AB LTG CARGO
Interim Report
for the First Half of 2021

(EUR thousand unless otherwise stated)

CONTENTS

CEO'S FOREWORD	3
BACKGROUND INFORMATION ON THE COMPANY	4
MANAGEMENT OF THE COMPANY	6
STRATEGY	12
MAJOR EVENTS IN THE FIRST HALF OF 2021	12
OVERVIEW OF KEY PERFORMANCE INDICATORS	15
ANALYSIS OF FINANCIAL AND OPERATIONAL PERFORMANCE	16
PERFORMANCE RESULTS	16
INVESTMENTS	20
EMPLOYEES	21
INFORMATION ON COMPLIANCE WITH THE GUIDELINES ON TRANSPARENCY	21
SEPARATE STATEMENT OF FINANCIAL POSITION	28
SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	30
STATEMENT OF CHANGES IN EQUITY	31
STATEMENT OF CASH FLOWS	32
EXPLANATORY NOTES	33

ABBREVIATIONS:
LTG, Lietuvos Geležinkeliai – AB Lietuvos Geležinkeliai
LTG Group, Group, Corporate Group – AB Lietuvos Geležinkeliai and its subsidiaries
LTG Cargo, "LTG Cargo", Company – AB LTG Cargo
LTG Cargo Polska – LTG CARGO POLSKA SP. Z.O.O.
LTG Cargo Ukraine – TOB LTG Cargo Ukraine
LTG Wagons – UAB LTG Wagons
VLRD – UAB Vilniaus Lokomotyvų Depas
Govt. – the Government of the Republic of Lithuania
EU – the European Union

Annual and interim reports as well as financial statements are publicly available on the Company's website https://cargo.litrail.lt/ .

CEO'S FOREWORD

Ladies and Gentlemen,

The progressing COVID-19 pandemic in the first half of this year further set the tone for the freight transport market. A lower mobility of people and a decline in demand for fuels led to far more modest oil transportation, and the geopolitical environment forced to make preparations for a likely redistribution of freight flows in the future. However, it is worth noting that we have not only made use of the unforeseen crisis in the maritime shipping market, but also we have been intensively reinforcing our competencies in order to successfully operate under conditions of vigorous competition with the lowest possible environmental impact.

Although the outbreak of the pandemic continued in the first half of this year and essentially affected the transportation sector, however the blocking of Egypt's Suez Canal in March opened up the opportunity to contribute to dealing with the crisis caused by the blockage of the artery of world trade hitting the freight transport between Asia and Europe.

After the Ever Given shipping vessel stuck in the Suez Canal, we exhibited flexibility in taking over part of freight. When the shipping lanes were blocked and given the shortage of sea containers, the railway lines became one of the most cost-effective and sustainable ways to deliver goods and raw materials, and the volume of cargo transported by rail across the country increased even several times.

Belarus, which due to progressively imposed sanctions has been redirecting its freight flows, still continues to pose a challenge. However, already after the end of the reporting period, in July, Kaunas Intermodal Terminal was opened to commercial traffic on the Rail Baltica railway. This represents an important step in improving the infrastructure of freight transportation to and from Europe and in developing operational activities of LTG Cargo. We have been working very intensively in this strategic direction and we are committed to promote railways as a sustainable and in particular environmentally friendly mode of transport. We have been building stronger positions in the neighbouring country of Poland where in cooperation with the freight company PKP Cargo through a joint venture we intend to enhance logistics chains, as well as to expand in the Ukrainian market.

As a significant and highly potential line of business I would like to mention the upgrade of the TEM2 shunting locomotive carried out by our specialists within the region, and 44 Siemens locomotives underwent major upgrade works using the resources of the maintenance division, which has resulted for the company in cost savings of more than EUR 20 million. This represents not only a significant contribution to a cleaner environment with less pollution but also the opportunity to use the exceptional competences of our specialists within the company as well as to help other regional rail transport operators in the transition towards the green deal.

Constant focus on operational efficiency and timely adaptation to market needs have led to the positive results of the first half-year. In January-June, LTG Cargo transported 24 million tonnes of freight or 1.1% less than at the same time last year. In the European Union the overall decline in freight volumes during this period represented about 11%.

We estimate the second half of this year with a cautious optimism. We are ready to respond rapidly to changing circumstances, maximize efficiency and create value for our shareholder - the State.

Sincerely,
Egidijus Lazauskas
Chief Executive Officer of AB LTG Cargo

(EUR thousand unless otherwise stated)

BACKGROUND INFORMATION ON THE COMPANY

Name	AB LTG Cargo
Head office address	Geležinkelio St. 12, LT-02100 , Vilnius
Legal form	Joint Stock Company
Date and place of registration	28 December 2018, Register of Legal Entities
Company code	304977594
Telephone	(+370 5) 269 2745
Email	cargo@litrail.lt
Website	http://cargo.litrail.lt/
Principal activity	Freight transportation and provision of related services
CEO	Egidijus Lazauskas
Shareholders	100% of shares are owned by AB Lietuvos Geležinkeliai

Data on the Company are collected and stored in the Register of Legal Entities of the State Enterprise Centre of Registers.

THE COMPANY'S SUBSIDIARIES, ASSOCIATES AND COMPANIES OF SUBSEQUENTLEVELS

Name	LTG Cargo Polska	LTG Wagons	LTG Cargo Ukraine	OOO Rail Lab
Registered address	Rondo Organizacji Narodów Zjednoczonych St. 1, floor 12, Warsaw	Geležinkelio St. 12, Vilnius	Pushkinska St. 21, Kiev	Internatsionalnaya St. 36-1, office 423.3, Minsk
Legal form	Joint stock company	Joint stock company	Joint stock company	Public limited liability company
Date and place of registration	21 July 2020, the Polish National Court Register	4 November 2020, the Register of Legal Entities of the Republic of Lithuania	9 December 2020, the United State Register of Legal Entities, Individual Entrepreneurs and Public Organisations	26 May 2020, the Minsk City Executive Committee, State registration
Company code	386573260	305651295	43987945	192827267
Telephone	+370 620 74020	+370 618 84991	+370 612 27634	+375 29 312 23 52
Email	ltcargo.polska@litrail.lt	Vladas.Ambrozevicius@litrail.lt	Saulius.Stasiunas@litrail.lt	v.dervenkov@litrail.lt
Website	https://ltgcargo.pl/lt/	http://cargo.litrail.lt/	https://ltgcargo.eu/en/	-
Principal activity	Activities of freight carrier and provision of related services in Poland	Lease of wagons used for freight transportation	Activities of freight carrier and provision of related services in Ukraine	Manufacture of locomotives and rolling stock. Repair and maintenance of vehicles. Wholesale of other machinery and equipment
Portion of shares controlled by the Company, %	100% of shares are owned by AB LTG Cargo	100% of shares are owned by AB LTG Cargo	100% of shares are owned by AB LTG Cargo	99% of shares are owned by LTG Cargo

COMPANY'S BRANCHES, REPRESENTATIVE OFFICES ABROAD

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

Company's Business Model

On 28 December 2018, AB LG Cargo was registered in the Register of Legal Entities, to which the freight transportation operations of AB Lietuvos Geležinkeliai were transferred as of 1 May 2019.

Until 1 May 2019, LG Cargo carried out preparatory works aimed at transferring the activities of the Freight Transportation Directorate of AB Lietuvos Geležinkeliai to LG Cargo.

On 25 January 2019, the first stage of the transfer of the activities of the LG Freight Transportation Directorate to LG Cargo was completed, during which the transfer of the rolling stock fleet was implemented. This action was approved by the shareholder of LG, i.e., the Ministry of Transport and Communications, as well as the main creditors of Lietuvos Geležinkeliai – the Nordic and European Investment Banks. During the first stage, the employees of the Rolling Stock Technology Department were transferred to LG Cargo, who continued ensuring the maintenance and the management of the rolling stock fleet.

On 1 March 2019, the Lithuanian Transport Safety Administration (LTSA) completed the licensing procedures and issued a freight transportation licence to the Company. The licence entitles LG Cargo to engage in commercial business of rail transport in the territory of Lithuania. From 1 May 2019, the freight transportation activity has been fully transferred to LG Cargo.

In 2020, the Company introduced a new brand. The logo and related styling features of AB LG Cargo have changed. A new abbreviation LTG which highlights patriotism has been introduced; thus LG Cargo has become LTG Cargo.

In April 2021, to ensure the Company's competitiveness and efficiency in international markets, Vilniaus Lokomotyvų Remonto Depas (VLRD), a company within Lietuvos Geležinkeliai (LTG) Group providing rolling stock repair and modernization services, joined forces with LTG Cargo. From now on VLRD will be providing rolling stock repair and modernization services under the new brand of LTG Tech. The new and easy-to-remember identity is part LTG Group's renewal to mark a new stage in aiming to build stronger positions through competing for rolling stock maintenance contracts in Central and Eastern Europe.

Main Business Activity and Services

LTG Cargo provides the following services:

- Transportation of freight on domestic and international routes: Lithuania has 1520mm and 1435mm gauges, thus there are no limitations on the lists of routes – the Company is able to carry freight to the required country according to the needs of the customer. LTG Cargo transports freight of all types, including containers. The latter type of carriages has been increasing in growth lately worldwide due to the safety of freight, lower transportation and storage costs, and the optimal delivery deadlines.
- Transportation of semi-trailers by rail.
- Rental services of commercial wagons and containers in Lithuania and abroad.
- Loading and warehousing: freight may be stored in open or covered areas in the largest Lithuanian cities. We provide such services as warehousing, temporary storage, loading/unloading, sorting, and weighting.
- Services related to the forwarding of freight as well as the services related to the carriage of freight, including by road and air transport.
- Customs brokerage services.
- Domestic and cross-border work and coordination of locomotives and locomotive crews.

LTG Tech provides the following services:

- Manufacture of new locomotives, rail motor-cars and infrastructure track machinery.
- Overhaul, repair and maintenance of rolling stock.
- Manufacture of freight wagons and their depot, overhaul and current repairs.
- Other repair and other activity (repair and wholesale of components, containers).

MARKET

LTG Cargo is a licensed railway company that operates on a competitive market and is engaged in the transportation of local and foreign freight within the territory of the Republic of Lithuania according to the needs of its clients.

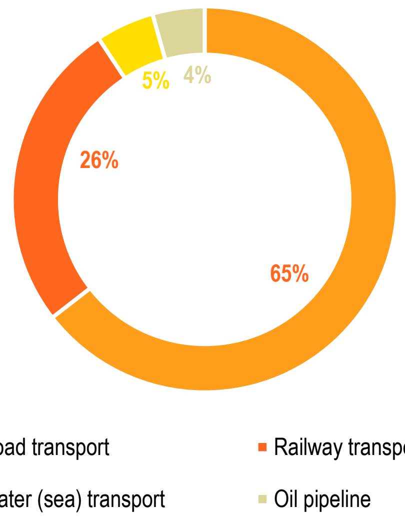
In the Lithuanian market, the carriage of freight historically has had an especially strong competitor, i.e., transportation by road. The competition is especially fierce in the field of transportation of small-size and 'light' freight as well as in short-distance transportation. The main type of freight carried by railways is the 'heavy' freight – oil products, chemical and mineral fertilisers, construction materials. For the carriage of such freight, railway transport is able to offer more unique (safer, more reliable, cheaper, and sometimes more efficient) conditions for the transportation of freight, including loading and/or transhipment.

The data as of the first quarter of 2021 collected by the Department of Statistics of the Republic of Lithuania shows that, if evaluating the total amount of the freight of all types carried on local routes, the freight carried to Lithuania and outside its territory, as well as the transit freight transported through the territory of Lithuania (when measured in tonnes), the share of freight transported by railways was 26.0%.

The majority share of the freight carried by railways is comprised of international carriages. The freight transported in the direction of the Klaipėda Port prevail, while the records show the decreasing significance of the Kaliningrad region's direction over the recent years. We have also put effort in developing a Northern-Southern direction that is of high potential in terms of freight transportation (implementation of the Rail Baltica Project).

The Company, while participating in the common logistic chain along with the railways of the neighbouring countries, their freight terminals, and seaports, is competing not only locally, but also with the railway companies of other countries which carry freight on alternative routes, or even use other modes of transport, such as sea (water), road or air transport.

Freight transported (tonnes) by all types of transport in the territory of Lithuania in Q1 2021, %*



** Department of Statistics of the Republic of Lithuania*

MANAGEMENT OF THE COMPANY

INFORMATION ON SHARES AS OF 30 JUNE 2021

Company name	Amount of authorised capital, in thousand	Number of shares, units	Par value per share, EUR
Parent company			
AB LTG Cargo	EUR 43,936	208,584	EUR 210.64
Subsidiaries			
LTG Cargo Polska	PLN 2,225	2,250	PLN 1,000
LTG Wagons	EUR 150	150	EUR 1,000
LTG Cargo Ukraine	UAH 17,027.3	-	-
OOO Rail Lab	BYN 1,186	-	-

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

All the shares are of the same class; i.e. ordinary registered shares. The shares are intangible, they are recorded in Personal Securities Accounts in accordance with the procedure established by legislation.

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

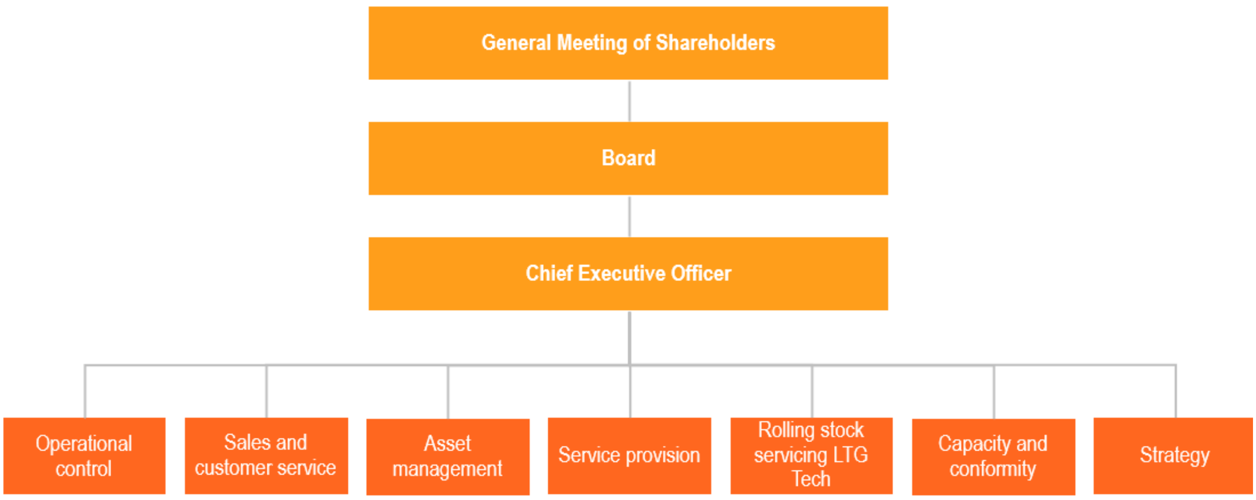
MANAGEMENT AND ORGANISATIONAL STRUCTURE OF THE COMPANY

LTG Cargo and its subsidiary belong to AB Lietuvos Geležinkeliai Group. LTG Cargo is the sole shareholder of its subsidiaries – LTG Cargo Polska, LTG Cargo Ukraine and LTG Wagons. In April 2021, following the merger of Vilniaus Lokomotyvų Remonto Depas with AB LTG Cargo, its subsidiary OOO Rail Lab was also integrated into the structure of AB LTG Cargo. Currently LTG Cargo controls 99% of the shares of OOO Rail Lab.

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

In seeking for the long-term growth in value, rational and effective utilisation of funds, assets and other resources as well as fulfilment of the shareholder's expectations and interests of the companies of AB Lietuvos Geležinkeliai Group, the operating model of the Group is oriented towards streamlining of principal activities and their refocusing in subsidiaries and companies of subsequent levels. Being part of AB Lietuvos Geležinkeliai Group of companies, LTG Cargo and its subsidiaries are responsible for implementation of principal activities and achievement of the set operating goals. In order to implement the raised goals and ensure appropriate management, in their activities LTG Cargo and its subsidiaries are independent, they make relevant decisions and ensure reporting and responsibility for operating results.

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



THE COMPANY'S ARTICLES OF ASSOCIATION

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

The Articles of Association of LTG Cargo are amended under the decision of the general meeting of shareholders by a qualified majority of votes, which shall be at least 2/3 of votes conferred by all shares held by all the shareholders participating in the meeting.

During the reporting period the Articles of Association of LTG Cargo were not amended. The Articles of Association of LTG Cargo are available on the Company's website at https://cargo.litrail.lt/istatai.

GOVERNING BODIES OF THE COMPANY

The Articles of Association provide for the following bodies of the Company:

- The General Meeting of Shareholders
- The Board
- The Chief Executive Officer (General Director)

The General Meeting of Shareholders is the supreme governing body of the Company. The competence of the General Meeting of Shareholders, the procedure of its convening as well as resolution-passing is established by the Law on Companies, other legislation and in the Articles of Association of the Company published on the website at https://cargo.litrail.lt/istatai .

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

The Company has not issued preference shares. During the reporting period, a voting right was not restricted.
In accordance with the Company's Articles of Association, an additional competency of the General Meeting of Shareholders is to endorse the decisions of the Board of LTG Cargo regarding the following:

- investment of the Company-owned property and facilities of importance to ensuring national security, conclusion of purchase or sale, or any other transfer of ownership, pledge or mortgage transactions;
- approval of contracted tariffs of freight transportation or applicable discounts under essential conditions in case the estimated contractual revenue might exceed EUR 10,000,000 over the entire contract period or the term of the contract exceeds 3 years;
- participation or establishment of other legal entities;
- commencing activities of new nature or terminating the Company's current activities if the respective decision has not been adopted in approving the Company's strategy;
- the Company's non-current assets the carrying amount of which exceeds EUR 300,000:
  - investment in Group companies or third parties, disposal or lease of those assets;
  - pledge or mortgage;
  - sureties or guarantees for fulfilment of third-party obligations;
  - acquisition of non-current assets;
  - conclusion of other transactions.

The Board is a collegial governing body consisting of 5 members as set out by the Company's Articles of Association. The members of the Board are elected by the General shareholders meeting for a term of 4 years. The Management Board elects the chairman of the management Board from among its members. The same person may be elected as a member of the Board no more than for two consecutive offices.

The Board is accountable to the General Meeting of Shareholders. The competence of the Board meets the competencies of boards laid down in the Law on Companies of RoL as well as in other legislation and the additional competences of the Board are set forth in the Company's Articles of Association.

Additional competence areas of the Board:

- approval of operating strategy and long-term goals, investment and operational plans, and annual budget of LTG Cargo;
- establishment of performance indicators of LTG Cargo;
- adoption of decisions on investment of LTG Cargo property and facilities of importance to ensuring national security, conclusion of purchase or sale, or any other transfer of ownership, pledge or mortgage transactions;
- approval of the procedure for calculation of basic freight rates and for granting discounts as well as adoption of decisions on indexation of the basic freight rates;
- approval of the basic freight rates and the price list of additional services.

- adoption of decisions regarding non-current assets of LTG Cargo, the carrying amount of which equals to or exceeds EUR 300,000;
  - investment in Group companies or third parties, disposal or lease of those assets;
  - pledge or mortgage;
  - sureties or guarantees for fulfilment of a third party's obligations;
  - acquisition of non-current assets;
  - conclusion of other transactions (related to assets, works, services).
- adoption of decisions on LTG Cargo's participation in or establishment of other legal entities;
- adoption of decisions on commencing activities of new nature or terminating the current activities of LTG Cargo;
- approval of an employment contract form of the Company's chief executive officer, conditions of remuneration and incentives;
- approval of the total amount of incentives to the employees of LTG Cargo for annual performance results (in accordance with the Company's performance results);
- consideration of information on the Company's key operational risks and approval of the Company's plan of operational risk management;
- consideration of information and reports on the Company's ongoing programmes;
- analysis and assessment of other information on the most significant operational issues provided by the Chief Executive Officer of LTG Cargo.

Term of office of the Board: 21 December 2018–21 December 2022. The Board of LTG Cargo was formed in accordance with the regulation effective at that time (i.e., 21 December 2018) – the Railway Transport Code of the Republic of Lithuania, which provided that 'only employees of a group of vertically integrated companies may be elected as members of the collegial management bodies of companies established by AB Lietuvos Geležinkeliai' (paragraph 4 of Article 24[3]). Taking this into account, the Board of LTG Cargo consists of employees of the LTG Group.

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

COMPOSITION OF THE COMPANY'S BOARD

MANTAS BARTUŠKA
Chairman of the Board
Appointed on
19 November 2019

Education
- University of Southern Denmark, Bachelor's degree in Management and Business Administration;
- Vilnius University, Bachelor's degree in Management and Business Administration;
- The Business School of the University of Cambridge, studies of Leadership;
- Baltic Institute of Corporate Governance, Board Member studies.

Main employer, position held
Chief Executive Officer of AB Lietuvos Geležinkeliai, Geležinkelio St. 16, Vilnius, company code 110053842.

Other positions
Chairman of the Board of UAB LTG Link, Geležinkelio St. 16, Vilnius, company code 305052228;
Board Member at AB Klaipėdos Nafta, Burių St. 19, Klaipėda, company code 110648893

EGIDIJUS LAZAUSKAS
Board Member

Education
- Vilnius Gediminas Technical University, Bachelor's degree in Environmental Engineering.

Main employer, position held
Chief Executive Officer of AB LTG Cargo, Geležinkelio St. 12, Vilnius, 304977594.

Other positions
Chairman of the Board of UAB Vilniaus Lokomotyvų Remonto Depas, Švitrigailos St. 39, Vilnius, company code 126280418.

Appointed on
21 December 2018

LUKAS DANIELEVIČIUS
Board Member
Appointed on
21 December 2018

Education

- Vilnius University, Bachelor's degree in Economics.
- University of Cambridge Judge Business School, Master's degree in Business Management.

Main employer, position held

Head of Strategy and Business Development at AB LTG Cargo, Geležinkelio St. 12, Vilnius, company code 304977594.

Other positions

Board Member at UAB Vilniaus Lokomotyvų Remonto Depas, Švitrigailos St. 39, Vilnius, company code 126280418.
Head of LTG Cargo Polska SP. Z.O.O. (until March)

BRIGITA VALENČIENĖ
Board Member
Appointed on
29 November 2019

Education

- Kaunas University of Technology, Bachelor's degree in Business Management.

Main employer, position held

Head of HR Business Partner Group of AB Lietuvos Geležinkeliai, Geležinkelio St. 12, Vilnius, company code 110053842.

Other positions

Member of the Board of UAB Geležinkelio Tiesimo Centras, Trikampio St. 10, Lentvaris, Trakai District, company code 181628163

ROKAS JANUTĖNAS
Board Member
Appointed on
29 November 2019

Education

- University of Glasgow, Economics

Main employer, position held

Director of the Strategy and Operational Efficiency Department of AB Lietuvos Geležinkeliai, Geležinkelio St. 12, Vilnius, company code 110053842.

Other positions

Board Member at UAB Geležinkelio Tiesimo Centras, Trikampio St. 10, Lentvaris, Trakai District Municipality, company code 181628163
Board Member at UAB Vilniaus Lokomotyvų Remonto Depas, Švitrigailos St. 39, Vilnius, company code 126280418.
Board Member at UAB voestalpine Railway Systems Lietuva

Sostinės St. 18, Valčiūnai, Eldership of Juodšiliai., Vilnius District, company code 110709524;
Chairman of the Board of VŠĮ Geležinkelių Logistikos Parkas, Švitrigailos St. 39, Vilnius, company code 302674602.

Composition of the Board did not change during the reporting period.

The Chief Executive Officer (CEO) is a is the sole executive body who is responsible for organisation of day-to-day business of the company and manages it. The duties and competence areas of the CEO are defined in the Law on Companies of the Republic of

(EUR thousand unless otherwise stated)

Lithuania and the Articles of Association of the Company available at https://cargo.litrail.lt/istatai . The CEO is elected for a term of 5 years by the Board which the CEO is accountable to. The same person may be elected as a Chief Executive Officer no more than for two consecutive office terms. The Chief Executive Officer of LTG Cargo was appointed for the first term of five years on 1 May 2019.

THE COMPANY'S MANAGEMENT AND ITS CHANGES

EGIDIJUS LAZAUSKAS	Chief Executive Officer	Appointed on 1 May 2019
LUKAS DANIELEVIČIUS	Head of Strategy and Business Development	Appointed on 1 May 2019
EGLĖ ŠIMĖ	Head of Service Provision	Appointed on 19 August 2019
OLEGAS LUNYS	Head of Capacity and Conformity	Appointed on 1 May 2019
MINDAUGAS GUDAITIS	Head of Sales and Customer Service	Appointed on 1 May 2019
AUDRIUS PUKAS	Head of Asset Management	Appointed on 15 June 2020
ALBERTAS BAJORINAS	Head of Rolling-stock Servicing LTG Tech	Appointed on 15 July 2021
MINDAUGAS LIUTKUS	Head of Analytics and Operational Control	Appointed on 1 May 2019

ADDITIONAL INFORMATION ON THE CEO

Before being appointed as the CEO of LTG Cargo in 2017, Egidijus Lazauskas was Head of the Freight Transportation Directorate of AB Lietuvos Geležinkeliai. Egidijus Lazauskas also holds the following managerial positions:

- Chairman of the Board of UAB Vilniaus Lokomotyvų Remonto Depas (Švitrigailos St. 39, company code 126280418).

E. Lazaukas has a university degree in Environmental Engineering awarded by the Vilnius Gediminas Technical University.

As at the end of the reporting period, members of the Board, the CEO and the Company's executives have submitted declarations on private interest, which can be found in the Register of Private Interests of the Chief Official Ethics Commission. There were no conflicts of interest between the members of the Board, the CEO and the Company's managers during the reporting period.

INFORMATION ON REMUNERATION OF BOARD MEMBERS, AND THE COMPANY'S CEO

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

1. **Basic monthly salary.** The Company's Chief Executive Officer's basic monthly salary set out in the employment contract amounted to EUR 8,600 as at the end of the reporting period. The basic monthly salary of the Company's Chief Executive Officer did not change in 2020.

2. **Annual incentives.** The annual variable remuneration (annual incentive) directly related to achievement of annual goals and dependent on actual achievement of the established annual indicators **might be** paid to the Company's Chief Executive Officer next to the basic monthly salary. Each year, the Board of the Company approves the structure of annual goals of the Group, threshold values for their achievement and benchmarks, and after the end of year the Board of the Company approves the results of achievement of these objectives and the possibility of paying annual incentive

The maximum amount of annual incentive pay is up to 30% of the annual basic salary. The maximum monthly portion (i.e. 1/12) of the annual incentive shall not exceed EUR 2,580. In 2021, a **monthly portion (1/12)** of the annual incentive to the Company's CEO for achievement of the goals of the year 2020 amounted to EUR 2,112.

Board Members delegated by the shareholder AB Lietuvos Geležinkeliai do not receive remuneration for their activity within the Board.

STRATEGY

In response to the geographical and economic changes in the transport services market, which influence the changes in trade patterns and passenger flows, the LTG Group's activities are based on long-term strategic planning. In aiming that the strategic directions and targets provided for in LTG's long-term corporate strategy for 2020-2030 are mainly focussed on the activities implemented by the LTG Group, long-term strategies of separate business units of LTG have been prepared. One of them is **LTG Cargo's strategy for 2020–2030** which is reviewed and improved every year.

In the first half of 2021, the decision to impose sanctions on Belarus adopted by the Council of the EU also affected the railway operations. In response to the geopolitical issues, changes in the market of transportation services and to changes in the business environment, each year, a thorough review and update of the strategy is performed. To manage the risk of geopolitical changes LTG Cargo continue to focus on implementation of **operational efficiency** and **diversification** solutions.

MISSION – business combinations for a better future

VISION – logistics leader in Central and Eastern Europe

STRATEGIC DIRECTIONS:

1. The largest railway carrier in the Baltic States: in 2030, LG Cargo will transport 70 million tonnes of freight.
2. Flow / revenue growth: reorganisation of the principal services according to customers' needs, growth of intermodal transport services, performance of freight forwarding activity and activity in other markets: Poland, Ukraine.
3. Increase in performance efficiency and profitability: optimisation and modernisation of the rolling stock fleet, both long-term and short-term planning (including establishment of an operations control centre), production management, asset management and supervision, increase in employees' satisfaction and productivity, automation and digitalisation of daily operations.

KEY PROJECTS IN THE FIRST HALF OF 2021

- The overhaul maintenance program of Siemens ER20CF locomotives was completed; it will enable retaining high level of reliability of locomotives and will ensure servicing of the existing and future freight flows.
- The customer service standard was introduced, customer service centre was established. It will facilitate ensuring high-level quality of services and quality customer service.
- Subsidiaries in Poland and Ukraine were established, business development in these countries was started.

MAJOR EVENTS IN THE FIRST HALF OF 2021

JANUARY

- **January 2021**. The process of merging Vilniaus Lokomotyvų Remonto Depas (VLRD) with LTG Cargo during 2021 started. It is aimed at concentrating the competencies of the two activities, strengthening the activities of the strategic freight carrier and creating greater value to the LTG Group. Following the merger, VLRD will operate as a separate subdivision in the Company's structure.
- **January 2021**. In the context of implementing international expansion strategy and in pursuit of diversification the Company established LTG Cargo Ukraine – a company in Ukraine. Saulius Stasiūnas was appointed as the head of the company, Paulius Grubinskas will take the role of commercial lead, and Robertas Davidovičius will act as technical lead.

FEBRUARY

- **February 2021**. The Company launched the "Change Leaders" project. The aim of the project is to build up a team of active and motivated employees, responsible for the involvement of all employees in the processes of improving working conditions and operational efficiency, and for creating an organisational think tank.

MARCH

- **March 2021**. A project on standardization of traffic safety information was launched. The company has been reducing the use paper instructions and rules, and train drivers will receive and access all the documents required for working purposes at computerized workplaces or using mobile phones.
- **March 2021**. The Company carried out open market consultations regarding renewal of the locomotive fleet and acquisition of electric traction units. Major upgrade of the rolling stock fleet as well as acquisition in stages of 55 electric traction units are intended. This will allow transporting all freight in Lithuania on an electrified railway line without greenhouse gas emissions.

APRIL

- **April 2021**. On 1 April Vilniaus Lokomotyvų Remonto Depas (VLRD) became part of LTG Cargo since then to operate as one company.
- **April 2021**. The Company in cooperation with the largest freight company PKP Cargo in Poland obtained a permit to establish a joint venture in Poland. It was agreed on the establishment of the joint venture in Poland last year and it will focus on intermodal freight transport within the country. This has been done in order to strengthen the chains of logistics and improve mobility of large cargoes between Lithuania and Poland.

MAY

- **May 2021**. An international public procurement was launched with the intention to procure up to 728 wagons – 500 hopper wagons and 228 platform wagons for carrying containers.

JUNE

- **June 2020**. The Company's rolling stock servicing division operating under the brand of LTG Tech performed a major upgrade of the old switching locomotive – this is the first such project in the Baltic states. This unique upgrade will ensure a more sustainable use of locomotives within the country.

IMPACT OF COVID-19 ON THE COMPANY'S ACTIVITY

The Company continuously monitors the current situation and constantly reviews and plans new business continuity and collateral measures as a response to changing circumstances:

- additional occupational safety and prevention measures have been introduced for the employees working at stations, trains, locomotive depots;
- restrictions related to the movement of the employees, the work in the offices of the Company's companies and other premises have been introduced;
- computerised workplaces and technical measures have been introduced allowing to work remotely to maximise protection against potential virus threats;
- employees responsible for monitoring the situation and providing information to the Company's management and employees have been appointed: the employees are regularly informed of the latest decisions of the Government of the Republic of Lithuania, and are reminded of the latest recommendations of the World Health Organisation (WHO) related to the virus risks and information on existing virus threats and measures to reduce them is updated;
- special attention regarding safety is paid to the employees and units performing critical functions and administering the main systems have been identified;
- in case of spread of the virus, technical and replacement measures have been planned;
- also, the Company is constantly reviewing emergency management plans and preparing additional continuity measures for the critical activities.

LTG Cargo also constantly assesses potential liquidity and credit risks as well as the measures to manage them:

- a possibility to borrow within the Group through cash-pool;
- the adequacy of the limit for short-term borrowing within the Group from this cash-pool to ensure sufficient working capital;
- additional measures to strengthen payment control;
- regular revisions of planned investments and assessment of the possibility of postponing part of the investment projects for the future.

Railway transport remains the most reliable means of transport during a pandemic. The major customers are large companies, which are included in a list of risk-free companies by the Company. The Company operates in one of the most strategic and secure public sectors and can expect state support or guarantees if necessary.

The management of LTG Cargo estimates that the cash flows from operating activities are likely to be sufficient to service existing loan agreements and liabilities to partners. Therefore, the Company identifies no additional liquidity or credit risk problems.

In the opinion of the Company's management, the circumstances mentioned above and sensitivity analysis performed substantiate all assumptions for sufficient resources and empower the Company to continue the Company's activities under the adverse circumstances related to the virus and do not change the Company's long-term business plans and goals.

IMPACT OF BELARUS ON THE COMPANY'S ACTIVITY

The decision to impose sanctions on Belarus adopted by the EU Council will also affect the Lietuvos Geležinkeliai Group. The LTG Group has assessed an impact on the railway activities due to the EU regulations imposing sanctions – the impact will be significant with a reduction of 20% in the transport of fertilisers and half a million tonne reduction in the transport of oil products.

On 9 August 2021, the US announced new sanctions on entities and individuals in Belarus, including the Belarusian potash producer Belaruskalij. Upon the entry into force of the sanctions, banks will not be able to make or accept payments if they relate (directly, indirectly and through intermediaries) to Belarusian legal or natural persons newly included in the US sanctions lists. The new sanctions apply to new contracts and allow the possibility to close existing ones with the Belarusian potash producer Belaruskalij until 8 December 2021.

According to the estimations made by LTG Cargo, the sanctions relating to fertilisers will end up with approximately 14 million euros less in its yearly revenue. A loss of additional 4-5 million euros would result from the oil products affected by the sanctions.

LTG Cargo already earlier started to look for alternatives to the Belarusian market. The latter, despite that it represents a significant portion of LTG Cargo revenue, should be considered to be very risky today. LTG Cargo has already entered the Polish and Ukrainian markets and transportation of semi-trailers to and from West Europe is planned to take place.

Under Directive 2021/34/EU, the state is responsible for balancing the revenue and costs of the infrastructure manager. This means that the Ministry of Transport must intervene in policy-making when the manager makes too much profit and allocate public funding when the manager’s activities become unprofitable. This safeguard is needed precisely in such situations because otherwise, we would have to shift the burden to all carriers or abandon strategic projects ensuring that we continue to build a commercially attractive, safe, passenger- and citizen-friendly, as well as sustainable rail network. Raising tariffs for the remaining customers would make rail transport uncompetitive and is likely to result in a further reduction in freight volumes.

Public funding is not the only means of ensuring the competitiveness of rail transport. The LTG Group is working intensively and looking for solutions on how to operate more efficiently by promoting diversification of business risks, international expansion and development of new services. We can assure that even in this challenging period the implementation of flagship strategic projects, such as repairs of major tracks, bridges and culverts, electrification of the Vilnius-Klaipėda section, etc., will continue.

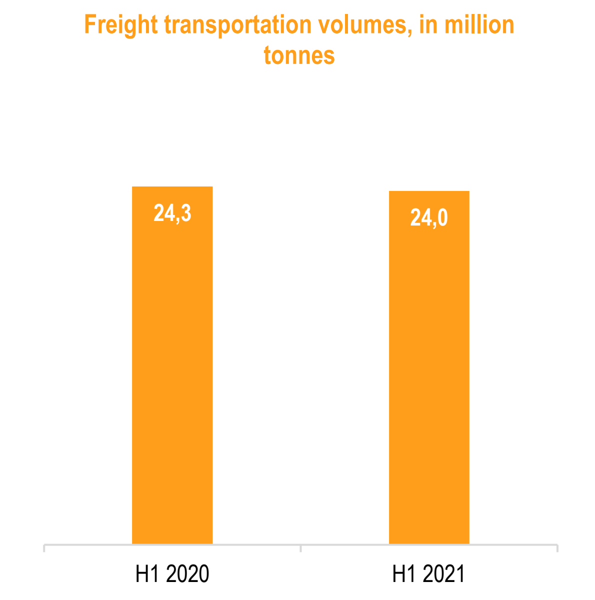
The LTG Group will also strive to ensure that even in the most pessimistic scenario employee salaries do not only decrease, but also increase after the stabilization of cargo flow and the return of revenue growth. This complicated situation also provides opportunities - first of all, to deliver the most important changes faster. We will strive to develop new skills and become a more mobile and flexible team. We want to focus on those cargoes that are not affected by sanctions. We have potential to both grow them and find and benefit from new growth opportunities.

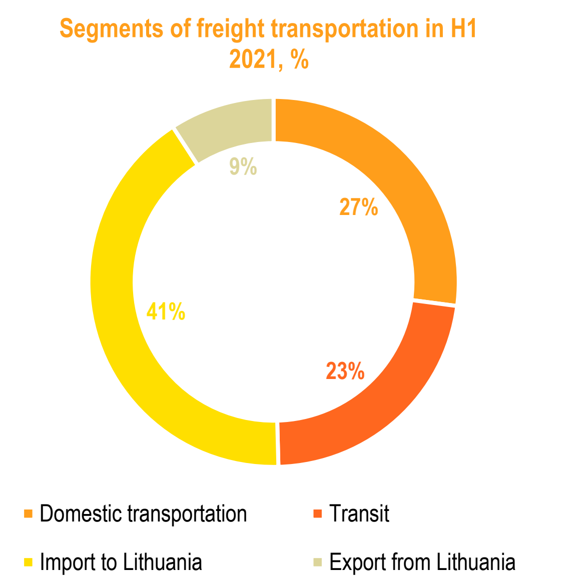
(EUR thousand unless otherwise stated)

OVERVIEW OF KEY PERFORMANCE INDICATORS

OVERVIEW OF KEY PERFORMANCE INDICATORS

Indicators	Unit of measurement	H1 2020	H1 2021
Freight turnover	**billion tonne-km**	**7.3**	**7.0**
Average distance travelled per tonne	**km**	**300**	**291**
Freight carried	**million tonnes**	**24.3**	**24.0**
Freight transportation segments			
Domestic transportation	million tonnes	6.7	6.5
International transportation	million tonnes	17.6	17.5
Transit	million tonnes	4.9	5.4
Export from Lithuania	million tonnes	3.0	2.2
Import to Lithuania	million tonnes	9.7	9.9





In H1 2021 the freight flow amounted to 24.0 million tonnes and was 1.1% lower than during H1 2020. The railway transportation was dominated by 'heavy' freights - chemical and mineral fertilisers as well as oil and its products. These types of freight comprise more than a half of total freight volume carried by rail.

Although more fertilizers and coal were transported during the reporting period, the decrease in transportation was mainly due to a significant decrease in transportation of oil products. The volume of oil products decreased due to lower-than-usual demand caused by the COVID-19 pandemic and the decision of the Belarusian company BNK to stop transporting oil products to the port of Klaipeda.

International transportation, with 72.7% of total freight transported, declined slightly by 0.9% if compared with H1 2020 and amounted to 17.5 million tonnes. During the reporting period, the transit cargo flow through the territory of the Republic of Lithuania increased by 8.5%. The increase in transit volumes was mainly determined by a growing flow of coal and food products in the direction of the Kaliningrad region.

In H1 2020, the quantity of freights imported and exported through the port of Klaipėda decreased by 8.1%. This decline was largely due to the fact that Belarusian oil products, which are no longer transported through the port from February 2021, caused a total decrease of 4.7% in the volume of Belarusian cargo transported through the port. Meanwhile, the quantity of chemical and mineral fertilizers transported through the port did not show a decreasing trend during the reporting period and was 12.4% more than in the first half of 2020.

The level of risk of geopolitical change due to the events in Belarus has been extremely high recently. Despite these circumstances, the focus is on international expansion (Poland, Ukraine), diversification of freight flows and development of new services.

The volumes of domestic transportation, which accounted for 27.3% of the total volume of freight transportation, fell slightly by 1.5% during the first half of 2021 and amounted to 6.5 million tonnes. The decline was driven by a drop in oil transportation, which was partially offset by increased volumes of fertilizer transportation.

Container shipments from China continue to grow. In January-June of this year, 52 thousand TEU (unit of measurement, equivalent to a 20-foot container) was transported, which is 5 times more than at the same time last year.

The total volumes of intermodal transportation during the first half of 2021 increased by 75.9% up to 104 thousand TEU. Demand for these shipments is projected to continue to grow. The Kaunas intermodal terminal opened for commercial traffic and connected to the European gauge railway will have a positive impact on growth.

ANALYSIS OF FINANCIAL AND OPERATIONAL PERFORMANCE

PERFORMANCE RESULTS

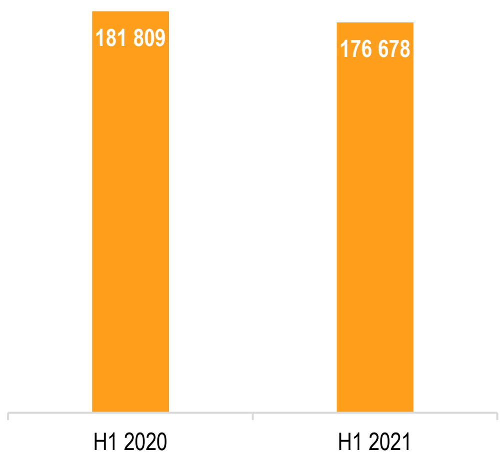
SALES REVENUE

The Company's sales revenue amounted to EUR 176,678 thousand in H1 2021.

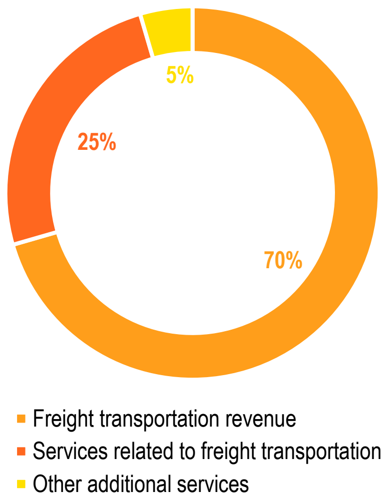
In H1 2020, the Company earned revenue from freight transportation and provision of related services amounting to EUR 168,681 thousand, of which EUR 124,606 thousand is freight transportation revenue and EUR 44,075 thousand is revenue generated from related services. Revenue from other additional services rendered by LTG Cargo amounted to EUR 7,998 thousand.

Decrease in volumes of transportation has been affected by the COVID-19 virus as well as decrease in the price of raw materials (crude oil and its products, and others) in international markets and increased regional competition.

The Company's sales revenue, EUR thousand



The Company's revenue structure in H1 2021, %

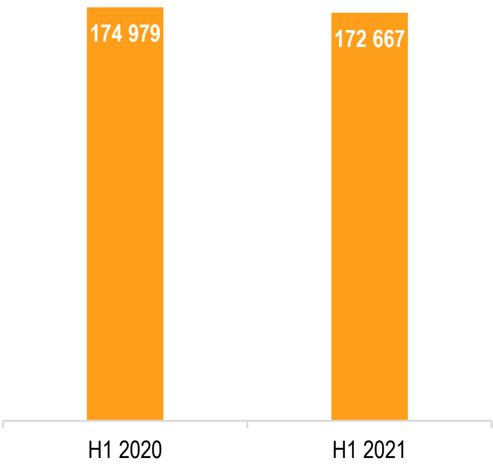


COSTS

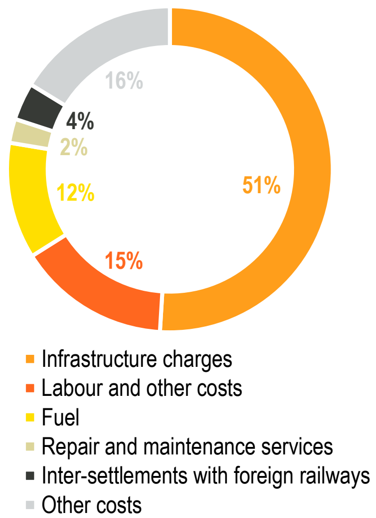
In H1 2021, the costs of the Company related to the principal and other activities amounted to EUR 172,667 thousand.

The infrastructure charges of EUR 88,023 thousand represented a larger proportion in the Company's costs. The labour and other costs of personnel amounted to EUR 26,056 thousand. The fuel costs made EUR 19,939 thousand.

The Company's expenses, EUR thousand



The Company's expense structure in H1 2021, %

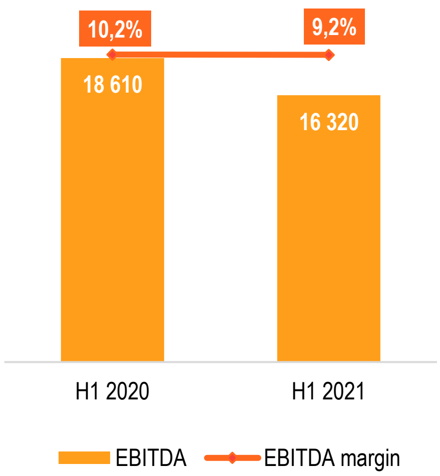


OPERATING RESULTS

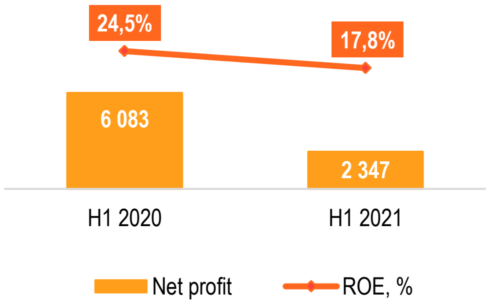
The Company's EBITDA stood at EUR 16,320 thousand in H1 2021. EBITDA margin was 9.2% in H1 2021.

The Company's net profit amounted to EUR 2,347 thousand in H1 2021. ROE was 3.1% in H1 2021.

The Company's EBITDA, EUR thousand



The Company's net profit, EUR thousand



(EUR thousand unless otherwise stated)

KEY FINANCIAL INDICATORS*

	Unit of measurement	H1 2020	H1 2021
Sales revenue	thousand EUR	181,809	176,678
Other operating income	thousand EUR	13	25
Total income	thousand EUR	181,822	176,703
Costs	thousand EUR	174,979	172,667
EBITDA	thousand EUR	18,610	16,320
EBITDA margin	%	10.2%	9.2%
EBIT	thousand EUR	6,843	4,036
EBIT margin	%	3.8%	2.3%
Net profit	thousand EUR	6,083	2,347
Net profit margin	%	3.3%	1.3%
		31/12/2020	30/06/2021
Non-current assets	thousand EUR	210,369	230,235
Current assets	thousand EUR	76,570	63,848
Total assets	thousand EUR	286,939	294,083
Equity	thousand EUR	74,467	76,328
Financial debt	thousand EUR	149,143	170,378
Net debt	thousand EUR	127,785	169,228
Return on equity (ROE)	%	24.5%	17.8%
Return on assets (ROA)	%	5.7%	4.4%
Return on investment (ROI)	%	8.1%	5.7%
Financial debt / EBITDA	in times	3.4	4.1
Financial debt / equity	%	2.0	2.2
Net debt / EBITDA	in times	2.9	4.1
Debt servicing ratio	in times	2.9	2.9
Equity ratio	%	26.2%	26.0%
Asset turnover indicator	in times	1.4	1.3
Quick ratio	in times	1.2	0.7
Total liquidity rate	in times	1.2	0.9

** For definitions of the indicators, see page 25 of the Report.*

FINANCING OF THE COMPANY

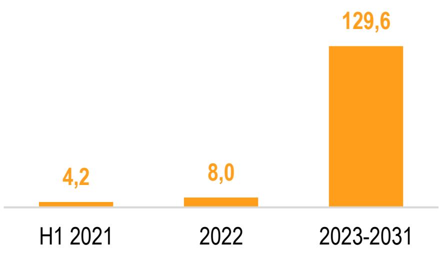
The loan portfolio of AB LTG Cargo amounted to EUR 141,889 thousand as at 30 June 2021 (EUR 145,466 thousand as at 31 December 2020). The weighted average interest rate of the Company's loan portfolio was 1.29% as at 30 June 2021 (1.1% as at 30 June 2020). No new loans were received.

The longest repayment term of a financial debt is 10 years, and the last the last repayment term is in 2031.

To balance the working capital the Company used the cash-pool of LTG Group. The cash-pool agreement is effective until 31 December 2021. The terms of the agreement are in line with normal market conditions.

Ratio	Unit of measurement	H1 2021	Value set by the bank
Net debt / normalised EBITDA	in times	1.3	Not higher than 4.0
Equity ratio	%	66.9	Nor lower than 35%
Debt servicing ratio	in times	2.9	Not lower than 2

Repayment of the Company's loans, EUR million



** Exemptions are applied to calculation of ratios due to subordination of the loan of LTG Cargo received from LTG in respect of the EIB loan.*

DIVIDEND POLICY

The payment of dividends and the amount of profit contributions of state-owned enterprises is regulated by the Lithuanian Government Resolution No. 20 dated 14 January 1997 and its amendments (LINK).

The allocation and payment of dividends by the Group companies is regulated by the Dividend Policy of LTG Group, prepared taking into account the provisions of the Resolution of the Government of the Republic of Lithuania.

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

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

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

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

- The Company incurred a net loss for the reporting period;
- The Company's performance as monitored by institutional creditors at the end of the reporting period for which dividends are proposed would not be in line with contractual values or the size of the indicators would adversely affect the credit rating;
- The Company carries out or participates in carrying out an economic project recognised as of state importance by resolutions of the Government of the Republic of Lithuania or the Seimas of the Republic of Lithuania, or a particularly important project that

has an impact on the long-term strategy implemented by the LTG Group; the Company's equity after payment of dividends would become less than the amount of the authorised capital, mandatory reserve, revaluation reserve and reserve for acquiring own shares of the LTG Group company;

- The Company is insolvent or would become such after the payment of dividends.

In H1 2020, AB LTG Cargo did not pay out dividends for the year 2020. The Company did not pay out dividends in the previous year.

INVESTMENTS

Investments of LTG Cargo amounted to EUR 26.6 million in H1 2021. All the investments (100%) have been financed with the Company's own funds. Most of the investments were intended for overhaul repairs (65%).

Investments, EUR million	**2020 H1**	**2021 H1**
Overhaul repair of locomotives	16,270	13,781
Overhaul repair of freight wagons	2,817	3,546
Other investments	368	9,313
Total	**19,456**	**26,640**

MAJOR INVESTMENT PROJECTS IN THE FIRST HALF OF 2021:

In order to reduce dependency on traditional types of freight, LTG Group has commenced freight transportation service development in Poland and Ukraine: The subsidiary company LTG Cargo Polska has been established in Poland, and European gauge locomotives have been acquired; a subsidiary company LTG Cargo Ukraine was also established in Ukraine, where locomotive leases are currently being negotiated.

Evaluating the development perspectives of freight transportation by rail and intentions of the State to promote freight transportation by the greener transport, new projects to develop intermodal freight transportation have been launched:

- the project of *Acquisition of Technological Equipment for Transportation of Semi-trailers* has been commenced: purchasing procedures are currently in progress. A procurement of wagon prototype production has been initiated. Implementation of the project will enable the Company to provide new services within the network of the broad-gauge railway, i.e., to transport semi-trailers by trains;
- to prepare for transportation of intermodal freights on European gauge (in connection with the Kaunas intermodal terminal), the European gauge locomotives have been acquired.

To upgrade of the existing railway fleet, a purchase of 500 new hopper wagons and 228 (100 of 60 feet and 128 of 80 feet) platform wagons has been initiated.

Overhaul programs for the freight rolling stock fleet are underway. In H1 2021, works for the value of EUR 17.3 million were performed:

- 1,164 freight wagons were repaired;
- 49 freight locomotives were repaired (including overhaul repairs of 11 Siemens locomotives). During the reporting period, the overhaul program for 44 Siemens locomotives was completed.

As electrification of infrastructure is in progress, the electric freight locomotives have been acquired: preparation work took place in H1 2020, and it is intended to announce a public procurement at the end of 2021. Exploitation of the new locomotives is planned to be launched in 2024.

With effect from 1 April 2021, Vilniaus Lokomotyvų Remonto Depas (VLRD) and LTG Cargo were merged into one undertaking. The rolling stock repair and modernization services are provided in the market under the new brand of LTG Tech. The implementation of investment projects initiated by UAB VLRD continue as part of LTG Cargo's projects:

- the project of Installation of Production Line of Freight Wagons is in progress, after the implementation whereof the production of some type of wagons will take place in Lithuania. Works initiated in 2020 were continued in H1 2021. Equipment has been obtained, assembling works are performed;
- To increase the efficiency of asset utilization and to maximise financial benefits the *LTG TECH production base optimization* project is under implementation. Procurement procedures for design services are currently underway;
- the *TEM2 Shunting Locomotive Remotorization* project was completed. The modernised locomotive helps solve the problem of using obsolete locomotives not meeting today's needs the lifetime of which is ending. The remotorized locomotive allows saving as much as 30% on fuel costs and a substantial reduction in emissions of nitrogen oxides.

(EUR thousand unless otherwise stated)

EMPLOYEES

In order to successfully implement the strategy, efficiently conduct daily activities, create a competitive advantage and adapt to changing business needs, the Company follows the personnel management principles based on good personnel management practices.

Focusing on employees is a strategic direction, primarily implemented through the development of corporate culture.
The whole LTG Group pursues the culture of high results based on the existing LTG values:

As at 30 June 2021, the number of the Company's employees was 2,938. Compared to the data as at 31 December 2020, the number of employees decreased/increased by 677 employees or 30%. The change in the number of employees resulted from transfer of employees from UAB Vilniaus Lokomotyvų Remonto Depas to AB LTG Cargo.

The average monthly salary, compared to 2020, changed from EUR 1,728 to EUR 1,735. The change was determined by the salary review across the entire corporate group as well as by the transfer of employees from Vilniaus Lokomotyvų Remonto Depas to LTG Cargo.

The total remuneration fund amounted to EUR 26.3 million. In addition, in April 2021, the annual incentives for performance in the amount of EUR 2.3 million were paid to the Company's employees as well as to the employees of other companies within the LTG Group.

NUMBER OF THE COMPANY'S EMPLOYEES AND AVERAGE SALARY

Employee groups by position	31/12/2020		30/06/2021	
	Actual number of employees as at the end of the reporting period	Average salary, EUR	Actual number of employees as of the end of the period	Average salary, EUR
Chief Executive Officer*	1	8,380	1	8,600
Top-level managers*	7	6,429	10	6,190
Senior managers and specialists in exceptional fields	12	3,856	21	4,191
Middle-level managers and individual experts	42	2,875	90	2,704
Team leaders and experienced specialists	251	1,929	450	1,908
Specialists and experienced operational/service staff	786	2,096	820	2,014
Operational/service staff, qualified workers	1,162	1,348	1,546	1,397
Total	**2,261**	**1,728**	**2,938**	**1,735**

** Fixed remuneration as of the end of the period is provided.*

As at 30 June 2021, the fixed monthly salary of the Company's CEO was EUR 8,600, and the average actual salary, taking into account the annual incentive for performance, amounted to EUR 10,566.

The average monthly salary of top-level managers established in their employment contracts as at 31 December 2020 amounted to EUR 6,190 and the average actual salary of this group of employees, taking into account the annual incentive for performance, amounted to EUR 7,305.

INFORMATION ON THE COMPLIANCE WITH THE TRANSPARENCY GUIDELINES

The Company adheres to the requirements of the Description of the Guidelines for Ensuring Transparency of State-owned Enterprises (the Description) approved by Resolution No 1052 of the Government of the Republic of Lithuania of 14 July 2010 by disclosing the required information in annual and interim reports and on its internet website https://cargo.litrail.lt/.
Structured information on the implementation (compliance with) the provisions of the Description is presented in the Company's Annual Report.

INFORMATION ON EXTERNAL AUDIT

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

The public procurement tender for the audit of the Company's financial statements, prepared under the International Financial Reporting Standards for the years 2020–2022, was won by KPMG Baltics, UAB.

Application of the auditors was confirmed by the LTG Audit Committee, it was approved by the Board of LTG and the confirmation of the shareholder was received. The audit contract was signed on 23 June 2020.

Information on the fee for audit services is provided in the Company's Annual Report.

DEFINITIONS

Total income	Revenue + income from other activities, excluding income from financial activities
Sales revenue	Revenue, excluding income from financial and other activities
Costs	Costs, excluding the corporate tax and financial activities expenses
Financial debt	Interest-bearing financial debt, including finance leases
Net debt	Interest-bearing financial debt, including financial leases, less net cash and cash equivalent investments
Return on equity (ROE)	Net profit/loss for the period of the last 12 months / average equity for the reporting period
Return on assets (ROA)	Net profit/loss for the period of the last 12 months / the average of assets for the reporting period
Return on investments (ROI)	Net profit (loss) for the period of the last 12 months / (average assets for the reporting period - average current liabilities for the reporting period)
EBIT	Profit (loss) before the corporate tax – the result of financial investment activities
EBITDA	Profit (loss) before the corporate tax – the result of financial investment activities + depreciation and amortisation
Normalised EBITDA	Profit (loss) before the corporate 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 of provisions not related to operating activities
EBIT margin	EBIT / Sales revenue
EBITDA margin	EBIT / Sales revenue
Normalised EBITDA margin	Normalised EBITDA / Sales revenue
Net profit margin	Net profit (loss) / Sales revenue
Equity ratio	Equity at the end of the reporting period / Total assets at the end of the reporting period
Debt servicing ratio	(Net profit (loss) for the last 12 months + Depreciation, amortisation and grant costs + Interest expense for the last 12 months + Interest expenses of the last 12 months (adjusted for non-cash items of the statement of financial position)) / (Debt for interest amortisation + interest payable for the last 12 months)
Asset turnover ratio	Sales revenue for the period of the last 12 months / Total assets at the end of the period
Quick liquidity ratio	Current assets at the end of the reporting period – Inventories / Current liabilities at the end of the reporting period
Total liquidity ratio	Current assets at the end of the reporting period / Current liabilities at the end of the reporting period
Freight turnover (tonne-kilometre)	Freight transport indicator, which is the product of the amount of transported freight (tonnes) and the distance travelled (kilometres)
Train operational volume (gross-gross tonne-kilometre)	Unit of measure representing the movement over a distance of one kilometre of one tonne of rail vehicle including the weight of tractive vehicle
Number of employees	Number of listed active employees as of the end of the period (excluding the employees on parental leave, military service, long-term incapacity)
Average salary	Average gross salary per employee

AB LTG CARGO
CONDENSED INTERIM FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH THE INTERNATIONAL
FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

(EUR thousand unless otherwise stated)

SEPARATE STATEMENT OF FINANCIAL POSITION

	Notes	30/06/2021	31/12/2020
NON-CURRENT ASSETS			
Property, plant and equipment	3	218,493	205,515
Buildings and structures		457	485
Machinery and plant		4,864	1,310
Vehicles		209,578	202,135
Other equipment, fittings and tools		746	343
Construction in progress and prepayments		2,848	1,242
Right-of-use assets	4	10,006	3,401
Intangible assets		501	325
Investment property		-	-
Financial assets	5	1,234	1,128
Deferred income tax assets		-	-
Total non-current assets		**230,234**	**210,369**
CURRENT ASSETS			
Inventories	6	17,350	1,309
Trade and other receivables	7	41,720	48,834
Prepayments		3,630	5,069
Cash and cash equivalents		1,149	21,358
Total current assets		**63,849**	**76,570**
TOTAL ASSETS		**294,083**	**286,939**

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

(EUR thousand unless otherwise stated)

SEPARATE STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	30/06/2021	31/12/2020
EQUITY			
Authorised capital		43,936	43,936
Legal reserve	8	814	-
Other reserves	8	29,717	-
Retained earnings (loss)	9	1,861	30,531
Total equity		**76,328**	**74,467**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	10	133,404	136,981
Lease liabilities	11	6,023	2,430
Employee benefits		3,760	3,265
Deferred income tax liabilities		4,853	4,335
Total non-current liabilities		**146,040**	**147,011**
Current liabilities			
Loans and current portion of long-term loans	10	26,811	8,688
Lease liabilities	11	4,140	1,044
Income tax liabilities		-	-
Employee benefits		9,569	8,527
Trade and other payables	12	28,950	47,165
Provisions		245	37
Total current liabilities		**69,715**	**65,461**
TOTAL EQUITY AND LIABILITIES		**294,083**	**286,939**

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

Chief Executive Officer

Egidijus Lazauskas

AB Lietuvos Geležinkeliai
Financial Statements and Control
Lead of the Reporting Team
acting under Power of Attorney No ĮG(CARGO)-47 of 18/03/2020

Svetlana Pupeikienė

(EUR thousand unless otherwise stated)

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	06/2021	06/2020
Revenue	13	176,678	181,809
Other income		25	13
Total income		176,703	181,822
Infrastructure Services		(88,022)	(91,704)
Depreciation and amortisation	3	(12,284)	(11,767)
Employee benefits costs		(26,056)	(25,477)
Fuel		(19,939)	(20,715)
Repairs and maintenance		(4,123)	(7,827)
Services rendered by other foreign railway companies		(6,400)	(6,684)
Management services		(6,776)	(4,244)
Materials		(2,768)	(1,564)
Electricity		(288)	(270)
Impairment (increase) of investments		(291)	-
Impairment (increase) of inventories		-	(267)
Impairment (increase) of receivables		17	89
Change in provisions		-	170
Other costs		(5,736)	(4,720)
Operating profit (loss)		4,037	6,842
Finance income	14	124	152
Finance costs	14	(1,097)	(681)
Profit (loss) before taxation		3,064	6,313
Corporate income tax	15	(717)	(231)
Net profit (loss)		**2,347**	**6,082**
Other comprehensive income (expenses)		-	-
Total comprehensive income (expenses)		**2,347**	**6,082**

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

(EUR thousand unless otherwise stated)

STATEMENT OF CHANGES IN EQUITY

	Notes	Authorised share capital	Share premium	Legal reserve	Other reserves	Retained earnings (loss)	Total
Balance as at 31 December 2019		**60,410**	**-**	**-**	**-**	**(2,219)**	**58,191**
Net profit (loss)		-	-	-	-	6,082	6,082
Other comprehensive income after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		-	-	-	-	6,082	6,082
Increase of authorised capital through a contribution in kind		-	-	-	-	-	-
Transfers between reserves		-	-	-	-	-	-
Dividends		-	-	-	-	-	-
Total transactions with owners of the Company		-	-	-	-	-	-
Balance as at 30 June 2020		**60,410**	**-**	**-**	**-**	**3,863**	**64,273**
Balance as at 31 December 2020		**43,936**	**-**	**-**	**-**	**30,531**	**74,467**
Net profit (loss)	9	-	-	-	-	2,347	2,347
Other comprehensive income after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		-	-	-	-	2,347	2,347
Increase of authorised capital through a contribution in kind		-	-	-	-	-	-
Unrecognised profit (loss) in the statement of profit or loss and other comprehensive income	9	-	-	-	-	(486)	(486)
Transfers between reserves	8	-	-	814	29,717	(30,531)	-
Dividends		-	-	-	-	-	-
Total transactions with owners of the Company		-	-	-	-	-	-
Balance as at 30 June 2021		**43,936**	**-**	**814**	**29,717**	**1,861**	**76 ,28**

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

(EUR thousand unless otherwise stated)

SEPARATE STATEMENT OF CASH FLOWS

	Notes	30/06/2021	30/06/2020
Cash flows from operating activities			
Net profit (loss)		**2,347**	**6,082**
Adjustment to non-cash items			
Depreciation and amortisation expenses	3	12,284	11,767
(Gain) loss from disposal/write-off of non-current assets		-	9
(Reversal of) Impairment losses		275	179
Change in accrued income/expenses		(2,832)	(237)
Interest (income) expenses		964	610
Lease liability interest		(1)	62
Increase (decrease) in provisions		-	(170)
Effect of currency exchange fluctuations		1	11
Corporate income tax expenses (income)	15	717	231
Cash flows from operating activities after adjustment to non-cash items		13,755	18,544
Changes in working capital			
Decrease (increase) in inventories		(16,041)	585
Decrease (increase) in trade and other receivables and prepayments		7,512	1,199
Increase (decrease) in current and non-current trade payables and received prepayments		(12,413)	(11,144)
Increase (decrease) in employment related liabilities		546	(74)
Increase (decrease) in other non-current and current payables		(916)	(3,067)
(Paid) income tax		-	(1)
Cash flows from operating activities		(7,557)	6,042
Cash flows from investing activities			
(Acquisition) disposal of non-current assets		(29,067)	(25,542)
Change in prepayments for non-current assets		(247)	-
Net cash flows from investing activities		(29,314)	(25,542)
Cash flows from financing activities			
Cash-pool		18,158	-
Interest (paid)		(310)	(642)
Interest on lease liabilities		1	(62)
Payment of lease liabilities		(1,187)	(100)
Net cash flows from financing activities		16,662	(804)
Net increase (decrease) in cash flows		**(20,209)**	**(20,304)**
Cash and cash equivalents at the beginning of the period		**21,358**	**25,143**
Cash and cash equivalents at the end of the period		**1,149**	**4,839**

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

EXPLANATORY NOTES

1. GENERAL INFORMATION

AB LTG Cargo (hereinafter: the 'Company') was registered in the Register of Legal Entities of the Republic of Lithuania on 28 December 2018. In its activities the Company follows the Constitution of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania, the Railway Transport Code of the Republic of Lithuania, and other valid legislation of the Republic of Lithuania.

The Company is a private legal entity of limited civil liability, independently organising economic, financial, organisational, and legal activities. AB LTG Cargo is the company of the AB Lietuvos Geležinkeliai Group. AB Lietuvos Geležinkeliai (hereinafter: 'LTG") is its sole shareholder. The Company's code: 304977594, VAT code: LT100012103918, legal (registration) address: Geležinkelio St. 12, LT-02100 Vilnius

The Company follows the established strategy and main directions of the corporate group, as well as the approved activity area policies, as well as the Constitution of the Republic of Lithuania, the Civil Code of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania, other laws and legal acts regulating the activities of the Company, decisions of the bodies of the Company, the Articles of Association and internal documents of the Company.

Main activities of the Company: freight transportation and logistics, loading and unloading, wagon lease, coordination of locomotives and locomotive crews, manufacture of new locomotives, rail motor-cars and infrastructure track machinery, overhaul and routine repairs and maintenance of railway rolling stock, manufacture of freight wagons and their depot, overhaul and current repairs. Moreover, repairs of railway rolling stock components and assemblies are carried out.

As of 30 June 2021 and 31 December 2020, the parent company AB LTG was the sole shareholder of the Company. The Ministry of Transport and Communications of the Republic of Lithuania holds 100% of shares of AB LTG.

The Company has no branches and representative offices.

The actual number of employees was 2,938 as of 30 June 2021 (2,289 employees as of 30 June 2020).

2. SIGNIFICANT ACCOUNTING POLICIES

The Company's financial statements have been prepared in accordance with the International Accounting Standards (hereinafter: the 'IAS') and the International Financial Reporting Standards (hereinafter: the 'IFRS') as adopted within the European Union.

These financial statements are separate financial statements. The Company does not prepare consolidated financial statements based on the exemption in paragraph 4(a) of the IFRS 10 when consolidated financial statements according to the IFRS are prepared by its parent company.

These condensed financial statements must be read in conjunction with the annual financial statements for the year ended 31 December 2020, prepared in accordance with the IFRS as adopted by the European Union, and are made publicly available on the Company's website https://cargo.litrail.lt/.

As of 1 January 2021, no IFRS and amendments to the IFRS as taken effect have been applied, earlier application whereof is permitted in the preparation of these condensed interim financial statements.

All amounts In these financial statements are presented in euros and rounded to the nearest thousand (EUR 000), unless otherwise stated. Taking into consideration that the amounts presented in the financial statements are calculated in thousands of euros the figures in tables may not coincide due to rounding. Such mismatches are considered to be irrelevant in the financial statements.

The financial statements are prepared on the historical cost basis.

(EUR thousand unless otherwise stated)

3. PROPERTY, PLANT AND EQUIPMENT

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 2019	-	592	2,059	208,206	468	467	211,792
- acquisitions	-	-	61	40,620	146	775	41,602
- assets sold, written off, disposed	-	-	(22)	(3,377)	(43)	-	(3,442)
- reclassifications	-	-	-	-	-	-	-
31 December 2020	-	592	2,098	245,449	571	1,242	249,52
- acquisitions	-	-	3,834	19,947	523	1,606	910/25
- assets sold, written off, disposed	-	-	(12)	(869)	(32)	-	(913)
- reclassification to current assets	-	-	-	(736)	-	-	(736)
30 June 2021	-	592	5,920	263,791	1,062	2,848	274,213
Accumulated depreciation and impairment losses							
31 December 2019	-	(52)	(408)	(22,020)	(114)	-	(22,594)
- depreciation	-	(55)	(402)	(21,478)	(145)	-	(22,080)
- impairment	-	-	-	-	-	-	-
- assets sold, written off, disposed	-	-	22	184	31	-	237
- reclassifications	-	-	-	-	-	-	-
31 December 2020	-	(107)	(788)	(43,314)	(228)	-	(44,437)
- depreciation	-	(28)	(278)	(11,035)	(113)	-	(11,454)
- impairment	-	-	-	-	-	-	-
- assets sold, written off, disposed	-	-	10	71	25	-	106
- reclassification to current assets	-	-	-	65	-	-	65
30 June 2021.	-	(135)	(1,056)	(54,213)	(316)	-	(55,720)
Carrying amount							
31 December 2019	-	540	1,651	186,186	354	467	189,198
31 December 2020	-	485	1,310	202,135	343	1,242	205,515
30 June 2021	**-**	**457**	**4,864**	**209,578**	**746**	**2,848**	**218,493**

(EUR thousand unless otherwise stated)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation and amortisation expense included in the statement of profit or loss and other comprehensive income amounted to EUR 12,284 thousand (EUR 11,767 thousand as at 30 June 2020). This amount includes EUR 11,454 thousand (EUR 11,216 thousand as at 30 June 2020) of depreciation of property, plant and equipment, EUR 1,260 thousand (EUR 507 thousand as at 30 June 2020) of depreciation of right-of-use assets and EUR 31 thousand (EUR 45 thousand as at 30 June 2020) of amortisation of intangible assets. In H1 2021, EUR 461 thousand of depreciation expense was capitalized (no capitalization was applied as at 30 June 2020).

Railway rolling stock (EUR 209,533 thousand) represent the majority of vehicles.

The cost of the Company's fully depreciated but still used property, plant and equipment amounted to EUR 10,277 thousand (EUR 11,637 thousand as at 31 December 2020). Vehicles represented the majority of fully depreciated property, plant and equipment.

4. RIGHT-OF-USE ASSETS

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

	Buildings and structures	Other assets	Total
Acquisition cost			
31 December 2019	1,777	487	2,264
- acquisitions	4,820	801	5,621
- disposed assets	(3,566)	(199)	(3,765)
- reclassifications	-	-	-
31 December 2020	3,031	1,089	4,120
- acquisitions	7,817	181	7,998
- assets sold, written off, disposed	(229)	(329)	(558)
- reclassifications	-	-	-
30 June 2021	10,619	941	11,560
Accumulated depreciation and impairment losses			
31 December 2019	(390)	(208)	(598)
- depreciation	(630)	(364)	(994)
- disposed assets	676	197	873
- reclassifications	-	-	-
31 December 2020	(344)	(375)	(719)
- depreciation	(1,077)	(183)	(1,260)
- assets sold, written off, disposed	172	253	425
- reclassifications	-	-	-
30 June 2021	(1,249)	(305)	(1,554)
Carrying amount			
31 December 2019	1,387	279	1,666
31 December 2020	2,687	714	3,401
30 June 2021	**9,370**	**636**	**10,006**

The discount rate applicable to lease contracts consists of a 6-month EURIBOR and a margin determined by a market survey based on the applicable market conditions.

(EUR thousand unless otherwise stated)

5. FINANCIAL ASSETS

Movement of investments in subsidiaries and other companies consisted of:

Company		Controlled share (%)	30/06/2021 Investment value	30/06/2021 Provision accounted	30/06/2021 Carrying value	31/12/2020 Investment value	31/12/2020 Provision accounted	31/12/2020 Carrying value
Shares of subsidiaries								
LTG Cargo Polska Sp. Zo.o.	a)	100	458	(67)	391	489	-	489
UAB LTG Wagons	b)	100	150	(48)	102	150	-	150
LTG Cargo Ukraine	c)	100	527	(101)	426	489	-	489
OOO Rail Lab	d)	99	390	(75)	315	-	-	-
Total			**1,525**	**(291)**	**1,234**	**1,128**	**-**	**1,128**

In 2020, the following subsidiaries were established: LTG Cargo Polska Sp. Zo.o., UAB LTG Wagons and LTG Cargo Ukraine. In 2021, an investment in OOO Rail Lab was purchased.

a) On 20 July 2020, the company LTG Cargo Polska Sp. Zo.o. was established issuing 2,225 ordinary registered shares with par value of PLN 1,000.00, the formed and paid-up capital amounted to PLN 2,225 thousand.

b) On 4 November 2020, the company UAB LTG Wagons was established issuing 150 ordinary registered shares with par value of EUR 1,000.00, the formed and paid-up capital amounted to EUR 150 thousand.

c) On 9 December 2020, the company LTG Cargo Ukraine was registered and the capital amounting to UAH 17,027 thousand was formed but not yet paid up.

d) On 1 April 2021, after acquisition of part of the business of UAB Vilniaus Lokomotyvų Remonto Depas, at the same time OOO Rail Lab was acquired, the authorised capital whereof amounts to BYN 1,175 thousand.

Movement of the Company's investments in related party companies:

	Investment value
Acquisition value as at 31 December 2019	-
Increase (+)	1,128
Decrease (-)	-
Acquisition value as at 31 December 2020	**1,128**
Increase (+)	390
Decrease (-)	(284)
Acquisition value as at 30 June 2021	**1,234**

Financial position of the subsidiaries:

30/06/2021	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity
LTG Cargo Polska Sp. Zo.o.	3	431	-	42	392
UAB LTG Wagons	-	122	-	23	99
LTG Cargo Ukraine	-	463	-	37	426
OOO Rail Lab	11	308	-	1	318

(EUR thousand unless otherwise stated)

5. FINANCIAL ASSETS (CONTINUED)

The statements of profit or loss and other comprehensive income of the subsidiaries:

	06/2021		
	Income	(Expenses)	Profit (loss)
LTG Cargo Polska Sp. Zo.o.	-	(86)	(86)
UAB LTG Wagons	-	(51)	(51)
LTG Cargo Ukraine	-	(101)	(101)
OOO Rail Lab	-	(8)	(8)

6. INVENTORIES

The Company inventories consisted of:

	30/06/2021	31/12/2020
Fuel	776	679
Spare parts	14,191	152
Materials	1,651	153
Other inventories	539	185
Total raw materials, materials and component parts	17,307	1,169
Goods for resale	43	140
Total goods held for resale	43	140
Total	**17,350**	**1,309**

EUR 17,684 thousand (EUR 1,522 thousand in 2020) carrying amount of the Company's inventories was reduced by EUR 335 thousand (EUR 213 thousand as at 31 December 2020) to the net realisable value as at 30 June 2021. The change in the write-down of the Company’s inventories to the net realisable value is reflected in the expense item of the statement of profit or loss and other comprehensive income.

In H1 2021, the inventories of EUR 2,768 thousand (EUR 1,564 thousand in 2020)) (excluding fuel) were written off to the cost of sales.

(EUR thousand unless otherwise stated)

7. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables included:

	30/06/2021	31/12/2020
External trade receivables, gross value	11,232	14,933
Impairment (-)	(1,618)	(1,320)
Total external trade receivables	**9,614**	**13,613**
Receivables from related parties	7,879	7,084
Impairment (-)	-	-
Total receivables from related parties	**7,879**	**7,084**
VAT receivable	5,682	3,727
Other receivables from the budget	779	444
Accrued income from related parties	15,912	23,128
Accrued income	771	761
Other receivables	1,083	77
Impairment (-)	-	-
Total other receivables	**24,227**	**28,137**
Total	**41,720**	**48,834**

The Company's information about the exposure to credit risk and ECLs for trade and other receivables as at 30 June 2021 included:

	Expected credit losses, %	Gross carrying amount	Provision	Net carrying amount
Not past due	0.01%	34,190	(2)	34,188
1-30 days past due	0.39%	900	(3)	897
31-60 days past due	12.97%	25	(3)	22
61-120 days past due	20.56%	142	(29)	113
More than 120 days past due	97.58%	1,620	(1,581)	39
Total		**36,877**	**(1,618)**	**35,259**

The Company's information about the exposure to credit risk and ECLs for trade and other receivables as at 31 December 2020 included:

	Expected credit losses, %	Gross carrying amount	Provision	Net carrying amount
Not overdue	0.04%	44,535	(17)	44,518
1-30 days past due	1.32%	115	(2)	113
31-60 days past due	7.17%	6	-	6
61-120 days past due	14.80%	12	(2)	10
More than 120 days past due	98.81%	1,315	(1,299)	16
Total		**45,983**	**(1,320)**	**44,663**

Provision accounted for by the Company reflects estimated losses caused by doubtful receivables from customers. The major component of that impairment is individually estimated losses caused by substantial doubtful receivables from customers. The provision measurement methods are revised on an ongoing basis in order to minimise differences between estimated losses and actual losses.

(EUR thousand unless otherwise stated)

8. RESERVES

Legal reserve

The legal reserve is mandatory in accordance with the legislation of the Republic of Lithuania. 5% of the annual net profit must be allocated to the legal reserve until the reserve reaches 10% of the authorised capital. As of 30 June 2021 the legal reserve amounted to EUR 814 thousand.

Other reserves

The retained earnings of 2020 were transferred to reserves by decision of the shareholders. As of 30 June 2021, other reserves amounted to EUR 29,717 thousand.

9. RETAINED EARNINGS (LOSS)

The Company's retained earnings (loss) consisted of a profit of EUR 2,347 thousand earned in H1 2021 and an unrecognised loss of EUR 486 thousand for the reporting year, comprising the difference between the net assets acquired from UAB Vilniaus Lokomotyvų Remonto Depas and the business market value.

10. LOANS AND OTHER FINANCIAL DEBTS

The Company's financial debts consisted of:

	30/06/2021	31/12/2020
Bank EIB – 3	2,273	3,182
Bank EIB – 4	17,333	20,667
AB Lietuvos Geležinkeliai	129,875	121,617
UAB Vilniaus Lokomotyvų Remonto Depas (Cash-pool)	10,566	-
Interest	168	203
Total	**160,215**	**157,034**
Long-term loans	133,404	136,981
Short-term loans	26,811	8,485
Total	**160,215**	**145,699**

EIB-3 is the loan for the procurement of new rolling stock. During the first half of 2021 the Company repaid EUR 909 thousand of the loan and paid EUR 34 thousand of interest.

EIB-4 is the loan for the procurement of new rolling stock. During the first half of 2021 the Company repaid EUR 3,333 thousand of the loan and paid EUR 259 thousand of interest.

The loan agreement with a value of EUR 163,862 thousand was made with AB Lietuvos Geležinkeliai (LTG) on 12 March 2019. The purpose of the loan – purchase of railway rolling stock, i.e., wagons, containers and locomotives, under the asset sale and purchase agreement of 25 January 2019 made between LTG and the Company. The loan was awarded as non-current asset, its repayment term is until the year 2031. The interest was determined applying a variable interest rate, which consists of a 6-month EURIBOR and a margin determined by a market survey.

On 30 June 2020, the restructuring of LTG's long-term loans was completed. The Company transferred to the subsidiary AB LTG Cargo its existing non-current credit liabilities to the European Investment Bank (EIB) in the amount of EUR 29,591 thousand and signed a guarantee agreement with EIB whereby it guarantees for the obligations assumed by the Company, arising from the funding agreements as transferred and amended.

From the moment of the entry into force of amendments to the agreements made with EIB, signed between AB LTG Cargo and EIB, and the Transfer and Amendment Agreement made by LTG, AB LTG Cargo and EIB, the outstanding loan portion due under the Loan Agreement of 12 March 2019 to LTG was reduced for the Company by the amount of the assumed credit liabilities to EIB. Following the loan restructuring of the Company's and LTG's loan is considered subordinate in respect of EIB's loans, i.e., neither loan nor interest payments are possible until the maturity of EIB loans in 2024. The provisions of the Loan Agreement of 12 March 2019 as reviewed after the loan restructuring are in line with market conditions.

(EUR thousand unless otherwise stated)

To improve cash management efficiency and ensure liquidity of the companies within the Group, under market terms the Company has been using the Group account (Cash-pool) based on the agreement with AB Swedbank. The Company's liabilities amounted to EUR 18,158 thousand as at 30 June 20210. Of which the amount of EUR 10,566 thousand is due to UAB Vilniaus Lokomotyvų Remonto Depas and the amount of EUR 7,592 thousand is due to AB Lietuvos Geležinkeliai.

11. LEASE LIABILITIES

The Company leases buildings and other assets (motor vehicles and excavators). Building lease agreements are usually concluded for a fixed 36-month period with an option to extend them. Vehicle lease agreements are concluded for 36 months with no option to extend them. In determining the lease term, the management considers all the facts and circumstances that give rise to economic incentives to exercise the option to extend the lease or not to exercise the option to terminate it. Renewal options (or the periods after optional termination of the lease) is provided for in lease contracts only if it can be reasonably expected that the lease will be renewed (or will not be 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 will not be 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.

The discount rate applied to leases in 2021 consists of a 6-month EURIBOR and a margin determined by a market survey based on the applicable market conditions.

The Company's lease liabilities comprised:

	30/06/2021	31/12/2020
Non-current	6,023	2,430
Current	4,140	1,044
Total	**10,163**	**3,474**

12. TRADE AND OTHER PAYABLES

The Company's trade and other payables included:

	30/06/2021	31/12/2020
Trade accounts payable	3,899	469
Trade accounts payable to related parties	19,012	34,358
Prepayments received	3,606	4,616
Cash guarantees received	1,373	1,526
Other taxes payable to the budget	260	543
Accumulated costs of foreign railway services	540	1,335
Accumulated payables to related parties	202	2,177
Accumulated costs	33	1,631
Other accounts payable and liabilities	25	510
Total	**28,950**	**47,165**

The Company accounted for EUR 26 thousand liability for audit services in the accumulated costs item.

(EUR thousand unless otherwise stated)

13. REVENUE

The Company's revenue consisted of:

	06/2021	06/2020
Revenue from domestic freight transportation	36,067	36,973
Revenue from international freight transportation	88,538	92,135
Provision of services related to freight transportation	44,075	44,441
Property lease	3,315	3,844
Locomotives and work of locomotive crews abroad	1,733	2,060
Maintenance and repair	1,696	467
Wholesale trade	655	1,065
Other services	599	824
Total	**176,678**	**181,809**

14. RESULT OF FINANCIAL ACTIVITIES

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

	06/2020	06/2019
Total finance income		
Penalties and default interest for overdue trade receivables	124	141
Negative impact of currency exchange fluctuations	-	11
Total finance costs	124	152
Negative impact of currency exchange fluctuations	(1)	-
Interest	(964)	(610)
Other costs	(132)	(71)
Total	**(1,097)**	**(681)**

(EUR thousand unless otherwise stated)

15. INCOME TAX AND DEFERRED TAX

Income tax was calculated at a rate of 15%.

	06/2021	06/2020
Income tax for the reporting year	-	1
Adjustment to income tax of the previous year	198	(606)
Deferred tax expenses (benefit)	519	836
Total income tax expense (benefit) recognised in profit or loss statement	**717**	**231**

16. RELATED PARTY TRANSACTIONS

Parties are considered to be related when one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

As defined in IAS 24 - Related Party Disclosures, an entity is related to a reporting entity if at least one of the following conditions is met:

- The Government of the Republic of Lithuania acts as the owner of all shares of AB LTG Cargo;
- Companies or institutions are managed by the Government of the Republic of Lithuania;
- Parent company AB Lietuvos Geležinkeliai
- Subsidiaries of the parent company AB Lietuvos Geležinkeliai
- AB Lietuvos Geležinkeliai related, non-consolidated associated and joint ventures;
- Board members and their close relatives.

For entities operating in an environment where state control is extensive, most counterparties are also related to the state and are therefore considered to be related parties. IAS 24 permits a reporting entity to reduce disclosures about transactions and balances, including liabilities with:

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

Due to the abovementioned reasons, the Company does not disclose transactions with the Government of the Republic of Lithuania and other economic entities controlled by the Government of the Republic of Lithuania.

Related party transactions of the Company:

	06/2021		30/06/2021	
	Purchases	Sales	Receivables	Payables
AB Lietuvos Geležinkeliai	29,240	4,084	7,890	132,038
AB LTG Infra	78,219	381	423	3,701
UAB Vilniaus Lokomotyvų Remonto Depas	13,066	347	-	11,224
UAB LTG Link	222	491	350	82
UAB Geležinkelio Tiesimo Centras	-	904	417	-
UAB Gelsauga	1	-	-	-
LTG Cargo Ukraine	-	10		
UAB Voestalpine VAE Legetecha	-	6	2	-
Total	**120,748**	**6,223**	**9,082**	**147,045**

(EUR thousand unless otherwise stated)

16. RELATED PARTY TRANSACTIONS (CONTINUED)

Following the procedure of LTG corporate group, all transactions with related parties are made under market conditions and conform to the arm's length principle.

	06/2020		31/12/2020	
	Purchases	Sales	Receivables	Payables
AB Lietuvos Geležinkeliai	34,084	26,143	6,936	129,043
AB LTG Infra	102,937	196	395	19,759
UAB Vilniaus Lokomotyvų Remonto Depas	26,403	1,250	2,199	6,628
UAB LTG Link	86	21	6	56
UAB Geležinkelio Tiesimo Centras	-	1,097	117	-
UAB Gelsauga	3	-	-	-
LTG Cargo Polska SP. Zo.o.	-	-	9	-
LTG Cargo Ukraine	-	-	-	489
UAB Voestalpine VAE Legetecha	-	1	-	-
Total	**163,513**	**28,708**	**9,662**	**155,975**

The Company's accrued receivables and payables with related parties accounted for in the statement of financial position:

	30/06/2021	
	Accrued receivables	Accrued payables
AB Lietuvos Geležinkeliai	2,452	121
AB LTG Infra	13,453	39
UAB LTG Link	7	-
UAB Vilniaus Lokomotyvų Remonto Depas	-	42
Total	**912/15**	**202**

	2020 12 31	
	Accrued receivables	Accrued payables
AB Lietuvos Geležinkeliai	8,947	154
AB LTG Infra	14,181	32
UAB Vilniaus Lokomotyvų Remonto Depas	-	2,023
Total	**23,128**	**2,209**

(EUR thousand unless otherwise stated)

16. RELATED PARTY TRANSACTIONS (CONTINUED)

MANAGEMENT REMUNERATION AND OTHER BENEFITS

As of 30 June 2021, the number of executives was 8 persons, i.e., Chief Executive Officer; Head of Strategy and Business Development; Head of Service Provision, Head of Capacity and Conformity; Head of Sales and Customer Service, Head of Rolling Stock Servicing; Head of Analytics and Operational Control; Head of Asset Management.

	30/06/2021	30/06/2020
Management remuneration	294	316
Incentives*	- 129	109
Accumulated long-term benefits	8	19
Number of executives	8	8
Allowances for Board Members	-	-
Number of Board Members	5	5

* Incentives are performance bonuses and lump sums.

** Accumulated long-term benefits are provisions for pensions and similar liabilities accrued as at the end of the reporting period.

As at 30 June 2021 no loans, guarantees, or other disbursements or accruals or disposals of assets were made to the Company's management other than as set forth above.

17. EVENTS AFTER THE REPORTING PERIOD

On 9 August 2021, the US announced new sanctions on entities and individuals in Belarus, including the Belarusian potash producer Belaruskalij. Following the entry into force of the sanctions, banks will not be able to make or accept payments if they relate (directly, indirectly and through intermediaries) to Belarusian legal or natural persons newly included in the US sanctions lists. The new sanctions apply to new contracts and allow the possibility to close existing ones with the Belarusian potash producer Belaruskalij until 8 December 2021.