2020 1st half-year

AB Lietuvos geležinkeliai
Interim Report

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ABBREVIATIONS:

LTG or the Company – AB Lietuvos Geležinkeliai
LTG Group, Group, Group of Companies – AB Lietuvos Geležinkeliai and its subsidiaries
LTG Cargo – AB LTG Cargo
LTG Link – UAB LTG Link
LTG Infra – AB Lietuvos Geležinkelių Infrastruktūra
VLRD – UAB Vilniaus Lokomotyvų Remonto Depas
GTC – UAB Geležinkelio Tiesimo Centras
Gelsauga – UAB Gelsauga
Security Services – UAB Saugos Paslaugos
RBS – UAB Rail Baltica Statyba
GOV – the Government of the Republic of Lithuania
LTSA – the Lithuanian Transport Safety Administration
EU – the European Union
SOE – a State-owned enterprise

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

CEO foreword

Dear partners, employees, customers,

The first half of 2020 will go down in history primarily due to the global coronavirus pandemic. This chain of events has changed the lives of everyone, both society and the business community. Therefore, when we talk about the events and achievements of the Lietuvos Geležinkeliai Group during this period, we must first of all talk about the challenges brought by this insidious virus.

The pandemic period became a huge challenge for the entire LTG Group. First of all, the team of the passenger transportation company LTG Link faced giant challenges. The numbers of passengers on local routes decreased more than 70 percent, we had to halve the number of trips, introduce strong security measures to protect passengers travelling on trains and colleagues working on the frontline. However, our trains did not stop and during the difficult period they became the only interurban means of transport in Lithuania.

Furthermore, our team took care of the safe journey home of the country's citizens left stranded on the German-Polish border in record time. In addition, it contributed to arranging a special train to Ukraine to take back people quarantined in the Baltic States to their homes.

During the challenging period, the LTG Cargo team also found new opportunities to contribute to the well-being of all Lithuanian people. Logistics professionals in a very short time of one week arranged a special train from China to bring personal protective equipment for Lithuanian medics, employees of LTG Group and other businesses.

The great concentration of the team allowed us to discover new opportunities. To ensure uninterrupted supply chains for the country's businesses, during the pandemic period LTG Cargo implemented significant pilot projects on intermodal freight transportation, as well as semi-trailer transportation from Germany. This allowed to transport important goods to Lithuania ecologically and smoothly, it also paved the way for these modes of transport to become permanent in the future.

Being the owners of the country's railway network, LTG Infra grasped the opportunities and, given the reduced number of running trains, intensified the planned repair and infrastructure upgrade works. This team has been implementing two projects of the utmost importance on the country's main railway line stretching from Vilnius to Klaipėda port.

MANTAS BARTUŠKA
CEO
AB Lietuvos geležinkeliai

First of all, the electrification project signed in 2019 is making good progress – it will have a positive ecological effect on both passenger trips and more efficient and nature-friendly freight transport. Under competitive pressure, this will provide Lithuania with the tools to reinforce its leading role in logistics within the region.

LTG Infra is also building the second tracks on the said section. Two new sections of 10 and 13 kilometres long will increase the throughput capacity of the busiest railway section and the average train speed. In line with the electrification process, these two projects will enable ecological, fast and reliable transportation of cargo and trips for Lithuanian citizens and visitors to the country.

I am very happy with the whole team of LTG Group, which spent countless working hours to take care of the safety of all colleagues and to ensure our business continuity. This period was very difficult, but the efforts made by the team of more than 9,000 people to deal with the challenges were exemplary and proved their ability to change, work in a challenging time, and adapt to ever-changing circumstances.

Therefore, I tend to be optimistic about this period. At the beginning of the pandemic, we had to forget about achieving the targets set at the year-start and prepare for the worst-case scenario. However, assessing the country's economic indicators and experience of the neighbouring countries, I must admit that the worst-case scenario did not materialise and the half-year ended with a positive result across the entire LTG Group.

However, it is not a time to relax even for a single moment. We are actively monitoring the market to prepare for potential challenges in the near future. We remain focussed on our work because we feel a great responsibility to help keep the Lithuanian economy moving forward and create value for our shareholder – the Lithuanian State.

Basic information about The Group and The Company

Parent Company AB Lietuvos geležinkeliai

Company name	Registered address	Registration date, place*	Company code	Phone, email	Website	Core business
Public limited liability company **Lietuvos Geležinkeliai**	Mindaugo Str. 12, Vilnius	24 12 1991	110053842	(+370 5) 269 2038 info@litrail.lt	http://www.litrail.lt	Increasing the value of the Group's business and the efficiency of railway transport operations by ensuring the effective management, maintenance, renovation and development of the public rail infrastructure and the effective provision of rail transport and related public services.

LTG subsidiaries

Name	Registered address	Registration date, place*	Company code	Phone, email	Website	Share held by LTG, %	Core business
Public limited liability company **LTG Cargo**	Geležinkelio Str. 12, Vilnius	28 12 2018	304977594	(+370 5) 269 2745 cargo@litrail.lt	http://cargo.litrail.lt/	100%	Freight carrier activities and related services
Private limited liability company **LTG Link**	Geležinkelio Str. 16, Vilnius	28 02 2019	305052228	(+370 5) 269 3265 lgkeleiviams@litrail.lt	http://www.litrail.lt/keleiviams www.traukiniobilietas.lt	100%	Carriage of passengers and luggage by rail and related services
Public limited liability company **Lietuvos Geležinkelių Infrastruktūra**	Mindaugo Str. 12, Vilnius	01 07 2019	305202934	(+370 5) 269 3353 LGinfrastruktura@litrail.lt	http://lginfrastruktura.lt/	100%	Railway infrastructure management, use and disposal and implementation of the functions of the public railway infrastructure manager
Private limited liability company **Vilniaus Lokomotyvų Remonto Depas**	Švitrigailos Str. 39/16, Vilnius	21 08 2003	126280418	(+370 5) 269 2035 info@vlrd.lt	https://vlrd.lt/lt/	100%	Manufacture of new shunting locomotives and track machinery, major and current repair and maintenance of all types of rolling stock, manufacture and repair of freight wagons
Private limited liability company **Geležinkelio Tiesimo Centras**	Trikampio Str. 10, Lentvaris, Trakai reg.	21 12 2001	181628163	(+370 5) 269 3202 info@gtc.lt	https://gtc.lt/w/	100%	Construction and repair of rail infrastructure
Private limited liability company **Gelsauga**	Prūsų Str. 1, Vilnius	11 12 2001	125825125	(+370 5) 269 2448 gelsauga@litrail.lt	http://www.gelsauga.lt/	100%	Sewage treatment plant maintenance and vocational education services
Private limited liability company **Saugos Paslaugos**	Prūsų Str. 1, Vilnius	10 06 2019	305186992	(+370 5) 269 2448	http://www.gelsauga.lt/	100%	Installation, maintenance and repair services of physical and electronic security and technical security equipment
Private limited liability company **Rail Baltica Statyba**	Mindaugo Str. 12, Vilnius	23 01 2014	303227458	(+370 5) 202 1165	http://www.rail-baltica.lt/	100%	Exercise of the functions of the shareholder of the Joint Venture of the Baltic States, RB Rail AS coordinating the Rail Baltica project
Public Institution **Geležinkelių Logistikos Parkas**	Švitrigailos Str. 39, Vilnius	07 10 2011	302674602	+370 612 02006 logisticspark@logisticspark.lt	https://www.logisticspark.lt	80%	An enterprise owned by Vilnius City Municipality and AB Lietuvos Geležinkeliai responsible for the development and management of a logistics fleet of Vilnius Public Logistics Hub

LTG's associates and subsequent companies

Company name	Registered address	Registration date, place*	Company code	Phone, email	Website	Share held by LTG / its subsidiary, %	Core business
Private limited liability company **voestalpine Railway Systems Lietuva**	Sostinės Str. 18, Valčiūnai, Vilnius reg.	28 07 1995	110709524	(+370 5) 249 3261 office.lietuva@voestalpine.com	https://www.railwaysystems.lt	34% is held by LTG	Manufacture of railway switches
Public institution **Transporto Inovacijų Centras**	Mindaugo Str. 12, Vilnius	08 02 2019	305017405	+370 613 02886 info@mobilitytech.lt	https://mobilitytech.lt/lt/pradinis/	33% is held by LTG	Development and presentation of new technology investment projects to the innovation stakeholders
Public limited liability company **RB Rail AS**	K.Valdemāra Str. 8, Riga, Republic of Latvia	23 12 2014 Republic of Latvia	40103845025	+371 669 67171 info@railbaltica.org	http://www.railbaltica.org	LTG's subsidiary UAB Rail Baltica Statyba controls 33%	Coordination of the implementation of the Rail Baltica project
Association of Lithuanian Railway Undertakings	Mindaugo Str. 12, Vilnius	13 11 2018	304949011	+370 616 18841 irena.jankute-balkune@litrail.lt	–	–	Representation of the rights and interests of the Association members-employers in social partnership The Association members: AB Lietuvos Geležinkeliai", AB LTG Cargo, UAB Vilniaus Lokomotyvų Remonto Depas, UAB Geležinkelio Tiesimo Cntras, UAB Rail Baltica Statyba, UAB LTG Link, AB Lietuvos Gležinkelių Infrastruktūra
Private limited liability company **Lokomotyvai ir Transporto Komponentai**	Šeškinės Str. 59A, Vilnius	09 09 2014	303388493	+370 616 46221	–	LTG's subsidiary UAB Vilniaus Lokomotyvų Remonto Depas controls 25%	No activity
Enterprise with limited civil liability **OOO Rail Lab**	Internacionalnaja Str. 36-1, Minsk, Republic of Belarus	26 05 2020	192827267	+375 29 312 23 52, v.dervenkov@litrail.lt	–	LTG's subsidiary UAB Vilniaus Lokomotyvų Remonto Depas controls 99%, and UAB Geležinkelio Tiesimo Centras controls 1%	Manufacture of locomotives and rolling stock, repair and maintenance of vehicles, wholesale of other machinery and equipment

** Data on all the aforementioned legal entities are collected and stored in the Register of Legal Entities of the Republic of Lithuania, except for the associated company RB Rail AS, which is registered in Latvia, and OOO Rail Lab, which is registered in Belarus.*

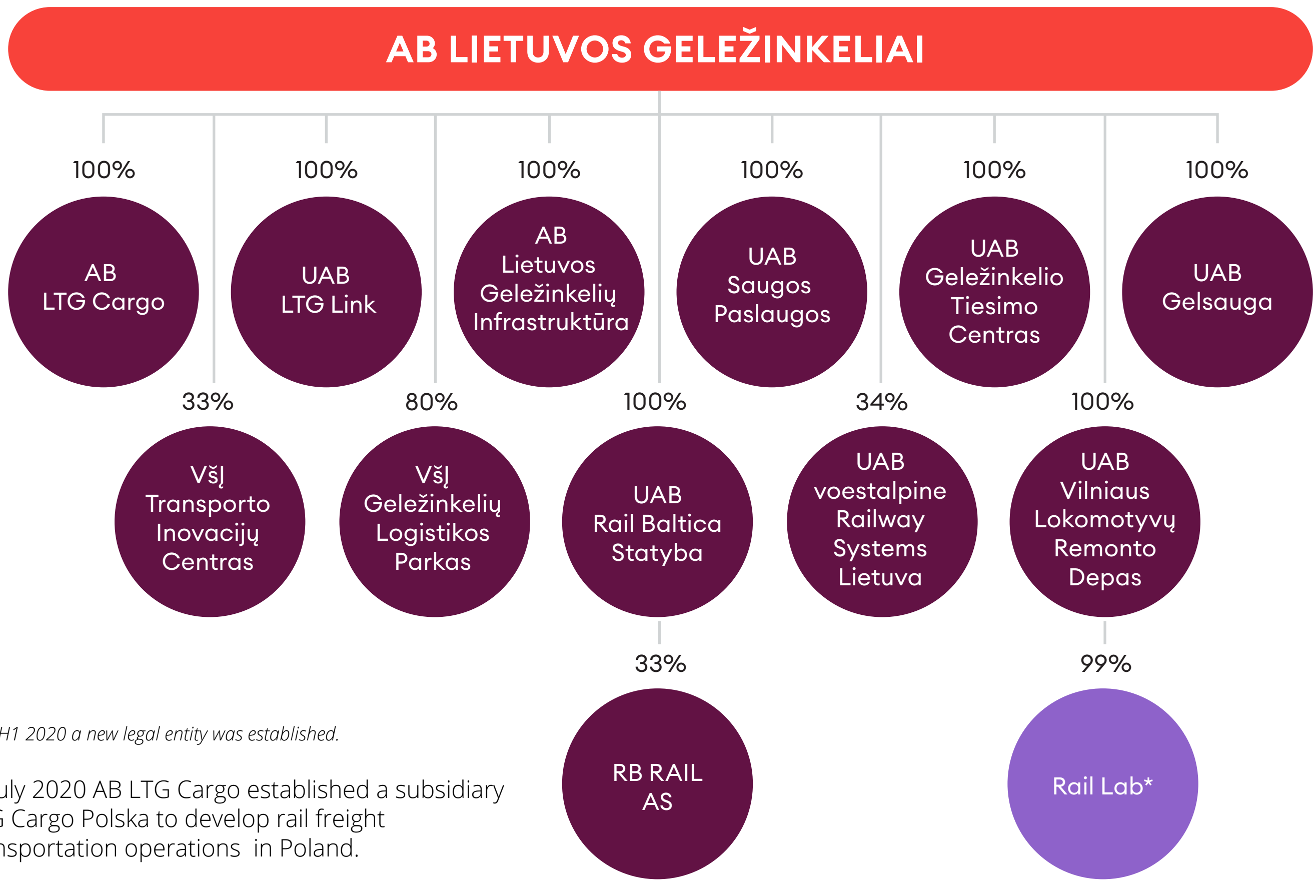
LTG's representative offices

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

LTG Group's companies are the members of the international organizations listed below.
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 States (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.

Group structure



** In H1 2020 a new legal entity was established.*

In July 2020 AB LTG Cargo established a subsidiary LTG Cargo Polska to develop rail freight transportation operations in Poland.

Information about shares as of 30 June 2020

Company	Amount of the authorised capital, thousand EUR	Number of shares, units	Nominal value per share, EUR
Parent Company			
AB Lietuvos Geležinkeliai	1,059,283	3,657,492	289.62
Subsidiaries			
AB LTG Cargo	60,410	208,584	289.62
AB Lietuvos Geležinkelių Infrastruktūra	654,928	654,928	1,000
UAB LTG Link	156,237	156,237	1,000
UAB Vilniaus Lokomotyvų Remonto Depas	19,017	65,663	289.62
UAB Geležinkelio Tiesimo Centras	31,785	109,748	289.62
UAB Gelsauga	4,191	14,471	289.62
UAB Saugos Paslaugos	454	1,566	289.62
UAB Rail Baltica Statyba	4,161	143,698	28.96
Associated and subsequent companies			
UAB voestalpine Railway Systems Lietuva	-	25,734	28.96
RB Rail AS	-	650,005	1
UAB Lokomotyvai ir Transporto Komponentai	-	250	289.62
OOO Rail Lab	450	-	-

- As of 30 June 2020, the sole shareholder of AB Lietuvos Geležinkeliai was the State of Lithuania whose property and non-property rights are implemented by the Ministry of Transport and Communications of the Republic of Lithuania (100 percent shareholding).
- The shares of all companies within the Group belong to the same class of ordinary registered shares. The shares are in uncertificated form, they are recorded by entries in personal securities accounts in accordance with the procedure established by legal acts.
- The Company and its subsidiaries did not acquire their own shares during the reporting period.
- The subsidiary and associated companies did not acquire any shares of the Company during the reporting period.

Corporate governance

The State of Lithuania is the sole shareholder of AB Lietuvos Geležinkeliai and holds 100 percent of the shares. The Ministry of Transport and Communications of the Republic of Lithuania exercises the rights and performs the duties of the shareholder who takes all key decisions in relation to the business activities and ownership of LTG.

To achieve a long-term value growth of the LTG Group companies, rational and efficient use of funds, assets and other resources and to meet the expectations and represent the interests of the shareholder, the Group's operating model is focused on the streamlining and concentration of the core business activities in its subsidiaries and on the segregation of business support functions (e.g. accounting, procurement, asset management, IT, etc.), as well as on the provision of centralized services to the Group's companies.

The Group's corporate governance is organized in accordance with the legislation of the Republic of Lithuania regulating the governance of companies, including state-owned enterprises, and the 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.

The Company operates in observance of the Law on Companies, the Articles of Association of the Company, decisions of the Company bodies, as well as other legislative acts of the Republic of Lithuania regulating the activities of companies, including state-owned enterprises.

LTG Group's corporate governance is organized in accordance with the following principles of:

- openness and transparency in business,
- compliance with the regulatory framework and best international practices of corporate governance,
- meeting the shareholder expectations and interests,
- proper realisation of the shareholder rights and control,
- definiteness and sustainability of goals,
- operational efficiency,
- sustainable development,
- effective and ethical governance.

The Articles of Association of the Company

The Articles of Association of the Company are the key document the Company observes in the course of carrying out its business operations. Following the Law on Companies, changes to the Articles of Association of the Company are made by decision of the sole shareholder – the Ministry for Transport and Communications of the Republic of Lithuania. No changes to the Articles of Association of the Company were made during the reporting period. The Articles of Association of the Company are published on the Company's website http://www.litrail.lt/istatai.

Bodies of the Company

These bodies of the Company are provided in the Articles of Association:

- The General Meeting of Shareholders;
- The Board;
- The Head of the Company (CEO)

The General Meeting of Shareholders is the supreme governing body of the Company. The rights and duties of the sole shareholder of LTG are implemented by the Ministry of Transport and Communications of the Republic of Lithuania which adopts fundamental decisions in relation to defining the strategic lines, implementation of the ownership rights and duties, and other issues concerning governance and business activities.

The Board is a collegial governance body consisting of 7 members, of which 6 during the reporting period are independent members in accordance with the Description of Selection of Candidates to the Board of a State or Municipal Enterprise and Candidates to the Collegial Supervisory or Management Body Elected by the General Meeting of Shareholders of a State-Owned or Municipality-Owned Enterprise approved by the Government Resolution No 631 of 17 June 2015. Members of the Board shall be elected by the General Meeting of Shareholders for a term of 4 years. The Chairman of the Board shall be elected from the Board members. The Board member may be elected for an unlimited number of terms of office. The competence areas of the Board are defined in the Law on Companies and the Articles of Association of the Company as published in the LTG's website section "Corporate Governance" at http://www.litrail.lt.

The Board performs the following functions:

- Approves the strategy of LTG Group of Companies, sets long-term goals and performance indicators,
- Adopts decisions on strategic issues in relation to defining the strands of activity of LTG Group of Companies,
- Is responsible for organisational and systemic development of LTG Group of Companies,
- Monitors and controls top-priority projects of LTG Group of Companies;
- Reviews consolidated, and annual and interim financial statements of the Company.

The CEO is the sole executive body. The CEO is appointed by the LTG Board to which he is reporting. During the reporting period the LTG's CEO carries out his duties from 16 December 2016. Pursuant to Article 371 of the Law on Companies, the CEO's first term of office commenced on 1 January 2018. The competence areas of the CEO are defined in the Law on Companies and the Articles of Association of the Company as published in the LTG's website section "Corporate Governance" at http://www.litrail.lt.

The Chief Executive Officer is responsible for:

- Organization of the LTG's business activities, achievement of performance results and implementation of the set goals;
- Compilation of LTG Group's consolidated, and annual and interim financial statements.

Composition of the Company's Board and its changes during the reporting period

ROMAS ŠVEDAS

Chairperson of the Board, Independent Board Member
Appointed on 14 December 2016

Education

- Vilnius University, Faculty of Law;
- "Political Democracy", University of Umea (Sweden);
- "Foreign Trade Policy", World Trade Organization (Geneva, Switzerland);
- "Negotiations on International Trade Contracts", International Law Institute (Washington D.C., USA);
- "Board Member Studies", Baltic Institute of Corporate Governance (Vilnius, Riga, Tallinn);
- "Board Chair Studies", Baltic Institute of Corporate Governance (Stockholm).

Main employer, position

- Member of the Heat Council under the Ministry of Energy, Gedimino pr. 38, Vilnius;
- Member, Chairman of the Espoo Convention Implementation Committee of the UN Economic Commission for Europe;
- Alternate member of the Administrative Board of the EU Agency for the Cooperation of the Energy Regulators;
- Lecturer at the Vilnius University, Institute of International Relations and Political Science, Universiteto Str. 3, Vilnius, Company code 211950810;
- Member of the Supervisory Board of RB Rail AS, K. Valdemāra Str. 8, Riga, Republic of Latvia, company code 40103845025;
- Independent Expert.

MONIKA RIMKŪNAITĖ – BLOŽĖ

Independent Board Member
Appointed on 14 December 2016

Education

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

Main employer, position

- UAB Mobilieji Mokėjimai, CEO, Žalgirio Str. 92-701, Vilnius, Company code 304431143.

CHRISTIAN KUHN

Independent Board Member
From 26 February 2018 to 1 March 2020

Education

- Veolia Cursus Dirigeants;
- Hanover University, Ph.D.;
- Darmstadt Technical University, Master of Engineering.

Main employer, position

- Member of the Board and Chairman of the Strategy and Innovation Committee of the Kazakhstan railway company Kazakhstan Temir Zholy (KTZ);
- Member of the Supervisory Board of the Ukrainian railway undertaking Ukrzaliznytsia.
- An independent consultant for rail and logistics companies.

ALDITAS SAULIUS

Independent Board Member
Appointed on 26 February 2018

Education

- Joint Vienna Institute, Course in Applied Market Economics;
- Master of International Business, Vilnius University, International Business School;
- Vilnius University, Master of Physics.

Main employer, position

- Chairman of the Board of UAB Investicijų ir Verslo Garantijos (INVEGA), Konstitucijos ave. 7, Vilnius, company code 110084026;
- Member of the Board and Member of the Audit Committee of VĮ Valstybinių Miškų Urėdija (state forest enterprise), Savanorių ave. 176, Vilnius, company code 132340880.

ROLANDAS ZUKAS

Independent Board Member
Appointed on 14 December 2016

Education

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

Main employer, position

- UAB EPSO G, CEO, Gedimino ave. 20, Vilnius, company code 302826889.

MATS HANSON

Independent Board Member
Appointed on 9 August 2019

Education

- University of Umea/Ostersund, Public Administration studies;
- Stockholm School of Economics, Integrated Management, Accounting and Finance studies;
- Integrated Management studies.

Main employer, position

- Current position: Owner and Independent Consultant at the Swedish consultancy firm MBK Advisory;
- Previous position: Vice-president for Marketing and Sales at the Swedish company Green Cargo.

POVILAS DRIŽAS

Board Member
Appointed on 6 February 2020

Education

Mykolas Romeris University, Master of International Law;

University of Latvia, Erasmus Programme, Law Studies.

Main employer, position

- Advisor of the Law and Personnel Division of the Ministry of Transport of Communications, Gedimino ave. 17, Vilnius, company code 188620589.

Other position held

- Member of the Board of AB Lietuvos Paštas, J. Jasinskio Str. 16, Vilnius, company code 121215587.

Changes in the composition of the Board during the reporting period

On 6 February 2020, the LTG's sole shareholder - the Ministry of Transport and Communications of the Republic of Lithuania appointed Povilas Drižas, Advisor of the Law and Personnel Division of the Ministry, as a member of the LTG's Board. With effect from 1 March 2020, Independent Board Member Christian Kuhn resigned from the position of the Board Member.

The LTG's Board was elected for a term of four years by the General Meeting of Shareholders on 14 12 2016. The term of office of the Board will expire on 14 12 2020.

During the reporting period 9 meetings of the Board were held.

No member of the Board is connected to AB Lietuvos Geležinkeliai or the companies within LTG Group through participation in their capital.

Assessment of the Board performance and results

In accordance with the Rules of Procedure of the Board, as well as in accordance with good governance practices, at the start of 2020 the Board carried out an assessment of its performance and competencies for the year 2019.

The assessment results were discussed at the meeting of the Board, as well as the areas for improvement were identified and the actions plans for 2020 were drawn up. The Board identified these areas for improvement: to develop the competencies and increase the efficiency of meetings.

Audit Committee

The Audit Committee acts as an advisory body to the Board. The key functions of the Audit Committee:

- Supervision of the financial reporting and auditing processes of the entire LTG Group of Companies;
- Ensuring the compliance with the principles of independence and objectivity of LTG Group auditors and audit firms, providing the Board with information summaries;
- Supervision of the effectiveness of LTG Group's internal control, internal audit systems, and business processes
- Informing the LTG Board on problematic issues relating to audits carried out at the Group's companies, especially when significant deficiencies in the internal control regarding financial reporting are found, providing recommendations for elimination of such deficiencies and improvement of their prevention systems;
- Providing the LTG Board with information regarding audits conducted at the companies of LTG Group by the National Audit Office or the Ministry of Transport and Communications of the Republic of Lithuania or other authorities, as well as providing information regarding follow-up of the implementation of recommendations provided by the said institutions;

The Audit Committee shall consist of minimum 3 members, at least one of whom must be an independent member. An independent member(s) of the Audit Committee shall be hired in a public selection procedure. In accordance with the Articles of Association of AB Lietuvos Geležinkeliai, the Chairperson of the Audit Committee must be an independent member of the LTG Board, who is competent in the field of finance.

During the reporting period, until 7 April the Audit Committee had two members, after 7 April it comprises 3 members, 2 of whom are independent.

Composition of the audit committee

ALDITAS SAULIUS

Chairperson of the Audit Committee, Independent Committee Member
Appointed on 28 February 2019

Education

- Joint Vienna Institute, Course in Applied Market Economics;
- Master of International Business, Vilnius University, International Business School;
- Vilnius University, Master of Physics.

Main employer, position

- Chairman of the Board of UAB Investicijų ir Verslo Garantijos (INVEGA), Konstitucijos ave. 7, Vilnius, company code 110084026;
- Member of the Board and Member of the Audit Committee of VĮ Valstybinių Miškų Urėdija (state forest enterprise), Savanorių ave. 176, Vilnius, company code 132340880.

IRENA PETRUŠKEVIČIENĖ

Independent Committee Member
Appointed on 28 February 2019

Education

- Vilnius University, Faculty of Law;
- University of Texas, Centre for International Accounting Development
- DePaulo University, School of Accountancy (Chicago, USA).

Main employer, position

- UAB Maxima Grupė, Chairperson of the Audit Committee;
- European Stability Mechanism (ESM), Member of the Board of Auditors;
- UAB Ignitis, Chairperson of the Audit Committee under the Supervisory Board.

POVILAS DRIŽAS

Committee Member
Appointed on 7 April 2020

Education

- Mykolas Romeris University, Master of International Law;
- University of Latvia, Erasmus Programme, Law Studies.

Main employer, position

- Advisor of the Law and Personnel Division of the Ministry of Transport of Communications, Gedimino ave. 17, Vilnius, company code 188620589.

Other position held

- Member of the Board of AB Lietuvos Paštas, J. Jasinskio Str. 16, Vilnius, company code 121215587.

4 meetings of the Audit Committee were held during the reporting period where the audit findings on LTG Group's financial reporting for 2019 were discussed, the financial statements auditing process was observed, the activity reports and observations of the Internal Audit Unit were considered, as well as the documentation regulating the activity of the Internal Audit Unit and issues assigned to the competence of the Audit Committee.

The members of the Audit Committee as a whole have relevant experience in the field of corporate audit, finance and accounting. The members of the present LTG Audit Committee are elected for a term not longer than the term of office of the LTG Board (until 14 December 2020).

No member of the Audit Committee is connected to AB Lietuvos Geležinkeliai or the companies within LTG Group through participation in their capital.

Nomination and Remuneration Committee

During the reporting period, on 21 April 2020 by decision of the LTG Board the Nomination and Remuneration Committee was formed to act as an advisory body to the Board, as well as the Regulations of the Committee were approved. The key functions of the Nomination and Remuneration Committee include as follows:

- to organize and coordinate the selection process of the head of LTG, to participate in his/her selection;
- to provide an opinion, recommendations, and proposals to the Board on the appointment of the most suitable candidate for the head of LTG, as well as selection procedures;
- to evaluate, provide an opinion, proposals to the Board on the terms and conditions of the employment contract with the head of LTG, including remuneration;
- to evaluate candidates for the board member and the head of the LTG subsidiary and to provide an opinion, recommendations, and proposals to the shareholder of such subsidiaries – the head of the parent LTG regarding the election of the most suitable candidate;
- to evaluate, provide an opinion, proposals to the Board on the principles of performance assessment for the head of LTG and such assessment criteria;
- to evaluate, provide an opinion, proposals to the Board on the LTG remuneration policy.

The Nomination and Remuneration Committee is comprised of minimum 3 members. All of them are the members of the LTG Board.

Composition of the nomination and remuneration committee

MONIKA RIMKŪNAITĖ – BLOŽĖ

Chairperson of the Nomination and Remuneration Committee, Independent Member of the LTG Board
Appointed on 21 April 2020

Education

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

Main employer, position

- UAB Mobilieji Mokėjimai, CEO, Žalgirio Str.. 92-701, Vilnius, company code 304431143.

POVILAS DRIŽAS

Committee Member, LTG Board Member
Appointed on 21 April 2020

Education

- Mykolas Romeris University, Master of International Law;
- University of Latvia, Erasmus Programme, Law Studies.

Main employer, position

- Advisor of the Law and Personnel Division of the Ministry of Transport of Communications, Gedimino ave. 17, Vilnius, company code 188620589.

Other position held

- Member of the Board of AB Lietuvos Paštas, J. Jasinskio Str. 16, Vilnius, company code 121215587.

ROMAS ŠVEDAS

Committee Member, Chairperson of the LTG Board,
Independent Board Member
Appointed on 21 April 2020

Education

- Vilnius University, Faculty of Law,
- "Political Democracy", University of Umea (Sweden),
- "Foreign Trade Policy", World Trade Organization (Geneva, Switzerland);
- "Negotiations on International Trade Contracts", International Law Institute (Washington D.C., USA);
- "Board Member Studies", Baltic Institute of Corporate Governance (Vilnius, Riga, Tallinn);
- "Board Chair Studies", Baltic Institute of Corporate Governance (Stockholm, Sweden).

Main employer, position

- Member of the Heat Council under the Ministry of Energy, Gedimino ave. 38, Vilnius;
- Member, Chairman of the Espoo Convention Implementation Committee of the UN Economic Commission for Europe,
- Alternate member of the Administrative Board of the EU Agency for the Cooperation of the Energy Regulators,
- Lecturer at the Vilnius University, Institute of International Relations and Political Science, Universiteto Str. 3, Vilnius, company code 211950810;
- Member of the Supervisory Board of RB Rail AS, K. Valdemāra Str. 8, Riga, Republic of Latvia, company code 40103845025;
- Independent Expert.

The members of the present LTG Nomination and Remuneration Committee are elected for a term not longer than the term of office of the LTG Board (until 14 December 2020). During the reporting period 1 meeting of the Nomination and Remuneration Committee was held.

No member of the Nomination and Remuneration Committee is connected to AB Lietuvos Geležinkeliai or the companies within LTG Group through participation in their capital.

The Board Members, Committee Members, and the 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 the Board Members, Committee Members, CEO, and the senior management.

Information on remuneration of the Board Members, Committee Members, and the CEO

Remuneration of the Board Members and the Committee Members is based on the time dedicated to the respective activities of the Board and the Committees as fixed in the civil contracts entered into with the Members.

In accordance with the Description of the Procedure for Determining the Remuneration for the Board Members, Committee Members of Public Limited Liability Companies with their Share Owner Being the Ministry of Transport and Communications and State-owned Enterprises under the Regulation of the Ministry of Transport and Communications approved by Order No 3-420 of 20 August 2018, with any further amendments thereto, of the Republic of Lithuania Minister of Transport and Communications, the **Board Member's** annual remuneration, including all taxes paid for the actual activities as the Board member, shall not exceed 1/4 of the total annual remuneration (the annual amount consisting of the fixed and variable components, annual bonus and salary related taxes) of the Company's CEO, in case of the **Chairperson of the Board** – 1/3 of the total annual remuneration (the annual amount consisting of the fixed and variable components, annual bonus and salary related taxes) of the Company's CEO. The **Committee Member's** annual remuneration including all taxes paid for the actual activities as the Committee Member shall not exceed 1/15 of the total annual remuneration (the annual amount consisting of the fixed and variable components, annual bonus and salary related taxes) of the CEO of the respective Company, in case of the **Chairperson of the Committee** – 4/45 of total annual remuneration (the annual amount consisting of the fixed and variable components, annual bonus and salary related taxes) of the CEO of the respective Company.

The remuneration for the activities of the Board Member, as well as the Committee Member, is subject to reduction if the members are absent from the meetings, withdraw from the issues due to conflicts of interests, fail to express their opinion with regard to the issues on the agenda, do not vote on them, fail to carry out the activities of the member, dedicate for them less amount of time than indicated in the agreements entered into with them or carry out such activities improperly.

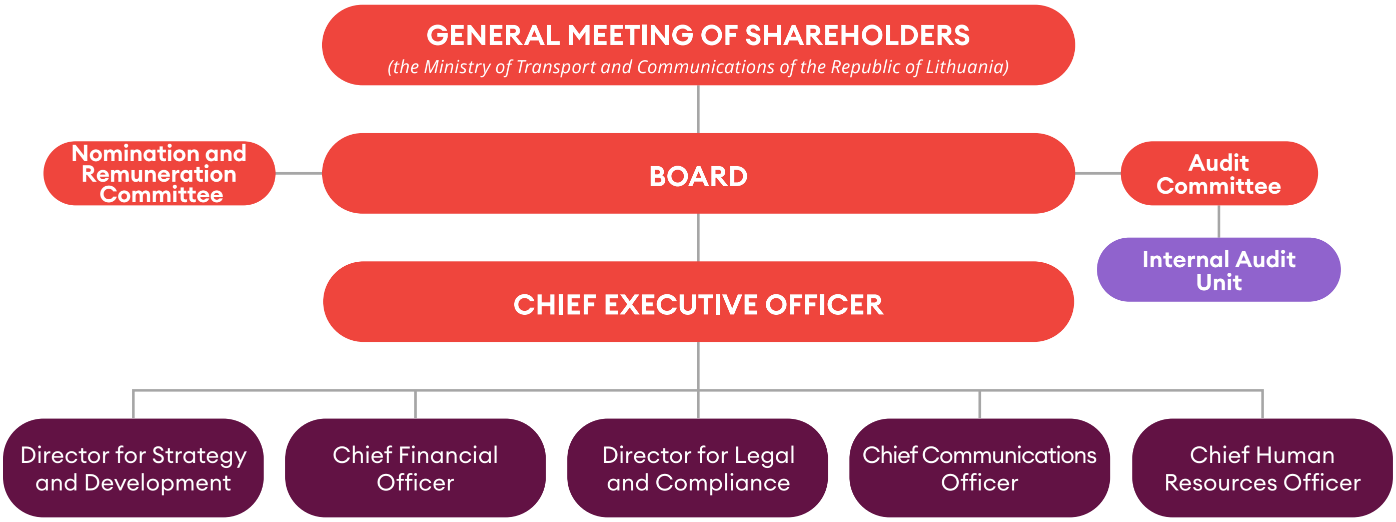
The amount of net annual remuneration may be lower due to pension contributions paid independently by the Board Member and Committee Member or due to taxes paid independently by the Board Member, who is a foreign resident, in a foreign country.

No remuneration is paid for the activities of the LTG Board Members and the Committee Members who have been delegated by the shareholder – the Ministry of Transport and Communications.

The monthly base salary fixed in the employment contract with the **Company's CEO** amounted to EUR 9,305 at the end of the reporting period. In addition to the base salary, the Company's CEO may be paid a variable component of the annual salary (annual incentive pay) linked to the achievement of the annual goals at LTG Group level. Each year the Company's Board approves annual goals, their threshold values and benchmarks, and after the year-end the Board approves the achievement of these goals and the annual incentive pay opportunity. The maximum amount of such incentive pay cannot exceed 30 percent of the fixed annual base salary. The maximum amount of monthly incentive, i.e. 1/12 of the annual incentive pay, cannot exceed EUR 2,792.

Those Members who have been delegated by the shareholder AB Lietuvos Geležinkeliai are paid no remuneration for their service on the Boards of the subsidiaries.

Corporate Governance and Organisational Structure



Executives of the Company

MANTAS BARTUŠKA	CEO	Appointed on 16 December 2016
ADAMAS ILKEVIČIUS	Director for Strategy and Development	Appointed on 29 January 2018
ANDREJ KOSIAKOV	Chief Financial Officer	Appointed on 02 October 2017
ODETA TRUČINSKAITĖ-ŠIUŠIENĖ	Director for Legal and Compliance	Appointed on 28 August 2017
IRENA JANKUTĖ-BALKŪNĖ	Chief Human Resources Officer	Appointed on 10 July 2017
MANTAS DUBAUSKAS	Chief Communications Officer	Appointed on 8 February 2017

Strategy

The Group is building its business activities on rational strategic planning and governance. Two years have passed since the Group approved **the Long-term Corporate Strategy 2018-2030** to cover all activities of LTG Group, i.e. freight and passenger transportation along with related logistics services in the domestic and international markets, infrastructure management, and implementation of priority investment projects. In response to changes in the transport services market and the changing business environment, a detailed review of the strategy is performed each year, and the progress in achieving the goals set out in the strategy is analysed.

The review of the long-term strategies of the Group's companies is focussed on the enhancement of competitiveness and efficiency of the Group's businesses. The Group companies operate in a competitive market – LTG Cargo competes with the railways of the surrounding countries, companies that offer other modes of transport both in Lithuania and abroad, LTG Link must offer attractive services to encourage travellers to use a train rather than a bus or private car, LTG Infra must ensure that the railway infrastructure is safe, reliable and competitive.

Mission

We connect people and businesses for a better future

Vision

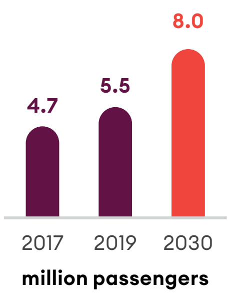
Monilityand logistics leader in Central and Eastern Europe

After a full-scale market analysis and identification of future trends, the Group's long-term strategic orientations remain unchanged:

1. Creating value for the shareholder and the people.
2. Leading freight carrier.
3. Preferred choice for travellers.
4. Safe and adequate infrastructure.
5. Business development in Lithuania and abroad.
6. Operational excellence and corporate governance.
7. Organisation that is respectful and caring for the environment, society and each other.

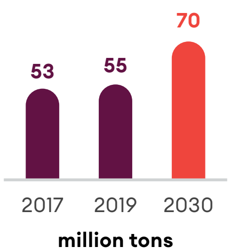
Goals and priorities set out in the strategy for the group's growth 2030

Passengers



For passengers
First choice for passengers and double number of passengers

Freight

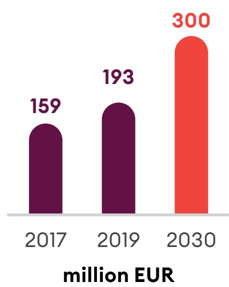


For business
A logistics service provider that meets the customers needs in the region best

Speed

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

EBITDA



Efficiency
Double value of the Group

This year, many sectors of the country have been affected by the ongoing global coronavirus (COVID-19) pandemic. This had an impact on the business operations of the Group's companies and the first half-year performance when the indicators of freight and passenger transportation and of the infrastructure manager went into decline. This will have an impact on achieving the planned results for 2020. However, by monitoring developments in the neighbouring markets, the Company tends to see the positive in the current situation and is not changing its long-term strategic priorities and goals, but is reconsidering the measures that should ensure the achievement of these goals.

Most significant events in H1 2020

January

- On **01 01 2020** LTG Group's company UAB LTG Link joined the partners of the Family Card provided for in the Law on the Family Card of the Republic of Lithuania.. A 20 percent discount on local train trips was introduced for the Family Card holders in Lithuania.
- On **15 01 2020** the authorise capital of LTG Group's company AB Lietuvos Geležinkelių Infrastruktūra was increased from EUR 150 thousand to EUR 654 928 thousand by issuing 654 778 ordinary registered shares. The nominal value per share is EUR 1,000.
- On **30 01 2020** LTG Group company LTG Cargo continues cooperation with Vakarų Medienos Grupė (Western Timber Group) which plans to launch production at a chipboard manufacturing plant construction of which is currently being finalised. Currently, the volume of freight transported is not significant, but as the production advances, the volume of freight transported by rail is expected to reach up to 1 million tons per year.

February

- On **06 02 2020** Povilas Drižas, a representative delegated by the shareholder – the Ministry of Transport and Communications of the Republic of Lithuania, was appointed as the member of the LTG Board.
- On **12 02 2020** the representatives of LTG Group and the municipalities united by the Lithuanian Association of Municipalities met in pursuit of a common goal of discussing the intermediate results of LTG Group project to adapt train travel to the needs of all passengers and sharing insights on how to best adapt the environment to make rail travel services easily accessible, understandable and user-friendly for all passengers, including persons with disabilities, seniors, young families with minor children, etc.
- On **15 02 2020** The first test freight train ran on the newly rebuilt railway section between Mažeikiai in Lithuania and Rengė in Latvia. LTG Cargo transported a freight of oil products of AB ORLEN Lietuva to Latvia. By a symbolic gesture of fastening screws into the railway the Lithuanian and Latvian Transport Ministers Jaroslav Narkevičius and Talis Linkaits, the Chancellor of the Government of the Republic of Lithuania Algirdas Stončaitis, as well as CEOs of AB Lietuvos Geležinkeliai, PKN ORLEN and Latvijas dzelzceļš, marked the opening of the section.
- On **20 02 2020** the Company's CEO Mantas Bartuška was elected to the Steering Committee of CER, the leading European railway organisation. This is the first time that a representative from Lithuania will participate in the activities of and contribute to decision-making by the Steering Committee of the Community that brings together 73 European railway undertakings.
- On **24 02 2020** LTG Group announced a threefold increase in the capacity of utilisation of used old sleepers, thus making an even more active contribution to improving the area near the railway.
- On **27 02 2020** CEO of AB Lietuvos Geležinkeliai Mantas Bartuška, CEO of the subsidiary AB Lietuvos Geležinkelių Infrastruktūra Karolis Sankovski and UAB KMT CEO Andrius Zaveckas signed a sales-purchase contract for a self-propelled diagnostic rolling stock. The best bid in the international procurement procedure for manufacture of a diagnostic vehicle was submitted by the joint venture partners UAB KMT (Lithuania), Graw Sp.zo.o. (Poland), Sperry Rail Limited (Great Britain) and Tesmec SPA (Italy). The contract value is EUR 6.5 million, which is about 20 percent lower than the value of similar procurements executed by the railways in other European countries.

March

- On **01 03 2020** Christian Kuhn resigned from the position of the Board Member. The independent Board Member held his mandate from 26 February 2018.
- On **02 03 2020** the member of LTG Group – the passenger transportation company UAB LTG Link took additional preventive actions to prevent the possible spread of the coronavirus disease. In response to the declared state of emergency and the first case of coronavirus identified, additional train ventilation was launched and from 29 February trains have been cleaned and disinfected at least once a day, those running to the airport or in the border areas – at least twice

- On **03 03 2020** the member of LTG Group – the infrastructure management company AB Lietuvos Geležinkelių Infrastruktūra announced its intention to reconstruct one of the most important railway bridges in the country. The best tenderer in the published international procurement procedure to procure design and contract works for the project on Reconstruction of Jonava Railway Bridge (94 + 634 km) was the group of Eurovia (Czech Republic), Eurovia Lietuva and AS LNK Industries (Latvia) jointly acting under a joint venture agreement.

- On **05 03 2020** AB Lietuvos Geležinkelių Infrastruktūra took another step toward a cleaner environment by announcing that only the so-called green electricity will be used in the catenary network.

- On **15 03 2020** UAB LTG Link announced that from 15 March a limit on the number of passengers on local trains was introduced, as well as the requirement to keep a safe distance and to be seated one metre apart from each other. Moreover, due to the quarantine introduced in Lithuania, all international passenger trains were cancelled.

- On **17 03 2020** UAB LTG Link announced its intention to help the country's citizens left stranded on the German-Polish border get home by special train. On 18 March, a train with Lithuanian, Belarusian, Ukrainian and Latvian citizens arrived in Kaunas from Frankfurt to the Oder.

- On **25 03 2020** UAB LTG Link, taking into account the situation regarding the COVID-19 virus, from March 29 optimized local train journeys: 76 out of the existing 226 were suspended. Trains continued to run between the cities and this is particularly relevant in the case when other carriers suspended interurban trips.

April

- On **04 04 2020** a delivery of personal protective equipment for medical personnel arrived by rail in Lithuania. This is the first shipment of medical devices delivered by AB LTG Cargo - AB Lietuvos Geležinkeliai freight transportation company from the Chinese city of Chongqing. Protective equipment required by medical personnel in fighting against the COVID-19 was delivered on request of the initiative "Hold on tight, medics!", where the representative office of AB Lietuvos Geležinkeliai in China took care of the entire logistics chain, including supply and transportation. One container brought 300 thousand medical masks, and the cargo reached Lithuania within 9 days of the train departure from China.

- On **07 04 2020** Povilas Drižas, a representative delegated by the shareholder – the Ministry of Transport and Communications of the Republic of Lithuania, was appointed as the member of the Audit Committee.

- On **09 04 2020** Lithuania's Minister of Transport and Communications approved the priority rules for the allocation of capacity in the congested section of the public railway infrastructure, which stipulate that the capacity is allocated primarily for providing the services of carriage of passengers and luggage by rail. In the field of freight transport, priority is given to European destinations - international transport to and from other EU countries. The new priority rules, harmonized with the requirements of the EU directives, have been prepared taking into account the practice of setting priority rules in force in other European Union countries and the aim to ensure the most efficient use of public railway infrastructure.

- On **11 04 2020** For the first time in history, a train carrying only postal cargo arrived from China in Europe and it stopped in Lithuania, at the Vilnius intermodal terminal. Parcels delivered by the 42-container train are intended not only for Lithuania but also for many European countries. They will be shipped across Europe by AB Lietuvos Paštas (Lithuanian Post).

- On **16 04 2020** LTG Group's freight company AB LTG Cargo and one of the largest rail freight companies in Poland PKP Cargo agreed to promote intermodal transportation between Lithuania and Poland. In this way it is aimed to reduce environmental pollution and increase traffic safety. This is provided for in the letter of intent signed by the companies on the establishment of a joint venture. Based on this document, the companies continue negotiations and the signed letter of intent does not entail any obligations. The negotiations on the establishment of the joint venture are expected to be finalised in the near future

- On **17 04 2020** UAB LTG Link, a passenger transport company belonging to LTG Group, was ranked first in the Transport/Travel industry according to the brands ranking by Sustainable Brand Index™.

- On **21 04 2020** by decision of the LTG Board, the Nomination and Remuneration Committee was set up to function in the advisory capacity and its members were appointed.

May

- On **04 05 2020**, to improve train travel for passengers with different needs, LTG Group carried out an assessment of the accessibility of passenger trains and railway infrastructure for people with individual needs. The main focus of this assessment is to identify the existing barriers to accessibility and to choose solutions for best adapting the environment to make rail travel services easily accessible and user-friendly for all passengers, including persons with disabilities, seniors, young families with minor children, etc.

- On **06 05 2020** the Company was informed about the changed name and address of the associated company UAB voestalpine VAE Legetecha (with its registered address at Draugystės Str. 8, Valčiūnai, Juodšiliai ward, Vilnius reg., LT-13220) to voestalpine Railway Systems Lietuva, UAB (with its registered address at Sostinės Str. 18 , Valčiūnai, Juodšiliai ward, Vilnius reg., LT-13221).

- On **13 05 2020** AB Lietuvos Geležinkelių Infrastruktūra, the country's railway infrastructure manager, announced to open up the country's railway infrastructure for foreign carriers. The Company signed the first-ever international agreement for the use of the country's public railway infrastructure with one of the largest European rail freight groups and the largest freight company in Poland, PKP Cargo. The agreement stipulates that AB Lietuvos Geležinkeliai Infrastruktūra will provide the services included in the minimum access package (MAP), as well as other services in accordance with separate agreements entered into between the infrastructure manager and the freight carrier.

- On **14 05 2020** AB LTG Cargo together with its partners transported truck semi-trailers by rail for the first time. On 14 May, a train carrying 22 semi-trailers reached Šeštokai terminal in Lazdijai district after a two-day trip from Central Europe. This was the first time ever that semi-trailers had been transported by rail in the Baltic States. This historic pilot carriage of semi-trailers was initiated by LTG Cargo together with its partners – PKP Cargo, one of the largest railway freight companies in Poland, and CargoBeamer, an intermodal transport operator.

- On **26 05 2020** UAB Vilniaus Lokomotyvų Remonto Depas together with UAB Geležinkelio Tiesimo Centras established a subsidiary OOO Rail Lab in Belarus to engage in certification of manufactured wagons.

- On **29 05 2020** the construction of a branch of the Pabradė – Pažeimenė railway line of national significance was completed to help ensure a more convenient relocation of military equipment and other equipment of NATO allies arriving in Lithuania to the General Silvestras Žukauskas Training Range near Pabradė (Švenčionys district). On the 51st kilometre of the branch of the Naujoji Vilnia – Turmantas – Latvian border, part of the railway infrastructure was renewed, a railway section of approximately one kilometre was built, as well as electricity, communications, signalling, and traffic management systems were installed.

June

- On **09 06 2020** AB LTG Cargo announced that it will cooperate with the international freight forwarding company Forwardis of the French group SNCF Logistics. Both companies will seek to increase freight volumes in Europe. The parties signed a commercial representation agreement during a remote video conference.

- On **17 06 2020** LTG Group's representatives had a virtual meeting with the organizations of people with disabilities. The purpose of quarterly meetings is to share the intermediate results of the project on Adaptation of Railway Services According to the Principles of Universal Design and to discuss further plans related to the project, as well as to receive feedback from the organizations.

- On **25 06 2020** during the implementation of the Rail Baltica project, another crossing was removed at the Kaunas railway junction to be replaced by a new tunnel being opened. In the autumn of 2019, the existing problematic Amaliai crossing was removed in Kaunas, and four tunnels were constructed instead. Two of them are intended for cars, the other for cyclists and pedestrians. The second underground railway crossing point in Amaliai – in the same place as the former Amaliai crossing – a tunnel for pedestrians, cyclists, as well as for special transport such as police cars, medics' cars and other cars, was built in implementation of an individual project of Kaunas City Municipality.

- On **25 06 2020** AB Lietuvos Geležinkelių Infrastruktūra in charge of the construction of the Rail Baltica railway in Lithuania launched the contract works tenders to award contracts whereby winning contractors will construct the Kaunas – Panevėžys railway and engineering structures on the line, as well as the longest railway bridge in the Baltic States spanning the Neris river near Jonava.

- On **30 06 2020** the restructuring of the Company's long-term loans was completed. The Company, AB LTG Cargo and the European Investment Bank (EIB) signed a loan restructuring agreement stipulating that the Company transfers its long-term credit obligations to EIB, i.e. a loan of EUR 29,590 thousand, to the subsidiary AB LTG Cargo. The debts of AB LTG Cargo to the Company were reduced by the same amount accordingly.

Events after the end of the reporting period

- On **01 07 2020** the Company (as the guarantor) together with AB Lietuvos Geležinkelių Infrastruktūra and Northern Investment Bank (NIB) signed a binding offer which makes an inherent part of the Amended and Restated Loan Agreement entered into on 31 December 2019 between AB Lietuvos Geležinkelių Infrastruktūra and NIB. Based on this Agreement, the interest due from AB Lietuvos Geležinkeliai Infrastruktūra was fixed for 2 years on a loan of EUR 50,000 thousand. On 3 July 2020, AB Lietuvos Geležinkelių Infrastruktūra took the loan of EUR 50,000 thousand under the Amended and Restated Loan Agreement as signed in December 2019 .
- On **03 07 2020** the Company introduced new brands. The logo of AB Lietuvos Geležinkeliai and related elements of the brand style changed. The name of the Company remains the same, but its new abbreviated name – LTG – embodying the value of patriotism was introduced. From now on, it will be one and the same for the names of all the main companies within the Group: the company engaged in passenger transportation UAB LG Keleiviams became UAB LTG Link, the cargo transportation company AB LG Cargo became AB LTG Cargo (the names of these companies were changed in the Register of Legal Entities on 20 July), and the infrastructure development company AB Lietuvos Geležinkeliai Infrastruktūra will be re-branded into AB LTG Infra (the company name and registered office address will be changed on 26 August).
- On **15 07 2020** the Board of the Company decided to liquidate the subsidiary UAB Gelsauga. The liquidation of the subsidiary is expected from 1 November 2020.
- On **16 07 2020** Povilas Drižas resigned from the position of the LTG Board Member.
- On **20 07 2020**, to eliminate the negative differences in the statement of financial position due to the reorganization, the authorized capital of UAB LTG Link was reduced by EUR 12,647 thousand by reducing the nominal value per each ordinary registered share from EUR 1,000 to EUR 919.05 with certain amendments made to the Articles of Association of this company.
- On **20 07 2020**, to eliminate the negative differences in the statement of financial position due to the reorganization, the authorized capital of AB LTG Cargo was reduced by EUR 16,474 thousand by reducing the nominal value per each ordinary registered share from EUR 289.62 to EUR 210.64 with certain amendments made to the Articles of Association of this company.
- On **20 07 2020** AB LTG Cargo established a subsidiary LTG Cargo Polska to develop rail freight transportation operations in Poland.

This year, many sectors of the country have been affected by the ongoing global coronavirus (COVID-19) pandemic. This had an impact on the business operations of the Group and the first half-year performance, as well as will affect the achievement of the planned results for 2020.

In H1 2020, the business plans of the Group were reviewed and the business forecasts were updated in view of the impact of COVID-19 on business operations and planned results. The action plans for cost optimization and other measures were developed by the Group and the Company, respectively, to reduce the impact of the coronavirus pandemic. These plans were presented to the Boards, their implementation is monitored to respond promptly to the changing situation.

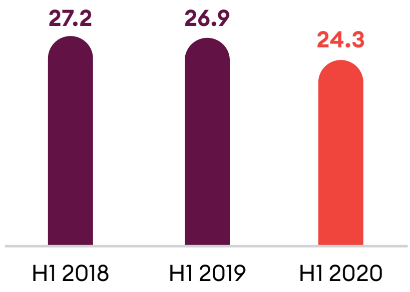
However, by monitoring developments in the neighbouring markets, LTG Group tends to see the positive in the current situation and is not changing its long-term strategic priorities and goals, but is reconsidering the measures that should ensure the achievement of these goals.

Overview of The Group's KPIs

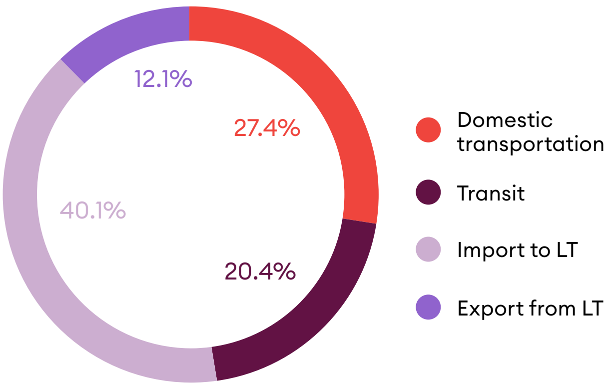
Transportation volumes		2018 H1	2019 H1	2020 H1	2020/2019 Δ, %
Freight turnover	**in billion ton-km**	**8.1**	**7.9**	**7.3**	**(8.3%)**
Average distance travelled per ton	**km**	**297**	**295**	**300**	**1.7%**
Freight carried	**in million tons**	**27.2**	**26.9**	**24.3**	**(9.7%)**
Freight transportation segments					
Domestic transportation	in million tons	7.0	7.4	6.7	(10.3%)
International transportation	in million tons	20.2	19.5	17.6	(9.5%)
Transit	in million tons	6.9	5.4	4.9	(8.6%)
Export from Lithuania	in million tons	1.9	2.4	3.0	23.8%
Import to Lithuania	in million tons	11.4	11.7	9.7	(16.7%)
Passenger turnover	**in million passenger- km**	**228.3**	**245.6**	**122.4**	**(50.2%)**
Average distance travelled by passenger	**km**	**93**	**87**	**76**	**(12.6%)**
Passengers carried	**in million passengers**	**2.5**	**2.8**	**1.6**	**(42.8%)**
Domestic	in million passengers	2.0	2.3	1.5	(36.1%)
International	in million passengers	0.5	0.5	0.1	(76.0%)
Train operational volume	**bn tkm gross gross**	**16.1**	**16.0**	**14.4**	**(9.8%)**

Freight transportation by rail

Freight transportation volumes (million tons)



Freight transportation segments H1 2020, %



With effect from 1 May 2019, the activities of freight transport have been carried out by the Group company AB LTG Cargo.

In H1 2020 the freight flow amounted to 24.3 million tons and was 9.7 percent lower than during the reporting period of the previous year. The decline in traffic volumes was driven by the coronavirus (COVID-19) pandemic, falling commodity prices in international markets and increased competition in the region.

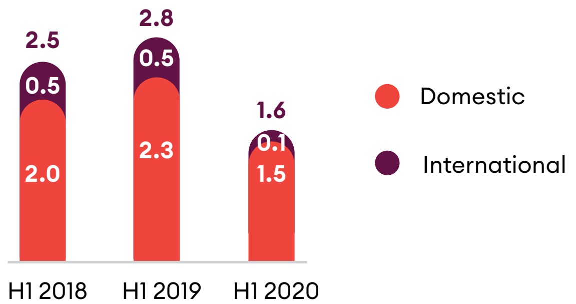
Railway transportation was dominated by the transportation of "heavy" loads – chemical and mineral fertilizers, oil and its products. These types of loads account for more than half of the total volume of freight transported by rail.

International transportation that represented 72.6 percent in the total freight transported recorded a 9.5 percent fall compared with H1 2019 and amounted to 17.6 million tons. During the reporting period, the transit cargo flow through the territory of the Republic of Lithuania decreased by 8.6 percent. The decrease in transit volumes was mainly determined by the reduced flow of coal and food products in the direction of the Kaliningrad region.

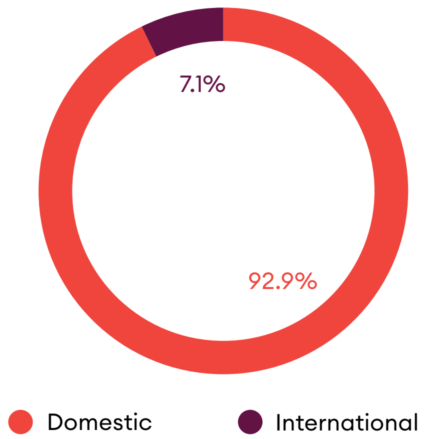
In the first half of 2020, the volume of incoming and outgoing cargo via Klaipėda port also decreased mainly as regards connection with Russia and Belarus. The flow of Russian cargo decreased, especially ferrous metals and oil and its products, as well as the volume of Belarusian fertilizers transported through the port decreased due to changes in demand in the international fertilizer market. During the first half of this year the decline was partially offset by the launch of shipments of crude oil delivered to Klaipėda port by tankers and destined for refineries in Belarus. The last time when a small amount of crude oil was transported to Belarus via Lithuania was in 2017.

The volume of domestic freight transportation in H1 2020 decreased by 10.3 percent to 6.7 million tons. The decrease was determined by the difficult situation in the oil products market due to the decrease in oil transportation during the reporting period.

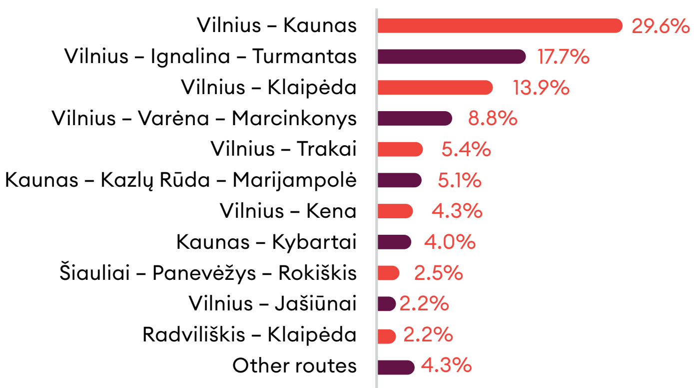
Passenger transportation volumes (million passengers)



Passenger market segments in H1 2020, %



Structure of domestic transportation in H1 2020, %



Passenger transportation by rail

With effect from 1 September 2019, the activities of passenger transport have been carried out by the Group company AB LTG Link.

In H1 2019 the number of railway passengers decreased by 42.8 percent compared with H1 2019. There were fewer passengers on both domestic and international routes.

The drop in travel traffic was caused by the global coronavirus (COVID-19) pandemic when with effect from 16 March 2020 the quarantine regime was enforced in the country and, as a result, all international, transit and most domestic train journeys were cancelled.

Suspension of all international traffic due to the coronavirus (COVID-19) pandemic led to a significant change in the structure of passenger transport on local routes – in H1 2020, 92.9 percent of passengers travelled on domestic routes and 7.1 percent on international routes, while in H1 2019 the relative weight was 83.2 percent and 16.8 percent respectively.

Domestic routes

In H1 2020, passenger transport on domestic routes fell by 36.1 percent to 1.5 million passengers. Due to the coronavirus (COVID-19) pandemic from 29 March 2020 nearly half (106 out of 226) of local train journeys were suspended to gradually resume beginning mid-May 2020.

The Vilnius – Kaunas route (29.6 percent of total transport on domestic routes) that carried 0.4 million passengers in H1 2020, remains among the most popular routes. Due to the pandemic, the flow of travellers on this route decreased by 38.9 percent compared to H1 2019.

The share of tickets sold online keeps growing. More than a third of all tickets sold in H1 2020 were purchased on the website http://www.traukiniobilietas.lt.

To achieve long-term strategic goals and further promote train travel, LTG Link is continuously improving passenger train timetables. At the end of 2019, for the convenience of passengers, the train timetables of many routes were updated and adapted to the needs of commuting customers thus increasing the frequency of trains running on the most popular routes. The culture of passenger service, accessibility of services for people with disabilities and reduced mobility, and the development of attractive services for the business segment are given primary focus.

International routes

In H1 2020, the number of passengers carried on international routes amounted to 0.1 million. The number of passengers within this segment fell by 76.0 percent compared to H1 2019.

Transit trains transport passengers to and from Kaliningrad to Russia. Trains formed by the Company and railway companies of other counties allow the possibility for passengers to travel on such international routes as Vilnius – Minsk, Vilnius – Daugavpils, Kaunas – Bialystok. Due to the coronavirus (COVID-19) pandemic from 16 March 2020 international train traffic was suspended, as well as transit train traffic was stopped from 6 April. Until 30 June 2020 neither transit nor international transport by rail was carried out.

Services of the Public Railway Infrastructure Manager

AB Lietuvos Geležinkeliai Infrastruktūra started operating in December 2019 The main activities cover management, use and disposal of the railway infrastructure and performance of the functions of the public infrastructure manager.

The functions of the public railway infrastructure manager are set out in the Railway Transport Code of the Republic of Lithuania and other legal acts regulating railway transport activities.

In performing the functions of the public railway infrastructure manager, AB Lietuvos Geležinkelių Infrastruktūra provides the services within the minimum access package applied for the public railway infrastructure, the services of access to rail service facilities and services provided in rail service facilities, commercial services.

The public railway infrastructure network is used by railway undertakings (carriers) carrying passengers, luggage and goods, as well as repair undertakings. Railway undertakings (carriers) is charged for the minimum access package that is necessary for railway undertakings (carriers) if they provide the services of passenger, luggage and/or freight transport on domestic and/or cross-border routes. This charge is also paid by repair undertakings.

The Lithuanian Transport Safety Administration (LTSA) by Order No. 2BE-423 of 6 December 2018 (as amended by LTSA's Order No. 2BE-348 of 22 November 2019) approved the rates of charges that apply to the minimum access package for the duration of the working timetable period 2019–2020. In accordance with the requirements set out in the Railway Transport Code of the Republic of Lithuania and in force from 8 December 2019, the tariff rates of charges that apply to the minimum access package shall be calculated by the public infrastructure manager for the duration of the working timetable period 2021–2022. In 2020, railway undertakings (carriers) and repair undertakings paid the following charges for the minimum access package: train traffic; passenger transit; freight transit; freight transportation; use of the catenary. The specified tariff rates of charges are calculated in accordance with the procedure for calculating and paying these rates established by the Government of the Republic of Lithuania. The tariff rates of charges for the minimum access package are published on the website http://lginfrastruktura.lt/viesosios-paslaugos.

AB Lietuvos Geležinkelių Infrastruktūra also carries out the activities of an operator of railway service facilities, i.e. manages, uses and disposes of state-owned railway service facilities by the right of trust. The tariff rates of charge for the use of railway service facilities managed by the public railway infrastructure manager, railway tracks available in them and the basic rail-related services supplied in those facilities shall be set by the company in observance of the Railway Transport Code of the Republic of Lithuania. The list of access to railway service facilities and services supplied in those facilities is published on the website http://lginfrastruktura.lt/gelezinkeliu-paslaugu-irenginiai1.

Total length of the railway

3,459.9 km

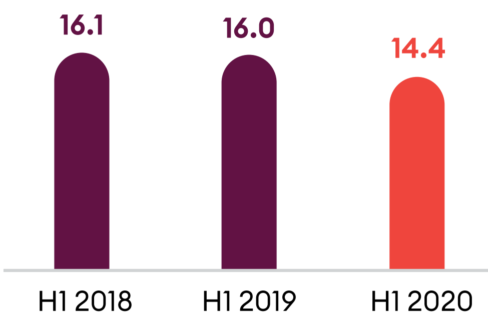
Of which electrified tracks

317.5

Stations

105

Train operational volume (Bn tkm gross gross)



The activities carried out by AB Lietuvos Geležinkelių Infrastruktūra are regulated by the railway transport market regulator whose functions, since the start of 2017, have been performed by the Communications Regulatory Authority of the Republic of Lithuania.

AB Lietuvos Geležinkelių Infrastruktūra holds and maintains the assets with the value of EUR 1.5 billion.

The company implements high-value investment projects, some of which are recognized as economic projects of national significance. The implementation of the Rail Baltica project is moving forward, the project on electrification of the transport corridor IX B is launched, the projects on doubling lines of the transport corridor IX B are underway, as well as the installation of noise reduction panels, etc.

Traffic safety, efficiency and capacity building are the key priorities in the activities of the railway infrastructure manager.

Analysis of financial and operational performance

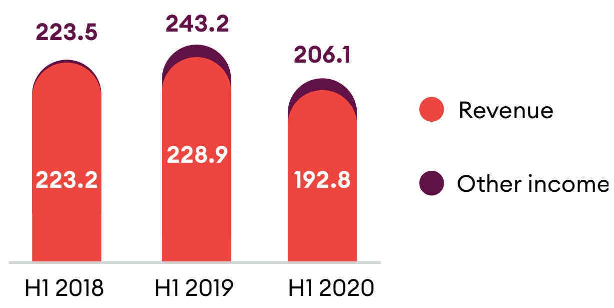
Group performance results

Group revenue

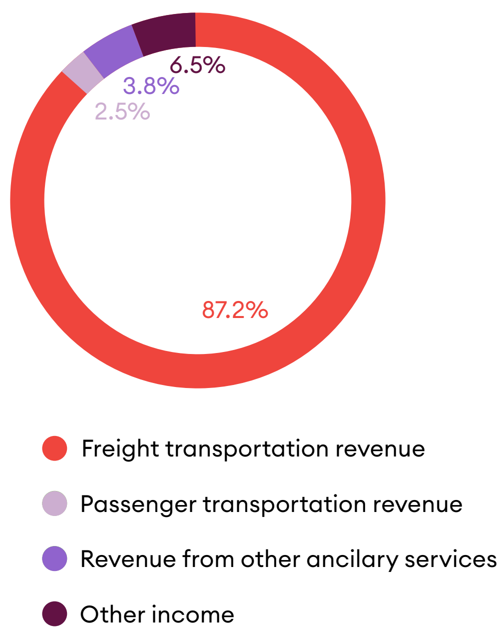
In H1 2020, the Group earned EUR 206.1 million of revenue, i.e. EUR 37.1 million or 15.3 percent less compared to H1 2019. Freight transport operations represent a major share of revenue, i.e. 87.2 percent.

- **Group sales revenue**
  - **The freight transportation revenue**, compared to H1 2019, fell by 10.3 percent or EUR 20.7 million and amounted to EUR 179.7 million. The changes in revenue were driven by the coronavirus (COVID-19) pandemic and the fall in freight transport volumes due to falling commodity prices in international markets.
  - **The passenger transportation revenue** decreased by EUR 9.3 million or 64.6 percent and constituted EUR 5.1 million in H1 2020. The revenue from passenger transport activities accounted for 2.5 percent of generated income in the Group income structure. The changes were driven by a significant drop in passenger traffic in the second quarter after the cancellation of some domestic and all international trains due to the coronavirus (COVID-19) pandemic.
  - The Group also provides **other ancillary services**, including maintenance and repair of the public railway infrastructure facilities, property lease, sale of scrap metal, and other services. The revenue generated from this group of services accounted for 3.8 percent of the total income structure of the Group and decreased by 43.7 percent to EUR 7.9 million during the reporting period. The provision of repair services to external clients and the sales of scrap metal kept decreasing.
  - **The Group's other operating income** made EUR 13.3 million (in H1 2019 EUR 14.3 million). A major share of this revenue, i.e. 97.4 percent, comprised state grants intended for compensation of losses due to passenger transportation on domestic routes. In H1 2020, to subsidize public passenger transport activities EUR 13.0 million was allocated (in H1 2019 EUR 13.5 million).

Group income, EUR million



Group income structure in H1 2020, %



Group costs

In H1 2020, the costs of the Group related to the core and other activities amounted to EUR 206.4 million. If compared to H1 2019, the increase in costs was insignificant, i.e. EUR 0.9 million or 0.5 percent.

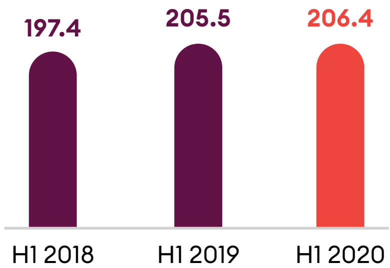
Labour costs (42.1 percent), depreciation and amortisation (26.8 percent), and energy resources (13.3 percent) make a larger proportion of the Group costs.

During the reporting period, most of the increase, i.e. 15.2 percent, was seen in the Group fuel costs where due to the coronavirus (COVID-19) pandemic the volumes of freight and passenger transportation and the price of diesel fuel decreased.

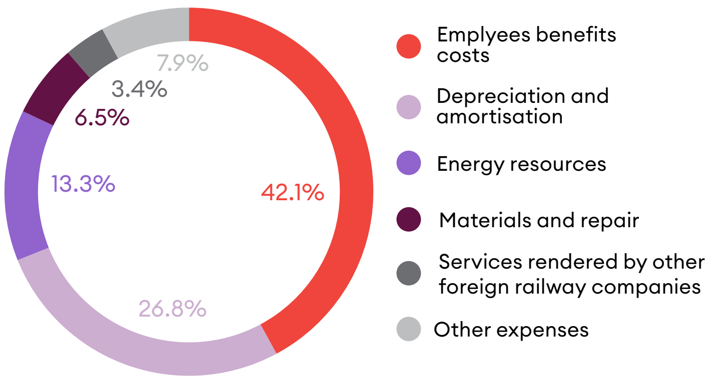
Congestion reduction in the railway network allowed the possibility to carry out repair and modernization works more actively through contracting external contractors. During the reporting period, the costs of materials and repairs increased by 39.5 percent.

The annual salary review also led to an increase in employee benefits costs that were 1.3 percent higher in H1 2020.

Group costs, EUR million

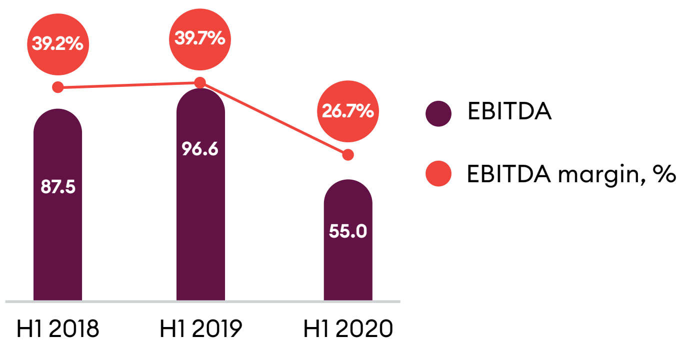


Group costs structure in H1 2020, %

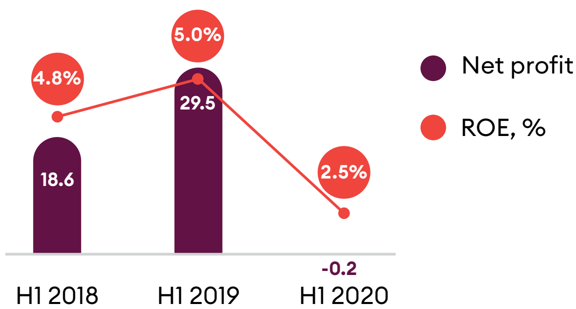


Group performance results

Group EBITDA, EUR million



Group net profit, EUR million



Main Group Financial Indicators*

		GROUP			COMPANY**		
		2018 H1	2019 H1	2020 H1	2018 H1	2019 H1	2020 H1
Sales revenue	EUR million	223.2	228.9	192.8	221.8	208.6	46.4
Other operating income	EUR million	0.3	14.3	13.3	0.3	14.1	0.1
Total income	EUR million	223.5	243.2	206.1	222.1	222.7	46.5
Costs	EUR million	197.4	205.5	206.4	199.2	189.7	51.8
EBITDA	EUR million	87.5	96.6	55.0	82.7	81.2	(0.7)
Adjusted EBITDA	EUR million	86.6	96.7	56.1	82.7	83.1	7.2
EBITDA margin	%	39.2%	39.7%	26.7%	37.2%	36.4%	(1.5%)
Adjusted EBITDA margin	%	38.7%	39.8%	27.2%	37.2%	37.3%	15.5%
EBIT	EUR million	26.1	37.7	(0.3)	22.8	33.1	(5.2)
EBIT margin	%	11.7%	15.5%	(0.2%)	10.3%	14.9%	(11.3%)
Net profit	EUR million	18.6	29.5	(0.2)	16.7	27.1	3.7
Net profit margin	%	8.3%	12.1%	(0.1%)	7.5%	12.1%	8.0%
		31/12/2018	31/12/2019	30/06/2020	31/12/2018	31/12/2019	30/06/2020
Non-current assets	EUR million	1,846.9	1,825.4	1,895.7	1,881.2	1,108.3	1,096.7
Current assets	EUR million	178.8	231.1	153.2	136.4	110.7	100.4
Total assets	EUR million	2,025.7	2,056.5	2,048.9	2,017.6	1,219.0	1,197.1
Equity	EUR million	1,151.4	1,167.1	1,166.9	1,138.5	1,135.5	1,139.2
Financial debt	EUR million	210.9	184.3	170.5	210.8	38.9	16.6
Net debt	EUR million	118.1	79.2	144.9	156.0	(11.7)	6.9
Debt	EUR million	220.7	195.0	183.0	219.3	40.0	17.6
Return on equity (ROE)	%	4.8%	5.0%	2.5%	4.7%	3.5%	1.4%
Return on assets (ROA)	%	2.7%	2.8%	1.4%	2.6%	2.4%	1.0%
Return on investment (ROI)	%	2.9%	2.9%	1.5%	2.8%	2.6%	1.1%
Financial debt / EBITDA	times	1.1	1.,0	1.1	1.1	0.3	0.3
Net debt / Adjusted EBITDA	times	0.6	0.4	0.9	0.8	(0.1)	0.1
Debt / Adjusted EBITDA	times	1.1	1.0	1.2	1.1	0.3	0.3
Equity ratio	%	56.8%	56.8%	57.0%	56.4%	93.2%	95.2%
Debt service cover ratio	times	3.0	5.3	4.3	-	-	-
Debt / Equity	%	19.2%	16.7%	15.7%	19.3%	3.5%	1.5%
Asset turnover ratio	times	0.2	0.2	0.2	0.2	0.3	0.2
Quick ratio	times	1.1	1.5	0.9	0.8	1.9	2.4
Current ratio	times	1.5	1.8	1.2	1.1	2.0	2.5

** In preparation of the annual reports for 2019 the Group companies started applying a different method of calculating EBIT, EBITDA and related derivative financial indicators (the definitions of the indicators are provided on page 40 of the report). The financial indicators of the reporting period of 2018-2019 were retrospectively recalculated using the new definitions;*

*** The Company's financial indicators for 2019-2020 were significantly affected by the strategic restructuring of LTG Group implemented in 2019, when the freight transportation, passenger transportation and railway infrastructure activities were transferred to the newly established subsidiaries.*

Dividend policy

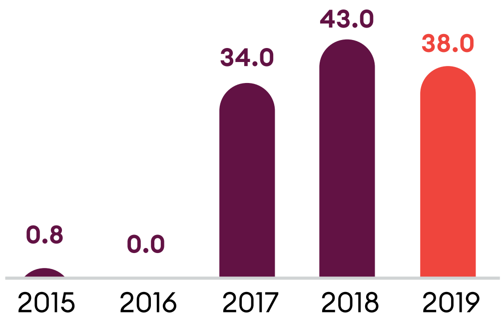
The payment of dividends and the size of profit contributions are regulated by Resolution No. 20 of 14 January 1997 of the Government of the Republic of Lithuania.

The allocation and payment of dividends by the companies of the Group is governed by the Group's Dividend Policy, which has been drafted in accordance with the provisions of the Resolution of the Government of the Republic of Lithuanian and the recommendations of the Governance Coordination Centre (GCC).

AB Lietuvos Geležinkeliai Infrastruktūra shall pay dividends calculated in accordance with the procedure established in the policy to the extent consistent with the requirements of the Railway Transport Code of the Republic of Lithuania regarding the payout of dividends by this company.

Following the approval by resolution of the shareholder of the sets of consolidated and separate financial statements for 2019 and the profit distribution for 2019, AB Lietuvos Geležinkeliai allocated EUR 38.0 million for dividend payout for this period.

Dividends assigned by LTG, EUR million



Dividends from the profit for distribution for 2019 as allocated by the parent company to UAB Vilniaus Lokomotyvų Remonto Depas amounted to EUR 7.7 million, and those allocated by the associated company UAB voestalpine Railway Systems Lietuva – to EUR 0.2 million.

Group funding

As of 30 June 2020, the net debt of the Group amounted to EUR 144.9 million. Compared to 31 December 2019, the ratio increased by 7.8 percent or EUR 65.7 million. The increase in net debt was largely driven by the decrease in the Group's cash in H1 2020 due to prepayments made in relation to the corridor IX B electrification project.

As of 30 June 2020, the cash balance of the companies within the Group amounted to EUR 25.7 million, i.e. EUR 79.5 million lower than at 31 December 2019.

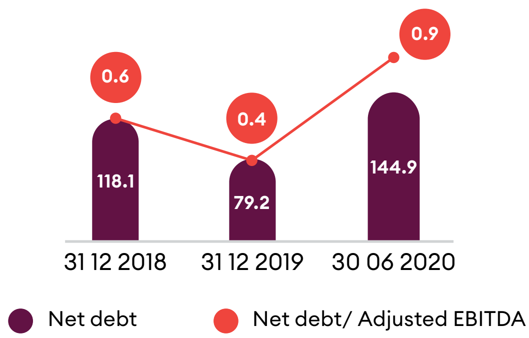
As of 30 June 2020, the weighted average interest rate for the loan portfolio of the Group amounted to 1.6 percent.

The longest debt repayment period reached 12 years, and the last deadline for the repayment Y2032.

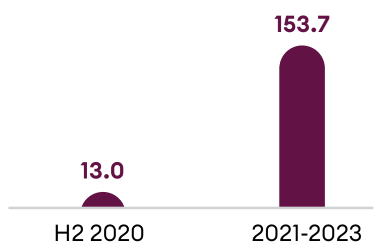
The Group net debt to adjusted EBITDA (of the last 12 months) ratio increased from 0.4 as of 31 December 2019 to 0.9 as of 30 June 2020.

The Group's debt to equity ratio decreased from 16.7 percent as of 31 December 2019 to 15.7 percent as of 30 June 2020. The debt level of the Group remains low in terms of both the profits earned and the capital structure.

Group financial debt, EUR million



Loans repaid by the Group, EUR million



Compared to 31 December 2019, the total liquidity ratio of the Group fell from 1.8 to 1.2.

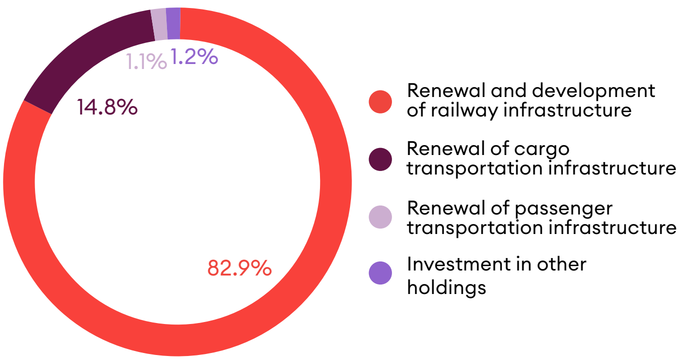
For short-term management of cash flows the Group uses a cash-pool to allow for an optimised utilisation of the Group's working capital and short-term borrowing costs.

On 30 June 2020, the restructuring of the Company's long-term loans was completed whereby the long-term credit obligations to the European Investment Bank were transferred to the subsidiary AB LTG Cargo. At the same time, the Guarantee Agreement with the European Investment Bank and the Nordic Investment Bank entered into force based on which the Company guarantees for the performance of obligations of AB LTG Cargo and AB Lietuvos Geležinkelių Infrastruktūra to credit institutions.

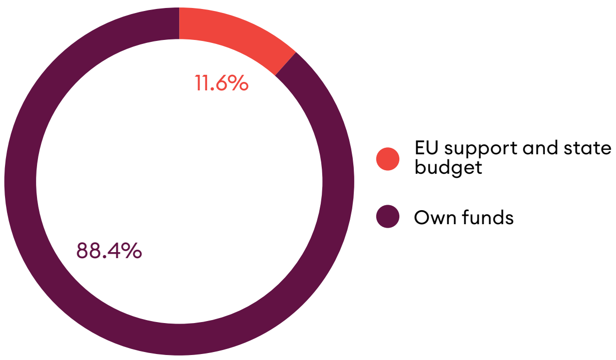
Investments

LTG Group's investments constituted EUR 131.3 million in H1 2020. 88.4 percent of investments were funded with own funds of the companies within LTG Group. The EU support and State budget funds of EUR 15.2 million were utilized over the reporting period. Investments were mainly dedicated to upgrade and expand the railway infrastructure (82.9 percent).

Group's investment structure in H1 2020, %



Group's investment funding structure in H1 2020, %



Group's investments (works completed and advances paid), EUR million	2018 H1	2019 H1	2020 H1	2020/2019 Δ, %
Renewal and development of railway infrastructure	14.2	24.0	108.9	354.6%
Renewal of cargo transportation infrastructure	7.5	7.6	19.5	154.4%
Renewal of passenger transportation infrastructure	3.1	0.9	1.5	61.5%
Other investments (IT, etc.)	0.8	1.3	1.5	16.4%
Total	**25.6**	**33.8**	**131.3**	**288.5%**

Investment projects implemented by LTG Group in H1 2020

Projects on non-current assets renewal:

- The main railway tracks rehabilitation programme was carried out, overhaul repairs for the value of EUR 9.5 million were performed, and 29.1 km of the railway track was repaired. Main tracks renovation works are part of the long-term track repair programme covering a period of 10 years with the aim within the entire Lithuanian railway network to halve the number of railway tracks that due to their poor technical condition require large-scale repairs.

- Other renovation works for the railway infrastructure objects (crossings, bridges, culverts, switches, other railway infrastructure objects) were performed for the value of EUR 3.0 million during the reporting period.

- The Company proceeded with the implementation of the programmes of rolling stock fleet repairs, as a result, 1,061 freight wagons were repaired, 25 freight locomotives (of which 12 are Siemens locomotives) underwent repairs of varying degree of complexity, as well as passenger vehicles were repaired (coaches of 12 diesel and 4 electric trains).

Main ongoing development and modernisation projects:

- The Company further pursued the implementation of the Rail Baltica Project:

  - The value of works performed for reconstruction of the railway section Kaunas – Palemonas in H1 2020 amounted to EUR 8.4 million. The installation of this Rail Baltica section will lead to constructing 9 km of a new European gauge railway and 2 km of a parallel European and wide gauge railway track, and reconstructing of 3.6 km of the existing wide gauge railway. The completion of contract works will allow the possibility for freight transportation to the Palemonas-based intermodal cargo terminal on the European gauge railway starting from 2021.

  - The procedures for land expropriation on grounds of public interest as needed to build the new European gauge railway in the stretch from Kaunas to the Lithuanian and Latvian border were carried out. Asset valuation reports were drafted along with all projects of land expropriation on grounds of public interest. Based on 1,741 (100 percent) land expropriation deeds signed, 62 parcels of land were formed, all of which were registered on behalf of the State;

  - Engineering design works are underway in the sections Kaunas – Ramygala and Ramygala – Lithuanian – Latvian border. The design stage covers conducting of research, development of basic and detailed engineering design;

  - The Rail Baltica Kaunas-Vilnius communications engineering infrastructure development plan was under preparation and the environmental impact assessment was done. It is intended to plan and build a European-gauge railway line Kaunas – Vilnius to enable passenger trains to reach the maximum speed limit of 234 km/h. When planning the railway line, certain solutions for the development of Vilnius Passenger Railway Station, its connection with Vilnius International Airport, Vilnius Intermodal Terminal and the freight train yard designed to serve the latter will be also devised in accordance with the requirements of the Rail Baltica project. Moreover, Lentvaris, Vievis and Kaišiadorys regional passenger stations and interconnections between them will be planned.

- During the implementation of the largest project of LTG Group – Electrification of Corridor IX B – an advance was paid during the reporting period, the Design Programme was approved, topography, geological surveys, and data digitization were performed, as well as design proposals for related projects were agreed. The issues relating to readiness to use the infrastructure and the need to protect the areas adjacent to Natura 2000 sites were addressed. Until 2023, the Vilnius junction and the railway line from Kaišiadorys to Klaipėda (Draugystės Station) will be electrified (366 km). Once the most important railway line in Lithuania has been electrified, more than 50 percent of freight will be transported using eco-friendly and efficient electric traction, while passengers will travel on modern electric trains running on the route Vilnius – Šiauliai – Klaipėda.

- The implementation of the projects on construction of the second railway tracks of Corridor IX B is continued in aiming to improve throughput of the railway network:

  - The procedures for completion of the construction of the Pušynas – Paneriai section were executed, the works related to the extension and renewal of the centralised traffic control, as well as its adaptation to the railway section, are continued. A new track section of 8 km was built and a track section of 6.6 km reconstructed. The new track constructed on the section Pušynas (Vaidotai) – Paneriai connected Vilnius – Kaunas and Vaidotai stations via a connecting double line, thus increasing throughput capacity of this section;

  - Construction works for the second tracks in the sections Livintai – Gaižiūnai and Plungė – Šateikiai were carried out. The main purpose of the construction of the second tracks is to increase throughput of the line and train speed limit in the main railway corridor Vilnius – Klaipėda in Lithuania.

- The implementation of the project on Installation of Noise Barriers is continued. The design process for Kaišiadorys and Lentvaris stations was finished and the works contracts regarding these objects were signed. The engineering design processes for installation of noise barriers in other 5 municipalities (Klaipėda, Kretinga, Šiauliai, Radviliškis, Mažeikiai) are continued and partnership agreements are signed. The installation of noise barriers will allow improving the living conditions for people residing near the railway, and will ensure that the noise pollution levels are in compliance with the applicable hygiene standards.

- To reconstruct the longest (200 m) bridge on the Vilnius – Klaipėda corridor, a contract for the reconstruction of Jonava railway bridge was signed. Design works are currently underway. The reconstruction will allow ensuring a safe, uninterrupted and efficient provision of railway services.

- During the reporting period, 3 out of 5 procured locotractors were delivered, the necessary tests were performed and the final validation procedures were carried out. Delivery of the remaining 2 locotractors is scheduled for H2 2020. Locotractors will perform shunting operations in a more cost-effective manner at railway stations where the flow of serviced wagons is less intensive.

- A procurement contract for a self-propelled diagnostic vehicle was signed and an advance was paid. The new vehicle will allow performing inspections of the upper railway track in a more efficient manner with immediate detection of potential breakdowns. This will allow ensuring traffic safety and lower road maintenance costs.

- Upon assessment of the challenges posed by the freight wagon market, LTG initiated a project on Installation of A Freight Wagon Manufacturing Line to allow that wagons of certain types will be manufactured in Lithuania thus ensuring satisfaction of the needs of LTG Group's clients and generation of extra income. During the reporting period, a subsidiary OOO Rail Lab was established in Belarus with 99 percent of the shares are held by UAB Vilniaus Lokomotyvų Remontas Depas, and an agreement on the certification of wagons was signed, procurement tenders for the installation of manufacturing facilities were published, as well as procurement procedures for the acquisition of standard equipment and components were initiated.

- Procurement procedures for design and contract works in relation to the project on Installation of Rail to Road Intersections of Different Levels at Lentvaris – Vievis (38+855 km) and Kyviškės – Valčiūnai (18 + 419 km) Crossings were initiated. A contract was signed for one of the crossings (Kyviškės – Valčiūnai), the design process is underway. The closure of the procurement procedures for the second project object is scheduled for H2 2020. The implementation of the project will ensure traffic safety at priority level crossings for different transport users and pedestrians, LTG employees and passengers. The implementation of the project will significantly contribute to the integration of the country's railway transport system into the TEN-T transport networks.

- The implementation of the project on Construction of a Railway Infrastructure Object in the 51st km (Pažeimenė) of the Railway Line Naujoji Vilnia – Turmantas – Latvian Border is continued. Construction works for the railway tracks and sidings were completed, the first runs took place, and the project closure documentation is under preparation. As a result of construction works, part of the railway infrastructure will be refurbished, a railway line of approximately one kilometre will be built, as well as electricity, communications, signalling, and traffic management systems will be put in place. The implementation of this project will facilitate the entry of allied forces and equipment to Lithuania, and will create more convenient conditions for continuous movements between the training areas in Rukla and Pabradė.

Other large-scale investment projects for which in H1 2020 preparatory work was undertaken and procurement procedures were launched:

- Ticket sales system (Smart Ticketing). The new system will allow passengers to purchase tickets via a modern mobile app, on a new website or from ticket vending machines at the station. The ticket sales system will be adapted for all passengers, including people with disabilities, seniors, and families with small children.

- Reconstruction of the 3rd yard of Radviliškis Railway Station. Procurement procedures for design and construction works were launched. The implementation of the project will allow the possibility to lengthen freight trains and increase transport capacities.

- Upgrade of GSM-R core network. New equipment installed in the entire railway network will ensure the communication necessary for safe railway traffic.

- Upgrade of the data communication network (part of WAN). Modernization of equipment at the main nodes of the data communication network of AB Lietuvos Geležinkeliai is planned.

- Optimization of the production facilities of UAB Vilniaus Lokomotyvų Remonto Depas. To increase the efficiency of VLRD operations and asset utilization and to achieve maximum financial return, it is planned to set up modern and up-to-date VLRD production facilities customised for providing new services and fit for servicing the renewed rolling stock fleet of LTG Group and other clients.

- Stage II of installation of a connecting siding and loading tracks on the Akmenė FEZ. Lengthening of the Akmenė FEZ tracks will improve using efficiency of shunting locomotives.

Employees

To successfully implement its strategy, LTG Group is guided by the best practices of personnel management. Focus on employees is a strategic direction, primarily implemented through the development of the corporate culture. The entire LTG Group strives for a high-performance culture based on the existing LTG values.

We are ambitious

We work for our clients

We respect each other

We promote integrity

We are responsible

Number of the Group employees and average salary

Group companies	31/12/2018*		31/12/2019		30/06/2020	
	Actual number of employees at the end of the period	Average salary, EUR	Actual number of employees as of the end of the period	Average salary, EUR	Actual number of employees as of the end of the period	Average salary, EUR
AB Lietuvos Geležinkeliai	7,353	1,578	1,152	1,649	1,203	2,216
UAB Vilniaus Lokomotyvų Remonto Depas	1,055	1,375	940	1,514	953	1,489
UAB Geležinkelio Tiesimo Centras	551	1,459	461	1,532	376	1,609
UAB Gelsauga	483	924	22	1,053	25	1,330
UAB Rail Baltica Statyba	4	2,059	4	2,657	4	2,903
AB LTG Cargo**	-	-	2,355	1,705	2,289	1,672
UAB LTG Link**	-	-	710	1,636	690	1,642
AB Lietuvos Geležinkelių Infrastruktūra**	-	-	3,159	1,496	3,193	1,525
UAB Saugos Paslaugos**	-	-	387	1,056	383	1,079
Total	**9,446**		**9,190**		**9,116**	

** For data comparability purposes, the average salary figures for 2018 are recalculated according to the new tax system multiplying by coefficient of 1.289;*

*** Data submitted by AB LTG Cargo are for May-December 2019; by UAB LTG Link for September-December 2019;*

by AB Lietuvos Geležinkelių Infrastruktūra for 8-31 December 2019; by UAB Saugos Paslaugos for August-December.

LTG employees

As of 30 June 2020, the number of the Company's employees was 1,203. Compared to 31 December 2019, the number of employees increased by 51 employees or 4.4 percent.

Compared to 2019, the average monthly salary changed from EUR 1,649 to EUR 2,216. The main reason for this change was the transfer of employees to the newly established legal entities.

The total payroll fund decreased from EUR 62.4 million in H1 2019 to EUR 15.3 million in H1 2020. The decrease in the payroll fund was determined by the establishment of three new legal entities in 2019, to which a large part of the Company's employees were transferred in 2019.

In April 2020, the same as in the other companies of LTG Group, the annual incentive payout of EUR 1.42 million was additionally made to the Company's employees based on performance in 2019.

Number of LTG employees and average salary

Employee groups by position	31/12/2018**		31/12/2019		30/06/2020	
	Actual number of employees at the end of the period	Average salary, EUR	Actual number of employees at the end of the period	Average salary, EUR	Actual number of employees at the end of the period	Average salary, EUR
CEO*	1	8,251	1	9,305	1	9,305
Senior Managers*	8	6,855	5	7,239	5	7,239
Mid-level Managers, Senior Specialists	1,261	2,312	418	2,387	437	2,786
Specialists, Workers	6,083	1,425	728	1,449	760	1,837
Total	**7,353**	**1,578**	**1,152**	**1,649**	**1,203**	**2,216**

** Fixed remuneration as at the end of the period is provided;*

*** For data comparability purposes, the average salary figures for 2018 are recalculated according to the new tax system multiplying by coefficient of 1.289.*

The fixed monthly remuneration of the Company's CEO was EUR 9,305 as of 30 June 2020, and the average factual salary of CEO, including the annual incentive award based on performance in 2019, amounted to EUR 11,688.

The fixed monthly remuneration of a senior manager was EUR 7,239 as of 30 June 2020, the average factual salary of a senior manager, including the annual incentive award based on performance in 2019, amounted to EUR 9,065.

Information on compliance with the transparency guidelines

LTG Group's companies follow the requirements of the Guidelines for Ensuring Transparency of State-Owned Enterprises approved by Resolution No. 1052 of 14 July 2010 of the Government of the Republic of Lithuania by disclosing the required information in annual and interim reports and by ensuring the disclosure of the information on their websites.

Definitions

Revenue	Sales revenue + Income from other activities after assessment of grants intended for compensation of losses due to passenger transportation activities, excluding income from financing activities
Sales revenue	Revenue, excluding income from other activities and financing activities
Costs	Costs, excluding the corporate income tax and expenses for financing activities
Financial debt	Interest bearing indebtedness for borrowed money, including financial/operating lease
Net debt	Interest bearing indebtedness for borrowed money, including financial/operating lease – investments in cash and cash equivalents
Debt	Interest bearing indebtedness for borrowed money, including financial/operating lease + Provisions for pensions and similar obligations
Return on equity (ROE)	Net profit (loss) for the last 12 months / Average equity for the reporting period
Return on assets (ROA)	Net profit (loss) of the last 12 months / Average assets for the reporting period
Return on investment (ROI)	Net profit (loss) of the last 12 months / (Average assets at the reporting period – average current liabilities for the reporting period)
EBIT	Profit (loss) before corporate income tax – Result from financing and investing activities
EBITDA	Profit (loss) before corporate income tax – Result from financing and investing activities + Depreciation and amortization
Adjusted EBITDA	Profit (loss) before corporate income tax + 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 for provisions not related to ordinary activities
EBIT margin	EBIT / Revenue
EBITDA margin	EBITDA / Revenue
Adjusted EBITDA margin	Adjusted EBITDA / Revenue
Net profit margin	Net profit (loss) / Revenue
Equity ratio	Equity at the end of the period / Total assets at the end of the period
Debt service cover ratio	(Net profit (loss) for the last 12 months + Depreciation, amortisation and subsidies expense + Interest expense for the last 12 months (adjusted for non-cash items)) Amortisation of and interest payments on interest bearing debt due for the last 12 months
Asset turnover ratio	Revenue for the last 12 months / Total assets at the end of the period
Quick liquidity ratio	(Current assets at the end of the period – inventories) / Current liabilities at the end of the period
Total liquidity ratio	Current assets at the end of the period / Current liabilities at the end of the period
Freight turnover (tonne-kilometre)	Freight transport indicator representing the product of a certain quantity of transported cargo (in tons) and the distance transported (in km)
Passenger turnover (passenger-kilometre)	Passenger transport indicator calculated by multiplying the number of passengers carried and the length of distance covered.
Train operational volume (gross-gross tonne-kilometre)	Unit of measurement 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 list-based number of active employees as at the end of the period (excluding the employees on parental leave, military service, long-term incapacity)
Average salary	Average gross salary per employee

AB Lietuvos Geležinkeliai

Interim Financial Statements

Prepared in accordance with The International Financial Reporting Standards as adopted by the European Union
for the six-months period ended 30 June
(UNAUDITED)

LTG LIETUVOS GELEŽINKELIAI

(thousand Euro unless otherwise stated)

Statements of financial position

	Notes	Group		Company	
		30/06/2020	31/12/2019	30/06/2020	31/12/2019
NON-CURRENT ASSETS					
Property, plant and equipment	4	1,864,582	1,795,281	44,148	47,913
Land		152,177	150,847	-	-
Buildings and structures		866,317	880,273	26,746	28,006
Machinery and plant		149,034	156,110	5,929	7,039
Vehicles		344,254	340,724	483	1,347
Other equipment, fittings and tools		78,610	81,589	7,691	8,512
Construction in progress and prepayments		274,190	185,738	3,299	3,009
Right-of-use assets	5	2,998	2,983	16,351	2,045
Intangible assets	6	18,104	18,681	2,215	2,261
Software		17,137	18,289	1,669	2,058
Licenses and similar rights		563	210	546	203
Other intangible assets		404	182	-	-
Investment property		242	248	8,030	8,284
Financial assets		4,599	4,945	1,023,706	1,046,329
Investments		4,339	4,685	902,506	902,690
Loans to affiliated and other companies	20	160	160	120,523	143,539
Trade and other receivables	8	100	100	677	100
Deferred income tax asset		5,126	3,307	2,246	1,476
Total non-current assets		**1,895,651**	**1,825,445**	**1,096,696**	**1,108,308**
CURRENT ASSETS					
Inventories	7	49,176	41,010	7,359	5,787
Loans to affiliated and other companies	20	-	-	34,880	15,142
Trade and other receivables	8	70,548	78,183	46,370	38,064
Prepayments	9	7,865	6,724	1,976	1,169
Cash and cash equivalents	10	25,652	105,153	9,769	50,533
Total current assets		**153,241**	**231,070**	**100,354**	**110,695**
TOTAL ASSETS		**2,048,892**	**2,056,515**	**1,197,050**	**1,219,003**

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	
		30/06/2020	31/12/2019	30/06/2020	31/12/2019
EQUITY					
Authorized share capital		1,059,282	1,059,282	1,059,282	1,059,282
Legal reserve		31,020	31,020	31,020	31,020
Other reserves		5,863	5,863	5,863	5,863
Retained earnings (loss)		70,781	70,966	43,050	39,339
Total equity		**1,166,946**	**1,167,131**	**1,139,215**	**1,135,504**
LIABILITIES					
Non-current liabilities					
Grants	11	565,489	556,015	659	725
Loans and borrowings	12	142,113	153,641	-	23,849
Lease liabilities	13	2,571	1,843	15,285	1,223
Employee benefits	14	12,351	10,738	1,000	1,102
Trade and other payables	15	1,103	2,703	-	-
Provisions		15,900	15,900	1,500	1,500
Deferred income tax liabilities		18,428	17,748	-	-
Total non-current liabilities		**757,955**	**758,588**	**18,444**	**28,399**
Current liabilities					
Loans and borrowings	12	24,556	27,574	-	12,894
Interest on loans		692	769	-	308
Lease liabilities	13	1,305	1,254	1,354	917
Corporate income tax liabilities		457	4,194	-	2,861
Employee benefits	14	32,089	32,132	5,874	6,064
Trade and other payables	15	47,529	43,436	30,907	30,172
Prepayments received	16	16,285	19,945	1,246	1,169
Provisions		1,078	1,492	10	715
Total current liabilities		**123,991**	**130,796**	**39,391**	**55,100**
Total liabilities		**881,946**	**889,384**	**57,835**	**83,499**
TOTAL EQUITY AND LIABILITIES		**2,048,892**	**2,056,515**	**1,197,050**	**1,219,003**

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

Financial statements and explanatory notes on pages 42 to 75 were approved on 14 September 2020 and signed by:

Chief Executive Officer	Mantas Bartuška
Chief Financial Officer	Andrej Kosiakov
Director of Accounting Service Centre	Odeta Švažienė

(thousand Euro unless otherwise stated)

Statements of profit or loss and other comprehensive income

	Notes	Group		Company	
		06/2020	06/2019	06/2020	06/2019
Revenue	17	192,767	228,892	46,436	208,622
Other income		13,314	14,341	91	14,131
Total income		**206,081**	**243,233**	**46,527**	**222,753**
Employee benefits		(86,938)	(85,794)	(17,303)	(70,097)
Depreciation and amortisation		(55,301)	(58,882)	(4,533)	(48,078)
Fuel		(23,644)	(27,895)	(222)	(19,060)
Materials		(7,511)	(6,365)	(21,897)	(13,298)
Services rendered by other foreign railway companies		(6,935)	(7,834)	-	(5,563)
Electricity		(3,855)	(3,960)	(500)	(3,833)
Repairs and maintenance		(5,887)	(3,242)	(1,166)	(8,321)
Increase (decrease) in the value of non-current assets		-	(261)	-	492
Increase (decrease) in the value of inventories		(1,535)	82	(63)	110
Increase (decrease) in the value of investments		(211)	135	(184)	(351)
Increase (decrease) in the value of receivables		21	52	(10)	(90)
Change in provisions		175	433	(10)	-
Other expenses		(14,793)	(11,956)	(5,874)	(21,578)
Profit (loss) from operations		(333)	37,746	(5,235)	33,086
Finance income	18	86	35	8 595	2,518
Finance costs	18	(1,841)	(1,797)	(987)	(1,737)
Share of profit of equity accounted investees		99	154	-	-
Profit (loss) before taxation		(1,989)	36,138	2,373	33,867
Corporate income tax	19	1,804	(6,614)	1,338	(6,814)
Net profit (loss)		**(185)**	**29,524**	**3,711**	**27,053**
Other comprehensive income (expenses)		-	-	-	-
Total comprehensive income (expenses)		**(185)**	**29,524**	**3,711**	**27,053**

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

(thousand Euro unless otherwise stated)

Statements of changes in equity

Group	Notes	Authorised share cap	Share premium	Legal reserve	Other reserves	Retained earnings (loss)	Total
Balance as at 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)		-	-	-	-	29,524	29,524
Total comprehensive income (expenses)		-	-	-	-	29,524	29,524
Transfers between reserves		-	-	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 at 30 June 2019		**1,058,632**	**-**	**31,020**	**5,863**	**42,395**	**1 137 910**
Balance as at 31 December 2019		1,059,282	-	31,020	5,863	70 ,966	1,167,131
Impact of initial application of IFRS 16		-	-	-	-	-	-
Net profit (loss)		-	-	-	-	(185)	(185)
Total comprehensive income (expenses)		-	-	-	-	(185)	(185)
Transfers between reserves		-	-	-	-	-	-
Reserves used		-	-	-	-	-	-
Dividends		-	-	-	-	-	-
Total transactions with owners of the Company		-	-	-	-	-	-
Balance as at 30 June 2020		**1,059,282**	**-**	**31,020**	**5,863**	**70,781**	**1,166,946**

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 (loss)	Total
Balance as at 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)		-	-	-	-	27,053	27,053
Total comprehensive income (expenses)		*-*	*-*	*-*	*-*	*27,053*	*27,053*
Reserves formed		-	-	2,676	-	(2,676)	-
Transfers between reserves		-	-	-	(921)	921	-
Dividends		-	-	-	-	(43,000)	(43,000)
Total transactions with owners of the Company		*-*	*-*	*2,676*	*(921)*	*(44,755)*	*(43,000)*
Balance as at 30 June 2019		**1,058,632**	**-**	**31,020**	**5,863**	**27,053**	**1,122,568**
Balance as at 31 December 2019		1,059,282	-	31,020	5,863	39,339	1,135,504
Impact of initial application of IFRS 16		-	-	-	-	-	-
Net profit (loss)		-	-	-	-	3,711	3,711
Total comprehensive income (expenses)		*-*	*-*	*-*	*-*	*3,711*	*3,711*
Reserves formed		-	-	-	-	-	-
Transfers between reserves		-	-	-	-	-	-
Dividends		-	-	-	-	-	-
Total transactions with owners of the Company		*-*	*-*	*-*	*-*	*-*	*-*
Balance as at 30 June 2020		**1,059,282**	**-**	**31,020**	**5,863**	**43,050**	**1,139,215**

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

(thousand Euro unless otherwise stated)

Statements of cash flows

	Notes	Group		Company	
		30/06/2020	30/06/2019	30/06/2020	30/06/2019
Cash flows from operating activities					
Net profit (loss)		**(185)**	**29,524**	**3,711**	**27,053**
Adjustment to non-cash items					
Depreciation and amortisation expenses		64,555	57,161	4,599	56,080
(Depreciation) of grants		(8,124)	(8,000)	(66)	(7,987)
(Gain) loss from disposal/write-off of non-current assets		(106)	38	6	38
Impairment (reversal)		1,725	(8)	257	(161)
Change in accrued income/expenses		105	(739)	666	(35,123)
Interest (income) expenses		1,015	1,737	(238)	1,321
Increase (decrease) in provisions		(175)	(433)	10	-
Effect of currency exchange fluctuations		47	7	51	28
Interest on lease liabilities		55	21	301	19
Corporate income tax expenses (income)		(1,804)	6,614	(1,338)	6,814
(Profit) loss of an associated company		(99)	(154)	-	-
Cash flows from operating activities after adjustment to non-cash items		57,009	85,768	7,959	48,082
Changes in working capital					
Decrease (increase) in inventories		(9,725)	2,593	(402)	6,047
Decrease (increase) in trade and other receivables and prepayments		7,685	(12,128)	(6,418)	(8,055)
Increase (decrease) in current and non-current trade payables and received prepayments		1,170	(822)	15,306	556
Increase (decrease) in employment related liabilities		1,331	4,675	(292)	(2,632)
Increase (decrease) in other non-current and current payables		(838)	(2,322)	(4,087)	(15,923)
(Paid) income tax		(481)	(16,596)	-	(15,984)
Net cash from operating activities		56,151	61,168	12,066	12,091
Cash flows from investing activities					
(Acquisition) disposal of non-current assets and change in advance payments for non-current assets		(135,128)	(30,335)	(9,250)	(11,862)
Dividends received		248	227	248	227
Interest received		-	-	642	406
Loans granted		-	-	(34,880)	-
Net cash used in investing activities		(134,880)	(30,108)	(43,240)	(11,229)
Cash flows from financing activities					
Loans (repaid)		(14,437)	(15,227)	(7,152)	(15,227)
Grants received (repaid, utilised)		16,267	10,712	-	10,712
Leasing liability (payments)		(85)	(34)		
Interest on lease liabilities		(55)	(21)	(301)	(19)
Lease liability payments		(801)	(261)	(1,462)	(223)
Interest (paid)		(1,661)	(1,820)	(675)	(1,808)
Dividends (paid)		-	(28,000)	-	(28,000)
Net cash flows from financing activities		(772)	(34,651)	(9,590)	(34,565)
Increase (decrease) in net cash flows		(79,501)	(3,591)	(40,764)	(33,703)
Cash and cash equivalents at the beginning of the period		105,153	92,832	50,533	54,774
Cash and cash equivalents at the end of the period		**25,652**	**89,241**	**9,769**	**21,071**

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

Explanatory notes

1. General information

AB Lietuvos Geležinkeliai (hereinafter referred to as the Company) was registered in the Register of Legal Entities of the Republic of Lithuania on 24 December 1991 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 code 110053842, VAT code LT100538411, legal (registered) address: Mindaugo g. 12, LT-03603, Vilnius.

The main activities of the AB Lietuvos Geležinkeliai group are freight and passenger transportation by rail, administration of railway network, management, maintenance and development of public railway infrastructure.

The main activities of the Company are management, RSF (Railway Service Facilities) and commercial services.

Pursuant to the amendments to the Railway Transport Code adopted by the Seimas of the Republic of Lithuania, regulating the separation of freight and passenger, luggage transportation by rail and public railway infrastructure management activities performed by AB Lietuvos Geležinkeliai, the Company implemented a new reorganization program in 2019. Three new undertakings were separated from AB Lietuvos Geležinkeliai - AB LTG Cargo, UAB LTG Link and AB Lietuvos Geležinkelių Infrastruktūra which took over the main activities of three directorates - Freight, Passenger Transportation and Railway Infrastructure. The transfer of rail freight activities was implemented on 1 May 2019, the passenger and luggage transportation activities were transferred on 1 September 2019 and the activities of the public railway infrastructure manager were transferred on 8 December 2019. In 2019 the Group also established two new legal entities: VšĮ Transporto Inovacijų Centras – 8 February 2019; UAB Saugos Paslaugos – 10 June 2019.

On 3 July 2020, the Company introduced the renewed brand of Lietuvos Geležinkeliai and introduced new brands of passenger transportation, freight transportation and infrastructure management subsidiaries. The name of the Company has remained the same, however it introduced a new abbreviation LTG. From now on this abbreviation will jointly refer to all main companies of LTG Group: AB LG CARGO is to become AB LTG Cargo, UAB LG Keleiviams - UAB LTG Link, and AB Lietuvos Geležinkelių Infrastruktūra - AB LTG Infra.

On 20 July 2020, the Register of Legal Entities registered new company names for AB LG CARGO (hereinafter - AB LTG Cargo) and UAB LG Keleiviams (hereinafter - UAB LTG Link).

As at 30 June 2020 the parent Company AB Lietuvos Geležinkeliai was the sole shareholder of the subsidiaries AB LTG Cargo, UAB LTG Link and AB Lietuvos Geležinkelių Infrastruktūra newly established in 2019 that held 100% shares of these companies.

As at 30 June 2020 and 31 December 2019, the Republic of Lithuania represented by the Ministry of Transport and Communications was the sole shareholder of the Company.

As at 30 June 2020 the authorized capital of the Company comprised 3,657,492 ordinary registered shares at EUR 289.62 nominal value per share. The authorized capital amounted to EUR 1,059,282 thousand. The company did not purchase its own shares.

(thousand Euro unless otherwise stated)

1. General information (continued)

As at 30 June 2020 the Group comprised the Company and its subsidiaries:

Company	Company's address	Owned share, % 30/06/2020	Owned share, % 31/12/2019	Main activities
AB LG CARGO	Geležinkelio str. 12, Vilnius	100	100	Provision of rail freight transport services
UAB LTG Link	Geležinkelio str. 16, Vilnius	100	100	Provision of rail passenger services
AB Lietuvos Geležinkelių Infrastruktūra	Mindaugo str. 12, Vilnius	100	100	Railway infrastructure management and implementation of the functions of manager of the public rail infrastructure
UAB Geležinkelio Tiesimo Centras	Trikampio str. 10, Lentvaris	100	100	Repair and construction of railway infrastructure tracks
UAB Vilniaus Lokomotyvų Remonto Depas	Švitrigailos str. 39/16, Vilnius	100	100	Repair and manufacture of railway rolling stock
UAB Gelsauga	Prūsų str. 1, Vilnius	100	100	Security Services
UAB Saugos Paslaugos	Prūsų str. 1, Vilnius	100	100	Installation, maintenance and repair services of physical and electronic security and technical security equipment
UAB Rail Baltica Statyba	Mindaugo str. 12, Vilnius	100	100	Implementation of the functions of shareholder of the Joint Venture of the Baltic States RB RAIL AS supervising the project „Rail Baltica 2".
Association of Lithuanian Railway Undertakings	Mindaugo str. 12, Vilnius	-	-	Representing the rights and interests of the Association members-employers in the context of social partnership
VšĮ Geležinkelių Logistikos Parkas	Švitrigailos str. 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
OOO Rail Lab	Internacionalnaja str. 36-1, Minsk, the Republic of Belarus	100	-	Manufacture of locomotives and rolling stock, repair and maintenance of vehicles, wholesale of other machinery and equipment

1. General information (continued)

The investments into associated companies UAB voestalpine Railway Systems Lietuva, VšĮ Transporto Inovacijų Centras, RB Rail AS and UAB Lokomotyvai ir Transporto Komponentai are accounted for using equity method in the consolidated financial statements and at cost in the Company's separate financial statements.

Investments into associated companies are specified below:

Company	Company's address	Owned share, %		Main activities
		30/06/2020	31/12/2019	
voestalpine Railway Systems Lietuva, UAB	Sostinės str. 18, Valčiūnai, Juodšilių elderate, Vilnius district	34	34	Manufacture of railway switches
RB Rail AS	K.Valdemāra str. 8, Riga	33.33	33.33	Implementation of the Rail Baltica project and performing central project coordination. Controlled through UAB Rail Baltica Statyba
VšĮ Transporto Inovacijų Centras	Mindaugo str. 12, Vilnius	33.33	33.33	Developing innovation testing capabilities in transport infrastructure
UAB Lokomotyvai ir Transporto Komponentai	Šeškinės str. 59A, Vilnius	25	25	Provision of rail transport services (inactive). Controlled through UAB Vilniaus Lokomotyvų Remonto Depas

As at 30 June 2020 the actual number of the Group's and the Company's employees was 9,116 and 1,203 (at 30 June 2019 it was 9,351 and 5,098 respectively).

2. Significant accounting policies

The Separate Interim Financial Statements of the Group and the Company have been drafted in accordance with the International Financial Reporting Standards (hereinafter - IFRS) and International Accounting Standards (hereinafter - IAS) 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 at 30 June 2020.

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.

3. Significant accounting estimates and judgements

The financial statements are prepared on the historical cost basis.

Significant judgements

Subsequent events and other information. After the end of the reporting period the management had discussed significant non-adjusting events and their impact on disclosures of the financial statements and possible impact on continuity of the operations.

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

The date when assets are brought into use. An asset is included in operations and its depreciation is started to be calculated when it is prepared for usage, i.e. the asset 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 includes the asset into operations after it has been properly tested and all permissions to begin activities have been obtained.

Assets managed under the right of trust. The Group manages public railway infrastructure facilities and state-owned service facilities and land plots beneath those facilities (hereinafter collectively referred to as the infrastructure facilities). Under the Trust agreement with the Ministry of Transport and Communications of the Republic of Lithuania and in accordance with the Railway Transport Code, the Group's subsidiary, AB Lietuvos Geležinkelių Infrastruktūra, operates, manages and disposes the infrastructure facilities, while the Government of the Republic of Lithuania retains legal title. (Before reorganization explained below these functions were fulfilled by AB Lietuvos Geležinkeliai). AB Lietuvos Geležinkelių Infrastruktūra and the Group accounts for these assets as property, plant and equipment in accordance with IAS 16 based on the following:

- AB Lietuvos Geležinkelių Infrastruktūra is entitled to use infrastructure facilities free of charge for an indefinite period, the state may revoke this right only by amending legislation;
- Having transferred that right to AB Lietuvos Geležinkelių Infrastruktūra, the State has also transferred the significant risks and rewards of ownership – AB Lietuvos Geležinkelių Infrastruktūra uses the infrastructure facilities to generate revenue and incurs expenses for its maintenance; although the State is to ensure that the general public has access to the railway transportation in the country, the State does not retain direct financial risks associated with the infrastructure facilities;
- Although some rights that are generally associated with the ownership of the infrastructure facilities are restricted (e.g. AB Lietuvos Geležinkelių Infrastruktūra cannot sell or pledge these assets), similar restrictions are common in private and privatised infrastructure and utility companies – including entities that are subject to strict cost-of-service forms of rate regulation.

As at 30 June 2020 the carrying amount of these assets is EUR 965,879 thousand (as at 31 December 2019 - EUR 982,986 thousand).

Business combinations. The transfer of the business to the Company was treated as a transaction of joint ventures and took place at residual values. IFRS 3 Business Combinations has not been used for this business transfer, as the standard does not apply to jointly controlled entities or businesscombinations.

3. Significant accounting estimates and judgements (continued)

Consolidation of AB Lietuvos Geležinkelių Infrastruktūra. During 2019, following the amendments to the Code adopted by the Parliament of the Republic of Lithuania, the Group has implemented a new reorganization program. As a result, three new entities – AB LTG Cargo, UAB LTG Link and AB Lietuvos Geležinkelių Infrastruktūra – were demerged from AB Lietuvos Geležinkeliai and became its 100% subsidiaries; the infrastructure facilities, referred to above, have been transferred to AB Lietuvos Geležinkelių Infrastruktūra. The amendment to the Code also established certain restrictions on how income, generated from the use of infrastructure facilities, can be utilised. Under the Code, these incomes should be either spent on the development, modernization and maintenance of the infrastructure facilities or remitted to the State. In addition, the State maintains all owner of infrastructure facilities rights, including deciding how development of the new infrastructure facilities has to be financed, charged and used in case these facilities are no longer necessary for the needs of AB Lietuvos Geležinkelių Infrastruktūra.

Management considered the following factors:

a) Being the sole shareholder of AB Lietuvos Geležinkeliai before and after reorganization, the State controls the Group, including, indirectly, AB Lietuvos Geležinkelių Infrastruktūra, through its voting rights. The State does not utilize its rights, provided by the Code, to manage the relevant activities of AB Lietuvos Geležinkelių Infrastruktūra bypassing AB Lietuvos Geležinkeliai. Therefore, these rights are deemed protective.

b) Although the Code has established certain restrictions on how the income derived from the use of the infrastructure facilities can be utilized, the AB Lietuvos Geležinkeliai is entitled to receive dividends from income of AB Lietuvos Geležinkelių Infrastruktūra generated from its activities and is also exposed to variable returns arising from other sources (e.g. management fee, financial guarantees issued in relation to the loans received by AB Lietuvos Geležinkelių Infrastruktūra etc.). Accordingly, AB Lietuvos Geležinkeliai benefits itself from its investments.

Based on the above management concluded that neither the reorganization nor the changes to the Code affect the AB Lietuvos Geležinkeliai control over AB Lietuvos Geležinkelių Infrastruktūra.

The Group prepares the consolidated financial statements applying the same accounting policies for similar transactions and other events occurring under similar conditions to all Group companies.

Significant estimates and assumptions

Information about significant estimates and assumptions is provided below:

Useful lives of intangible assets and property, plant and equipment. The useful lives are reviewed on an annual basis and, if necessary, are adjusted to reflect the current estimate of remaining useful life, 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 carrying amounts of the Group's and the Company'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.

3. Significant accounting estimates and judgements (continued)

The carrying amounts of the Group's and the Company'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.

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

Lessee

The Group and the Company measure 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 Group and the Company do not apply the lease recognition provisions to short-term leases (leases of up to one year) and leases of low value assets (computers, telephones, printers, furniture, etc.). The Group and the Company assess each asset separately to determine whether it is of low value. Leases are not measured over the lease term when deciding whether a property is of low value. Assets with a value of up to EUR 4 thousand are considered low value assets. The Company does not apply the lease recognition provisions to all intangible assets. The Company applies the provisions of IAS 38 Intangible Assets to such assets.

At the commencement date, the Group and the Company shall recognise a right-of-use asset and a lease liability in the statement of financial position.

At the commencement date, the Group and 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 Group and 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 Group and the Company shall set a fixed lessee's incremental borrowing rate at the beginning of each year and uses it for all new contracts and contracts that have changed in 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 changes to the lease.

Initial assessment of right-of-use assets. At the commencement date of the leases, the Group and the Company shall measure the right-of-use asset at cost. The cost of an asset managed under a right-of-use comprises of: the amount of the initial measurement of the lease liability, any lease payments at or before the inception date, less any lease incentives received; any initial direct costs incurred by the Group and the Company; and an estimate of the costs that the Group and the Company will incur in dismantling and disposing of the leased asset, maintaining its location or restoring the leased asset to the condition required by the lease conditions, unless those costs are incurred in producing the stocks. The Group and the Company shall assume a liability relating to these costs on the start commencement date or after using the leased assets for a specific period.

The Group and the Company shall recognise these costs as part of the cost of the right-of-use assets when a liability is incurred for these costs.

Subsequent assessment of right-of-use assets. After the commencement date, the Group and the Company shall assess the right-of-use assets applying the cost method. By applying the cost method, the Group and the Company shall measure the assets managed under the right-of-use at cost: less any accumulated depreciation and any accumulated impairment losses; and adjusted for reassessment of the lease liability.

In calculating the depreciation of rights-of-use assets, the Company shall apply the depreciation requirements of IAS 16 „Property, Plant and Equipment".

Initial assessment of the lease liability. At the commencement date, the Group and 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 Group and the Company shall use the incremental borrowing rate announced by the Bank of Lithuania.

Reassessment of the lease liability. After initial recognition, the lease liability shall be reassessed to take into account changes in the lease fees. The Group and the Company shall recognise the amount of the reassessment of the lease liability as an adjustment to the right-of-use assets. However, if the accounting value of the right-of-use asset is reduced to zero and the assessment of the lease liability is further reduced, the Group and the Company shall recognise any remaining amount of the reassessment as profit or loss. The Company shall report the lease liabilities separately from other liabilities in the statement of financial position. The interest expenditure on the lease liability is presented separately from the depreciation of the assets under the right-of-use. The interest expenditure on the lease liability is a component of the financial cost presented in the statement of comprehensive income.

3. Significant accounting estimates and judgements (continued)

Lessor

Finance leases. At the commencement date, the Group and 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 Group and the Company shall use the interest rate implicit in the lease to measure the net investment in the lease. In the case of a sublease, if the interest rate implicit 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, other than those incurred by manufacturer or dealer lessors, 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 Group and 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 Group and the Company apply 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 Group and the Company shall recognise lease payments from operating leases as income on a straight-line basis. The Group and the Company shall recognise costs, including depreciation, incurred in earning the lease income as an expense. The Group and the Company shall add initial direct costs incurred in obtaining an operating lease to the accounting value 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.

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

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

Impairment losses of amounts receivable. The 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 Company 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.

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, 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.

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, 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	Construction in progress and prepayments	Total
Acquisition cost							
31 December 2018	**146,792**	**1,155,518**	**248,311**	**502,345**	**120,807**	**167,007**	**2,340,780**
- acquisitions for the year	4,084	2,205	765	17,023	449	86,972	111,498
- assets sold, written off, disposed	(23)	(3,842)	(2,034)	(278)	(1,847)	(7,368)	(15,392)
- reclassification from/(to) current assets	(6)	1	(56)	(645)	176	(943)	(1,473)
- reclassifications	-	49,075	2,400	(1,155)	900	(50,683)	537
31 December 2019	**150,847**	**1,202,957**	**249,386**	**517,290**	**120,485**	**194,985**	**2,435,950**
- acquisitions for the half-year	1,339	1,463	198	21,765	260	110,459	135,484
- assets sold, written off, disposed	(9)	(306)	(90)	(107)	(228)	(69)	(809)
- reclassifications	-	18,135	320	(2,230)	836	(21,938)	(4,877)
30 June 2020	**152,177**	**1,222,249**	**249,814**	**536,718**	**121,353**	**283,437**	**2,565,748**
Accumulated depreciation and impairment losses							
31 December 2018	**-**	**(254,722)**	**(77,017)**	**(142,315)**	**(31,868)**	**(15,348)**	**(521,270)**
- depreciation	-	(67,943)	(18,034)	(37,568)	(8,645)	-	(132,190)
- reversal impairment for the year	-	(134)	117	455	(8)	6,101	6,531
- assets sold, written off, disposed	-	290	1,554	2,543	1,580	-	5,967
- reclassification from/(to) current assets	-	-	107	316	46	-	469
- reclassifications	-	(175)	(3)	3	(1)	-	(176)
31 December 2019	**-**	**(322,684)**	**(93,276)**	**(176,566)**	**(38,896)**	**(9,247)**	**(640,669)**
- depreciation	-	(33,255)	(8,161)	(16,876)	(4,019)	-	(62,311)
- reversal impairment for the half-year	-	-	-	-	-	-	-
- assets sold, written off, disposed	-	7	70	30	172	-	279
- reclassifications	-	-	587	948	-	-	1,535
30 June 2020	**-**	**(355,932)**	**(100,780)**	**(192,464)**	**(42,743)**	**(9,247)**	**(701,166)**
Carrying amount							
31 December 2018	**146,792**	**900,796**	**171,294**	**360,030**	**88,939**	**151,659**	**1,819,510**
31 December 2019	**150,847**	**880,273**	**156,110**	**340,724**	**81,589**	**185,738**	**1,795,281**
30 June 2020	**152,177**	**866,317**	**149,034**	**344,254**	**78,610**	**274,190**	**1,864,582**

(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 2018	**146,786**	**1,132,667**	**216,703**	**491,778**	**119,387**	**167,134**	**2,274,455**
- acquisitions for the year	4,083	436	607	877	188	64,484	70,675
- assets sold, written off, disposed	-	(103)	(1,191)	(283,632)	(1,176)	(8,854)	(294,956)
- transfer of assets as a result of reorganization	(150,869)	(1,138,481)	(203,324)	(206,084)	(99,837)	(168,501)	(1,967,096)
- reclassifications	-	44,725	1,849	(9)	852	(51,113)	(3,696)
31 December 2019	**-**	**39,244**	**14,644**	**2,930**	**19,414**	**3,150**	**79,382**
- acquisitions for the half-year	-	-	1	4	47	359	411
- assets sold, written off, disposed	-	(4)	(1,113)	(1,687)	(153)	(24)	(2,981)
- transfer of assets as a result of reorganization	-	-	-	-	-	-	-
- reclassifications	-	(26)	37	-	8	(45)	(26)
30 June 2020	**-**	**39,214**	**13,569**	**1,247**	**19,316**	**3,440**	**76,786**
Accumulated depreciation and impairment losses							
31 December 2018	**-**	**(249,897)**	**(63,945)**	**(138,169)**	**(30,921)**	**(15,348)**	**(498,280)**
- depreciation	-	(61,273)	(14,432)	(11,444)	(7,744)	-	(94,893)
- transfer of depreciations as a result of reorganization	-	298,725	70,179	52,362	27,045	-	448,311
- reversal impairment for the year	-	(134)	125	393	23	6,053	6,460
- reversal impairment for the year as a result of reorganization	-	143	3	107	1	9,154	9,408
- assets sold, written off, disposed	-	7	468	95,165	695	-	96,335
- reclassifications	-	1,191	(3)	3	(1)	-	1,190
31 December 2019	**-**	**(11,238)**	**(7,605)**	**(1,583)**	**(10,902)**	**(141)**	**(31,469)**
- depreciation	-	(1,240)	(649)	(129)	(874)	-	(2,892)
- reversal impairment for the half-year	-	-	-	-	-	-	-
- assets sold, written off, disposed	-	2	614	948	151	-	1,715
- reclassifications	-	8	-	-	-	-	8
30 June 2020	**-**	**(12,468)**	**(7,640)**	**(764)**	**(11,625)**	**(141)**	**(32,638)**
Carrying amount							
31 December 2018	**146,786**	**882,770**	**152,758**	**353,609**	**88,466**	**151,786**	**1,776,175**
31 December 2019	**-**	**28,006**	**7,039**	**1,347**	**8,512**	**3,009**	**47,913**
30 June 2020	**-**	**26,746**	**5,929**	**483**	**7,691**	**3,299**	**44,148**

(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 53,450 thousand EUR (56,826 thousand EUR - 30 June 2019). This amount includes 62,311 thousand EUR depreciation expense (66,898 thousand EUR as at 30 June 2019) which was reduced by 7,779 thousand EUR as grants depreciation expense (8,000 thousand EUR as at 30 June 2019). Capitalized depreciation amounted to 1,082 thousand EUR (2 072 thousand EUR as at 30 June 2019).

The Company's depreciation charge included to the statements of profit or loss and other comprehensive income of amounted to 2,892 thousand EUR (45,861 thousand EUR - 30 June 2019). This amount includes 2,894 thousand EUR depreciation expense (53,862 thousand EUR as at 30 June 2019) which was reduced by 2 thousand EUR as grants depreciation expense (7,987 thousand EUR as at 30 June 2019). Capitalized depreciation amounted to 0 thousand EUR (14 thousand EUR as at 30 June 2019).

On 30 June 2020, the carrying amount of assets held by the Group under the right of trust accounted for EUR 965,879 thousand (on 31 December 2019 it was EUR 982,986 thousand). On 8 December 2019, all state-owned assets held by the Company under the Trust Agreement were transferred to the new public railway infrastructure manager, a subsidiary of the Company AB Lietuvos Geležinkelių Infrastruktūra.

The acquisition cost of fully depreciated property, plant and equipment of the Group still in use comprised EUR 47,975 thousand (EUR 47,405 thousand in 2019) and of the Company - EUR 7,516 thousand (EUR 7,892 thousand in 2019). Most of the fully depreciated property, plant and equipment held by the Group consisted of other equipment, fittings and tools, whereas in case of the Company the majority consisted of machinery and plant, and other equipment, fittings and tools.

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 Company's statement of financial position and profit (loss) and other comprehensive income. The discount rate applied to the leases in 2020 is 6 months EURIBOR and the market margin is determined by market research, based on current market conditions.

As at 30 June 2020 the Group's right-of-use assets comprised:

	Land	Buildings and structures	Machinery and plant	Vehicles	Other equipment, fittings and tools	Total
Acquisition cost						
1 January 2019	**156**	**189**	**-**	**982**	**-**	**1,327**
- acquisitions for the year	-	100	325	2,263	84	2,772
31 December 2019	**156**	**289**	**325**	**3,245**	**84**	**4,099**
- acquisitions for the half-year	-	-	224	430	372	1,026
- assets sold, written off, disposed	(156)	(67)	-	-	-	(223)
- reclassifications	-	-	-	-	-	-
30 June 2020	**-**	**222**	**549**	**3,675**	**456**	**4,902**
Accumulated depreciation and vertės sumažėjimo nuostoliai						
1 January 2019	**-**	**-**	**-**	**-**	**-**	**-**
- depreciation	(3)	(62)	(175)	(865)	(11)	(1,116)
31 December 2019	**(3)**	**(62)**	**(175)**	**(865)**	**(11)**	**(1,116)**
- depreciation	-	(37)	(117)	(633)	(30)	(817)
- write-back of depreciation of returned, transferred right-of-use assets	3	9	-	17	-	29
- reclassifications	-	-	-	-	-	-
30 June 2020	**-**	**(90)**	**(292)**	**(1,481)**	**(41)**	**(1,904)**
Carrying amount						
1 January 2019	**156**	**189**	**-**	**982**	**-**	**1,327**
31 December 2019	**153**	**227**	**150**	**2,380**	**73**	**2,983**
30 June 2020	**-**	**132**	**257**	**2,194**	**415**	**2,998**

(thousand Euro unless otherwise stated)

5. Right-of-use assets (continued)

As at 30 June 2020 the Company's right-of-use assets comprised:

	Buildings and structures	Machinery and plant	Vehicles	Other equipment, fittings and tools	Total
Acquisition cost					
1 January 2019	**189**	**-**	**720**	**-**	**909**
- acquisitions for the year	226	20	1,605	84	1,935
- assets sold, written off, disposed	-	-	-	-	-
- transfer of assets as a result of reorganization	(25)	-	-	-	(25)
- reclassifications	-	-	-	-	-
31 December 2019	**390**	**20**	**2,325**	**84**	**2,819**
- acquisitions for the half-year	15,150	10	442	5	15,607
- assets sold, written off, disposed	-	-	-	-	-
- returned, transferred right-of-use assets (-)	(417)	-	(12)	-	(429)
- reclassifications	-	-	-	-	-
30 June 2020	**15,123**	**30**	**2,755**	**89**	**17,997**
Accumulated depreciation and impairment losses					
1 January 2019	**-**	**-**	**-**	**-**	**-**
- depreciation	(86)	(1)	(681)	(11)	(779)
- transfer of depreciations as a result of reorganization	5	-	-	-	5
- reversal impairment for the year	-	-	-	-	-
- reversal impairment for the year as a result of reorganization	-	-	-	-	-
- assets sold, written off, disposed	-	-	-	-	-
- reclassifications	-	-	-	-	-
31 December 2019	**(81)**	**(1)**	**(681)**	**(11)**	**(774)**
- depreciation	(443)	(6)	(477)	(11)	(937)
- write-back of depreciation of returned, transferred right-of-use assets (-)	53		12		65
- reversal impairment for the half-year	-	-	-	-	-
- assets sold, written off, disposed	-	-	-	-	-
- reclassifications	-	-	-	-	-
30 June 2020	**(471)**	**(7)**	**(1,146)**	**(22)**	**(1,646)**
Carrying amount					
1 January 2019	**189**	**-**	**720**	**-**	**909**
31 December 2019	**309**	**19**	**1,644**	**73**	**2,045**
30 June 2020	**14,652**	**23**	**1,609**	**67**	**16,351**

(thousand Euro unless otherwise stated)

6. Intangible assets

Intangible assets of the Group comprised:

	Software	Licenses and similar rights	Other intangible assets	Total
Acquisition cost				
31 December 2018	**30,177**	**2,084**	**879**	**33,140**
- acquisitions	963	122	70	1,155
- sales, disposals, write-offs	(101)	(8)	(17)	(126)
- reclassifications	-	-	-	-
31 December 2019	**31,039**	**2,198**	**932**	**34,169**
- acquisitions	79	428	289	796
- sales, disposals, write-offs	(35)	(1)	2	(34)
- reclassifications	-	27	(27)	-
30 June 2020	**31,083**	**2,652**	**1,196**	**34,931**
Accumulated amortisation and impairment losses				
31 December 2018	**(10,043)**	**(1,498)**	**(574)**	**(12,115)**
- amortisation	(2,813)	(496)	(188)	(3,497)
- impairment for the year	-	(1)	2	1
- sales, disposals, write-offs	106	7	10	123
- reclassifications	-	-	-	-
31 December 2019	**(12,750)**	**(1,988)**	**(750)**	**(15,488)**
- amortisation	(1,235)	(92)	(46)	(1,373)
- impairment for the half-year	-	-	-	-
- sales, disposals, write-offs	39	1	(6)	34
- reclassifications	-	(10)	10	-
30 June 2020	**(13,946)**	**(2,089)**	**(792)**	**(16,827)**
Carrying amount				
31 December 2018	**20,134**	**586**	**305**	**21,025**
31 December 2019	**18,289**	**210**	**182**	**18,681**
30 June 2020	**17,137**	**563**	**404**	**18,104**

(thousand Euro unless otherwise stated)

6. Intangible assets (continued)

Intangible assets of the Company comprised:

	Software	Licenses and similar rights	Other intangible assets	Total
Acquisition cost				
31 December 2017	**29,983**	**2,082**	**474**	**32,539**
- acquisitions	965	123	-	1,088
- sales, disposals, write-offs	(11)	(6)	(19)	(36)
- transfer of assets as a result of reorganization	(23,371)	(169)	(420)	(23,960)
- reclassifications	-	-	-	-
31 December 2019	**7,566**	**2,030**	**35**	**9,631**
- acquisitions	25	427	-	452
- sales, disposals, write-offs	-	-	-	-
- transfer of assets as a result of reorganization	-	-	-	-
- reclassifications	-	-	-	-
30 June 2020	**7,591**	**2,457**	**35**	**10,083**
Accumulated amortisation and impairment losses				
31 December 2018	**(9,797)**	**(1,496)**	**(257)**	**(11,550)**
- amortisation	(2,572)	(493)	(100)	(3,165)
- transfer of amortisation as a result of reorganization	6,799	157	304	7,260
- impairment for the year	-	(1)	2	1
- reversal impairment for the year as a result of reorganization	52	-	-	52
- sales, disposals, write-offs	10	6	16	32
- reclassifications	-	-	-	-
31 December 2019	**(5,508)**	**(1,827)**	**(35)**	**(7,370)**
- amortisation	(414)	(84)	-	(498)
- impairment for the half-year	-	-	-	-
- sales, disposals, write-offs	-	-	-	-
- reclassifications	-	-	-	-
30 June 2020	**(5,922)**	**(1,911)**	**(35)**	**(7,868)**
Carrying amount				
31 December 2018	**20,186**	**586**	**217**	**20,989**
31 December 2019	**2,058**	**203**	**-**	**2,261**
30 June 2020	**1,669**	**546**	**-**	**2,215**

The Group and the Company do not hold any internally generated intangible assets.

In the statement of profit or loss and other comprehensive income the Group's amortisation charge which on 30 June 2020 amounted to EUR 1,028 thousand (EUR 2,591 thousand on 30 June 2019) is included in depreciation and amortization costs. Amounts of EUR 1,373 thousand (EUR 3,181 thousand as at 30 June 2019) included into amortisation expenses which were reduced by amortisation of grants of EUR 345 thousand (EUR 717 thousand as at 30 June 2019).

(thousand Euro unless otherwise stated)

In the statement of profit or loss and other comprehensive income the Company's amortisation charge which on 30 June 2020 amounted to EUR 498 thousand (EUR 1,661 thousand on 30 June 2019) is included in depreciation and amortization costs. Amounts of EUR 562 thousand (EUR 2,004 thousand as at 30 June 2019) included into amortisation expenses which were reduced by amortisation of grants of EUR 64 thousand (EUR 343 thousand as at 30 June 2019).

The Group's intangible assets, which were fully amortized but continue to be used, amounted to EUR 5,438 thousand (EUR 4,593 thousand in 2019). The Company's intangible assets, which were fully amortized but continue to be used, amounted to EUR 4,105 thousand (EUR 3,892 thousand in 2019). Software accounted for the majority of depreciated assets.

7. Inventories

Inventories of the Group and the Company comprised:

	Group		Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Spare parts	7,594	12,305	16	10
Materials of the upper railway part	18,378	13,761	1	43
Materials	7,013	4,705	968	146
Fuel	4,317	5,453	3,427	4,387
Other inventories	865	1,323	414	439
Total raw materials, materials and component parts	**38,167**	**37,547**	**4,826**	**5,025**
Goods for resale	7,992	1,095	1,218	624
Total goods held for resale	**7,992**	**1,095**	**1,218**	**624**
Non-current assets held-for-sale	3,017	2,368	1,315	138
Total non-current assets held for sale	**3,017**	**2,368**	**1,315**	**138**
Total	**49,176**	**41,010**	**7,359**	**5,787**

The carrying amount of the Group's inventories of EUR 55,881 thousand was reduced by EUR 6,705 thousand to the net realizable value as at 31 December 2019 (EUR 46,157 thousand reduced by EUR 5,147 thousand to the net realizable value as at 31 December 2019).

The carrying amount of the Company's inventories of EUR 8,487 thousand was reduced by EUR 1,128 thousand to the net realizable value as at 31 December 2019 (EUR 6,829 thousand reduced by EUR 1,042 thousand to the net realizable value as at 31 December 2019).

Change in write down of net realisable value of inventories of the Group and the Company is shown in article of write down to net realisable value expenses in the statements of profit or loss and other comprehensive income.

(thousand Euro unless otherwise stated)

8. Trade and other receivables

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

	Group		Company	
	30/06/2020	31/12/2019	30/06 /2020	31/12/2019
Gross external trade debtors	30,403	31,898	9,268	6,988
Impairment (-)	(3,024)	(3,004)	(43)	(33)
Total external trade debtors	**27,379**	**28,894**	**9,225**	**6,955**
Receivables from related parties	139	14	21,527	15,384
Impairment allowance (-)	-	-	-	-
Total receivables from related parties	**139**	**14**	**21,527**	**15,384**
Receivable VAT	17,584	27,747	602	-
Other amounts receivable from the budget	17,186	13,201	10,488	12,427
Accrued other amounts receivable from related parties	-	-	4,001	2,524
Accrued interest from related parties	-	-	577	-
Accrued income	1,760	2,221	-	-
Assets arising from contracts with customers	333	176	-	-
Other receivables	10,650	10,454	4,911	5,150
Impairment allowance (-)	(4,383)	(4,424)	(4,284)	(4,276)
Total other RECEIVABLES	**43,130**	**49,375**	**16,295**	**15,825**
TOTAL	**70,648**	**78,283**	**47,047**	**38,164**

As at 30 June 2020 trade and other receivables of the Group decreased EUR 7,635 thousand (in 2019 trade and other receivables increased EUR 39,368 thousand compared with 2018).

As at 30 June 2020 trade and other receivables of the Company increased EUR 8,883 thousand (in 2019 trade and other receivables decreased EUR 8,134 thousand compared with 2018).

The Company accrued other amounts receivable from related parties of EUR 4,001 thousand for management services rendered to Group companies (as at 31 December 2019 - EUR 2,524 thousand).

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

	Group		Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Not overdue	22,142	23,288	9,164	6,938
Overdue 0– 60 days	296	5,100	21	9
Overdue 60– 120 days	2,759	383	7	2
Overdue 120– 180 days	143	356	26	4
Overdue 180– 360 days	2,436	514	14	10
Overdue for over 360 days	2,627	2,257	36	25
Impairment (-)	(3,024)	(3,004)	(43)	(33)
Total	**27,379**	**28,894**	**9,225**	**6,955**

As at 30 June 2020 overdue trade debts in the Group decreased EUR 349 thousand compared to Y2019, overdue trade debts in the Company increased EUR 54 thousand.

(thousand Euro unless otherwise stated)

9. Prepayments

Prepayments of the Group and the Company comprised:

	Group		Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Prepayments	5,225	4,973	982	98
Guarantees paid to suppliers	54	40	30	30
Deferred costs	2,586	1,711	964	1,041
Total	**7,865**	**6,724**	**1,976**	**1,169**

10. Cash and cash equivalents

Cash and cash equivalents of the Group and the Company comprised:

	Group		Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Cash in banks	25,614	105,108	9,769	50,533
Cash in hand	38	45	-	-
Total	**25,652**	**105,153**	**9,769**	**50,533**

As at 30 June 2020 and 31 December 2019 the Group and the Company did not hold any term deposits. Cash was not pledged.

For the sake of higher efficiency in cash management and liquidity assurance within the companies of the Group, on 21 December 2019 the Company signed a Cashpool agreement with AB Swedbank. As at 30 June 2020, the Company had receivables for EUR 34,880 thousand and had no liabilities. As at 30 June 2020, the debt of AB Lietuvos Geležinkelių Infrastruktūra to cash-pool was EUR 32,796 thousand, the debt of UAB Geležinkelio Tiesimo Centras - EUR 2,084 thousand. During 2019, the Group's members used cash-pool funds based on their needs, interest of EUR 23 thousand was calculated.

As at 30 June 2020, due to bank guarantees issued, the use of cash and cash equivalents of EUR 116 thousand was restricted.

(thousand Euro unless otherwise stated)

11. Grants

Movement of grants of the Group and the Company:

	Group		Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Balance at the beginning of the period	**556,015**	**538,882**	**725**	**538,815**
Received	18,015	39,714	-	37,476
Used for reduction of depreciation costs of non-current assets	(8,124)	(16,078)	(66)	(14,704)
Used for reduction of other expenses	(117)	(1,301)	-	(992)
Increased authorised capital	-	(650)	-	(650)
Repaid/transferred to the account of liabilities to partners	(300)	(4,552)	-	(4,552)
Effect of reorganisation	-	-	-	(554,668)
Balance at the end of the period	**565,489**	**556,015**	**659**	**725**
Including assets managed under right of trust	**225,175**	**228,248**	**-**	**-**

12. Loans and borrowings

Borrowings of the Group and the Company comprised:

	Group		Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Non-current loans	142,113	153,641	-	23,849
Current loans	24,556	27,574	-	12,894
Total	**166,669**	**181,215**	**-**	**36,743**

Group's loans comprised:

	Foreign currency loans	30/06/2020	31/12/2019
Bank EIB - 2, total [2]	EUR	1,500	4,409
Bank EIB - 3, total [2]	EUR	4,091	5,000
Bank EIB - 4, total [1]	EUR	24,000	27,334
Nordic Investment Bank-2, total [5]	EUR	7,556	9,444
Nordic Investment Bank-3, total [3]	EUR	88,258	91,936
Nordic Investment Bank-4, total [4]	EUR	41,264	42,984
AB Šiaulių bankas [6]	EUR	-	108
Total		**166,669**	**181,215**

During the first year-half of 2020 the Group repaid EUR 14,437 thousand of the loan, EUR 1,458 thousand interest and EUR 254 thousand commitment fee and other fees.

12. Loans and borrowings (continued)

[1] EIB-4 is the loan for the procurement of new rolling stock. Each tranche was set a separate interest rate. During the first half of 2020 AB Lietuvos Geležinkeliai repaid EUR 3,334 thousand loan, EUR 342 thousand interest and EUR 100 thousand commitment fee.

[2] EIB-2 and EIB-3 are the loans for the procurement of new rolling stock. During the first half of 2020 AB Lietuvos Geležinkeliai repaid EUR 3,818 thousand, paid EUR 130 thousand interest and EUR 103 thousand commitment fee.

[3] Two loan agreements have been signed with the Nordic Investment Bank (NIB-3) for the renovation and development of the railway infrastructure at the total value of EUR 114,000 thousand. Each tranche was set a separate interest rate. During the first half of 2020 AB Lietuvos Geležinkelių Infrastruktūra repaid EUR 3,678 thousand loan and EUR 671 thousand interest.

[4] A loan agreement of EUR 53,300 thousand has been signed with the Nordic Investment Bank (NIB-4). 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 year-half 2020 AB Lietuvos Geležinkelių Infrastruktūra repaid EUR 1,719 thousand loan and EUR 269 thousand interest.

[5] A loan of the Nordic Investment Bank (NIB-2) for the renovation and development of the railway infrastructure. During the first half of 2020 AB Lietuvos Geležinkelių Infrastruktūra repaid EUR 1,888 thousand loan and EUR 46 thousand interest.

A loan agreement of EUR 50,000 thousand has been signed with the Nordic Investment Bank (NIB-5). The loan was taken for the implementation investment projects 2014-2020 and the Rail Baltica project. By 30 June 2020 the Company had not withdrawn a single portion of the loan. During the first year-half 2020 the Company paid EUR 51 thousand commitment fee.

[6] In 2018 UAB Gelsauga signed a tripartite agreement with UAB Vensva and AB Šiaulių Bankas. Under the terms of the finance lease agreement, assets worth EUR 206 thousand were transferred to UAB Gelsauga. In February 2020 the company redeemed special vehicles and as of 30 June 2020 there were no outstanding lease debts.

Loans of the Company comprised:

	Foreign currency loans	30/06/2020	31/12/2019
Bank EIB - 2	EUR	-	4,409
Bank EIB - 3	EUR	-	5,000
Bank EIB - 4	EUR	-	27,334
Total		**-**	**36,743**

During the first half of 2020, the Company repaid EUR 7,152 thousand of loans and paid EUR 472 thousand in interest, EUR 203 thousand commitment and other fees.

On 30 June 2020, the restructuring of the Company's long-term loans was completed. The Company transferred to the subsidiary AB LTG Cargo existing non-current credit liabilities to the European Investment Bank (EIB) at the amount of EUR 29,591 thousand. A guarantee agreement with the European Investment Bank and the Nordic Investment Bank (NIB) also entered into force, on the basis of which the Company guarantees the liabilities of AB LTG Cargo and AB Lietuvos Geležinkeliai Infrastruktūra to EIB and NIB. According to a separate agreement with EIB, AB LTG Cargo and the Company, the loan concluded by AB LTG Cargo and the Company on 12 March 2019 is made subordinate in respect of EIB loans transferred to AB LTG Cargo, i.e. following the said agreement neither loan principal nor interest payments are possible until the maturity of EIB loans (until 2024).

(thousand Euro unless otherwise stated)

13. Lease liabilities

The Company leases buildings and other assets (mainly vehicles and buildings). Building lease agreements are usually concluded for a fixed 36-month period with a possibility to extend them. Vehicle lease agreements are concluded for 36 months without a possibility to extend them. In determining the lease term, management considers all the facts and circumstances that give rise to the economic incentive to exercise the option to extend the contract or not to exercise the option to terminate it. The possibility of extending the contract (or the periods after the possibility of terminating the contract) is provided for in the leases only if it can be reasonably expected that the lease will be extended (or not terminated). Possible future cash payments were not included in the lease liabilities as there is no reason to be certain that the leases will be extended (or not terminated).

Short-term leases of 12 months or less and lease payments for low-value assets are recognized directly as expenses in the statement of profit or loss and other comprehensive income.

Lease liabilities of the Group and the Company comprised:

	Group		Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Non-current	2,571	1,843	15,285	1,223
Current	1,305	1,254	1,354	917
Total	**3,876**	**3,097**	**16,639**	**2,140**

As at 30 June 2020 the non-current portion of lease liabilities of the Group amounted to EUR 2,751 thousand (as at 31 December 2019 it was EUR 1,843 thousand) and the current portion amounted to EUR 1,305 thousand (as at 31 December 2019 it was EUR 1,254 thousand).

As at 30 June 2020 the non-current portion of lease liabilities of the Company amounted to EUR 15,285 thousand (as at 31 December 2019 it was EUR 1,223 thousand) and the current portion amounted to EUR 1,354 thousand (as at 31 December 2019 it was EUR 917 thousand). A significant part of the lease liabilities in the Company in the amount of EUR 14,509 thousand consisted of signed agreements with AB Lietuvos Geležinkeliai Infrastructure on car lease.

14. Employee benefits

According to the legislative requirements of the Republic of Lithuania, each employee of the Company at the age of retirement is entitled to a one-off payment in the amount of 2-month salary. In addition, under the effective collective agreement, payment of up to 1-month average remuneration is paid to an employee who has served for 25 years or more.

Jubilee payments also comprise provisions for pensions and similar liabilities. Under the collective agreement effective at the Group and the Company, a payment of EUR 300 is paid to members of trade unions when they reach the ages of 50 and 60 years.

(thousand Euro unless otherwise stated)

14. Employee benefits (continued)

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

	Group	Company
Balance as at 31 December 2018	**9,728**	**8,517**
Formed additionally (+)	1,292	405
Effect of reorganisation (-)	-	(8,547)
Used (-)	(282)	727
Balance as at 31 December 2019	**10,738**	**1,102**
Formed additionally (+)	1,750	61
Used (-)	(137)	(163)
Balance as at 30 June 2020	**12,351**	**1,000**

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

	30/06/2020	31/12/2019
Discount rate, %	0.32	0.65
Staff turnover ratio, %	7.46	7.38
Salary increase rate, %	2.60	3.00

Current employee benefits and liabilities by type:

	Group		Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Vacation pay accruals	14,541	12,852	2,651	2,073
Payable remuneration	7,214	6,501	1,325	1,201
Payable social insurance contributions	4,632	3,479	681	891
Payable personal income tax contributions	2,586	2,247	502	418
Other employment related liabilities	3,116	7,053	715	1,481
Total	**32,089**	**32,132**	**5,874**	**6,064**

(thousand Euro unless otherwise stated)

15. Trade and other payables

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

	Group		Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Trade payables	30,645	26,003	5,458	9,555
Trade payables to related parties	1,273	1,084	13,009	8,182
Cash guarantees received	5,352	4,714	2,600	2,978
Other taxes payable to the budget	2,455	6,129	247	905
Accumulated service costs of foreign railways	891	1,243	-	-
Accrued other amounts payable from related parties	-	-	8,817	6,731
Other accrued costs	1,002	930	330	218
Liabilities arising from contracts with customers	1,839	175	-	-
Other amounts payable and liabilities	5,175	5,861	446	1,603
Total	**48,632**	**46,139**	**30,907**	**30,172**

Under other accrued expenses, the Group and the Company accounted for audit service expenses of EUR 118 thousand (2019: EUR 214 thousand) and EUR 55 thousand (2019: EUR 33 thousand), respectively.

16. Received prepayments

	Group		Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Received prepayments, non-current portion	-	-	-	-
Received prepayments, current portion	16,285	19,945	1,246	1,169
Total	**16,285**	**19,945**	**1,246**	**1,169**

As at 30 June 2020, the major part of prepayments received by the Group comprised EUR 10,650 thousand (as at 31 December 2019: EUR 13,000 thousand) of project implementation funds received in advance, which, after having signed a grant agreement, will be accounted for as grants.

(thousand Euro unless otherwise stated)

17. Sales

Sales revenue of the Group and the Company comprised:

	Group		Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Income from freight transportation and use of the railway infrastructure	179,740	200,411	-	168,875
Income from passenger, baggage and post	5,093	14,379	-	14,449
Other auxiliary services	7,934	14,102	46,436	25,298
Total	**192,767**	**228,892**	**46,436**	**208,622**

18. Result from financing activities

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

	Group		Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Total finance income	**86**	**35**	**8,595**	**2,518**
Interest	18	-	657	406
Currency exchange gain	-	7	-	28
Dividends	-	-	7,938	2,077
Penalties and default interest	67	75	-	56
Other income	1	(47)	-	(49)
Total finance costs	**(1,841)**	**(1,797)**	**(987)**	**(1,737)**
Interest	(1,015)	(1,737)	(417)	(1,727)
Currency exchange loss	(47)	-	(51)	-
Penalties and default interest	(169)	(60)	(14)	(10)
Other expenses	(610)	-	(505)	-
Total	**(1,755)**	**(1,762)**	**(7,608)**	**781**

In June 2020 the Company received EUR 248 thousand dividends from voestalpine Railway Systems Lietuva, UAB, dividends to be received from UAB Vilniaus Lokomotyvų Remonto Depas amounted to EUR 7,690 thousand, which were paid out on 29 July 2020.

(thousand Euro unless otherwise stated)

19. Corporate income tax

Corporate income tax of the Group and the Company was calculated at a 15% tax rate.

	Group		Company	
	06/2020	06/2019	06/2020	06/2019
AtaskaitinIncome tax for the year	(118)	-	-	-
Adjustment to income tax of the previous year	(569)	(54)	(569)	(181)
Deferred tax expenses	(1,117)	6,668	(769)	6,995
Total corporate income tax expenses (income) recognised in profit or loss	**(1,804)**	**6,614**	**(1,338)**	**6,814**

20. 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 Company and the Company do not disclose the transactions with Lithuanian Government and other entities controlled by the Lithuanian Government.

(thousand Euro unless otherwise stated)

20. Related party transactions (continued)

The Company's related party transactions before elimination:

	06/2020		30/06/2020	
	Company's purchases	Company's sales	Company's receivables	Company's payables
AB LTG Cargo	26,143	34,084	125,613	11,858
UAB LTG Link	32	6,157	1,823	5
AB Lietuvos Geležinkelių Infrastruktūra	1,416	17,577	39,597	675
UAB Geležinkelio Tiesimo Centras	44	726	2,345	85
UAB Vilniaus Lokomotyvų Remonto Depas	-	2,837	8,022	993
UAB Gelsauga	57	89	10	111
UAB Saugos Paslaugos	682	1	1	1,069
UAB Rail Baltica Statyba	-	4	1	-
voestalpine Railway Systems Lietuva, UAB	-	-	-	-
Total	**28,374**	**61,475**	**177,412**	**14,796**

	06/2019		31/12/2020	
	Company's purchases	Company's sales	Company's receivables	Company's payables
AB LTG Cargo	12,606	207,881	166,304	5,899
UAB LTG Link	-	-	3,004	1,240
AB Lietuvos Geležinkelių Infrastruktūra	-	-	2,711	-
UAB Geležinkelio Tiesimo Centras	7,644	606	1,582	58
UAB Vilniaus Lokomotyvų Remonto Depas	3,222	1,909	290	998
UAB Gelsauga	3,008	37	14	78
UAB Saugos Paslaugos	-	-	-	1,071
UAB Rail Baltica Statyba	19	4	1	-
voestalpine Railway Systems Lietuva, UAB	1,409	2	-	-
Total	**27,908**	**210,439**	**173,906**	**9,344**

The Group's and the Company's loans to related companies comprised:

	Group		Company	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Loans granted to related parties	160	160	120,523	143,539
Total non-current portion	**160**	**160**	**120,523**	**143,539**
Loans granted to related parties	-	-	-	13,656
Cashpool	-	-	34,880	1,486
Impairment of loans granted (-)	-	-	-	-
Total current portion	**-**	**-**	**34,880**	**15,142**
Total	**160**	**160**	**155,403**	**158,681**

(thousand Euro unless otherwise stated)

20. Related party transactions (continued)

Based on the loan agreement dated 12 March 2019, the loan of EUR 163,862 thousand was granted to AB LG CARGO in the form of non-current assets: for the acquisition of railway transport rolling stock – wagons, containers and locomotives. The loan matures in 2031. During 2019, based on the schedule agreed upon with AB LG CARGO, it repaid (paid for the acquired assets) EUR 6,828 thousand of the loan and paid EUR 642 thousand of interest. Interest was determined applying variable interest rate linked with 6-month EURIBOR and the market margin estimated by a market survey. As at 31 December 2019, no contract breaches were identified. On 30 June 2020, the restructuring of the Company's non-current loans was completed. The Company, AB LTG Cargo and the European Investment Bank (EIB) have signed a loan restructuring agreement, which stipulates that the Company transfers its long-term creditor liabilities to the EIB, a loan of EUR 29,590 thousand, to the subsidiary AB LTG Cargo. Accordingly, the debts of AB LTG Cargo to the Company were reduced by the same amount.

More details on the borrowing from cashpool are presented in Note 10.

More details on the restructuring of the non-current loans and transfer thereof to the subsidiary AB LTG Cargo are presented in Note 11.

Management salary and other benefits. As of June 30, 2020, the number of executives was 6 people, i.e. 1 Chief Executive Officer, 1 Chief Financial Officer, 1 Director of Strategy and Development, 1 Director of Legal and Compliance, Chief Human Resources Officer, 1 Chief Communications Officer.

Company	30/06/2020	30/06/2019
Management salary	275	345
Incentive payments*	135	229
Number of managers	6	8
Benefits to Board Members	24	27
Number of Board Members	6	5
Benefits to audit committee members	3	3
Number of audit committee members	2	2

**Incentive payments are additional payment for performance results and one-off payments.*

In 2020 and first year-half of 2019 the management of the Company was not granted with loans, provided with guarantees or other paid or accrued benefits or disposed assets, except as disclosed above.

21. Contingent assets and liabilities

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 EUR 82,340 thousand. 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. A hearing of the EU General Court was held on 5 February 2020, during which the Company's complaint regarding the fine of EUR 28 million imposed by the EC was examined (the fine has already been paid). The case has been examined; the Court decision will be made within 4-6 months.

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. On 8 December 2019, due to the transfer of public railway infrastructure management activities, AB Lietuvos Geležinkelių Infrastruktūra took over all the rights and obligations provided for in the Agreement. The value of works is EUR 58,725 (excluding VAT). The estimated expiry of the Agreement is in 2021. The companies committed to build a European track gauge from Kaunas railway station to intermodal terminal located in Palemonas.

On 20 12 2019 an agreement on electrification of the Vilnius-Klaipėda railway section was awarded by AB Lietuvos Geležinkelių Infrastruktūra to the joint activity partners Elecnor S.A. and Instalaciones Inabensa S.A after they placed the best bid at the international tender. The value of the agreement amounts to EUR 363.1 million. The estimated delivery of works is in 2023 and the electric trains will be launched on the Vilnius - Klaipėda route in 2024. Electrification is estimated to have significant environmental benefits, with 46 Kt less diesel being burned each year on the rail network and an average of 150 Kt per year reduced emissions. In addition, lower energy costs and cheaper rolling stock maintenance will reduce the Group's costs. Based on the tripartite agreement, the obligation to implement the project was transferred to AB Lietuvos Geležinkelių Infrastruktūra. During the first half of 2020, an advance of EUR 72,620 thousand was transferred to the project partners for construction and design works.

22. Most significant events of the reporting period

- On **15 January 2020**, the share capital of AB Lietuvos Geležinkelių Infrastruktūra was increased by a non-monetary contribution of EUR 654,928 thousand by issuing 654,928 ordinary registered shares with a nominal value of EUR 1,000.
- On **26 May 2020** AB Vilniaus Lokomotyvų Remonto Depas jointly with UAB Geležinkelio Tiesimo Centras established a subsidiary OOO Rail Lab. AB Vilniaus Lokomotyvų Remonto Depas acquired 99 percent share capital of the newly established undertaking, whereas UAB Geležinkelio Tiesimo Centras acquired 1 percent.OOO Rail Lab will be engaged in the certification of manufactured wagons.
- On **12 June 2020**, the Company received EUR 248 thousand dividends from associated company voestalpine Railway Systems Lietuva, UAB.

23. Information on impact of coronavirus (COVID-19) on the Group's and the Company's activities

This year, many sectors of the country have been affected by the ongoing global coronavirus (COVID-19) pandemic. This was reflected in the activities of the Group companies and in the interim results and will affect the achievement of the planned results for 2020.

Due to the COVID-19 pandemic, UAB LTG Link temporarily suspended almost half (106 out of 226) local train journeys due to the quarantine in the country, which were gradually resumed only in mid-May. International train traffic was suspended from 16 March 2020, and transit train traffic - from 6 April. It led to a decrease in passenger flows and a drop in the Company's sales revenue in the first half of 2020. Also, during this period, the decline in cargo flow and sales revenue of AB LTG Cargo was observed, which was driven by falling commodity prices in international markets and increased competition in the region due to the coronavirus (COVID-19) pandemic. With the decrease in the payments of freight and passenger carriers for the services provided by the public railway infrastructure manager, the revenue of AB Lietuvos Geležinkelių Infrastruktūra also decreased to a corresponding extent. The decline in the Group's revenue in the first half of 2020 compared to the first half of 2019 amounted to 15% and was in line with the projected realistic scenario. Business activities of the companies within the Group were continuous.

In H1 2020 the business plans of the Group of Companies were reviewed and the business forecasts were updated in view of the impact of COVID-19 on business operations and planned results.

The action plans for cost optimization and other measures were developed by the Group and the Company to reduce the impact of the coronavirus pandemic. These plans were presented to the Boards, their implementation is monitored to respond promptly to the changing situation.

Taking into account the results of H1 2020, the action plans drawn up and the latest information available at the time of preparation of the interim report, it is estimated that the potential revenue gap of the Group compared to 2019 will be similar to that of H1 2020.

However, by monitoring developments in the neighbouring markets, the Company tends to see the positive in the current situation and is not changing its long-term strategic priorities and goals but is reconsidering the measures that should ensure the achievement of these goals.

24. Subsequent events and other information

- In **July 2020**, the Company established a subsidiary LTG Cargo Polska to develop rail freight transportation operations in Poland.
- On **3 July 2020** AB Lietuvos Geležinkelių Infrastruktūra took out EUR 50,000 thousand loan under a loan agreement signed with NIB in December 2019 Amended and Restated loan agreement.
- On **10 July 2020**, the Company paid an additional shareholder's contribution of EUR 194,537 to VšĮ Geležinkelių Logistikos Parkas.
- On **15 July 2020**, the Board of the Company decided to liquidate the subsidiary UAB Gelsauga. The liquidation of the subsidiary is expected from 1 November 2020.
- On **20 July 2020**, the Register of Legal Entities changed the name of AB LG CARGO and registered new Articles of Association of AB LTG Cargo which included the reduction of the authorized capital by EUR 16,474 million, followed by reduction of the nominal value per each ordinary registered share from EUR 289.62 to EUR 210.64.
- On **20 July 2020**, the Register of Legal Entities changed the company name of AB LG Keleiviams and registered new Articles of Association of UAB LTG Link which included the reduction of the authorized capital by EUR 12,647 thousand, followed by reduction of the nominal value per each ordinary registered share from EUR 1,000 to EUR 919.05.
- On **29 July 2020**, the Company received EUR 7,690 thousand dividends from the subsidiary UAB Vilniaus Lokomotyvų Remonto Depas.
- In **July 2020**, UAB Geležinkelio Tiesimo Centras applied to the Company as the sole shareholder regarding the reduction of the authorized capital.
- In **August 2020**, the Company applied to its sole shareholder - the State of Lithuania, represented by the Ministry of Transport and Communications of the Republic of Lithuania, for approval of the annual and consolidated financial statements of the Company.
- On **26 August 2020**, the Register of Legal Entities changed the company name of AB Lietuvos Geležinkelių Infrastruktūra and registered new Articles of Association of AB LTG Infra.