AB LTG CARGO
Interim Report
Half 1 2022

CONTENTS

ABBREVIATIONS:

LTG – AB Lietuvos Geležinkeliai
LTG Group – AB Lietuvos Geležinkeliai and its subsidiaries
LTG Cargo, Company – AB LTG Cargo
LTG Cargo Group – AB LTG Cargo and its subsidiaries
LTG Cargo Polska – LTG Cargo Polska“ Sp. z o.o.
LTG Cargo Ukraine – LLC LTG Cargo Ukraine
LTG Wagons – UAB LTG Wagons
GTC – UAB Geležinkelio Tiesimo Centras

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

Dear colleagues, customers, partners and likeminded people,

This year started with a huge shock for all of us.. With Russia's war in Ukraine, all the business plans and goals that had been shaped until then have lost their relevance. Some of our employees in Ukraine have abandoned their homes having nothing with them. We had barely had any time to find some answers and make decisions: how can we help them? What steps do we need to take to ensure business continuity of AB LTG Cargo and its subsidiaries in the face of drastically declining freight volumes?

Today, at the end of the first half of 2022, the answers to all questions are much more certain. While it will take a long and consistent effort from the whole team to adapt to a changed market environment, we have already learned to think and strategise in shorter time intervals, to respond promptly and aggressively to change, and to make and implement bold out-of-the-box decisions. We know what we need to achieve, and the roadmap of actions is becoming clear. At its core is comprehensive diversification of our business activities to meet new customer needs. Let me summarise the steps planned and already implemented.

In April, we launched regular intermodal freight services to Duisburg in Germany. At the request of our customers, we are now able to transport goods to terminals in Gdansk and Małaszewicze in Poland. In Kazakhstan, we are looking for ways to develop new intermodal routes from Asia to the Klaipėda seaport and to render locomotive rental services, and we are working with our colleagues in Latvia and Estonia on the Amber Train service to connect the Baltic countries with Western Europe

The number of customers wishing to transport freight to Duisburg keeps growing. We hope that this will allow us to increase the number of trains to Germany from three to five per week by the year-end. Our plan is to make this route the backbone of LTG Cargo's international traffic, including a meaningful input of both the Amber Train and of other potential destinations such as Italy for example.

LTG Cargo's subsidiaries, LTG Cargo Polska in Poland and LTG Cargo Ukraine in Ukraine, have a major role to play in achieving diversification objectives. In the first half of this year, LTG Cargo Polska further enhanced its position by leasing two locomotives to increase the flow of intermodal freight transportation to Duisburg, and by planning investment in the development of new and existing services, as well as in the expansion of the technical fleet.

In April, LTG Cargo carried out the first pilot trip from Kaunas Intermodal Terminal to Ukraine via Poland. This was the first route in our history of operation that goods were transported by rail from Ukraine to Lithuania, bypassing Belarus.

LTG Cargo Ukraine resumed operations in June, which had been temporarily suspended since March due to the Russian war in Ukraine. This decision was made in response to business customers' demand for grain and other cargo outside the country. Our further focus is on employee safety therefore operations are carried out remotely.

However, it will still take time for all these steps to see growing freight volumes – due to Russia's war in Ukraine and the sanctions imposed on Belarus and Russia we handled almost a third less freight in the first half of the year if compared with the same period last year.

In the reporting period, we did not avoid painful and difficult decisions – LTG Cargo had to say goodbye to around 1,200 colleagues and to around 2,000 employees on the level of all companies within the LTG Group. This decision was taken only after the Group had decided to keep operating costs under strict control, had postponed some investment projects and consulted with employees' representatives. We jointly agreed on how we could help these colleagues to smoothly enter the labour market and make the most of it: we organised career fairs with employers across Lithuania and worked closely with the Lithuanian Employment Service, whose specialists provided the necessary advice.

It is to the credit of the entire LTG Cargo team that we are tackling the challenges step by step and that we are able to record our first achievements in this difficult period. Thanks to all of you together and to each one individually. I wish to extend my thanks to our partners and customers - you and your needs to open new freight routes and new markets are the driving force behind us all.

Sincerely,

EGLĖ ŠIMĖ
Chief Executive Officer of AB LTG Cargo

(all amounts are in EUR thousand unless otherwise stated)

BACKGROUND INFORMATION ON THE COMPANY

Company name	AB LTG Cargo
Company address	Geležinkelio g. 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) 202 1515
Email	info@ltgcargo.lt
Website	http://ltgcargo.lt
Core business	Freight transportation and provision of related services, rolling stock repair services
Chief Executive Officer	Eglė Šimė
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.

SUBSIDIARIES AND ASSOCIATES

Company name	LTG Cargo Polska Sp. z o.o.	UAB LTG Wagons	LLC LTG Cargo Ukraine	OOO Rail Lab
Company address	Rondo Organizacji Narodów Zjednoczonych Str. 1, 12th Floor 12, Warsaw	Geležinkelio g. 12, Vilnius	Pushkinska Str. 21, Office No. 3, Kiev, Ukraine	Internatsionalnaya Str. 36-1, Office 423.3, Minsk, the Republic of Belarus
Legal form	Private limited liability company	Private limited liability company	Private limited liability company	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, 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	office@ltgcargo.pl	info@ltgwagons.lt	Contact details at http://ltgcargo.ua	vladimir.dervenkov@ltg.lt
Website	http://ltgcargo.pl	http://ltgcargo.lt	http://ltgcargo.ua	-
Core business	Freight transportation and related services in Poland	Lease of wagons used for freight transportation	Freight transportation and related services in Ukraine	Manufacture, repair and maintenance of locomotives and rolling stock, wholesale
Ownership, %	AB LTG Cargo owns 100%	AB LTG Cargo owns 100%	AB LTG Cargo owns 100%	AB LTG Cargo owns 2%

* Data on all the above-mentioned legal entities are collected and stored in the Register of Legal Entities of the State Enterprise Centre of Registers, except for OOO Rail Lab which is registered in Belarus, LTG Cargo Polska which is registered in Poland, and LLC LTG Cargo Ukraine, which is registered in Ukraine.

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.
In 2020, AB LG Cargo was re-branded as AB LTG Cargo.
In 2020, in order to expand in the international market, LTG Cargo established its subsidiaries LTG Cargo Polska Sp. z o.o. and LLC LTG Cargo Ukraine. LTG Cargo Polska develops the activity of freight transportation by rail in Poland, while LTG Cargo Ukraine – shunting locomotive and wagon rental activity and rail freight transportation services in Ukraine.
In 2020, to strengthen LTG Cargo's competitiveness and diversify its activities, LTG Cargo established one more subsidiary UAB LTG Wagons to which wagon rental activities were transferred.
In April 2021, to ensure the Company's competitiveness and efficiency in international markets, LTG Cargo acquired business of UAB Vilniaus Lokomotyvų Remonto Depas providing rolling stock repair and modernization services. Thereafter, the Company provides rolling stock repair and modernisation services under a new brand – LTG Tech.

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.

Services provided under the brand of LTG Tech:

- 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).

LTG Tech also provides services of access to railway service facilities and services provided in railway service facilities – maintenance of locomotives, large-scale maintenance of locomotives, detachable repair and upkeep of freight wagons.

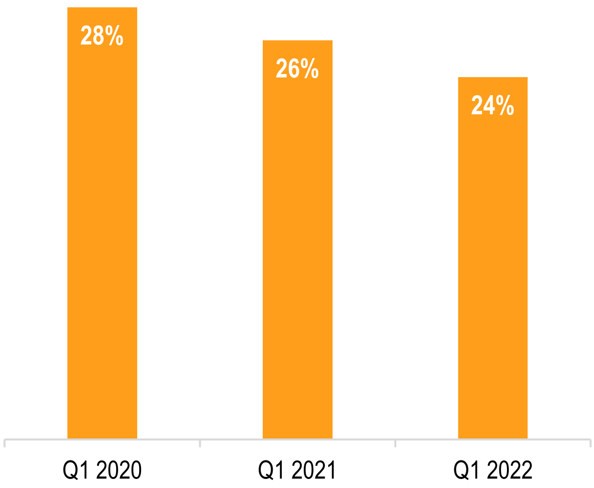
MARKET

LTG Cargo is a licensed railway undertaking 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.

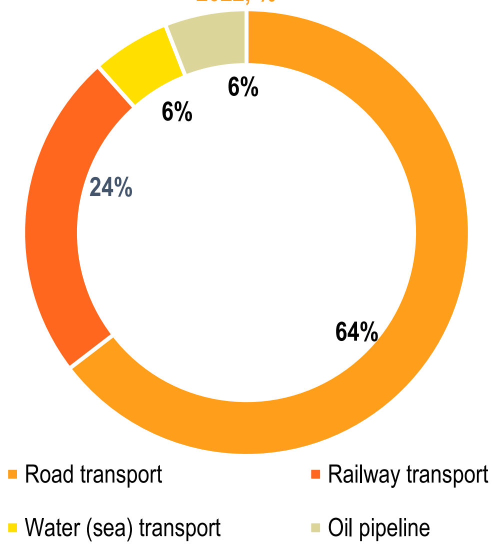
In the Lithuanian market, the carriage of freight by rail historically has had an especially strong competitor, i.e., transportation by road. The competition is especially fierce in the field of transportation of small-size and 'light' freight as well as in short-distance transportation. The main type 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 half of 2022, 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 24%, shrinking by about 2% annually as compared to the relevant periods of 2021 and 2020. This share was taken by road transport, which increased by 4% in the first quarter of 2022 compared to the corresponding period in 2020.

Railway transport share (tonnes) in the territory of Lithuania, %*



Freight transported (tonnes) by all types of transport in the territory of Lithuania in Q1 2022, %*



** Data of the Department of Statistics of Lithuania.*

The majority share of the freight carried by railways in the territory of Lithuania is comprised of international carriages. The freight transported in the direction of the Port of Klaipėda prevail, also the direction to the Kaliningrad region remains significant.

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 **in the international market** with the railway companies of other counties which carry freight on alternative routes, or even use other modes of transport, such as sea (water), or road transport.

In implementing the strategy of business diversification and international expansion, the Company is developing rail freight transportation on 1435 mm gauge. An important step towards development of LTG Cargo's activities to this direction is the connection of Kaunas Intermodal Terminal to the European rail system, which took place in July 2021. LTG Cargo is working intensively on this strategic direction, is strengthening its positions in Poland. In the first half of 2022, the Company with its subsidiary LTG Cargo Polska launched an intermodal train service to transport semi-trailers on the roundtrip route from Kaunas Intermodal Terminal to Duisburg. This activity is already gathering pace as the need to increase the number of such trips is felt in the market.

As part of the said international expansion strategy, LTG Cargo has also started its operations in the Ukrainian market, which were slowed down by the invasion of Ukraine by the Russian Federation.

The Company provides manufacture, maintenance and repair services of railway rolling stock to Lithuanian, Latvian, Estonian, Poland, Ukrainian and Georgia.

The main competitor of the Company in the field of locomotive and wagon repair services in Lithuania, Latvia and Estonia is the Daugavpils Locomotive Repair Plant which has huge manufacturing premises and enormous repair capacities. In Poland, it competes with such manufacturers as PESA, NEWAG and other private repair depots. In Ukraine, there are more than 100 repair depots which are owned by the Ukrainian railways and which carry out repair works of their fleet. Their repair bases are not renovated, there is a lack of investments therein. In addition, such private repair depots as Nikoalev Locomotive Repair Plant, Zaporizhia Locomotives Repair Plant, Ivano-Frankivsk Locomotive Repair Plant, Poltava Locomotive Repair Plant, etc. operate in Ukraine as well.

(all amounts are in EUR thousand unless otherwise stated)

MANAGEMENT OF THE COMPANY

INFORMATION ON SHARES AS OF 30 JUNE 2022

Company name	Amount of authorised capital, thousands of units of currency	Number of shares, items	Par value per share, EUR
Parent company			
AB LTG Cargo	EUR 44,087	209,299	210,64
Subsidiaries			
LTG Cargo Polska Sp. z o.o.	PLN 2,225	2,225	PLN 1,000
UAB LTG Wagons	EUR 150	150	1,000
LLC LTG Cargo Ukraine	UAH 17,027	-	-
OOO Rail Lab	BYN 23.73	-	-

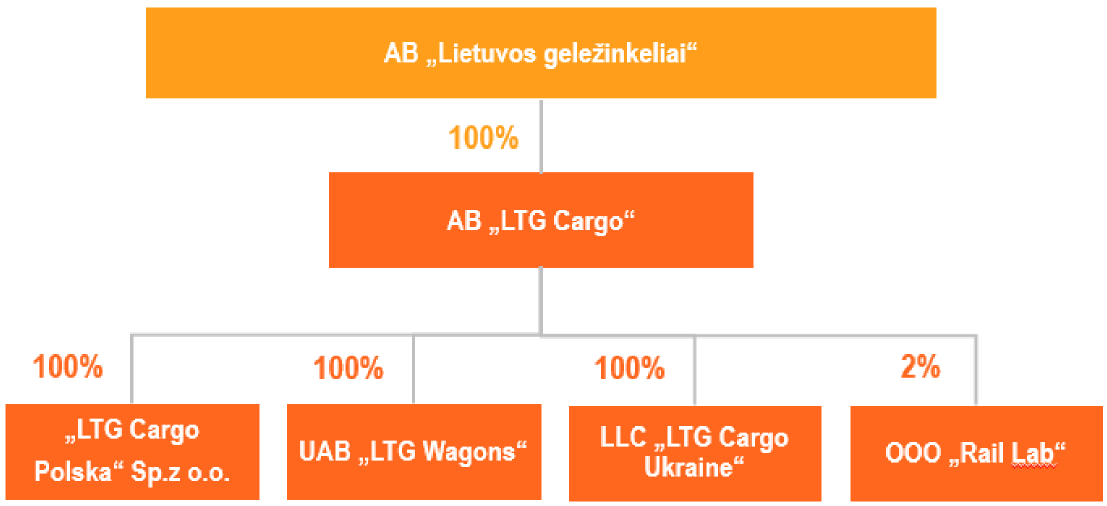
The Company is part of AB Lietuvos geležinkeliai Group whose sole shareholder is the parent company AB Lietuvos Geležinkeliai. The shareholder of AB Lietuvos Geležinkeliai is the State which is controlling 100% of shares, and rights and obligations of the shareholder are implemented by the Ministry of Transport and Communications of the Republic of Lithuania.

All shares of are of a single 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.

- Due to the military actions of the Russian Federation in Ukraine, the provision of services by LTG Cargo's subsidiary LLC LTG Cargo Ukraine has been temporarily suspended from 1 March 2022. In June 2022, the company's services have been resumed.
- During the reporting period, AB LTG Cargo, UAB GTC and OOO Rail Lab entered into a sales and purchase contract whereby AB LTG Cargo has transferred 97% of its shares held in OOO Rail Lab to the latter, and UAB GTC has transferred 1% of its shares held in OOO Rail Lab to the latter. Currently, LTG Cargo owns 2% of the shares of OOO Rail Lab. On 9 June 2022, the competent authorities of Belarus registered an updated version of the Articles of Association of OOO Rail Lab.

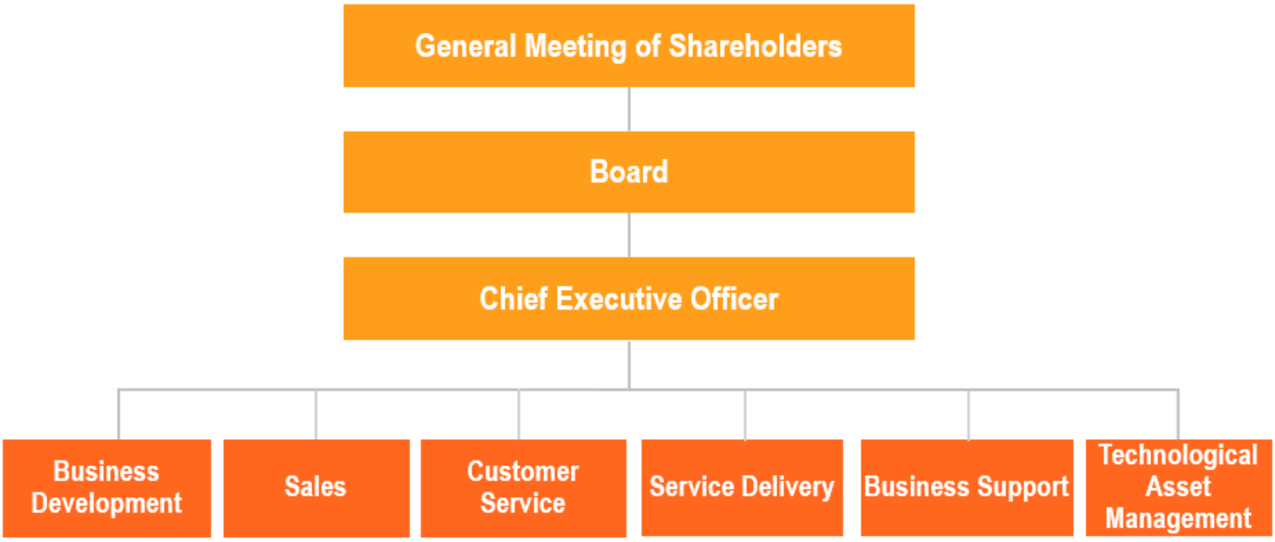
During the reporting period, the Company did not acquire its own shares or shares of other companies of the LTG Group.

MANEGEMENT 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. After LTG Cargo acquired the business of UAB Vilniaus Lokomotyvų Remonto

Depas in April 2021, the subsidiary of this company - OOO Rail Lab - was included in the structure of LTG Cargo. Currently, LTG Cargo owns 2% of the shares of OOO Rail Lab.
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 the LTG Group, the business model of the Group is oriented towards purification of principal activities and their refocusing in subsidiaries and companies of subsequent levels. Being part of the LTG Group, 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 the reporting and responsibility for performance 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 amended once:

- On 21 February 2022, an updated version of the Articles of Association of the Company was registered.

The Articles of Association of the Company are available on the Company's website.

MANAGEMENT BODIES OF THE COMPANY

The following governing bodies of the Company are set out by Articles of Association:

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

The General Meeting of Shareholders is the supreme management 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 its website.
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 shareholders meeting is to endorse the decisions of the Board of LTG Cargo regarding the following:

- taking of decisions regarding 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 in case the Company's assets had been listed as property and facilities of importance to ensuring national security;
- participation or establishment of other legal entities;

- approval of contracted tariffs of freight transportation or applicable discounts under essential conditions in case the intended contractual revenue might exceed EUR 10,000,000 over the entire contract period or the term of the contract exceeds 3 years;
- 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 is equal to or exceeds EUR 300,000:
  - investment in group companies or third parties, disposal or lease of those assets;
  - pledge or mortgage;
  - acquisition of non-current assets;
- guarantee or fulfilment of a third party's obligations, the amount of which is equal to or exceeds EUR 300,000;
- taking of decisions regarding approval for head of Company to conclude purchase transactions of goods, services, or works, the amount of which is equal to or exceeds EUR 300,000.

The Board is a collegial governing body consisting of 3 members as set out by the Company's Articles of Association. The members of the Board are elected by the General Meeting of Shareholders 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 the Republic of Lithuania and the additional competences of the Board set forth in the 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 transaction (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 employment contract 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.

(all amounts are in EUR thousand unless otherwise stated)

COMPOSITION OF THE COMPANY'S BOARD

EGIDIJUS LAZAUSKAS
Chairman of the Board
Appointed on 4 January 2022

Board Member
From 21 December 2018 to 3 January 2022

Education

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

Main employer, position held

Chief Executive Officer of AB Lietuvos Geležinkeliai, Geležinkelio g. 12, Vilnius, company code 110053842 (from 4 January 2022).

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 g. 12, Vilnius, company code 110053842.

CHANGES IN THE COMPOSITION OF THE BOARD DURING THE REPORTING PERIOD

Mantas Bartuška has no longer held office as Board Member from 4 January 2022. Egidijus Lazauskas has been appointed to hold office as Chairman of the Board from 4 January 2022.

PARTICIPATION IN BOARD MEETINGS IN H1 2022

Name and surname of the member	Board Meetings
Number of meetings H1 2022 (including away days, early-voting in writing)	12
Egidijus Lazauskas	12
Brigita Valenčienė	12

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 competences of the Chief Executive Officer are defined in the Law on Companies, the Articles of Association of the Company available at the Company's website. 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.

(all amounts are in EUR thousand unless otherwise stated)

THE COMPANY'S MANAGEMENT AND CHANGES THEREOF

EGIDIJUS LAZAUSKAS **EGLĖ ŠIMĖ**	Chief Executive Officer	Held position from 1 May 2019 to 3 January 2022 Holds position from 4 January 2022 (temporarily)
MINDAUGAS SKUNČIKAS	Head for Business Development	Holds position from 7 December 2021
INDRĖ KOLESNIKOVIENĖ	Head for Service Delivery	Holds position from 4 January 2022 (temporarily)
LAIMONAS NEKROŠIUS	Head for Sales	Holds position from 9 May 2022
	Head for Customer Service	Selection process is progress
AUDRIUS PUKAS	Head for Technological Asset Management	Holds position from 15 June 2020
MINDAUGAS LIUTKUS	Head for Business Support	Holds position from 1 May 2019

INFORMATION ON CHANGES IN THE MANAGEMENT

- Before being appointed as the CEO of AB Lietuvos Geležinkeliai on 4 January 2022, Egidijus Lazauskas held the position as the Company's CEO until 3 January 2022. Eglė Šimė was appointed as Acting CEO of LTG Cargo on 4 January 2022.
- Eglė Šimė held the position as Head for Service Delivery until 3 January 2022. On 4 January 2022, Indrė Kolesnikovienė was appointed as Acting Head for Service Delivery.

ADDITIONAL INFORMATION ON THE CEO

Before being appointed as Acting CEO of LTG Cargo on 19 August 2019, Eglė Šimė was Head of the Service Delivery Unit at LTG Cargo. She has gained experience in corporate management by managing the company UAB Franmax of the Maxima Group, as well as the companies UAB Verslo Aptarnavimo Centras and Public Institution Energy Training Centre of the Ignitis Group.

Eglė Šimė has a Bachelor's Degree in Economics awarded by the Lithuanian University of Educational Sciences.

As at the end of the reporting period, members of the Board, the CEO and the Company's managers filed declarations on private interests, 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 over 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 9,200 as at the end of the reporting period. The basic monthly salary of the Company's Chief Executive Officer increased by 7% from EUR 8,600 to EUR 9,200 as at the end of the reporting period.

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 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 2,760. In 2022, a **monthly portion (1/12)** of the annual incentive to the Company's CEO for achievement of the goals of the year 2021 amounted to EUR 1,419.

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

Information on remuneration of Board Members and the Company's CEO is available on the Company's website at https://cargo.litrail.lt/atlygis.

STRATEGY

In response to the geopolitical 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 order to much more focus the strategic directions and targets provided for in LTG Group's long-term sustainable growth strategy for 2040 on the particular activities carried out by the LTG Group, long-term strategies of separate business units of the LTG Group have been prepared. One of them is the long-term **LTG Cargo's Strategy for 2021–2040** with prime focus on solutions of **performance efficiency** and **diversification of activities**.

Given the complex geopolitical situation at the time of issuance of these statements due to the military actions of the Russian Federation on the territory of Ukraine, a review of **LTG Cargo's** long-term strategy as approved has been initiated, which will include a review of the existing strategic goals and priorities, investment directions, funding needs and sources, as well as the introduction of *ad-hoc* measures to deal with the situation and the risks arising from it.

MISSION – business combinations for a better future

VISION – logistics leader in Central and Eastern Europe

VALUES – Respect | Customer focus | Responsibility | Integrity | Drive

STRATEGIC DIRECTIONS

1. **First choice for logistic services**: By 2040, LTG Cargo group will transport 91 million tons of freights in Lithuania and in foreign countries.
2. **Operational excellence**: in order to increase profitability, it is focused on digitalisation projects, modernisation and optimisation of the rolling stock fleet, both on long-term and short-term planning (including establishment of the operational control centre), application of the best asset management models, automation and digitalisation of daily operations.
3. **Flow / revenue growth through business development**: reorganisation of the principal services according to customers' needs, growth of intermodal transport services, lease and manufacture of rolling stocks, business expansion to foreign markets.
4. **Responsible development in line with the Green Deal**: sustainable, environmentally friendly solutions creating value to society are being developed, including the 'green' transformation of the traction park by reducing CO_2 emissions and energy consumptions of freight transportation.
5. **Comprehensive safety** ensuring through implementation of cyber security initiatives, increase in employees' competence regarding safety issues.
6. **Enhancing organisational culture** by increasing employees' satisfaction and productivity through development of competences, forming of organisational culture of high results.

PLANNED STRATEGIC PROJECTS:

- Establishment of a freight operations centre.
- Optimization of train document management.
- Manufacture of freight wagons.
- Optimisation project of technological bases of LTG Cargo.
- Rolling stock purchase and upgrade.
- Business diversification and expansion to foreign markets (Poland and Ukraine), including freight transportation, rolling stock rental activities.

KEY PROJECTS IN THE FIRST HALF OF 2022:

- Expansion of 1435 mm freight track: In the first half of 2022, the first two trains carrying grain from Ukraine reached Lithuania. For the first time, military equipment was delivered and unloaded in Kaunas on 1435 mm track. An intermodal train service to transport semi-trailers on the two-way route from Kaunas Intermodal Terminal to Duisburg has been gathering pace
- For the implementation of train scheduling and train routing as well as long- and short-term rolling stock planning provided for in the project for setting up the freight operations centre, a system installation and lease contract has been signed with Ab Ovo, the

operational process tree has been developed and approved, and the work for integration with other systems is in progress. The project go-live is scheduled for September 2022.

- The wagon manufacturing project is continuing to increase the Company's revenue from new activities. Testing of two semi-wagons was successfully completed and verification certificate obtained in Lithuania. Options are being evaluated to reorient manufacturing of wagons for the 1435 mm market.
- To increase the efficiency of LTG Cargo operations and asset utilization and to achieve maximum financial return, modern and up-to-date production facilities customised are to be set up for providing new services and fit for servicing the renewed rolling stock fleet of LTG Group and other clients . The formation of 4 plots was completed (a lease contract is signed for 3 plots), a design agreement was signed and design work is starting, individual plots are merged into one. The project is scheduled for completion in 2026.
- Other cost-saving and asset optimisation initiatives have been approved fand are under implementation.

KEY EVENTS IN THE FIRST HALF OF 2022

JANUARY

- 4 January. Egidijus Lazauskas, who previously was the Chief Executive Officer of LTG Cargo, took over as Acting CEO of AB Lietuvos Geležinkeliai.
- 4 January. Eglė Šimė, who previously was the Head of the Service Delivery Unit at LTG Cargo, took over as CEO of LTG Cargo
- 12 January. The Government of the Republic of Lithuania approved the decision of the Coordination Commission for the Protection of Objects of Importance to Ensuring National Security, according to which the contract between AB Lietuvos Geležinkeliai and the Belarusian company Belaruskalij is not in line with the interests of national security. According to the decision of the Government of the Republic of Lithuania, the contract would be considered null and void as of the date of entry into force of the decision, i.e. 1 February.
- January 12. Having regard to the decisions on threats to national security, AB Lietuvos Geležinkeliai declared to be ready to comply with the decision of the Government of the Republic of Lithuania regarding the contract with Belaruskalij and to discontinue the provision of services from 1 February.
- LTG Cargo's subsidiary LTG Cargo Polska furher enhanced its position in Poland. To carry out international activities the Company leased two locomotives to increase the flow of intermodal freight transportation from Kaunas Intermodal Terminal on the narrow gauge (1435 mm) to Germany and other European countries.

FEBRUARY

- LTG Cargo's subsidiary LTG Cargo Ukraine launched freight forwarding services in Ukraine. The new service will allow LTG Cargo to participate even more actively in the Ukrainian freight market and contribute to the diversification of activities as set out in the LTG Cargo's strategy.
- The LTG Group received an official notification from the Railway Transport Council (RTC) of the CIS countries, Estonia, Latvia, Lithuania and Bulgaria about the ban imposed by Belarus on the transit of oil products and fertilisers by rail from Lithuania as of 7 February 2022.
- LTG Cargo's subsidiary LTG Cargo Polska in Poland has planned investments to be used for the expansion to Western Europe, the development of new and existing services and the acquisition of a technical fleet. For this purpose, an investment of over EUR 47 million is planned over two to three years.

MARCH

- On 24 February 2022, the Russian Federation started active military actions in the territory of Ukraine. Due to the military actions of the Russian Federation in Ukraine, the provision of services by LTG Cargo's subsidiary LTG Cargo Ukraine has been temporarily suspended from 1 March 2022.
- In response to the Russian government's war against Ukraine and in view of the new European Union sanctions, LTG Cargo is stopping shipments of products from sanctioned companies to the Port of Klaipėda.
- In response to the Russian government's war against Ukraine, LTG Cargo has stopped the renting of flat wagons. As of 7 March, the Company's flat wagons cannot be transported either directly to Russia or Belarus, or in transit to countries other than Latvia and Estonia This decision is aimed at limiting the possibility of using flat wagons in Russia and Belarus for military purposes. Later in March, LTG Cargo suspended the delivery for loading and transportation of all of its common-use wagons to both Belarus and Russia and to other countries in transit through these countries. The Company also stopped transporting wagons leased to customers to Russia, which means the stoppage of the entire LTG Cargo wagon fleet traffic to Russia.

APRIL

- LTG Cargo launched an intermodal freight transportation service to Duisburg in Germany, with the first regular train leaving on 4 April.
- LTG Cargo is continuing to actively diversify its activities with a launch of intermodal freight transportation services from Kaunas Intermodal Terminal to terminals in Poland.
- On 27 April, LTG Cargo carried out the pilot trip from Kaunas Intermodal Terminal to Ukraine via Poland. This was the first route in the history of the LTG Group that goods were transported by rail from Ukraine to Lithuania, bypassing Belarus.
- The LTG Group completed a consultation process with employees' representatives, during which different scenarios were proposed and analysed, and a further action plan agreed. Taking into account the impact of Russia's war in Ukraine, the sanctions imposed on Belarus and Russia, this year's business forecasts and the ongoing strategic projects, the LTG Group is forced to say goodbye to approximately 2,000 employees, of which about 1,200 work for LTG Cargo. The LTG Group has proposed a package

of measures in support of employees to ensure that the team members affected by the changes have the necessary information on the labour market opportunities: cooperation with the Employment Service, planned career fairs, etc.

- LTG Cargo is reducing its tariffs for services, with customer rates falling from 24% to 64%. The aim is to offer the market more efficient and competitive rail freight transport conditions.
- The LTG's Board resolved to close LTG's representative offices in Russia and Belarus, which were set up about a decade ago. The closure may take up to 6 months, depending on the actions and deadlines of the Russian and Belarusian authorities.

JUNE

- LTG Cargo's subsidiary LTG Cargo Ukraine re-launched its services in Ukraine. This decision followed the assessment of a significant increase in demand from Ukrainian businesses for transport of grain and other products outside the country. The reopened company will provide freight forwarding services in Ukraine and will help customers to organise rail freight transport via the territories of Ukraine, Poland, and Lithuania.
- LTG Cargo is further continuing to diversify its activities and has signed its first international cooperation agreements with Kazakh companies. Together, they will aim to strengthen the intermodal Trans-Caspian logistics corridor and enable new alternatives for transporting cargo from Asia to the Port of Klaipėda.

EVENTS AFTER THE REPORTING PERIOD

JULY

- The selection for the Chief Executive Officer of LTG Cargo, a rail freight company, was announced on 1 July 2022.
- The LTG Group has launched a call for tenders for selecting a selection agency and its winner will have to select independent members of the boards of LTG's subsidiaries LTG Link, LTG Cargo and LTG Infra.
- Rail transport of oil products from a terminal in Lithuania to Ukraine has commenced. LTG Cargo transports oil products in tank containers between terminals in Mockava (Lithuania) and Trakiszki (Poland). Oil products are further carried in tank containers via Poland to Yagodzin in Ukraine.

INFORMATION ABOUT THE IMPACT OF GEOPOLITICAL CHANGES ON THE COMPANY'S OPERATIONS

The geopolitical changes, the military actions of the Russian Federation in Ukraine since February 2022 on the Company's operations and a wide range of sanctions imposed by the United States and the European Union against Belarus and Russia had a significant impact on LTG Cargo's performance and its results over the reporting period.

A significant portion of LTG Cargo's revenue consists of income from freight transportation of the Russian Federation and the Republic of Belarus entering, leaving and transiting through Lithuania (about 60% of revenues in 2021). LTG Cargo's budget for 2022 was already planned without a major share of cargoes of Belarus, i.e. Belaruskalij.

In response to the Russian government's war against Ukraine and in view of the sanctions imposed on both Belarus and Russia, LTG Cargo has suspended shipments of sanctioned goods and companies. Freight turnover in the first half of 2022 decreased by more than 40% compared to the corresponding period of 2021 with a 17% decline in sales revenue.

LTG Cargo operates in Ukraine through its subsidiary LLC LTG Cargo Ukraine, whose services were suspended as of 1 March 2022 due to the Russian Federation's military actions in Ukraine, but resumed in June and running at the time of issuance of the statements.

In view of the situation, LTG Cargo's management is responsibly assessing the main risks and threats related to business continuity and impact and, together with LTG, is taking actions to manage the situation:

- The Performance Optimisation Project is underway with three lines of action: improving operational efficiency, reducing costs, diversification and expansion to new markets, Western Europe in particular. During the reporting period, the necessary decisions were taken regarding the management model and optimal staffing of LTG Cargo, optimisation of assets used in operations and ongoing repairs.
- On a quarterly basis, the Company reviews its business continuity plans and updates LTG Cargo's business forecasts in the light of the applicable sanctions with prime focus on its business prospects and cash flow balancing.
- The decisions have been taken on the optimum number of employees in the Company. LTG Cargo plans to lay off up to 1,000 employees by the end of the year.
- Currently the prime focus is on diversification of activities and expansion to new markets, Western Europe in particular. More information on the decisions related to the diversification of activities is available in the Report chapters *Key Events in the First Half of 2022* and *Overview of Key Performance Indicators.*
- A review of LTG Cargo's long-term strategy has been initiated, including a review of existing strategic objectives and priorities, investment directions, financing needs and sources, and future prospects. The strategy is due to be approved in autumn 2022.

The Company's management notes that as at the date of issue of these financial statements, the situation in Ukraine remains highly volatile, military operations are fluid and dynamic, and the sanctions package is expanding, therefore the full impact on the Company's future financial performance cannot be reliably assessed.

In the opinion of the Company's management, the above measures and actions, together with the borrowing facilities and operating cash flow, will enable the Company to balance the cash flows necessary to ensure its business continuity and to service its existing loan agreements and commitments to partners.

OVERVIEW OF KEY PERFORMANCE INDICATORS

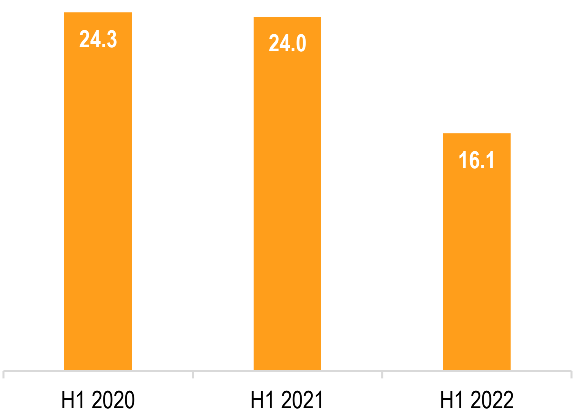
Transportation volumes	Unit of measure	2020 H1	2021 H1	2022 H1	2022/2021 Δ, %
Freight turnover	**billion tonnes-kilometres**	**7.3**	**7.0**	**4.0**	**(43.4%)**
Average distance travelled per tonne	**km**	**300**	**291**	**245**	**(15.7%)**
Total freight transported	**million tons**	**24.3**	**24.0**	**16.1**	**(32.9%)**
Freight transportation segments					
Domestic transportation	million tons	6.7	6.5	5.9	(9.6%)
International transportation	million tons	17.6	17.5	10.2	(41.6%)
Transit	million tons	4.9	5.4	4.7	(12.5%)
Export from Lithuania	million tons	3.0	2.2	1.6	(26.1%)
Import to Lithuania	million tons	9.7	9.9	3.9	(60.9%)

16.1 million tons of freight were transported by railway in the first half of 2022, i.e. a decrease by 32.9% compared to the same period last year. The railway transportation was continuously dominated by ‘heavy’ freights – oil and its products, chemical and mineral fertilisers as well as mineral products. During the analysed period these types of freight comprised more than a half of total freight volume carried by rail.

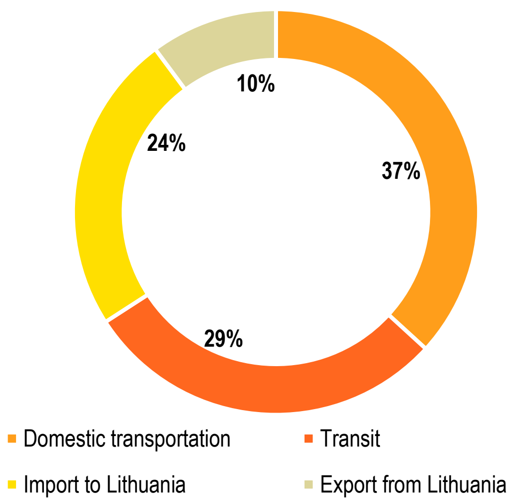
Due to the geopolitical situation, the Russian government’s war against Ukraine and a wide range of sanctions imposed by the United States and the European Union against Belarus and Russia freight turnover decreased by more than a third in the first half of 2022 . Shipments of chemical and mineral fertilisers decreased significantly by 68%, and shipments of ferrous metals and solid mineral fuels dropped significantly.

Domestic transportation that represented 36.8% in the total freight transported recorded a 9.6% fall compared with the first half of 2021 and comprised 5.9 million tons. The decrease was due to a fall in shipments of fertilisers and building materials, partly offset by an increase in shipments of petroleum and products of plant origin.

Freight transportation volumes, in million ton



Freight transportation segments in H1 2022, %



International transportation that represented 63.2% in the total freight transported recorded a 41.6% fall compared with H1 2021 to comprise 10.2 million tons. Transit freight traffic towards Kaliningrad region decreased by 12.5%. The most significant decrease was in the volume of solid mineral fuels transported in this direction. In H1 2022, the quantity of freights imported and exported through the port of Klaipėda decreased by 70.7%. This decrease was mainly due to the fact that Belarusian fertilisers will no longer be transported through the port as of February 2022, which resulted in a 74.5% decrease in the total volume of Belarusian cargo transported through the port, and also due to the suspension of the transport of products to the Port of Klaipėda by companies sanctioned following Russia's military invasion of Ukraine.

Intermodal transport is gaining increasing importance in international transport.

Volumes of intermodal transportation of containers decreased by 17.6% and equal to TEU 86 thousand in H1 2022. This was influenced by strained relations with China, as container volumes from China halved in the first half of this year compared to the same period last year to equal TEU 22 thousand (unit of measurement, the equivalent of a container of 20 feet length). Intermodal transportation of semi-trailers continue to increase. These shipments have been running since the second half of 2021 and have increased by 1.6 times compared to the current period. It is forecasted that in the context of implementing the diversification decisions demand of this type of transportation will continue to increase.

To adapt to a changed business environment, the prime focus currently is on the **diversification of activities and expansion to new markets, Western Europe in particular:**

- LTG's Board has taken decisions to expand its business into Western Europe, with significant investments in the development of new and existing services LTG Cargo Polska in Poland and the acquisition of a technical fleet;
- LTG Cargo launches an intermodal transport service to Germany on the route Kaunas Intermodal Terminal–Duisburg;
- freight transport services from Kaunas Intermodal Terminal to terminals in Poland were developed and started to be offered to customers;
- the first international cooperation agreements were signed with companies from Kazakhstan. Together, they aim to strengthen the intermodal Trans-Caspian logistics corridor and develop new alternatives for transporting cargo from Asia to the Port of Klaipėda;
- During the reporting period, pilot trains were organised to transport cereals and sunflower oil from Ukraine to the port of Klaipėda. The goods were transported from Ukraine to Lithuania bypassing Belarus. From the Ukraine-Poland border, freight is carried by LTG Cargo Polska, in Lithuania by LTG Cargo. LTG Cargo's subsidiary LTG Cargo Ukraine also resumed operations in June 2022.
- At the time of issuance of these reports, a review of LTG Cargo's approved long-term strategy is ongoing.

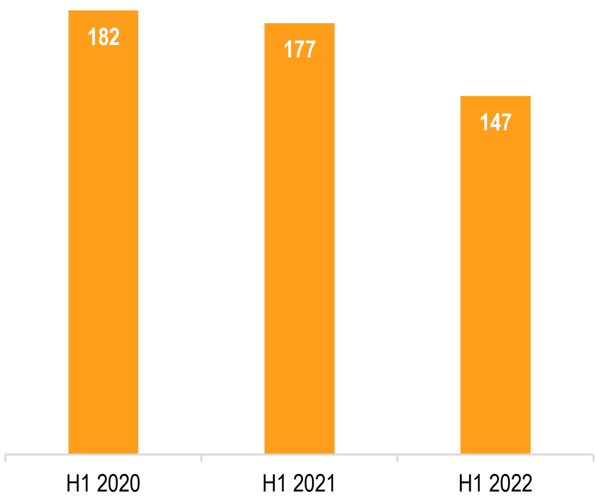
ANALYSIS OF FINANCIAL AND PERFORMANCE RESULTS

PERFORMANCE RESULTS

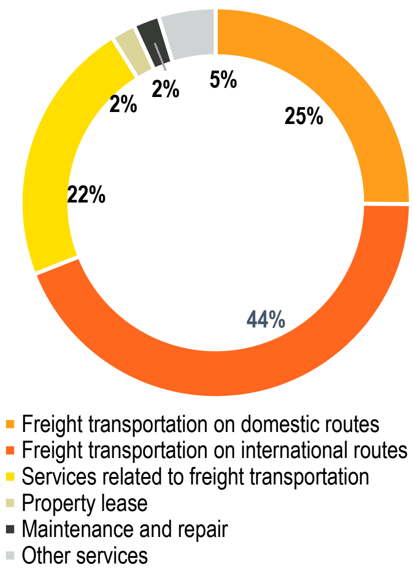
SALES REVENUE

In the first half of 2022, the Company's sales revenue amounted EUR 146,841 thousand, i.e. a decrease by 16.9% compared to the same period last year. The major portion thereof, i.e. 69.5%, comprised revenue from freight transportation

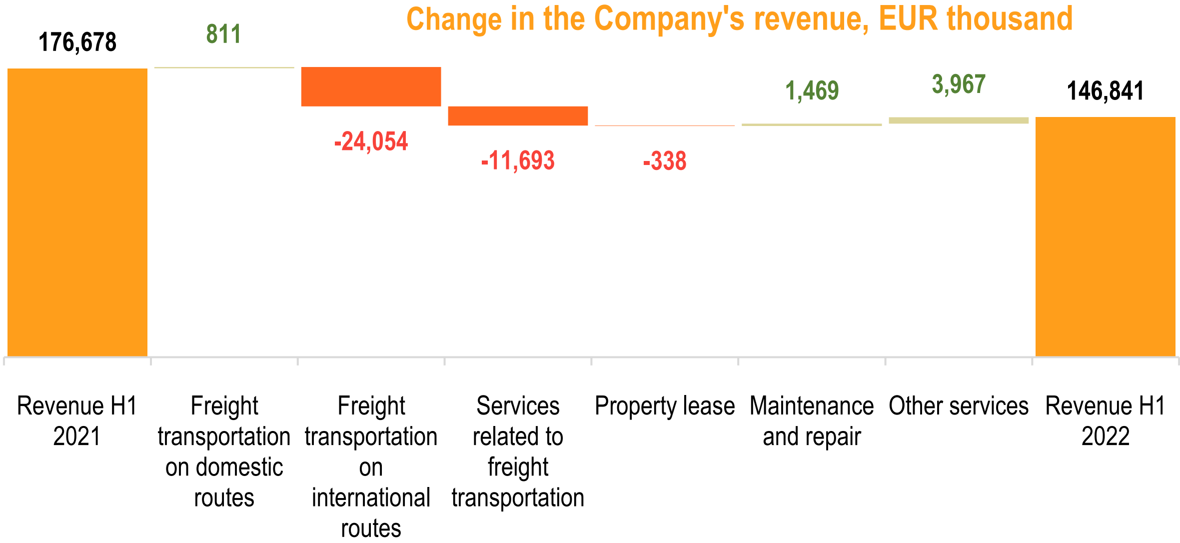
The Company's sales revenue, EUR thousand



The Company's revenue structure in H1 2022, %



Change in the Company's revenue, EUR thousand



- **Revenue from freight transportation on domestic routes** amounted to EUR 36,878 thousand in H1 2022 and, compared to H1 2021, increased by EUR 811 thousand (2.2%) despite the fact that transportation volumes declined by 9.6%. The main reason for the increase in revenue is the changed structure of freight carried – an increase in transportation of oil products.
- **Revenue from freight transportation on international routes** amounted to EUR 64,484 thousand in H1 2022 and, compared to the same period in u 2020, decreased by EUR 24,054 thousand (27.2%). The decrease in revenue was caused by geopolitical changes, the military actions of the Russian Federation in Ukraine and a wide range of sanctions imposed by the United States and the European Union against Belarus and Russia during the reporting period. Revenues from inbound, outbound and transit

(excluding empty wagons) freight from Russia and Belarus accounted for a significant share of LTG Cargo's revenues until 2022 (57% in 2021).

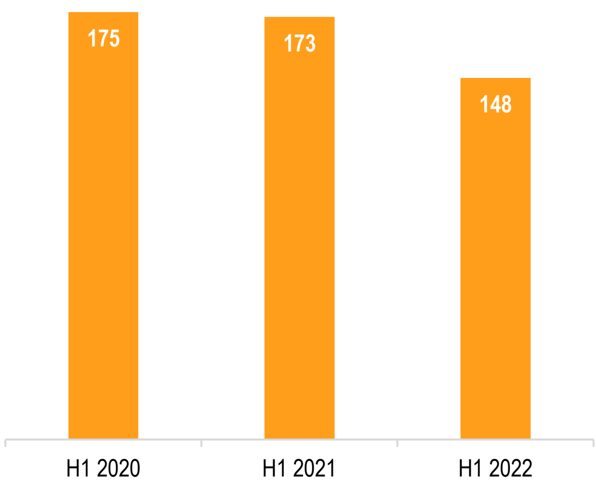
- **Revenue from services related to freight transportation** amounted to EUR 32,382 thousand over the analysed period and, compared to H1 2021, decreased by EUR 11,693 thousand (26.5%). The decrease in this revenue was determined by the same reasons as those for freight transportation on international routes.
- **Revenue from lease of assets** amounted to EUR 2,977 thousand in H1 2022, i.e. decreased by 10.2% compared to the corresponding period of 2021. The decrease in revenue was influenced by reduced demand for and revenue from lease of wagons.
- **Revenue from maintenance and repair** amounted to EUR 3,165 thousand in H1 2022 and, compared to H1 2021, increased by EUR 1,469 thousand, i.e. almost twice. This resulted from business acquisition of rolling stock repair and maintenance services from UAB Vilniaus Lokomotyvų Remonto Depas on 1 April 2021.
- **Revenue from remaining services** amounted to EUR 6,954 thousand in H1 2022 and, compared to H1 2021, increased by EUR 3,967 thousand (133%.). The increase of revenue resulted from traction services of passenger wagons of LTG Link, the provision of which was started in H2 2021, as well as increased revenue related to sale of scrap metal after acquisition of the business of UAB Vilniaus Lokomotyvų Remonto Depas.

EXPENSES

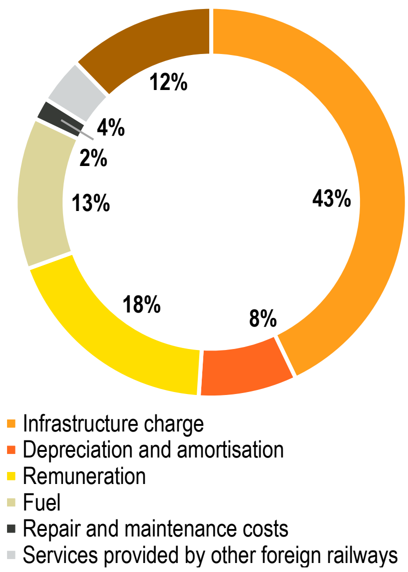
In the first half of 2022, the costs of the Company related to the principal and other activities amounted to EUR 148,391 thousand, i.e. 14.4% lower compared to the same period last year.

In H1 2021, the larger proportion of the Company's expenses was constituted by the infrastructure charge (43%), labour costs (18%), and fuel (13%).

The Company's expenses, EUR thousand

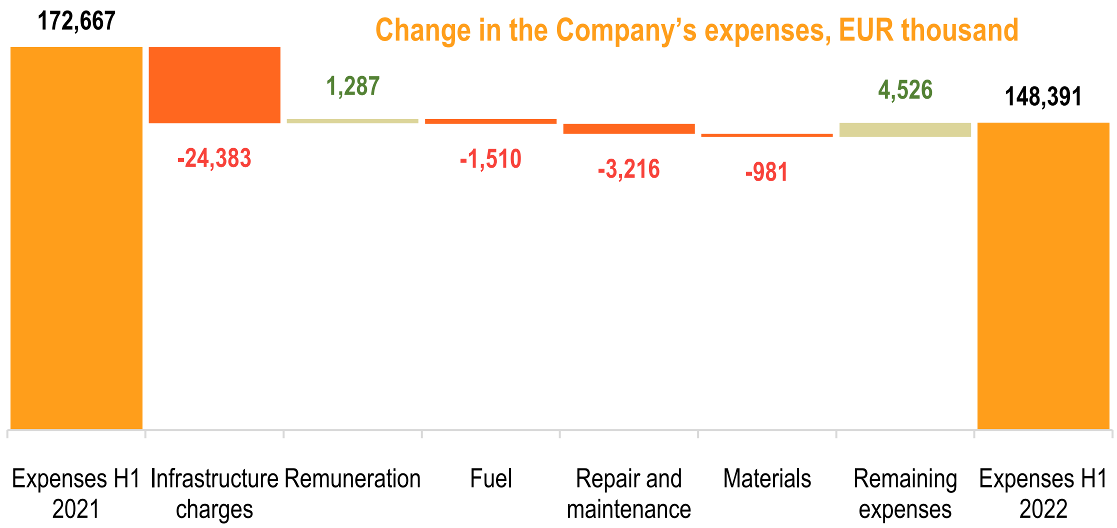


The Company's expense structure in H1 2022, %

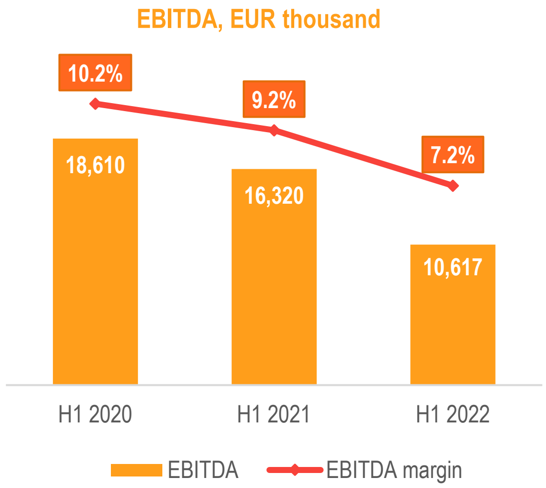


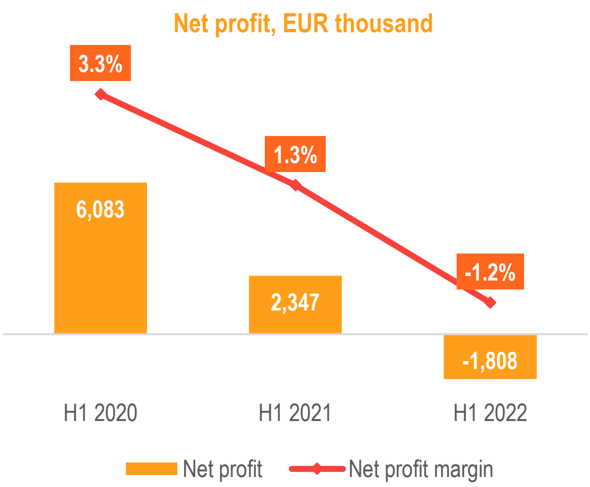
- **Infrastructure charges** amounted to EUR 63,640 thousand in H1 2022 and, compared to H1 2021, decreased by EUR 24,383 thousand (27.7%). The main reason for the decrease in expenses is the decrease in freight turnover.
- **Remuneration expenses** amounted to EUR 27,343 thousand in H1 2022 and, compared to the corresponding period of 2021, increased by EUR 1,287 (4.9%). The growth of expenses has mainly been influenced by the increase in number of employees after the Company acquired the business of UAB Vilniaus Lokomotyvų Remonto Depas on 1 April 2021. As every year, the regular employee salary review was carried out by the Company in April 2021.
- **Fuel costs** amounted to EUR 18,717 thousand over the analysed period and, compared to the relevant period of 2021, decreased by EUR 1,510 thousand (7.5%). The decrease in costs resulted from reduced volumes of transport however this was offset by increased fuel and electricity prices.

- **Repair and maintenance costs** amounted to EUR 907 thousand in H1 2022 and, compared to H1 2021, decreased by 4.5 times. A significant decrease in expenses related to these outsourced services has been mainly affected by the acquisition of the business of UAB Vilniaus Lokomotyvų Remonto Depas and, as a result, the fact that rolling stock repair has been started to be performed at the Company since 1 April 2021.
- **Expenses related to materials** 2022 m. I pusmetį amounted to EUR 1,788 thousand in H1 2022 and, compared to the same period of 2021, decreased by 1.5 times. This was mainly determined by a review and optimisation of rolling stock repair programmes due to declining volumes of transportation.
- **Remaining expenses** amounted to EUR 35,997 thousand in H1 of the current year and, compared to H1 2022, increased by EUR 4,526 thousand or 14.4%. Of which, services provided by other foreign railways grew during the analysed period. In the first half of 2022, diversification and expansion to Germany and Ukraine led to an increase in the use of services of other railways. These costs are also affected by the suspended carriage of LTG Cargo's wagons to Russia, where customers use wagons from other railways for freight transportation to/from Lithuania. Management fee expenses also increased due to the acquisition of the business of UAB Vilniaus Lokomotyvų Remonto Depas.



OPERATING RESULTS





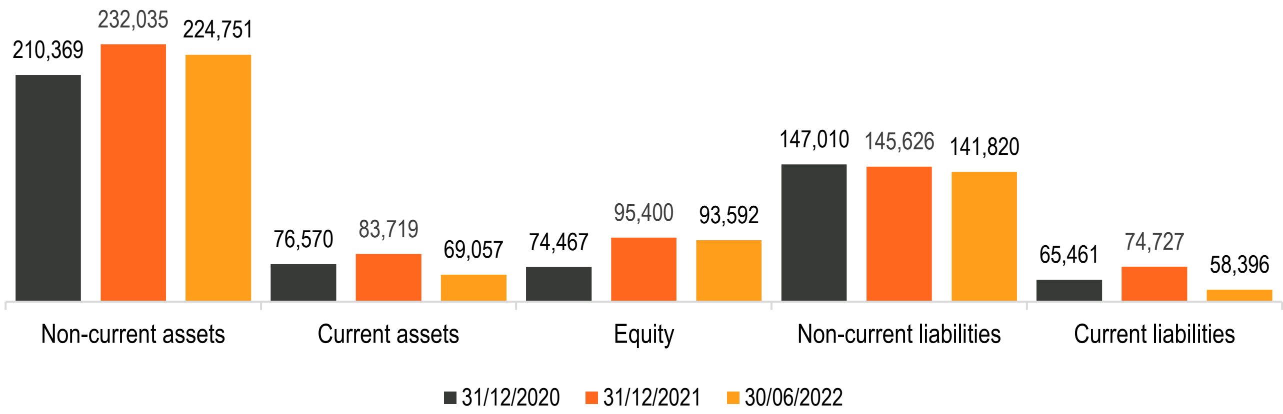
In the first half of 2022, the Company's EBITDA amounted to EUR 10,617 thousand and decreased by 34.9% as compared to the same period of 2021. The decrease in EBIDTA was caused by a sharp drop in revenue from freight transportation on international routes behind the rate of cost reduction, as the Company's operational efficiency and headcount optimisation programme is not having an immediate effect. EBITDA margin fell down to 7.2% in H1 2022.

The Company's net profit decreased to a loss of EUR 1,808 thousand in H1 2022.

BALANCE SHEET CHANGES

As at 30 June 2022, the Company's assets amounted to 293,808 thousand and, compared to as of 31 December 2021, decreased by 7.0%. In the first half of 2022, non-current assets decreased by 3.1% to EUR 224,751 thousand as a result of completion of less capitalised rolling stock repairs and suspension of some investments due to the geopolitical situation.

Changes in the main balance sheet items, EUR thousand



As at 30 June 2022, current assets amounted to EUR 69,057 thousand and, compared to as of 31 December 2021, decreased by 17.5% due to a 30.1% decrease in trade and other receivables. At the end of the period, cash balance was equal to EUR 5,332 thousand, i.e. 7.3% higher compared to as of 31 December 2021.
During the analysed period, share capital remained unchanged and amounted to EUR 44,087 thousand.

During the analysed period, financial debt (including financial / operating lease) decreased by 5.5% and amounted to EUR 141,287 thousand due to repayment of non-current loans. No new loans were received during the reporting period.

KEY PERFORMANCE INDICATORS*

	Unit of measurement	H1 2020	H1 2021	H1 2022
Sales revenue	EUR thousand	181,809	176,678	146,841
Other income	EUR thousand	13	25	85
Total income	EUR thousand	181,822	176,703	146,926
Costs	EUR thousand	174,979	172,667	148,391
EBITDA	EUR thousand	18,610	16,320	10,617
Adjusted EBITDA	EUR thousand	18,932	16,585	11,916
EBITDA margin	%	10.2%	9.2%	7.2%
Adjusted EBITDA margin	%	10.4%	9.4%	8.1%
EBIT	EUR thousand	6,843	4,036	-1,465
EBIT margin	%	3.8%	2.3%	-1.0%
Net profit	EUR thousand	6,083	2,347	-1,808
Net profit margin	%	3.3%	1.3%	-1.2%
		31/12/2020	31/12/2021	30/06/2022
Non-current assets	EUR thousand	210,369	232,035	224,751
Current assets	EUR thousand	76,570	83,719	69,057
Total assets	EUR thousand	286,939	315,754	293,808
Equity	EUR thousand	74,467	95,400	93,592
Financial debt	EUR thousand	149,143	149,469	141,287
Net debt	EUR thousand	127,786	144,499	135,954
Return on equity (ROE)	%	24.5%	25.0%	18.1%
Return on assets (ROA)	%	5.7%	7.1%	5.6%
Return on investment (ROI)	%	8.1%	9.6%	7.5%
Financial debt / EBITDA	in times	3.4	2.9	3.1
Financial debt / Equity	in times	2.0	1.6	1.5
Net debt / EBITDA	in times	2.9	2.8	3.0
Debt servicing ratio	in times	2.9	4.3	5.1
Equity ratio	%	26.0%	30.2%	31.9%
Asset turnover indicator	in times	1.4	1.2	1.2
Quick liquidity ratio	in times	1.2	1.0	0.9
Total liquidity rate	in times	1.2	1.1	1.2

** For definitions of the indicators, see page 31 of the Report.*

FINANCING OF THE COMPANY

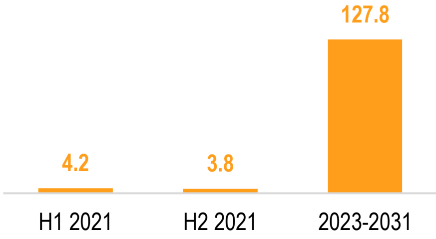
The loan portfolio of LTG Cargo amounted to EUR 131,484 thousand as at 30 June 2022 (EUR 140,827 thousand as at 31 December 2021. The weighted average interest rate of the Company's loan portfolio was 1.22% as at 30 June 2022 (1.26% as at 31 December 2021). No new loans were received.

The longest repayment term of a financial debt is 10 years, with the final repayment due in 2031.

To balance the working capital, the Company used the cash pool of the LTG Group. The parent company of the LTG Group has concluded a contract with a credit institution regarding the LTG Group cash-pool account service. Accordingly, the Company has entered into a mutual lending agreement for the period of one year. The terms of the agreement are in line with normal market conditions.

Ratio*	Unit of measurement	2022 H1	Value set by the bank
Net debt / Adjusted EBITDA	in times	0.4	Not higher than 4.0
Equity ratio	%	72.8	Not lower than 35%
Debt servicing ratio	in times	5.1	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 Resolution No. 665 of the Government of the Republic of Lithuania dated 6 June 2012 On the Approval of the Description of the Procedure for the Implementation of the Property and Non-property Rights of the State in State-owned Enterprises and its amendments (link). The summary version has been valid since 28 December 2021.

Allocation and payment of dividends of the Group companies are regulated by the Dividend Policy of the LTG Group.

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

Indicator of the 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 2021, AB LTG Cargo did not pay out dividends for the year 2021. The Company did not pay out dividends in the previous year.

PERFORMANCE RESULTS OF THE SUBSIDIARIES

Indicator, EUR thousand	LTG Cargo Polska	
	2021 H1	2022 H1
Revenue	-	3,374
Costs	-86	4,107
Net profit/losses	-86	-733
	31/12/2021	30/06/2022
Assets	2,122	1,546
Equity	-368	-1,090
Liabilities	2,490	2,636

During the analysed period, LTG Wagons and OOO Rail Lab did not carry out any sales activities, LTG Cargo Ukraine's services were suspended on 1 March 2022 and resumed in June 2022 due to Russia's invasion of Ukraine, and therefore the financial indicators of these subsidiaries of the Company are not presented.

INVESTMENTS

In H1 2022, Investments of LTG Cargo amounted to EUR 7.6 million. All the investments (100%) have been financed with the Company's own funds. Most of the investments were intended for overhaul repairs of locomotives (87.7%). The decrease in investment volumes in the first half of 2022 was due to the geopolitical situation and the optimisation of investment projects was carried out in this context.

Investments, EUR thousand	2020 H1	2021 H1	2022 H1
Overhaul repair of locomotives	16,270	13,781	4,512
Overhaul repair of freight wagons	2,817	3,546	2,144
Other investment	368	9,313	937
Total	**19,456**	**26,640**	**7,593**

MAJOR INVESTMENT PROJECTS IMPLEMENTED AND INVESTMENT DIRECTIONS PLANNED IN THE FIRST HALF OF 2022:

Investments in asset renewal

- Overhaul repair programs of the rolling stock fleet are carried out. Works for the amount of EUR 6.7 million were performed in H1 2021:
    - 1078 freight wagons were repaired;
    - 48 freight locomotives underwent repairs.

STRATEGIC DEVELOPMENT AND MODERNISATION PROJECTS:

- In order to reduce dependency on traditional types of freight, THE LTG Group has commenced freight transportation service development in Poland and Ukraine. In Poland, European gauge locomotives have been acquired and a long-term lease contract regarding wagons T-3000 and platforms for transportation of semi-trailers has been concluded. In the second half of 2022, the purchase of a diesel locomotive and specialised bulk containers will be organised, with a budget of ~ EUR 5.5 million. The LTG Cargo subsidiary is registered in Ukraine in 2021 and the programme to prepare freight locomotives for their market continues in 2022, but due to the war situation, the repair programme is temporarily suspended;
- In view of the prospects for the development of rail freight transport and the State's ambition to promote green freight transport, the project of Acquisition of Technological Equipment for Transportation of Semi-trailers is continuing: preparations for the prototype-based production of 43 units have been made and the production is planned for the second half of 2022. 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;
- In the first half of 2022, the design contract for the optimisation of LTG Tech production bases was signed. As a result of the project, efficiency of locomotive repairs will be improved by relocating locomotives repair operations in the Vaidotai station instead of the deteriorated repair facilities in Vilnius city centre.
- In 2022, to increase efficiency of the use of rolling stock LTG Cargo carried out the works for establishment of the Operational Control Centre. Upon implementation of the project, the planning and management of freight transportation operations will be carried out according to the same business processes, precisely defined policy and methodologies, the activity will be automated and digitalised, and data exchange with relevant LTG systems will be ensured;
- LTG Cargo has initiated the purchase of electric locomotives and freight wagons (hopper wagons and flat wagons) to ensure timely services, but due to the unstable situation on the market, the options of acquiring this rolling stock are being assessed.

(all amounts are in 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:

NUMBER OF EMPLOYEES OF LTG CARGO GROUP COMPANIES

Group companies	31/12/2020 Actual number of employees as at the end of the period	31/12/2021 Actual number of employees as at the end of the period	30/06/2022 Actual number of employees as at the end of the period
AB LTG Cargo	2,261	2,802	2,499
UAB LTG Wagons		2	1
LTG Cargo Polska Sp. Z o.o.		11	32
LTG Cargo Ukraine		5	5
OOO Rail Lab		2	1
Total	**2,261**	**2,822**	**2,538**

The number of employees in LTG Cargo group amounted to 2,538 as at 30 June 2022. Compared to 31 December 2021, the number of the Company's employees decreased by 284 employees or 10%. The reduction in the number of employees is affected by a significant drop in freight transportation volumes and revenues resulting from sanctions imposed on Belarus and Russia due to the Russian war in Ukraine. To adapt to new circumstances the Company is currently implementing a performance optimisation plan with three lines of action: improving operational efficiency, reducing costs, diversification and expansion into new markets.

The Company's average monthly salary, compared to 2021, changed from EUR 1,772 to EUR 1,803. The increase in the salary was mainly influenced by the salary review held in April.

The total remuneration fund amounted to EUR 28.2 million. In April 2022, just as in other companies of the LTG Group, the annual incentives for performance in the amount of EUR 1.6 million were paid to the Company's employees.

(all amounts are in EUR thousand unless otherwise stated)

NUMBER OF EMPLOYEES OF THE COMPANY AND AN AVERAGE SALARY

Employee groups by position	31/12/2020		31/12/2021		30/06/2022**					
	Actual number of employees as at the end of the period	Average salary, EUR	Actual number of employees as of the end of the period	Average salary, EUR	Actual number of employees as of the end of the period			Average salary, EUR		
					Total	Women	Men	Total	Women	Men
Chief Executive Officer*	1	8,380	1	8,600	1	1	-	9,200	-	-
Top-level managers*	7	6,429	8	5,981	5	-	5	6,357	-	-
Senior managers and specialists in exceptional fields	12	3,856	22	4,169	23	6	17	4,461	5,060	4,277
Middle-level managers and individual experts	42	2,875	85	2,708	85	18	67	2,731	2,624	2,761
Team leads and experienced specialists	251	1,929	450	1,916	404	155	249	1,971	1,889	2,018
Specialists and experienced operational/service staff	786	2,096	811	2,073	762	221	541	2,034	1,528	2,241
Operational/service staff, qualified workers	1,162	1,348	1,425	1,421	1,219	294	925	1,474	1,307	1,533
Total	**2,261**	**1,728**	**2,802**	**1,772**	**2,499**	**695**	**1,804**	**1,803**	**1,566**	**1,898**

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

*** In 2021, the Company started to publicly announce remuneration data according to gender. For confidentiality reasons, if a particular function group includes less than 5 employees of the same gender, the information on the average wage and the difference of the average wage are not disclosed.*

The monthly remuneration set for the Company's CEO of the Company as at 30 June 2022 was EUR 9,200, and the average actual salary, taking into account the annual incentive for performance, amounted to EUR 10,059.

The average monthly salary of high-level executives established in their employment contracts as at 30 June 2022 amounted to EUR 6,357 and the average actual salary of this group of employees, taking into account the annual incentive for performance, amounted to EUR 6,563.

INFORMATION ON THE COMPLIANCE WITH THE TRANSPARENCY GUIDELINES

The public procurement tender for the audit of the consolidated and financial statements of AB Lietuvos Geležinkeliai and separate subsidiaries, prepared in accordance with International Financial Reporting Standards, as adopted by the EU, for the year 2020–2022, was won by KPMG Baltics, UAB. This auditing candidate was approved by the LTG Audit Committee, LTG Board and the shareholder. The audit contract was signed on 23 June 2020.

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

The Company adheres to the requirements approved by the Lithuanian Government Resolution No. 1052 "Description of Guidelines for Ensuring Transparency in the Activities of State-Owned Enterprises" dated 14 July 2010, disclosing the required information in the annual and interim reports and on its own internet website http://ltgcargo.lt/.

Structured information on the compliance with the guidelines on transparency is presented in the 2021 annual reports available on the Company's website at Annual Report.

DEFINITIONS

Revenue	Revenue + Other operating income, 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
Adjusted 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
Adjusted EBITDA margin	Adjusted 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 at the end of the reporting period) / 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
Turnover of freight transportation (ton-km)	Freight transport indicator, which is the product of the amount of transported freight (tons) and the distance travelled (kilometres)
Train operational volume (gross-gross ton/km)	Unit of measure calculated by multiplying the gross weight of the train, including the weight of the running locomotive, by the distance travelled
Number of employees	The number of listed active employees as of the end of the period (excluding the employees on parental leave, military service, long-term incapacity)
Average salary	Average gross salary per employee

AB LTG CARGO
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 2022 (UNAUDITED)

(all amounts are in EUR thousand unless otherwise stated)

SEPARATE STATEMENT OF FINANCIAL POSITION

	Notes	30/06/2022	31/12/2021
NON-CURRENT ASSETS			
Property, plant and equipment	3	214,984	219,952
Buildings and structures		416	430
Machinery and plant		2,145	5,365
Vehicles		200,501	205,575
Other equipment, fittings and tools		1,052	1,263
Construction in progress and prepayments		10,870	7,319
Right-of-use assets	4	**6,473**	8,418
Intangible assets		**1,225**	1,260
Investment property		-	-
Financial assets	5	1,048	1,385
Prepayments		1,020	1, 020
Deferred income tax assets		-	-
Total non-current assets		**224,751**	**232,035**
CURRENT ASSETS			
Inventories	6	14,981	11,648
Trade and other receivables	7	42,152	58,280
Prepayments		6,592	8,821
Cash and cash equivalents		5,333	4,970
Total current assets		**69,057**	**83,719**
TOTAL ASSETS		**293,808**	**315,754**

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

(all amounts are in EUR thousand unless otherwise stated)

SEPARATE STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	30/06/2022	31/12/2021
EQUITY			
Share capital		44,087	44,087
Legal reserve	8	1,876	814
Other reserves	8	49,437	29,717
Retained earnings (losses		(1,808)	20,782
Total equity		**93,592**	**95,400**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	9	127,515	130,293
Lease liabilities	10	4,875	5,148
Employee benefits		2,520	2,958
Deferred income tax liabilities		6,910	7,228
Total non-current liabilities		**141,820**	**145,627**
Current liabilities			
Loans and current portion of long-term loans	9	7,222	10,668
Lease liabilities	10	1,675	3,360
Income tax liabilities		-	-
Employee benefits		8,565	9,946
Trade and other payables	11	40,764	50,599
Provisions		170	154
Total current liabilities		**58,396**	**74,727**
TOTAL EQUITY AND LIABILITIES		**293,808**	**315,754**

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

Chief Executive Officer

Eglė Šimė

AB Lietuvos Geležinkeliai
Financial Statements and Control,
Reporting Team Analyst
Acting under Power of Attorney No |G(CARGO) -136/ 2022 of 18/03/2020

Darius Saladžius

(all amounts are in EUR thousand unless otherwise stated)

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	06/2022	06/2021
Revenue	12	146,841	176,678
Other income		85	25
Total income		146,926	176,703
Infrastructure services		(63,640)	(88,022)
Depreciation and amortisation	3	(12,082)	(12,284)
Employee benefits costs		(27,343)	(26,056)
Fuel		(18,025)	(19,939)
Repairs and maintenance		(907)	(4,123)
Services rendered by other foreign railway companies		(5,731)	(6,400)
Management services		(9,115)	(6,776)
Materials		(1,788)	(2,768)
Electricity		(692)	(288)
Impairment (increase) of investments		-	(291)
Impairment (increase) of inventories		-	-
Impairment (increase) of receivables		(1,161)	17
Change in provisions		(16)	-
Other costs		(7,891)	(5,736)
Operating profit (loss)		(1,465)	4,037
Finance income	13	216	124
Finance costs	13	(876)	(1,097)
Profit (loss) before taxation		(2,125)	3,064
Corporate income tax	14	317	(717)
Net profit (loss)		**(1,808)**	**2,347**
Other comprehensive income (expenses)		-	-
Total comprehensive income (expenses)		**(1,808)**	**2,347**

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

(all amounts are in EUR thousand unless otherwise stated)

STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Legal reserve	Other reserves	Retained earnings (losses)	Total
Balance as at 31 December 2020		**43,936**	**-**	**-**	**-**	**30,531**	**74,467**
Net profit (loss)		-	-	-	-	2,347	2,347
Other comprehensive income after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		*-*	*-*	*-*	*-*	*2,347*	*2,347*
Increase in share capital		-	-	-	-	-	-
Unrecognised profit (loss) in the statement of profit or loss and other comprehensive income		-	-	-	-	(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**	**76,328**
Balance as at 31 December 2021		**44,087**	**-**	**814**	**29,717**	**20,782**	**95,400**
Net profit (loss)		-	-	-	-	(1,808)	(1,808)
Other comprehensive income after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		*-*	*-*	*-*	*-*	*(1,808)*	*(1,808)*
Increase in share capital		-	-	-	-	-	-
Unrecognised profit (loss) in the statement of profit or loss and other comprehensive income		-	-	-	-	-	-
Transfers between reserves	8	-	-	1,062	19,720	(20,782)	-
Dividends		-	-	-	-	-	-
Total transactions with owners of the Company		*-*	*-*	*1,062*	*19,720*	*(22,590)*	*(1,808)*
Balance as at 30 June 2022		**44,087**	**-**	**1,876**	**49,437**	**(1,808)**	**93,592**

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

(all amounts are in EUR thousand unless otherwise stated)

SEPARATE STATEMENT OF CASH FLOWS

	Notes	30/06/2022	30/06/2021
Cash flows from operating activities			
Net profit (loss)		**(1,808)**	**2,347**
Adjustment to non-cash items			
Depreciation and amortisation	3	12,082	12,284
(Gain) loss from disposal/write-off of non-current assets		1	-
(Reversal of) impairment losses		1,063	275
Change in accrued income/expenses		14,225	(2,832)
Interest (income) expenses		828	964
Interest on lease liability		68	(1)
Increase (decrease) in provisions		16	-
Effect of currency exchange fluctuations		5	1
Corporate income tax expenses (income)	14	(317)	717
Cash flows from operating activities after adjustment to non-cash items		26,163	13,755
Changes in working capital			
Decrease (increase) in inventories		(3,333)	(16,041)
Decrease (increase) in trade and other receivables and prepayments		17,228	7,512
Increase (decrease) in current and non-current trade payables and received prepayments		(22,307)	(12,413)
Increase (decrease) in employment related liabilities		(1,820)	546
Increase (decrease) in other non-current and current payables		(509)	(916)
(Paid) income tax		-	-
Net cash from operating activities		15,422	(7,557)
Cash flows from investing activities			
(Acquisition) disposal of non-current assets		(12,781)	(29,067)
Change in prepayments for non-current assets		-	(247)
Net cash flows from investing activities		(12,781)	(29,314)
Cash flows from financing activities			
Cash-pool		-	18,158
Interest (paid)		(192)	(310)
Interest on lease liabilities		(67)	1
Payment of lease liabilities		(2,020)	(1,187)
Net cash flows from financing activities		(2,279)	16,662
Net increase (decrease) in cash flows		**362**	**(20,209)**
Cash and cash equivalents at the beginning of the period		**4,971**	**21,358**
Cash and cash equivalents at the end of the period		**5,333**	**1,149**

** 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 g. 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 2022 and 31 December 2021, the sole shareholder of the Company was the parent company AB LTG. The Ministry of Transport and Communications of the Republic of Lithuania owns 100% of shares of AB LTG.

The Company has no branches and representative offices.

The actual number of employees was 2,499 as of 30 June 2022 (2,938 employees as of 30 June 2021).

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 using the exemption provided for in paragraph 4(a) of IFRS 10, when the consolidated financial statements in accordance with IFRS are prepared by its parent entity.

These condensed interim financial statements must be read in conjunction with the annual financial statements for the year ended 31 December 2021, 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/.

New standards, amendments and interpretations to IFRS and IFRS permitted for early application became effective from 1 January 2022. The Company has not applied any of the new standards, amendments whereto and interpretations that are permitted for early application to 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.

(all amounts are in EUR thousand unless otherwise stated)

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment of the Company comprised:

	Buildings and structures	Machinery and plant	Vehicles	Other equipment, fittings and tools	Construction in progress and prepayments	Total
Acquisition cost						
31 December 2020	592	2,098	245,449	571	1,242	249,952
- acquisitions	-	1,692	26,319	214	5,328	33,553
- acquisitions due to reorganisation	-	3,025	1,736	485	3,105	8,351
- assets sold, written off, disposed	-	(46)	(4,091)	(52)	(1,092)	(5,281)
- reclassifications	-	-	796	468	(1,264)	-
31 December 2021	592	6,769	270,209	1,686	7,319	286,575
- acquisitions	11	162	5,644	16	761	6,594
- assets sold, written off, disposed	-	(2)	(775)	(14)	-	(791)
- reclassification to current assets	-	-	(14)	-	(2)	(16)
- reclassifications	-	(3,824)	1,160	(128)	2,792	-
30 June 2022	603	3,105	276,224	1,560	10,870	292,362
Accumulated depreciation and impairment losses						
31 December 2020	(107)	(788)	(43,314)	(228)	-	(44,437)
- depreciation	(55)	(652)	(21,719)	(235)	-	(22,661)
- impairment	-	-	-	-	-	-
- assets sold, written off, disposed	-	36	399	40	-	475
- reclassifications	-	-	-	-	-	-
31 December 2021	(162)	(1,404)	(64,634)	(423)	-	(66,623)
- depreciation	(25)	(229)	(10,520)	(134)	-	(10,908)
- impairment	-	-	-	-	-	-
- assets sold, written off, disposed	-	1	128	13	-	142
- reclassification to current assets	-	-	11	-	-	11
- reclassifications	-	672	(708)	36	-	-
30 June 2022	(187)	(960)	(75,723)	(508)	-	(77,378)
Carrying amount						
31 December 2020	485	1,310	202,135	343	1,242	205,515
31 December 2021	**430**	**5,365**	**205,575**	**1,263**	**7,319**	**219,952**
30 June 2022	**416**	**2,145**	**200,501**	**1,052**	**10,870**	**214,984**

(all amounts are in 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 12,082 thousand (EUR 12,284 thousand as at 30 June 2021). This amount includes EUR 10,908 thousand (EUR 11,454 thousand as at 30 June 2021) of depreciation expense of property, plant and equipment, EUR 1,982 thousand (EUR 1,260 thousand as at 30 June 2021) of depreciation expense of right-of-use assets and EUR 37 thousand (EUR 31 thousand as at 30 June 2021) of amortisation expense of intangible assets. In H1 2022, EUR 845 thousand of depreciation expense was capitalized (EUR 461 thousand as at 30 June 2021).

The acquisition cost of the Company's fully depreciated but still used property, plant and equipment amounted to EUR 20,093 thousand (EUR 12,319 thousand as at 31 December 2021). 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 2020	3,031	1,089	4,120
- acquisitions	8,523	209	8,732
- acquisitions due to reorganisation	2,226	-	2,226
- assets sold, written off, disposed	(2,745)	(365)	(3,110)
- reclassifications	-	-	-
31 December 2021	11,035	933	11,968
- acquisitions	53	101	154
- assets sold, written off, disposed	(174)	(90)	(264)
- reclassifications	-	-	-
30 June 2022	10,914	944	11,858
Accumulated depreciation and impairment losses			
31 December 2020	(344)	(375)	(719)
- depreciation	(2,990)	(297)	(3,287)
- assets sold, written off, disposed	189	267	456
- reclassifications	-	-	-
31 December 2021	(3,145)	(405)	(3,550)
- depreciation	(1,867)	(115)	(1,982)
- assets sold, written off, disposed	59	88	147
- reclassifications	-	-	-
30 June 2022	(4,953)	(432)	(5,385)
Carrying amount			
31 December 2020	2,687	714	3,401
31 December 2021	7,890	528	8,418
30 June 2022	**5,961**	**512**	**6,473**

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

(all amounts are in EUR thousand unless otherwise stated)

5. FINANCIAL ASSETS

Movement of investments in subsidiaries and other companies consisted of:

Company		Ownership (%)	30/06/2022 Investment value	30/06/2022 Provision accounted	30/06/2022 Carrying value	31/12/2021 Investment value	31/12/2021 Provision accounted	31/12/2021 Carrying value
Shares of subsidiaries								
LTG Cargo Polska Sp. Zo.o.	a)	100	475	-	475	484	-	484
UAB LTG Wagons	b)	100	150	(139)	11	150	(96)	54
LTG Cargo Ukraine	c)	100	548	-	548	549	-	549
OOO Rail Lab	d)	2	14	-	14	407	(109)	298
Total			**1,187**	**(139)**	**1,048**	**1,590**	**(205)**	**1,385**

In 2020, the subsidiaries LTG Cargo Polska Sp. Zo.o., UAB LTG Wagons and LTG Cargo Ukraine were established. 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 by 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. On 9 June 2022, OOO Rail Lab acquired 98% of own shares but AB LTG Cargo remains the sole shareholder.

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

	Investment value
Acquisition value as at 31 December 2020	**1,128**
- acquisitions	462
Impairment (-)	(205)
Acquisition value as at 31 December 2021	**1,385**
Increase (+)	-
Decrease (-)	(337)
Acquisition value as at 30 June 2022	**1,048**

Financial position of the subsidiaries:

30/06/2022	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity
LTG Cargo Polska Sp. Zo.o.	203	1,343	-	2,636	(1,090)
UAB LTG Wagons	1	8	-	31	(22)
LTG Cargo Ukraine	5	137	-	53	89
OOO Rail Lab	13	19	-	1	31

(all amounts are in EUR thousand unless otherwise stated)

5. FINANCIAL ASSETS (CONTINUED)

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

	06/2022		
	Income	(Expenses)	Profit (loss)
LTG Cargo Polska Sp. Zo.o.	3,374	(4,107)	(733)
UAB LTG Wagons	-	(64)	(64)
LTG Cargo Ukraine	4	(129)	(125)
OOO Rail Lab	-	(67)	(67)

6. INVENTORIES

The Company inventories consisted of:

	30/06/2022	31/12/2021
Fuel	1,261	1,091
Spare parts	9,418	7,118
Materials	2,416	2,086
Other inventories	1,877	1,212
Total raw materials, materials and component parts	14,972	11,507
Goods for resale	2	138
Total goods held for resale	2	138
Non-current assets held-for-sale	7	3
Total non-current assets held for sale	7	3
Total	**14,981**	**11,648**

EUR 15,646 thousand (EUR 12,313 thousand in 2021) carrying amount of the Company's inventories was reduced by EUR 665 thousand (EUR 665 thousand as at 31 December 2021) to the net realisable value as at 30 June 2022.

In the first half of 2022, the inventories of EUR 1,788 thousand (EUR 2,768 thousand in 2021) (excluding fuel) were written off at cost of sales.

(all amounts are in EUR thousand unless otherwise stated)

7. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables included:

	30/06/2022	31/12/2021
External trade receivables, gross value	10,399	20,107
Impairment (-)	(2,414)	(1,296)
Total external trade receivables	**7,985**	**18,811**
Receivables from related parties	5,285	1,788
Impairment (-)	-	-
Total receivables from related parties	**5,285**	**1,788**
VAT receivable	1,229	5,136
Other receivables from the budget	702	680
Accrued income from related parties	25,330	28,878
Accrued income	1,263	2,977
Other receivables	358	10
Impairment (-)	-	-
Total other receivables	**28,882**	**37,681**
Total	**42,152**	**58,280**

The following table provided information about the exposure to credit risk and ECLs for trade and other receivables as at 30 June 2022:

	Expected credit losses, %	Gross carrying amount	Provision	Net carrying amount
Not past due	0.01%	38,777	(1)	38,776
1-30 days past due	0.39%	1,066	(4)	1,062
31-60 days past due	12.97%	122	(16)	106
61-120 days past due	20.56%	313	(64)	249
More than 120 days past due	98.81%	2,357	(2,329)	28
Total		**42,635**	**(2,414)**	**40,221**

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables as at 31 December 2021:

	Expected credit losses, %	Gross carrying amount	Provision	Net carrying amount
Not past due	0.00%	48,811	(2)	48,809
1-30 days past due	0.02%	2,589	(1)	2,588
31-60 days past due	0.02%	1,042	-	1,042
61-120 days past due	15.77%	6	(1)	5
More than 120 days past due	98.49%	1,312	(1,292)	20
Total		**53,760**	**(1,296)**	**52,464**

The provision recorded by the Company reflects the estimated losses on doubtful trade receivables. The main component of this impairment is individually assessed losses on significant doubtful trade receivables. The provision assessment methods are revised on an ongoing basis to minimise differences between estimated losses and actual losses.

8. RESERVES

Legal reserve

Legal reserve is compulsory in accordance with the Lithuanian legislation. An annual transfer of 5% of net profit to the legal reserve is compulsory until the reserve reaches 10% of the share capital. As at 30 June 2022, the legal reserve amounted to EUR 1,876 thousand (as at 30 June 2021 - EUR 814 thousand).

Other reserves

The retained earnings of 2021 were transferred to reserves by decision of the shareholders. As at 30 June 2022, other reserves amounted to EUR 49,437 thousand (as at 30 June 2021 - EUR 29,717 thousand).

9. LOANS AND OTHER FINANCIAL DEBTS

The Company's financial debts consisted of:

	30/06/2022	31/12/2021
Bank EIB – 3	454	1,364
Bank EIB – 4	10,667	14,000
AB Lietuvos Geležinkeliai	123,515	122,960
Cash pool loan	-	2,503
Interest	101	134
Total	**134,737**	**140,961**
Long-term loans	127,515	130,293
Short-term loans	7,222	10,668
Total	**134,737**	**140,961**

EIB-4 is the loan for the procurement of new rolling stock. During the first half of 2022 the Company repaid EUR 3,333 thousand of the loan and EUR 176 thousand of interest.
EIB-3 is the loan for the procurement of new rolling stock. During the first half of 2022 the Company repaid EUR 909 thousand of the loan and paid EUR 16 thousand of interest.
The loan agreement of EUR 163,862 thousand value was made with AB Lietuvos Geležinkeliai (LTG) on 12 March 2019. The purpose of the loan – purchase of railway rolling stock – rail cars, containers and locomotives under 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 that consists of a 6-month EURIBOR and a margin established by a market survey. After the restructuring of the loans in 2020, the loan of LTG and the Company is considered subordinated in respect of the EIB loans, i.e. both loan and interest payments are not possible until the EIB loan repayment maturity date in 2024; consequently, neither loan nor interest payments were made during 2022.
No breaches of fulfilment of financial and non-financial terms of the loan agreements were identified as at 30 June 2022.

In 2022, order to manage funds more effectively and ensure liquidity of the Group companies, under market terms, the Company used the Group account (Cash-pool) in accordance with the agreement signed with AB Swedbank. As at 30 June 2022, the Company had no liabilities under the said agreement.

10. LEASE LIABILITIES

The Company rents out buildings and other assets (vehicles and dredgers). Building rental agreements are usually concluded for a fixed 36-month period with an option to extend them. Vehicle rental agreements are concluded for 36 months with no option to extend them. When determining the rental period, the management evaluates all facts and circumstances, which give rise to economic incentives to avail themselves of the possibility to extend or terminate the contract. The possibility of extending the contract (or the periods after the possibility of terminating the contract) is provided for in the leases only if it can be reasonably expected that the lease will be extended (or not terminated).

Possible future cash payments were not included in the lease liabilities as there is no reason to be certain that the leases will be extended (or 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.

(all amounts are in EUR thousand unless otherwise stated)

10. LEASE LIABILILTIES (CONTINUED)

The discount rate applied for lease agreements in 2022 comprises 6-month EURIBOR and a margin established by market research based on current market conditions

The Company's lease liabilities consisted of:

	30/06/2022	31/12/2021
Non-current	4,875	5,148
Current	1,675	3,360
Total	**6,550**	**8,508**

11. TRADE AND OTHER PAYABLES

The Company's trade and other payables consisted of:

	30/06/2022	31/12/2021
Trade payables	1,456	4,295
Trade payables to related parties	3,140	16,121
Prepayments received	13,049	5,476
Cash guarantees received	494	15,908
Other taxes payable to the budget	229	709
Accumulated costs of foreign railway services	6,352	1,437
Accumulated costs	16,032	6,628
Other payables and liabilities	12	25
Total	**40,764**	**50,599**

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

12. REVENUE

The Company's revenue consisted of:

	06/2022	06/2021
Revenue from domestic freight transportation	36,878	36,067
Revenue from international freight transportation	64,484	88,538
Provision of services related to freight transportation	32,382	44,075
Property lease	2,978	3,315
Locomotives and work of locomotive crews abroad	1,605	1,733
Maintenance and repair	3,165	1,696
Wholesale trade	2,012	655
Other services	3,337	599
Total	**146,841**	**176,678**

(all amounts are in EUR thousand unless otherwise stated)

13. NET FINANCE INCOME

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

	06/2022	06/2021
Total finance income		
Penalties and default interest for overdue trade receivables	211	124
Interest	5	-
Total finance costs	216	124
Negative impact of currency exchange fluctuations	(5)	(1)
Interest	(829)	(964)
Other costs	(42)	(132)
Total	**(876)**	**(1,097)**

14. INCOME TAX AND DEFERRED TAX

Income tax was calculated at a rate of 15%.

	06/2022	06/2021
Income tax for the reporting year	-	-
Adjustment to income tax of the previous year	-	198
Deferred tax expenses (benefit)	(317)	519
Total income tax expense (benefit) recognised in profit or loss statement	**(317)**	**717**

(all amounts are in EUR thousand unless otherwise stated)

15. 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
- Affiliated non-consolidated and associated companies as well as joint ventures of AB Lietuvos Geležinkeliai;
- 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:

	06/2022		30/06/2022	
	Purchases	Sales	Receivables	Payables
AB Lietuvos Geležinkeliai	26,451	2,920	9,216	142,081
AB LTG Infra	59,389	329	289	7,850
UAB LTG Link	205	3,530	1,467	85
UAB Geležinkelio Tiesimo Centras	-	289	133	-
LTG Cargo Polska Sp. Z.o.o.	2,666	102	102	150
LTG Cargo Ukraine	12,311	-	24	12
UAB Voestalpine VAE Legetecha	-	7	-	-
Total	**101,022**	**7,177**	**11,231**	**150,178**

(all amounts are in EUR thousand unless otherwise stated)

15. 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.

	06/2021		31/12/2021	
	Purchases	Sales	Receivables	Payables
AB Lietuvos Geležinkeliai	29,240	4,084	6,404	147,088
AB LTG Infra	78,219	381	401	12,827
UAB Vilniaus Lokomotyvų Remonto Depas	13,066	347	-	-
UAB LTG Link	222	491	1,508	23
UAB Geležinkelio Tiesimo Centras	-	904	28	-
UAB Gelsauga	1	-	-	-
LTG Cargo Ukraine	-	10	8	-
UAB Voestalpine VAE Legetecha	-	6	-	-
Total	120,748	6,223	8,349	159,938

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

	30/06/2022	
	Accrued receivables	Accrued payables
AB Lietuvos Geležinkeliai	-	8,547
AB LTG Infra	25,283	46
UAB LTG Link	47	-
Total	25,330	8,593

	31/12/2021	
	Accrued receivables	Accrued payables
AB Lietuvos Geležinkeliai	2,040	615
AB LTG Infra	26,838	59
LTG Cargo Polska SP. Zo.o.	-	414
Total	28,878	1,088

(all amounts are in EUR thousand unless otherwise stated)

15. RELATED PARTY TRANSACTIONS (CONTINUED)

MANAGEMENT REMUNERATION AND OTHER BENEFITS

As of 30 June 2022, the number of executives was 6 persons, i.e. Chief Executive Officer, Head for Business Development, Head for Service Delivery, Head for Sales, Head for Technological Asset Management, Head for Business Support.

	30/06/2022	30/06/2021
Management remuneration	381	294
Incentives*	- 81	129
Accumulated long-term benefits**	3	8
Number of executives	6	8
Allowances for Board Members	-	-
Number of Board Members	2	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 2022 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.

16. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Information about the impact of geopolitical changes on the Company's operations

The geopolitical changes, the military actions of the Russian Federation in Ukraine since February 2022 on the Company's operations and a wide range of sanctions imposed by the United States and the European Union against Belarus and Russia had a significant impact on LTG Cargo's performance and its results over the reporting period.

A significant portion of LTG Cargo's revenue consists of income from freight transportation of the Russian Federation and the Republic of Belarus entering, leaving and transiting through Lithuania (about 60% of revenues in 2021). LTG Cargo's budget for 2022 was already planned without a major share of cargoes of Belarus, i.e. Belaruskalij.

In response to the Russian government's war against Ukraine and in view of the sanctions imposed on both Belarus and Russia, LTG Cargo has suspended shipments of sanctioned goods and companies. Freight turnover in the first half of 2022 decreased by more than 40% compared to the corresponding period of 2021 with a 17% decline in sales revenue.

LTG Cargo operates in Ukraine through its subsidiary LLC LTG Cargo Ukraine, whose services were suspended as of 1 March 2022 due to the Russian Federation's military actions in Ukraine, but resumed in June and running at the time of issuance of the statements.

In view of the situation, LTG Cargo's management is responsibly assessing the main risks and threats related to business continuity and impact and, together with LTG, is taking actions to manage the situation.