2021 1st half-year

UAB LTG Link
Interim report

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ABBREVIATIONS:
LTG – AB Lietuvos Geležinkeliai.
LTG, Group, Group of Companies – AB Lietuvos Geležinkeliai and its subsidiaries
LTG Cargo – AB LTG Cargo
LTG Infra – AB LTG Infra
LTG Link, Company – UAB LTG Link
GOV – the Government of the Republic of Lithuania
SOE – a State-owned enterprise

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

CEO FOREWORD

Dear colleagues, partners, customers and all like-minded people!

2021 has come to the middle and we are still constrained by the instability resulting from the pandemic. However, LTG Link continued remaining on its tracks - in the first half of the year we moved confidently in the direction of our goals.

The beginning of the year coincided with the beginning of perhaps the most important project of the year - following consultations with the major European train manufacturers, we launched a call for tenders for the purchase of new trains. This is one of the key steps towards implementing our long-term strategy. The new trains will be convenient and customized to the needs of all passengers - persons with reduced mobility, parents with minor children, seniors. We estimate that the CO2 emission of our passenger fleet should decrease by ~ 70% with the introduction of new electric and electric-battery trains. It is a big step towards more sustainable and, in every sense, greener travel.

Our drive for sustainability doesn't go unnoticed: in Europe's largest independent brand survey, the Sustainable Brand Index, published this year, we were identified as a leader in the Transport and Travel segment. This assessment is very important to us, because we work every day to create a new culture of travel - not only comfortable and safe, but also sustainable travel. We call for awareness and responsibility for the environment around us. The green course we follow is also a course of country-wide eco-change: reducing pollution is becoming a priority in various segments, and in the transport sector it is a particularly sensitive issue. I believe that traveling by train can become a roadmap for a greener mobility.

We are constantly focusing not only on sustainability, but also on the availability of services. To make train travel more convenient, this year we acquired a new ticketing system: modern ticketing channels, such as a mobile application and a new website, will be launched in the autumn, and next year there will be ticket machines at stations, which will allow you to buy tickets easily and quickly. The system will also have a wide range of integration options, allowing trains to be linked to other modes of transport in the future and making it even easier for passengers to plan door-to-door journeys with just one ticket.

Change comes along with digitization, so it is important to mention the agreement signed with the German company IVU Traffic Technologies on the implementation of an integrated resource planning and operational management system. This system is one of the most important digitization projects of the company, which will allow replacing a large part of daily "manual" work with automated processes: we will transfer route and timetable planning, train assignment, staff scheduling and other functions to the system.

I am glad that our team has been able to adapt to the challenging reality - the most important work has not stopped, we are moving forward and we are determined to provide an ever better train travel experience.

LINAS BAUŽYS
Chief Executive Officer
UAB LTG Link

COMPANY PROFILE

Name	UAB LTG Link
Company address	Geležinkelio g. 16, LT-02100 , Vilnius
Legal form	Joint stock company
Date and place of registration	28 02 2019, Register of Legal Entities, RoL
Company code	305052228
Phone No	(8 5) 269 3265
E-mail	ltglink@litrail.lt
Website	www.litrail.lt/keleiviams; www.traukiniobilietas.lt
Core business	Passenger and luggage transportation by rail and provision of related services
CEO	Linas Baužys
Shareholders	100% shares held by AB Lietuvos Geležinkeliai

THE COMPANY'S BRANCHES, REPRESENTATIVE OFFICES ABROAD

During the analysed period, the Company did not establish branches or representative offices.

BUSINESS ACTIVITIES OF THE COMPANY

Operating model

On 28 February 2019 UAB LG Keleiviams was registered in the Register of Legal Entities, to which the passenger transportation operations of AB Lietuvos Geležinkeliai were transferred as of 01 September 2019. On 21 July 2020, a new company name was also registered - UAB LTG Link.

Core business and services

Core business of UAB LTG Link covers passenger transportation on domestic and international routes. In the 1st year-half 2021 the main activity of the Company was disrupted by the pandemic of COVID-19. In January - June the quarantine conditions were in force in Lithuania, restrictions were imposed on the movement between cities as well as the number of passengers on domestic trains, in order to ensure that passengers sat at a safe distance from each other, and the food sold on trains. The international train journeys were suspended from mid-March 2020, and only 6 transit journeys were resumed by H1 2021.

Services of UAB LTG Link:

- Passenger transportation on domestic routes;
- Passenger transportation on international routes;
- Carriage of mail and luggage within the territory of Lithuania and abroad;
- Carriage of bicycles and animals within the territory of Lithuania;
- Organization of charter routes;
- Rental and sale of rolling stock;
- Advertising services;
- Services at stations (luggage storage, carriage of parcels, sale of services and travel tickets);
- services on trains (sale of travel tickets, sale of food and beverages).

Infrastructure

As at 30 June 2021 the residual value of vehicles (including rolling stock) of UAB LTG Link was EUR 125.2 million, whereas the residual value of remaining immovable property (including the category of railway infrastructure) accounted for EUR 4.2 million.

Market

The main market of UAB LTG Link includes domestic and cross-border transportation. Passengers are served on 21 domestic and 8 international routes.

Lithuanian market

Historically, passenger transportation by rail has competed with other modes of transport – road and air transportation.

The market share of passenger transportation by rail is small and, according to the data of H1 2020, amounted to 1.4% , while according to the data of Statistics Lithuania of the first quarter of 2021, the market share of passenger transport by rail accounted for 1.5%.[1]

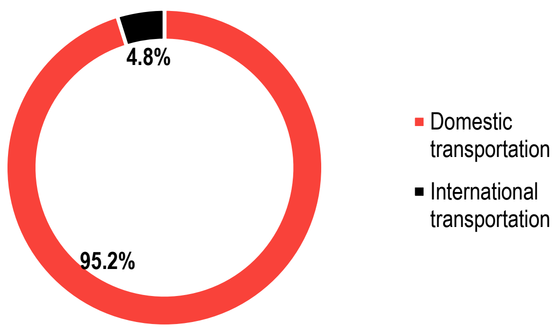
Passengers transported on domestic routes amounted to 1.5 million in H1 2021 accounting for 95.2% total ridership for that period. In H1 2021 not all routes that had been cancelled in 2020 due to COVID-19 pandemic were restored. By the end of H1 2021, 43 out of 226 journeys of domestic trains were not reopened yet.

[1] Data of the Department of Statistics of Lithuania

International market

Passengers transported on international routes amounted to 0.1 million in H1 2021 accounting for 4.8% total ridership for that period. In H1 2021, international passenger transportation consisted of transit trains crossing the territory of Lithuania travelling to/from Kaliningrad region. Due to the pandemic of coronavirus (COVID-19), from 16 March 2020, the traffic of international trains was suspended, whereas from 6 April the traffic of transit trains was suspended, which reopened in August. At the end of H1 2021, 6 out of 32 international transit journeys were resumed.

Passenger market segments in H1 2021, %



Main customers

Residents of Lithuania and other countries use services rendered by the Company.

The Transport Exemption Law provides for r incentives encouraging socially disadvantaged groups, eligible for purchasing tickets with a discount of 80% and 50%, to travel by train. These activities are subsidized from the State budget, with compensation of lost income, transporting passengers on local transport routes on preferential terms.

In order to attract more customers, the Company is expanding its service offerings to various groups of passengers: families, students, business representatives, active leisure enthusiasts. In H1 2021, COVID-19 pandemic lockdown was still in effect Lithuania, during which the railway transport remained the most reliable mode of public transport for commuters or other necessities.

MANAGEMENT OF THE COMPANY

INFORMATION ABOUT SHARES AS OF 30 JUNE 2021

Amount of authorized capital, thousand EUR	Number of shares, unit	Par value per share, EUR
143,590	156,237	919.05

The Company is part of AB Lietuvos Geležinkeliai company group the sole shareholder whereof is the parent company AB Lietuvos Geležinkeliai.

All shares of are of a single class – ordinary registered shares. The shares are non-certified, and they are recorded in personal securities accounts following the procedure established by the legislation.

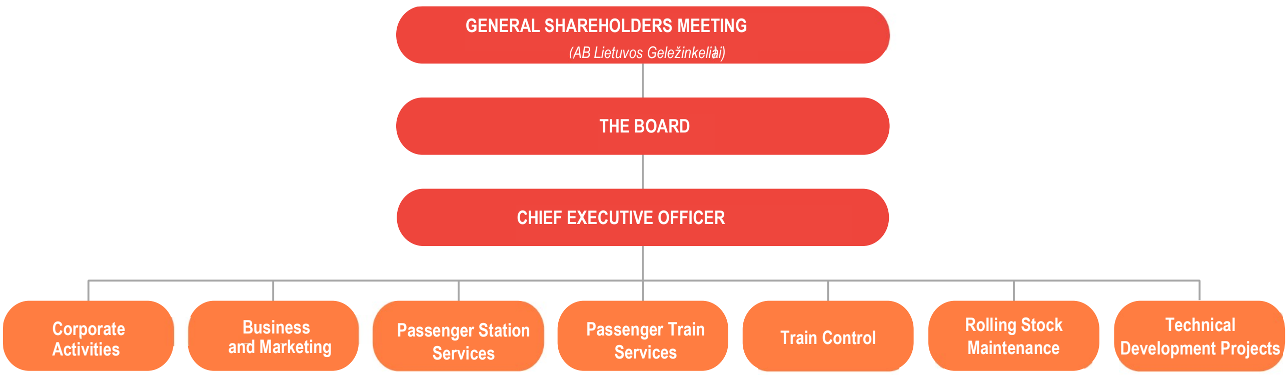
During the reporting period, the Company did not acquire its own shares or shares of other companies of the Group.

CORPORATE GOVERNANCE AND ORGANISATIONAL STRUCTURE

LTG Link is a company of AB Lietuvos Geležinkeliai company group, the sole shareholder whereof is the parent company AB Lietuvos Geležinkeliai. The shareholder of AB Lietuvos Geležinkeliai is the Ministry of Transport and Communications of the Republic of Lithuania which controls 100% of shares.

Aiming at the long-term growth of the value of the AB Lietuvos Geležinkeliai Group, as well as the rational and effective use of the assets, funds and other resources, meeting the expectations and representing the interests of the Shareholder, the Group's business model is focused on streamlining and concentrating core activities in subsidiaries. LTG Link, as part of the AB Lietuvos Geležinkeliai Group, is liable for the implementation of the principal activities and the achievement of the set goals. In order to achieve the set goals and ensure proper management, LTG Link operates independently in its activities, makes the necessary decisions and ensures accountability and responsibility for the performance.

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



ARTICLES OF ASSOCIATION OF THE COMPANY

The Articles of Association of the Company are the key document the Company observes in the course of carrying out its business operations.

Over the reporting period no amendments were made to the Articles of Association of LTG Link. The Articles of Association of LTG Link 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.

The Articles of Association of LTG Link are available at the Company's website https://www.litrail.lt/594.

BODIES OF THE COMPANY

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

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

General Meeting of Shareholders is the supreme governing body of the Company. The competence of the General Shareholders Meeting, the procedure of its convening as well as resolution-passing is established by the Law on Companies, other legislation and in the Articles of Association published on the website at https://www.litrail.lt/594.

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

The Company has not issued any preference shares. The voting right was not restricted during the reporting period.

Pursuant to the Company's Articles of Association additional competence of the General Shareholder Meeting is to approve the decisions of the LTG Link's Board:

- on 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;
- on the Company's non-current assets the carrying amount of which does not exceed EUR 300 thousand:
    - investing in the subsidiaries of the Company group or third persons, disposal or lease of these assets;
    - pledge or mortgage;
    - suretyship or guarantee for the discharge of obligations of third parties;
    - acquisition of non-current assets;
    - conclusion of other transactions.
- on conclusion of the public service contract on passenger transportation and approval of the essential provisions of this contract;
- on participation in or establishment of other legal entities;
- on launch of new business activities or termination of on-going business activities provided that the respective decision has not been adopted at the time of approval of the Company's strategy.

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 reports to the General Meeting of Shareholders of the Company.

The competence of the Board is in line with the competence of the board provided for by the Law on Companies and other laws, additional competences of the Board are established in the Articles of Association of the Company.

Additional functions of the Board:

- approve the business strategy and long-term goals, investment and operational plans, and budget of LTG Link;
- set performance indicators for LTG Link;
- adopt decisions on 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;
- adopt decisions on the Company's non-current assets the carrying amount of which does not exceed EUR 300 thousand:
    - pledge or mortgage;
    - suretyship or guarantee for the discharge of obligations of third parties;
    - acquisition of non-current assets;
    - conclusion of other transaction (assets, works, services).
- adopt decisions on becoming a founding, participating member of other legal entities;
- adopt decisions on launch of new business activities or termination of on-going business activities of LTG Link;
- approve the form of the employment contract of the head of the Company, the conditions of his/her remuneration and incentives;
- approve the total amount of annual incentives for the performance results paid-out to the employees of LTG Link (depending on performance results of the Company);
- consider information on the material operational risks of the Company and approve the plan of risk management measures;
- consider information and reports on the progress of on-going programmes of the Company;
- analyse and evaluate other information provided by the head of LTG Link on the most important issues of the Company's activities.

The term of office of the Board is from 25 February 2019 to 25 February 2023.

The Board of LTG Link has been set up in accordance with the legal regulation of the Railway Transport Code of the Republic of Lithuania which provides that "only employees of the vertically integrated group of companies may be elected as members of the collegial management bodies of the companies established by the limited liability company Lietuvos Geležinkeliai (paragraph 4 of Article 24^3). Taking this into account, the Board of LTG Link consists of the employees of the LTG Group.

None of the member of the Board holds shares of the Group companies.

During the reporting period 6 meetings of the Board were held.

COMPOSITION OF THE BOARD

MANTAS BARTUŠKA

Chairperson of the Board
Appointed on 29/11/2019.

Education

- Southern Denmark University, Denmark: Bachelor of Management and Business Administration,
- Vilnius University: Bachelor in Management and Business Administration.
- University of Cambridge, Business School, Leadership Studies;
- Baltic Institute of Corporate Governance, Board Member Studies.

Main employer, position

CEO of AB Lietuvos Geležinkeliai, Geležinkelio g. 16, Vilnius, company code 110053842.

Other position held

Chairman of the Board of AB LTG Cargo, Geležinkelio g. 12, Vilnius, company code 304977594;

Member of the Board of AB Klaipėdos Nafta, Burių g. 19, Klaipėda, company code 110648893.

LINAS BAUŽYS

Board Member
Appointed on 25/02/2019.

Education

- Šiauliai University, Bachelor in Business Management;
- Klaipėda University, Master in Transport Engineering;
- Baltic Institute of Corporate Governance, Board Member, Chairperson of the Board Studies;
- ISM University of Management and Economics, Global Leadership and Strategy Master's Studies.

Main employer, position

CEO of UAB LTG Link, Geležinkelio g. 16, Vilnius, company code 305052228.

Other position held

Chairman of the Board of UAB Geležinkelio Tiesimo Centras, Trikampio g. 10, Lentvaris, Trakai district, company code 181628163.
company code 181628163.

DAIVA PIVORIŪNIENĖ

Member of the Board
Appointed on 29/11/2019.

(also held the position of a member of the Board from 25/02/2019 to 25/03/2019)

Education

- Vilnius Gediminas Technical University, Bachelor in Transport Management and Engineering;
- Vilnius University, International Business School, Master in International Business Law;
- Baltic Management Institute, International Executive MBA, Business Administration.

Main employer, position

Head of Asset Management Services of AB Lietuvos Geležinkeliai, Geležinkelio g. 16, Vilnius, company code 110053842.

Other position held

CEO of UAB Saugos Paslaugos, Prūsų g. 1, Vilnius, company code 305186992.

Chairperson of the Board and CEO of VšĮ Geležinkelių Logistikos Parkas, Švitrigailos g. 39, Vilnius, company code 302674602.

(thousand Euro unless otherwise stated)

DOVILĖ ALEKSANDRAVIČIENĖ

Member of the Board
Appointed on 25/03/2019.

Education

- Vilnius University, Bachelor in Sociology;
- Vilnius University, Master's degree in Information Society;
- ISM University of Management and Economics, Leadership Studies.

Main employer, position

Head of Business Development and Marketing of UAB LTG Link, Geležinkelio g. 16, Vilnius, 305052228.

Other position held

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MANTAS DUBAUSKAS

Board Member
Appointed on 29/11/2019.

Education

- Vilnius Gediminas Technical University, Bachelor in Business Management;
- Vytautas Magnus University, Master's degree in Business Management;
- Baltic Management Institute, International Business Management Programme for Executives.

Main employer, position

Chief Communications Officer of AB Lietuvos Geležinkeliai, Geležinkelio g. 16, Vilnius, company code 110053842.

Other position held

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Changes in composition of the Board during the reporting period

The composition of the Board did not change over the reporting period.

The Chief Executive Officer (CEO) is a one-person management body of the Company who organises and manages daily operation of the Company in accordance with his/her powers. Obligations and competences of the CEO are defined in the Law on Companies, the Articles of Association of the Company available at the Company's website https://www.litrail.lt/594. The CEO is elected by the Company's Board for a 5-year term office and is accountable to the Board. The same person may be appointed as the CEO for no more than 2 consecutive terms of office.

The first 5-year term of office of the LTG Link's Chief Executive Officer began on 28 February 2019.

EXECUTIVES OF THE COMPANY

LINAS BAUŽYS	CEO	Appointed on 28 February 2019
GEDIMINAS ŠEČKUS	Head of Corporate Activities of the Company	Appointed on 01 April 2019
DOVILĖ ALEKSANDRAVIČIENĖ	Head of Business Development and Marketing of the Company	Appointed on 01 September 2019
AURELIJUS BOLDINOVAS	Head of Train Management of the Company	Appointed on 01 September 2019
DARIUS SEBECKIS	Head of Rolling Stock Maintenance of the Company	Appointed on 18 January 2021
KĘSTUTIS JASIULEVIČIUS	Head of Train Services of the Company	Appointed on 18 November 2019

(thousand Euro unless otherwise stated)

VAIVA BUDINAITĖ	Head of Station Services of the Company	Appointed on 11 May 2020
DOMANTAS GRIGAS	Head of Technical Development Projects	Appointed on 01 May 2020.

Prior to taking the CEO position at the Company, Linas Baužys had been the head of AB Lietuvos Geležinkeliai Passenger Transportation Directorate since 2017. Linas Baužys also holds the following additional executive positions:

- Chairperson of the Board of UAB Geležinkelio Tiesimo Centras (Trikampio g. 10, Lentvaris, Trakai district, company code 181628163).

Background information:

- Šiauliai University, Bachelor in Business Management;
- Klaipėda University, Master in Transport Engineering;
- Board Member and Chairperson of the Board Studies, Baltic Institute of Corporate Governance;

At the end of the reporting period, members of the Board, the CEO and the Company's managers have submitted declarations on private interests, which can be found on Chief Official Ethics Commission private interest registry. 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

The components of the Company's Chief Executive Officer's remuneration:

1. Basic monthly salary. The monthly base salary fixed in the employment contract with the Company's CEO amounted to EUR 8,300 at the end of the reporting period. The monthly basic salary of the CEO of the Company increased by 1 percent from EUR 8,200 to EUR 8,300.
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 goals and the annual incentive pay opportunity.

The maximum amount of annual incentive pay cannot exceed 30 percent of the fixed annual base salary. The maximum amount of monthly incentive, i.e. 1/12 of the annual incentive pay, cannot exceed EUR 2 490. 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 2,083.

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

STRATEGY

The LTG Group, in response to the geographical and economic changes in the transport services market, which influence the changes in trade patterns and passenger flows, is planning its operations not only in the short term, but also in the long term. In order the strategic strands and goals of the long-term strategy of LTG addressed the specific activities of the LTG Group of Companies, long-term strategies of subsidiaries of LTG group have been drafted. One of them is **LTG Link's long-term strategy 2030**, which is reviewed and improved every year.

MISSION – We connect people and businesses through creating new culture of train travel.

VISION – To become travellers' first choice appreciated for high quality services, efficiency and management of activity.

STRATEGIC STRANDS:

1. **Trains** – newer trains and more efficient use thereof.

It is planned to purchase up to 30 new trains in order to increase the share of the climate-neutral train fleet and to ensure the implementation of passenger rights and obligations provided for in EU legislation. The market consultations have been completed, it was announced about the stage of drawing up the system for evaluation of suppliers' qualifications. It is planned that the investments will exceed EUR 200 million.

2. **Improving passenger experience**

Holistic customer experience management and research-based business solutions. The main highlights of 2021: the set of customer service guidelines (the former customer service standard) and smart ticketing system. Passengers will be able to purchase tickets through a mobile app, ticket machines in stations and on the substantially updated website.

3. **Stations** as attraction spots connecting people and businesses.

The project implementation plan for the modernization of Vilnius railway station as an attraction spot was approved. The concepts of interior of the station are being prepared, storage facilities are being renewed.

4. **Developing ancillary services**

Development of more comfortable travelling, additional services on trains, combined passenger transportation.

5. **"Door-to-door"**

Implementation and development of a travel planning tool integrating different transport modes.

6. **First choice for travellers**

Increasing visibility of LTG Link, building a stronger image. Adaptation of services to the principles of universal design. Promoting green transport.

7. **Efficient partnership with the state**

Conclusion of the long-term Public Service Obligation Contract with the institution authorized by the Government of the Republic of Lithuania.

STRATEGIC PROJECTS SCHEDULED UNTIL 2030:

- Ticketing system(stages I and II);
- Acquisition of electric trains;
- Acquisition of alternate components/units for Pesa 730ML;
- Relocating LTG Link's repair, parking, maintenance activities;
- Establishment of OMC;
- E-storage for luggage storage and parcel carriage;
- Rail Baltica (from 2030);
- Door-to-door initiative
- LG Polska-Passenger.

KEY PROJECTS IN H1 2021:

Ticketing system, stage I

- A contract on deployment of a new ticketing system was signed with UAB Fortevento and UAB Turnit.
- System installation works and testing are underway, a Go Live plan is being set up with all the necessary work.
- The deployment is scheduled in October 2021.

Acquisition of electric trains

- TDC has approved a solution for the technical traction, SIC approved the amount of trains and project budget. The project has been approved by the LTG Board.
- The project has been included into the programme of strategic projects.
- The public procurement was announced in April 2021. It was suspended during the legal dispute. On 19 July a favorable court decision was received - the supplier's claim was rejected in full. The supplier has 14 days to appeal against this court decision. If the supplier takes use of this possibility the court decision shall be reviewed by the higher court. In this case, the renewal of the tender would take 2 months.

International expansion

- Vilnius - Warsaw: LTG Link and PKP IC work groups coordinated pricing, timetable, product, etc. The launch of this itinerary is suspended due to lack of locomotives on the market. A proposal on lease of diesel trains has been received.
- Vilnius - Riga: information on intentions and issues with LV has been presented to the Ministry of Transport and Communications; search of partner: a proposal has been submitted to Pasažieru Vilciens.
- PSO of foreign states: The current situation does not allow us to expect significant achievements. Funding and governance issues need to be addressed. For faster progress, it is necessary to staff a small team of international PSO.
- Rail Baltica passenger transportation strategy 2050 has been prepared. The strategy will be updated on a yearly basis.

Long-term Public Service Obligation Contract

- Coordination on essential provisions of the PSO contract with the Ministry of Transport and Communications.
- Meetings and presentations to other ministries and institutions by highlighting the importance of the contract for the state and society.

Development of an operational center for passenger transportation activities (OMC)

- Link OMC project scope entails an agreement signed with IVU Traffic Technologies in H1 2021.
- A new model of operation management has been developed.
- The system is being actively deployed. The launch of the system is scheduled for Q1 2022.

Comprehensive customization of services for passengers with individual needs

- We joined the global international initiative "The Hidden Disabilities Sunflower" and acquired the necessary paraphernalia. The paraphernalia is available across all ticket offices starting from March 22.
- We cooperated with LASS (Lithuanian Union of the Blind and Visually Impaired) on the compliance of passenger station markings for customers with special needs.
- On 01/06/2021 LTG signed a memorandum initiated by the Ministry of Transport and Communications on the customization of vehicles and transport physical and information infrastructure to people with individual needs. According to the action plan set out in the Letter of Intent of the Ministry of Transport, the Lithuanian Railways and the Lithuanian Disability Organizations Forum signed in 2019, the objectives of the above-mentioned 2021 memorandum are being implemented.
- The Ministries of Environment and Social Security and Labour were presented with initiatives to improve the adaptability of services provided by LTG Link to individual needs and cooperation.
- Focused group discussions were conducted with three types of groups of passengers with individual needs (passengers with reduced mobility, passengers with visual or hearing impairments, passengers with special children): refining needs and expectations.
- The members of the LTG Link PRM project took part in the organized trip “PRM: Experiential Travel by Train”, the aim of which is to experience and evaluate the adaptability of the services and infrastructure provided by LTG Link to passengers with individual needs and reduced mobility. The remarks made during the trip were submitted to the heads of the responsible departments with a commitment to remove the existing obstacles for passengers.

MOST SIGNIFICANT EVENTS IN H1 2021

JANUARY

- **January 2021.** The validity of the Family Card has been extended. Card holders are offered 20% discount for domestic train travel in Lithuania.
- **1 January.** The Company joined the POLA programme.

FEBRUARY

- **February 2021.** The return of train services began. On 5 February, 2 train services on the Vilnius-Klaipėda-Vilnius route were returned. Between 28 February and 1 March, 8 trains were reinstated: more trains between Vilnius and Kaunas, Kaunas and Kybartai, Radviliškiai and Mažeikiai, and a change of timetable on the Vilnius-Marcinkonys-Vilnius route.
- **15 February.** A contract was signed with the German company IVU Traffic Technologies, on the basis of which the company's activities will be significantly digitized by implementing an integrated resource planning and operational management system (IRPOVS). The value of the contract is more than EUR 2.6 million for a period of five years, with the possibility of extension.
- **15-16 February.** The Day of Restoration of the State of Lithuania was commemorated with a Flag train: a train lighted in three flag colors ran from/to Vilnius and Kaunas.

MARCH

- **March 2021.** In the ranking of European sustainable brands published by the Sustainable Brand Index ™, the company was recognized as a leader in the Transport / Travel segment in Lithuania.
- **10 March.**The company signed an agreement with UAB Fortevento and the Estonian company Turnit on the implementation of a new ticketing system.
- **20 March.** On the occasion of World Earth Day, an electric train decorated with natural motifs started running between Vilnius and Kaunas.
- **28 March.** 41 domestic routes were restored, changes made to 11 train timetables.
- **27 March - 5 April.** Restrictions on movement between municipalities lifted in Lithuania. Checks on travelers were carried out at stations on 1-5 April. The company refunded the full ticket price to anyone who refused non-essential travel on the Easter weekend.

APRIL

- **April 2021.** The company joined the global initiative *Hidden Disabilities Sunflower*. It is about facilitating travel for individuals with special needs people on the autism spectrum, with visual or hearing impairments that are not immediately obvious. The fact that a person may need help or more time is indicated by a sunflower sign, which is available free of charge at all passenger railway stations.
- **April 2021.** The project for the acquisition of new trains has completed the qualification requirements phase - the major European train manufacturers have been invited to submit their bids and participate in the procurement.
- **9 April.** An upgraded Information Center opened at Vilnius Railway Station.

MAY

- **May 2021.** The company launched a campaign *Green LINK* to promote and educate sustainable train travel.
- **May 2021.** A fifth season of *Seaside Express* was opened.

JUNE

- **June 2021.** The company became a member of the Lithuanian Passenger Transport Association.
- **June 2021.** On the route Klaipėda – Šilutė – Klaipėda, evening trips were returned until October 3.
- **June 2021.** Due to record heat, train speeds were limited on the hottest days.

EVENTS AFTER THE END OF THE REPORTING PERIOD

- There were no substantial events after the end of the reporting period.

IMPACT OF COVID-19 ON THE COMPANY'S OPERATIONS

In H1 2021, many sectors of the country were still being affected by the global coronavirus (COVID-19) pandemic.. In January - June the quarantine conditions were in force in Lithuania, restrictions were imposed on the movement between cities as well as the number of passengers on domestic trains, in order to ensure that passengers sat at a safe distance from each other, and the food sold on trains. The international train journeys were suspended from mid March 2020, and only 6 transit journeys were resumed by H1 2021. In addition, the Company ensured the disinfection of trains and the provision of personal protective equipment for passengers and staff. This was reflected in the Company's activities and interim results, but LTG Link tends to see the positive in the current situation and is not changing its long-term strategic priorities and goals, but is reconsidering the measures that should ensure the achievement of these goals.

(thousand Euro unless otherwise stated)

OVERVIEW OF THE KPIS

OVERVIEW OF THE KPIS

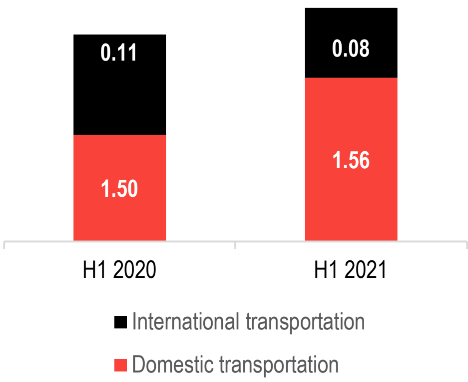
Indicators	Units	2020 H1	2021 H1	2021/2020 Δ, %
Passengers carried	million passengers	1.61	1.64	2%
Domestic	million passengers	1.50	1.56	4%
International	million passengers	0.11	0.08	-30%
Passenger turnover	million pass. km	122.4	123.8	1%
Domestic	million pass. km	108.5	105.9	-2%
International	million pass. km	13.9	17.9	29%
Average distance travelled by passenger	km	76.1	75.3	-1%
Proportion of tickets sold without human intervention	%	33.7	37.5	11%
Punctuality of trains	%	98	98	0%

PASSENGER TRANSPORTATION ON DOMESTIC ROUTES

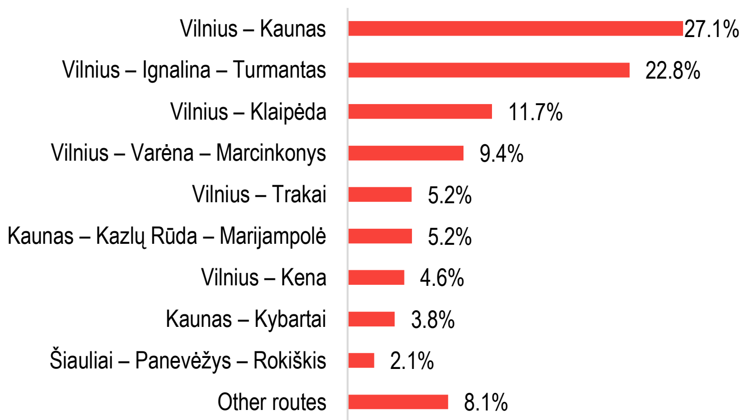
In H1 2021, the number of passengers carried on domestic routes amounted to 1.6 million (1.5 million in H1 2020). In H1 2021 not all routes that had been cancelled in 2020 due to COVID-19 pandemic were restored. At the end of H1 2021, 43 out of 226 journeys of domestic trains were not reopened yet.

The Vilnius – Kaunas route (27.1% of total transport on domestic routes) that carried 0.4 million passengers in H1 2021, remains among the most popular routes.

Passenger volumes, million passengers, H1 2021



Structure of domestic transportation in H1 2021, %



The number of tickets sold on the website http://www.traukiniobilietas.lt accounted for 37.5% in H1 2020 (33.7% in H1 2020).

PASSENGER TRANSPORTATION ON INTERNATIONAL ROUTES

Passenger transportation on international routes accounted for 0.1 million passengers in H1 2021 (0.1 million in H1 2020) who travelled by transit trains through the territory of the Republic of Lithuania to and from the Kaliningrad region to Russia.

Due to the pandemic of coronavirus (COVID-19), from 2020 m. 16, the traffic of international trains was suspended, whereas from 6 April the traffic of transit trains was suspended. At the end of H1 2021, 26 out of 32 journeys of international trains were not reopened yet.

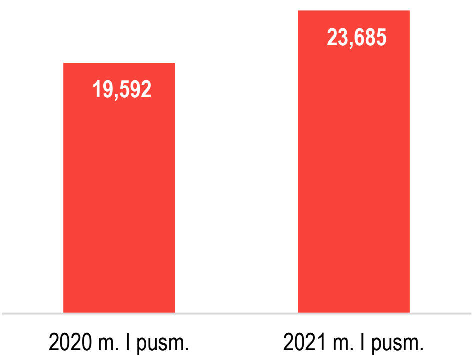
ANALYSIS OF FINANCIAL AND OPERATIONAL PERFORMANCE

PERFORMANCE RESULTS

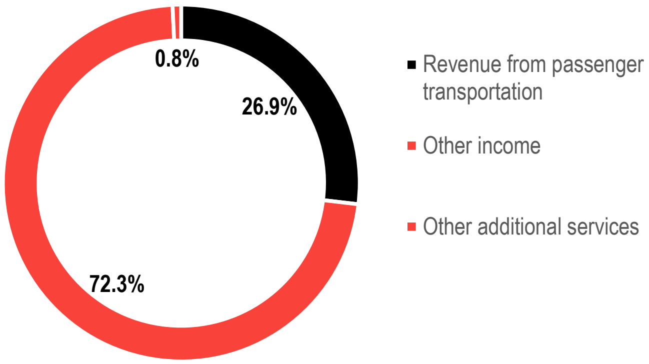
REVENUE

- Passenger transportation revenue accounted for EUR 6.4 million in H1 2021 (EUR 6.3 million in H1'20). In the structure of the Company's revenue it accounted for 26.9% of generated revenue. Revenue generated from passenger transport on domestic routes accounts for 17.7% while revenue from the international routes accounts for 9.2%.
- The Company also provides other additional services: luggage storage, transportation of small consignments, travel ticket processing, advertising services, sale of travel tickets and food on trains. During the analyzed period, the revenue generated from this group of services amounted to EUR 0.2 million (0.3 million in H1 2020).
- Other income made EUR 17.1 million (in H1 2020 it was EUR 13.0 million). Significant growth in other income was driven by the subsidies to compensate for losses incurred when carrying passengers on domestic routes.

Company's revenue
in H1 2021, EUR thousand



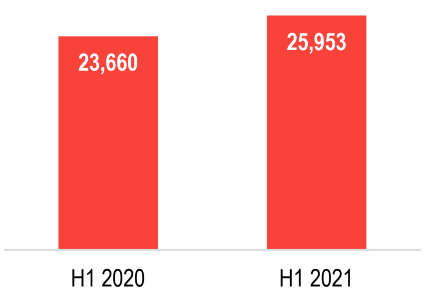
Revenue structure
in H1 2021, %



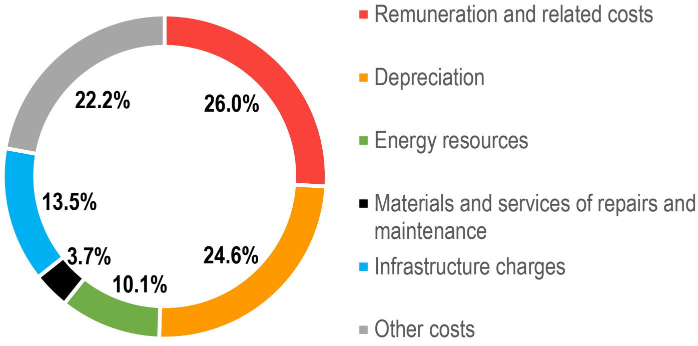
Costs

- The Company's costs related to performance of the main and other activities amounted to EUR 26.0 million in H1 2021 (EUR 23.7 million in H1 2020).
- The larger proportion of these costs is constituted by the labour costs (26.0 %), depreciation and amortisation (24.6 %), infrastructure charges (13.5 %) and energy resources (10.1%).
- Comparing the first half of 2021 with the first half of 2020, the increase in costs is mainly related to the increase in depreciation (EUR 0.8 million) and infrastructure costs (EUR 1.4 million).

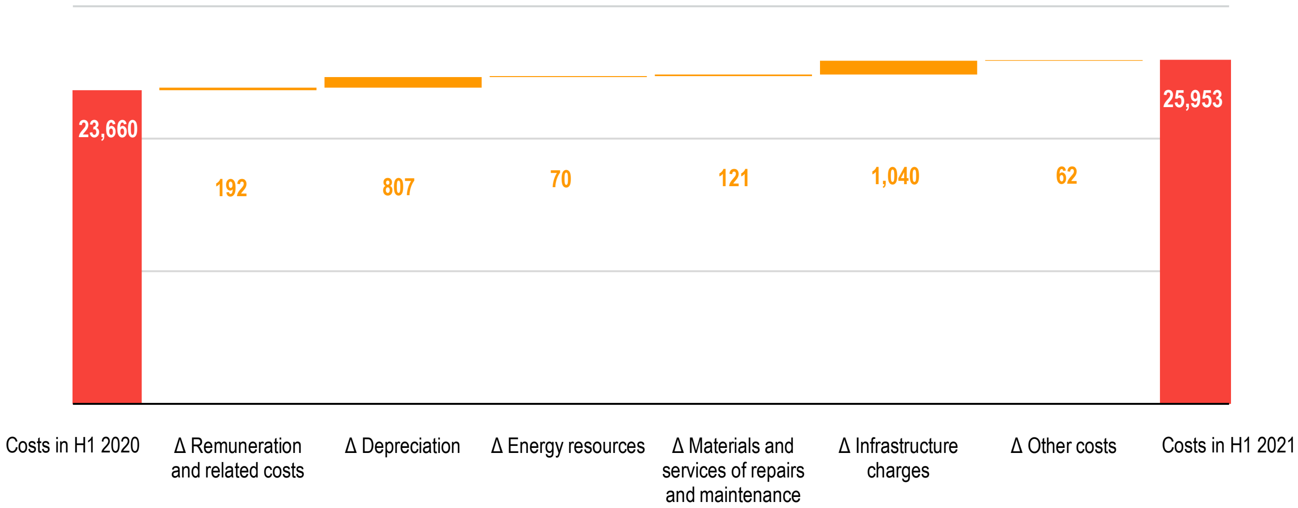
Company costs in H1 2021, EUR thousand



Costs structure in H1 2021, %



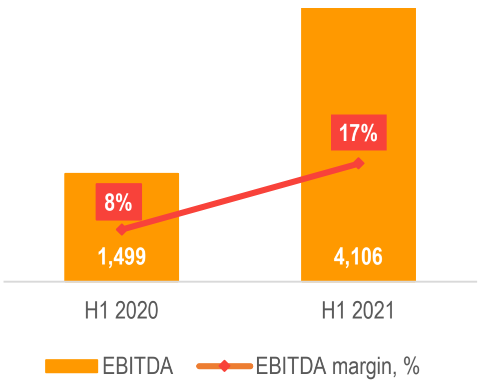
Change in Company costs, EUR thousand



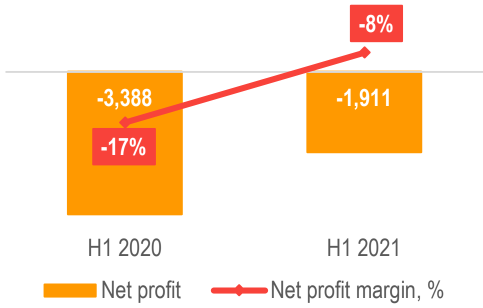
PERFORMANCE RESULTS

- In the first half of 2021, the Company's EBITDA amounted to EUR 4.1 million (first half of 2020 - EUR 1.5 million), and the EBITDA margin amounted to 17.3% (first half of 2020 - 7.7%).
- The Company's net loss in the first half of 2021 amounted to EUR 1.9 million (EUR 3.4 million in the first half of 2020), and accordingly the net profit (loss) margin amounted to 8.1% (17.3% in the first half of 2020).

Company's EBITDA, EUR thousand



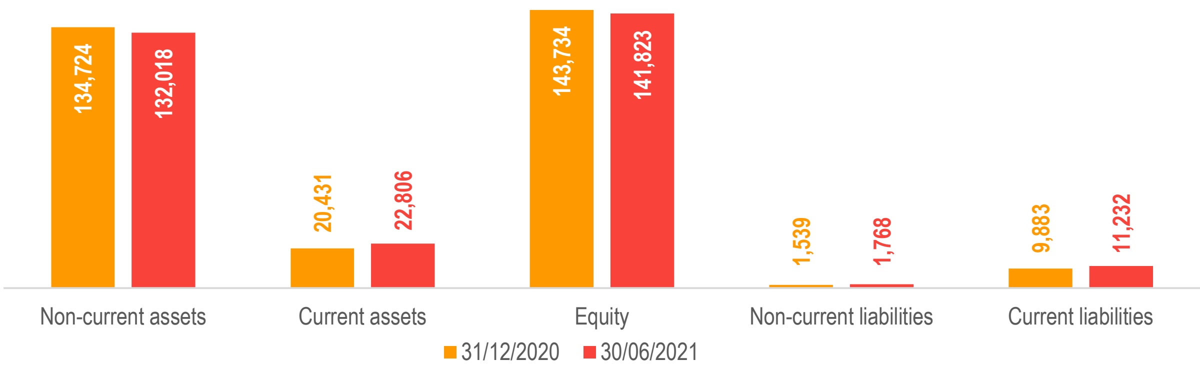
Company's net profit, EUR thousand



CHANGES IN THE STATEMENT OF FINANCIAL POSITION

- During H1 2021, non-current assets were reduced by depreciation costs (EUR 6.4 million) and increased by investments (EUR 4.5 million), in comparison with 2020, current assets increased as a result of the increased amounts receivable (the receivable grant of EUR 17.1 million).
- In H1 2021, the equity was reduced by the increasing retained loss.
- Non-current liabilities increased due to the increase in lease liabilities, whereas current liabilities were increased due to the increased trade and other payables the LTG Group's cash-pool used to balance working capital. The Company does not have long-term debts to credit institutions.

Changes in the main items of the statement of financial position, EUR thousand



(thousand Euro unless otherwise stated)

MAIN FINANCIAL INDICATORS*

	Units	H1 2020	H1 2021
Sales revenue	thousand EUR	6,556	6,560
Other income	thousand EUR	13,036	17,125
Total income	thousand EUR	19,592	23,685
Costs	thousand EUR	23,660	25,953
EBITDA	thousand EUR	1,499	4,106
EBITDA margin	%	8%	17%
EBIT	thousand EUR	-4,068	-2,268
EBIT margin	%	-21%	-10%
Net profit	thousand EUR	-3,388	-1,911
Net profit margin	%	-17%	-8%
		31/12/2020	30/06/2021
Non-current assets	thousand EUR	134,724	132,018
Current assets	thousand EUR	20,431	22,806
Total assets	thousand EUR	155,155	154,824
Equity	thousand EUR	143,734	141,823
Financial debt	thousand EUR	1,017	2,025
Net debt	thousand EUR	-16,373	1,843
Return on equity (ROE)	%	-0.1%	0.9%
Return on assets (ROA)	%	-0.1%	0.8%
Return on investment (ROI)	%	-0.1%	0.9%
Financial debt / EBITDA	times	0.1	0.1
Financial debt / Equity	%	0.01	0.01
Net debt / EBITDA	times	-1.4	0.1
Equity ratio	%	92.6%	91.6%
Asset turnover indicator	times	0.3	0.3
Quick liquidity ratio	times	2.0	1.9
Current ratio	times	2.1	2.0

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

(thousand Euro unless otherwise stated)

COMPANY'S FUNDING

In H1 2021, the Company had no debt liabilities to credit institutions.

To balance the working capital, in H1 2021 the Company used the cash pool of LTG Group. The agreement on the Group cash pool is effective until 31 December 2021. The terms of the agreement are in line with normal market conditions.

DIVIDEND POLICY

The payment of dividends and the size of profit contributions are regulated by Resolution No. 20 of the Government RoL of 14 January 1997 and any amendments (https://www.e-tar.lt/portal/lt/legalActEditions/TAR.B8E139A37FF0?faces-redirect=true).

The allocation and payment of the Company's dividends is governed by the LTG Group's Dividend Policy, which has been drafted in accordance with 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. Dividend payment ratio calculated on the Company's retained earnings depends on the Return on Equity (ROE) ratio at the end of the reporting period.

The Board of the Company may propose a higher share of profit to be distributed for dividends taking into account the implementation of financial plans, significant financial ratios (net profit, EBITDA, financial debt to EBITDA ratio, financial debt to equity ratio) at the end of the reporting period, if the payment of such higher share of profit 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;

ROE of the Company (%)	Dividend share of distributable profit (%)
<=1	>=85
>1 and <=3	>=80
>3 and <=5	>=75
>5 and <=10	>=70
>10 and <=15	>=65
>15	>=60

- The Company carries out or participates in carrying out an economic project recognized 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 authorized capital, compulsory reserve, revaluation reserve and reserve for acquiring own shares of the LTG Group entity;
- The Company is insolvent or would become such after the payment of dividends.

In the first half of 2021 and in the previous year, UAB LTG Link did no pay out dividends.

INVESTMENTS

LTG LINK investments constituted EUR 4.5 million in H1 2021. All investments (100%) were funded by using the Company's own funds, the majority whereof were aimed at overhaul of passenger rolling-stock (67.3%).

KEY INVESTMENT PROJECTS IN H1 2021:

The implementation of the **Ticketing System (Smart Ticketing)** is in progress: deployment contract has been signed as well as the procurement of ticket machine lease has been initiated. Having implemented the new ticket sale system, train passengers will be able to buy tickets on an up-to-date mobile app, new website or ticket machines located at stations. The ticketing system will be adapted to passengers with disabilities, seniors, families with young children. This system will increase attractiveness of passenger rail transport and, also will allow decreasing costs of LTG Link.

A **process for acquisition of new passenger trains** was initiated. LTG Link plans to purchase the most environmentally friendly electric trains instead of the old diesel trains, some of which would be equipped with batteries, which would ensure ecological transportation of passengers on non-electrified sections. Trains will be adapted to the needs of the disabled. Public procurement procedures were being carried out during the reporting period. The signing of a contract at the value of approx. EUR 200 million is scheduled in Q1 2022. The first new trains are expected to run in 2024-2025.

On-going **overhaul program for the passenger railway rolling stock**. 22 passenger rolling stock were repaired in H1 2021.

(thousand Euro unless otherwise stated)

EMPLOYEES

For the successful implementation of its strategy, to efficiently conduct daily activities, create a competitive advantage and adapt to changing business needs, the Company follows the personnel management principles that are based on the best practices. Focus on employees is a strategic direction, primarily implemented through the development of the corporate culture.

The entire LTG Group strives for a high-performance culture based on the existing LTG values:

As at 30 June 2021, the number of the Company's employees was 654. Compared to the data as at 31 December 2020, the number of employees decreased by 21, or 3%.

The average monthly salary, compared to 2020, changed from EUR 1,661 to EUR 1,720. The change in average monthly salary was mainly influenced by the salary review across the entire LTG Group.

The total remuneration fund amounted to EUR 6.5 million. In addition, in April 2020, the annual incentives for performance in the amount of EUR 0.6 million were paid to the Company's employees as well as to the employees of other companies of the LTG Group.

NUMBER OF EMPLOYEES AND AVERAGE SALARY

Employee groups by position	31/12/2019		31/12/2020		30/06/2021	
	Actual number of employees as of the end of the period	Average salary, EUR	Actual number of employees as of the end of the period	Average salary, EUR	Actual number of employees as of the end of the period	Average salary, EUR
CEO*	1	8,200	1	8,200	1	8,300
Top-level managers*	3	5,387	4	5,173	5	5,235
Senior executives and specialists in exceptional fields	7	3,744	8	3,811	9	3,801
Middle-level managers and individual experts	24	2,536	33	2,583	38	2,627
Team leaders and experienced specialists	90	1,790	104	1,824	100	1,880
Specialists and experienced operational/service staff	244	1,775	288	1,840	397	1,641
Operational/service staff, qualified workers	341	1,172	237	1,235	104	1,151
Total	**710**	**1,571**	**675**	**1,661**	**654**	**1,720**

* fixed remuneration as at the end of the period is provided.

As at 30 June 2021, the fixed monthly salary of the Company's CEO amounted to EUR 8,300, and the average actual salary, including the annual motivation bonus for performance results, amounted to EUR 10,326.

As at 30 June 2021, the fixed monthly salary of top-level managers as stated in their labour contracts, amounted to EUR 5,235, and the average actual salary of these function groups, including the annual bonus for performance results, amounted to EUR 6,189.

INFORMATION ON COMPLIANCE WITH THE TRANSPARENCY GUIDELINES

The Company follows the requirements of the Guidelines for Ensuring Transparency of State-Owned Enterprises approved under GOV Resolution No. 1052 of 14 July 2010 by disclosing the required information in annual and interim reports and on its website https://www.litrail.lt/594.

The structured information on the performance (compliance) under the Guidelines is presented in the annual report of the Company.

DEFINITIONS

Revenue	Sales revenue + Income from other activities after assessment of grants intended for compensation of losses due to passenger transportation activities, excluding income from financing activities
Sales	Revenue, excluding income from other activities and financing activities
Costs	Costs, excluding the corporate income tax and expenses for financing activities
Financial debt	Interest-bearing financial debt, including financial/operating lease
Net debt	Interest-bearing financial debt, including financial/operating lease – investments in cash and cash equivalents
Return on equity (ROE)	Net profit (loss) of the last 12 months / Average assets for the reporting period
Return on assets (ROA)	Net profit (loss) of the last 12 months / Average assets for the reporting period
Return on investment (ROI)	Net profit (loss) of the last 12 months / (Average assets for the reporting period – Average current liabilities for the reporting period)
EBIT	Profit (loss) before corporate income tax – Result from financing and investing activities
EBITDA	Profit (loss) before corporate income tax – Result from financing and investing activities + Depreciation and amortization
EBIT margin	EBIT / total revenue
EBITDA margin	EBITDA / total revenue
Net profit margin	Net profit (loss) / total revenue
Equity ratio	Equity at the end of the period / Total assets at the end of the reporting period
Asset turnover ratio	Total revenue for the last 12 months / Assets at the end of the reporting period
Quick liquidity ratio	(Current assets at the end of the reporting period - Inventory at the end of the reporting period) / Current liabilities at the end of the reporting period
Current ratio	Current assets at the end of the reporting period / Current liabilities at the end of the period
Passenger turnover (passenger-kilometre)	Passenger transport indicator calculated by multiplying the number of passengers carried and the length of distance covered
employees	The list-based number of active employees as at the end of the period (excluding the employees on parental leave, military service, long-term incapacity)
Average salary	Average gross salary per employee

UAB LTG LINK
INTERIM FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH
International Financial Reporting Standards,
as adopted by
the European Union,

FOR THE SIX-MONTHS PERIOD ENDED
30 June 2021 (UNAUDITED)

(THOUSAND EURO UNLESS OTHERWISE STATED)

STATEMENT OF FINANCIAL POSITION

	Notes	30/06/2021	31/12/2020
NON-CURRENT ASSETS			
Property, plant and equipment	3	129,281	132,752
Buildings and structures		2,899	3,128
Machinery and plant		320	354
Vehicles		125,195	128,286
Other equipment, fittings and tools		382	407
Construction in progress and prepayments		485	577
Right-of-use assets		1,286	988
Intangible assets		104	-
Advances paid		104	-
Investment property		-	-
Financial assets		-	-
Deferred income tax asset		1,347	984
Total non-current assets		**132,018**	**134,724**
CURRENT ASSETS			
Inventories	4	1,615	951
Trade and other receivables	5	20,758	1,895
Prepayments		215	160
Cash and cash equivalents		182	17,389
Non-current assets held-for-sale	4	36	36
Total current assets		**22,806**	**20,431**
TOTAL ASSETS		**154,824**	**155,155**

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

(THOUSAND EURO UNLESS OTHERWISE STATED)

STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	30/06/2021	31/12/2020
EQUITY			
Share capital		143,590	143,590
Legal reserve		-	-
Other reserves	6	144	-
Retained earnings (loss)		(1,911)	144
Total equity		**141,823**	**143,734**
LIABILITIES			
Non-current liabilities			
Lease liabilities		1,159	869
Employee benefits		609	670
Total non-current liabilities		**1,768**	**1,539**
Current liabilities			
Loans and borrowings	7	726	-
Lease liabilities		140	148
Corporate income tax liabilities		-	-
Employee benefits		2,150	2,341
Trade and other payables	8	8,213	7,389
Prepayments received		4	4
Total current liabilities		**11,233**	**9,882**
Total liabilities		**13,001**	**11,421**
Total equity and liabilities		**154,824**	**155,155**

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

Chief Executive Officer Linas Baužys

AB Lietuvos Geležinkeliai
Financial Statements and Control
Lead of the Reporting Team
acting under Power of Attorney No |G(LGKL)-19
of 18/03/2020

Svetlana Pupeikienė

(THOUSAND EURO UNLESS OTHERWISE STATED)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	30/06/2021	30/06/2020
Sales	9	6,560	6,556
Other income	10	17,125	13,036
Total income		23,685	19,592
Employee benefits		(6,748)	(6,556)
Depreciation and amortisation	3	(6,374)	(5,567)
Management service		(3,578)	(3,537)
Infrastructure services		(3,505)	(2,465)
Fuel		(2,158)	(2,069)
Electricity		(456)	(475)
Repairs and maintenance		(439)	(437)
Materials		(513)	(394)
Services rendered by other foreign railway companies		(148)	(251)
Increase (decrease) in the value of inventories		-	5
Other expenses		(2,034)	(1,914)
Profit (loss) from operations		(2,268)	(4,068)
Finance income		40	109
Finance costs		-	(27)
Profit (loss) before taxation		(2,228)	(3,986)
Corporate income tax	11	317	598
Net profit (loss)		**(1,911)**	**(3,388)**
Other comprehensive income (expenses)		-	-
Total comprehensive income (expenses)		**(1,911)**	**(3,388)**

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

(THOUSAND EURO UNLESS OTHERWISE STATED)

STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings (loss)	Total
Balance as at 31 December 2019		**156,237**	**-**	**-**	**-**	**(12,296)**	**143,941**
Net profit (loss)		-	-	-	-	(3,388)	(3,388)
Other comprehensive income, after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		*-*	*-*	*-*	*-*	*(3,388)*	*(3,388)*
Unrecognised profit (loss) for the reporting year		-	-	-	-	-	-
Increase in share capital		-	-	-	-	-	-
Reduction of share capital		-	-	-	-	-	-
Reserves formed		-	-	-	-	-	-
Reserves used		-	-	-	-	-	-
Dividends paid		-	-	-	-	-	-
Total transactions with owners of the Company		-	-	-	-	-	-
Balance as at 30 June 2020		**156,237**	**-**	**-**	**-**	**(15,684)**	**140,553**
Balance as at 31 December 2020		**143,590**	**-**	**-**	**-**	**144**	**143,734**
Net profit (loss)		-	-	-	-	(1,911)	(1,911)
Other comprehensive income, after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		*-*	*-*	*-*	*-*	*(1,911)*	*(1,911)*
Unrecognised profit (loss) for the reporting year		-	-	-	-	-	-
Increase in share capital		-	-	-	-	-	-
Reduction of share capital		-	-	-	-	-	-
Reserves formed	6	-	-	-	144	(144)	-
Reserves used		-	-	-	-	-	-
Dividends paid		-	-	-	-	-	-
Total transactions with owners of the Company		*-*	*-*	*-*	*144*	*(144)*	*-*
Balance as at 30 June 2021		**143,590**	**-**	**-**	**144**	**(1,911)**	**141,823**

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

(THOUSAND EURO UNLESS OTHERWISE STATED)

STATEMENT OF CASH FLOWS

	Notes	30/06/2021	30/06/2020
Cash flows from operating activities			
Net profit (loss)		**(1,911)**	**(3,388)**
Adjustment to non-cash items			
Depreciation and amortisation expenses	3	6,374	5,567
(Gain) loss from disposal/write-off of non-current assets		-	(61)
Increase (decrease) in the value of inventories impairment		-	(5)
Change in accrued income/expenses		(1,000)	973
Effect of currency exchange fluctuations		3	33
Interest on lease liabilities		(1)	24
Corporate income tax expenses (income)	11	(317)	(598)
Cash flows from operating activities after adjustment to non-cash items		3,148	2,545
Changes in working capital			
Decrease (increase) in inventories		(664)	(226)
Decrease (increase) in trade and other receivables and prepayments		(19,386)	(11,933)
Increase (decrease) in current and non-current trade payables and received prepayments		503	(1,271)
Increase (decrease) in employment related liabilities		(253)	322
Increase (decrease) in other non-current and current payables		190	1,831
Net cash from operating activities		(16,462)	(8,732)
Cash flows from investing activities			
(Acquisition) disposal of non-current assets		(2,008)	(3,518)
Net cash used in investing activities		(2,008)	(3,518)
Cash flows from financing activities			
Loans received		726	-
Interest on lease liabilities		(6)	(24)
Lease liability payments		(70)	(81)
Subsidies received		613	8,074
Cash flows related to owners		-	-
Net cash flows from financing activities		1,263	7,969
Increase (decrease) in net cash flows		(17,207)	(4,281)
Cash and cash equivalents at the beginning of the period		17,389	7,288
Cash and cash equivalents at the end of the period		**182**	**3,007**

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

EXPLANATORY NOTES

1. General information

UAB LTG Link (hereinafter referred to as the Company) was registered in the Register of Legal Entities of the Republic of Lithuania on 28 February 2019. In its activities the Company follows the Constitution of the Republic of Lithuania, Law on Companies of the Republic of Lithuania, Railway Transport Code of the Republic of Lithuania, and other valid legal acts of the Republic of Lithuania.

The Company is a private legal entity of limited civil liability, independently organizing economic, financial, organizational, and legal activities. UAB LTG Link is the company of the AB Lietuvos Geležinkeliai Group. AB Lietuvos Geležinkeliai is its sole shareholder. The Company's code 305052228, VAT code LT100012462811, legal (registered) address: Geležinkelio g. 16, LT-02100 Vilnius. The main activities of the Company are passenger and luggage transportation by rail and provision of related services.

The Company follows the established strategy and strategic strands of the Group of companies, as well as the approved policies, 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, articles of association and internal documents of the Company.

As of 31 December 2020 and 30 June 2021 the parent company AB Lietuvos Geležinkeliai was the sole shareholder of the Company. The Ministry of Transport and Communications of the Republic of Lithuania holds 100 percent of AB Lietuvos Geležinkeliai.

The Company has no branches nor representative offices.

The actual number of the Company's employees as of 30 June 2021 (excluding the employees on parental leave, military service, long-term incapacity) was 654 (as of 30 June 2020 it was 690).

2. Significant accounting policies

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

These interim financial statements have been prepared in accordance with all effective requirements of IFRS as at 31 December 2021 and publicly available at the Company's website https://www.litrail.lt/veiklos-rezultatai.

As of 1 January 2021, no effective IFRS and amendments to IFRS have been applied, which are permitted earlier in the preparation of these interim financial statements.

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

The financial statements are prepared on the historical cost basis.

(THOUSAND EURO 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	**-**	**3,733**	**572**	**139,893**	**579**	**-**	**144,777**
- acquisitions	-	5	-	3,930	-	-	3,935
- transferred from current assets	-	-	-	-	-	577	577
- transferred to current assets	-	-	(38)	-	(34)	-	(72)
- assets sold, written off, disposed	-	-	(11)	(343)	(28)	-	(382)
31 December 2020	**-**	**3,738**	**523**	**143,480**	**517**	**577**	**148,835**
- acquisitions	-	-	15	3,017	-	56	3,088
- transferred to current assets	-	-	-	-	-	(148)	(148)
- assets sold, written off, disposed	-	-	(10)	(152)	(6)	-	(168)
- reclassifications	-	-	4	(4)	-	-	-
30 June 2021	**-**	**3,738**	**532**	**146,341**	**511**	**485**	**151,607**
Accumulated depreciation and impairment losses							
31 December 2019	**-**	**(153)**	**(70)**	**(3,731)**	**(39)**	**-**	**(3,993)**
- depreciation	-	(457)	(143)	(11,486)	(130)	-	(12,216)
- Impairment allowance	-	-	-	-	-	-	-
- transferred to current assets	-	-	38	-	35	-	73
- assets sold, written off, disposed	-	-	6	23	24	-	53
31 December 2020	**-**	**(610)**	**(169)**	**(15,194)**	**(110)**	**-**	**(16,083)**
- depreciation	-	(229)	(49)	(5,972)	(25)	-	(6,275)
- Impairment allowance	-	-	-	-	-	-	-
- transferred to current assets	-	-	-	-		-	-
- assets sold, written off, disposed	-	-	10	16	5	-	31
- reclassifications	-	-	(4)	4	-	-	-
30 June 2021	**-**	**(839)**	**(212)**	**(21,146)**	**(129)**	**-**	**(22,325)**
Carrying amount							
31 December 2019	**-**	**3,580**	**502**	**136,162**	**540**	**-**	**140,784**
31 December 2020	**-**	**3,128**	**354**	**128,286**	**407**	**577**	**132,752**
30 June 2021	**-**	**2,899**	**320**	**125,195**	**382**	**485**	**129,281**

3. Property, plant and equipment (continued)

The depreciation and amortisation charge included to the statements of profit or loss and other comprehensive income amounted to EUR 6,374 thousand (EUR 5,567 thousand as at 30 June 2020). This amount includes EUR 6,275 thousand depreciation expense of the property, plant and equipment (EUR 5,432 thousand as at 30 June 2020), EUR 105 thousand (EUR 93 thousand as at 30 June 2020) depreciation expense of the assets under the right-of-use (EUR 69 thousand of amortisation charge as at 30 June 2020). Capitalized depreciation and amortisation amounted to EUR 6 thousand (EUR 27 thousand EUR as at 30 June 2020). The acquisition of fully depreciated property, plant and equipment of the Company still in use comprised EUR 276 thousand (EUR 401 thousand as at 31 December 2020). Most of the fully depreciated property, plant and equipment consisted of vehicles.

(THOUSAND EURO UNLESS OTHERWISE STATED)

4. Inventories and non-current assets held-for-sale

Inventories of the Company comprised:

	30/06/2021	31/12/2020
Fuel	73	63
Spare parts	1,387	704
Other	138	91
Total raw materials, materials and component parts	1,598	858
Goods for resale	17	93
Total goods held for resale	17	93
Non-current assets held-for-sale	36	36
Total non-current assets held for sale	36	36
Total	**1,651**	**987**

As at 30 June 2021 there was no reduction in the carrying amount of the Company's inventories to the net realizable value. The carrying amount of the Company's inventories of EUR 1,008 thousand was reduced by EUR 21 thousand to the net realizable value as at 31 December 2020. Change in write down of net realisable value of inventories of the Company is shown in article of write down to net realisable value expenses in the statements of profit or loss and other comprehensive income.

During the first half of 2021 inventories of EUR 2,671 thousand were written off at cost of sales (EUR 2,463 thousand in the first half of 2020).

5. Trade and other receivables

Trade and other receivables of the Company comprised:

	30/06/2021	31/12/2020
Gross external trade debtors	16	20
Impairment (-)	-	(3)
Total external trade debtors	**16**	**17**
Receivables from related parties	189/1	354
Impairment (-)	-	-
Total receivable from related parties	**1,189**	**354**
Receivable VAT	1,293	868
Other amounts receivable from the budget	17,760	336
Accrued income from related parties	-	3
Accrued income	504	312
Other receivables	5	5
Impairment (-)	-	-
Total other amounts receivable	**19,562**	**1,524**
Total	**20,767**	**1,895**

The majority of other amounts receivable from the budget EUR 17,092 include funds from the budget to compensate incurred losses for domestic passenger transportation by rail.

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

	30/06/2021	31/12/2020
Not overdue	1,708	687
Overdue 1- 30 days	5	3
Overdue 31- 60 days	1	-
Overdue 61- 120 days	-	1
Overdue for over 120 days	-	3
Impairment (-)	-	(3)
Total	**1,714**	**691**

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

(THOUSAND EURO UNLESS OTHERWISE STATED)

6. Other reserves

Pursuant to the decision dated 8 April 2021 of AB Lietuvos Geležinkeliai, the sole shareholder of UAB LTG Link regarding the approval of the financial statements and distribution of profits of 2020 it was decided to allocate EUR 144 thousand of distributable profit of 2020 to other reserves for investments.

7. Loans and borrowings

	30/06/2021	31/12/2020
Non-current loans	-	-
Current loans (cash-pool)	726	-
Total	**726**	**-**

On 21 December 2018 a cash-pool agreement with AB Swedbank was signed. On 29 August 2019 UAB LTG Link signed an additional agreement to join the Group's cash-pool. The Group and the Company implemented an inter-company borrowing and lending platform (Cash Pool service), which ensures the possibility of mutual borrowing for a maximum period of one year at market conditions.

8. Trade and other payables

Trade and other payables of the Company comprised:

	30/06/2021	31/12/2020
Trade payables	1,362	566
Trade payables to related parties	2,099	2,390
Cash guarantees received	78	2
Cash guarantees received from related parties	8	16
Other taxes payable to the budget	73	74
Accrued expenses	3,290	4,096
Deferred income	1,298	239
Other amounts payable and liabilities	5	6
Total	**8,213**	**7,389**

The Company recorded a liability of EUR 20 thousand for audit services under accrued expenses (EUR 20 thousand in 2020).

The major part of trade payables to related parties consists of the management fee.

The majority of accrued expenses, i.e. EUR 3,243 thousand (EUR 2,306 thousand in 2020) consists of infrastructure charge to related parties.

Deferred income consists of prepaid passenger tickets.

9. Sales revenue

Revenue of the Company comprised:

	30/06/2021	30/06/2020
Passenger transportation revenue:	6,374	6,292
Revenue from passenger transportation on domestic routes	4,143	4,651
Revenue from passenger transportation on international routes	1,903	1,528
Revenue from services related to passenger transportation	328	113
Other income:	186	264
Property lease	95	35
Other income	91	229
Total	**6,560**	**6,556**

As at 30 June 2021, the Company accounted for EUR 685 thousand of income compensation for the provision of passenger transportation services to socially disadvantaged groups with 80% and 50% discounts.

(THOUSAND EURO UNLESS OTHERWISE STATED)

10. Other income

As at 30 June 2021, other income of the Company amounted to EUR 17,125 thousand. The majority of other income EUR 17,124 thousand consisted of compensation for incurred losses from domestic passenger transportation by rail.

In the first half of 2021, an agreement was negotiated with the Ministry of Transport and Communications of the Republic of Lithuania on the allocation of EUR 33 048 thousand to the Company to cover the costs incurred in 2021 for the implementation of the Strategic Action Plan 2021-2023 for the areas of responsibility of the Lithuanian Minister of Transport and Communications, approved by Order No 3-195 of 6 April 2021 of the Minister of Transport and Communications of the Republic of Lithuania *On the approval of the Strategic Activity Plan 2021-2023 for the areas of management of the Minister of Transport and Communications of the Republic of Lithuania* of the programme *Ensuring Rail Transport* of the measure "Provision of loss-making, but essential for the public, rail passenger transport services to the carriers on established local transport routes”

11. Corporate income and deferred tax

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

	30/06/2021	30/06/2020
Adjustment to income tax of the previous year	46	(5)
Deferred tax expenses	(406)	(593)
Total corporate income tax expenses (income) recognised in profit or loss	**(360)**	**(598)**

12. Related party transactions

The parties are deemed as being related when one of them could control another or could have significant influence on the other party when making financial and operating decisions.

As defined by IAS 24 Related Party Disclosures, the entity is related to a reporting entity if any of the following conditions applies:

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

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

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

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

(THOUSAND EURO UNLESS OTHERWISE STATED)

12. Related party transactions (continued)

Related party transactions:

	06/2021		30/06/2021	
	Procurement	Sales	Receivables	Payables
AB Lietuvos Geležinkeliai	8,725	3,070	1,074	1,879
AB LTG Cargo	491	222	82	350
AB LTG Infra	3,300	148	57	574
UAB Geležinkelio Tiesimo Centras	-	3	1	-
UAB Vilniaus Lokomotyvų Remonto Depas	510	15	2	41
UAB Saugos Paslaugos	-	1	-	-
UAB Gelsauga	-	-	-	-
Total	**13,026**	**3,459**	**1,216**	**2,844**

	06/2020		30/06/2020	
	Procurement	Sales	Receivables	Payables
AB Lietuvos Geležinkeliai	6,157	32	5	1,823
AB LTG Cargo	21	86	19	4
AB LTG Infra	2,854	214	45	442
UAB Geležinkelio Tiesimo Centras	-	4	1	3
UAB Vilniaus Lokomotyvų Remonto Depas	1,273	24	24	610
UAB Saugos Paslaugos	-	1	-	-
UAB Gelsauga	19	-	-	8
Total	**10,324**	**361**	**94**	**2,890**

The Company's accrued income and expenses with related parties recorded in the Statement of Financial Position at 30 June 2021:

	30/06/2021		31/12/2020	
	Accrued receivables	Accrued payables	Accrued receivables	Accrued payables
AB Lietuvos Geležinkeliai	-	1,403	45	3,126
AB LTG Infra	-	1,834	-	909
UAB Vilniaus Lokomotyvų Remonto Depas	-	-	3	-
Total	**-**	**3,237**	**48**	**4,035**

According to the methodology of the AB Lietuvos Geležinkeliai Group, all transactions with related parties are carried out under market conditions and in line with the arm's length principle.

Management salary and other benefits

As at 30 June 2021 there were 8 executives in the Company: 1 Chief Executive Officer, 1 Head of Business Development and Marketing, 1 Head of Corporate Activities, 1 Head of Repairs, 1 Head of Operation, 1 Head of Passenger Services, 1 Head of Passenger Stations, 1 Head of Maintenance.

	30/06/2021	30/06/2020
Management remuneration	234	226
Incentives*	87	61
Accrued long-term benefits**	3	3
Number of managers	8	7
Benefits to Board Members	-	-
Number of Board Members	5	5

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

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

As at 30 June 2021 the management of the Company was not granted with loans, provided with guarantees or other paid or accrued benefits or disposed assets, except as disclosed above.

13. Contingent assets and liabilities

Legal cases

During the first half of 2021, the Company was not involved in any litigation.

14. Subsequent events and other information

There were no significant events after the end of the reporting period which should be recognized or disclosed in the financial statements for the first half of 2021.