows	**3,595**	**51**
Cash and cash equivalents at the beginning of the period	**62**	**11**
Cash and cash equivalents at the end of the period	**3,657**	**62**

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

Chief Executive Officer	Justas Vyžintas
Head of Corporate Operations	Dainius Suprikas
Head of Finance and Control	Gustas Staniukaitis

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 g. 12/14, Vilnius. The Company's registration code 181628163, VAT payer's code LT816281610, legal (registration) and head office of the Company is Trikampio g. 10, Lentvaris, LT-25112 Trakų r.

As at 31 December 2023 and 2022, 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.

In 2023 and 2022, the sole shareholder of the Company was AB Lietuvos geležinkeliai owning 100% shares of UAB Geležinkelio tiesimo centras.

As at 31 December 2023, 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 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 227 as a 31 December 2023 (as at 31 December 2022: 291).

2. BASIS OF PREPARATION

Basis of preparation. The Company's financial statements have been prepared in accordance with the IFRS Accounting Standards (IFRS) as adopted by the EU.

The financial statements for the year ended 31 December 2023 have been prepared on a going concern basis and valued using the historical cost method unless otherwise stated. These financial statements present comparative information for the previous reporting period.

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.

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 at the time of the transactions. Gains and losses arising from the settlement of these transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the statement of profit or loss.

Property, plant and equipment.

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

The cost of an item of property, plant and equipment includes the cost of replacing parts of property, plant and equipment as incurred, provided that these costs meet the criteria for recognition. The carrying amount of the replaced part of the asset is written off. Repair costs are added to the carrying amount of the asset, if it is probable that future economic benefits will flow to the Company from the expenditure and if they can be measured reliably. All other repair and maintenance costs are recognised in the statement of profit or loss.

Property, plant and equipment include spare parts, stand-by equipment and servicing equipment when they meet the definition of property, plant and equipment. The residual values and useful lives of the assets are reviewed at least annually and adjusted, if necessary.

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

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

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

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

2. BASIS OF PREPARATION (continued)

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

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

The recoverable amount is the higher of fair value less costs to sell and value in use. When assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate, assessed under current market conditions, an existing time value of money and risks specific to the asset, which have not been considered in the estimates of future cash flows.

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

Assets held for sale. Assets (or groups of assets) held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Assets held for sale are reclassified if they meet the criteria for such assets under IFRS 5. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income.

Financial instruments

Financial assets.

The Company's financial assets include cash, trade receivables and other receivables, loans. The Company recognises a financial asset in the statement of financial position only when it becomes a party to the contractual provisions of the financial instrument and the purchase or sale of the financial asset is recognised or derecognised using trade date accounting. On initial recognition, the Company measures financial assets at fair value, except for trade receivables that do not include a significant financing component. When a financial asset is not measured at fair value through profit or loss, an initial measurement of the financial asset includes the fair value of the instrument plus transaction costs directly attributable to the acquisition of the financial asset.

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

Write-off of and derecognition of financial assets. Impairment allowances for financial assets are made in accordance with the provisions of IFRS 9, the Company's Accounting Policies and an assessment of potential risks, based on the likelihood of their occurrence, taking into account possible internal and external factors, which include the customer's significant financial difficulties, defaults of more than 120 days, and the customer's probable bankruptcy.

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

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

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

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

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

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

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

2. BASIS OF PREPARATION (continued)

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.

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

The Company's receivables comprise trade receivables for services rendered and transport lease.

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

The Company's payables comprise amounts owed by the Company for transport lease, work carried out by subcontractors, materials, etc.

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.

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.

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.). Assets with a value of up to EUR 4 thousand are considered low value 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.

At 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. Subsequent assessment of right-of-use assets. After the commencement date, 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.

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

Initial assessment 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.

Reassessment of the lease liability. After initial recognition, the lease liability is reassessed 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.

2. **BASIS OF PREPARATION (continued)**

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.

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.

The Company has signed car lease agreements with UAB Transporent and AB Lietuvos geležinkeliai.

Income taxes. Income tax assets and liabilities for current and prior periods are recorded at the amount expected to be recovered from, or paid to the tax authority. The applicable income tax and tax laws are those that are enacted or substantively enacted at the date of the statement of financial position. The income tax rate applicable for the companies of the Republic of Lithuania in 2023 and 2022 was 15%.

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

Deferred income tax. Deferred tax is accounted for using the liability method. Deferred tax assets and liabilities are recognised for future tax purposes by marking the differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are recognised for all temporary differences that will subsequently increase taxable profit, and deferred tax assets are recognised only to the extent that it is probable that they will reduce taxable profit in the future.

The carrying amount of deferred tax assets is reviewed every time a set of financial statements is prepared, and it is reduced if it is not probable that sufficient taxable profits will be generated in the future to realise the asset or part of it. The amount of the deferred tax asset is reduced to the amount that is probable of reducing future taxable profit. Deferred tax is calculated using the tax rates that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

The Company's provisions include provisions for pension benefits, annual bonuses, warranty repairs and others.

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 statement of profit or loss 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 recognised 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.

2. BASIS OF PREPARATION (continued)

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:

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

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

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.

In 2023 and 2022, the Company’s revenue from every transaction in progress is recognised in accordance with the state 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 income.

2. BASIS OF PREPARATION (continued)

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 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	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.
Lease of machinery and plant Other revenue	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.

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

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.

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:

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.

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

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. Provisions are accounted for only when the Company has a legal or irrevocable obligation resulting from an 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. When the Company expects that part or the total amount of the provisions will be reimbursed, the reimbursement receivable shall be recognised as a separate asset, but only when it is virtually certain that reimbursement will be received. The provision-related expenses are recognised in the statement of profit or loss net of any compensation receivable. If the time value of money is significant, provisions are discounted using the effective periodic rate (before tax), if appropriate, taking into account the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance expenses.

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

Contingent assets are not recognised in the financial statements but are disclosed when it is probable that future economic benefits or service potential will flow to the Company.

4. New standards, amendments and interpretations not yet adopted

New standards, amendments to standards and interpretations, which are effective for annual periods beginning on or after 1 January 2024 and which have not been applied in preparing these financial statements are set out below:

Non-current liabilities with covenants (amendments to IAS 1)

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

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

The amendments require disclosures if an entity has classified a liability as a non-current liability and the liability is subject to covenants that must be met within 12 months from the end of the reporting period. The disclosures include:

- the carrying amount of the liability;
- information on covenants;
- facts and circumstances, if any, indicating that an entity may have difficulty in meeting covenants.

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

Based on the information currently available, the Company's management estimates that the new amendments, when first applied, will not have a material impact on the Company's financial statements.

Lease Liability in a Sale and Leaseback (amendments to IFRS 16)

In September 2022, the International Accounting Standards Board finalised narrowly scoped amendments to the sale and leaseback requirements in IFRS 16 *Leases* that clarify how an entity accounts for sales and leasebacks after the transaction date.

The amendments clarify that, in measuring a lease liability after a sale and leaseback, a seller-lessee determines 'lease payments' and 'adjusted lease payments' in such a way that the seller-lessee does not recognise any gain or loss on the right-of-use asset.

These amendments may particularly affect sale and leaseback transactions when the lease payments include variable charges that are not index or rate based.

The amendments are effective for annual periods beginning on or after 1 January 2024.

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted but shall be disclosed.

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

Lack of Exchangeability (amendments to IAS 21)

In August 2023, the International Accounting Standards Board issued amendments to *Lack of Exchangeability* (IAS 21 *The Effects of Changes in Foreign Exchange Rates*), which clarify how an entity should assess whether a currency is convertible and how the exchange rate should be determined when it is not officially published or when there is insufficient information available to determine it. It also requires additional disclosures that enable users of financial statements to assess how an entity's decisions to convert such currency transactions will affect the entity's financial performance, financial position and cash flows.

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

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

There are no other new or amended standards or their interpretations, which are not yet effective and which may have material impact on the Company, are present.

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	31/12/2023	31/12/2022
Assets arisings from contracts with customers	19	894
Trade receivables	562	1,588
Receivables from related parties	5,666	3,683
Cash and cash equivalents	3,657	62
Total	**9,904**	**6,227**

Financial liabilities	31/12/2023	31/12/2022
Liabilities arising from contracts with customers	1,305	680
Loans and other borrowings	-	-
Lease liabilities	297	442
Trade payables	991	825
Payables to related parties	312	192
Other payables and liabilities	169	674
Total	**3,074**	**2,813**

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
Financial assets				
Assets arisings from contracts with customers	19	-	-	-
Trade receivables	562	-	-	-
Receivables from related parties	5,666	-	-	-
Cash and cash equivalents	3,657	-	-	-
Total	**9,904**	**-**	**-**	**-**
Financial liabilities				
Lease liabilities	297		-	-
Trade payables	991	-	-	-
Amounts payable to related parties	312	-	-	-
Liabilities arising from contracts with customers	1,305	-	-	-
Other long-term and short-term payables and liabilities	299	-	-	-
Total	**3,204**	-	**-**	**-**

6. Financial instruments and risk management (continued)

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.

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

Credit risk is a risk that he 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:

	2023	2022
Client A	5,666	3,683
Client B	446	1,406
Others	163	292
Impairment	(47)	(110)
Total	**6,228**	**5,271**

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 2023 by separate external customers:

6. Financial instruments and risk management (continued)

	Initial value	Expected credit losses, %	Impairment	Carrying amount
Low risk	6,111	0.0002%	(1)	6,110
Fair risk	8	0.0%	0	8
Increased risk	90	0.0%	0	90
High risk	66	75.0%	(46)	20
Total	**6,275**		**(47)**	**6,228**

The Company's exposure to credit risk and ECLs for trade receivables as at 31 December 2022 by separate external customers:

	Initial value	Expected credit losses, %	Impairment	Carrying amount
Low risk	5,235	0.0002%	(1)	5,234
Fair risk	0	0.0%	0	0
Increased risk	0	0.0%	0	0
High risk	146	75.0%	(109)	37
Total	**5,381**		**(110)**	**5,271**

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.

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

	Expected credit losses, %	Initial value	Impairment	Carrying amount
Not past due	0.0002%	6,111	(1)	6,110
Past due for 1 to 30 days	0.0%	8	-	8
Past due for 31 to 60 days	0.0%	-	-	-
Past due for 61 to 120 days	0.00%	90	-	90
Past due for over 120 days	75.0%	66	(46)	20
Total		**6,275**	**(47)**	**6,228**

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:

	2023	2022
Balance at the beginning of the period	(110)	(100)
Change in impairment of trade receivables	63	(10)
Balance at the end of the period	**(47)**	**(110)**

6. Financial instruments and risk management (continued)

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

As at 31 December 2023, 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.

	31/12/2023	31/12/2022
Debt ratio, %	0.14	0.16
Long-term debt ratio, %	0.006	0.02
Short-term debt ratio, %	7.46	14.6
Asset structure ratio, %	37.3	30.8
Debt-to-equity (leverage) ratio, %	14.2	19
Critical liquidity ratio, times	2.47	1.37
Basic liquidity ratio, times	2.8	6.87

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	310	310	179	131	-
Trade payables	991	991	991	-	-
Payables to related parties	312	312	312	-	-
Other non-current and current payables and liabilities	299	299	299	-	-
Total	**1,912**	**1,912**	**1,781**	**131**	**-**

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, 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.

6. Financial instruments and risk management (continued)

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 2023 and 2022, 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 2023 and 2022, 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. Given the situation in the inter-bank interest rate market, the Company has not entered into any financial instrument transactions during the period 2023 and 2022 to manage the risk of interest rate fluctuations.

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 2023 and 2022, 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
Acquisition cost		
31 December 2021	**67**	**67**
- acquisitions	-	-
- received from company group	-	-
- assets sold, written off, disposed	-	-
- reclassifications	-	-
31 December 2022	**67**	**67**
- acquisitions	16	16
- sales, disposals, write-offs	(33)	(33)
- reclassifications	-	-
31 December 2023	**50**	**50**
Accumulated depreciation and impairment losses		
31 December 2021	**56**	**56**
- amortisation	4	4
- impairment during the year	-	-
- assets sold, written off, disposed	-	-
- received from company group (+)	-	-
- reclassifications	-	-
31 December 2022	**60**	**60**
- amortisation	4	4
- impairment during the year		
- assets sold, written off, disposed	(33)	(33)
- sales, disposals, write-offs		
- received from company group (+)	-	-
- reclassifications	-	-
31 December 2023	**31**	**31**
Carrying amount		
31 December 2021	**11**	**11**
31 December 2022	**7**	**7**
31 December 2023	**19**	**19**

The Company does not have internally generated intangible assets.

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

	31/12/2023	31/12/2022
Software	34	56
Total	**34**	**56**

Amortisation costs of the Company's intangible assets which amounted to EUR 4 thousand in 2023 (in 2022 – EUR 4 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 34 thousand (in 2022 – EUR 56 thousand). The major part of amortised assets comprised of software.

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
Acquisition cost							
31 December 2021	**5,246**	**25,502**	**1,088**	**8,084**	**772**	**57**	**40,749**
- acquisitions during the year, reclassifications from current assets		217	-	5	1	16	239
- assets sold, written off, disposed, reclassified to current assets	-	(556)	(185)	-	(32)	-	(773)
- received from group companies (+)	-	-	-	-	-	-	-
- reclassifications	-	46	-	-		(46)	-
31 December 2022	**5,246**	**25,209**	**903**	**8,089**	**741**	**27**	**40,215**
- acquisitions per year	-	240	-	2	38	646	926
- reclassifications from current assets	-		-	-		-	
- sold, written off, disposed	(9)	(2,173)	(248)	(681)	(39)	-	(3,150)
- transferred to current assets	-	(2,449)	-	(221)	-	-	(2,670)
- reclassifications	-	106	-	-	-	(106)	-
31 December 2023	**5,237**	**20,933**	**655**	**7,189**	**740**	**567**	**35,321**
Accumulated depreciation and impairment losses							
31 December 2021	**1,847**	**10,627**	**974**	**3,113**	**544**	**-**	**17,105**
- depreciation	200	1,417	38	323	26	-	2,004
- impairment during the year	-		-	-		-	
- assets sold, written off, disposed, reclassified to current assets	-	(552)	(184)	-	(13)	-	(749)
- received from group companies (merger)(+)	-	-	-	-	-	-	-
- reclassifications	-	-	-	-	-	-	-
31 December 2022	**2,047**	**11,492**	**828**	**3,436**	**557**	**-**	**18,360**
- depreciation	196	1,208	33	281	19	-	1,737
- impairment during the year	-	-	-	-	-	-	-
- sold, written off, disposed	(2)	(1,003)	(241)	(413)	(32)	-	(1,691)
- transferred to current assets	-	(1,654)	-	(142)	-	-	(1,796)
- reclassifications	-	-	-	-	-	-	-
31 December 2023	**2,241**	**10,043**	**620**	**3,162**	**544**	**-**	**16,610**
Carrying amount							
31 December 2021	**3,399**	**14,875**	**114**	**4,971**	**228**	**57**	**23,644**
31 December 2022	**3,199**	**13,717**	**75**	**4,653**	**184**	**27**	**21,855**
31 December 2023	**2,996**	**10,890**	**35**	**4,027**	**196**	**567**	**18,711**

8.Property, plant and equipment (cont'd)

Depreciation costs, included in the statement of profit or loss and other comprehensive income of the Company, amounted to EUR 1,737 thousand, excluding depreciation costs of right-of-use assets (in 2022 – EUR 244 thousand). The value of acquired assets amounted to EUR 624 thousand.

As at 31 December 2023, the cost of depot repairs of rolling stock amounted to EUR 302 thousand and was accounted for as construction in progress and prepayments in the statement of financial position.

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

	31/12/2023	31/12/2022
Buildings and structures	565	565
Machinery and equipment	1,128	1,108
Road vehicles	233	234
Railway rolling stocks	1,195	1,382
Other equipment, fittings and tools	679	664
Total	**3,800**	**3,953**

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

In 2023, 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:

- The cash flows are assessed for a period of 6 years up to and including 2029, after which continuous growth is assessed (continuing period);
- The calculation uses data from the Company's approved strategy. The Rail Baltica project is expected to grow the market for the repair and maintenance of the 1435 mm track, which is not considered in the Company's strategy. Taking into account the market growth in Lithuania, the Company's revenue will continue to grow in the continuing period, while maintaining the same EBITDA margin;
- The projected long-term growth rate is 2%;
- The calculation of the asset's recoverable amount uses a weighted average pre-tax cost of capital (pre-tax rate) of 10.72%;
- Depreciation of the continuing period is equal to the investments, taking into account that the Company must maintain the level of assets available to generate cash flows by renewing them accordingly;

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

- If WACC increased by 1%, the recoverable amount would decrease by 14% and would pose the risk of impairment;
- If WACC decreased by 1%, the recoverable amount would increase by 18%;
- If growth rate increased by 1%, the recoverable amount would increase by 10%;
- If growth rate decreased by 1%, the recoverable amount would decrease by 8% and would pose the risk of impairment.

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
Acquisition cost			
31 December 2021	**104**	**791**	**895**
- acquisitions during the year	-	369	369
- derecognition during the year	(43)	(93)	**(136)**
31 December 2022	**61**	**1,067**	**1,128**
- acquisitions per year		113	**113**
- derecognition during the year	-	(517)	**(517)**
31 December 2023	**61**	**663**	**724**
Accumulated depreciation and impairment losses			
31 December 2021	**38**	**472**	**510**
- depreciation	25	263	**288**
- derecognition	(5)	(93)	**(98)**
- impairment	-	-	**-**
31 December 2022	**58**	**642**	**700**
- depreciation	3	241	**244**
- derecognition		(509)	**(509)**
- impairment		-	
31 December 2023	**61**	**374**	**435**
Carrying amount			
31 December 2021	**66**	**319**	**385**
31 December 2022	**3**	**425**	**428**
31 December 2023	**-**	**289**	**289**

As at the reporting date, the Company has concluded contracts for the lease of real estate (premises, areas) and vehicles. 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. Inventories

	31/12/2023	31/12/2022
Materials	245	481
Materials of track superstructures	745	1,154
Spare parts	596	577
Fuel	36	50
Work clothing	17	14
Inventory	18	24
Greases	21	12
Less: decrease in realisable value (-)	(312)	(262)
Total raw materials, materials and component parts	**1,366**	**2,050**
Goods for resale	-	-
Less: decrease in realisable value (-)	-	-
Total goods for resale	**-**	**-**
IT assets held for sale	**669**	**-**
Total	**2,035**	**2,050**

The carrying amount of the Company's inventories before adjustment of the net realisable value as at 31 December 2023 amounted to EUR 1,678 thousand (as at 31 December 2022: EUR 2,312 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.

11. Prepayments

Prepayments of the Company comprised:

	31/12/2023	31/12/2022
Prepayments	6	6
Deferred costs	2	2
Total	**8**	**8**

12. Assets arising from contracts with customers

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

	31/12/2023	31/12/2022
Guaranties paid to suppliers	19	18
Accrued income	-	876
Total	**19**	**894**

13. Trade receivables

The Company's trade and other receivables consisted of:

	31/12/2023	31/12/2022
Trade receivables	609	1,698
Receivables from related parties	5,666	3,683
Impairment of receivable debts (-)	(47)	(110)
Total trade receivables:	**6,228**	**5,271**

14. Other receivables

Other receivables consisted of:

	31/12/2023	31/12/2022
Recoverable VAT	-	74
Other receivables from the budget	43	57
Total	**43**	**131**

15. Cash and cash equivalents

The Company's cash and cash equivalents consisted of:

	31/12/2023	31/12/2022
Cash in bank	3,657	62
Cash in transit	-	-
Total	**3,657**	**62**

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

16. 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 as at 31 December 2022	30,897	109,748
Increased	-	-
Decreased	-	-
Number of shares as at 31 December 2023	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)	-	-
Total	**30,897**	**109,748**

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 amount of the share capital in value terms was EUR 30,897 thousand.

17. 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 2023, the Company did not have other reserves.

Allocation of the Company's profit of 2022 was approved by the Shareholder's decision No **97-A-16/23** dated 16 March 2023. Legal and other reserves were not formed.

18. Loans and other financial debts

	31/12/2023	31/12/2022
Loans and other financial debts	-	1,171
Financial debts	**-**	**1,171**

As at 31 December 2023, the Company had no financial debts.

Movement of financial debts:

	2023	2022
Balance at the beginning of the year	1,171	23
Received	12,472	13,172
Repaid	(13,643)	(12,024)
Balance at the end of the year	**-**	**1,171**

During 2023, the Company repaid EUR 13,643 thousand of financial debts and paid EUR 227 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 2023, the Company had no liabilities under this agreement.

19. Lease liabilities

The Company's lease liabilities comprised the following:

	31/12/2023	31/12/2022
Non-current	128	211
Current	169	231
Lease liabilities	**297**	**442**

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 2023 and 2022.

20. Provisions

The Company's provisions consisted of:

	31/12/2023	31/12/2022
Non-current provisions	48	66
Current provisions	298	293
Total	**346**	**359**

Movement of provisions:

	31/12/2023	31/12/2022
Provisions		
Balance at the beginning of the period	359	385
Increase (formed)	-	-
Decreased (used)	(13)	(26)
Balance at the end of the period	**346**	**359**

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. With the adoption of a new collective agreement in 2023, jubilee payments were annulled.

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

	31/12/2023	31/12/2022
Discount rate	3.374%	3.54%
Employee turnover rate	27.61%	25.41%
Annual salary increase	5.0%	5.0%

21. Employment related liabilities

Current employee benefits by type:

	31/12/2023	31/12/2022
Vacation accruals	389	445
Payable remuneration	-	-
Payable personal income tax contributions	-	-
Payable social insurance contributions	174	141
Accrued portion of variable remuneration	256	228
Total	**819**	**814**

22. Liabilities arising from contracts with customers

As at 31 December 2023, liabilities arising from contracts with customers consisted of:

	31/12/2023	31/12/2022
Accrued income	1,305	680
Prepayments received	1	8
Total	**1,306**	**688**

In 2023, prepayments received by the Company consisted of advances paid for project implementation.

23. Trade and other payables

Trade and other payables consisted of:

	31/12/2023	31/12/2022
Financial guarantees received	-	1
Other charges payable to the budget	130	6
Trade union membership fee	1	1
Trade payables	991	825
Payables to related parties	312	192
Accrued costs	187	671
Other payables and non-current liabilities	3	2
Total	**1,624**	**1,698**

24. Sales revenue

Revenue comprised:

	2023	2022
Revenue arising from contracts with customers	24,176	19,909
Other income	64	164
Total	**24,240**	**20,073**

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:

	2023	2022
Construction and repair of railways	19,043	11,218
Maintenance of railway track and structures	2,755	2,264
Construction, reconstruction and repair of other structures	1,266	5,427
Lease of plant and machinery	550	588
Construction and repair of signalling, automation and electrification	317	25
Designing works	57	208
Other works (snow removal, sales of current assets, etc.)	188	179
Total	**24,176**	**19,909**

Sales according to the customer group:

	2023	2022
LG and group companies	20,072	16,109
Other customers	4,104	3,800
Total	**24,176**	**19,909**

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

24. Sales revenue (continued)

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

	Total transaction price	2024	2025
Contracting works	42,077	2,318	0
Total	**42,077**	**2,318**	**0**

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	2023	2022
Revenue and profit (loss) recognised under ongoing contracts	(1,501)	(369)
The amount of invoices issued under ongoing contracts	19,279	14,762
Total	**17,778**	**14,393**

As at the end of 2023, there were 12 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 39,759 thousand.

As at the end of 2022, there were 17 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 35,200 thousand.

25. Result from financing activities

Financing activity results of the Company consisted of:

	2023	2022
Total finance income	**20**	**4**
Penalties and default interest for overdue trade receivables	11	4
Interest	9	-
Total finance costs	**(559)**	**(218)**
Interest	(246)	(110)
Interest on lease liability	(13)	(21)
Fines, penalties, delay interest	(296)	(87)
Currency exchange loss	(4)	-
Result from financing activities	**(539)**	**(214)**

26. Corporate income tax and deferred tax

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

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

	2023	2022
Profit (loss) before tax	1,083	(4,652)
Corporate income tax at a statutory tax rate	162	(698)
Non-deductible expenses	173	7
Non-taxable income	(2)	(1)
Income tax incentive used	(37)	-
Deferred tax assets not recognised in previous years	(941)	941
Income tax adjustment of the previous year	-	-
Total income tax expenses (income) recognised in profit or loss Total	**(645)**	**249**
Effective rate	59.5%	15.13%

	31/12/2023	31/12/2022
Corporate income tax of the reporting year	91	-
Income tax adjustment of the previous year	-	-
Deferred tax expenses (income)	(736)	249
Total income tax expenses (income) recognised in profit or loss Total	**(645)**	**249**

26. Corporate income and deferred tax (continued)

During 2023, 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:

	31/12/2023	31/12/2022
Deferred tax asset before realisation valuation	**1,134**	**1,339**
Realisation valuation	**-**	**(941)**
Deferred tax asset, net value	**1,134**	**398**
Components of deferred tax are given below:		
Deferred tax asset:		
Impairment of amounts receivable and write-off of bad debts	7	17
Accrued income	-	-
Impairment of inventories	47	39
Vacation accruals	1	1
Pension accruals	7	10
Warranty repair provisions	45	44
Bonuses	38	34
Other provisions	28	101
Tax loss carry-forward	784	1,142
Valuation of non-current assets (increase and decrease in value) and differences in depreciation rates	(20)	-
Other temporary differences	197	(49)
Deferred tax asset before realisation valuation	**1,134**	**1,339**
Realisation valuation	**-**	**(941)**
Deferred tax asset after realisation valuation	**1,134**	**398**
Deferred tax liability:		
Difference in the tax value of non-current assets	-	-
Deferred income tax liability		
Deferred income tax asset, net value	**1,134**	**398**

As at 31 December 2023, deferred tax asset was calculated applying a 15% tax rate and amounted to EUR 1,134 thousand.

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.

27. Related party transactions

Parties are considered to be related when one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Company's related parties and transactions with them in 2023 and 2022 were as follows:

31/12/2023	Purchases	Sales	Receivables	Payables
AB Lietuvos geležinkeliai	1,751	-	-	187
AB LTG Infra	623	20,064	5,666	77
AB LG Cargo	1,558	-	-	15
UAB LTG Link	76	-	-	1
UAB Gelsauga	-	-	-	-
UAB Saugos paslaugos	-	-	-	-
UAB Vilniaus lokomotyvų remonto depas	-	-	-	-
UAB voestalpine Railway Systems Lietuva	394	7	-	32
	4,402	**20,071**	**5,666**	**312**

31/12/2022	Purchases	Sales	Receivables	Payables
AB Lietuvos geležinkeliai	1,121	-	-	59
AB LTG Infra	610	16,109	3,683	55
AB LG Cargo	1,651	-	-	39
UAB LTG Link	45	-	-	1,179
UAB Gelsauga	-	-	-	-
UAB Saugos paslaugos	-	-	-	-
UAB Vilniaus lokomotyvų remonto depas	-	-	-	-
UAB voestalpine Railway Systems Lietuva	89	-	-	31
	3,516	**16,109**	**3,683**	**1,363**

Remuneration to management and other benefits

As at 31 December 2023, there were 6 executives; i.e. 1 Chief Executive Officer, 1 Head of Corporate Operations, 1 Head of Production, 1 Head of Contracting Sales, 1 Head of Business Development, 1 Head of Project Management and Engineering.

	31/12/2023	31/12/2022
Remuneration employment related remunerations except for employer's social insurance contributions	546	405
Remuneration to other related parties	-	-
Number of management personnel	6	5

During 2023 and 2022, no loans, guarantees, or other disbursements or accruals or disposals of assets were made to the Company's management, except for those disclosed above.

28. Off-balance liabilities, contingent assets and liabilities

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

As at 31 December 2023, the Company had issued guarantees for the amount of EUR 6,161 thousand, including guarantees of the performance of contracts and guarantees for liabilities of the warranty period.

29. Events after the reporting period

Until the approval date of the financial statements, there were no other post-balance events which could significantly affect the Company's financial statements.

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GUSTAS,STANIUKAITIS
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