AB LIETUVOS GELEŽINKELIAI INTERIM REPORT

FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2019

Contents

ABBREVIATIONS:

LG, Lietuvos Geležinkeliai or the Company – AB Lietuvos Geležinkeliai
Group, Group of companies – AB Lietuvos Geležinkeliai and its subsidiaries
GOV – Government of the Republic of Lithuania
EU – the European Union

The annual and interim reports and financial statements are publicly available on the website http://www.litrail.lt.

CEO Foreword

Dear partners, employees, customers,

I am pleased to present to you the positive results of the first year-half 2019. Lietuvos Geležinkeliai, the largest railway group in the Baltics continues its journey on the growth path, recording positive performance along the way. The period certainly brought its challenges, but our team of nearly ten thousand people handled them perfectly. The market is changing and so are we.

Freight business, which earns the most revenue, has been able to adapt to changing market conditions and ended the first half with positive results. Passenger transportation continues to grow and the Infrastructure Management Directorate increased its investment in upgrading and developing the railway network at the beginning of the year. Two projects of strategic significance were launched as well.

The Group's profit amounted to EUR 29.5 million with the sale revenue increase by two and half percent to EUR 228.9 million which is EUR 5.7 more compared with the same period last year. Taking into account the subsidy on passenger services and the impact of other one-off factors, Lietuvos Geležinkeliai managed to maintain the profit of the first half of this year at a similar level as last year.

In freight transportation we are witnessing strong competition across the region. Yet, by diversifying our business operations, looking for new market opportunities, we succeed in staying competitive and being able to offer the best business solutions. Freight transportation revenue, compared with the same period last year changed insignificantly and amounted to EUR 200.4 million. The lower volume of transit shipments was compensated by the increasing volume of domestic transportation - the flow of oil products, fertilizers and mineral products increased.

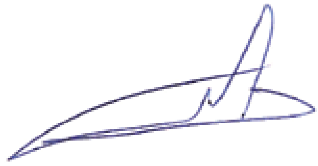
The Freight Directorate, which on May 1 was taken over by the newly established public limited liability company LG CARGO, carried 26.9 million tons of cargo in the first six months - just 300 thousand tons less than in the same period last year. The results, when compared with the results of other companies in the region, show that the company 's direction to expand the range of customers and freight is yielding results.

The passenger transportation team demonstrates excellent business performance and offers comfortable travel solutions to satisfy a variety of needs. In the first half-year 2.8 million passengers made a train their preferred choice which is 15 percent or 361 thousand more than during the same period last year. The Passenger Transportation Directorate succeeded in delivering these results while increasing operational efficiency, with revenue growth of 9 percent, while keeping costs at the same level as a year ago. Vilnius-Kaunas remains the most popular route of Lietuvos Geležinkeliai, with 725 thousand passengers or 3.3 percent more than last year. The highest growth was recorded on the Vilnius - Airport - Jašiūnai and Kaunas - Kazlų Rūda - Marijampolė routes. Passenger flow increased by 52 percent and 49 percent, respectively, compared to the same period last year.

During the first six months of this year, the Railway Infrastructure Directorate has significantly increased its investment in infrastructure renewal and development. Compared to the same period last year, this indicator grew by 68.5 percent. EUR 11 million investments were made to the rail track upgrade, EUR 10 million to the Rail Baltica project.

The total investments of the Group increased by 32 percent this year.

This year the Lietuvos Geležinkeliai Group is implementing an operational efficiency program, which separates the main activities of the Company into independent companies: Freight Transportation Directorate's operations were taken over by AB LG CARGO, Passenger Transportation Directorate's by UAB LG Keleiviams. The latter started its independent operation on September 1. In December the Infrastructure management activities will be transferred to a newly established undertaking Lietuvos Geležinkelių Infrastuktūra. These companies are managed by Lietuvos Geležinkeliai. The shares of the latter will be further held by the Ministry of Transport and Communications.

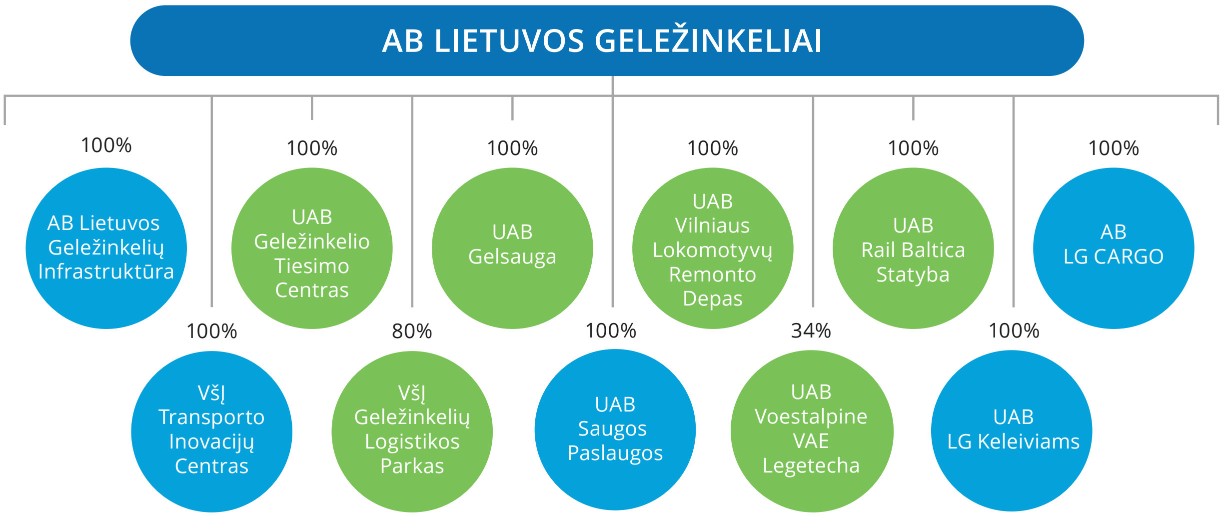


MANTAS BARTUŠKA

CEO
AB Lietuvos Geležinkeliai

About the Group and the Company

Group structure



Newly established legal entities:
AB LG CARGO – 28 December 2018;
VšĮ Transporto Inovacijų Centras – 08 February 2019;
UAB LG Keleiviams – 28 February 2019;
UAB Saugos Paslaugos – 10 June 2019;
AB Lietuvos Geležinkelių Infrastruktūra – 01 July 2019.

Information about shares as of 30 june 2019

Company	A share held by the Company, %	Number of shares, units	Nominal value per share, EUR	Core business
Parent Company				
AB Lietuvos Geležinkeliai		3,655,247	289.62	Increasing the Group's business value and efficiency of railway transport operations by ensuring the effective management, maintenance, renovation and development of the public rail infrastructure and effective provision of rail transport and related public services
Subsidiaries				
AB LG CARGO	100	103,585	289.62	Provision of rail freight transport services
AB Lietuvos Geležinkelių Infrastruktūra*	100	150	1,000	Railway infrastructure management and implementation of the functions of manager of the public rail infrastructure
UAB LG Keleiviams	100	150	1,000	Provision of rail passenger services
UAB Vilniaus Lokomotyvų Remonto Depas	100	65,663	289.62	Repair and manufacture of railway rolling stock
UAB Geležinkelio Tiesimo Centras	100	109,748	289.62	Repair and construction of railway infrastructure tracks
UAB Gelsauga	100	14,471	289.62	Provision of security services, maintenance of cleaning facilities
UAB Saugos Paslaugos	100	1,566	289.62	Installation, maintenance and repair services of physical and electronic security and technical security equipment
UAB Rail Baltica Statyba	100	121,247	28.96	Implementation of the functions of shareholder of the Joint Venture of the Baltic States, RB RAIL AS supervising the project "Rail Baltica 2"
Associated Company				
UAB Voestalpine VAE Legetecha	34	25,734	28.96	Manufacture of railway switches

* authorized capital of AB Lietuvos Geležinkelių Infrastruktūra was registered on 01 July 2019.

About the Group and the Company

As of 30 06 2019 the sole shareholder of AB Lietuvos Geležinkeliai was the State of Lithuania represented by the Ministry of Transport And Communications of The Republic of Lithuania.

The Company and its subsidiaries did not acquire their own shares during the reporting period.

The subsidiaries and associated company did not acquire any shares of the Company during the reporting period.

LG also participates in the activities of VšĮ Transporto Inovacijų Centras and VšĮ Geležinkelių Logistikos Parkas. LG's holdings in these companies as of 30 June 2019 were 100 percent and 79.61 percent, respectively. In November 2018, the Association of Lithuanian Railway Undertakings was established to represent the rights of the employers in the context of social partnership. Association members include AB Lietuvos Geležinkeliai, AB LG CARGO, UAB Vilniaus Lokomotyvų Remonto Depas, UAB Geležinkelio Tiesimo Centras, UAB Rail Baltica Statyba. Other subsidiaries, UAB LG Keleiviams and AB Lietuvos Geležinkelių Infrastruktūra will be joining the Association by the end of the year.

Corporate Governance

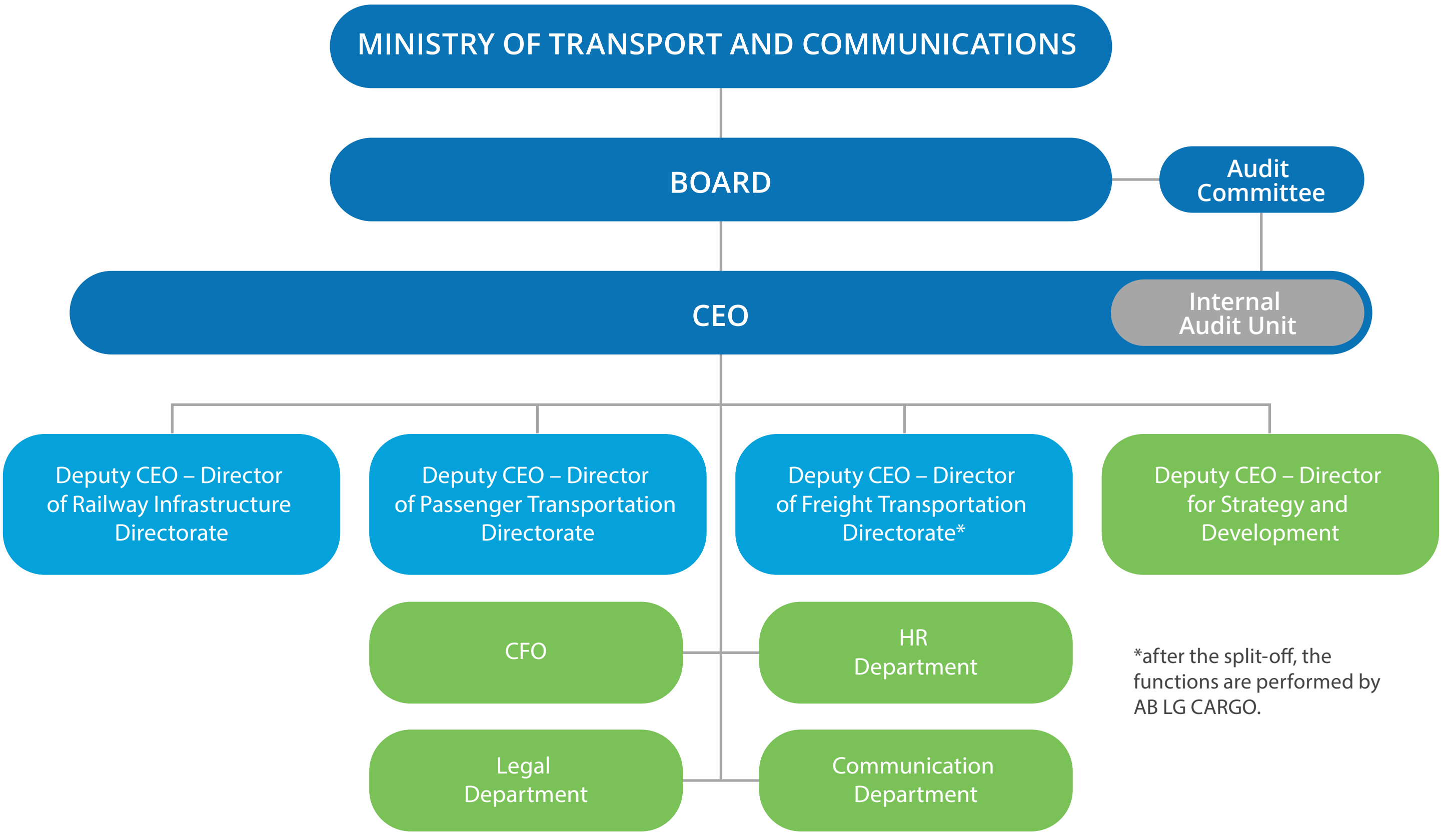
The State of Lithuania is the sole shareholder of AB Lietuvos Geležinkeliai. The rights and duties of the shareholder are performed by the Ministry of Transport And Communications of The Republic of Lithuania which takes the main decisions with regard to the business activities and ownership of LG.

In view of the EU regulatory framework for railway transport, in 2018 LG has launched a transformation of its operations and governance one of the goals of which is to increase operational efficiency and improve corporate governance. Transformation period is aimed at introducing a single progressive corporate governance model and improve corporate governance.

Corporate Governance of the Group is organized in accordance with the legislation of the Republic of Lithuania regulating the management of companies, including the state-owned enterprises, EU legal framework, and is based on the good governance practices outlined in the OECD Guidelines on Corporate Governance of State-Owned Enterprises and the OECD Principles of Corporate Governance, documents of the Baltic Institute of Corporate Governance defining the good practices and principles of corporate governance as well as the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius.

Corporate governance and organisational structure

The corporate governance and organisational structure ensures adequate representation of the shareholder, compatibility of interests of stakeholders, segregation and identification of cross-functions of other structural units as well as implementation of governance and control functions. Efficient and well balanced governance and organisational structure sets out stable, clear and comprehensible corporate relations.



*after the split-off, the functions are performed by AB LG CARGO.

Corporate governance bodies

The General Meeting of Shareholders is the supreme governing body of the Company. The rights and duties of the shareholder are performed by the Ministry of Transport And Communications of the Republic of Lithuania which takes the main decisions with regard to defining the strategic strands, implementation of ownership rights and duties, other issues concerning governance and business activities.

The Board is a collegial governance body consisting of 7 members, 5 of which are independent members as provided for in the Procedure for Selection of Candidates to the Board of the State-Owned or Municipal Enterprise and Candidates to the Collegial Supervising or Governance Body Appointed by the General Meeting of the State-Owned or Municipal Enterprise approved by GOV Resolution No. 631 of 17 June 2015. Members of the Board shall be elected by the general shareholder meeting for a term of 4 years. The Chairman of the Board shall be elected from the Board members. Members may be elected for an unlimited number of terms. The competence areas of the Board are defined in the Law on Companies of the Republic of Lithuania and the Articles of Association of the Company (available at http://www.litrail.lt, web page section Corporate Governance).

Board of the company:

- proves the strategy of the LG group of companies, sets long-term goals and performance indicators,
- adopts strategic decisions,
- is responsible for organisational and systemic development of the LG group of companies,
- monitors and controls top-priority projects,
- reviews consolidated, and annual and interim financial statements of the Company.

Corporate Governance

On 14 December 2016 the General Meeting elected new members of the Board for a term of four years. The terms of office of the Board will expire on 14 December 2020. In H1 2019 the Board held 9 Board Meetings.

Not a single Board member is connected to AB Lietuvos Geležinkeliai or LG group of companies through participation.

AB Lietuvos Geležinkeliai is managed by the CEO, who is the sole executive body of the Company. The CEO is also a member of the LG Board. LG Board is responsible for appointing the CEO. The CEO of LG was appointed on 16 December 2016. Pursuant to Article 37^1 of the Law on Companies, the CEO's first term of office commenced on 01 January 2018. The competence areas of the CEO are defined in the Articles of Association of the Company (available at http://www.litrail.lt, web page section Corporate Governance).

THE BOARD

- Chairperson of the Board, Independent Board Member

Appointed on 14 December 2016.

ROMAS ŠVEDAS

EDUCATION

- Vilnius University, Faculty of Law,
- "Political Democracy", University of Umea (Sweden),
- "Foreign Trade Policy", World Trade Organization (Geneva, Switzerland) and International Law Institute (Washington D.C., USA),
- "Board Member and the Chairman of the Board Studies", Baltic Institute of Corporate Governance.

EMPLOYER, POSITION

- Member of the Heat Council under the Ministry of Energy of the Republic of Lithuania,
- Member, Chairman of the Espo Convention Implementation Committee of the UN Economic Commission for Europe,
- Member of the Supervisory Board of RB Rail AS,
- Professor in partnership at the Vilnius University Institute of International Relations and Political Science,
- Head of MB Romas Švedas ir Partneriai,
- Independent expert.

MONIKA RIMKŪNAITĖ–BLOŽĖ

EDUCATION

- Master of International Business, Vilnius University, International Business School,
- European Business Management School, University of Wales, Swansea,
- Bachelor of Finance, Faculty of Economics, Vilnius University.

EMPLOYER, POSITION

- UAB Mobilieji Mokėjimai, CEO, A. Tumėno g. 4, LT-01109 Vilnius.

- Independent Board Member

Appointed on 14 December 2016.

CHRISTIAN KUHN

EDUCATION

- Veolia Cursus Dirigeants,
- Hanover University, Ph.D.,
- Darmstadt Technical University, Master's Degree in Engineering.

EMPLOYER, POSITION

- Chairman of the Board of the Kazakhstan railway company Kazakhstan Temir Zholy (KTZ),
- Member of the Supervisory Board of the Ukrainian railway undertaking Ukrzaliznytsia,
- Independent consultant for rail and logistics companies.

- Independent Board Member

Appointed on 26 February 2018.

- Independent Board Member

Appointed on 26 February 2018.

ALDITAS SAULIUS

EDUCATION

- Joint Vienna Institute, Comprehensive Course in Applied Market Economics,
- Vilnius University, International Business School, together with New York St. John's University,
- Vilnius University, Faculty of Physics.

EMPLOYER, POSITION

- Member of the Board of UAB Investicijų Ir Verslo Garantijos,
- Member of the Board of VĮ Valstybinių Miškų Urėdija (state forest enterprise),
- Consultant in the field of corporate and finance/risk management.

- Independent Board Member

Appointed on 14 December 2016.

ROLANDAS ZUKAS

EDUCATION

- "Board Member Studies", Baltic Institute of Corporate Governance,
- ISM, Executive MBA,
- VGTU, Transport Engineering Economics and Management.

EMPLOYER, POSITION

- UAB EPSO-G, CEO, A. Juozapavičiaus g. 13, LT-09311 Vilnius.

- Board Member
- Term of Office

14 December 2016 – 09 August 2019*

MANTAS BARTUŠKA

EDUCATION

- Cambridge Judge and Business School, Cambridge, UK: Executive Advanced Leadership Program (Leadership studies),
- "Board Member Studies", Baltic Institute of Corporate Governance,
- Southern Denmark University, Denmark: Bachelor of Management and Business Administration,
- Vilnius University: Bachelor in Management and Business Administration.

EMPLOYER, POSITION

- AB Lietuvos Geležinkeliai, CEO,
- Member of the Board of AB Klaipėdos Nafta.

- Board Member

Appointed on 10 October 2017.

VLADISLAV KONDRATOVIČ

EDUCATION

- Vilnius Gediminas Technical University, Faculty of Business Management.

EMPLOYER, POSITION

- Director of the Road Transport and Civil Aviation Policy Department of the Ministry of Transport and Communications of the Republic of Lithuania, Gedimino pr. 17, LT-01505 Vilnius.

*On 09 August 2019 a new independent member, Mats Hanson, joined the Company's Board. He is to replace the Company's CEO Mantas Bartuška on the Board.

Chief executive officer is responsible for:

- organization of business activities, achievement of performance and achievement of set goals,
- drafting of consolidated, and annual and interim financial statements of the Company.

LG Board members and CEO have submitted the declarations of private interests which are available at the website of the Chief Official Ethics Commission http://www.vtek.lt. During the reporting period, there were no conflicts of interest between LG Board members, the CEO, senior management and LG.

Executives of the company

MANTAS BARTUŠKA	CEO	Appointed on 16 December 2016.
EGIDIJUS LAZAUSKAS	CEO of AB LG CARGO	Appointed on 01 May 2019. From 17 January 2017 to 01 May 2019 he was Deputy CEO of the Company - Director of Freight Transportation Directorate.
LINAS BAUŽYS	Deputy CEO, Director of Passenger Transportation Directorate CEO of UAB LG Keleiviams	Deputy CEO of the Company - Director of Passenger Transportation Directorate since 06 March 2017. Appointed CEO of UAB LG Keleiviams on 25 February 2019.
KAROLIS SANKOVSKI	Deputy CEO, Director of Railway Infrastructure Directorate CEO of AB Lietuvos Geležinkelių Infrastruktūra	Deputy CEO of the Company - Director of Railway Infrastructure Directorate since 22 August 2017. Appointed CEO of AB Lietuvos Geležinkelių Infrastruktūra on 01 July 2019.
ADAMAS ILKEVIČIUS	Deputy CEO, Director for Strategy and Development	Appointed on 29 January 2018.
ANDREJ KOSIAKOV	Chief Financial Officer	Appointed on 02 October 2017.
ODETA TRUČINSKAITĖ-ŠIUŠIENĖ	Head of the Legal Department	Appointed on 28 August 2017.
IRENA JANKUTĖ-BALKŪNĖ	Chief Human Resources Officer	Appointed on 10 July 2017.
MANTAS DUBAUSKAS	Chief Communications Officer	Appointed on 08 February 2017.

Strategy

In response to geo-economic changes in the transport services market, which in turn change the directions of the exchange of goods and the passenger movement flows, AB Lietuvos Geležinkeliai, in the long-term perspective, has set itself the vision of becoming a leader in mobility and logistics of Eastern Europe. EU railway transport sector reform and development, obligations prescribed for the company by the legal acts of the Republic of Lithuania, the transport policy of the CIS countries, new technologies and logistics solutions pose new challenges and at the same time provide with new opportunities which are being considered in implementation of the ambitious vision. LG is building its business activities on rational strategic planning and governance.

MISSION

We connect people and businesses for a better future

VISION

Mobility and logistics leader in Central and Eastern Europe

Long-term strategic planning

Starting from 2018 LG is planning its activities not only in the short-term but also in the long term perspective. **In April 2018 the Company adopted a long-term corporate strategy 2018-2030.** The long-term strategy covers all activities of the Lietuvos Geležinkeliai Group, i.e. freight and passenger transportation along with the related logistic services in the domestic and international markets, infrastructure management, delivery of top-priority investment projects and other most promising economic activities. The strategy defines the principles for setting long-term strategic goals along with the measures for implementation thereof. It also includes the performance indicators and financial forecast, indications of major risks and the directions for risk management.

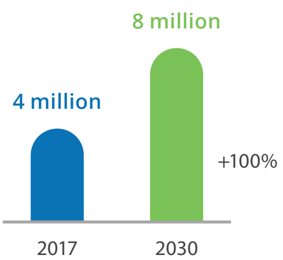
In order the strategic strands and goals of the long-term strategy addressed the specific activities of the LG Group of Companies, **long-term strategies of individual LG business units were drafted in the second half of 2018:**

- Long-term strategy of the Freight Transportation Directorate 2018-2030,
- Long-term strategy of the Passenger Transportation Directorate 2018-2030,
- Long-term strategy of the Railway Infrastructure Directorate 2018-2030,
- Long-term strategy of UAB Vilniaus Lokomotyvų Remonto Depas 2018-2030,
- Long-term strategy of UAB Geležinkelio Tiesimo Centras 2018-2030.

In the second year-half of 2019 there are plans on reviewing and updating the long-term strategic planning documents of the Group and separate business units.

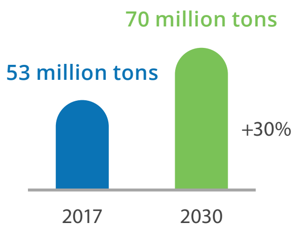
Goals and priorities set out in group strategy 2030

Passengers



LG for passengers
First choice for passengers and double number of passengers

Cargo

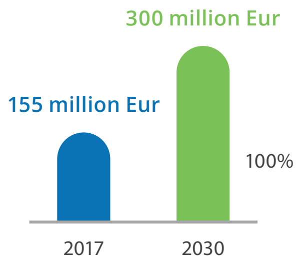


LG for business
A logistics service provider that meets the customers' needs in the region best

Speed

Infrastructure
Reliable and safe, speed up to 250 km/h

EBITDA



Efficiency
Double value of the Group

Short-term strategic planning

The above long-term strategies **served as a basis for setting-out the short-term strategy of LG Group of companies, i.e. LG Strategic Action Plan 2019–2022**. The purpose of LG Strategic Action Plan is to prevent the Group from deviating from its long-term goals and to ensure the long-term strategy is implemented with a top-quality approach by continuously responding to strategically important information.

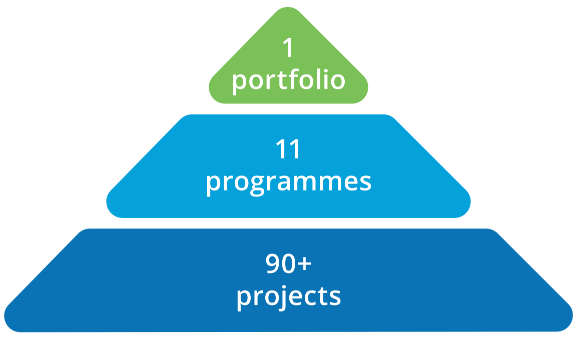
The relevance, proper time frames and quality of all strategic planning papers across LG group of companies are ensured with the help of **the strategic planning and governance model shaped in 2018** which encompasses the Strategic Planning and Governance Policy - a fundamental document defining the general principles and goals of strategic planning and management across the LG group of companies, as well as the processes and procedures for the strategic planning and governance.

In 2018 the Company developed the KPIs structure and performance management model aimed at ensuring the long-term and short-term strategic goals are delivered. These tools will facilitate regular measurement of group performance and pro-actively responding to KPI deviations from target values and ensuring performance efficiency.

In the second year-half of 2019 it is planned to update LG Strategic Action Plan 2020-2023.

Implementation of the strategic plan

The long-term goals (2030) of LG group and short-term strategic goals and tasks set-out in respect of the Company determined the **development of a strategic transformation portfolio in Q3 2018** that includes programs aimed at operational efficiency, passenger / freight transportation, business development, digitalisation, financial stability and corporate governance aspects.



Main Goals of the Programs within the Transformation Portfolio

1. **Auxiliary business development** - the goal is to increase the value of LG group of companies through the development of auxiliary / new businesses and entrance of the core business to the new markets in order to enhance the competitive edge across the region.
2. **Asset excellence** – the goal of the program is to maximise the efficient use of productive and non-productive assets.
3. **Cargo business optimisation.** The goal is to grow cargo volumes and revenue by improving the existing product package, customer service and partnerships.
4. **Corporate governance excellence.** The goal of the program is to ensure compliance with the requirements of EU and RoL legislations and to introduce a corporate governance model that is consistent with good business practices.
5. **Digital excellence.** The goal of the program is to improve operating efficiency through adapting IT architecture to the future needs of LG group, to create value added though transition to employing state-of-the-art technologies and altering the company's culture and perception of the employees.
6. **Employee excellence.** The goal of the program is to increase employee satisfaction by creating an appropriate organizational climate, career prospects, reward-dependent performance, and deploying digitalized resource management processes.
7. **Financial excellence.** The goal of the program is to streamline the management of financial resources by developing and implementing modern planning, treasury and accounting management models and processes.
8. **Passenger business development.** The goal of the program is to grow the number of passengers through introduction of integrated passenger transportation solutions and new services.

9. **Performance excellence.** The program aims at increasing operational efficiency through organisational and technological solutions.

10. **Supply chain excellence.** The goal of the program is to develop and implement the supply chain model which would allow for the more efficient management of supply processes.

11. **Infrastructure excellence.** The goal is to ensure the level of security required by legislation and to increase infrastructure capacity through organizational and technological solutions.

34 projects were initiated over the first year-half 2019. During the reporting period, the number of projects with planned activities increased from 39 to 72, with 5 completed projects. The results achieved through these projects contributed to the achievement of the LG Group's strategic goals. Formation and stabilization of the transformation portfolio were of major focus in H1 2019.

In January 2019 LG Board approved annual goals, indicators and their target values which are linked to the following strategic strands:

- Creating value to the shareholder (ROE; EBITDA, net profit);
- Leading freight carrier (cargo business revenue; amount of cargo transported);
- Preferred choice for passengers (passenger transportation revenue; number of transported passengers);
- Best-in-class infrastructure management (infrastructure costs per 1 km of track; train operational volume);
- Respectful and environment-conscious organisation, caring about the society and each other (number of accidents per 1 train km; assessment of the corporate reputation);
- Implementing LG's strategic investment projects and Transformation Portfolio programs.

In line with the LG Group Annual Goals, personal goals were set for all LG Group employees. In this way LG Group employees are involved in the process of implementing the Group strategy by linking achievement of goals to employee career and training plans, performance incentive pays and review of base salary.

Most Significant Events in H1 2019

JANUARY

- On **01 01 2019** LG Group concluded a branch collective agreement according to which all employees of the Group of companies are subject to the same conditions stipulated in the collective agreement. The branch agreement has provided employees with additional guarantees and benefits. The agreement was signed with the representative offices of the trade unions, the Federation of Trade Unions of Lithuanian Railway Employees and the Union of Trade Unions of Lithuanian Railway Employees. The agreement is valid for all companies of the Lietuvos Geležinkeliai Group which are the members of the Association of Lithuanian Railway Undertakings.
- On **02 01 2019** Tomas Radėnas was appointed the Head of the Internal Audit Unit.
- On **09 01 2019** LG signed an additional agreement with PKP Cargo, Poland's largest railway freight transport operator, on cooperation in transportation of freight in Poland and Lithuania. This additional agreement was a supplement to the agreement with this company signed in June of the previous year on possibility of transporting freight to Bialystok and Elk, towns located in the north-eastern Poland. This agreement is the first of a kind, where LG agrees on cooperation in transportation of freight in foreign markets. It is planned that LG will carry container freight, timber, oil and its products, fertilizers.

Most Significant Events in H1 2019

JANUARY

- On **16 01 2019** Karolis Sankovski was elected the Chairman of the Supervisory Board of RB Rail AS with the appointed deputies Riia Sillave and Edvins Berzinš.
- On **21 01 2019** LG initiated deployment of an Anti-bribery Management System ISO 37001 which will allow ensuring transparent management of all business areas within the Company. The standard was developed by the International Chamber of Commerce, EBPO, Transparency International and other organisations. It is widely used by the governments world-wide and major business corporations like Microsoft or Walmart.

FEBRUARY

- On **12 02 2019** LG Board approved purchase of a self-propelled diagnostic rolling stock aimed at collecting rail condition data 6 different methods. the Company will be able to plan and carry out rail maintenance and repairs more efficiently, and speed limits will be reduced. Early detection of defects, monitoring and timely repair would save over EUR 650 thousand annually. In addition, a possibility of early detection would be an adequate pre-condition for preventive track maintenance without having to reduce speed limits of the rolling stock.
- On **19 02 2019** at the initiative of the Ministry of Transport and Communications the subordinate companies established VšĮ Transporto Inovacijų Centras, an institution aimed at promoting innovations in the transport sector. It is projected that experts of the transport sector companies will be engaged in activities of VšĮ Transporto Inovacijų Centras, they will also search for solutions to problematic issues, share innovative solutions, set up Sandbox platform aimed at testing and developing technologies, organise workshops and promote synergy within the sector, draft investment projects.
- On **21 02 2019** the Vilnius Regional Council approved the project (Vilnius Connect) for the modernization of the territory of Vilnius railway station, which was granted the status of a project of regional importance. During the implementation of this project it is planned to modernize the territory of Vilnius Railway Station and establish a multifunctional business, mobility and recreational centre which will add to shaping and promoting a new image of the modern and active Vilnius gate.
- On **28 02 2019** a new undertaking UAB LG Keleiviams was registered in the Register of Legal Entities. This company will gradually take-over the Passenger Transportation Directorate's business activities.

Most Significant Events in H1 2019

MARCH

- On **01 03 2019** AB LG CARGO was issued a freight transportation licence. The Lithuanian Transport Safety Administration (LTSA) completed the licensing procedures and issued a freight transportation licence to the company. The licence entitles AB LG CARGO to engage in commercial business of rail transport in the territory of Lithuania.
- On **06 03 2019** the Government of the Republic of Lithuania approved a proposal of the Ministry of Transport and Communications on installation of a new railway line to Akmenė Free Trade Zone. LG signed a contracting agreement whereupon a French capital company Eurovia Lietuva will install the railway track for EUR 3.4 million. Eurovia Lietuva undertook to complete the works in 6 months.
- On **06 03 2019** in Tbilisi Lithuanian and Sakartvelo railways signed a cooperation agreement. The railway undertakings agreed on developing new freight transportation services which would connect Kaunas and Vilnius intermodal terminals with Sakartvelo railway terminals, increase the freight volumes carried on Viking route.
- On **21 03 2019** LG and the Lithuanian National Association of Forwarders and Logistics (LINEKA) signed a letter of intent on developing intermodal freight transportation projects in Lithuania and Central Europe and developing combined freight transportation. The aim is to form Rail Baltica gauge freight volumes carried in the direction of North-South and East-West.
- On **22 03 2019** LG signed an agreement with "Vitras-S" on rebuilding Rengė with the value of works amounting to EUR 9.38 million. The scope of works covers reconstruction of 19 km railway section from Mažeikiai to Rengė in Latvia, repair or reconstruction of 5 crossings, 6 bridges, 3 culverts, installation or restored operation of traffic management systems and related communication and electricity systems.
- On **27 03 2019** The Lithuanian Transport Safety Administration (LTSA) completed the licensing procedures and issued a freight transportation licence to the company. A licence gives a right of transporting passengers in the territory of Lithuania. After restructuring of LG group 100% shares of the new company UAB LG Keleiviams shall be held by parent company LG. The shares of the latter shall be further held by the Ministry of Transport and Communications.
- On **28 03 2019** GOV RoL RV approved the land take-over for public needs required for implementation of the project on Electrification of Vilnius railway node and Kaišiadorys-Radviliškis-Klaipėda (Draugystės stotis) section.

APRIL

- On **02 04 2019** LG announced a tender for drafting a Rail Baltica Kaunas-Vilnius communication engineering infrastructure development plan. A producer of the infrastructure development plan shall set an optimal Rail Baltica Kaunas - Vilnius railway line and determine the territories required for the sustainable infrastructure development.

Most Significant Events in H1 2019

APRIL

- On **03 04 2019** the international Rail Baltica Global Forum 2019 was held by joint Baltic venture RB RAIL AS. The forum was supported by the undertakings involved in the project development: Rail Baltic Estonia, Eiropas Dzelzceļa līnijas and Rail Baltica Statyba. The discussions of the event focused on the role of Rail Baltica in the North Sea - Baltic TEN-T core network corridor, project procurements, financing and other strategic and tactical project implementation issues from a regional and EU perspective.

- On **10 04 2019** the Company announced the audited financial results of LG Group for 2018.

- On **12 04 2019** LG signed a three-year agreement with AB Dolomitas on transportation of breakstone manufactured in Northern Lithuania and Belarus. The agreement specifies that freight transportation volumes of AB Dolomitas will amount to 3 million tons. AB Dolomitas will also lease open wagons from LG in order to ensure efficient allocation of LG freight transportation capacity.

- On **16 04 2019**, at TransRussia Exhibition in Moscow, LG signed an additional agreement with OTLK, the company that arranges freight transportation between China and Western Europe. Mail shipment from China to Lithuania was the object of the agreement.

MAY

- On **01 05 2019** freight transportation operations were transferred from LG to AB LG CARGO.

- On **16 05 2019** the Company launched the main Rail Baltica European track building works, i.e. the development of a logistic hub (EU gauge railway line, transshipment and warehousing terminals) on the Kaunas - Palemonas section of the Kaunas node. Due to large-scale works, the train traffic from Palemonas to Kaunas Railway Station was suspended from 22 May.

- On **20 05 2019**, in order to reduce congestion in Klaipėda, LG scheduled an additional stop on the train route Šilutė - Klaipėda - Rimkai. Train times of the new route were made to satisfy the needs of commuters, therefore it is expected the passengers will avoid congestions and reduce transport costs once they make a train their preferred choice.

- On **29 05 2019** the railway undertakings from Lithuania, Belarus and Ukraine agreed on launch (starting from June) of container transportation by AB LG CARGO from Klaipėda to Kiev. The container train is expected to run on a weekly basis and carry a variety of goods, plastic and metal products.

Most Significant Events in H1 2019

JUNE

- On **07 06 2019** the Company launched the Seaside Express - a connecting itinerary for passengers travelling to Palanga, Nida, Preila, Pervalka and Juodkrantė in summer.

- On **10 06 2019** UAB Saugos Paslaugos was established to provide physical and technical security services. UAB Gelsauga will continue operating through provision of professional training and cleaning facilities maintenance services.

- On **12 06 2019** in the course of development of the Rail Baltica project the Company announced three tenders on engineering infrastructure development plans and environmental impact assessment - development of maintenance depots, modernization of the railway line at Kaunas railway node, and the Polish-Lithuanian border-Jiesia railway line.

- On **14 06 2019** LG concluded a brand renewal agreement with DDB Vilnius. LG's new brands are expected to launch next year. Until then, new brand architecture, positioning strategies, logos will be developed, and the historical aspect of the name of Lietuvos Geležinkeliai will be analysed.

- On **14 06 2019** the Company signed an agreement on Rail Baltica detailed technical design (from Ramygala to Latvian border). It is projected that the Rail Baltica section Ramygala - LT/LV border will be 91 km long, with 3 railway bridges, 14 road viaducts, 20 railway viaducts, 4 green bridges and the International Panevėžys Passenger Train Station. The contract value amounts to EUR 8 million.

- On **27 06 2019** LG was ranked 11th according to election results of the most attractive employer. The elections were organised by CVMarket.lt.

- On **27 06 2019** GOV adopted amendment No XIII-2254 to the Railway Transport Code ensuring the possibility of allocating capacity for AB LG CARGO and UAB LG Keleiviams in 2019. Previously the capacity was allocated based on a Joint Activity Agreement with LG.

Events after the end of the reporting period

- On **01 07 2019** AB Lietuvos Geležinkelių Infrastruktūra was founded. It will gradually take-over business activities of LG Railway Infrastructure Directorate. The new company will be headed by Karolis Sankovski, the Director of the Railway Infrastructure Directorate.
- On **25 07 2019** the latest version of the Articles of Association of Association of AB Lietuvos Geležinkeliai was registered where the substantial amendment stipulated the increase of the authorized capital from EUR 650 thousand to EUR 1 059 283 thousand divided into 3 657 492 ordinary registered shares at EUR 289.62 nominal value per share.
- On **09 08 2019** a new independent member, Mats Hanson, joined the Company's Board. The new board member has extensive international business management and development experience in transport and logistics, and has worked for the Swedish state-controlled railway company Green Cargo AB for the past 16 years. The new Board Member will expand the number of independent members and replace the Company's CEO.
- On **08 08 2019** and **28 08 2019** AB Kelių Priežiūra and AB Lietuvos Paštas joined the business of VšĮ Transporto Inovacijų Centras as stakeholders. The share held by LG reduced to 33 percent.

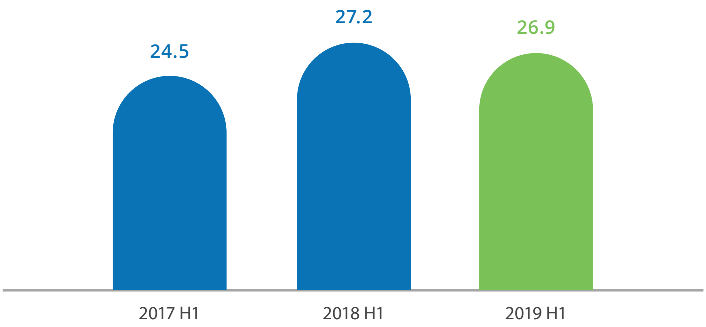
Overview of the Group's KPI

Transportation volumes		2017 H1	2018 H1	2019 H1	2019/2018 Δ, %
Freight turnover	**in billion tons km**	**7.2**	**8.1**	**7.9**	**(1.7%)**
Average distance travelled per ton	**km**	**295**	**297**	**295**	**(0.7%)**
Freight carried	**in million tons**	**24.5**	**27.2**	**26.9**	**(1.0%)**
Freight transportation segments					
Domestic transportation	in million tons	6.9	7.0	7.4	5.8%
International transportation	in million tons	17.6	20.2	19.5	(3.4%)
Transit	in million tons	5.2	6.9	5.4	(21.1%)
Export from Lithuania	in million tons	2.2	1.9	2.4	21.8%
Import to Lithuania	in million tons	10.2	11.4	11.7	3.0%
Freight types					
Chemical and mineral fertilizers	in million tons	7.8	8.0	8.3	4.1%
Oil and its products	in million tons	6.7	7.3	6.5	(11.3%)
Food and plant products	in million tons	2.5	2.7	2.9	8.2%
Construction materials	in million tons	2.7	2.9	3.6	21.5%
Coal	in million tons	1.8	2.7	2.1	(22.6%)
Ferrous metals	in million tons	1.3	1.6	1.3	(17.2%)
Other cargo	in million tons	1.7	2.0	2.2	13.6%
Passenger turnover	**in million passenger km**	**208.7**	**228.3**	**245.6**	**7.6%**
Average distance travelled by passenger	**km**	**90**	**93**	**87**	**(6.5%)**
Passengers carried	**in millions of pass.**	**2.3**	**2.5**	**2.8**	**14.7%**
Domestic	in millions of pass.	1.9	2.0	2.3	16.4%
International	in millions of pass.	0.4	0.5	0.5	7.1%
Train operational volume	**in billion tons km gross gross**	**14.5**	**16.1**	**16.0**	**(0.3%)**

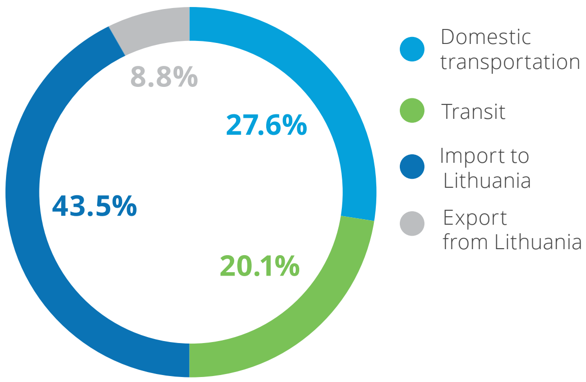
Overview of the Group's KPI

Freight transportation by rail

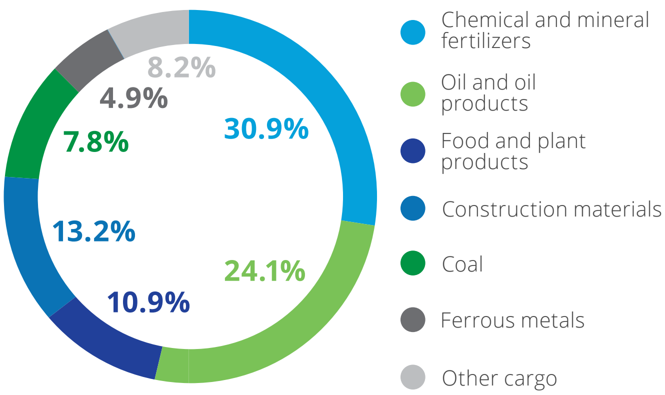
Freight transportation volumes (in million tons)



Freight transportation segments H1 2019, %



Freight transportation structure H1 2019, %



Functions. In carrying out freight transportation activities, AB LG CARGO provides the following services: freight transportation, logistics and forwarding, cargo loading and unloading, wagon rental in Lithuania and abroad, coordinates the work of locomotives and locomotives crews in Lithuania and abroad, and also leases them.

Goals. By 2030 the goal is to increase the volumes of cargo transported by 30%: from 52.6 million tons (2017) to 70 million tons (2030); also, to become a logistics service provider in the region that satisfies customers' needs best, to fully use 1,435 mm gauge area in the Western direction, and to implement innovative and environmentally friendly solutions for cargo transportation.

In H1 2019 the cargo flow accounted for 26.9 million tons which was 1% lower compared with the previous year and lower than planned.

In H1 2019 railway transportation continued to be dominated by the transportation of chemical and mineral fertilizers, oil and its products. These types of freight account for more than a half of total freight volume at 55%.

International transportation, with 72.4% total freight transported recorded a 3.4% drop compared with H1 2018 and amounted to 19.5 million tons. During the reporting period a 21.3% drop of transit was recorded in the direction of the Kaliningrad region of the Russian Federation and transit via Klaipėda port reduced 1.5%. This year a negative evolution of transit cargo flow was also recorded in the neighbouring Baltic States.

The decrease in transit cargo flow was mainly influenced by the sharp drop in the international market price of coal due to warmer than usual weather and the decrease of its transportation, as well as the oil pollution halting the import of Belarusian oil products through Klaipeda port.

Whereas the import of Belarusian fertilizers through Klaipeda port continues to grow. In H1 2019 the transported volumes of this type of cargo increased 2.4%. The competitive advantage is enhanced by existing long-term agreements with Belaruskalij, a producer of potash fertilizers.

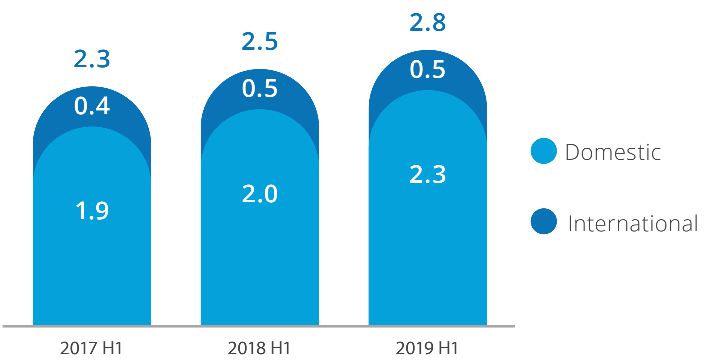
Also, there was a significant 43.3% increase of container transportation accounting for 74.8 thousand TEU over the six month period this year. It is expected that the container transportation from Klaipėda to Kiev will increase in the future.

A greater decrease in freight flow was also avoided by the growth of domestic transportations. In H1 2019 the volume of domestic freight transportation increased by 5.8% and amounted to 7.4 million tons. Domestic transportation of freight accounted for 27.6% total volume of transported cargo. Transportation of building materials, food and plant products increased on domestic routes.

Overview of the Group's KPI

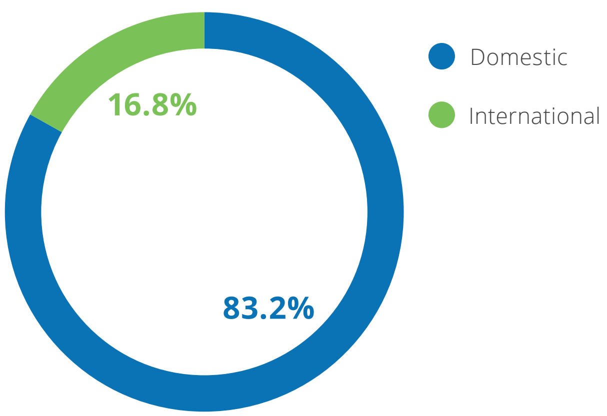
Passenger transportation by rail

Passenger carriage volume (in millions)

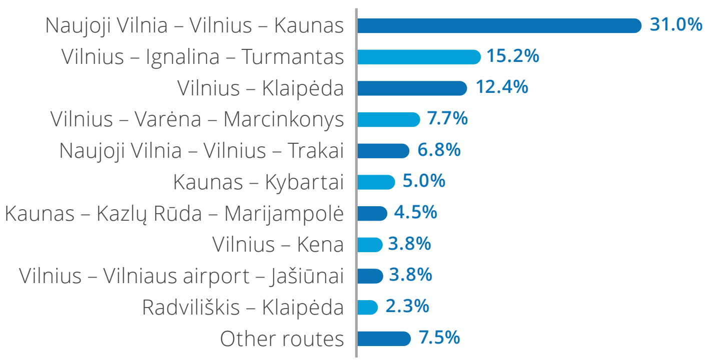


In H1 2019 the number of railway passengers increased 14.7% compared with the respective period in 2018 and the exceeded the planned indicators. Domestic carriage accounted for 83.2%, whereas international transport – for 16.8% of railway passengers - the same structure as demonstrated in 2018.

Passenger market segments H1 2019, %



Domestic transport structure H1 2019, %



Functions. While transporting passengers, the Company provides passenger services on local and international routes, postal and luggage transportation in the territory of Lithuania, and other additional services.

Goals. The goal for the passenger transportation activities is to increase ridership by 100% by 2030: from 4.7 million (2017) to 8 million (2030) passengers. It is also aimed at expanding the volume of domestic and international routes, upgrading the rolling stock fleet, providing new services to passengers, improving travel experience, and turning the railway stations into centers of attraction for passengers and local residents.

Domestic routes

Domestic routes climbed 16.4% to 2.3 million passengers in H1 2019. The increase in the number of passengers is a result of the measures applied by the Company to attract passenger flows, namely formation of timetables based on the customer needs and various on-going events, introduction of a new customer service culture and launch of services attractive to various business segments.

Starting from 2017, every summer season the Company organizes a combined passenger transportation service Seaside Express. In 2018 the passengers were introduced with new domestic routes: Klaipėda–Šilutė, Vilnius–Airport–Jašiūnai.

In December 2018 the Company introduced updated timetables that were designed to meet the demands of commuters. People working regular hours and on shifts are offered more opportunities to travel on train, be it the city or smaller town residents. The number of various new routes increased 12%. The measures implemented by the Company resulted in the growth of transportation on all major domestic routes.

The leaders of the most popular routes remain the same with Vilnius–Kaunas (31% total domestic carriage) that carried 0.7 million passengers in H1 2019, i.e. 3.3% more compared with H1 2018.

International routes

international routes climbed 7.1% to 0.5 million passengers in H1 2019. During the analysed period transit trains carried 0.3 million passengers across the Republic of Lithuania. It is the largest international transportation segment with 62% total international transportation and an increase of 2% over the reporting period. Transit trains carry passengers to/from the Kaliningrad region and Russia. Starting from September 2018 the trains also carry passengers to/from Ukraine and Riga via Minsk and Vilnius.

Passengers were introduced with international routes formed from the trains of the Company and other countries: Vilnius–Minsk, Vilnius–Daugavpils, Kaunas–Bialystok. After the electrification of the line from Vilnius to Minsk and the introduction of new electric trains, the passenger flow on this route increased by as much as 7.3% compared to H1 2018.

Overview of the Group's KPI

Services of the public railway infrastructure manager

Functions. In managing the public railway infrastructure, the Company carries out maintenance and repair of railway infrastructure, organizes safe train traffic, provides intermodal terminal services.

Goals. To ensure safe and sufficient capacity, successful and timely implementation of the Rail Baltica project, that will give new opportunities for passengers (travel 250 km/h) and freight carriers, efficient implementation of the investment program of up to EUR 6 billion, improve environmental protection by increasing number of electrified tracks. The goals are also to increase capacity, and speed for passengers in the main IX B corridor, creating infrastructure that ensures competitive environment, to install modern diagnostic solutions, and to apply autonomous train technologies.

In H1 2019 the functions of the public railway infrastructure manager were carried out by the Railway Infrastructure Directorate which in accordance with the Railway Transport Code of the Republic of Lithuania provides services related to gaining access to the public railway infrastructure capacities and service facilities for all cargo and passenger carriers on non-discriminatory terms and ensures the safe movement of trains on the railway network.

On 01 07 2019 AB Lietuvos Geležinkelių Infrastruktūra was founded. It will gradually take-over business activities of LG Railway Infrastructure Directorate by 08 12 2019.

The fees for the services provided by the public railway infrastructure manager, namely the minimum access package and access to railway infrastructure objects, are set in accordance with Government Resolution No. 610 of 19 May 2004 and the Rules approved by the amendments to the Resolution. An updated version approved by Resolution No. 1226 of 07 December 2016.

Given the increasing volume of transportation, traffic safety, efficiency and capacity building are key priorities for the operations of the railway infrastructure manager. Capacity growth is ensured by the systematic implementation of strategic projects (upgrade, electrification, Rail Baltica, increasing speed limits).

The Railway Infrastructure Directorate holds and manages assets with EUR 1.4 billion value.

In H1 2019 the maximum train speed limits were 140 km/h for passenger trains, 90 km/h freight. The maximum speed limit is determined by the overall standing of the railway infrastructure tracks, track facilities, communications, automation, signalling and power supply systems.

Total length of the railway

3,450.1 km

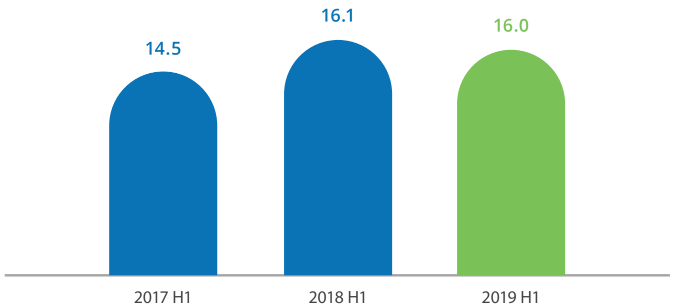
Of which electrified tracks

317.5 km

Stations

105

Train operational volume (in billion tons km gross gross)



The rules of the railway network, the procedure for the use of the public railway infrastructure and taxation, and other documents necessary for access to the public railway infrastructure and its facilities are published on the website: http://www.litrail.lt.

Analysis of Financial and Operational Performance

Analysis of Group activities

Group income

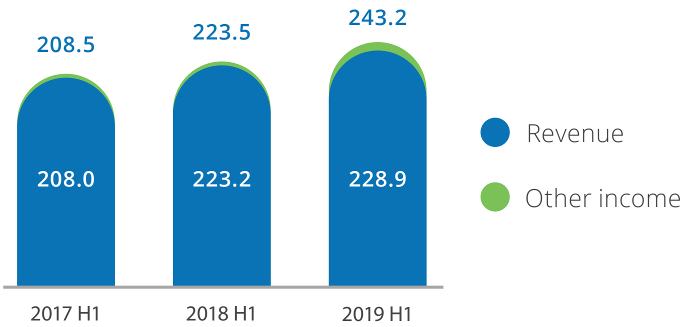
In the first half of 2019 the Group earned EUR 243.2 million of total income, i.e. EUR 19.7 million or 8.8% more than in H1 2018. Freight business accounted for the major share of revenue, i.e. 82.4%.

Group revenue

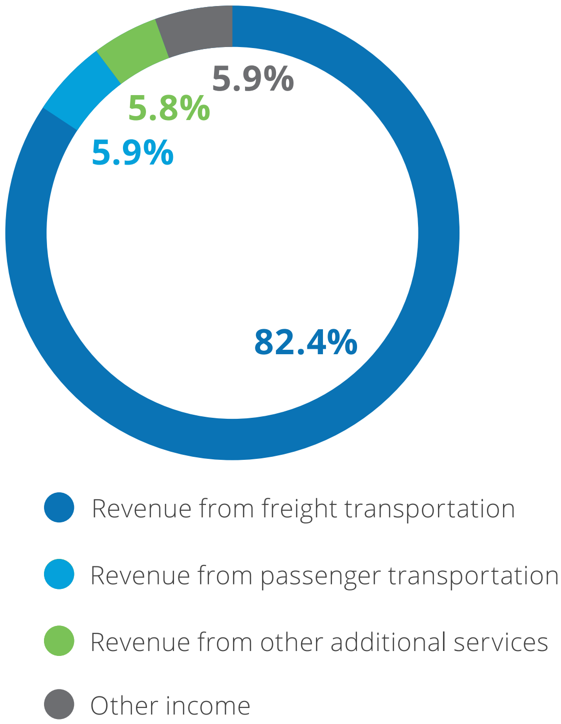
- Freight transportation revenue, compared with the same period last year changed insignificantly and amounted to EUR 200.4 million (EUR 200.3 million in H1'18). Changes in cargo transportation volumes compared to the first half of 2018 were insignificant with 26.9 million tons of cargo transported, i.e. the reduction of 1%, however, the volume of services related to cargo transportation increased.
- Revenue from passenger carriage increased by EUR 1 million or 7.2% amounting to EUR 14.4 million in the first year-half of 2019. The revenue from passenger carriage business amounted to 5.9% of the total revenue structure of the Group. Increased ridership in domestic and international routes triggered positive dynamics.
- The Group also provides with the ancillary services, namely technical maintenance and repair of rolling stock, property lease, sale of scrap metal, other services. The revenue generated from this group of services accounted for 5.8% of the total income structure of the Group and increased by 48.1% over the reporting period amounting to EUR 14.1 million. There was a significant 43.8% increase in services rendered to external clients and income earned by UAB Vilniaus Lokomotyvų Remonto Depas. The railway machinery repair service undertaking has been actively participating in tenders across Europe and has carried out repairs for a number of foreign companies. Over the reporting period the Group has also increased its revenue from sale of scrap metal through investment railway repairs and replacement of track structures.

Other Group income accounted for EUR 14.3 million (EUR 0.3 million in H1'18). In the first half of 2019 the Company accounted EUR 13.5 million state subsidies to compensate for losses incurred by passengers when travelling on domestic routes. In 2018 the public passenger transportation was allocated EUR 27.0 million that were accounted in H2 2018.

Group income, in million EUR



Group income structure H1 2019, %



Group costs

In the first half of 2019 the costs of the Group related to the core and other businesses amounted to EUR 205.5 million. The costs increased by EUR 8.1 million or 4.1% as compared with H1 2018.

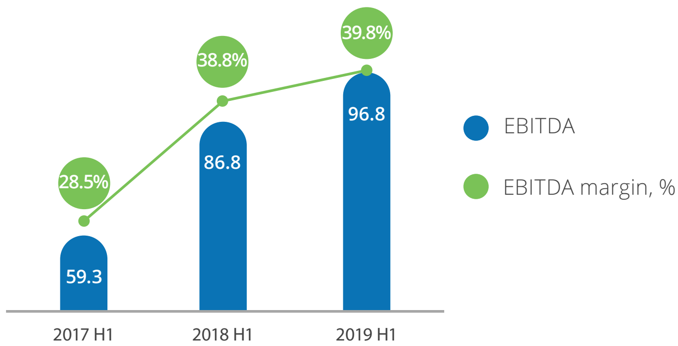
The larger proportion of the Group costs is constituted by the labour costs (40.1%), depreciation and amortisation (28.7%) and energy resources (15.5%).

The increase of the Group costs compared to the first half of the last year was determined by higher diesel fuel and electricity prices resulting in an 8.7 percent increase in the cost of energy resources.

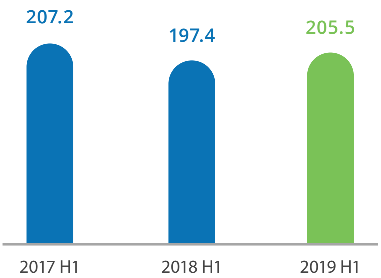
Similarly, the increased sales of scrap metal during the reported period resulted in increase of cost of sales.

Group results

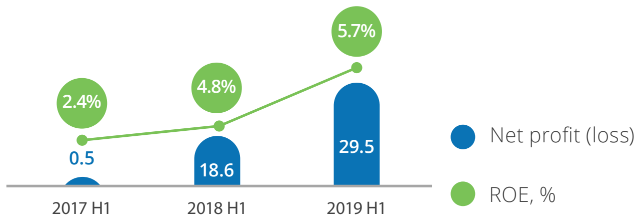
Group EBITDA, in million EUR



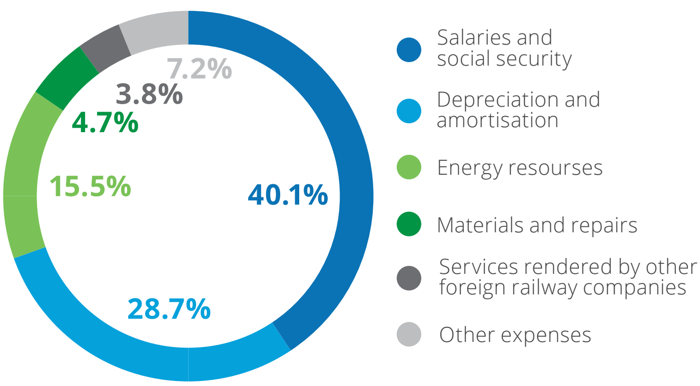
Group costs, in million EUR



Group net profit (loss), in million EUR



Group cots structure H1 2019, %



MAIN GROUP FINANCIAL INDICATORS*

		Group			Company		
		2017 H1	2018 H1	2019 H1	2017 H1	2018 H1	2019 H1**
Revenue	million EUR	208.0	223.2	228.9	204.8	221.8	200.8
Other income	million EUR	0.5	0.3	14.3	0.5	0.3	14.1
Total income	million EUR	208.5	223.5	243.2	205.3	222.1	214.9
Costs	million EUR	207.2	197.4	205.5	202.7	199.2	181.8
EBITDA	million EUR	59.3	86.8	96.8	61.5	82.9	83.3
Adjusted EBITDA	million EUR	47.4	86.7	95.8	49.5	82.7	82.1
EBITDA margin	%	28.5%	38.8%	39.8%	30.0%	37.4%	38.8%
Adjusted EBITDA margin	%	22.8%	38.8%	39.4%	24.2%	37.3%	38.2%
EBIT	million EUR	0.7	25.5	37.9	3.1	23.1	35.2
EBIT margin	%	0.3%	11.4%	15.6%	1.5%	10.4%	16.4%
Net profit	million EUR	0.5	18.6	29.5	3.0	16.7	27.1
Net profit margin	%	0.3%	8.4%	12.1%	1.5%	7.5%	12.6%
		31 12 2017	31 12 2018	30 06 2019	31 12 2017	31 12 2018	30 06 2019
Fixed assets	million EUR	1,909.8	1,846.9	1,818.8	1,904.1	1,881.2	1,823.5
Current assets	million EUR	157.8	178.8	200.3	140.6	136.4	168.5
Total assets	million EUR	2,067.6	2,025.7	2,019.1	2,044.7	2,017.6	1,992.0
Equity	million EUR	1,138.7	1,151.4	1,137.9	1,127.1	1,138.5	1,122.6
Financial debt	million EUR	268.5	210.9	198.2	255.8	210.8	197.9
Part of financial debt of subsidiaries	%	4.7%	0.1%	0.1%	-	-	-
Net debt	million EUR	185.0	118.1	108.9	178.6	156.0	176.8
Debt	million EUR	280.3	220.7	209.6	266.0	219.3	204.1
Return on equity (ROE)	%	2.4%	4.8%	5.7%	2.3%	4.7%	5.6%
Return on assets (ROA)	%	1.3%	2.7%	3.2%	1.2%	2.7%	3.2%
Return on investment (ROI)	%	1.4%	2.9%	3.5%	1.3%	2.8%	3.4%
Financial debt / EBITDA ***	times	1.7	1.1	1.0	1.7	1.1	1.0
Net debt / Adjusted EBITDA ***	times	1.3	0.6	0.5	1.2	0.8	0.9
Debt / Adjusted EBITDA ***	times	1.9	1.1	1.0	1.9	1.1	1.0
Equity ratio	%	55.1%	56.8%	56.4%	55.1%	56.4%	56.4%
Debt servicing ratio	times	2.8	3.0	4.4	-	-	-
Debt / Equity	%	24.6%	19.2%	18.4%	23.6%	19.3%	18.2%
Asset turnover indicator	times	0.2	0.2	0.3	0.2	0.2	0.2
Total liquidity rate	times	1.1	1.5	1.6	1.0	1.1	1.4

* For definitions of the indicators see page 24 of the Report;
** As a result of the strategic reorganization of the LG Group, on 01 05 2019 freight transportation operations were transferred from LG to AB LG CARGO, which has an impact on the Company's H1 2019 financial indicators;

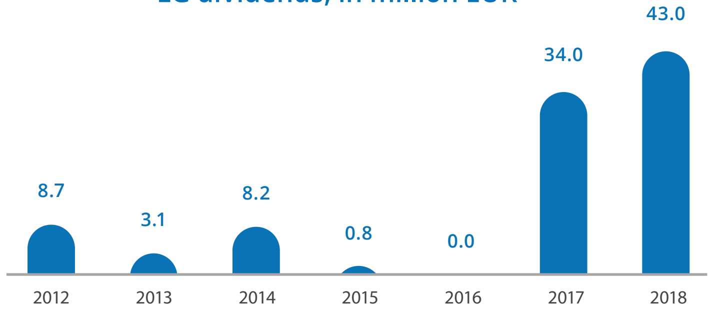
*** For benchmarking purposes the calculations of financial ratios as of 30 06 2019 used last 12 months EBITDA, adjusted EBITDA.

Dividend policies

The payment of dividends and the size of profit contributions are regulated by Resolution No. 786 of the Government RoL of 11 August 2016. The Resolution establishes the cases where the Government RoL may determine a smaller share of profit for the pay-out of dividends. One of the cases is applicable in case a company is in the process of implementing or is participating in an economic project which by the Resolution of the Government has been acknowledged as critical to the State (in our case these are projects of Rail Baltica and the East-West Corridor (a complex of the Klaipėda State Seaport , tracks and railway infrastructure)).

Based on the decision of the Shareholder of 25 April 2019 and having approved the financial statements for 2018 the Company disbursed EUR 43 million dividends for the reporting period.

LG dividends, in million EUR



Group funding

As of 30 June 2019, the net debt of the Group amounted to EUR 108.9 million. Compared to 31 December 2018, the ratio decreased by 7.8% or EUR 9.2 million. The decrease of the net debt of the Group was the result of decrease of financial debt by EUR 12.7 million and the funds accumulated in the course of 2019.

As of 30 June 2019 the cash balance of the companies within the Group amounted to EUR 89.2 million, i.e. EUR 3.6 million less than as of 31 December 2018.

As of 30 June 2019 the average interest rate of the debt portfolio of Company amounted to 1.8% (on 31 December 2018 it was 2.0%).

The longest debt repayment period reached 13 years, and the last deadline for the repayment is 2032.

The ratio of the net debt of the Group and adjusted EBITDA (of the last 12 months) decreased from 0.6 as of 31 December 2018 to 0.5 as of 30 June 2019.

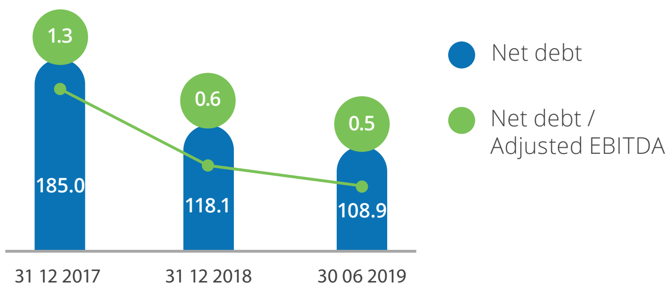
The ratio of Group debt and equity decreased from 19.2% as of 31 December 2018 to 18.4% as of 30 June 2019. The debt level of the Group remains sufficiently low both in relation to profits and capital structure.

Compared to 31 December 2018, liquidity ratio of the Group increased from 1.5 to 1.6.

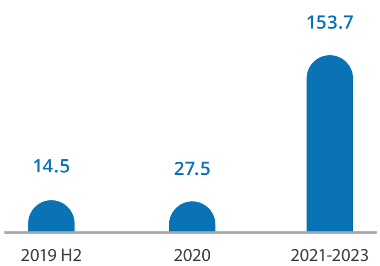
For the sake of higher efficiency in cash management and liquidity assurance within the companies of the Group, LG signed a cash-pool agreement with a credit institution. This will allow optimizing the use of the Group's working capital and short-term borrowing costs.

In accordance with the provisions of the funding agreements signed between the Company and the European Investment Bank (EIB) and the Nordic Investment Bank (NIB), the Company has requested the NIB and the EIB to agree to the proposed transfer of activities. The on-going coordinating process is expected to close by the end of this year. For the period of on-going split-off and coordination procedures AB LG CARGO has concluded guarantee agreements to cover all of the Company's obligations under these funding agreements.

Group financial debt, in million EUR



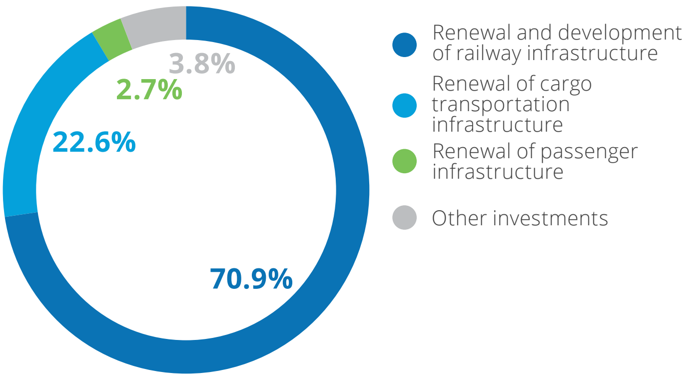
Group debt repayment, in million EUR



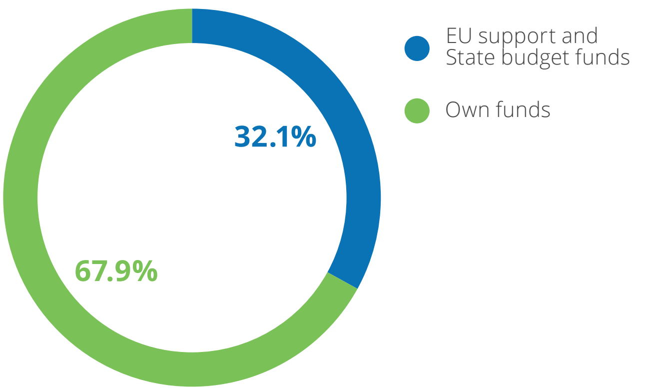
Investments

LG Group invested EUR 33.8 million in investments in the first half of 2019. LG Group financed 67.9% of the H1 2019 investment program. EUR 10.9 million EU support and State budget funds were utilized over the reporting period. The majority of investments went to the upgrade and expansion of the railway infrastructure (70.9%).

Group investments structure H1 2019, %



Group investments funding structure H1 2019, %



Major investment projects and works completed in H1 2019

- The Company pursued the implementation of Rail Baltica Project:
  - Reconstruction works are being carried out on the Kaunas - Palemonas section of the railway, which will result in the construction of 9 km of new European gauge railway line and 2 km of parallel European and wide gauge railway track and reconstruction of 3.6 km of existing wide gauge railway;
  - after reviewing the technical project for the reconstruction of the Rokai-Palemonas section, a tender for the procurement of this project is in progress. It is expected to sign an agreement with the provider by October 2019. This section of the Rail Baltica line will connect Rokai with Kaunas intermodal terminal;
  - procedures required for taking over the land in the interest of the public for installation of a new 1435 mm gauge in the stretch of Kaunas to LT/LV state border have been carried out; All projects on taking over the land for public needs have been drafted, 95% compensation has been paid to the land owners, 67% land plots have been registered on behalf of the state;
  - Building design works of the Kaunas - Ramygala section are in progress - the agreement on the section of Ramyga - LV border has been signed.
- On-going procurement procedures of the contracting works for the installation of second tracks in Plungė – Šateikiai and Livintai – Gaižiūnai sections. Upon completion of these projects the throughput in the IX B corridor will increase by debottlenecking certain sections. The installation of second tracks in Livintai – Gaižiūnai section is expected to be partly funded by the EU.
- The Mažeikiai - Rengė railway section reconstruction works are in progress. Completion of this project will allow restoring traffic on 19 km section to Rengė in Latvia, reconstruction or repair of five crossings, six bridges, execution of other works.
- The Company is proceeding with procurement procedures for design and contracting works within the scope of electrification of Corridor IX. Electrification of Vilnius node and the railway line stretching from Kaišiadorys to Klaipėda (Draugystė station) is included into the project scope. The project is expected to receive funding of the EU Cohesion Fund for the period 2014-2020.
- In 2019 the Company continued with the major railway track upgrade program as well as with other track and railway facilities' repairs: 14.6 km heavy maintenance and 4 km regular repairs, replacement of 6 units of switches.
- The Company carried out a program of rolling stock fleet repairs - 1135 freight wagons were repaired, 17 freight locomotives, 6 diesel and 1 electric trains.

Group Investment Funds, EUR million	2017 H1	2018 H1	2019 H1	2019/2018 Δ, %
Renewal and development of railway infrastructure	22.5	14.2	24.0	68.5%
Renewal of cargo transportation infrastructure	3.7	7.5	7.6	2.0%
Renewal of passenger transportation infrastructure	6.5	3.1	0.9	(70.0%)
Other investments (IT, etc.)	0.6	0.8	1.3	59.1%
Total	**33.3**	**25.6**	**33.8**	**32.1%**

Employees

The basis of the LG Group of companies' success is its employees who are capable to perform the daily activities effectively, to create a competitive advantage and uniqueness, to adapt to the changing needs of business, to plan and implement strategic objectives successfully. Attention to the management of human resources is guided by the best practices of personnel management and provides the Group with a chance to step forward into new areas of activity, to seek for higher productivity, efficiency and versatility levels, to increase the value of companies, and to create a better future.

To achieve a competitive advantage, a unified model for personnel management is applied in the LG Group of companies.

The number of employees in the Group as of 30 06 2019 amounted to 9,351. The change in number of employees in the Group during first half of 2019 was not significant.

Compared to 2018, the average monthly salary increased across the entire Group. This change was significantly influenced by the mass pay review implemented on 01 November 2018 for labourers and in June 2019 for administration personnel.

Employee groups by position	31 12 2017 *		31 12 2018*		30 06 2019	
	Average number of employees	Average salary in EUR	Average number of employees	Average salary in EUR	Average number of employees	Average salary in EUR
AB Lietuvos Geležinkeliai	7,447	1,439	7,353	1,578	5,098	1,624
UAB Vilniaus lokomotyvų remonto depas	1,054	1,265	1,055	1,375	913	1,528
UAB Geležinkelio tiesimo centras	431	1,191	546	1,459	513	1,491
UAB Gelsauga	1,010	687	483	924	431	1,092
UAB Rail Baltica Statyba	4	2,283	4	2,059	4	2,540
AB LG CARGO **	-	-	-	-	2,392	1,695
Total	**9,948**		**9,439**		**9,351**	

*Average salary figures for 2017 and 2018 have been recalculated under the new tax system using a coefficient of 1.289;
** data of LG CARGO covers May and June 2019.

VALUES

WE WORK FOR OUR CLIENTS

WE RESPECT EACH OTHER

WE ARE AMBITIOUS

WE PROMOTE INTEGRITY

WE ARE RESPONSIBLE

LG employees

In H1 2019, the payroll of AB Lietuvos Geležinkeliai amounted to EUR 62.4 million (in H1 2018: EUR 63.9 million**). To encourage achieving and exceeding the objectives of LG Group, an incentive framework for results, related to the management process of employee activities, is applied to employees and managers starting from 2017.

Employee groups by position	31 12 2017**		31 12 2018**		30 06 2019	
	Average number of employees	Average salary in EUR	Average number of employees	Average salary in EUR	Average number of employees	Average salary in EUR
CEO*	1	8,251	1	8,251	1	9,305
Top-Level Managers*	8	6,855	8	6,855	7	7,539
Mid-level Managers, Senior Specialists	1,069	2,249	1,261	2,312	1,133	2,393
Specialists, Workers	6,369	1,299	6,083	1,425	3,957	1,448
Total	**7,447**	**1,439**	**7,353**	**1,578**	**5,098**	**1,624**

*The average remuneration is provided;
**Average salary figures for 2017 and 2018 have been recalculated under the new tax system using a coefficient of 1.289.

Information on Compliance with the Transparency Guidelines

LG and its subsidiaries follow the requirements of the Guidelines for Ensuring Transparency of State-Owned Enterprises approved under GOV Resolution No. 1052 of 14 July 2010 by disclosing the required information in annual and interim reports and by ensuring the disclosure of the information on their websites.

Definitions

Income	Revenue + Income from other activities after assessment of grants intended for compensation of losses due to passenger transportation activities
Financial debt	Indebtedness for borrowed money, including financial leasing and right-of-use assets
Net debt	Indebtedness for borrowed money, including financial leasing and right-of-use assets – cash and cash equivalents investments
Part of financial debt of subsidiaries	Financial debt of subsidiaries / Financial debt of the Group
Debt	Indebtedness for borrowed money, including financial leasing and right-of-use assets + pension liabilities
Return on equity (ROE)	Net profit (loss) of a period of 12 months ending on reporting date / Average amount of equity on reporting date
Return on assets (ROA)	Net profit (loss) of a period of 12 months ending on reporting date / Average amount of assets at the end of period
Return on investment (ROI)	Net profit (loss) of a period of 12 months ending on reporting date / Average amount of assets at the end of period - Average amount of current liabilities at the end of period
EBIT	Profit (loss) before taxes + Interest expenses – Interest income
EBITDA	Profit (loss) before taxes + Interest expenses – Interest income + Depreciation and amortisation
Adjusted EBITDA	Profit (loss) before taxation + Interest expenses - Interest income + Depreciation and amortisation + Increase (decrease) in the value of non-current assets, inventories and investments + Increase (decrease) in the value of amounts receivable and contract assets + Expenses of provisions not related to typical activities
EBIT margin	EBIT / Total income
EBITDA margin	EBITDA / Total income
Adjusted EBITDA margin	Adjusted EBITDA / Total income
Net profit margin	Net profit (loss) / Total income
Equity ratio	Equity at the end of the period / Total assets at the end of the period
Debt servicing ratio	Net profit (loss) + Depreciation and amortisation + Interest income for period of 12 months ending on reporting date (adjusted for non-cash item) / Amortisation of interest payments on debt due reporting date
Asset turnover indicator	Revenue of a period of 12 months ending on reporting date / Total assets at the end of the period
Total liquidity rate	Current assets at the end of the period / Current liabilities at the end of the period
Freight turnover (tonne-kilometre)	A freight transportation indicator representing the transport of one tonne of freight by rail over a distance of one kilometre
Passenger turnover (passenger-kilometre)	A passenger transportation indicator representing the transport of one passenger by rail over one kilometre
Train operational volume (gross-gross tons km)	Unit of measure representing the movement over a distance of one kilometre of one tonne of rail vehicle including the weight of tractive vehicle
Number of employees	The number of listed active employees as of the end of the period (excluding the employees on parental leave, military service, long-term incapacity)
Average salary	The average gross salary per employee

LIETUVOS GELEŽINKELIAI

Basic Information about the Group and the Company

Company name	AB Lietuvos Geležinkeliai
Legal form	Public limited liability company
Date of registration	24 12 1991
Company code	110053842
Address	Mindaugo g. 12, LT-03603 Vilnius
Phone No	(+370 5) 269 2038
E-mail	info@litrail.lt
Website	http://www.litrail.lt
Core business	Increasing the Group's business value and efficiency of railway transport operations by ensuring the effective management, maintenance, renovation and development of the public rail infrastructure and effective provisions of rail transport and related public services
CEO	Mantas Bartuška
Shareholders	100% held by the State

Subsidiaries And Associated Companies within the Group

AB LG CARGO	Provision of rail freight transport services Mindaugo g. 12, LT-03603 Vilnius, https://cargo.litrail.lt
AB Lietuvos Geležinkelių Infrastruktūra	Railway infrastructure management and implementation of the functions of manager of the public rail infrastructure Mindaugo g. 12, LT-03603 Vilnius, https://infrastructure.litrail.lt
UAB LG Keleiviams	Provision of rail passenger services Mindaugo g. 12, LT-03603 Vilnius, http://www.traukiniobilietas.lt, http://www.litrail.lt/keleiviams
UAB Vilniaus lokomotyvų remonto depas	Repair and manufacture of railway rolling stock Švitrigailos g. 39, LT-03209 Vilnius, http://www.vlrd.lt
UAB Geležinkelio tiesimo centras	Repair and construction of railway infrastructure tracks Trikampio g. 10, LT-25112 Lentvaris, Trakų raj., http://www.gtc.lt
UAB Gelsauga	Provision of security services, maintenance of cleaning facilities Prūsų g. 1, LT-02151 Vilnius, http://www.gelsauga.lt
UAB Saugos Paslaugos	Installation, maintenance and repair services of physical and electronic security and technical security equipment Prūsų g. 1, LT-02151 Vilnius, http://www.gelsauga.lt
UAB Rail Baltica Statyba	Implementation of the functions of shareholder of the Joint Venture of the Baltic States, RB RAIL AS supervising the project "Rail Baltica 2" at Mindaugo g. 12, LT-03603 Vilnius, http://www.rail-baltica.lt
RB Rail AS	Implementation of the Rail Baltica project and performing central project coordination. Managed through UAB Rail Baltica Statyba K. Valdemara g. 8, LV-1010 Riga, Latvia, http://www.railbaltica.org
UAB voestalpine VAE Legetecha	Manufacture of railway switches Draugystės g. 8, LT-13220 Valčiūnai, Vilnius district, http://www.voestalpine.com
UAB Lokomotyvai ir transporto komponentai	No activity. Managed through UAB Vilniaus Lokomotyvų Remonto Depas Švitrigailos g. 39, LT-03209 Vilnius

Basic Information about the Group and the Company

VšĮ Geležinkelių logistikos parkas	An enterprise owned by Vilnius City Municipality and AB Lietuvos Geležinkeliai responsible for the development and management of Vilnius Public Logistic Hub Švitrigailos g. 39, LT-03209 Vilnius, http://www.logisticspark.lt
VšĮ Transporto Inovacijų Centras	Drafting and presenting new technology oriented investment project to the stakeholders Mindaugo g. 12, LT-03603 Vilnius, http://www.mobilitytech.lt
Association of Lithuanian Railway Undertakings	Representing the rights and interests of the Association members-employers in the context of social partnership Mindaugo g. 12, LT-03603 Vilnius
BAB Lietuvos jūrų laivininkystė	Bankrupt (removed from the Register of Legal Entities RoL on 05 August 2019) Malūnininkų g. 3, LT-92264 Klaipėda
LUAB Geležinkelių apsaugos centras	Liquidated (removed from the Register of Legal Entities RoL on 10 January 2019) Konstitucijos per. 8A, LT-09308 Vilnius

Representative offices

Representative office in the Russian Federation	Novo-Ryazanskaya Str. 12, office No. 414, 107228, Moscow
Representative office in the Republic of Belarus	Internatsionalnaya Str. 36-1, office No. 423, 220030, Minsk
Representative office in the People's Republic of China	XiaGuangLi 15, XiaoYun Centre B, office No. 2307, Chaoyang district, Beijing, 100125
Representative office in the Republic of Kazakhstan	Kunaev Str. 6, office No 310/10,10, Astana
Representative office in Poland	al. Jerozolimskie 65/79, 00-687, Warsaw

Membership in International Organizations

Community of European Railway and Infrastructure Companies (CER), Platform of Rail Infrastructure Managers in Europe (PRIME), International Union of Railways (UIC), International Rail Transport Committee (CIT), European Union Agency for Railways (ERA), Organization for Co-operation of Railways (OSJD) , Railway Transport Council of CIS and Baltic State (GTT), Association of the European Rail Infrastructure Managers RailNetEurope (RNE), Intergovernmental Organisation for International Carriage by Rail (OTIF), Coordinating Council on Trans-Siberian Transportation (CCTT), Association of Railway Security Managers and Railway/Transport Police Forces (COLPOFER), European Intermodal Association (EIA), Union of European Railway Engineering Associations (UEEIV), International Settlement Centre (BCC), North Sea - Baltic Rail Freight Corridors No.8 (RFC8), Strategic Partnership 1520.

LIETUVOS GELEŽINKELIAI

AB LIETUVOS GELEŽINKELIAI

CONSOLIDATED AND SEPARATE CONDENSED INTERIM FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED IN THE EUROPEAN UNION, FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

Content

(thousand Euro unless otherwise stated)

Statements of financial position

	Notes	Group		Company	
		30/06/2019	31/12/2018	30/06/2019	31/12/2018
Non-current assets					
Property, plant and equipment	4	1,790,475	1,819,510	1,558,501	1,776,175
Investment property		597	626	7,308	7,590
Intangible assets		19,716	21,025	19,291	20,989
Right-of-use assets	5	2,420	-	2,253	-
Financial assets		**3,916**	**4,326**	**236,132**	**76,442**
Investments		3,816	4,223	85,825	76,338
Loans to related parties	17	100	103	150,307	104
Deferred tax assets		**1,705**	**1,383**	**-**	**-**
Total non-current assets		**1,818,829**	**1,846,870**	**1,823,485**	**1,881,196**
Current assets					
Inventories	6	41,177	44,090	27,660	33,439
Contract assets	7	1,313	464	34,733	451
Trade and other receivables	8	61,762	38,464	69,610	45,843
Loans to related parties	17	-	-	13,655	-
Prepayments		6,315	2,339	1,390	1,252
Cash and cash equivalents		89,241	92,832	21,071	54,774
Non-current assets held-for-sale		446	598	441	598
Total current assets		**200,254**	**178,787**	**168,560**	**136,357**
Total assets		**2,019,083**	**2,025,657**	**1,992,045**	**2,017,553**

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

(thousand Euro unless otherwise stated)

Statements of financial position (continued)

	Notes	Group		Company	
		30/06/2019	31/12/2018	30/06/2019	31/12/2018
Equity					
Share capital		1,058,632	1,058,632	1,058,632	1,058,632
Legal reserve		31,020	28,344	31,020	28,344
Other reserves		5,863	6,784	5,863	6,784
Retained earnings		42,395	57,626	27,053	44,755
Total equity		**1,137,910**	**1,151,386**	**1,122,568**	**1,138,515**
Non-current liabilities					
Grants		541,709	538,882	541,653	538,815
Loans and borrowings	10	166,778	181,220	166,669	181,106
Lease liabilities	5	1,538	-	1,406	-
Deferred tax liabilities		12,342	5,351	12,342	5,347
Provisions		15,900	15,900	15,900	15,900
Employee benefits	11	11,479	9,728	6,187	8,517
Trade and other payables	12	2,238	1,880	2,238	1,880
Contract liabilities	13	561	541	561	541
Total non-current liabilities		**752,545**	**753,502**	**746,956**	**752,106**
Current liabilities					
Loans and borrowings	10	28,887	29,706	28,874	29,664
Loan interest		853	910	853	910
Lease liabilities	5	951	-	916	-
Trade and other payables	12	51,904	29,019	62,853	42,775
Contract liabilities	13	3,924	4,514	430	4,751
Prepayments received		10,851	11,741	10,855	11,741
Other provisions		1,338	1,138	745	567
Income tax liabilities		128	16,873	-	15,660
Employee benefits	11	29,792	26,868	16,995	20,864
Total current liabilities		**128,628**	**120,769**	**122,521**	**126,932**
Total liabilities		**881,173**	**874,271**	**869,477**	**879,038**
Total equity and liabilities		**2,019,083**	**2,025,657**	**1,992,045**	**2,017,553**

Financial statements and explanatory notes on pages from 33 to 62 were approved and signed:

Chief Executive Officer	Mantas Bartuška
Chief Financial Officer	Andrej Kosiakov
Director of Accounting Services Centre	Rasa Gudė

(thousand Euro unless otherwise stated)

Statements of profit or loss and other comprehensive income

	Notes	Group		Company	
		06/2019	06/2018*	06/2019	06/2018*
Revenue	14	228,892	223,209	200,739	221,745
Other income		14,341	337	14,131	326
Total income		**243,233**	**223,546**	**214,870**	**222,071**
Salaries and social security		(82,415)	(82,258)	(66,955)	(70,210)
Depreciation and amortisation		(58,882)	(61,374)	(48,078)	(59,873)
Fuel		(27,895)	(26,027)	(19,060)	(25,587)
Materials		(6,365)	(7,396)	(5,415)	(2,947)
Services rendered by other foreign railway companies		(7,834)	(8,098)	(5,563)	(8,098)
Electricity		(3,960)	(3,270)	(3,833)	(3,406)
Repairs and maintenance		(3,242)	(3,408)	(8,321)	(14,825)
Impairment loss and write down (increase)		944	165	1,239	121
Impairment loss on receivables and contract assets (increase)		52	66	(90)	117
(Increase) decrease in provisions and accruals		(2,946)	(1,600)	(3,141)	(1,861)
Joint operating costs		-	-	(11,146)	-
Other expenses		(12,944)	(4,199)	(11,421)	(12,676)
Operating profit (loss)		**37,746**	**26,147**	**33,086**	**22,826**
Finance income	15	35	96	2,518	238
Finance expenses	15	(1,797)	(2,177)	(1,737)	(2,144)
Share of profit of equity-accounted investees, net of tax		154	(773)	-	-
Profit (loss) before taxation		**36,138**	**23,293**	**33,867**	**20,920**
Income tax	16	(6,614)	(4,651)	(6,814)	(4,212)
Net profit (loss)		**29,524**	**18,642**	**27,053**	**16,708**
Other comprehensive income (expenses)		-	-	-	-
Items that will not be reclassified to profit or loss		-	-	-	-
Items that are or may be reclassified subsequently to profit or loss		-	-	-	-
Total comprehensive income (expenses)		**29,524**	**18,642**	**27,053**	**16,708**

*Adjusted, disclosure in Note 18.
The accompanying explanatory notes are an integral part of these financial statements.

(thousand Euro unless otherwise stated)

Statements of changes in equity

Group	Notes	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings	Total
Balance as of 31 December 2017		**1,057,982**	**-**	**27,066**	**13,307**	**40,339**	**1,138,694**
Previous year net profit (loss)		-	-	-	-	(2,007)	(2,007)
Recalculated balance as of 31 December 2017		**1,057,982**	**-**	**27,066**	**13,307**	**38,332**	**1,136,687**
Impact of initial application of IFRS 9		-	-	-	-	-	-
Impact of initial application of IFRS 15		-	-	-	-	-	-
Net profit (loss) for the period		-	-	-	-	18,642	18,642
Total comprehensive income (expenses)		**-**	**-**	**-**	**-**	**18,642**	**18,642**
Total transactions with owners of the Company		**-**	**-**	**-**	**-**	**18,642**	**18,642**
Balance as of 30 June 2018		**1,057,982**	**-**	**27,066**	**13,307**	**56,974**	**1,155,329**
Balance as of 31 December 2018		**1,058,632**	**-**	**28,344**	**6,784**	**57,626**	**1,151,386**
Impact of initial application of IFRS 16		-	-	-	-	-	-
Net profit (loss) for the period		-	-	-	-	29,524	29,524
Total comprehensive income (expenses)		**-**	**-**	**-**	**-**	**29,524**	**29,524**
Reserves formed		-	-	2,676	-	(2,676)	-
Reserves used		-	-	-	(921)	921	-
Dividends		-	-	-	-	(43,000)	(43,000)
Total transactions with owners of the Company		**-**	**-**	**2,676**	**(921)**	**(44,755)**	**(43,000)**
Balance as of 30 June 2019		**1,058,632**	**-**	**31,020**	**5,863**	**42,395**	**1,137,910**

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

(thousand Euro unless otherwise stated)

Statements of changes in equity (continued)

Company	Notes	Authorised share capital	Share premium	Legal reserve	Other reserves	Retained earnings	Total
Balance as of 31 December 2017		**1,057,982**	**-**	**27,066**	**13,307**	**28,755**	**1,127,110**
Impact of initial application of IFRS 9		-	-	-	-	-	-
Impact of initial application of IFRS 15		-	-	-	-	-	-
Net profit (loss) for the period		-	-	-	-	16,708	16,708
Total comprehensive income (expenses)		**-**	**-**	**-**	**-**	**16,708**	**16,708**
Total transactions with owners of the Company		**-**	**-**	**-**	**-**	**16,708**	**16,708**
Balance as of 30 June 2018		**1,057,982**	**-**	**27,066**	**13,307**	**45,463**	**1,143,818**
Balance as of 31 December 2018		**1,058,632**	**-**	**28,344**	**6,784**	**44,755**	**1,138,515**
Impact of initial application of IFRS 16		-	-	-	-	-	-
Net profit (loss) for the period		-	-	-	-	27,053	27,053
Total comprehensive income (expenses)		**-**	**-**	**-**	**-**	**27,053**	**27,053**
Reserves formed		-	-	2,676	-	(2,676)	-
Reserves used		-	-	-	(921)	921	-
Dividends		-	-	-	-	(43,000)	(43,000)
Total transactions with owners of the Company		**-**	**-**	**2,676**	**(921)**	**(44,755)**	**(43,000)**
Balance as of 30 June 2019		**1,058,632**	**-**	**31,020**	**5,863**	**27,053**	**1,122,568**

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

(thousand Euro unless otherwise stated)

Statements of cash flows

	Notes	Group		Company	
		30/06/2019	30/06/2018	30/06/2019	30/06/2018
Cash flows from operating activities					
Net profit (loss) for the period		**29,524**	**18,642**	**27,053**	**16,708**
Adjustment to non-cash items					
Depreciation and amortisation expenses		57,161	69,360	56,080	67,422
(Depreciation) of grants		(8,000)	(7,563)	(7,987)	(7,550)
(Gain) loss from disposal/write-off of non-current assets		38	(222)	38	(280)
Impairment (reversal)		(996)	(231)	(1,149)	(238)
Change in accrued income/expenses		(739)	(542)	(35,123)	(918)
Interest (income) expenses		1,737	2,155	1,321	2,129
Increase in provisions		1,319	1,543	1,238	1,362
Effect of currency exchange fluctuations		7	35	28	35
Income tax expenses (income)		6,614	4,651	6,814	4,212
(Profit) loss of an associated company		(154)	773	-	-
Cash flows from operating activities after adjustment to non-cash items		**86,511**	**88,601**	**48,313**	**82,882**
Changes in working capital					
Decrease (increase) in inventories		2,593	(8,520)	6,047	(7,272)
Decrease (increase) in trade and other receivables and prepayments		(12,128)	(12,225)	(8,055)	(6,518)
Increase (decrease) in current and non-current trade payables and received prepayments		(822)	7,309	556	14,001
Increase (decrease) in employment related liabilities		2,924	(5,476)	(3,869)	(5,156)
Increase (decrease) in other non-current and current payables		(1,596)	(22,134)	(16,147)	(26,954)
Income tax paid		(16,596)	(1,147)	(15,984)	(968)
Net cash from operating activities		**60,886**	**46,408**	**10,861**	**50,015**
Cash flows from investing activities					
(Acquisition) disposal of non-current assets		(30,335)	(31,014)	(10,874)	(34,045)
Dividends received		227	149	227	149
Interest received		-	9	406	4
Loans granted		-	(50)	-	(50)
Net cash used in investing activities		**(30,108)**	**(30,906)**	**(10,241)**	**(33,942)**
Cash flows from financing activities					
Loans received		-	12,598	-	-
Loans (repaid)		(15,227)	(41,336)	(15,227)	(28,608)
Grants received (repaid. used)		10,712	5,677	10,712	5,678
Borrowings liabilities (payments)		(34)	-	-	-
Interest (paid)		(1,820)	(2,649)	(1,808)	(2,618)
Dividends (paid)		(28,000)	-	(28,000)	-
Net cash used in financing activities		**(34,369)**	**(25,710)**	**(34,323)**	**(25,548)**
Increase (decrease) in net cash flows		**(3,591)**	**(10,208)**	**(33,703)**	**(9,475)**
Cash and cash equivalents at the beginning of the period		**92,832**	**83,536**	**54,774**	**77,253**
Cash and cash equivalents at the end of the period		**89,241**	**73,328**	**21,071**	**67,778**

(thousand Euro unless otherwise stated)

Explanatory notes

1. General information

AB Lietuvos Geležinkeliai (hereinafter the Company) was registered in the Register of Legal Entities of the Republic of Lithuania on 2 May 1995 after the reorganisation of SPAB Lietuvos Geležinkeliai. In its activities the Company follows the Constitution of the Republic of Lithuania, Law on Companies of the Republic of Lithuania, Railway Transport Code of the Republic of Lithuania, and other valid legal acts of the Republic of Lithuania. The Company is a legal entity independently organising economic, financial, organisational and legal activities. The Company is an authorised capital Company and the Republic of Lithuania acts as a shareholder of the Company. The Company's registration code 110053842, VAT payer's code LT100538411, legal (registration) address: Mindaugo St. 12, LT-03603 Vilnius.
The main activities of the Company are freight and passenger transportation by rail, administration of railway network, management, supervision and development of public railway infrastructure. Based on the amendments to the Railway Transport Code adopted by the Parliament of the Republic of Lithuania the Company has launched a new restructuring programme, which will include separation of main activities. Newly established Group entities will continue the activities of three directorates: Freight, Passenger transportation and Railway infrastructure. In stage 1, transfer of freight transportation activities into a public limited company LG CARGO registered in the Register of Legal Entities on 28 December 2018. During the first half of 2019 new legal entities were established: non-profit organization Transporto Inovacijų Centras registered on 8 February 2019, limited liability company LG Keleiviams on 28 February 2019, limited liability company Saugos Paslaugos on 10 June 2019. On 1 July 2019 public limited company Lietuvos Geležinkelių Infrastruktūra which will gradually take-over business activities of Railway Infrastructure Directorate was registered in the Register of Legal Entities.

As of 31 December 2018 and 30 June 2019, the Republic of Lithuania represented by the Ministry of Transport and Communications was the sole shareholder of the Company.

As of 30 June 2019 share capital of the Company was formed by 3,655,247 ordinary registered shares with the nominal value per one share equal to 289.62 EUR. The share capital amounted to 1,058,632 thousand EUR. The Company has not acquired its own shares.
As of 30 June 2019 the Group comprised the Company and its subsidiaries.

Company name	Company's address	Owned share, %		Main activities
		30/06/2019	31/12/2018	
UAB Geležinkelio Tiesimo Centras	Trikampio St. 10, Lentvaris	100	100	Railway infrastructure road repairs and construction
UAB Vilniaus Lokomotyvų Remonto Depas	Švitrigailos St. 39/16, Vilnius	100	100	Repair and manufacture of railway rolling stock
UAB Gelsauga	Prūsų St. 1, Vilnius	100	100	Security Services
UAB Saugos Paslaugos	Prūsų St. 1, Vilnius	100	-	Installation, maintenance and repair services of physical and electronic security and technical security equipment
UAB Rail Baltica Statyba	Mindaugo St. 12, Vilnius	100	100	Implementation of shareholder's functions of the joint Baltic States company RB Rail AS, which monitors implementation of the Rail Baltica 2 project.
LUAB Geležinkelių Aplinkosaugos Centras	Konstitucijos Ave. 8 A, Vilnius	-	100	Liquidated (removed from the Register of Legal Entities on 10 January 2019)
AB LG CARGO	Mindaugo St. 12, Vilnius	100	100	Exploitation and maintenance of rolling stock used in freight transportation
UAB LG Keleiviams	Mindaugo St. 12, Vilnius	100	-	Provision of passenger transportation services
AB Lietuvos Geležinkelių Infrastruktūra	Mindaugo St. 12, Vilnius	100	-	Railway infrastructure management and performance of management functions of the public rail infrastructure

1. General information (continued)

Company name	Company's address	Owned share, %		Main activities
		30/06/2019	31/12/2018	
BAB Lietuvos Jūrų Laivininkystė	Malūnininkų St. 3, Klaipėda	56.66	56.66	Bankrupt and liquidated (removed from the Register of Legal Entities on 5 August 2019)
Association of Lithuanian Railway Undertakings	Mindaugo St. 12, Vilnius	-	-	Representing the rights and interests of the Association members-employers in the context of social partnership
VšĮ Transporto Inovacijų Centras	Mindaugo St. 12, Vilnius	100	-	Development of innovation testing capabilities in transport infrastructure
VšĮ Geležinkelių Logistikos Parkas	Švitrigailos St. 39, Vilnius	79.61	79.61	Responsible for the development and management of Vilnius Public Logistics Centre Fleet. The Company is not significant thus not material for consolidation purposes

In the consolidated financial statements investments into associated companies UAB Voestalpine VAE Legetecha, RB Rail AS and UAB Lokomotyvai ir Transporto Komponentai are accounted for using equity method and accounted for at cost in the Group' entities separate financial statements.

Investments into associated companies are specified below:

Company name	Company's address	Owned share, %		Main activities
		30/06/2019	31/12/2018	
UAB Voestalpine VAE Legetecha	Draugystės St. 8, Vilnius district, Valčiūnai	34	34	Manufacture of railway switches
RB Rail AS	Gogolio St. 3, Riga	33.33	33.33	Implementation of the Rail Baltica project and performing central project coordination function performance. Management is performed through UAB Rail Baltica Statyba
UAB Lokomotyvai ir Transporto Komponentai	Švitrigailos St. 39, Vilnius	25	25	No activities. Management is performed through UAB Vilniaus Lokomotyvų Remonto Depas

The Company consists of the Passenger Transportation Directorate (UAB LG Keleiviams was registered on 28 February 2019, it will gradually take-over business activities of the Passenger Transportation Directorate), the Railway Infrastructure Directorate (On 1 July 2019 AB Lietuvos Geležinkelių Infrastruktūra was registered, it will gradually take-over business activities of Railway Infrastructure Directorate by 8 December 2019), the Administration and other divisions. On 1 May 2019 freight transportation business activities were transferred from AB Lietuvos Geležinkeliai to AB LG CARGO.

As of 30 June 2019 the actual number of the Group's and the Company's employees was 9,351 and 5,098 respectively (at 30 June 2018 - 9,868 and 7,276 respectively).

2. Significant accounting policies

The Separate Interim Financial Statements of the Company have been drafted in accordance with the International Financial Reporting Standards and International Accounting Standards (hereinafter - IFRS) as adopted by the European Union (hereinafter - EU).

These consolidated financial statements of the Group and the Company have been prepared in accordance with all effective requirements of IFRS as of 31 December 2018.

In these financial statements all amounts are presented in Euro and rounded to the thousand (EUR 000) unless otherwise stated.

Taking into consideration that the amounts presented in the financial statements are calculated in thousands Euro the figures in tables may not coincide due to rounding. Such mismatches are considered to be irrelevant in these financial statements.

The financial statements are prepared on the historical cost basis.

3. Significant accounting estimates and judgements

Significant judgements

Recognition of property, plant and equipment. The Company manages part of the assets, namely, the land and public railway infrastructure under the right of trust under the Trust Agreement signed with Ministry of Transportation of the Republic of Lithuania, as the trustee of the assets owned by the Republic of Lithuania) in 2007. The Company manages, uses and disposes the assets under the right of trust and is responsible for the maintenance, repairs and control of the assets. Also, the Company receives economic benefits related to the use of assets under the right of trust.

Neither period of assets utilisation nor payment for assets utilisation are determined in the Trust Agreement. Based on the Railway Transport Code (RTC) and National Communication Development Programme, the Company must invest in public railway infrastructure. Such a requirement might be considered a payment for the use of assets; however, the requirement to invest into public railway infrastructure is of general nature and does not specify neither the amounts nor periods of investments. Aspects of payments for utilisation of railway infrastructure are not analysed in the Trust Agreement, and other legal acts only provide limited or none at all regulations on what infrastructure services shall operator provide, who is the subject and what is the price of provision.

The Trust Agreement establishes that this Agreement is concluded for a term until the State's public railway infrastructure manager is established and starts its activities. Civil Code (CC) provides that the Trust Agreement shall not be concluded for a period longer than twenty years. The Code also gives a clear priority to other laws, specifying that the law in regulation of the matters of property trust agreement, related to the management of state-owned assets by the right of trust, may set a different regulation than that set by the CC.

Despite of the trust agreement, the primary basis for AB Lietuvos Geležinkeliai right to manage public railway infrastructure by right of trust is the law (the Railway Transport Code). It is specifically stated in the Article 23(1) of the Railway Transport Code that public railway infrastructure is possessed, used and disposed of under the right of trust by its manager AB Lietuvos Geležinkeliai. Currently only AB Lietuvos Geležinkeliai acts as a manager of the public railway infrastructure, on the basis of Article 23 of the Railway Transport Code. In order to change this situation, the Railway Transport Code has to be amended. If the State would decide to transfer the public railway infrastructure assets to a separate state-owned company, such decision can be implemented only by changing the Railway Transport Code (and related laws).

Therefore, it was concluded that the assets by the right of trust are transferred to the Company for the term of exercising such function; the exercise of the function as such does not have a finite term; therefore, the management of assets by the right of trust is also indefinite.

RTC provides that the public railway infrastructure is controlled under the Property Trust Agreement concluded by the Government's authorised institution with manager of public railway infrastructure. RTC provides that the public railway infrastructure is controlled, utilised and disposed by the manager of public railway infrastructure - AB Lietuvos Geležinkeliai - which also provides services related to managing of public railway infrastructure and maintenance.

According to the Resolution of the Government of the Republic of Lithuania No. 1677 on the approval of the procedure for transfer of state land to the Company under the right of trust to be used public railway infrastructure facilities as of 30 December 2004, the municipalities transferred to the Company a part of land plots located near railways, which the Company controls by the right of trust.

The date for inclusion of assets in operations. An asset is included in operations and its depreciation is began 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 Group's management included the asset into operations after it was properly tested and all permissions to begin activities were obtained.

Significant estimates and assumptions

Useful lives of intangible assets and property, plant and equipment. The useful lifetime of all the property, plant and equipment was assessed during the independent valuation performed on the transition to IFRS date of 1 January 2015. The useful lives are reviewed on an annual basis and, if necessary, are adjusted to reflect the current estimate of remaining useful life, taking into account 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 fair value of all the property, plant and equipment was assessed during the independent valuation performed on the transition to IFRS date of 1 January 2015. The carrying amounts of the Group's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The carrying amounts of the Group's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets that, in the process of continuous use, generate cash and are largely independent of the cash inflows from other assets or groups of assets (cash-generating units) are grouped into the smallest group.

The recoverable amount is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessment 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.

3. Significant accounting estimates and judgements (continued)

Leases. Lease is a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The new IFRS 16 Leases entered is effective from 1 January 2019. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. For each type of lease, the lessee acquires the right to use the asset at the commencement of the lease and, if the lease payments are made over a period of time, also receives financing. As a result, IFRS 16 removes the distinction between operating leases and finance leases as required by IAS 17 and instead introduces a single lessee accounting model. Lessees shall recognise: (a) the assets and liabilities of all leases with a term of more than 12 months, except where the value of the assets leased out is low; (b) in the profit and loss account depreciations of leased assets separately from interest paid on leasing liabilities. Basically lessor's accounting requirements as defined in IAS 17 were transferred to IFRS 16. For this reason, the lessor should further separate the lease into operating lease or finance lease and account for the two types of lease differently. The value of assets transferred under the lease and the related lease liabilities shall be recorded in the statement of financial position of the Company.

Lessee

The Company measures each contract for possible lease elements. For a contract that is, or contains, a lease, the Company shall account for each lease component within the contract as a lease separately from non-lease (service) components of the contract.
The Company does not apply the lease recognition criteria to short-term leases (leases of up to one year) and leases of low value assets (computers, telephones, printers, furniture, etc.). The Company assesses each asset separately to determine whether it is low value. Leases are not measured over the lease term when deciding whether an asset is low value. Assets with a value of up to 4 thousand EUR are considered low value assets.
The Company does not apply the lease recognition criteria to all intangible assets. The Company applies the criteria of IAS 38 Intangible Assets to such assets.
At the commencement date, the Company shall recognise a right-of-use asset and a lease liability in the statement of financial position.
At the commencement date, the Company shall measure the right-of-use asset at cost. After the commencement date the Company shall measure the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability.
At the commencement date, the Company shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. The Company shall set a fixed lessee's incremental borrowing rate at the beginning of each year and use it for all new contracts and contracts that have changed during that year (not all, but those that require remeasurement of the lease liabilities). A lease liability is remeasured if the cash flow changes according to the original terms of the lease, for example, if the change in the lease term or the lease payments is based on an index or interest rate. Changes that were not terms of the original lease are considered lease modifications.

Lessor

Finance leases. At the commencement date, the Company shall recognise assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. The Company shall use the interest rate implicit in the lease to measure the net investment of the lease. In the case of a sublease, if the interest rate in the sublease cannot be readily determined, an intermediate lessor may use the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) to measure the net investment in the sublease. Initial direct costs are included in the initial measurement of the net investment in the lease and reduce the amount of income recognised over the lease term. The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the net investment in the lease; there is no need to add them separately.
The Company shall recognise finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. The Company applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income.

Operating leases. The Company shall recognise lease payments from operating leases as income on a straight-line basis. The Company shall recognise costs, including depreciation, incurred in earning the lease income as an expense. The Company shall add initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognise those costs as an expense over the lease term on the same basis as the lease income. The Company shall account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Impairment losses of amounts receivable. The Group and the Company assess the impairment of amounts receivable at least quarterly. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of debtors, national or local economic conditions that influence the receivables. The management evaluates probable cash flows from the debtors based on historical loss experience related to the debtors with a similar credit risk. Methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3. Significant accounting estimates and judgements (continued)

Write-down of inventories to net realisable value. The Group reviews its list of inventories at least annually to establish their net realisable value. Inventories acquired earlier than one year before, are reviewed in order to determine whether they will be realisable in the future. In case of slow moving spare parts and other materials, an impairment is registered for the entire acquisition cost of the inventories, if inventories have been on the list of inventories for longer than 2 years and have not been used since then.

Provisions and contingent liabilities. The Group exercises considerable judgement in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration as well as other contingent liabilities.
Judgement is necessary in assessing the likelihood that a pending claim will succeed or a liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists, such as legal counsel. Revisions to the estimates may significantly affect future operating result of the Company and the Group.

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

(thousand Euro unless otherwise stated)

4. Property, plant and equipment

Property, plant and equipment of the Group comprised:

	Land	Buildings and structures	Machinery and plant	Vehicles	Other equipment, fittings and tools	Construc-tion in progress and prepay-ments	Total
Acquisition cost							
31 December 2017	**146,604**	**1,137,971**	**239,766**	**488,189**	**99,193**	**154,900**	**2,266,623**
- acquisitions during the year	191	421	2,745	20,399	700	58,372	82,828
- assets sold, written off, disposed	(3)	(467)	(660)	(6,264)	(2,288)	(75)	(9,757)
- reclassifications	-	17,593	6,460	21	23,202	(46,190)	1,086
31 December 2018	**146,792**	**1,155,518**	**248,311**	**502,345**	**120,807**	**167,007**	**2,340,780**
- acquisitions for the half-year	114	385	573	7,298	64	29,425	37,859
- assets sold, written off, disposed	-	(79)	(573)	(2,439)	(456)	(45)	(3,592)
- reclassifications	-	13,015	437	(807)	127	(12,772)	-
30 June 2019	**146,906**	**1,168,839**	**248,748**	**506,397**	**120,542**	**183,615**	**2,375,047**
Accumulated depreciation and impairment losses							
31 December 2017	**-**	**(188,160)**	**(59,234)**	**(103,917)**	**(23,696)**	**(13,588)**	**(388,595)**
- depreciation	-	(66,290)	(18,240)	(41,147)	(9,604)	-	(135,281)
- impairment for the year	-	(9)	(129)	490	(26)	(1,760)	(1,434)
- assets sold, written off, disposed	-	43	590	2,259	1,454	-	4,346
- reclassifications	-	(306)	(4)	-	4	-	(306)
31 December 2018	**-**	**(254,722)**	**(77,017)**	**(142,315)**	**(31,868)**	**(15,348)**	**(521,270)**
- depreciation	-	(33,515)	(9,325)	(19,656)	(4,402)	-	(66,898)
- impairment reversal for the half-year	-	1	122	393	21	45	582
- assets sold, written off, disposed	-	44	387	2,149	434	-	3,014
- reclassifications	-	(9)	8	1	-	-	-
30 June 2019	**-**	**(288,201)**	**(85,825)**	**(159,428)**	**(35,815)**	**(15,303)**	**(584,572)**
Carrying amount							
31 December 2017	**146,604**	**949,811**	**180,532**	**384,272**	**75,497**	**141,312**	**1,878,028**
31 December 2018	**146,792**	**900,796**	**171,294**	**360,030**	**88,939**	**151,659**	**1,819,510**
30 June 2019	**146,906**	**880,638**	**162,923**	**346,969**	**84,727**	**168,312**	**1,790,475**

(thousand Euro unless otherwise stated)

4. Property, plant and equipment (continued)

Property, plant and equipment of the Company comprised:

	Land	Buildings and structures	Machinery and plant	Vehicles	Other equipment, fittings and tools	Construction in progress and prepayments	Total
Acquisition cost							
31 December 2017	**146,598**	**1,116,012**	**216,380**	**480,030**	**96,375**	**150,031**	**2,205,426**
- acquisitions for the year	191	230	1,647	19,992	168	63,236	85,464
- assets sold, written off, disposed	(3)	(71)	(7,784)	(8,257)	(342)	(24)	(16,481)
- reclassifications	-	16,496	6,460	13	23,186	(46,109)	46
31 December 2018	**146,786**	**1,132,667**	**216,703**	**491,778**	**119,387**	**167,134**	**2,274,455**
- acquisitions for the half-year	114	97	468	480	138	27,506	28,803
- assets sold, written off, disposed	-	(75)	(955)	(283,225)	(753)	(45)	(285,053)
- transfer of assets as a result of reorganization*	-	(927)	(2,772)	(1,775)	(818)	-	(6,292)
- reclassifications	-	13,015	437	(7)	128	(13,573)	-
30 June 2019	**146,900**	**1,144,777**	**213,881**	**207,251**	**118,082**	**181,022**	**2,011,913**
Accumulated depreciation and impairment losses							
31 December 2017	**-**	**(184,635)**	**(52,408)**	**(101,117)**	**(22,199)**	**(13,588)**	**(373,947)**
- depreciation	-	(65,235)	(15,944)	(40,922)	(8,832)	-	(130,933)
- impairment for the year	-	(9)	(129)	490	(26)	(1,760)	(1,434)
- assets sold, written off, disposed	-	8	4,540	3,380	132	-	8,060
- reclassifications	-	(26)	(4)	-	4	-	(26)
31 December 2018	**-**	**(249,897)**	**(63,945)**	**(138,169)**	**(30,921)**	**(15,348)**	**(498,280)**
- depreciation	-	(32,949)	(7,882)	(8,795)	(4,237)	-	(53,863)
- impairment reversal for the half-year	-	-	124	393	21	45	583
- assets sold, written off, disposed	-	20	358	94,924	370	-	95,672
- transfer of assets as a result of reorganization*	-	335	1,210	329	602	-	2,476
- reclassifications	-	(9)	8	1	-	-	-
30 June 2019	**-**	**(282,500)**	**(70,127)**	**(51,317)**	**(34,165)**	**(15,303)**	**(453,412)**
Carrying amount							
31 December 2017	**146,598**	**931,377**	**163,972**	**378,913**	**74,176**	**136,443**	**1,831,479**
31 December 2018	**146,786**	**882,770**	**152,758**	**353,609**	**88,466**	**151,786**	**1,776,175**
30 June 2019	**146,900**	**862,277**	**143,754**	**155,934**	**83,917**	**165,719**	**1,558,501**

*On 1 May 2019 freight transportation business as well as the assets owned by the Freight Transportation Directorate were transferred to AB LG CARGO.

(thousand Euro unless otherwise stated)

4. Property, plant and equipment (continued)

The depreciation charge included to the statements of profit or loss and other comprehensive income of the Group amounted to 56,826 thousand EUR (59,430 thousand EUR - 30 June 2018). This amount includes 66,898 thousand EUR depreciation expense (67,416 thousand EUR as of 30 June 2018) which was reduced by 8,000 thousand EUR as grants depreciation expense (7,563 thousand EUR as of 30 June 2018). Capitalized depreciation amounted to 2,072 thousand EUR (423 thousand EUR as of 30 June 2018).

The depreciation expense of the Company amounted to 45,861 thousand EUR (57,991 thousand EUR 30 June 2018). This amount includes 53,862 thousand EUR depreciation expense (65,542 thousand EUR as of 30 June 2018) which was reduced by 7,987 thousand EUR as grants depreciation expense (7,550 thousand EUR as of 30 June 2018). Capitalized depreciation amounted to 14 thousand EUR (1 thousand EUR as of 30 June 2018).

The Group and the Company have estimated impairment for unfinished projects with a value of 15,303 thousand EUR (15,348 thousand EUR as of 31 December 2018). These projects have not been approved yet and their implementation is questionable. On 30 June 2019 the carrying amount of assets under the right of trust accounted for 971,763 thousand EUR (on 31 December it was 987,143 thousand EUR).

The acquisition cost of fully depreciated property, plant and equipment of the Group still in use comprised 44,194 thousand EUR (43,352 thousand EUR as of 31 December 2018) and Company's total assets amounted to 26,220 thousand EUR (39,293 thousand EUR as of 31 December 2018). Most of the fully depreciated property, plant and equipment consisted of vehicles.

5. Right-of-use assets

The new IFRS 16 Leases became effective on 1 January 2019. IFRS 16 does not have a material impact on the Group's and the Company's statement of financial position and statement of profit or loss and other comprehensive income. A 3.85% discount rate applied to lease agreements.

Impact on the statements of financial position (increase/decrease) of the Group and the Company as of 30 June 2019:

	Group 30/06/2019	Company 30/06/2019
Assets:		
Right-of-use assets	2,420	2,253
Long-term liabilities:		
Lease liabilities	(1,538)	(1,406)
Short-term liabilities:		
Lease liabilities	(951)	(916)
Impact on equity	**(69)**	**(69)**

Impact on the statements of profit or loss and other comprehensive income (increase/decrease) of the Group and the Company during the first half of 2019:

	Group 06/2019	Company 06/2019
Depreciation expense	(309)	(273)
Lease expense*	261	223
Operating profit (loss)	**(48)**	**(50)**
Finance costs:		
Interest	(21)	(19)
Profit (loss) for the reporting period	**(69)**	**(69)**

*Amount of lease exspense in accordance with IAS 17 Leases effective until 31 December 2018.

(thousand Euro unless otherwise stated)

5. Right-of-use assets (continued)

As of 30 June 2019 the Group's right-of-use assets comprised:

	Buildings and structures	Vehicles	Other equipment, fittings and tools	Total:	Leasing liabilities
Balance as of 01/01/2019	**-**	**-**	**-**	**-**	**-**
Acquisitions for the half-year	184	2,501	44	2,729	(2,729)
Depreciation	(25)	(282)	(2)	(309)	-
Interest	-	-	-	-	(21)
Payments	-	-	-	-	261
Balance as of 30/06/2019	**159**	**2,219**	**42**	**2,420**	**(2,489)**

As of 30 June 2019 the Company's right-of-use assets comprised:

	Buildings and structures	Vehicles	Other equipment, fittings and tools	Total:	Leasing liabilities
Balance as of 01/01/2019	**-**	**-**	**-**	**-**	**-**
Acquisitions for the half-year	184	2,298	44	2,526	(2,526)
Depreciation	(25)	(246)	(2)	(273)	-
Interest	-	-	-	-	(19)
Payments	-	-	-	-	223
Balance as of 30/06/2019	**159**	**2,052**	**42**	**2,253**	**(2,322)**

As of 30 June 2019 the Company's non-current and current lease liabilities comprised of 1,406 thousand EUR and 916 thousand EUR respectively.

6. Inventories

Company's and Group's inventories comprised:

	Group		Company	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
Spare parts	15,676	13,703	5,953	5,753
Materials of the upper railway part	16,993	17,355	15,785	16,250
Materials	6,804	8,545	4,871	6,846
Fuel	5,751	7,967	4,899	7,890
Other inventories	2,203	2,200	1,590	1,692
Impairment	(7,658)	(7,210)	(5,900)	(6,522)
Total raw materials, materials and component parts	**39,769**	**42,560**	**27,198**	**31,909**
Goods held for sale	1,444	1,547	462	1,530
Impairment	(36)	(17)	-	-
Total goods held for resale	**1,408**	**1,530**	**462**	**1,530**
Total	**41,177**	**44,090**	**27,660**	**33,439**

Carrying amount of inventories before impairment loss of the Group and the Company as of 30 June 2019 amounted to 48,871 thousand EUR and 33,560 thousand EUR respectively (51,317 thousand EUR and 39,961 thousand EUR as of 31 December 2018). Change in write down to the net realisable value of inventories of the Group and the Company is presented in an expense item of write down to the net realisable value in the statement of profit or loss and other comprehensive income.

(thousand Euro unless otherwise stated)

7. Contract assets

Contract assets of the Group and the Company comprised:

	Group		Company	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
Accrued income	1,311	451	34,733	451
Prepayments	2	-	-	-
Paid guarantees to customers	-	13	-	-
Total	**1,313**	**464**	**34,733**	**451**

As of 30 June 2019 the Company's contract assets are mostly comprised of 27,970 thousand EUR in accrued income from the infrastructure charge.

8. Trade and other receivables

Trade and other receivables of the Group and the Company comprised:

	Group		Company	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
Gross external trade receivables	31,150	25,513	15,337	23,782
Impairment (-)	(2,299)	(2,065)	(1,327)	(1,771)
Total external trade receivables	**28,851**	**23,448**	**14,010**	**22,011**
Receivable from related parties	2,832	2,826	27,300	12,423
Impairment (-)	(2,826)	(2,826)	(2,826)	(2,826)
Total receivable from related parties	**6**	**-**	**24,474**	**9,597**
Receivable VAT	2,867	2,258	2,269	1,908
Other receivables from the budget	1,728	633	1,418	360
Other receivables	32,734	16,549	31,851	16,391
Impairment (-)	(4,424)	(4,424)	(4,412)	(4,424)
Total other receivables	**32,905**	**15,016**	**31,126**	**14,235**
Total	**61,762**	**38,464**	**69,610**	**45,843**

As of 30 June 2019 other amounts receivable of the Group and the Company increased by 16,185 thousand EUR and 15,460 thousand EUR respectively (in 2018 the increase was 11,538 thousand EUR and 11,786 thousand EUR respectively compared to 2017). The majority comprises of 15,072 thousand EUR actually incurred losses for regular domestic passenger services by rail accounted for as the budget debt to the Company on the basis of subsidies allocated, yet actually not received under the Program for ensuring railway communications approved by Order No 3-52 as of 29 January 2019 on Approval of the 2019-2021 strategic action plan for the governance areas of the Minister of Transport and Communications.

(thousand Euro unless otherwise stated)

8. Trade and other receivables (continued)

Trade receivables (without receivables from related parties) of the Group and the Company comprised:

	Group		Company	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
Not overdue	24,713	22,532	11,052	21,438
Overdue 0–60 days	2,918	578	2,010	362
Overdue 60-120 days	852	181	757	45
Overdue 120-180 days	406	120	254	94
Overdue 180-360 days	367	265	24	254
Overdue for over 360 days	1,894	1,837	1,240	1,589
Impairment (-)	(2,299)	(2,065)	(1,327)	(1,771)
Total	**28,851**	**23,448**	**14,010**	**22,011**

As of 30 June 2019 overdue trade receivables of the Company increased by 1,941 thousand EUR compared to 2018 (as of 31 December 2018 the increase amounted to 393 thousand EUR compared to 2017). During the first half of 2019 Company's trade receivables decreased by 8,001 thousand EUR (as of 31 December 2018 increased by 1,493 thousand EUR compared to 2017). The reduction of trade receivables of the Company was caused mostly by transfer of 4,104 thousand EUR of trade receivables balance to AB LG CARGO.

9. Dividends

Dividends payment by the State controlled companies is regulated by the Resolution No. 786 of the Government of the Republic of Lithuania which states what share of profit shall be attributed to dividends payment depending on the return on equity (ROE). Amount of dividends to be paid varies from 85% to 60% of the total amount of retained earnings depending on the achieved levels of ROE (from 1% to more than 15%). Also, the Resolution regulates cases when the Government of the Republic of Lithuania may set a lower share of profit for distribution, if a company develops or participated in the development of an important economic project for the State. In case of the Company, important economic projects are Rail Baltica and Lithuanian part of the East-West Transport Corridor (the infrastructure complex of Klaipėda State Sea Port, roads and railways).

Based on the Resolution No 3-195 as of 25 April 2019 of the Government of the Republic of Lithuania it was decided to allocate 43,000 thousand EUR from the Company's distributable profit of 2018. During the first half of 2019, the Company paid 28,000 thousand EUR in dividends to the Budget income collecting account.

10. Loans and borrowings

Loans and borrowings of the Group and the Company comprised:

	Group		Company	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
Non-current loans	166,778	181,220	166,669	181,106
Current loans	28,887	29,706	28,874	29,664
Total	**195,665**	**210,926**	**195,543**	**210,770**

During the first half of 2019 the Company paid 15,227 thousand EUR of the loan and 1,753 thousand EUR of interest and 55 thousand EUR of liabilities and other fees.

(thousand Euro unless otherwise stated)

10. Loans and borrowings (continued)

Loans and borrowings of the Company comprised:

	Loan currency	30/06/2019	31/12/2018
Bank EIB - 2, total [5]	EUR	7,318	10,227
Bank EIB - 3, total [5]	EUR	5,909	6,818
Bank EIB - 4, total [4]	EUR	30,667	34,000
Nordic Investment Bank-1 [3]	EUR	-	790
Nordic Investment Bank-2, total [3]	EUR	11,333	13,222
Nordic Investment Bank-3, total [1]	EUR	95,613	99,290
Nordic Investment Bank-4, total [2]	EUR	44,703	46,423
Total		**195,543**	**210,770**

[1] On 25 June 2013 the Company signed two loan agreements (NIB-3) with the Nordic Investment Bank for the renovation and development of railway infrastructure with the total value of 114,000 thousand EUR. Each tranche was set a separate interest rate. During the first half of 2019 the Company repaid 3,677 thousand EUR loan and 713 thousand EUR interest.
[2] On 15 July 2014 the Company signed a loan agreement (NIB-4) with the Nordic Investment Bank with the value of 53,300 thousand EUR. The loan was granted to ensure co-financing of the national part of the public railway infrastructure project Rail Baltica, which is financed by the EU support funds for 2007-2013. During the first half of 2019 the Company repaid 1,720 thousand EUR loan and 291 thousand EUR interest.
[3] During the first half of 2019 the Company repaid 2,679 thousand EUR loan and 72 thousand EUR interest on other loans not listed above that have been taken for the renovation and development of railway infrastructure (NIB-1, NIB-2).
[4] On 3 June 2013 the Company and the European Investment Bank signed 50,000 thousand EUR agreement (EIB-4) for procurement of new rolling stock. The interest was separately fixed per each disbursed portion of the loan. During the first half of 2019 the Company repaid 3,333 thousand EUR loan and 426 thousand EUR interest.
[5] During the first half of 2019 the Company repaid 3,818 thousand EUR loan and 252 thousand EUR interest on other loans not listed above that have been taken for the procurement of new rolling stock (EIB-2, EIB-3).

On 14 December 2015 the Company signed a loan agreement (NIB-5) with the Nordic Investment Bank with the value of 50,000 thousand EUR. The loan was taken for the development of Rail Baltica investment project for the period 2014-2020. By 30 June 2019 there was no usage of any portion of the loan by the Company. During the first year-half 2019 the Company paid 55 thousand EUR of liabilities.

On 18 December 2015 the Company signed a loan agreement (EIB-5) with the European Investment Bank with the value of 68,000 thousand EUR. The loan was granted for the financing of investment projects for the reconstruction and modernization of public railway infrastructure and the purchase of passenger rolling stock for the period 2014-2020. By 30 June 2019 there was no usage of any portion of the loan by the Company and upon changes in the project list the agreement was terminated in March 2019.

In 2018 UAB Gelsauga signed a tripartite agreement with UAB Vensva and AB Šiaulių Bankas. Under the terms of the agreement, assets worth 206 thousand EUR were transferred to UAB Gelsauga. In the first half of 2019, the balance of the financial liability was 121 thousand EUR.

For the purpose of higher efficiency in liquidity management and liquidity assurance within the entities of the Group, on 21 December 2018 the Company signed a cash-pool agreement with AB Swedbank. The Group and the Company implemented an inter-company borrowing and lending platform (Cash Pool service), which ensures the possibility of mutual borrowing for a maximum period of one year.

In accordance with the provisions of the funding agreements signed between the Company and the European Investment Bank (EIB) and the Nordic Investment Bank (NIB), the Company has requested the NIB and the EIB to authorize the planned transfer of activities. The coordinating process of these authorization procedures is on-going and is expected to close by the end of the year. During the separation and coordination processes AB LG CARGO prepared guarantee agreements to assure all of the Company's obligations under these funding agreements.

(thousand Euro unless otherwise stated)

11. Employee benefits

According to the legislation of the Republic of Lithuania, each employee of the Company at the age of retirement is entitled to a one-off payment amounted to a 2-month salary. Jubilee payments also comprise provisions for pensions and similar liabilities. Based on the Collective agreement valid in the Company, when employee turns 50 and 60 years, a payment up to one average employee salary is paid.

Change in non-current provisions for pensions and similar liabilities is provided in the table below:

	Group	Company
Balance as of 31/12/2017	**11,725**	**10,174**
Used	(1,997)	(1,657)
Balance as of 31/12/2018	**9,728**	**8,517**
Transfer of balance due to reorganization	-	(3,568)
Formed additionally	1,751	1,238
Balance as of 30/06/2019	**11,479**	**6,187**

Main assumptions applied in assessment of the Company's non-current employee benefits are provided in below:

	30/06/2019	31/12/2018
Discount rate	0.62	1.28
Employee turnover rate	7.20	5.70
Annual increase in salary	3.00	1.50

Current employee benefits and liabilities by type:

	Group		Company	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
Vacation pay accrual	13,537	12,511	7,884	9,073
Payable salary	7,245	970	4,012	623
Payable social security	3,611	5,358	1,998	4,066
Payable personal income tax	2,569	154	1,419	122
Other employment related liabilities	2,830	7,875	1,682	6,980
Total	**29,792**	**26,868**	**16,995**	**20,864**

(thousand Euro unless otherwise stated)

12. Trade payables and other payables

Trade and other payables of the Group and the Company comprised:

	Group		Company	
	30/06/2019	31/12/2018	30/062019	31/12/2018
Trade payables	26,342	21,134	23,176	17,308
Trade payables to related parties	1,073	1,159	17,837	20,285
Dividends payable	15,000	-	15,000	-
Cash guarantees received	8,165	4,703	7,232	5,202
Other taxes payable to the budget	1,472	1,703	466	689
Deferred income (charges)	1,054	-	1,054	-
Accrued service costs of foreign railways	103	496	103	496
Other accrued costs	718	1,457	172	562
Labour union membership fee	57	45	19	35
Other payables and liabilities	158	202	32	78
Total	**54,142**	**30,899**	**65,091**	**44,655**
Non-current	2,238	1,880	2,238	1,880
Current	51,904	29,019	62,853	42,775
Total	**54,142**	**30,899**	**65,091**	**44,655**

13. Contract liabilities

Contract liabilities of the Group and the Company comprised:

	Group		Company	
	30/06/2019	31/12/2018	31/06/2019	31/12/2018
Non-current				
Prepayments received from external clients	561	541	561	541
Total	**561**	**541**	**561**	**541**
Current				
Prepayments received from external clients	2,805	4,514	267	4,505
Guarantees received	48	-	-	-
Prepayments received from subsidiaries	-	-	163	246
Other accrued costs	1,071	-	-	-
Total	**3,924**	**4,514**	**430**	**4,751**

(thousand Euro unless otherwise stated)

14. Revenue

Sales revenue of the Group and the Company comprised:

	Group		Company	
	06/2019	06/2018	06/2019	06/2018
Income from freight transportation and the use of the railway infrastructure	200,411	200,267	168,875	200,569
Income from passenger transportation, baggage and post	14,379	13,419	14,449	13,446
Income from sales of other additional services	14,102	9,523	17,415	7,730
Total	**228,892**	**223,209**	**200,739**	**221,745**

15. Result from financing activities

The result from financing activities of the Group and the Company comprised:

	Group		Company	
	06/2019	06/2018	06/2019	06/2018
Total finance income	**35**	**96**	**2,518**	**238**
Interest	-	9	406	4
Currency exchange gain	7	34	28	35
Dividends	-	-	2,077	149
Penalties and interest	75	53	56	50
Other income	(47)	-	(49)	-
Total finance expenses	**(1,797)**	**(2,177)**	**(1,737)**	**(2,144)**
Interest	(1,737)	(2,164)	(1,727)	(2,133)
Currency exchange loss	-	-	-	-
Penalties and interest	(60)	(8)	(10)	(6)
Other expenses	-	(5)	-	(5)
Total	**(1,762)**	**(2,081)**	**781**	**(1,906)**

16. Deferred tax asset

Income tax was calculated at a 15% tax rate.

	Group		Company	
	06/2019	06/2018	06/2019	06/2018
Income tax for the year	(54)	5,192	(181)	4,551
Deferred tax expense	6,668	(541)	6,995	(339)
Total income tax expenses (income) recognised in profit or loss	**6,614**	**4,651**	**6,814**	**4,212**

(thousand Euro unless otherwise stated)

16. Deferred tax asset (continued)

Income tax expenses (income) of the Group and the Company comprised:

	Group		Company	
	06/2019	06/2018	06/2019	06/2018
Profit (loss) before tax	36,138	23,293	33,867	20,920
Income tax	5,421	3,676	5,080	3,138
Non-deductible (deductible) expenses	(7,780)	1,306	(6,343)	1,343
Non-exempt (tax-exempt) income	(690)	70	(841)	70
Other	3,022	22	2,104	-
Adjustment to income tax of the previous year	(27)	118	(181)	-
Total income tax expenses (income)	**(54)**	**5,192**	**(181)**	**4,551**
Effective rate, %	-	22.29 %	-	21.75 %

17. Related party transactions

The parties are deemed as being related when one of them could control another or could have significant influence on the other party when making financial and operating decisions.
As defined by IAS 24 Related Party Disclosures, the entity is related to a reporting entity if any of the following conditions applies:

- The Lithuanian Government in its capacity as the owner of all shares in AB Lietuvos Geležinkeliai;
- The Companies or enterprises subject to the control of the Lithuanian Government;
- Subsidiaries of the parent company AB Lietuvos Geležinkeliai;
- Affiliated, non-consolidated and associated companies as well as joint ventures of AB Lietuvos Geležinkeliai;
- The members of the management Board and their close relatives.

For entities operating in an environment in which government control is pervasive, many counterparties are also government-related and there-fore are related parties. IAS 24 allows a reporting entity to reduce the level of disclosures about transactions and outstanding balances, including commitments, with:

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

Due to the above-mentioned reasons, the Group and the Company do not disclose the transactions with Lithuanian Government and other entities controlled by the Lithuanian Government.

(thousand Euro unless otherwise stated)

17. Related party transactions (continued)

The Company's related party transactions before elimination:

	06/2019	06/2019	30/06/2019	30/06/2019
	Company's purchases	Company's sales	Company's receivables	Company's payables
UAB Gelsauga	3,008	37	1,857	1,238
AB LG CARGO	11,156	207,881	177,618	10,137
UAB Geležinkelio Tiesimo Centras	7,644	606	8,614	4,312
UAB Vilniaus Lokomotyvų Remonto Depas	3,222	1,909	283	2,191
UAB Rail Baltica Statyba	19	4	1	13
UAB Voestalpine VAE Legetecha	1,409	2	-	1,073
AB Lietuvos Geležinkelių Infrastruktūra	-	-	150	-
Total	**26,458**	**210,439**	**188,523**	**18,964**

	06/2018	06/2018	31/12/2018	31/12/2018
	Company's purchases	Company's sales	Company's receivables	Company's payables
UAB Gelsauga	7,825	144	24	3,805
UAB Geležinkelio Tiesimo Centras	7,218	767	9,008	7,216
UAB Vilniaus Lokomotyvų Remonto Depas	21,082	3,536	577	9,265
UAB Rail Baltica Statyba	37	3	-	12
UAB Voestalpine VAE Legetecha	2,279	10	-	1,058
Total	**38,441**	**4,460**	**9,609**	**21,356**

Loans granted to related parties of the Group and the Company comprised:

	Group		Company	
	30/06/2019	31/12/2018	31/06/2019	31/12/2018
Loans granted to related parties (non-current)	100	103	150,307	104
Total	**100**	**103**	**150,307**	**104**
Loans granted to related parties (current)	2,826	2,826	16,481	2,826
Impairment of loans granted (-)	(2,826)	(2,826)	(2,826)	(2,826)
Total	**-**	**-**	**16,655**	**-**

Based on loan agreement as of 12 March 2019 a loan of 163,862 thousand EUR was granted for procurement of rolling stock (wagons, containers and locomotives) to AB LG CARGO.
Interest is calculated based on variable interest rate which is comprised of 6 month EURIBOR interest rate and the interest margin is based on market research.
Management salary and other benefits. As of 30 June 2019, the number of managers of the Company was equal to 8, i.e. 1 Chief Executive Officer, 1 Chief Financial Officer, 3 Deputy CEOs – 2 Directors of Directorates and 1 Director of Strategy and Development, 1 Director of Legal Department, 1 Chief Human Resources Officer, 1 Chief Communications Officer.

(thousand Euro unless otherwise stated)

17. Related party transactions (continued)

Company	30/06/2019	30/06/2018
Management salary	574	412
Number of managers*	8	9
Benefits to Board Members	27	36
Benefits to Members of the Audit Committee	3	-
Number of Board Members	2	-

*As of 2019 May 1 Deputy Director General - Director of Freight Transportation Directorate transferred to LG CARGO AB.

During the first half of 2019 and 2018 the management of the Company was not granted with any loans, provided with guarantees or other paid or accrued benefits or disposed assets, except as disclosed above.

(thousand Euro unless otherwise stated)

18. Adjustment to comparative figures due to changes in classification of expenses

In 2018, the Group and the Company revised their expenses classification methodology and decided to provide more accurate distribution between items of the statement of profit or loss and other comprehensive income by adjusting the comparative information for 2018 accordingly.

Impact of adjustment on the Group's and the Company's statements of profit or loss and other comprehensive income for the first half of 2018 is presented below:

Group	06/2018 (before adjustment)	Adjustment	06/2018 (after adjustment)
Revenue	223,209	-	223,209
Other income	337	-	337
Total income	**223,546**	**-**	**223,546**
Salaries and social security	(72,928)	(9,330)	(82,258)
Depreciation and amortisation	(59,052)	(2,322)	(61,374)
Fuel	(25,240)	(787)	(26,027)
Materials	(3,206)	(4,190)	(7,396)
Services rendered by other foreign railway companies	(8,098)	-	(8,098)
Electricity	(3,323)	53	(3,270)
Repairs and maintenance	(7,068)	3,660	(3,408)
Impairment (increase) of non-current assets. inventories and investments	165	-	165
Impairment (increase) for amounts receivable and contract assets	65	-	65
Change in provisions and accruals	(1,600)	-	(1,600)
Joint operating costs	-	-	-
Other expenses	(17,114)	12,916	(4,198)
Profit (loss) from operations	**26,147**	**-**	**26,147**
Finance income	96	-	96
Finance expenses	(2,177)	-	(2,177)
Share of profit of equity accounted investees	(773)	-	(773)
Profit (loss) before taxation	**23,293**	**-**	**23,293**
Income tax	(4,651)	-	(4,651)
Net profit (loss)	**18,642**	**-**	**18,642**
Other comprehensive income (expenses)	-	-	-
Items that will never be reclassified to profit or loss	-	-	-
Items that are or may be reclassified to profit or loss	-	-	-
Total comprehensive income (expenses)	**18,642**	**-**	**18,642**

After the reclassification of expenses for the first half of 2018, the amount of the Group's other expenses decreased by 12,916 thousand EUR as they were reclassified to the relevant items of the statement of profit or loss and other comprehensive income.

(thousand Euro unless otherwise stated)

18. Adjustment to comparative figures due to changes in classification of expenses (continued)

Company	06/2018 (before adjustment)	Adjustment	06/2018 (after adjustment)
Revenue	221,745	-	221,745
Other income	326	-	326
Total income	**222,071**	**-**	**222,071**
Salaries and social security	(70,210)	-	(70,210)
Depreciation and amortisation	(59,873)	-	(59,873)
Fuel	(25,587)	-	(25,587)
Materials	(2,947)	-	(2,947)
Services rendered by other foreign railway companies	(8,098)	-	(8,098)
Electricity	(3,406)	-	(3,406)
Repairs and maintenance	(7,836)	(6,989)	(14,825)
Impairment (increase) of non-current assets. inventories and investments	121	-	121
Impairment (increase) for amounts receivable and contract assets	117	-	117
Change in provisions and accruals	(1,861)	-	(1,861)
Joint operating costs	-	-	-
Other expenses	(19,665)	6,989	(12,676)
Profit (loss) from operations	**22,826**	**-**	**22,826**
Finance income	238	-	238
Finance expenses	(2,144)	-	(2,144)
Share of profit of equity accounted investees	-	-	-
Profit (loss) before taxation	**20,920**	**-**	**20,920**
Income tax	(4,212)	-	(4,212)
Net profit (loss)	**16,708**	**-**	**16,708**
Other comprehensive income (expenses)	-	-	-
Items that will not be reclassified to profit or loss	-	-	-
Items that are or may be reclassified to profit or loss	-	-	-
Total comprehensive income (expenses)	**16,708**	**-**	**16,708**

The reclassification of maintenance expenses amounting to 6,989 thousand EUR from other expenses to repair expenses had the largest impact on the Company's reclassification of expenses for the first half of 2018.

19. Contingent assets and liabilities

Legal cases

On 2 October 2017, the European Commission adopted a final Decision C(2017) 6544 which holds the Company liable for an infringement of Article 102 of the Treaty on the Functioning of the European Union and finds that the Company abused its position in the market for the management of railway infrastructure in Lithuania by removing a 19-kilometre rail track connecting Mažeikiai in North-Western Lithuania with the Latvian border on 3 October 2008. The Company was imposed a fine amounting to 27,873 thousand EUR and obliged to bring to an end the infringement. Therefore, the Company, based on the resolution of the Government of the Republic of Lithuania as of 6 December 2017, has proposed the European Commission to reconstruct the Track until the end of 2019. Also, on 14 December 2017, the Company filed an action to the EU General Court seeking a complete or partial annulment of the Decision C(2017) 6544 and/or a reduction of the fine. It is anticipated that the judgement of the EU General Court should be adopted in the second half of 2019.

Potential disputes

On 30 August 2018, VAS Latvijas dzelzcelš and SIA LDZ CARGO applied to the Company in writing demanding compensation for the damage incurred by these companies. According to these companies, they incurred the damage because the Company removed a rail track connecting Mažeikiai with the Latvian border, and the amount of damage is 82,340 thousand EUR. The above-mentioned companies also demand the payment of 6% interest for the period from the occurrence of damage until the date of indemnification. The Company disagrees with these claims and considers them unjustified, as, based on the claims submitted by VAS Latvijas dzelzcelš and SIA LDZ CARGO, it is currently impossible neither to reliably determine, whether these companies have actually incurred damages, nor measure the size of the alleged damage nor to tell, whether it is justified. In addition, the Company's claim regarding partial or full annulment of Decision C(2017) 6544 and/or reduction of the fine has not been heard at the General Court of the European Union and no final decision has been taken regarding the breach inflicted by the Company. Therefore, no provisions related to these claims have been accounted for in the financial statements.

Commitment for investments

For the implementation of Rail Baltica project stage "Reconstruction of the current railway track Kaunas-Palemonas by building the 1,435 mm track gauge", in 2018 the Company signed a contract with the partners of a joint-activity agreement, i.e., UAB Hidrostatyba, LEONHARD WEISS RTE AS and UAB Autokausta. The companies committed to build a European track gauge from Kaunas railway station to intermodal terminal located in Palemonas. The value of works is 56,207 thousand EUR (excluding VAT). The estimated due date of contracting works is in 2020. Traffic between Kaunas and Palemonas railway stations is expected to be resumed by the end of October 2019.

20. Most significant events of the reporting period

On 10 January 2019 LUAB Geležinkelių aplinkosaugos centras was deregistered from the Register of Legal Entities. The Company owned 100 percent of its shares.

On 8 February 2019 VšĮ Transporto inovacijų centras which will stimulate innovations in the transportation sector was registered.

On 28 February 2019 UAB LG Keleiviams was registered in the Register of Legal Entities which will gradually take-over business activities of AB Lietuvos Geležinkeliai Passenger Transportation Directorate.

On 30 April 2019 financial statements of the Company for 2018 were approved whereby it disbursed 43,000 thousand EUR dividends. During the first half of 2019, the Company paid 28,000 thousand EUR dividends to the Budget revenue collection account.

On 1 May 2019 freight transportation business was transferred from AB Lietuvos Geležinkeliai to AB LG CARGO.

The Company has signed an agreement for the use of the state budget funds for the implementation of the program for ensuring railway communications which states that according to the Article 16(1) of the Law on the Approval of the Financial Indicators of the State Budget and Municipal Budgets the Company shall be compensated for the actual loss incurred by rail passenger transport on local routes, which will amount to approximately 29,400 thousand EUR.

21. Subsequent events and other information

On 1 July 2019 AB Lietuvos Geležinkelių Infrastruktūra was registered. It will gradually take-over business activities of AB Lietuvos Geležinkeliai Railway Infrastructure Directorate by 8 December 2019 and the sole shareholder which will manage the 100 percent share package will be the parent Company. The shares of the latter shall be further held by the State.

New Articles of Association of Lietuvos Geležinkeliai were registered in the Register of Legal Entities on 25 July 2019. Share capital of AB Lietuvos Geležinkeliai was increased by 650 thousand EUR contribution through issue of 2,245 registered shares at 289,62 EUR value per share.

In August 2019 the Company received 1,850 thousand EUR dividends from UAB Gelsauga.

On 5 August 2019 BAB Lietuvos Jūrų Laivininkystė was removed from the Register of Legal Entities. The Company was the holder of 55.66% shares of that undertaking.

21. Subsequent events and other information (continued)

On 6 August 2019 the Board of AB Lietuvos Geležinkeliai approved the decision to transfer passenger and luggage transportation business activities by rail to UAB LG Keleiviams.

On 7 August 2019 the share capital of AB LG CARGO was increased. Emission of new shares of AB LG CARGO was paid by non-cash contribution which is comprised of freight business activities. Based on the independent property valuation report the value is 30,410 thousand EUR.

On 8 August 2019 AB Kelių Priežiūra became a stakeholder of VšĮ Transporto Inovacijų Centras reducing the Company's share to 50 percent.

On 28 August 2019 AB Kelių Priežiūra (33 percent) and AB Lietuvos Paštas (33 percent) joined as stakeholders of VšĮ Transporto Inovacijų Centras The share held by the Company reduced to 33 percent.

On 30 August 2019 AB Lietuvos Geležinkeliai and UAB LG Keleiviams signed an agreement based on which passenger and luggage transportation business activities by rail from 1 September 2019 is transferred to UAB LG Keleiviams.