2022 1st half-year

AB Lietuvos Geležinkeliai INTERIM REPORT

CONTENTS

ABBREVIATIONS:

LTG, Company – AB Lietuvos Geležinkeliai
LTG Group, Group – AB Lietuvos Geležinkeliai and its subsidiaries
LTG Cargo – AB LTG Cargo
LTG Cargo Polska – LTG Cargo Polska Sp.zo.o.
LTG Link – UAB LTG Link
LTG Infra – AB LTG Infra
GTC – UAB Geležinkelio Tiesimo Centras
RBS – UAB Rail Baltica Statyba
govt. – Government of the Republic of Lithuania
EU – the European Union
SOE – State-owned enterprise

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

CONSOLIDATED INTERIM REPORT

CEO'S FOREWORD

Dear colleagues, clients and partners,

The first half of 2022 was dominated by something that is beyond our comprehension – Russia's war against Ukraine. The war instantly forced us to rethink our priorities and values and to focus on what matters most. First, to find ways in which we can work together as a team to help the brotherly nation. Second, to find ways to keep the Lietuvos Geležinkeliai (LTG) Group stable in the face of the sharpest decline in freight flows and the lowest volumes in our recent history.

Having assessed the impact of Russia's war against Ukraine and the sanctions imposed on the aggressor countries – Belarus and Russia – on the Group's operations, we have embarked on a three-part plan covering three main areas: improving operational efficiency, cost reduction, diversification and expansion into new markets, particularly in Western Europe.

LTG Cargo, the rail freight company, has been given a particularly important task and the first steps can now be summarised. Regular intermodal services from Kaunas Intermodal Terminal to Duisburg in Germany have been launched, as well as intermodal services to terminals in Poland. Together with companies from Kazakhstan, the aim is to strengthen the intermodal Trans-Caspian logistics corridor and to develop new alternatives for transporting freight from Asia to the Klaipėda Sea Port. Partnerships are being developed with Latvian and Estonian partners to connect Western Europe and the Baltics with the Amber Train freight train. Ukraine remains an important market, and we have started transporting freight from the war-torn country to Lithuania via Poland, bypassing Belarus.

LTG Infra, which manages the country's railway network and is in charge of its modernisation, also faced challenges. In the spring, the company and the Ministry of Transport and Communications signed an agreement on financing railway infrastructure. The public funding will allow the company to ensure the maintenance of the infrastructure, improve its competitiveness, improve the quality of services and offer attractive tariffs to businesses.

LTG Link, the passenger transport company, is showing positive results, with an increase in the number of rail passengers. In the first half of the year, we carried more than 2 million people on local routes, an increase of 35% compared to the same period last year. In June, a record number of customers travelled by train in Lithuania, with 14% more passengers than in the record-breaking month of June 2019. The first half of the year also saw the launch of a new and modern ticketing system and a mobile app for train travellers to buy tickets, view travel information and receive instant notifications of changes. This is one of LTG Link's most important projects in recent years, aiming to make it even easier for passengers to buy tickets and to create a new culture of train travel.

The implementation of the three-part plan has also had a significant impact on the LTG team, with decisions to tightly control operating costs and postpone some investment projects, which inevitably led to difficult decisions. In consultation with employee representatives, we have examined and evaluated all possible options and have come to the conclusion that the Group will have to part with around 2,000 employees. As part of the process, we provided comprehensive support to help employees adapt to the change: we organised career fairs with potential employers across Lithuania, and cooperated with the Employment Service, whose specialists provided the necessary advice. The professionals have ensured the smooth operation of the Group, and it was very important to us that they were able to continue their careers elsewhere.

I thank each and every member of the LTG Group team for working together and finding solutions to a difficult situation. I am confident that we can and will find ways to diversify, adapt to the situation and become even stronger.

EGIDIJUS LAZAUSKAS
CEO
AB Lietuvos Geležinkeliai

(all amounts are in EUR million unless otherwise stated)

BASIC INFORMATION ABOUT THE GROUP AND THE COMPANY

PARENT COMPANY AND ITS SUBSIDIARIES

Company name	Company address	Date and place of registration*	Company code	Telephone, e-mail	Website	Ownership, %	Core business
Parent company Public limited liability company **Lietuvos Geležinkeliai**	Geležinkelio g. 16, Vilnius	24-12-1991	110053842	(+370 5) 269 2038 info@ltg.lt	https://www.litrail.lt	The Republic of Lithuania, represented by the Ministry of Transport and Communications, owns 100%	Efficient management of the LTG Group entities
Public limited liability company **LTG Cargo**	Geležinkelio g. 12, Vilnius	28-12-2018	304977594	(+370 5) 202 1515 info@ltgcargo.lt	http://ltgcargo.lt	LTG owns 100%	Freight transport by rail, rolling stock repair and related services
Joint stock company **LTG Link**	Geležinkelio g. 16, Vilnius	28-02-2019	305052228	+370 700 55 111 info@ltglink.lt	http://www.litrail.lt/keleiviams http://www.traukiniobilietas.lt	LTG owns 100%	Passenger transport by rail on domestic and international routes
Public limited liability company **LTG Infra**	Geležinkelio g. 2, Vilnius	01-07-2019	305202934	(+370 5) 269 3353 info@ltginfra.lt	https://ltginfra.lt/	LTG owns 100%	Management, use and disposal of railway infrastructure and performance of the functions of a public railway infrastructure manager
Joint stock company **Geležinkelio Tiesimo Centras**	Trikampio g. 10, Lentvaris, Trakai r.	21-12-2001	181628163	+370 655 37023 info@gtc.lt	https://gtc.lt	LTG owns 100%	Construction and repair of railway track infrastructure
Joint stock company **Rail Baltica Statyba**	Geležinkelio g. 16, Vilnius	23-01-2014	303227458	+370 614 18055 rbs@litrail.lt	https://www.rail-baltica.lt/	LTG owns 100%	Implementation of the functions of shareholder of the Joint Venture of the Baltic States RB RAIL AS
Joint stock company **voestalpine Railway Systems Lietuva**	Sostinės g. 18, Valčiūnai, Vilnius r.	28-07-1995	110709524	(+370 5) 249 3261 office.lietuva@voestalpine.com	https://www.railwaysystems.lt	LTG owns 34%	Manufacture of railway switches

(all amounts are in EUR million unless otherwise stated)

SUBSEQUENT SUBSIDIARIES AND COMPANIES

Company name	Company address	Date and place of registration*	Company code	Telephone, e-mail	Website	Ownership, %	Core business
Joint stock company **RB Rail AS**	Satekles iela 2B, Riga, the Republic of Latvia	12-11-2014	40103845025	+371 6696 7171 info@railbaltica.org	https://www.railbaltica.org	LTG subsidiary RBS owns 33.33%	Coordinating the implementation of the Rail Baltica project
Limited liability company **OOO Rail Lab** (planned to be liquidated)	Internacionalnaja str. 36-1, Minsk, the Republic of Belarus	26-05-2020	192827267	+375 (29) 312 23 52 vladimir.dervenkov@ltg.lt	-	LTG subsidiary LTG Cargo owns 2%	Manufacture, repair and maintenance of locomotives and rolling stock, wholesale
LTG Cargo Polska Sp.zo.o.	Rondo ONZ str. 1, 12th Floor, Warsaw, the Republic of Poland	21-07-2020	386573260	Contact details at http://ltgcargo.pl	http://ltgcargo.pl	LTG subsidiary LTG Cargo owns 100%	Cargo transport and related services in Poland
Joint stock company **LTG Wagons**	Geležinkelio g. 12, Vilnius	04-11-2020	305651295	+370 618 84991 info@ltgwagons.lt	http://ltgcargo.lt	LTG subsidiary LTG Cargo owns 100%	Lease of wagons for freight transport
LLC LTG Cargo Ukraine	Puškino g. 21, Office No. 3, Kiev, Ukraine	09-12-2020	43987945	Contact details at http://ltgcargo.ua	http://ltgcargo.ua	LTG subsidiary LTG Cargo owns 100%	Freight activity and provision of related services in Ukraine

PUBLIC ENTERPRISES AND ASSOCIATION

Company name	Company address	Date and place of registration*	Company code	Telephone, e-mail	Website	Ownership, %	Core business
Public enterprise **Geležinkelių Logistikos Parkas**	Švitrigailos g. 39, Vilnius	07-10-2011	302674602	+370 612 02006 logisticspark@logisticspark.lt	https://www.logisticspark.lt/	LTG owns 79.61%	An enterprise belonging to Vilnius City Municipality and AB Lietuvos Geležinkeliai, responsible for the development and management of the logistics park of Vilnius Public Logistics Centre
Public enterprise **Transporto Inovacijų Centras**	Geležinkelio g. 16, Vilnius	08-02-2019	305017405	info@mobilitytech.lt	https://mobilitytech.lt	LTG owns 33.33%	Developing and presenting new technology oriented investment projects to the stakeholders
Association of Lithuanian Railway Undertakings	Geležinkelio g. 16, Vilnius	13-11-2018	304949011	+370 616 18841	-	-	Representing the rights and interests of the Association members-employers in the context of social partnership Association members: LTG, LTG Cargo, LTG Link, LTG Infra, GTC, RBS

* 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 AB RB Rail AS, which is registered in Latvia, OOO Rail Lab which is registered in Belarus, LTG Cargo Polska Sp.z.o.o. which is registered in Poland, and LLC LTG Cargo Ukraine which is registered in Ukraine.

(all amounts are in EUR million unless otherwise stated)

REPRESENTATIVE OFFICES ABROAD

Representative office in the Russian Federation	Zemlianoj Val str. 9, office No. 4080, Moscow (closure and business termination procedures are in progress)
Representative office in the Republic of Belarus	Internatsionalnaya str. 36-1, office No. 423, 220030, Minsk (closure and business termination procedures are in progress)
Representative office in the People's Republic of China	XiaGuangLi 15, XiaoYun Centre Tower B, office 2307, Chaoyang district, 100125, Beijing
Representative office in the Republic of Kazakhstan	Kunaev str. 6, office No 310/10,010000, Astana
Representative office in Poland	Rondo ONZ str. 1, floor 12, 00-124, Warsaw

MEMBERSHIP IN INTERNATIONAL ORGANISATIONS

International Settlement Centre (BCC)
http://bcclearing.eu/

The Union of European Railway Engineering Associations (UEEIV)
http://www.ueeiv.eu/

European Intermodal Association (EIA)
http://www.eia-ngo.com

Association of Railway Security Managers and Railway/Transport Police Forces (COLPOFER)
http://www.colpofer.org/

Coordinating Council on Trans-Eurasia Transportation (KSTP)
http://icctt.com/

International Rail Transport Committee (CIT)
http://www.cit-rail.org/

Community of European Railway and Infrastructure Companies (CER)
http://www.cer.be

Organisation for Co-operation of Railways (OSJD)
http://en.osjd.org

European Union Agency for Railways (ERA)
http://www.era.europa.eu

International Union of Railways (UIC)
http://www.uic.org/

Strategic Partnership 1520
http://forum1520.com

Intergovernmental Organisation for International Carriage by Rail (OTIF)
http://www.otif.ch/

Railway Transport Council of CIS and Baltic States (GTT)
http://www.sovetgt.org/

Association of the European Rail Infrastructure Managers RailNetEurope (RNE)
http://www.rne.eu/

North Sea - Baltic Rail Freight Corridors No.8 (RFC8)
http://rfc8.eu/

Platform of Rail Infrastructure Managers in Europe (PRIME)
https://webgate.ec.europa.eu/multisite/primeinfrastructure/prime-news_en

GROUP STRUCTURE AND GOVERNANCE MODEL

The group of companies of AB Lietuvos Geležinkeliai is a group of state-owned railway freight and passenger transport and public railway infrastructure management companies, consisting of the parent management company AB Lietuvos Geležinkeliai and its directly and indirectly owned subsidiaries, subsequent companies, public enterprises and the association.

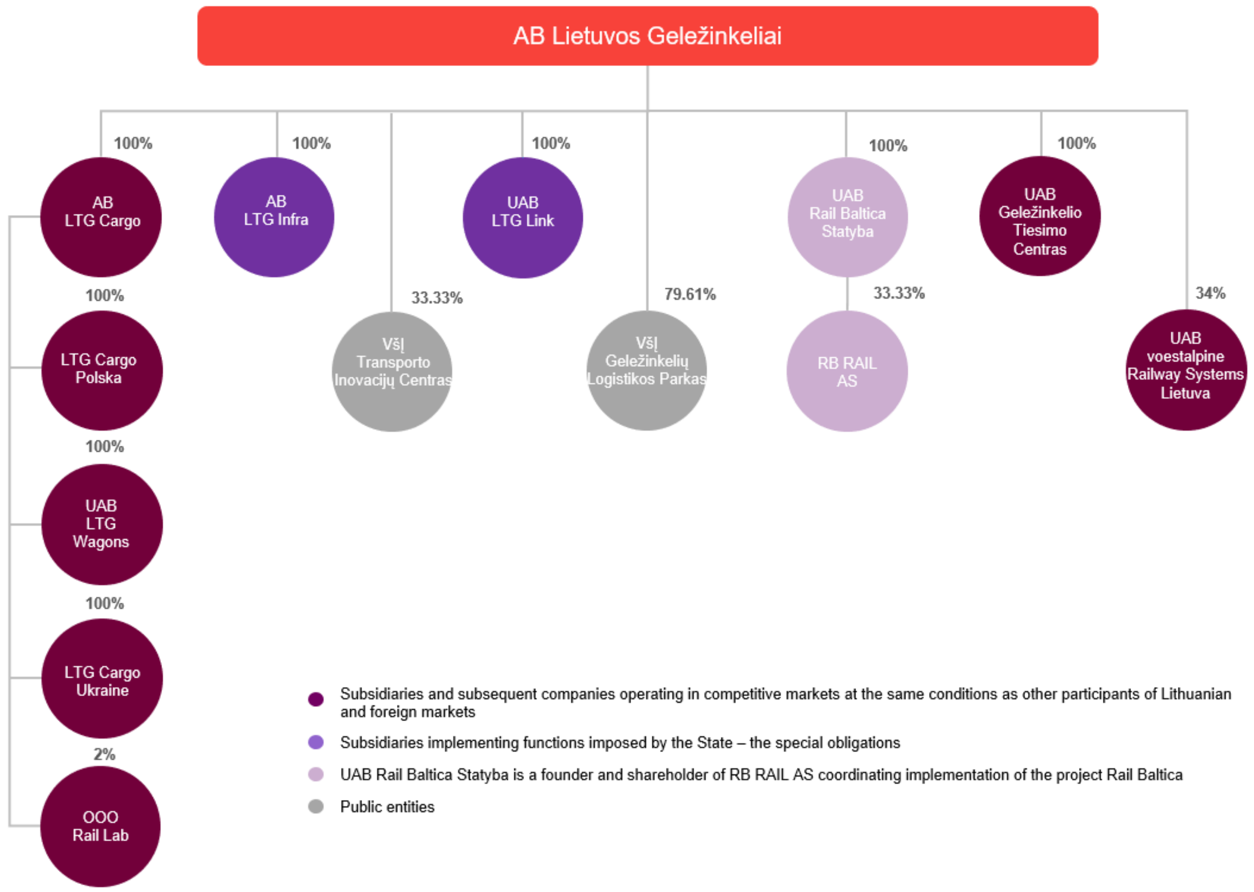
Taking into account the structural changes carried out in the LTG Group during 2018-2021 and the purification and separation of the activities of the carriers and the infrastructure manager into separate legal entities in accordance with EU requirements, preconditions are created for the companies providing transport services to operate in a competitive environment and ensuring the liberalisation of the rail market.

Following the structural changes implemented in the LTG Group, there is a clear dividing line according to the activities carried out by the companies: companies carrying out activities of a commercial nature (operating in a competitive market under the same conditions as other Lithuanian and foreign market participants); companies carrying out activities of public interest and ensuring the provision of services of public interest (performing functions entrusted to them by the state); and companies carrying out other kinds of activities.

In order to achieve the common goals of the LTG Group and the parent company, the LTG Group's governance model is based on the **LTG Group's consolidated business strategy** and functional leadership. The parent company's collegial management body considers and approves the LTG Group's consolidated operating strategy/budget, consolidated performance targets, their measurement indicators and target values, makes key management decisions within the Group, and oversees and controls the activities of subsidiaries.

As part of the LTG Group, LTG's subsidiaries are responsible for the execution of core activities and the achievement of defined performance targets. In order to achieve their objectives and to ensure proper management, the subsidiaries act independently in their activities, take appropriate decisions and ensure accountability and responsibility for performance.

LTG Group applies the **functional leadership** model which means that added value is created by centralising business support (corporate) functions, consolidating competencies and introducing functional excellence. The Parent Company coordinates the finance, legal, planning and monitoring, human resources, risk management, audit, technology, communication and other general areas of LTG Group companies through common policies, regulations and norms that apply to all LTG Group companies. Each corporate function or activity has an assigned function or activity owner who is responsible for the planning, organisation, implementation and control of the area under his/her responsibility.



(all amounts are in EUR million unless otherwise stated)

- On 25 February 2022, LUAB Gelsauga was deregistered from the Register of Legal Entities of the State Enterprise Centre of Registers, and on 30 June 2022 LUAB Saugos Paslaugos was deregistered from the Register of Legal Entities of the State Enterprise Centre of Registers.
- Due to the military actions of the Russian Federation in Ukraine, the LTG Group's LLC LTG Cargo Ukraine service operations have been temporarily suspended from 1 March 2022 until 1 June 2022.
- During the reporting period, AB LTG Cargo, UAB GTC and OOO Rail Lab entered into a sale and purchase transaction whereby AB LTG Cargo transferred 97% of its shares in OOO Rail Lab to this entity and UAB GTC transferred 1% of its shares in OOO Rail Lab to this entity. LTG Cargo currently holds a 2% share in OOO Rail Lab. On 9 June 2022, the amended Articles of Association of OOO Rail Lab were registered with the competent authorities of Belarus. It is planned to liquidate OOO Rail Lab and decisions regarding the liquidation of the company should be made in the near future.

INFORMATION ON SHARES AS AT 30 JUNE 2022

Company	The amount of the authorised capital, thousand EUR	Number of shares, unit	Par value per share, EUR
Parent company			
AB Lietuvos Geležinkeliai	1,059,282	3,657,492	289.62
Subsidiaries of the Parent company			
AB LTG Cargo	44,087	209,299	210.64
AB LTG Infra	654,928	654,928	1,000
UAB LTG Link	143,590	156,237	919.05
UAB Geležinkelio Tiesimo Centras	30,897	109,748	281.53
UAB Rail Baltica Statyba	4,161	143,698	28.96
UAB voestalpine Railway Systems Lietuva	2,192	25,734	28.96
Subsidiaries and subsequent companies			
RB Rail AS	1,950	650,005	1
OOO Rail Lab	BYN 24 thousand	-	-
LTG Cargo Polska Sp.zo.o.	PLN 2,225 thousand	2,225	PLN 1,000
UAB LTG Wagons	150	150	1,000
LLC LTG Cargo Ukraine	UAH 17,027 thousand	-	-

- As at 31 December 2021, the sole shareholder of AB Lietuvos Geležinkeliai was the Republic of Lithuania, the property and non-property rights of which are exercised by the Ministry of Transport and Communications of the Republic of Lithuania (owns 100% shares).
- The shares of the Company and its subsidiaries are of a single class – ordinary registered shares. The shares are non-certified, and they are recorded in personal securities accounts in accordance with the legal procedure. The Company and its subsidiaries have not issued any preference shares.
- The Company and its subsidiaries did not acquire any of their own shares during the reporting period, with the exception of OOO Rail Lab, to which AB LTG Cargo and UAB GTC transferred their shareholdings of 97% and 1%, respectively, in the reporting period.
- Subsidiaries and associates did not acquire any shares of the Company during the reporting period.

ACTIVITY OF THE GROUP

The principal activity of the LTG Group comprises freight and passenger transportation by rail and management of the public railway infrastructure. The LTG Group earns the major portion of comprehensive revenue from provision of freight transportation services.

The LTG Group carries out special obligations imposed by the State in the activities of management of the public railway infrastructure and passenger transportation. Implementation of the special obligations is funded from the state budget. It is a significant contribution to sustainability of the LTG Group's financial flows.

The LTG Group has been investing in modernisation and development of the public railway infrastructure as well as in new rolling stocks. The LTG Group has been implementing such strategic projects of state importance as the Rail Baltica project and railway electrification the funding of which have been mainly ensured by the EU.

Assets of railway transport concentrated within the LTG group exceeds the amount of EUR 2 billion. The public railway infrastructure (rail tracks, security, electricity and telecommunication installations and structures), railway service installations (station buildings and other objects) owned as right-of-use assets and managed by the right of trust by the State of Lithuania, and assets used for their maintenance comprise 2/3 of the assets. Other assets consist of freight and passenger rolling stocks, their repair and maintenance bases, assets necessary to serve passengers and freights, information systems and their technical equipment.

As at 30 June 2022, the LTG Group had 7.0 thousand employees, including 0.9 thousand in the parent company LTG.

PRINCIPAL ACTIVITIES OF LTG GROUP COMPANIES

Management of Group companies

LTG is the parent company the activity of which is effective management of the companies of the LTG Group.

Besides the provision of management services of the LTG Group companies, the Company provides the following services to the Group companies: fuel resale, other services provided in railway service facilities (washing and disinfection of rolling stocks, etc.), lease of property and vehicles.

Freight transportation by rail

LTG Cargo is a licenced railway company engaged in transportation of domestic and foreign freights.

Subsequent to acquisition of activities carried out by UAB Vilniaus Lokomotyvų Remonto Depas by LTG Cargo on 1 April 2021, the services of repair and maintenance of locomotives and wagons have been provided under the brand LTG Tech.

Passenger transportation by rail

LTG Link is a licenced railway company engaged in transportation of passengers on domestic and international routes. The Company also ensures transit trips from the Belarussian border to the Kaliningrad region.

Management of the public railway infrastructure

LTG Infra manages all the objects of the public railway infrastructure within the railway network of the Republic of Lithuania by the right of trust, exercises the duties of the public railway infrastructure management ensuring effective functioning, upgrading and development of the public railway infrastructure as well as providing indiscriminatory access to the public railway infrastructure for all railway undertakings legally operating in Lithuania.

Construction and repair of railway

GTC is a licenced railway company engaged in construction, repair and maintenance of railway infrastructure tracks, lease of machinery, plant and equipment, provision of engineering and consultation services.

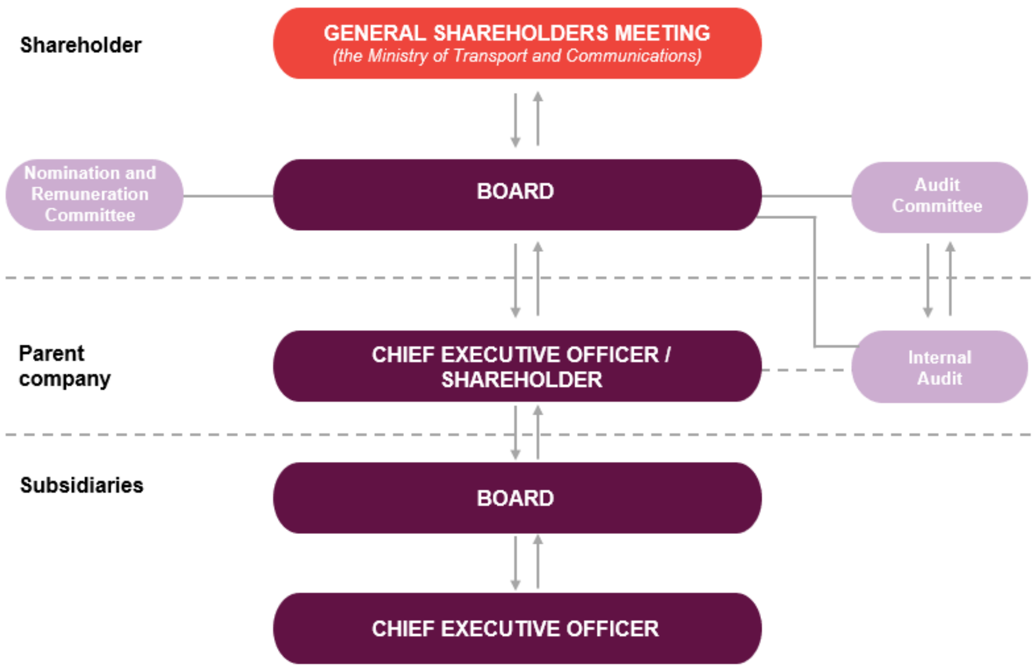
For more information on the services and performance of the Group's companies see the Chapter *Performance of the main Group companies*.

CORPORATE GOVERNANCE

The corporate governance of the LTG Group focuses on creation of a long-term value and ensures proper representation of the shareholder, alignment of interests of the parties concerned, refining of interaction among the management bodies and structural units of the LTG Group, implementation of management and control functions. Effective and well-balanced corporate governance establishes stable, clear and comprehensible mutual relations, increases attractiveness of the LTG Group to shareholders, customers, partners, employees, the society, and creates preconditions for growth of value and sustainable development of the LTG Group in a long-term perspective.

The corporate governance is seen as a set of common rules, policies, practices and processes applied within LTG Group for management and control of the LTG Group companies. The corporate governance of the LTG Group is implemented by LTG in performance of its functions as a parent company.

LTG GROUP'S MANAGEMENT STRUCTURE



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

THE CORPORATE GOVERNANCE OF THE LTG GROUP IS ORGANISED ACCORDING TO THE FOLLOWING PRINCIPLES:

- Openness and transparency of activities;
- Adherence to the regulatory framework and the most advanced international practice of corporate governance;
- Meeting the expectations and representing the interests of the shareholders;
- Proper implementation of shareholder rights and control;
- Clarity and sustainability of goals;
- Operational efficiency;
- Sustainable development;
- Effective and ethical style of governance.

THE ARTICLES OF ASSOCIATION OF THE COMPANY

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

Over the reporting period no amendments were made to the Articles of Association of the Company.

The effective version of the Articles of Association of LTG is available at the Company's website https://www.litrail.lt/istatai.

The Articles of Association of LTG 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.

BODIES OF THE COMPANY

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

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

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

The sole shareholder of LTG is the Republic of Lithuania the rights and obligations whereof are implemented by the Ministry of Transport and Communications, which adopts the main decisions related to implementation of the ownership rights and obligations.

The following property rights are conferred upon the owner of an ordinary registered share (shareholder):

- receive a portion of the Company's profit (dividend);
- receive the Company's funds when the capital of the Company is reduced with a view to paying out the company's funds to the shareholders;
- receive shares without payment if the capital is increased out of the company funds with exceptions specified by the Law on Companies of the Republic of Lithuania;
- the pre-emptive right to acquire the shares issued by the Company, except for the case when the General Shareholders Meeting decides to revoke the pre-emptive right of all shareholders in accordance with the procedure established by the Law on Companies of the Republic of Lithuania;
- lend to the Company in the manner prescribed by laws; however, when borrowing from its shareholders, the Company may not pledge its assets to the shareholders. When the Company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his place of residence or business, which was in effect on the day of conclusion of the loan agreement. In such a case, the company and shareholders shall be prohibited from negotiating a higher interest rate;
- receive a part of assets of the Company in liquidation;
- other property rights established by other laws of the Republic of Lithuania.

The following non-property rights are conferred upon the owner of an ordinary registered share (shareholder):

- attend general meetings of shareholders;
- submit to the company in advance the questions related to the issues on the agenda of the general meeting of shareholders;
- vote at general meetings of shareholders according to voting rights carried by their shares; the shareholder's voting right is not restricted;
- receive information on the company according to the procedure and terms specified by the Articles of Association;
- refer to the court with a claim requesting to redress damage incurred on the Company resulting from nonfeasance or malfeasance by the manager of the Company and members of the board of their duties prescribed by the Articles of Association, the Law on Companies of the Republic of Lithuania and other laws, as well as in other cases laid down by laws;
- other non-property rights established by laws of the Republic of Lithuania.

The competence of the General Shareholders Meeting is provided for by the Law on Companies, also in the Articles of Association of LTG, published on the Company's website https://www.litrail.lt/istatai.

Main competences of the general meeting of shareholders are as follows:

- amend the articles of association of the Company;
- elect/remove the board and (or) its members; establish a remuneration for independent board members;
- elect and remove an auditor or an audit firm for the carrying out of the audit of a set of the annual financial statements and consolidated financial statements, establish conditions for payment for audit services;
- approve the annual management report and the consolidated annual management report;
- take a decision on profit/loss distribution;
- approve a set of interim financial statements prepared in order to take a decision on the allocation of dividends for a period shorter than the financial year;
- to take a decision on the allocation of dividends for a period shorter than the financial year;
- take a decision on issuing of bonds;
- take a decision on increase / reduction of the authorised capital;
- take a decision on reorganisation, conversion, restructuring, liquidation of the company;
- approve decisions of the Company's board on the investment, disposal or lease, pledge or mortgage of non-current assets the carrying amount, price or amount whereof is equal to or exceeds 1/20 of the authorised capital of the Company; suretyship or guarantee for the discharge of obligations of third parties; the acquisition of non-current assets.

The shareholder's expectations

Following the Description of the Procedure for Implementation of Property and Non-Property Rights of the State in State-Owned Enterprises approved by Resolution No 665 of the Government of the Republic of Lithuania of 6 June 2012, the authority representing the state shall prepare and submit the letter to the state-owned enterprise regarding the objectives that the state pursues and raised expectations in the state-owned enterprise at least every 4 years.

In this regard, the letter regarding the objectives that the state pursues and raised expectations in the Company was approved by the Order of the Minister of Transport and Communications of 22 June 2020. The letter of expectations of the shareholder is available on the Company's website https://www.litrail.lt/veiklos-strategija.

The Board is a collegial governing body consisting of 7 members as set out by the Company's Articles of Association. The members of the Board are elected by the General Shareholders Meeting for a term of 4 years in accordance to the legislation of the Republic of Lithuania. The Management Board elects the chairman of the management Board from among its members. More than a half of Board members shall not have employment relationships with the Company. The number of terms of office of the Board Member is not limited.

During the reporting period, the Board of the Company consisted of 7 members, thereof 5 members are independent, and 2 members are delegated representatives of the shareholder.

Independent board members are elected following the Description for Selection of Candidates to the Board of the State-Owned or Municipality-Owned Enterprise and to the Collegial Supervisory or Management Body Elected by the General Meeting of Shareholders of the State-Controlled or Municipality-Controlled Enterprise (the Description for Selection), approved by Resolution No 631 of the Government of the Republic of Lithuania of 17 June 2015 (with subsequent amendments).

According to the Articles of Association of the Company, a person who is not eligible for serving as the Board member according to the legislation shall not be elected as the Board member. Each candidate to the Board member shall inform the General Shareholders Meeting electing him of his title and place of employment, how his other activity is related to the company and other legal entities related to the company.

The Board is accountable to the General Shareholders Meeting.

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

The main functions of the Board:

- approve the strategy of the Company and consolidated strategy of the Group companies, set goals, their measurement indicators and target values;
- approve the budget of the Company and the consolidated budget of the Group.
- adopt decisions regarding strategic matters of setting the lines of activities of the LTG Corporate Group;
- adopt decisions regarding conclusion of major transactions;
- adopt decisions regarding participation or establishment of other legal entities;
- be responsible for organisational and systemic development of the LTG Corporate Group;
- monitor and control top-priority projects;
- consider and approve the consolidated and annual, and interim reports the Company;
- review consolidated, and annual, and interim financial statements of the Company;
- elect/remove the head of the Company;
- supervise the activities of the CEO.

The term of office of the Board is 20/07/2021–20/07/2025.

During the reporting period, neither member of the Board held shares of the LTG Group companies.

During the reporting period 17 meetings of the Board took place.

COMPOSITION OF THE BOARD

KĘSTUTIS ŠLIUŽAS

Chairman of the Board, Independent Board Member
Holds the position from 20 July 2021

Education

– Vilnius University, Master's degree;
– IMD Business School (Lausanne, Switzerland), Leadership, Strategy, Innovation;
– London Business School, Leadership programme;
– BICG (Vilnius, Lithuania), Corporate governance;
– MCE Management Centre Europe (Belgium).

Main employer, position

CEO of IPI srl/COESIA Group (Perugia, Italy).

Other positions held

– Supervisory Board member and Audit Committee member of PayRay Bank, UAB, Lvivo St. 25, Vilnius, company code 304862948;
– Member of the council of Kaunas University of Technology, K. Donelaičio St. 73, Kaunas, company code 111950581;
– Mentor at LTG Big Brother.

EUGENIJUS PREIKŠA

Independent Board Member
Holds the position from 20 July 2021

Education

– Stockholm University, Master's degree in social sciences (banking);
– Vilnius University, Bachelor's degree in economics (banking and finance);
– INSEAD (Fontainebleau, France), Leadership programme.

Main employer, position

Board member, Chief Risk Officer at UAB European Merchant Bank.

Other positions held

Adviser to the Board of UAB Imlitex Holdings.

DR. AURIMAS VILKELIS

Independent Board Member
Holds the position from 20 July 2021

Education

- Vilnius Gediminas Technical University, Doctorate in Technological Sciences;
- ETH Zurich (Switzerland), Post-doctoral research in areas of transport and logistics.

Main employer, position

Head for Transport at Swiss Post (Switzerland).

Other positions held

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BERNARD GUILLELMON

Independent Board Member
Holds the position from 20 July 2021

Education

– Ecole Polytechnique Fédérale de Lausanne, engineer in Microtechnology and Master's degree in energy;
– INSEAD (Fontainebleau, France, Master's degree in Business Administration, Leadership Challenge Course;
– Institute of Directors (London), certificate in company direction.

Main employer, position

Co-owner of Bridge The Gap Ltd; consultancy and advisory in energy, mobility and real estate. Diverse mandates in the transportation sector (Nexxiot, Hupac, Rail Logistics Europe, etc.).

Other positions held

Vice president and Board member of JJM (a family-owned real estate company).

DALIA ANDRULIONIENĖ

Independent Board Member
Holds the position from 20 July 2021

Education

– Vilnius University, Master's degree in economics and management;
– ISM University of Management and Economics, Master's degree in management;
– BI Norwegian Business School, Master's degree in management.

Main employer, position

– CEO of UAB Omberg group, Gynėjų St. 16, Vilnius, company code 303566387.

Other positions held

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ROMAS ŠVEDAS

Board Member
Holds the position from 20 July 2021

Education

– Vilnius University, Master's degree in law;
– Umea University (Sweden), the course on political democracy;
– The World Trade Organisation (Geneva, Switzerland), Foreign Trade Policy Course;
– International Law Institute (Washington D.C., USA), the course on international trade;
– Baltic Institute of Corporate Governance (Vilnius, Riga, Tallinn, Stockholm), trainings for Board Members and Chairmen of the Board.

Main employer, position

– VšĮ Valdymo Koordinavimo Centras (Governance Coordination Centre), Head of the Governance Unit (member of boards delegated by the State), Gedimino pr. 38, Vilnius, company code 110068011;
– Head of MB Romas Švedas ir partneriai, Nemenčinės pl. 10-10, Vilnius, company code 303150481.

Other positions held

– Supervisory Board member of RB Rail AS, Satekles iela 2B, Riga, the Republic of Latvia, company code 40103845025;
– Lecturer at the Vilnius University, Institute of International Relations and Political Science, Universiteto St. 3, Vilnius, Company code 211950810;
– Board member of the European Movement Lithuania (non-governmental organisation);
– Facilitator at Business Executive Training Centre.

AGNĖ AMELIJA MIKALONĖ

Board Member
Holds the position from 20 July 2021

Education

– Mykolas Romeris University, Bachelor's degree in law, Master's degree in international law;
– Baltic Institute of Corporate Governance (Vilnius, Riga, Tallinn), trainings for Board Members.

Main employer, position

Principal adviser at the Ministry of Transport and Communications of the Republic of Lithuania, Gedimino pr. 17, Vilnius, company code 188620589.

Other positions held

– Board member of AB Kelių priežiūra, Savanorių pr. 321C, Kaunas, company code 232112130;
– Board member at State Enterprise Lithuanian Road Administration, J. Basanavičiaus St. 36, Vilnius, company code 188710638.

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

(all amounts are in EUR million unless otherwise stated)

COMMITTEES OF THE BOARD

According to the Articles of Association of LTG, seeking for efficient fulfilment of its functions and duties the Board adopts decisions to set up committees which are advisory bodies of the Board for relevant matters falling within the competence of the Board. In accordance with their competence the committees submit their conclusions, opinions and proposals to the Board of LTG, and the Nomination and Remuneration Committee also submits them to the Chief Executive Officer of LTG.

The committee shall consist of no less than 3 members. The Board members and other persons, who are not the Board members, can be appointed as members of the committee. Chairman of the committee shall be an independent member of the Board.

Where non-members of the Board are appointed as members of the committee, they shall comply with the general selection requirements and independent criteria of collegial bodies, elected by the General Shareholders Meeting of the Company, provided for by legislation of the Republic of Lithuania.

Members of committees are appointed and removed by the Board. Chairmen of committees are elected by members of committees. A committee is set up and its members are appointed for a period no longer than the term of office of the Board. The number of terms of office of committee members is not limited.

During the reporting period, the following committees of the Board were set up in the Company:

- Audit Committee;
- Nomination and Remuneration Committee.

If necessary other committees, provided for by legislation of the Republic of Lithuania or in accordance with the *ad hoc* principle (e.g. for resolution of special matters, preparation, supervision or coordination of strategic projects etc.) may be set up by a decision of the Board.

AUDIT COMMITTEE, ITS COMPOSITION AND ACTIVITY

The Audit Committee operates as an advisory body of the LTG Group, the main objective of which is to submit conclusions, proposals regarding functioning of external and internal audit, risk management and control systems in the LTG and its subsidiaries to the Board of LTG.

The main functions of the Audit Committee are:

- supervising the LTG Group financial reporting and auditing processes;
- ensuring compliance with the principles of independence and objectivity of auditors and audit companies of the LTG Corporate Group, providing summary information to the Board;
- monitoring the effectiveness of the LTG Group's internal control, internal audit systems, as well as business processes;
- informing LTG's Board of Directors on problematic issues related to the audit of the Group's companies, especially when significant deficiencies in internal control related to financial statements are identified, making recommendations on how to eliminate these deficiencies and improve their prevention systems;
- informing the LTG Board about the audits performed in the LTG Group by the State Audit Office of the Republic of Lithuania, the Ministry of Transport and Communications of the Republic of Lithuania or other institutions and providing information on the control over the implementation of recommendations made by the said institutions.

During the reporting period, the committee consisted of 4 members. The term of office of the LTG Audit Committee members started on 23 August 2021. All members of the Audit Committee are members of the LTG Board.

None of the members of the Audit Committee had shares of the LTG Group companies.

During the reporting period, 6 meetings of the Audit Committee were held.

COMPOSITION OF THE AUDIT COMMITTEE

			
EUGENIJUS PREIKŠA	DR. AURIMAS VILKELIS	BERNARD GUILLELMON	ROMAS ŠVEDAS
Chairman of the Audit Committee Holds the position from 23 August 2021 Independent Board member	Committee member Holds the position from 23 August 2021 Independent Board member	Committee member Holds the position from 23 August 2021 Independent Board member	Committee member Holds the position from 23 August 2021 Board member

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

INTERNAL AUDIT

In order to ensure transparent and efficient operation of the LTG Group and a proper internal control system, a centralised Internal Audit Unit has been established in the Company. The internal audit functions as a third line of defence at the LTG Group. The Unit reports directly to the Board, thus ensuring the independence and objectivity of internal audit, thereby facilitating the identification of operational weaknesses and areas for operational efficiency.

The mission of internal audit is to provide independent, objective assurance and consulting, and the function is organised in accordance with the basic principles set out in the International Standards for the Professional Practice of Internal Audit. The unit's staff carries out internal audits and regularly monitors the implementation of the recommendations made and the correction of other internal control weaknesses identified by the external auditors and supervisory authorities.

During the first half of 2022, the activities of the Internal Audit Unit covered areas that were selected on the basis of a risk assessment and the identification of priority activities and processes to be audited. The findings of the conducted audits were presented to the heads of the responsible units and the top management of the Company, as well as to the Audit Committee and the Board of LTG.

NOMINATION AND REMUNERATION COMMITTEE, ITS COMPOSITION AND ACTIVITY

The Nomination and Remuneration Committee is an advisory body of the LTG Board, the main objective of which is to submit conclusions, opinions, recommendations and proposals to the Board of LTG, in respect of such issues as election of the LTG CEO and establishment of the LTG remuneration policy as well as selection of members of governance bodies of the Group's subsidiaries.

Essential functions of the committee:

- organize and coordinate the selection process of the head of LTG, participate in the selection of the head of LTG;
- submit an opinion, recommendations, proposals to the Board regarding the nomination of the most suitable candidate as the head of LTG, as well as the selection procedures;
- make an assessment, provide an opinion, proposals to the Board of LTG regarding the terms and conditions of the employment contract of the head of LTG, including the remuneration;
- make an assessment of candidates to positions of the board member, the head of a subsidiary of LTG, and provide an opinion, recommendations, proposals to the shareholder of these subsidiaries – the head of the parent LTG in respect of selection of the most suitable candidate;
- make an assessment, provide an opinion to the Board regarding the principles and criteria for assessment of activity of the head of LTG;
- make an assessment, provide an opinion, proposals to the Board of LTG regarding the remuneration policy.

During the reporting period, the Committee consisted of 3 members. The term of office of the Nomination and Remuneration Committee started on 23 August 2021. All members of the Nomination and Remuneration Committee are members of the LTG Board.

Neither member of the Nomination and Remuneration Committee held any shares of the LTG Group companies.

During the reporting period 9 meetings of the Nomination and Remuneration Committee took place.

COMPOSITION OF THE NOMINATION AND REMUNERATION COMMITTEE

DALIA ANDRULIONIENĖ

Chairwoman of the Nomination and Remuneration Committee
Holds the position from 23 August 2021
Independent Board member

KĘSTUTIS ŠLIUŽAS

Committee member
Holds the position from 23 August 2021
Chairman of the LTG Board, independent Board member

AGNĖ AMELIJA MIKALONĖ

Committee member
Holds the position from 23 August 2021
Board member

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

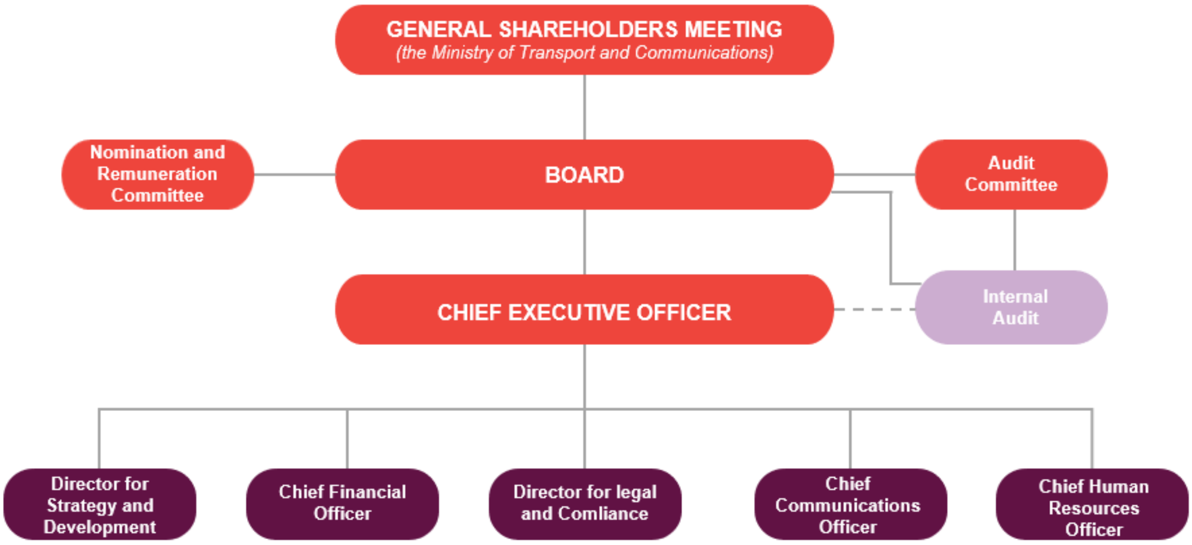
(all amounts are in EUR million unless otherwise stated)

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

The essential functions and competences of the CEO:

- Responsible for arrangement of the activity, achievement of operational objectives and implementation of the set goals of LTG;
- Responsible for the preparation of consolidated documents of LTG Group, the annual financial statements and the interim financial statements of the Company;
- Implements the rights and duties of the shareholder in respect of the subsidiaries of LTG.

CORPORATE GOVERNANCE AND ORGANISATIONAL STRUCTURE



On 22 June 2022, the LTG Board approved proposals to further regulate the activities of the LTG holding company. The governance of the LTG Group will be strengthened by clearly separating strategic management and control functions from operational service delivery activities. The changes are being made to provide the LTG Group as a whole with greater flexibility, higher quality of service and the appropriate speed of decision making and execution required to operate successfully in the new circumstances and changed market conditions.

The LTG Board has decided to strengthen the Company with three new functions and competences – **Operations and Services**, **Business Resilience and Risk Prevention**, **Technology**. No changes to the organisational structure or significant revisions of functions will be made until the selection process for the managers of these activities is completed. The selection is expected to be completed in October 2022.

EXECUTIVES OF THE COMPANY

EGIDIJUS LAZAUSKAS*	CEO	Temporarily in office from 4 January 2022 until 22 June 2022 Appointed on 23 June 2022
VYTAUTAS RADZEVIČIUS	Director for Strategy and Development	Appointed on 5 April 2022
ANDREJ KOSIAKOV	Chief Financial Officer	Appointed on 2 October 2017
IRMANTAS BERŽAUSKAS	Director for Legal and Compliance	Appointed on 22 February 2022
IRENA JANKUTĖ-BALKŪNĖ	Chief Human Resources Officer	Appointed on 10 July 2017
MANTAS DUBAUSKAS	Chief Communications Officer	Appointed on 8 February 2017

* Following the selection process, Egidijus Lazauskas was elected Chief Executive Officer of LTG by decision of the LTG Board on 22 June 2022. The first 5-year term of office of the LTG's Chief Executive Officer began on 23 June 2022.

Before being appointed as the CEO of LTG, Egidijus Lazauskas has acted as the CEO of AB LTG Cargo – the subsidiary of the LTG – from 1 May 2019. Egidijus Lazauskas has a university degree in environmental engineering gained at Vilnius Gediminas Technical University.

Management of interests

As at the end of the reporting period, members of the LTG Board, the CEO and the Company's managers have submitted 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 during the reporting period.

Information on remuneration of Board members, Committee members and the Company's Chief Executive Officer

The remuneration of the members of the Board and the members of committees is related to the time allocated for the respective activities of the Board and the committees, which is provided for in the civil contracts concluded with the members.

The remuneration of the independent members of the Board and committees, including the independent members delegated by the shareholder, is determined in accordance with the Order of the Minister of Transport and Communications of the Republic of Lithuania of 20 August 2018 No. 3-420 on approval of the description of the procedure for determining the remuneration for the board members, committee members of public limited liability companies with their share owner being the Ministry of Transport and Communications and state-owned enterprises under the regulation of the Ministry of Transport and Communications (with subsequent amendments) and Order of the Minister of Transport and Communications of the Republic of Lithuania of 18 March 2021 No 3-154 on the activities of the board and committee members of the public limited liability company Lietuvos Geležinkeliai.

The **Board Member's** annual remuneration including all taxes paid for the actual activities as the Board Member cannot exceed 1/4 of the total annual remuneration (the annual amount consisting of the fixed and variable components, annual bonus and salary related taxes) of the General Manager of a respective Company, in case of the **Chairperson of the Board** - 1/3 of the total annual remuneration (the annual amount consisting of the fixed and variable components, annual bonus and salary related taxes) of the General Manager of the respective Company. The **Committee Member's** annual remuneration including all taxes paid for the actual activities as the Committee Member cannot exceed 1/15 of the total annual remuneration (the annual amount consisting of the fixed and variable components, annual bonus and salary related taxes) of the General Manager of the respective Company, in case of the **Chairperson of the Committee** – 4/45 of the total annual remuneration (the annual amount consisting of the fixed and variable components, annual bonus and salary related taxes) of the General Manager of the respective Company.

The remuneration of the Board Member and the Committee Member is subject to reduction if the Members are absent from the Meetings, withdraw from the issues due to the conflicts of interests, fail to state their opinion with regard to the issues on the agenda, do not vote on them, fail to carry out activities of the Member, dedicate less amount of time than that indicated in the Agreements concluded with them or carry out activities improperly.

No remuneration is paid to civil servants delegated to the Board as well as to committees by the shareholder, i.e. the Ministry of Transport and Communications, for their activities at the Board and committees.

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 10,450 as at the end of the reporting period. During the reporting period, the monthly basic salary of the CEO of the Company increased by 7 percent from EUR 9,770 to EUR 10,450.
2. Annual incentives. The annual variable remuneration (annual incentive) directly related to achievement of annual goals and dependent on actual achievement of the established annual indicators **might be** paid to the Company's Chief Executive Officer next to the basic monthly salary. Each year, the Board of the Company approves the structure of annual goals of the Group, threshold values for their achievement and benchmarks, and after the end of year the Board of the Company approves the results of achievement of these objectives and the possibility of paying annual incentive.

The maximum amount of the variable annual incentive is up to 30% of the annual basic salary. The maximum monthly proportion (i.e. 1/12) of the annual incentive shall not exceed EUR 3,135.

In April 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 1,612.

Information on remuneration of the Board Members, Committee Members, and the CEO is publicly available on the Company's website http://www.litrail.lt.

STRATEGY

LTG Group is building its business activities on rational strategic planning and governance. In response to changes in the transport services market and the changing business environment, a detailed review of the Strategy is performed each year. At the end of 2021, the LTG Board approved the updated **Sustainable Growth Strategy 2040 of AB Lietuvos Geležinkeliai**.

In the process of the Strategy update:

– LTG's strategic strands have been substantially revised and clarified;
– Strategy shaping horizon has been extended;
– Freight and passenger flow forecasts have been revised;
– Investments have been revised with an emphasis on operational efficiency and elimination of unnecessary investments;
– a strong focus has been made on the rapid and high-quality implementation of **diversification solutions**, with a particular emphasis on **business development** opportunities in foreign countries, thus boosting LTG Group's external revenue growth in the long term;
– a strong focus has been made on the development of the **green course**, the efficient use of energy and natural resources, and initiatives to reduce the impact on the environment and climate change;
– the importance of **strengthening organisational culture** by contributing to the wellbeing of employees and empowering them to contribute to organisational change has been highlighted.

In April 2022, the LTG Group Board approved the Group's **Sustainability Policy**, a document setting out the organisation's seven sustainability priorities in the environmental, social and governance areas. The key policy guidelines have already been taken into account in the development of the previously adopted **Sustainable Growth Strategy 2040**, and the chosen sustainability priorities continue to be an important basis for the organisation's activities, regardless of the changing political and economic environment.

Given the complex geopolitical situation at the time of the issuance of these reports due to the Russian Federation's military actions on the territory of Ukraine, a review of the approved **Sustainable Growth Strategy 2040** has been initiated in the second quarter of this year, which will include a review of the existing strategic objectives and priorities, the investment directions, the need for and sources of funding and the introduction of *ad hoc* measures to address the situation and the risks arising from this. The focus is on the rapid and high-quality **diversification and operational efficiency** solutions: intermodal transport activities are being actively developed, looking for new destinations in Western Europe and semi-trailer transport opportunities in the Baltic States; following the imposition of economic sanctions on Russia by the European Union and the USA, freight flow forecasts are being constantly evaluated and adjusted; LTG Group is implementing projects on the efficiency of business processes, modernisation of the ERP business accounting system, establishment of operational control centres and other projects, enabling optimisation of the costs incurred in the short term. LTG Group-wide cost-saving and asset optimisation initiatives are adopted and implemented.

MISSION, VISION, VALUES

STRATEGIC DIRECTIONS

1. **The Green Deal** – to establish a standard of sustainability and eco-friendliness in the area of freight and passenger transport by contributing to climate neutrality objective of the EU and the Republic of Lithuania.
2. **Operational efficiency** – to ensure financial stability by increasing operational efficiency, by carrying out the activities in accordance with the highest corporate standards and optimising the use of assets.
3. **Business development** – to increase capacities and operate abroad seeking for activity diversification and larger competitiveness in the independent market.
4. **Preferred choice for travellers** – to improve the opinion of residents about the passenger transportation by rail and become the first choice for passengers appreciated for high-level services, operating efficiency and management as well as to ensure adaptation of railway services according to universal design principles.
5. **Preferred choice for logistic services** – to increase freight flows, ensure competitiveness and partnership with other railway undertakings, potential market newcomers, and road transport undertakings.
6. **Infrastructure for smooth movement** – to become the top-level manager of railway infrastructure, ensuring safe connections and adequate freight and passenger transportation capacities.
7. **Comprehensive safety** – to apply the “Safety above all” principle ensuring high-level of traffic safety, occupational safety and business safety.
8. **Strong organisational culture** – become one of the most attractive employers in Lithuania, to develop a respectful and transparent business culture and to increase organisational maturity that would enable successful implementation of the Strategy.

STRATEGY IMPLEMENTATION MEASURES

In line with the LTG Group's long-term and short-term strategic goals and objectives, **strategic initiatives have been developed and are being implemented**, covering all LTG Group companies and LTG's key strategic strands: the Green Deal, operational efficiency, business development, strengthening the organisational culture, and ensuring comprehensive security.

KEY ACHIEVEMENTS OF THE STRATEGIC INITIATIVES IN THE FIRST HALF OF 2022

ERP modernisation: further automation of planning and management processes

To constantly increase the efficiency of the use of LTG Group's resources and to automate the resource planning and management processes, ERP business management system is being modernized, enhanced and updated to the latest version. In 2021, the HR module "*Success Factors"* was launched and the LTG Cargo R2 *go-live* took place. LTG Infra ERP upgrade work has been initiated: *fit/gap* analyses are underway, preparatory work for a detailed assessment of the change.

Financing agreements: support for infrastructure maintenance and electrification

1. The Ministry of Transport and Communications RoL and LTG Infra signed a **railway infrastructure financing agreement**. The public funding will allow the company of the LTG Group to ensure the maintenance of the infrastructure, improve the quality of services and offer attractive tariffs to businesses.

2. In an effort to step up the implementation of the European Green Deal, Lithuania has signed a **financing agreement for the electrification** of the Kaišiadorys-Klaipėda section of the main railway artery, which will provide over EUR 158 million from the European Union's Cohesion Fund for this section. A major breakthrough was achieved – due to the geopolitical situation, an agreement was reached with the Ministry of Transport and Communications of the Republic of Lithuania that the remaining part of the project (more than EUR 210 million) will be covered by the budget of the Republic of Lithuania.

1435 mm gauge development: greener, safer, solutions to diversify operations

The Rail Baltica project is gaining momentum in meeting the objectives of the European Green Deal: it creates opportunities to shift freight transport from road to rail, thereby reducing environmental impacts and accidents, and enabling diversification solutions. Recent geopolitical events (the war in Ukraine) have highlighted the importance of this project in contributing to the geopolitical security of the region: the opening of a military unloading platform at the Kaunas Intermodal Terminal, which is accessible via European rail link, saw the first arrival and unloading of military equipment in Kaunas at the end of May, using the 1435 mm track.

In the search for diversification solutions, a strong focus is being placed on the **development of freight transport on the 1435 mm gauge**: In the first half of 2022, the first two trains carrying grain from Ukraine arrived in Lithuania. Semi-trailer transportations to/from Kaunas Intermodal terminal (KIT) and Duisburg are now in full swing. This is the first international freight route to the West to be implemented by LTG Group companies in three different countries: transports in Lithuania are carried out by the LTG Cargo team, and transports in Poland and Germany by LTG Cargo Polska.

Manufacture and innovation: the freight wagon project

Manufacture of freight wagons. In order to expand the range of services provided by LTG Group and to increase the revenue generated by the new activities, LTG Cargo aims to start wagon manufacture in Lithuania. Manufacturing lines have been set up in Vilnius and Radviliškis, and the testing of two open wagons has been successfully completed and a certificate of verification in Lithuania has been obtained. In view of the need for diversification, the **possibility of reorienting the manufacture of wagons for the 1435 mm market** is currently being assessed.

Being closer to the customer: LTG Link ticketing system

At the end of March 2022, a new, modern online ticketing system was launched. LTG Link installed the system within a year of signing the contract with UAB Fortevento and SIA Turnit. In June, the system was launched on the Android APP mobile app and an iOS version is in the pipeline. The new system makes it easier to inform passengers about the trip on each route or its changes, to analyse travel data, and to purchase tickets more conveniently and quickly. There are plans to integrate other modes of transport into the mobile app, allowing door-to-door planning with a single ticket.

MOST SIGNIFICANT EVENTS IN 2022 1ST HALF YEAR

JANUARY

- On 4 January, Egidijus Lazauskas, formerly the General Director of LTG Cargo, takes up the position of acting CEO of AB Lietuvos Geležinkeliai.
- On 4 January, Eglė Šimė who previously headed the company's service delivery unit, takes up the position of acting CEO of LTG Cargo.
- On 12 January, the Government of the Republic of Lithuania approved the decision of the Coordination Commission for the Protection of Objects of Importance for National Security, based on which the contract between AB Lietuvos Geležinkeliai and the Belarusian company Belaruskalij is not in the interests of national security. According to the decision of the Government of the Republic of Lithuania, the contract will be considered invalid as of the enforcement date of the decision – 1 February.
- On 12 January, AB Lietuvos Geležinkeliai announced that, taking into account the decisions on threats to national security, it is ready to comply with the decision of the Government of the Republic of Lithuania concerning the contract with Belaruskalij and to discontinue the provision of services from 1 February.
- LTG Cargo Polska, a subsidiary of LTG Cargo, strengthens its position in Poland. The company has leased two locomotives for its international operations, which will be used to increase the volume of intermodal freight transport from Kaunas Intermodal Terminal to the Netherlands.

FEBRUARY

- LTG Group received a notification from the council for rail transport of CIS countries, Estonia, Latvia, Lithuania and Bulgaria about the decision adopted by Belarus to ban the transit of oil products and fertilizers by rail from Lithuania as of 7 February.
- LTG Cargo Polska, the subsidiary of the cargo freight company LTG Cargo, planned investments in Poland for expansion to Western Europe, development of existing and new services and acquisition of machinery. To this end, the investment of over EUR 47 million is projected to be made within two-three years.
- Irmantas Beržauskas took office of Director for Law and Compliance of LTG, and Marius Staponas became Director of LTG Digital, the centre of information technology of LTG Group.
- On 25 February 2022, LUAB Gelsauga was deregistered from the Register of Legal Entities of the State Enterprise Centre of Registers.

MARCH

- On 24 February 2022, Russia began active military operations on Ukrainian territory. Due to the military actions of the Russian Federation in Ukraine, the LTG Group's LLC LTG Cargo Ukraine service operations have been temporarily suspended from 1 March 2022.
- As of 1 March, LTG Link, the passenger carrier, offered free transport for domestic routes in Lithuania to citizens of Ukraine.
- LTG is prepared to offer a stay in the former holiday dwellings of the company in Klaipėda, Radviliškis, Šilėnai and Ignalina to the Ukrainian people fleeing from war. In total about 300 places have been prepared for this purpose.
- In response to the war of the Russian government against Ukraine and having considered new sanctions imposed by the European Union, LTG Cargo, the company of cargo freight of the LTG Group, suspends the freight of production of companies under sanctions to Klaipėda Seaport.
- In response to the war of the Russian government against Ukraine, LTG Cargo, the cargo freight company of LTG Group, suspended the rent of platform wagons. As of 7 March, the company's platform wagons must not be carried directly to both Russia or Belarus and by transit to other countries, except for Latvia and Estonia. The aim of this decision is to limit possibilities to use platform wagons in Russia and Belarus for military purposes. A bit later in March, LTG Cargo suspended the supply of all wagons for common use owned by it for loading and carriage to both Russia and Belarus and also other countries by transit through those countries. The Company also terminated the transport of wagons leased to customers to Russia, which means that movement of the entire wagon fleet of LTG Cargo to Russia has been suspended.
- On 18 March, AB Lietuvos geležinkeliai announced a selection for the office of Chief Executive Officer.
- On 30 March, LTG Link, the passenger carrier, introduced a new ticketing system – it is now available to plan a trip, purchase a ticket and find all relevant information on the new website at www.ltglink.lt.
- On 31 March, LTG Infra that is responsible for implementation of the Rail Baltica project in Lithuania signed a construction agreement with an Italian company Rizzani de Eccher for construction of Rail Baltica railway bridge over the Neris river near Jonava.

APRIL

- LTG Cargo, the freight carrier of the LTG Group, has started transportation of intermodal cargoes to Duisburg, Germany, the first regular train left on 4 April.

- On 6 April, the public railway infrastructure manager LTG Infra and the Ministry of Transport and Communications of the Republic of Lithuania concluded an agreement for funding of the railway infrastructure. State funding of the company of the LTG Group will allow ensuring maintenance of the infrastructure, improving service quality and offering attractive price tariffs to businesses. Long-term commitment of the State to balance revenues and expenses of the infrastructure manager has been enshrined in the EU and Lithuanian legislation.
- LTG Infra is reducing tariffs for Railway Service Facilities (RSF) up to 3 times for business from April 7. The lower tariffs for RSF will allow to increase the transport of local freight and intermodal freight in the western direction. In addition to maintaining existing freight flows, the lower tariffs for RSF are projected to increase rail freight traffic by 0.5 million tonnes and 6,000 TEUs of intermodal freight travelling westbound.
- The LTG Board has decided to close the LTG representative offices in Russia and Belarus, which were set up around a decade ago. The closure could take up to 6 months, depending on the activities and deadlines of the Russian and Belarusian authorities.
- LTG Cargo, the LTG Group's freight carrier, continues to actively diversify its activities and starts offering intermodal freight services from Kaunas Intermodal Terminal to terminals in Poland.
- On 27 April, LTG Cargo, the freight transport company of LTG Group, launched a test run from Kaunas Intermodal Terminal to Ukraine via Poland. This is the first time in LTG's history that freight from Ukraine reached Lithuania by rail bypassing Belarus.
- The LTG Group has completed a consultation process with employee representatives, during which different scenarios were proposed and analysed, and a plan of action agreed. Taking into account the impact of the Russian war in Ukraine, the sanctions imposed on Belarus and Russia, as well as the forecasts for this year's activity and the ongoing strategic projects, LTG Group is forced to give up about 2,000 employees: about 1,200 of them work for LTG Cargo, about 500 for LTG Infra and about 300 for LTG. The LTG Group will be parting with around a quarter of its managers at different levels. Their severance payments will amount to EUR 6 million. The Group has planned a package of support measures for employees to ensure that team members affected by the changes have the necessary information about the opportunities offered by the labour market: cooperation with the Employment Service, career fairs, etc.
- LTG Cargo, the LTG Group's freight transport company, 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.

MAY

- The renewed Railway Museum reopens its doors to visitors. The interactive and modern museum is located in the passenger building of Vilnius Railway Station. The modernisation of the museum's exhibition took about 2.5 years. During this period, the exposition and the interior were renovated, exhibition furniture and interactive tools were installed, and the necessary equipment was installed. The total investment in the renovation and modernisation of the Museum is around EUR 800 000. Around EUR 565 000 was financed by the European Union and the rest by LTG.
- The LTG Link mobile app for train travellers has been launched. Passengers can store their tickets, view their travel information and receive instant notifications of important changes. The app is now available for download for Android users. The new app is part of the new LTG Link ticketing system launched earlier.

JUNE

- As of 1 June, the management and development of the LTG Group's terminals has been transferred to LTG Infra, the LTG Group's company that manages the railway infrastructure network. This decision was taken due to the rapid growth in intermodal traffic and further business development. LTG Infra owns the intermodal terminals in Vilnius and Kaunas, while the LTG Group owns 244 terminals and yards.
- LTG Infra, the company that manages Lithuania's public railway infrastructure network, has launched an international tender to procure an automatic rolling stock control system that reduces infrastructure maintenance costs and helps prevent rolling stock accidents.
- LTG Cargo Ukraine, a subsidiary of LTG Cargo, has resumed services in Ukraine. This decision was taken following a significant increase in demand from business customers in Ukraine for grain and other cargo from the country. The company will provide freight forwarding services in Ukraine and will assist customers in organising rail freight transport through Ukraine, Poland and Lithuania.
- LTG Infra, the company that manages Lithuania's public railway infrastructure network, has modernised its radio communication system for EUR 16 million (excluding VAT) and purchased technical support services for nine years. This GSM-R system is used for train traffic management in Lithuania.
- LTG Cargo, the LTG Group's freight carrier, continues to diversify its activities and has signed its first international cooperation agreements with Kazakhstan companies. At the same time, it will aim to strengthen the intermodal Trans-Caspian logistics corridor and enable new alternatives for transporting freight from Asia to Klaipėda Seaport.
- The selection of the CEO has been finalised – by decision of the LTG Board on 22 June 2022, LTG will continue to be headed by Egidijus Lazauskas.
- On 30 June 2022, LUAB Saugos Paslaugos was deregistered from the Register of Legal Entities of the State Enterprise Centre of Registers.

SUBSEQUENT EVENTS

JULY

- Passenger train company LTG Link is resuming international train services to Poland in cooperation with Polish carrier Polregio. Trains on the route Kaunas – Bialystok – Kaunas resume from 1 July.
- Passenger transport company LTG Link is temporarily shortening the train route Šiauliai – Radviliškis – Panevėžys – Rokiškis from 1 July. This decision was taken after an analysis of the declining passenger flows and the impact of the Russian war in Ukraine and the impact of international sanctions imposed on the aggressors on the supply of spare parts needed for the maintenance of part of the trains.
- The search for the Chief Executive Officer of rail freight company LTG Cargo was launched on 1 July.
- LTG Group has launched a tender for a selection agency to select independent members of the boards of LTG's subsidiaries LTG Link, LTG Cargo and LTG Infra.
- Oil products are transported by rail from a terminal in Lithuania to Ukraine. LTG Cargo transports petroleum products by tankers between the terminals in Mockava (Lithuania) and Trakiski (Poland). The oil products are then transported by tanker via Poland to Yagodzin in Ukraine.
- In the first half of the year, passenger train company LTG Link transported more than 2 million people on local routes, an increase of 35% compared to the same period last year. According to the company, the number of customers transported in June was record high. In the first month of summer, 14% more people travelled by train in Lithuania than in the record-breaking month of June 2019.
- Rail Baltica is heading towards Latvia – on 21 July, a symbolic sign marking the start of construction of the Rail Baltica railway bridge over the Neris River was buried near Jonava. The complex engineering structure, which will have no supports in the water to protect the Natura 2000 site, will be the longest railway bridge in the Baltic States. Construction is expected to take 2.5 years.
- On July 22, LTG Cargo, a freight company of the LTG Group, informed its customers about the updated procedure for transit from Russia to Kaliningrad in accordance with the European Commission's (EC) guidance. According to the guidance on the Council Regulation to the Member States of the European Union (EU) published on 13 July 2022 (the EC guidance), the transit of essential sanctioned goods between the mainland of the Russian Federation and Kaliningrad region through the territory of the European Union is only possible within the framework of the restrictions imposed. In accordance with the relevant EU Council Regulation and the EC guidance, as well as clarifications from the competent authorities, and in compliance with the conditions for strengthening the transit control of goods as set out in the EC guidance, LTG Cargo has resumed such shipments as of 22 July. They are carried out in accordance with the conditions for strengthening the transit control of goods laid down in the EC guidance.

INFORMATION CONCERNING THE IMPACT ON THE ACTIVITIES OF THE LTG GROUP OF THE RUSSIAN WAR AGAINST UKRAINE AND SANCTIONS

Russia's military actions in Ukraine from 24 February 2022, and the extensive sanctions imposed on Belarus and Russia by the United States of America and the European Union have had a significant impact on the LTG Group's activities and results during the reporting period.

The LTG Group companies most affected by the sanctions are LTG Cargo, a freight transport company, and LTG Infra, a company that manages Lithuania's public railway infrastructure network:

- Until 2022 a significant part of LTG Cargo's revenues came from the Russian Federation and the Republic of Belarus, as well as from the transit of these countries (around 60% of revenues in 2021). In 2022, the LTG Group's budget was already planned without the major part of Belarus, i.e. Belaruskalij cargo;
- A substantial part of LTG Infra's revenue comes from charges for the use of the public railway infrastructure from freight operators, the bulk of which is from LTG Cargo (around 85% of revenue in 2021). These charges are used to cover the costs of maintaining railway infrastructure and implementing development projects;
- Part of LTG Link's revenue comes from passenger transit trains to/from Kaliningrad (in 2021, this revenue accounted for around 30% of sales, excluding subsidies from the state budget). At the time of issuing the reports, passenger services by transit trains to/from Russia to the Kaliningrad region were running.

In response to the Russian regime's war against Ukraine and in view of the sanctions imposed on both Belarus and Russia, LTG Group's freight carrier LTG Cargo has suspended transportation of products of the sanctioned companies. Freight turnover in the first half of 2022 is down by more than 40% compared to the corresponding period in 2021 and LTG Group's sales revenue, excluding subsidies, is down by 12.5%.

In view of the current situation, the LTG Group's management is responsibly assessing the main risks and threats related to the continuity of operations and the impact on the business of the LTG Group and its companies and is taking steps to manage the situation:

- A Crisis Management Committee has been set up to coordinate the activities of the seven working groups established and to take decisions on Business Continuity and Planning, Cost Control, Sanctions and Inter-Agency Coordination, Management of National Threats, Governance and Business Risk Assessments, Communications, Staff Support, and Shelter, Accommodation and Logistics for Ukrainians fleeing the war.
- A Performance Optimisation Project is underway, covering three areas: improving operational efficiency, cost reduction, diversification and expansion into new markets, in particular Western Europe During the reporting period, the necessary decisions were taken on the LTG Group's management model and optimal staffing levels, optimisation of assets used in operations and repairs. Full effect and results of the ongoing Optimisation project and the measures taken will be seen and evaluated at the end of 2022 / beginning of 2023.
- On a quarterly basis, business continuity plans are reviewed in the light of the sanctions imposed and business forecasts are updated on a LTG Group-wide basis, with a focus on the business outlook and cash flow balancing of the LTG Group's freight company LTG Cargo and the public railway infrastructure manager LTG Infra.
- Decisions have been taken on strict cost control in the LTG Group: only costs necessary for the operation are financed. The portfolio of investment projects has been reviewed and decisions have been taken to defer and postpone some investment projects. Investment projects that have been started are being continued and the necessary investments for the renewal of assets are being made.
- Decisions were taken on the most optimal number of employees in LTG Group companies. Up to 2,000 redundancies are planned in LTG Group companies by the end of the year.
- The focus is now on diversification and expansion into new markets, particularly in Western Europe. For more information on the decisions related to the diversification of activities see sections *Most Significant Events in H1 2022* and *Overview of the Group's KPIs / Freight Transportation by Rail* of the report.
- In order to manage the liquidity risks of the LTG Group, the Company's management has assessed the state subsidies and additional funding provided to LTG Group companies – LTG Link and LTG Infra:
  - public passenger transport services are fully funded, covering all losses incurred by these activities. In 2022, the volume of subsidisation foreseen in the strategic planning documents of the Ministry of Transport and Communications of the Republic of Lithuania amounts to EUR 39.4 million (EUR 2.4 million to finance passenger transport services under preferential conditions and EUR 37.0 million to finance operating losses on local passenger transport routes);
  - Subsidies related to the balancing of revenues and costs of the public railway infrastructure manager are also planned, taking into account EU Directive 2021/34/EU and the provisions of the RTC. On 6 April 2022, the Ministry of Transport and Communications of the Republic of Lithuania and LTG Infra, which manages the country's public railway infrastructure network, signed a railway infrastructure financing agreement. The public funding will allow the company of the LTG Group to ensure the maintenance of the infrastructure, improve the quality of services and offer attractive tariffs to businesses. The State's long-term obligation to balance the revenues and costs of the infrastructure manager is stipulated in the European Union and Lithuanian legislation. The agreement will remain in force for five years. In 2022, the strategic planning documents of the Ministry of Transport and Communications of the Republic of Lithuania foresee a subsidy volume of EUR 25 million in order to balance the revenues and costs of the public railway infrastructure manager. In addition, in March, the Government of the Republic of Lithuania decided to allocate EUR 20 million for the maintenance of the railway infrastructure resulting from the imposition of sanctions against the Republic of Belarus;
  - additional funds will also be made available to finance strategic investment projects in public railway infrastructure of the additional EUR 155 million in public funding, around 80% is earmarked for railway infrastructure investment projects.
- In H2 2022, it is planned to sign a short-term financing agreement ("overdraft") with one of the commercial banks servicing the LTG Group.
- A review of the LTG Group's long-term strategy has been initiated, including a review of existing strategic objectives and priorities, investment orientations, funding needs and sources, and future perspectives. The strategy is expected to be adopted in autumn 2022.

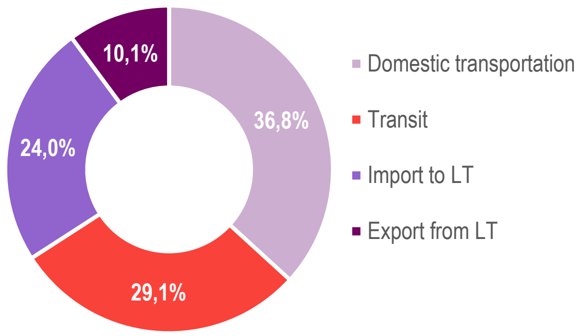
In the opinion of the LTG Group's management, the above measures and actions, as well as the additional public funding, will enable the LTG Group to balance the cash flows necessary to ensure the continuity of its operations and to service its existing loan agreements and commitments to partners.

OVERVIEW OF THE GROUP'S KPIS

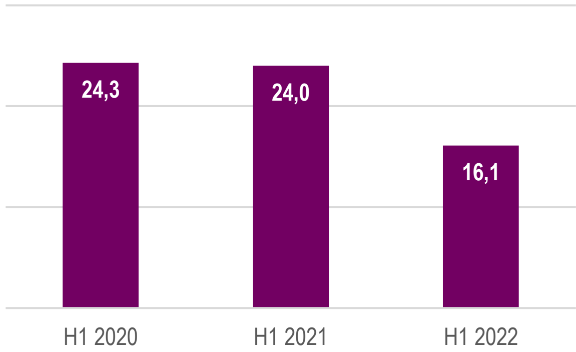
Transportation volumes		2020 H1	2021 H1	2022 H1	2022/2021 Δ, %
Freight turnover	**in billion tons km**	**7.3**	**7.0**	**4.0**	**(43.4%)**
Average distance travelled per ton	**km**	**300**	**291**	**245**	**(15.7%)**
Freight carried	**in million tons**	**24.3**	**24.0**	**16.1**	**(32.9%)**
Freight transportation segments					
Domestic transportation	in million tons	6.7	6.5	5.9	(9.6%)
International transportation	in million tons	17.6	17.5	10.2	(41.6%)
Transit	in million tons	4.9	5.4	4.7	(12.5%)
Export from Lithuania	in million tons	3.0	2.2	1.6	(26.1%)
Import to Lithuania	in million tons	9.7	9.9	3.9	(60.9%)
Passenger turnover	**in million passenger km**	**122.4**	**123.8**	**195.3**	**57.8%**
Average distance travelled by passenger	**km**	**76**	**75**	**88**	**17.2%**
Passengers carried	**in millions of pass.**	**1.61**	**1.64**	**2.21**	**34.6%**
Domestic	in millions of pass.	1.50	1.56	2.12	35.5%
International	in millions of pass.	0.11	0.08	0.09	16.4%
Train operational volume	**bn tkm gross**	**14.4**	**13.8**	**8.4**	**(39.1%)**

FREIGHT TRANSPORTATION BY RAIL

Freight transportation segments in H1 2022, %



Freight volumes (million tons)



The activities of freight transport have been carried out by the Group company LTG Cargo.

16.1 million tonnes of freight transported by rail in the first half of 2022, 32.9% less than in the first half of 2021. Railway transportation was dominated by the transportation of "heavy" loads,– chemical and mineral fertilizers, oil and its products, construction materials. These types of loads account for more than half of the total volume of freight transported by rail over the reporting period.

The Russian government's war in Ukraine and the wide range of sanctions imposed on Belarus and Russia by the United States of America and the European Union have reduced freight flows by more than a third in the first half of 2022. Particularly large declines were recorded in the fertiliser, ferrous metals and solid mineral fuels segments.

International transportation, with 63.2 percent total freight transported, recorded a 41.6 percent drop in H1 2022 and amounted to 10.2 million tonnes. LTG Cargo, the LTG Group's freight carrier, in response to the situation and in view of the sanctions, has suspended the transport of products of the sanctioned companies to the Klaipėda Sea Port. The total volume of cargo transported through the Port of Klaipėda in the first half of 2022 decreased by 53.0%, the majority of which was fertilisers.

Transit freight traffic in the direction of the Kaliningrad region in the first half of 2022 decreased by 12.5% to 4.7 million tonnes compared to the first half of 2021. The most significant fall was in the volume of solid mineral fuels transported in this direction.

Domestic freight volumes, which accounted for 36.8% of the total freight volume, decreased by 9.6% to 5.9 million tonnes in the first half of 2022. The decline is largely due to a drop in fertiliser transport.

In order to adapt to the changed business environment, the focus is now on **diversification and expansion into new markets, especially in Western Europe**:

- LTG's Board has taken decisions to expand its business into Western Europe, with significant investments in Poland for the development of new and existing services and the acquisition of a technical fleet by LTG Cargo Polska;
- LTG Cargo started intermodal transport to Germany on the route Kaunas Intermodal Terminal – Duisburg;
- the Company has launched intermodal freight services from Kaunas Intermodal Terminal to terminals in Poland;
- first international cooperation agreements were signed with companies from Kazakhstan. The aim is to strengthen the intermodal Trans-Caspian logistics corridor and to develop new alternatives for transporting freight from Asia to the Klaipėda Sea Port;
- during the reporting period, following the resumption of services by LTG Cargo's subsidiary LTG Cargo Ukraine on 1 June 2022, pilot trains were organised for the shipment of cereals and sunflower oil from Ukraine to the port of Klaipėda. The freight was transported from Ukraine to Lithuania bypassing Belarus. From the Ukraine-Poland border, LTG Cargo Polska transports the freight, while in Lithuania it is LTG Cargo. From July 2022, oil products are transported by rail from a terminal in Lithuania to Ukraine.

The volume of intermodal container train transport in the first half of 2022 decreased by 18% to 85.5 thousand TEUs compared to the first half of 2021. This is due to strained relations with China.

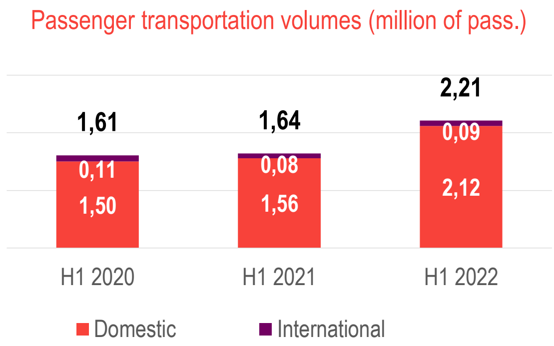
Meanwhile, intermodal volumes by semi-trailer trains are growing. These transports have been organised since the second half of 2021 and have increased by 1.6 times compared to the current period. Intermodal transport is expected to continue to grow as a result of diversification decisions.

PASSENGER TRANSPORTATION BY RAIL

The activities of passenger transportation have been carried out by the Group company LTG Link.

In H1 2022 the total number of railway passengers increased by 34.6% compared with H1 2021.

There has been a significant increase in rail travel, especially in the domestic transport market, which in previous periods was severely constrained by the coronavirus (COVID-19) pandemic.



Passenger transportation on domestic routes increased 35.5% compared to the same period last year and accounted for 2.12 million passengers. In addition to the increase in the number of local journeys, the growth in the number of travellers has also been positively influenced by the ongoing marketing campaigns and other measures to increase the attractiveness of travelling by train.

At the end of March 2022, a new, modern and user-friendly train ticketing system, Smart ticketing, was launched. A mobile app was subsequently launched. It allows passengers to create a personal account to buy tickets faster, store them conveniently, view travel information and receive notifications of important changes to their journey.

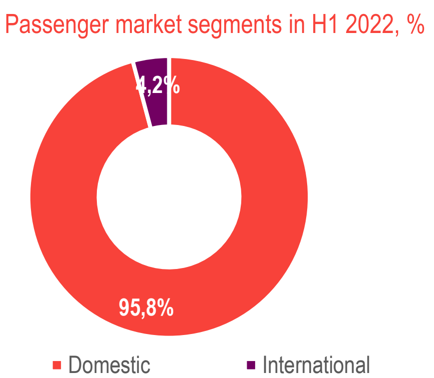
The Vilnius- Kaunas route (34.5% of total transport on domestic routes) that carried 0.7 million passengers in H1 2022, remains among the most popular routes. The summer season's hit the Seaside Express offers train travel to the country's seaside resorts. Passengers can travel to Palanga, Nida and other seaside resorts on the combined train – bus itineraries.

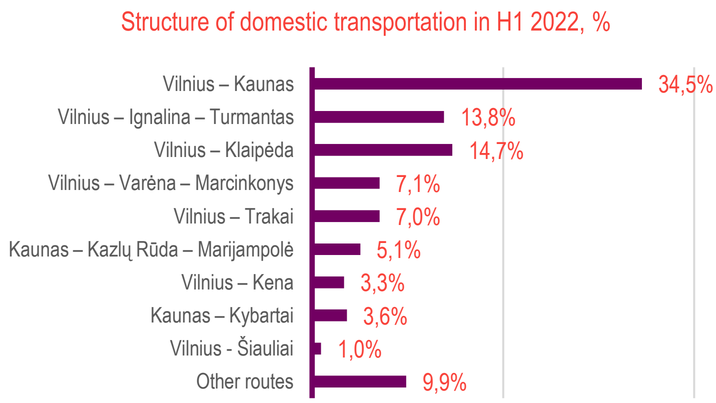
Passenger transportation on international routes accounted only for the transit trains through the territory of the Republic of Lithuania to and from the Kaliningrad region to Russia over the reporting period. The number of passengers within this segment increased by 16.4% compared to H1 2021 accounting for 0.09 million passengers.

The coronavirus (COVID-19) pandemic has led to the suspension of international train services from spring 2020, which has not yet been restored in the first half of 2022. Before the quarantine, passengers could travel on LTG Link and other national trains on international routes to Minsk, Daugavpils, Bialystok and Kiev.

From 1 July 2022, in cooperation with the Polish carrier Polregio, international services to Poland will resume on the route Kaunas – Bialystok – Kaunas.

Domestic carriage accounted for 95.8% in H1 2022, whereas international transport – for 4.2% of railway passengers. In the previous periods before the COVID-19 pandemic, the share of domestic transport on average was about 82%, international – about 18% of the total number of transported passengers.





Services of the Public Railway Infrastructure Manager

The functions of the public railway infrastructure manager have been carried out by the Group company LTG Infra.

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

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

Total length of the railway

3,464.6 km

Of which the length of overhead contact lines

317.5

Stations

131

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

The manager of public railway infrastructure approved the rates of charges for the 2021–2022 working timetable of trains by Order No [S-PAJ(LGI)-467 of 11 December 2020, and they are available at LTG Infra website (link). The set charges were calculated based on the rules for the calculation and payment of charges for the access to the public railway infrastructure as part of the minimum access package and calculation and payment rules of the fee for allocated but not used public railway infrastructure capacities, approved by the Government of the Republic of Lithuania by Resolution No 610 of 19 May 2004 "Regarding Payment for the Minimum Access Package, and Approval of Calculation and Payment Rules of the Fee for Allocated but not Used Public Railway Infrastructure Capacities" (version of the Resolution No. 356 of 8 April 2020 of the Government of the Republic of Lithuania) which set the components of the charge for the minimum access to public railway infrastructure package and the procedure for payment and calculation of tariffs comprising this charge, charge for the minimum access package fee for allocated but not used public railway infrastructure capacities.

LTG Infra also carries out the activities of an operator of railway service facilities, i.e. manages, uses and disposes of state-owned railway service facilities and the ones owned by LTG Infra by the right of trust. The tariff rates of charge for the use of railway service facilities managed by the railway service facilities operator, railway tracks available in them and the basic and additional rail-related services supplied in those facilities shall be set by LTG Infra in observance of the Railway Transport Code of the Republic of Lithuania. The list of access to railway service facilities and services supplied in those facilities are available at LTG Infra website (link).

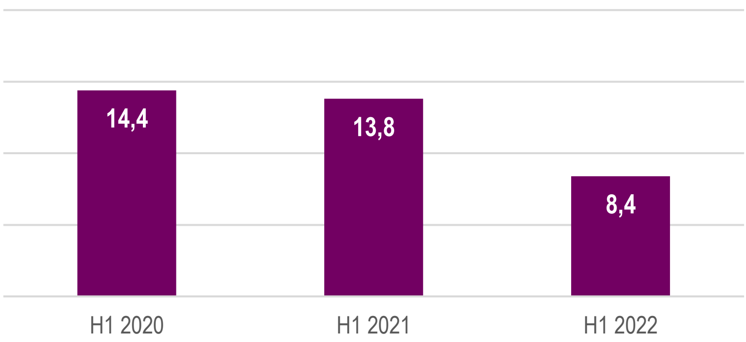
The activities carried out by LTG Infra are monitored by the railway transport market regulator whose functions, since the start of 2017, have been performed by the Communications Regulatory Authority of the Republic of Lithuania.

LTG Infra holds and maintains the assets with the value of EUR 1.5 billion.

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

More information about ongoing investment projects are provided in the section *Investments* of the report.

Train operational volume (Bn tkm gross gross)



ANALYSIS OF FINANCIAL AND OPERATIONAL PERFORMANCE

GROUP PERFORMANCE RESULTS

GROUP REVENUE

In H1 2022, the Group earned EUR 202.5 million of revenue, i.e. EUR 2.8 million or 1.4 percent less compared to H1 2021. Freight transport operations represent a major share of revenue, i.e. 66.2 percent.

- **The Group's operating income** amounted to EUR 164.2 million, a decrease of EUR 23.5 million or 12.5% compared to H1 2021. Revenue details are provided in *Note 21* to the explanatory notes to the Financial Statements:

– **Freight transportation revenue**, compared to H1 2021, decreased by EUR 36.5 million or 21.4% and amounted to EUR 134.1 million. The change in revenues was affected by a significant decrease in freight turnover due to sanctions imposed on Russian and Belarusian freight;

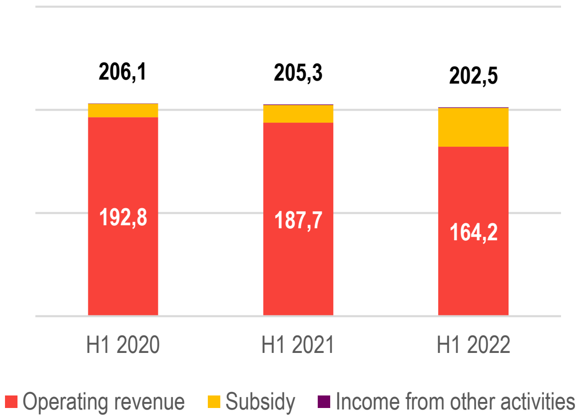
– **Passenger transportation revenue** increased by EUR 7.4 million or 2.2 times and constituted EUR 13.3 million in H1 2022. The revenue from passenger transport activities accounted for 6.6 percent of generated income in the total revenue structure of the Group. Revenue growth was boosted by the rapid recovery of domestic rail passenger traffic, which had been limited in previous periods by the coronavirus (COVID-19) pandemic. Increases in fares were also a factor;

– **Revenue from the use of public railway infrastructure** from non-Group companies is not significant in the overall revenue structure, amounting to EUR 0.6 million or 0.3% of the Group's revenue in the H1 2022. During the reporting period these revenues remained unchanged compared to the first half of 2021;

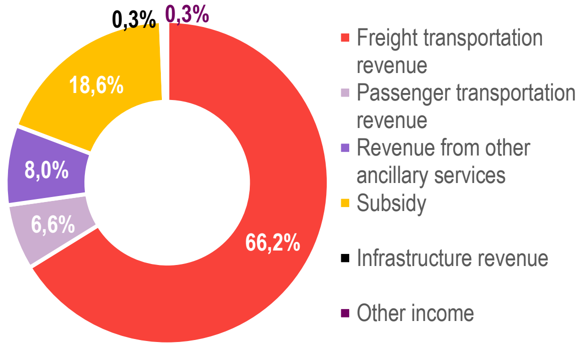
– The Group also provides **other ancillary services**, including maintenance and repair of rolling-stock, the public railway infrastructure facilities, property lease, sale of scrap metal, and other services. The revenue generated from this group of services accounted for 8.0% of the total income structure and increased by EUR 5.6 million or 52.9% up to EUR 16.2 million during the reporting period. Sales of scrap metal increased during the reporting period.

- The amount of accrued state **subsidies** in the reporting period amounted to EUR 37.7 million (EUR 17.1 million in the first half of 2021). State budget funds compensate LTG Link for losses incurred in providing public passenger rail transport services, i.e. transporting passengers on local transport routes – in the first half of 2022, the accrued amount was EUR 17.3 million (in the first half of 2021 – EUR 17.1 million).

Group income, EUR million



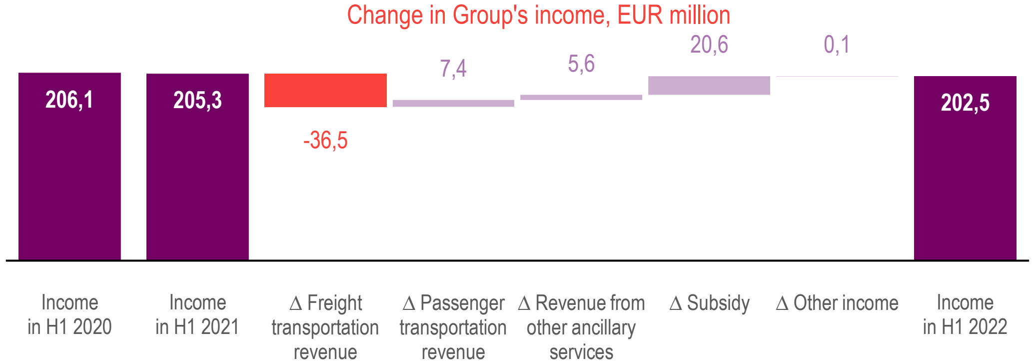
Group income structure in H1 2022, %



Funds are also allocated to balance the revenues and costs of the public railway infrastructure manager LTG Infra, with EUR 20.4 million accrued in the first half of 2022.

- **The Group's other operating income** made EUR 0.6 million and has remained significantly unchanged compared to the first half of 2021.

Change in Group's income, EUR million

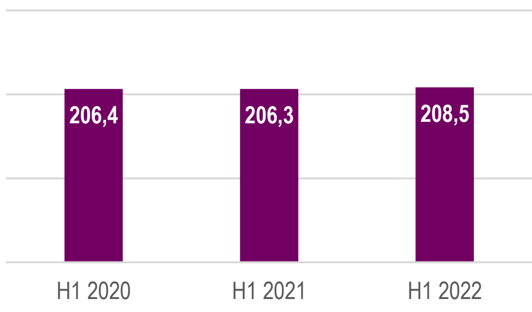


GROUP COSTS

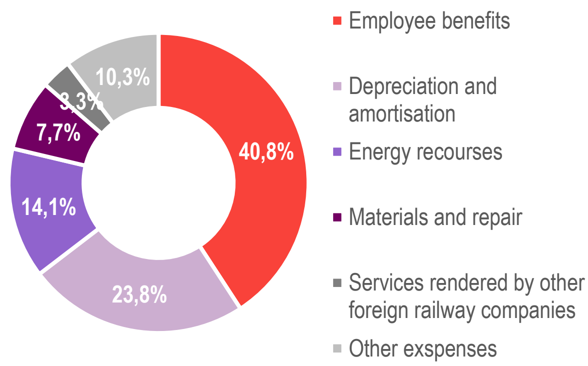
In H1 2022, the costs of the Group related to the core and other activities amounted to EUR 208.5 million. If compared to the respective period in 2021, the costs increased by EUR 2.2 million or 1.1%. The larger part of the Group's costs comprises personnel expenses (40.8%), depreciation (23.8%) and energy resources (14.1%).

- In H1 2022, **expenses of employee benefits** amounted to EUR 85.1 million and, if compared to H1 2021, decreased by EUR 3.4 million or 3.8%. The decrease in costs is due to a reduction in the number of employees in the Group's companies as a result of ongoing optimisation actions. As at 30 June 2022, the Group had 7 023 employees (30 June 2021: 8 392). The cost for the period was also impacted by severance payments and, as is the case every year, by the salary review carried out in April in the Group companies. Changes in average salaries are disclosed in the *Employees* section of the report.
- In H1 2022, **depreciation costs** amounted to EUR 49.6 million and, if compared to H1 2021, decreased by EUR 5.4 million or 9.7%. In addition to the volume of investment in previous periods, the decrease in depreciation costs was influenced by the review and adjustment of the useful lives of the Group's fixed assets in the first half of 2022. This revision was made due to the significant reduction in freight flows from Belarus and other countries.
- In H1 2022, **expenses for energy resources** (fuel, electricity) amounted to EUR 29.4 million and, if compared to H1 2021, increased by 2.5 million or 9.0%. Despite the decrease in freight volumes, the changes are due to a significant increase in the price of fuel and electricity during the reporting period.
- In H1 2022, **expenses of materials, repair and technical maintenance** amounted to EUR 16.0 million and, if compared to H1 2021, remained unchanged.
- In H1 2022, **expenses for services rendered by other foreign railway companies** amounted to EUR 6.8 million and, if compared to H1 2021, increased by EUR 0.3.million or 4.4%. The services of other railways were used more in the first half of the year, as part of the diversification of activities and the expansion of services to Ukraine and Germany. Costs were also impacted by the suspension of the movement of LTG Cargo wagons to Russia, which resulted in the use of wagons from other national railway companies.

Group costs, EUR million

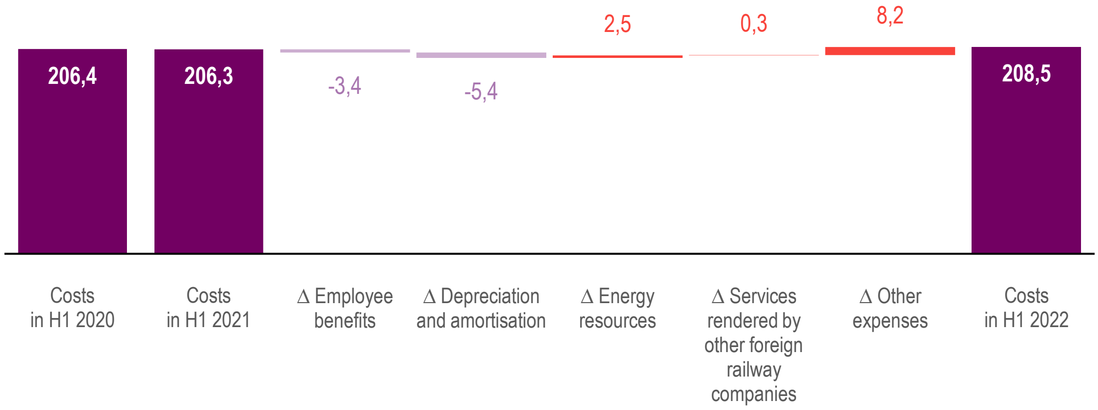


Group costs structure in H1 2022, %



- In H1 2022, **other expenses** amounted to EUR 21.6 million and, if compared to H1 2021, increased by EUR 8.2 million or 61.5%. During the reporting period, the Group's expenditure on utilities, rental of computer equipment, rental of other equipment increased significantly as a result of the expansion of the Group's operations in Poland. The cost structure also changed as a result of the purchase of security services on the market, which in the previous periods had been provided to the Group companies by the liquidated UAB Saugos Paslaugos.

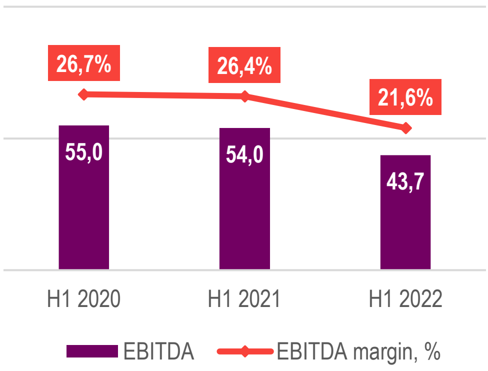
Change in Group's costs, EUR million



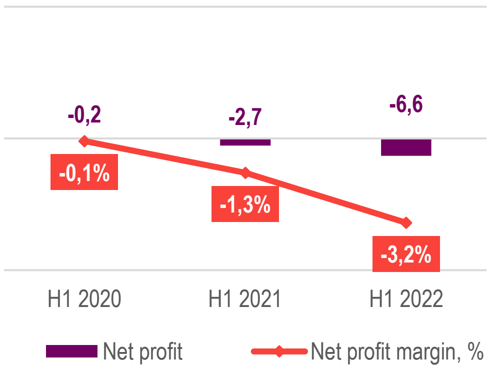
GROUP PERFORMANCE RESULTS

The Group's EBITDA in the first half of 2022, compared to the corresponding period of 2021, decreased by 19.2 percent and amounted to EUR 43.7 million, the incurred loss amounted to EUR 6.6 million. The Group's underperformance is due to a decline in Group revenue as a result of a fall in freight volumes, while costs are impacted by the high cost of energy and rising inflation.

Group EBITDA, EUR million



Group net profit, EUR million



CHANGES IN THE STATEMENT OF FINANCIAL POSITION

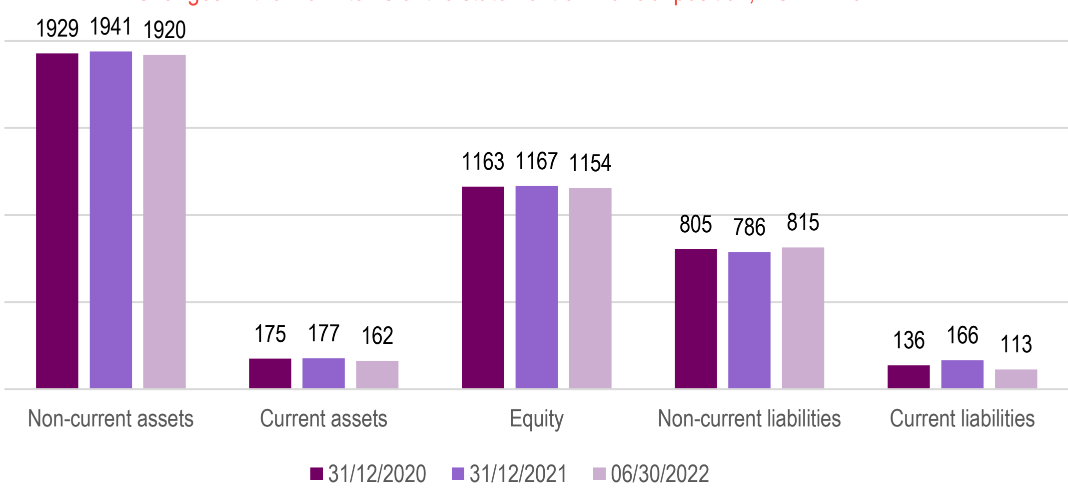
As at 30 June 2022, Group's assets amounted to EUR 2,081.7 million and, if compared to 31 12 2021, decreased by 1.7%. Non-current assets, which accounted for 92.2% of total asset structure, decreased by 1.1% up to EUR 1,920.0 million.

As at 30 06 2022, current assets amounted to EUR 161.7 million and, if compared to 31 12 2021, decreased by 8.8%. Changes in current assets resulted from the decrease of the Group's cash balance accounting for EUR 40.2 million at the end of the period. Meanwhile, other receivables increased by 2.2 times to EUR 54.0 million. The increase was mainly due to subsidies receivable from the state budget to compensate for losses on passenger transport activities and to balance the revenues and costs of the public railway infrastructure manager, the accumulation of which amounted to EUR 37.7 million in the reporting period.

During the reporting period, the authorised share capital remained unchanged and amounted to EUR 1,059.3 million. There was a decrease in equity – by 1.1%, which amounted to EUR 1,153.8 million as at 30 June 2022. The changes were caused by a decrease in the Group's result for the reporting period and dividends paid to the shareholder from the distributable profit of Y2021.

During the period, financial debt (including financial/operating leases) decreased by 7.8% and amounted to EUR 166.0 million. The decrease in financial debt was caused by the repayment of long-term loans, no new loans were taken out during the reporting period.

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



(all amounts are in EUR million unless otherwise stated)

MAIN FINANCIAL INDICATORS*

		Group			Company		
		H1 2020	H1 2021	H1 2022	H1 2020	H1 2021	H1 2022
Operating income	million EUR	192.8	187.7	164.2	46.4	48.3	48.1
Subsidies	million EUR	13.0	17.1	37.7	-	-	-
Other operating income	million EUR	0.3	0.5	0.6	0.1	0.4	0.1
Total income	million EUR	206.1	205.3	202.5	46.5	48.7	48.2
Costs	million EUR	206.4	206.3	208.5	51.8	51.9	52.2
EBITDA	million EUR	55.0	54.0	43.7	(0.7)	0.7	0.1
Adjusted EBITDA**	million EUR	56.1	53.5	47,7	-	-	-
EBITDA margin	%	26.7%	26.4%	21.6%	(1.5%)	1.5%	0.2%
Adjusted EBITDA margin	%	27.3%	26.1%	23.6%	-	-	-
EBIT	million EUR	(0.3)	(0.9)	(6.0)	(5.2)	(3.2)	(4.0)
EBIT margin	%	(0.2%)	(0.5%)	(3.0%)	(11.3%)	(6.7%)	(8.3%)
Net profit	million EUR	(0.2)	(2.7)	(6.6)	3.7	(0.3)	(2.8)
Net profit margin	%	(0.1%)	(1.3%)	(3.2%)	8.0%	(0.6%)	(5.8%)
		31/12/2020	31/12/2021	30/06/2022	31/12/2020	31/12/2021	30/06/2022
Non-current assets	million EUR	1,929.1	1,940.6	1,920.0	1,086.1	1,080.4	1,080.0
Current assets	million EUR	175.1	177.3	161.7	79.1	84.7	64.1
Total assets	million EUR	2,104.2	2,117.9	2,081.7	1,165.2	1,165.1	1,144.1
Equity	million EUR	1,163.0	1,166.6	1,153.8	1,114.8	1,108.3	1,099.3
Financial debt	million EUR	207.3	180.1	166.0	8.4	10.4	9.8
Net debt	million EUR	137.8	95.4	125.8	(12.2)	(27.5)	4.8
Return on equity (ROE)	%	3.1%	2.0%	1.7%	1.5%	0.3%	0.1%
Return on assets (ROA)	%	1.8%	1.1%	0.9%	1.5%	0.3%	0.1%
Return on investment (ROI)	%	1.9%	1.2%	1.0%	1.5%	0.3%	0.1%
Financial debt / EBITDA	times	1.3	1.3	1.3	13.3	1.4	1.4
Financial debt / Equity (D/E)	times	0.2	0.2	0.1	0.0	0.0	0.0
Net debt / EBITDA	times	0.9	0.7	1.0	(19.2)	(3.7)	0.7
Net debt / Adjusted EBITDA	times	0.9	0.7	0.9	-	-	-
Debt servicing ratio	times	4.3	4.7	3.9	-	-	-
Equity ratio	%	55.3%	55.1%	55.4%	95.7%	95.1%	96.1%
Asset turnover rate	times	0.2	0.2	0.2	0.1	0.1	0.1
Quick liquidity ratio	times	1.1	0.9	1.0	1.7	1.7	1.3
Total liquidity rate	times	1.3	1.1	1.4	1.9	1.8	1.8

* For definitions of the indicators, see page 45 of the Report;

**The calculation of Adjusted EBITDA for the first half of 2022 takes into account the redundancy payments to employees in the context of the ongoing Optimisation Project.

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* (with subsequent amendments) (link).

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

Dividend payment ratio calculated on the Company's retained earnings depends on the Return on Equity (ROE) ratio at the end of the reporting period.

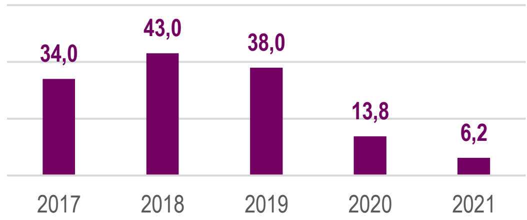
Company‘s ROE (%)	Portion of profit for distribution allocated to dividends (%)
≤ 1	≥ 85
> 1 and ≤ 3	≥ 80
> 3 and ≤ 5	≥ 75
> 5 and ≤ 10	≥ 70
> 10 and ≤ 15	≥ 65
> 15	≥ 60

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 authorised capital, compulsory reserve, revaluation reserve and reserve for acquiring own shares of the LTG Group entity;
- The Company is insolvent or would become such after the payment of dividends.

LTG allocated dividends, EUR million



The procedure for calculation and payment of dividends of AB LTG Infra, which performs the functions of the Public Railway Infrastructure Manager, is additionally regulated by the description of the procedure for calculation and use of the Public Railway Infrastructure Manager's performance results, approved by Order of the Minister of Transport and Communications of the Republic of Lithuania No. 3-289 of 6 June 2022, which has been drawn up in accordance with the provisions of Article 24[1] paragraph 9 of the Railway Transport Code of the Republic of Lithuania (link).

Under the Order No. 3-264 "Regarding Approval of a Set of Financial Statements of 2021 and a Set of Consolidated Financial Statements of 2021 of a Joint Stock Company Lietuvos Geležinkeliai and Allocation of Profit (Loss)" of the Minister of Transport and Communications dated 24 May 2022, the annual financial reporting of AB Lietuvos Geležinkeliai for the year 2021 was approved, and profit (loss) of 2021 was distributed. EUR 6.2 million of the Company's distributable profit were allocated to dividends.

GROUP FUNDING

As at 30 June 2022, the loan portfolio of the LTG Group to credit institutions amounted to EUR 160.1 million. Long-term loans are used to finance the acquisition of rolling-stock and investment projects related to public railway infrastructure.

As at 30 June 2022, the weighted interest rate of the Group's loan portfolio was 1.3%. The longest debt repayment period reached 10 years, and the last deadline for the repayment is year 2032.

As at 30 June 2022, the parent company AB Lietuvos Geležinkeliai did not have any long-term debt liabilities to external credit institutions; however, it has surety agreements concluded with the European and the Nordic investment banks for the liabilities of the Group companies to creditors.

During the first half of 2022, the LTG Group repaid EUR 13.9 million of loans and paid EUR 1.1 million of interest. During the reporting period, the Group did not enter into any new long-term financing agreements.

As of 30 June 2022, the net debt of the Group amounted to EUR 125.8 million. Compared to 31 December 2021, the ratio increased by 31.8% or EUR 30.4 million. The increase in net debt was due to the decrease in the Group's cash and cash equivalents.

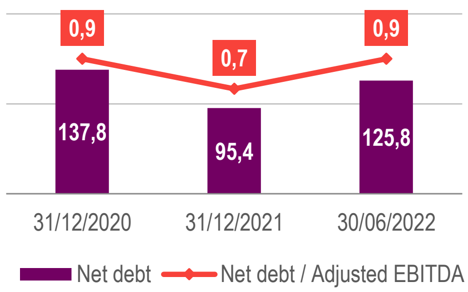
As at 30 June 2022, the Group's financial debt to equity (D/E) ratio amounted to 0.1. The debt level of the Group remains low.

During the reporting period, the indicators monitored by the institutional creditors were met, the Group companies did not breach any financial and non-financial obligations.

LTG Group, seeking to ensure financing efficiency and to manage liquidity risk, has ensured the possibility for the companies to borrow from each other through cash-pool. The Parent company AB Lietuvos Geležinkeliai has entered into one Group's cash-pool agreement with a commercial bank and, accordingly, all LTG Group companies have concluded borrowing arrangements. The Group companies sign borrowing arrangements on an annual basis. The arrangement conditions comply with usual market conditions.

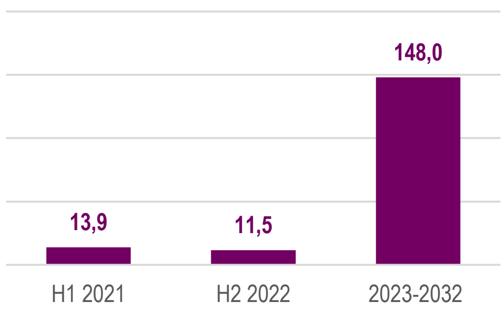
To ensure the liquidity of the LTG Group, it is planned to sign a short-term funding agreement ("overdraft") with one of the commercial banks servicing the Group in H2 2022.

Group's net debt, EUR million



Ratios observed by the Group's institutional creditors	Measu-rement	H1 2022	Establi-shed value
Net debt / Adjusted EBITDA	times	0.9	< 4.0
Equity ratio	%	55.4%	≥ 35%
Debt servicing ratio	times	3,9	≥ 2

Repayment of the Group's loans, EUR million



SPECIAL OBLIGATIONS

Special obligations are the functions that a state-owned enterprise (SOE) would not undertake to perform on a commercial basis (or would perform them at a higher price than specified) and which a SOE is entrusted to perform under the State's decision.

The relevant list of special obligations performed by SOEs and their subsidiaries was approved on 16 March 2021 under the Order No 4-193 of the Minister of Economy and Innovation of the Republic of Lithuania (link).

Special obligations performed by LTG Corporate Group:

1. Public rail passenger services – the special obligation is performed by the company UAB LTG Link.
2. Maintenance, modernisation and development of public railway infrastructure and provision of services of the minimum access package - the special obligation is performed by the company AB LTG Infra.

More detailed information on the special obligations performed by the Group companies is published on the websites of the Company, UAB LTG Link and AB LTG Infra and in the Y2021 annual reports.

PERFORMANCE OF THE MAIN GROUP COMPANIES

AB LTG Cargo

The Board	Position	Appointed on	Main employer, position
Egidijus Lazauskas	Chairman of the Board	21/12/2018	CEO of AB Lietuvos geležinkeliai, Geležinkelio g. 16, Vilnius, company code 110053842.
Brigita Valenčienė	Board Member	29/11/2019	Head of HR Business Partner Group of AB Lietuvos Geležinkeliai, Geležinkelio g. 16, Vilnius, company code 110053842.

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

CEO – Eglė Šimė, appointed on 4 January 2022.

Core business:

- Domestic and international freight transportation services.
- Transportation of semi-trailers by rail.
- Rental services of commercial wagons and containers in Lithuania and abroad.
- Loading and warehousing.
- Services related to the forwarding of freight as well as the services related to the carriage of freight, including by road, sea and air transport.
- Customs brokerage services.
- Domestic and cross-border work and coordination of locomotives and locomotive crews;
- Services of repair and maintenance of railway rolling stocks, manufacture of locomotives and freight wagons (from 1 April 2021).

Subsidiaries of LTG Cargo:

- LTG Cargo Polska Sp.zo.o (controlled share – 100%);
- LTG Cargo Ukraine LLC (controlled share – 100%);
- UAB LTG Wagons (controlled share – 100%);
- OOO Rail Lab (controlled share – 2%).

Indicators, EUR million	H1 2020	H1 2021	H1 2022
Sales revenue	181.8	176.7	146.8
Costs	175.0	172.7	148.4
EBITDA	18.6	16.3	10.6
EBITDA margin, %	10.2%	9.2%	7.2%
Net profit/losses	6.1	2.3	(1.8)
	31/12/2020	12/31/2021	30/06/2022
Assets	286.9	315.8	293.8
Equity	74.5	95.4	93.6
Financial debt	149.1	149.5	141.3
Net debt	127.8	144.5	136.0
Net debt/EBITDA	2.9	2.8	3.0
Return on equity, %	24.5%	25.0%	18.1%
Equity/Assets, %	26.2%	30.2%	31.9%

The Company started its operations on 1 May 2019.

The annual and interim reports and financial statements of AB LTG Cargo are publicly available on the website http://ltgcargo.lt/.

UAB LTG Link

The Board	Position	Appointed on	Main employer, position
Mantas Dubauskas	Chairman of the Board	29/11/2019	Chief Communications Officer of AB Lietuvos Geležinkeliai, Geležinkelio g. 16, Vilnius, company code 110053842.
Daiva Pivoriūnienė	Board Member	29/11/2019	Head for the Asset Management Services Centre of AB Lietuvos Geležinkeliai, Geležinkelio g. 16, Vilnius, company code 110053842.

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

CEO – Linas Baužys, appointed on 28 February 2019.

Core business:

- Passenger transportation on domestic and international routes.
- Carriage of mail and luggage, bicycles and animals in the territory of Lithuania and abroad.
- Organisation of charter routes.
- Rental and sale of rolling stock.
- Advertising services.
- Services at stations (luggage storage, carriage of parcels, sale of goods and services, travel ticket processing).
- Services at train (sale of travel tickets, sale of food and beverages).

Indicators, EUR million	H1 2020	H1 2021	H1 2022
Sales revenue	6.6	6.6	13.8
Subsidy	13.0	17.1	17.3
Costs	23.7	26.0	29.2
EBITDA	1.5	4.1	8.6
EBITDA margin, %	7.7%	17.3%	27.5%
Net profit/losses	(3.4)	(1.9)	1.8
	31/12/2020	12/31/2021	30/06/2022
Assets	155.2	162.3	166.2
Equity	143.7	147.7	149.5
Financial debt	1.0	2.3	4.0
Net debt	(16.4)	(26.8)	(10.4)
Net debt/EBITDA	(1.4)	(1.5)	(0.5)
Return on equity, %	(0.1%)	2.7%	5.3%
Equity/Assets, %	92.6%	91.0%	89.9%

The Company started its operations on 1 September 2019.

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

AB LTG Infra

The Board	Position	Appointed on	Main employer, position
Andrej Kosiakov	Chairman of the Board	27/11/2019	CFO of AB Lietuvos Geležinkeliai, Geležinkelio g. 16, Vilnius, company code 110053842.
Irena Jankutė-Balkūnė	Board Member	19/06/2019	Chief Human Resources Officer of AB Lietuvos Geležinkeliai, Geležinkelio g. 16, Vilnius, company code 110053842.

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

CEO – Karolis Sankovski, appointed on 1 July 2019.

Core businesses:

- Management, use and disposal of public railway infrastructure under the right of trust;
- Upgrade, maintenance and development of public railway infrastructure;
- Organisation of rail traffic;
- Provision of a minimum package of access services to the public railway infrastructure, provision of access to and services in railway service facilities, provision of commercial services.

Indicators, EUR million	H1 2020	H1 2021	H1 2022
Sales revenue	100.5	97.5	73.2
Subsidy	-	-	20.4
Costs	97.5	95.7	93.7
EBITDA	37.6	36.7	29.8
EBITDA margin, %	37.4%	37.6%	31.8%
Net profit/losses	1.5	1.2	(1.5)
	31/12/2020	12/31/2021	30/06/2022
Assets	1,548.6	1,554.1	1,557.1
Equity	679.8	670.9	669.3
Financial debt	179.6	160.2	150.5
Net debt	175.0	149.3	136.1
Net debt/EBITDA	1.7	2.3	2.3
Return on equity, %	4.1%	(0.4%)	(0.8%)
Equity/Assets, %	43.9%	43.2%	43.0%

The Company started its operations on 8 December 2019.

The annual and interim reports and financial statements of AB LTG Infra are publicly available on the website https://ltginfra.lt/.

UAB Geležinkelio Tiesimo Centras

A new version of the Articles of Association of GTC was registered on 29 December 2021 which does not provide for a collegial governance body – the Board.

CEO – Vytautas Žirgutis, appointed on 5 April 2022.

Core business:

- Construction and repair of railway tracks.
- Maintenance of railways and structures.
- Repair, reconstruction, construction of other engineering structures.
- Rent of tamping machines, mechanisms and equipment.
- Installation of engineering systems within the transport and communications infrastructure.
- Design, consulting.

Indicators, EUR million	H1 2020	H1 2021	H1 2022
Sales revenue	12.8	7.8	6.2
Costs	15.1	10.4	10.6
EBITDA	(0.7)	(1.2)	(3.2)
EBITDA margin, %	(5.1%)	(15.7%)	(52.0%)
Net profit/losses	(1.9)	(2.4)	(4.0)
	31/12/2020	12/31/2021	30/06/2022
Assets	39.8	35.7	35.1
Equity	30.5	30.8	26.9
Financial debt	0.8	0.4	4.5
Net debt	(0.9)	0.4	4.4
Net debt/EBITDA	(0.4)	0.1	(1.4)
Return on equity, %	(1.4%)	1.2%	(13.7%)
Equity/Assets, %	76.7%	86.4%	76.5%

The annual and interim reports and financial statements of UAB Geležinkelio Tiesimo Centras are publicly available on the website https://gtc.lt/.

UAB Rail Baltica Statyba

A new version of the Articles of Association of RBS was registered on 29 December 2021 which does not provide for a collegial governance body – the Board.

CEO – Karolis Sankovski, appointed on 1 June 2017.

UAB Rail Baltica Statyba was established to participate in the implementation process of the Rail Baltica project and in the management of RB Rail AS established by the Baltic States (33.33% of the shares are controlled).

The specific object of the Company's activities leads to the fact that the Company does not have operational activities; i. e. entry-exit logistics, market and sales, after-sale service, etc. UAB Rail Baltica does not participate in the market and competitive environment. Because of the nature of the activities carried out, profitability and return indicators are not calculated.

Core business – management of RB Rail AS shares, implementation of the rights and obligations granted thereunder.

Indicators, EUR million	H1 2020	H1 2021	H1 2022
Sales revenue	0.01	0.02	0.03
Costs	0.04	0.04	0.04
EBITDA	(0.03)	(0.02)	(0.01)
Net profit/losses	(0.22)	(0.02)	(0.01)
	31/12/2020	12/31/2021	30/06/2022
Assets	2.39	2.30	2.28
Equity	2.37	2.28	2.27
Financial debts	-	-	-
Net debt	(0.07)	(0.05)	(0.04)
Equity/Assets, %	99.1%	99.0%	99.4%

The annual and interim reports and financial statements of UAB Rail Baltica Statyba are publicly available on the website https://www.rail-baltica.lt/.

INVESTMENTS

LTG Group's investments amounted to EUR 41.5 million in H1 2022. Own funds of EUR 27.1 million and the EU support and State budget funds of EUR 14.4 million were utilized over the reporting period. Moreover, in H1 2022 a compensation of EUR 40.3 million was granted from the Cohesion Fund to reimburse the previous periods' payments made from the LTG Group's own funds to implement the EU-funded projects (electrification of the Corridor IX, construction of the second track in the Livintai-Gaižiūnai section). Investments were mainly dedicated to upgrade and expand the railway infrastructure (66.4%).

In the light of the present geopolitical situation and declining volumes of freight transportation impacting revenue, over the reporting period the LTG Group optimised the investment programme planned for 2022 and cancelled or postponed non-essential investment. In 2022, the implementation of investment projects to ensure the safe and uninterrupted movement of trains and proper functioning of the LTG Group's companies continues.

Following an assessment of the LTG Group's capacity to execute projects of strategic importance in 2022 the Government of the Republic of Lithuania has provided for additional funding of EUR 155 million from the State budget to LTG Infra, the manager of public railway infrastructure. Most of the funds will be earmarked for railway infrastructure investment projects.

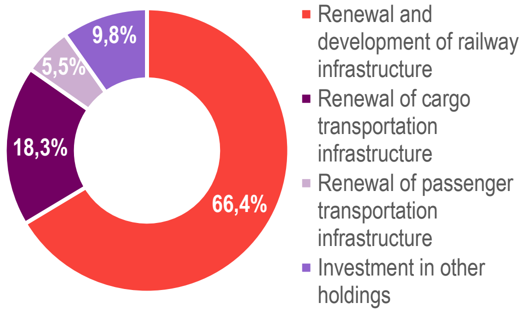
Group's investments (works completed and advances paid), EUR million	H1 2020	H1 2021	H1 2022
Renewal and development of railway infrastructure	108.9	37.2	27.6
Renewal of cargo transportation infrastructure	19.5	20.0	7.6
Renewal of passenger transportation infrastructure	1.5	3.2	2.2
Other investments (IT, etc.)	1.5	4.7	4.1
Total	**131.3**	**65.1**	**41.5**

KEY INVESTMENT PROJECTS IN H1 2022

INVESTMENTS INTO ASSET RENEWAL

The LTG Group, to ensure smooth and safe continuity of principal activities, is investing into the renewal of non-current assets.

Group's invetment structure in H1 2022, %



1. The projects/programmes for upgrading the public railway infrastructure in progress:

- Major Railway Track Upgrade Program. Repairs are planned for 3 facilities in 2022. During the reporting period, the works contracts were signed with their commencement at one of the facilities;
- Railway bridge renovation. The largest projects are the reconstruction project of the longest (200 m) *Jonava railway bridge in the Vilnius-Klaipėda corridor* and *the reconstruction project of the Lyduvėnai bridge*. During H1 2022, further contract works successfully continued at these facilities;
- Upgrade of GSM-R core network. During the reporting period, upgrading works were carried out and the project is expected to be completed by the year-end;
- Other infrastructure renewal works are in progress: renewal of railway level crossings, culverts, ramps, and other facilities.

2. Overhaul programs for the railway rolling stock. In H1 2022, works for the value of EUR 8.7 million were performed:

- 1,078 freight wagons were repaired;
- 48 freight locomotives were repaired;
- 16 passenger vehicles were repaired.

MAIN ONGOING DEVELOPMENT AND MODERNISATION PROJECTS

Development of railway infrastructure

1. Rail Baltica, the largest railway infrastructure project with the goal to integrate the Baltic States in the existing European rail network, is further continued. Project progress over H1 2022:

- *In Kaunas-LT/LV state border section:*
  - technical design of the railway line is ongoing;
  - a works contract for the construction of the bridge over the River Neris near Jonava is signed;
  - two contracting tenders on installation of railbeds and engineering structures on the section Kaunas-LT/LV were announced;
  - the works contract for the construction of a local motor road on the Šveicarija–Žeimiai section is signed and a launch of works took place in March 2022;
  - the initiation of procurement of other contract works is planned.
- *The engineering infrastructure development plan and environmental impact assessment for transport communications on the Rail Baltica railway line between Kaunas and Vilnius* are under preparation;
- Drafting of the *special plan to increase the speed on the railway line section between Kaunas and PL/LT border* is in progress.

2. To strengthen the competitiveness of the Lithuanian transport sector and to significantly reduce air pollution the railway electrification programme is further in progress. During the implementation of the project on the Electrification of Corridor IX B, in H1 2022 the work for preparation of technical designs continued, and the EU funding agreement was signed for the railway section Kaišiadorys–Klaipėda (Draugystės station).

3. The implementation of projects on enhancement of railway infrastructure capacity is further continued:

- In use of EU funds intensive works are being carried out to install the *second track on the Livintai-Gaižiūnai railway section*. It is planned to build 10.8 km of a new track and reconstruct 10.7 km of the existing track. The end of the project is scheduled for 2023;
- Design works for the *Radviliškis Railway Station yard III upgrading* are completed and contract works are undertaken.

4. Investments are being made in railway stations to increase their attractiveness to the public:

- The *reconstruction project of Vilnius Railway Station* is in progress to increase the attractiveness of the Vilnius station to passengers and to adapt it for commercial purposes;
- During the implementation of the *Plungė railway and bus stations integration project*, in H1 2022 the reconstructed Plungė railway and bus station officially opened its doors. A technical design and construction works are planned to improve the outdoor infrastructure in the second half of 2022. Once completed, the project will result in setting up a common transport hub to allow for more convenient carriage of passengers by different modes of transport;
- The implementation of the *Station Information System development project* continues. Implementation of modern passenger information system and equipment in 50 stations is planned;
- To make train journeys easily accessible to passengers with disabilities, *the project on the barrier-free route for people with disabilities in the station area* is under implementation. By 2024, all station accesses will be renovated, ramps installed, paths repaired, warning tapes and other measures will be installed.

5. In H1 2022, the implementation of projects focused on noise reduction and safety was further in progress:

- *The project of installation of noise absorbing barriers* is being implemented: contract works have been completed at the Lentvaris, Kaišiadorys, Šiauliai, Mažeikiai, and Radviliškis facilities and are being continued at the Klaipėda, Giruliai, and Kretinga facilities. In total, 9 noise absorbing barriers are planned to be installed in 7 municipalities under the project;
- The safety level is being improved at intersections of railways and roads:
  - *10 top-priority railway level crossings* are being modernised *in the Vilnius-Klaipėda railway corridor*: During the reporting period, the upgrade of one railway level crossing was completed. The procurement procedures are continued for contract works and equipment to upgrade the remaining 9 level crossings;
  - technical designs have been developed in implementation of the project on *Installation of Rail to Road Two-Level Intersections on the Lentvaris-Vievis (38+855 km) and Kyviškės-Valčiūnai (18 + 419 km) Sections*; the documents permitting the construction have been obtained and contract works have commenced;
  - in order to control all station systems and see the traffic situation in real time, the *project of modernization of the power switch and signal interlocking in Vilnius, Kirtimai, Valčiūnai, Jašiūnai, Kyviškiai, Naujoji Vilnia stations (NEVA)* was initiated. Procurement procedures were conducted during the reporting period;
  - the project on the *Automated Rolling-Stock Control System (ARSCS) Installation* is under implementation. Procurement procedures were conducted during the reporting period.

6. With the aim to increase operational efficiency, the implementation of the *Station Management and Yard Modernization (SVIM) project* is in progress. Procurement procedures were conducted during the reporting period.

Development of freight transport operations

1. Expansion of freight transportation services in Poland. 7 locomotives are leased in Poland to service the European track gauge, and a lease contract for wagons and platforms designed to carry semi-trailers is concluded. The purchase of 2 diesel locomotives and 146 specialised bulk containers is planned for the second half of 2022 at a cost of more than EUR 5 million.

2. Projects to develop intermodal freight transportation. The project on *the Purchase of Technological Equipment for Transportation of Semi-trailers* is further in progress: the preparatory work has been done and a launch of production is scheduled for the second half of 2022. The 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 rail.

3. Projects to increase efficiency of the use of assets:

– a launch of *LTG Tech production base optimization* projects took place. A design work contract is signed. As a result of the project, the efficiency of locomotive repairs will improve and worn-out repair facilities will be eliminated in Vilnius City Centre through relocation of locomotive repairs to Vaidotai station;

– in addition, to increase efficiency of the use of rolling stock, in H1 2022 the works for *establishment of the Operational Control Centre* were carried out.

Development of passenger transportation activities

1. The Smart Ticketing system implementation project: during the reporting period, a new ticketing system was introduced, a mobile ticketing app was launched and the purchase of ticket machines at stations continued.

2. The procurement of new electric passenger trains was conducted. The public procurement procedures were carried out during the reporting period and the contract is expected to be signed at the end of 2022. The old diesel trains are to be replaced by the most environmentally friendly electric trains to allow for eco-friendly transportation of passengers on non-electrified railway sections. Trains will be adapted to meet the needs the needs of people will disabilities. The first new trains are expected to run in 2026.

3. The Operational Control Centre establishment project was further implemented.

Development of Information Technologies

During the reporting period the LTG Group continued with ERP (finance and management accounting system) modernization project. The *Data Network Upgrade* as well as other IT system implementation projects were in progress.

GTC development

The *Technical Renewal Project* was completed during the reporting period.

(all amounts are in EUR million unless otherwise stated)

EMPLOYEES

The number of employees in the LTG Group amounted to 7,023 as of 30 June 2022. Compared to the data as at 31 December 2021, the number of employees decreased by 781, 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 LTG Group is currently implementing an operational optimisation plan with three lines of action: improving operational efficiency, reducing costs, diversification and expansion into new markets. In this context, it is planned to continue optimising the number of employees in the companies within the LTG Group by the end of the year.

NUMBER OF EMPLOYEES OF THE GROUP COMPANIES AND AVERAGE SALARY

Group companies	31/12/2020		31/12/2021		30/06/2022	
	Number of employees as of the end of the period	Average salary, EUR	Number of employees as of the end of the period	Average salary, EUR	Number of employees as of the end of the period	Average salary, EUR
AB Lietuvos Geležinkeliai	1,197	2,311	1,080	2,432	901	2,532
AB LTG Cargo companies group	2,261	1,728	2,822	1,772	2,538	1,803
UAB LTG Link	675	1,661	595	1,726	595	1,784
AB LTG Infra	3,178	1,548	2,961	1,613	2,684	1,696
UAB Vilniaus Lokomotyvų Remonto Depas (reorganised)	935	1,500	-	-	-	-
UAB Geležinkelio Tiesimo Centras	373	1,669	340	1,819	301	1,883
LUAB Saugos Paslaugos (liquidated)	373	1,230	2	-	-	-
LUAB Gelsauga (liquidated)	3	2,342	-	-	-	-
UAB Rail Baltica Statyba	4	2,931	4	3,057	4	3,115
Total	**8,999**		**7,804**		**7,023**	

NUMBER OF EMPLOYEES OF LTG AND AVERAGE SALARY

Function groups	31/12/2020		31/12/2021		30/06/2022**					
	Number of employees as of the end of the period	Average salary, EUR	Number of employees as of the end of the period	Average salary, EUR	Number of employees as of the end of the period			Average salary, EUR		
					Total	Women	Men	Total	Women	Men
CEO LTG Holding*	1	9,305	1	9,770	1	-	1	10,450	-	-
Managers Council of LTG Holding*	5	7,239	4	7,400	5	1	4	7,546	-	-
Top-level managers	13	6,241	11	6,393	13	6	7	6,418	6,926	5,992
Senior executives and specialists in exceptional fields	64	4,217	66	4,258	60	31	29	4,487	4,508	4,467
Middle-level managers and individual experts	335	3,030	312	3,061	266	149	117	3,147	3,024	3,294
Team leaders and experienced specialists	541	1,976	485	2,053	408	250	158	2,054	1,942	2,233
Specialists and experienced operational/service staff	140	1,527	135	1,642	90	41	49	1,689	1,580	1,780
Operational/service staff, qualified workers	98	1,274	66	1,341	58	6	52	1,462	1,461	1,462
Total	**1,197**	**2,311**	**1,080**	**2,432**	**901**	484	417	**2,532**	2,429	2,650

* a fixed remuneration as of the end of the period is provided;
** since 2021, the Company has 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.

As at 30 June 2022, the number of LTG Holding's employees was 901. Compared to the data as at 31 December 2021, the number of employees decreased by 179, or 16.6%. The average monthly salary, compared to 2021, changed from EUR 2,432 to EUR 2,532. The change in average monthly salary (AMS) was mainly determined by the annual salary review conducted in April across the entire LTG Group.

The LTG total payroll fund amounted to EUR 15.4 million. In addition, in April 2022, the annual incentives for performance in the amount of EUR 1.5 million were paid to the Company's employees as well as to the employees of other companies of the LTG Group.

The monthly remuneration set for the CEO of LTG Holding as at 30 June 2022 was EUR 10,450, and the average actual salary, taking into account the annual incentive for performance, amounted to EUR 11,448.

The average monthly salary of the Managers Council of LTG Holding established in their employment contracts as at 30 June 2022 amounted to EUR 7,546, and the average actual salary of this group of employees, taking into account the annual incentive, amounted to EUR 8,777.

INFORMATION ON THE COMPLIANCE WITH THE GUIDELINES ON TRANSPARENCY

The Group companies follow the requirements of the description of the guidelines for ensuring transparency of state-owned enterprises approved by Resolution No 1052 of the Government of the Republic of Lithuania of 14 July 2010 when disclosing the required information in annual and interim reports and ensuring the disclosure of information on their websites.

Structured information on the compliance with the Guidelines on Transparency is presented in the Y2021 annual report of the Group and the Company that is available at the website of the Company http://www.litrail.lt.

INFORMATION ON EXTERNAL AUDIT

Audit of the financial statements of the Company and of the Group companies is conducted in accordance with International Standards on Auditing.

The public procurement tender for the audit of the consolidated and financial statements of the Company 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. The appointment of the auditors was approved by the LTG Audit Committee and the LTG Board, and shareholder approval was obtained. The contract for audit services was signed on 23 June 2020.

Information on the fee for the audit conducted in 2021 is presented in the Y2021 annual report of the Group and of the Company that is available at the website of the Company http://www.litrail.lt.

(all amounts are in EUR million unless otherwise stated)

DEFINITIONS

Income	Sales revenue + Income from other activities excluding Income from financial activities
Sales revenue / operating revenue	Revenue, excluding Subsidy, Income from other activities and Income from financial activities
Subsidy / Grant	State budget funds allocated to finance the activities of LTG Link and LTG Infra
Costs	Costs, excluding the Corporate tax and Expenses from financial activities
Financial debt	Interest-bearing financial debt, including financial/operating leases
Net debt	Interest-bearing financial debt, including financial/operating leases, less cash, and cash equivalent investments
Return On Equity (ROE)	Net profit/loss for the period of the last 12 months / Average equity as at the beginning and the end of the reporting period
Return On Assets (ROA)	Net profit/loss for the period of the last 12 months / Average assets as at the beginning and the end of the reporting period
Return On Investment (ROI)	Net profit/loss for the period of the last 12 months / Average assets as at the beginning and the end of the reporting period – Average short-term liabilities as at the beginning and the end of the reporting period
EBIT	Profit (loss) before the corporate tax – The result of financial activities
EBITDA	Profit (loss) before the corporate tax – The result of financial activities + Depreciation and amortisation
Adjusted EBITDA	Profit (loss) before the corporate tax + Interest expenses – Interest income + Depreciation and amortisation + (Decrease) increase in the value of non-current assets, inventories and investments + (Decrease) increase in the value of amounts receivable and contract assets + Costs of provisions not related to operating activities
EBIT margin*	EBIT / Sales revenue
EBITDA margin*	EBITDA / 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 / Assets at the end of the reporting period
Loan servicing ratio	(Net profit/(loss) for the period of the last 12 months + Amortisation, depreciation and grant costs of the last 12 months + Interest expenses of the last 12 months (adjusted considering the non-monetary items)) / (Debt for interest amortisation + Interest payable for the last 12 months)
Asset turnover ratio*	Sales revenue for the period of the last 12 months / Assets at the end of the reporting period
Financial debt / EBITDA	Financial debt / EBITDA of the period of the last 12 months
Financial debt / Equity (D/E)	Financial debt / Equity at end of the reporting period
Net debt / EBITDA	Net debt / EBITDA of the period of the last 12 months
Quick liquidity rate	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 rate	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 (tonnes) and the distance travelled (kilometres)
Passenger turnover (passenger kilometres)	Passenger transportation indicator, calculated by multiplying the trip of each transported passenger by the travelled distance
Train operational volume (gross-gross ton/km)	Unit of measure representing 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

* When measuring financial ratios of LTG Group, LTG Link and LTG Infra, the Subsidy is included in the Sales revenue.

AB Lietuvos Geležinkeliai

INTERIM FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

FOR THE SIX-MONTHS PERIOD ENDED ON 30 JUNE 2022
(UNAUDITED)

(all amounts are in EUR thousand unless otherwise stated)

STATEMENTS OF FINANCIAL POSITION

	Notes	Group		Company	
		30/06/2022	31/12/2021	30/06/2022	31/12/2021
NON-CURRENT ASSETS					
Property, plant and equipment	3	1,872,776	1,894,821	37,817	36,869
Land		152,276	154,100	3	3
Buildings and structures		863,336	864,952	23,922	23,676
Machinery and plant		137,857	145,798	4,278	4,749
Vehicles		327,142	340,122	325	456
Other equipment, fittings and tools		72,908	75,312	6,693	6,051
Construction in progress and prepayments		319,257	314,537	2,596	1,934
Right-of-use assets	4	5,685	5,995	9,451	10,053
Intangible assets	5	26,837	26,882	9,051	8,434
Investment property	6	3,452	2,586	12,502	14,377
Financial assets		7,537	7,262	1,008,848	1,008,742
Investments	7	4,611	4,651	884,002	884,520
Loans to affiliated companies	23	-	-	123,684	122,960
Trade and other receivables	9	2,926	2,611	1,162	1,262
Deferred income tax asset		3,717	3,013	2,374	1,913
Total non-current assets		**1,920,004**	**1,940,559**	**1,080,043**	**1,080,388**
CURRENT ASSETS					
Inventories	8	44,475	30,211	15,906	4,223
Non-current assets held for sale	8	5,607	2,986	544	500
Contracts assets	10	736	84	-	-
Loans to related and other companies	24	160	160	2,183	4,687
Trade and other receivables	9	66,886	51,239	31,023	19,984
Prepayments	10	3,620	7,985	9,430	17,455
Cash and cash equivalents	11	40,209	84,656	4,968	37,885
Total current assets		**161,693**	**177,321**	**64,054**	**84,734**
TOTAL ASSETS		**2,081,697**	**2,117,880**	**1,144,097**	**1,165,122**

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

(all amounts are in EUR thousand unless otherwise stated)

STATEMENTS OF FINANCIAL POSITION (continued)

	Notes	Group		Company	
		30/06/2022	31/12/2021	30/06/2022	31/12/2021
EQUITY					
Authorized capital	12	1,059,282	1,059,282	1,059,282	1,059,282
Legal reserve	14	34,025	33,852	34,025	33,852
Other reserves	14	8,757	7,829	8,757	7,829
Foreign currency translation reserve		38	-	-	-
Retained earnings (loss)		51,652	65,644	(2,789)	7,342
Total equity		**1,153,754**	**1,166,607**	**1,099,275**	**1,108,305**
LIABILITIES					
Non-current liabilities					
Grants	15	629,569	587,853	916	611
Loans and borrowings	16	136,856	147,967	-	-
Lease liabilities	17	4,094	4,559	7,418	8,490
Employee benefits	18	7,245	8,442	403	595
Trade and other payables	19	4,874	4,611	-	-
Provisions		14,470	14,470	-	-
Deferred tax liabilities		17,566	17,758	-	-
Total non-current liabilities		**814,674**	**785,660**	**8,737**	**9,696**
Current liabilities					
Loans and borrowings	16,24	23,215	26,034	-	-
Lease liabilities	17	1,827	1,506	2,334	1,894
Corporate income tax liabilities		9	4,310	-	128
Employee benefits	18	27,440	28,490	5,388	5,805
Trade and other payables	19	34,004	64,126	14,727	20,385
Contract liabilities	20	6	2	-	-
Prepayments received	20	26,189	40,456	13,636	18,909
Provisions		579	689	-	-
Total current liabilities		**113,269**	**165,613**	**36,085**	**47,121**
Total liabilities		**927,943**	**951,273**	**44,822**	**56,817**
TOTAL EQUITY AND LIABILITIES		**2,081,697**	**2,117,880**	**1,144,097**	**1,165,122**

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

Financial statements and explanatory notes on pages from 47 to 72 were approved and signed:

Chief Executive Officer	Egidijus Lazauskas
Chief Financial Officer	Andrej Kosiakov
Head of Accounting	Lina Užlienė

(all amounts are in EUR thousand unless otherwise stated)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Group		Company	
		06/2022	06/2021	06/2022	06/2021
Revenue	21	164,179	187,710	48,158	48,329
Grant		37,684	17,133	-	-
Other income		666	499	97	409
Total income		**202,529**	**205,342**	**48,255**	**48,738**
Employee benefit costs		(85,083)	(88,475)	(18,001)	(18,444)
Depreciation and amortisation		(49,651)	(54,990)	(4,095)	(3,928)
Fuel		(21,939)	(23,167)	(86)	(290)
Materials		(6,514)	(7,598)	(19,356)	(21,264)
Services rendered by other foreign railway companies		(6,841)	(6,550)	-	-
Electricity consumption		(7,417)	(3,756)	(310)	(183)
Repairs and maintenance		(9,476)	(8,383)	(1,461)	(1,303)
Increase (decrease) in the value of non-current assets		52	(78)	17	(88)
Write-down of inventories to net realisable value		-	75	-	-
Increase (decrease) in the value of investments		-	(11)	(141)	(623)
Impairment loss (gain) on receivables		(1,255)	165	(26)	(48)
Change in provisions		111	84	-	-
Other expenses		(20,503)	(13,607)	(8,776)	(5,786)
Profit (loss) from operations		(5,987)	(949)	(3,980)	(3,219)
Finance income	22	238	50	775	2,359
Finance costs	22	(1,724)	(1,569)	(74)	(144)
Share of profit of equity accounted investees		6	(192)	-	-
Profit (loss) before taxation		(7,467)	(2,660)	(3,279)	(1,004)
Corporate income tax	23	907	(79)	490	717
Net profit (loss)		**(6,560)**	**(2,739)**	**(2,789)**	**(287)**
Other comprehensive income (expenses)		38	-	-	-
Total comprehensive income (expenses)		**(6,522)**	**(2,739)**	**(2,789)**	**(287)**

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

(all amounts are in EUR thousand unless otherwise stated)

STATEMENTS OF CHANGES IN EQUITY

Group	Notes	Authorised share capital	Share premium	Legal reserve	Other reserves	Foreign currency translation reserve	Retained earnings (loss)	Total
Balance as at 31 December 2020		**1,059,282**	**-**	**32,987**	**5,235**	**-**	**65,473**	**1,162,977**
Net profit (loss)		-	-	-	-	-	(2,739)	(2,739)
Other comprehensive income, after tax		-	-	-	-	-	-	-
Total comprehensive income (expenses)		*-*	*-*	*-*	*-*	*-*	*(2,739)*	*(2,739)*
Profit (loss) not recognised in the statement of profit or loss and other comprehensive income		-	-	-	-	-	(6,412)	(6,412)
Increase in share capital		-	-	-	-	-	-	-
Reserves formed	14	-	-	865	2,594	-	(3,459)	-
Reserves used		-	-	-	-	-	-	-
Dividends	13	-	-	-	-	-	(13,836)	(13,836)
Total transactions with owners of the Company		*-*	*-*	*865*	*2,594*	*-*	*(23,707)*	*(20,248)*
Balance as at 30 June 2021		**1,059,282**	**-**	**33,852**	**7,829**	**-**	**39,027**	**1,139,990**
Balance as at 31 December 2021		**1,059,282**	**-**	**33,852**	**7,829**	**-**	**65,644**	**1,166,607**
Net profit (loss)		-	-	-	-	-	(6,560)	(6,560)
Other comprehensive income, after tax		-	-	-	-	38	-	38
Total comprehensive income (expenses)		*-*	*-*	*-*	*-*	*38*	*(2,739)*	*(2,739)*
Profit (loss) not recognised in the statement of profit or loss and other comprehensive income		-	-	-	-	-	-	-
Increase in share capital		-	-	-	-	-	-	-
Reserves formed	14	-	-	173	928	-	(1,101)	-
Reserves used		-	-	-	-	-	-	-
Dividends	13	-	-	-	-	-	(6,241)	(6,241)
Total transactions with owners of the Company		*-*	*-*	*173*	*928*	*-*	*(7,432)*	*(6,331)*
Balance as at 30 June 2022		**1,059,282**	**-**	**34,025**	**8,757**	**38**	**51,652**	**1,153,754**

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

(all amounts are in EUR thousand unless otherwise stated)

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

Company	Notes	Authorised share capital	Share premium	Legal reserve	Other reserves	Retained earnings (loss)	Total
Balance as at 31 December 2020		**1,059,282**	**-**	**32,987**	**5,235**	**17,295**	**1,114,799**
Net profit (loss)		-	-	-	-	(287)	(287)
Other comprehensive income, after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		*-*	*-*	*-*	*-*	*(287)*	*(287)*
Increase in share capital		-	-	-	-	-	-
Reserves formed	14	-	-	865	2,594	(3,459)	-
Reserves used		-	-	-	-	-	-
Dividends	13	-	-	-	-	(13,836)	(13,836)
Total transactions with owners of the Company		*-*	*-*	*865*	*2,595*	*(17,295)*	*(13,836)*
Balance as at 30 June 2021		**1,059,282**	**-**	**33,852**	**7,829**	**(287)**	**1,100,676**
Balance as at 31 December 2021		**1,059,282**	**-**	**33,852**	**7,829**	**7,342**	**1,108,305**
Net profit (loss)		-	-	-	-	(2,789)	(2,789)
Other comprehensive income, after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		*-*	*-*	*-*	*-*	*(2,789)*	*(2,789)*
Increase in share capital		-	-	-	-	-	-
Reserves formed	14	-	-	173	928	(1,101)	-
Reserves used		-	-	-	-	-	-
Dividends	13	-	-	-	-	(6,241)	(6,241)
Total transactions with owners of the Company		*-*	*-*	*173*	*928*	*(7,342)*	*(6,241)*
Balance as at 30 June 2022		**1,059,282**	**-**	**34,025**	**8,757**	**(2,789)**	**1,099,275**

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

(all amounts are in EUR thousand unless otherwise stated)

STATEMENTS OF CASH FLOWS

	Notes	Group		Company	
		30/06/2022	30/06/2021	30/06/2022	30/06/2021
Cash flows from operating activities					
Net profit (loss)		**(6,560)**	**(2,739)**	**(2,789)**	**(287)**
Adjustment to non-cash items					
Depreciation and amortisation expenses		60,587	63,854	4,168	3,994
(Depreciation) of grants	15	(9,573)	(11,050)	(73)	(66)
(Gain) loss from disposal/write-off of non-current assets		(378)	(496)	(23)	(347)
Decrease (increase) in the value of non-current assets		(52)	78	(17)	88
Write-down of inventories to net realisable value		-	(75)	-	-
Decrease (increase) in the value of investments		-	11	141	623
Decrease (increase) in the value of receivables		1,255	(165)	26	48
Change in accrued income/expenses		(12,324)	1,738	(10,952)	(5,903)
Interest (income) expenses		1,435	1,264	(716)	(708)
Increase (decrease) in provisions		(111)	(84)	-	-
Effect of currency exchange fluctuations		138	17	54	9
Interest on lease liabilities		95	75	73	109
Corporate income tax expenses (income)	23	(907)	79	(490)	(717)
(Profit) loss of an associated company		(6)	192	-	-
Cash flows from operating activities after adjustment to non-cash items		**33,599**	**52,699**	**(10,598)**	**(3,157)**
Changes in working capital					
Decrease (increase) in inventories		(18,219)	(5,961)	(11,738)	(7,491)
Decrease (increase) in trade and other receivables and prepayments		(12,960)	(13,620)	2,384	15,600
Increase (decrease) in current and non-current trade payables and received prepayments		(26,546)	(5,033)	(6,659)	837
Increase (decrease) in employment related liabilities		(1,050)	(2,754)	(610)	(587)
Increase (decrease) in other non-current and current payables		(8,541)	(16,390)	(367)	145
(Paid) income tax		(2,114)	(5,576)	-	-
Net cash from operating activities		**(35,831)**	**3,365**	**(27,588)**	**5,347**
Cash flows from investing activities					
(Acquisition) of non-current assets and change in prepayments for non-current assets		(43,171)	(38,872)	(2,539)	(2,930)
(Acquisition) disposal of investment		-	-	378	(448)
Dividends received		-	680	-	1,636
Interest received		-	-	-	-
Loans granted		-	-	1,779	(9,229)
Net cash used in investing activities		**(43,171)**	**(38,192)**	**(382)**	**(10,971)**
Cash flows from financing activities					
Loans received		-	-	-	2,833
Loans (repaid)		(13,909)	(13,909)	-	-
Grants received (repaid, utilised)		54,774	12,388	378	-
Interest on lease liabilities		(95)	(75)	(73)	(109)
Payment of lease liabilities		(980)	(699)	(1,092)	(956)
Interest (paid)		(1,075)	(1,280)	-	-
Dividends (paid)	13	(4,160)	(13,836)	(4,160)	(13,836)
Net cash flows from financing activities		34,555	(17,411)	(4,947)	(12,068)
Increase (decrease) in net cash flows		(44,447)	(52,238)	(32,917)	(17,692)
Cash and cash equivalents at the beginning of the period		84,656	69,499	37,885	20,596
Cash and cash equivalents at the end of the period		**40,209**	**17,261**	**4,968**	**2,904**

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

EXPLANATORY NOTES

1. General information

AB Lietuvos Geležinkeliai (hereinafter referred to as the Company, LTG) was registered in the Register of Legal Entities of the Republic of Lithuania on 24 December 1991 after the reorganisation of SPAB Lietuvos Geležinkeliai. In its activities the Company follows the Constitution of the Republic of Lithuania, Law on Companies of the Republic of Lithuania, Railway Transport Code of the Republic of Lithuania, and other valid legal acts of the Republic of Lithuania.

The Company is a legal entity independently organising economic, financial, organisational and legal activities. The Company is an authorised capital Company and the Republic of Lithuania acts as a shareholder of the Company. The Company's code 110053842, VAT code LT100538411, legal (registered) address: Geležinkelio g. 16, 02100 Vilnius.

The main activities of the AB Lietuvos Geležinkeliai group of companies (hereinafter referred to as the Group) are freight and passenger transportation by rail, administration of railway network, management, maintenance and development of public railway infrastructure.

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

As at 30 June 2022 and 31 December 2021, the Republic of Lithuania represented by the Ministry of Transport and Communications was the sole shareholder of the Company.

As at 30 June 2022 the authorized capital of the Company comprised 3,657,492 ordinary registered shares at EUR 289.62 nominal value per share. The authorized capital amounted to EUR 1,059,282 thousand. The company did not purchase its own shares.

As at 30 June 2022 the actual number of the Group's and the Company's employees was 7,023 and 901 respectively (at 31 December 2021: 7,804 and 1,080 respectively).

(all amounts are in EUR thousand unless otherwise stated)

1. General information (continued)

The Group comprised the Company (parent company) and its subsidiaries:

Subsidiaries

Company name	Registered address	Owned share, %		Main activities
		30/06/2022	31/12/2021	
AB LTG Cargo	Geležinkelio g. 12, Vilnius	100	100	Freight transportation by rail.
UAB LTG Link	Geležinkelio g. 16, Vilnius	100	100	Passenger transportation by rail.
AB LTG Infra	Geležinkelio g. 2, Vilnius	100	100	Management of public railway infrastructure and implementation of functions of the manager of public railway infrastructure.
UAB Geležinkelio Tiesimo Centras	Trikampio g. 10, Lentvaris	100	100	Public railway infrastructure road repairs and construction.
LUAB Gelsauga	Prūsų g. 1, Vilnius	-	100	The legal entity was removed from the Register of Legal Entities on 25 February 2022.
LUAB Saugos Paslaugos	Prūsų g. 1, Vilnius	100	100	The legal entity was removed from the Register of Legal Entities on 30 June 2022.
UAB Rail Baltica Statyba	Geležinkelio g. 16, Vilnius	100	100	Implementation of shareholder's functions of the joint Baltic States company RB Rail AS, which monitors implementation of the Rail Baltica 2 project.
OOO Rail Lab	Internacionalnaja st. 36-1, Minsk, the Republic of Belarus	2	100	Manufacturing of locomotives and rolling stock, repairs and technical maintenance of vehicles, wholesale of other machinery and equipment.
LTG Cargo Polska Sp.zo.o.	ul. Rondo ONZ, 12 Piętro, 00-124, Warsaw, Poland	100	100	Activities of freight carrier and provision of related services.
UAB LTG Wagons	Geležinkelio g. 12, Vilnius	100	100	Lease of wagons and containers used for freight transportation by rail and provision of related services.
LTG Cargo Ukraine LLC	Puškino St. 21, Kiev, Ukraine	100	100	Lease, repair forwarding of rolling stock used for freight transportation by rail and provision of other logistic services.
VšĮ Geležinkelių Logistikos Parkas	Švitrigailos g. 39, Vilnius	79.61	79.61	Responsible for the development and management of Vilnius Public Logistics Centre Fleet. The Company is not significant thus not material for consolidation.

Associated and secondary companies

Company name	Registered address	Owned share, %		Main activities
		30/06/2022	31/12/2021	
voestalpine Railway Systems Lietuva, UAB	Sostinės g. 18, Valčiūnai, Vilnius district	34	34	Manufacture of railway switches.
RB Rail AS	Satekles iela 2B, LV-1010, Riga, Latvia	33.33	33.33	Implementation of Rail Baltica project and of functions of central project coordinator. Controlled through UAB Rail Baltica Statyba.
VšĮ Transporto Inovacijų Centras	Geležinkelio g. 16, Vilnius	33.33	33.33	Development of innovation testing possibilities in transport sector infrastructure.
Association of Lithuanian Railway Undertakings	Geležinkelio g. 16, Vilnius	-	-	Representation of members of association – rights of employers and interests in social partnership.

2. Significant accounting policies

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

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

New standards, amendments to standards and interpretations that are permitted to be applied earlier became effective for annual periods beginning on 1 January 2022. No new standards, amendments to the standards have been applied, which are permitted earlier in the preparation of these consolidated and separate financial statements.

The financial statements are prepared on the historical cost basis.

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

(all amounts are in EUR thousand unless otherwise stated)

3. Property, plant and equipment

Property, plant and equipment of the Group comprised:

Group	Land	Buildings and structures	Machinery and plant	Vehicles	Other equipment, fittings and tools	Construction in progress and prepayments	Total
Acquisition cost							
31 December 2020	**153,785**	**1,262,014**	**256,795**	**556,900**	**119,901**	**252,389**	**2,601,784**
- acquisitions for the year	943	66	4,951	33,020	490	109,355	148,825
- assets sold, written off, disposed	(688)	(8,286)	(2,505)	(28,437)	(1,305)	(4,499)	(45,720)
- reclassification from/(to) current assets	6	289	(3,580)	(5,450)	(560)	1,880	(7,415)
- reclassification(to) intangible assets	-	-	-	-	-	(2,070)	(2,070)
- reclassifications*	54	27,970	1,228	1,087	1,691	(32,228)	(198)
31 December 2021	**154,100**	**1,282,053**	**256,889**	**557,120**	**120,217**	**324,827**	**2,695,206**
- acquisitions	6,548	1,391	1,559	7,749	354	32,664	50,265
- assets sold, written off, disposed	(8,372)	(376)	(152)	(978)	(326)	(129)	(10,333)
- reclassification from/(to) current assets	-	(45)	(324)	(5 422)	159	(1)	(5,633)
- reclassification(to) intangible assets	-	-	-	-	-	(14)	(14)
- reclassifications*	-	26,591	(2,052)	1,413	759	(27,817)	(1,106)
30 June 2022	**152,276**	**1,309,614**	**255,920**	**559,882**	**121,163**	**329,530**	**2,728,385**
Accumulated depreciation and impairment losses							
31 December 2020	**-**	**(354,839)**	**(100,759)**	**(209,043)**	**(38,998)**	**(8,870)**	**(712,509)**
- depreciation	-	(68,357)	(16,926)	(35,243)	(7,431)	-	(127,957)
- impairment for the year	-	(34)	(1)	44	(32)	(1,420)	(1,443)
- assets sold, written off, disposed	-	6,219	2,035	26,238	1,081	-	35,573
- reclassification from/(to) current assets	-	(164)	4,564	1,002	475	-	5,877
- reclassifications	-	74	(4)	4	-	-	74
31 December 2021	**-**	**(417,101)**	**(111,091)**	**(216,998)**	**(44,905)**	**(10,290)**	**(800,385)**
- depreciation	-	(29,117)	(7,893)	(17,265)	(3,609)	-	(57,884)
- reversal impairment	-	37	1	-	-	17	55
- assets sold, written off, disposed	-	183	52	246	208	-	689
- reclassification from/(to) current assets	-	(258)	200	1,985	14	-	1,941
- reclassifications	-	(22)	668	(708)	37	-	(25)
30 June 2022	**-**	**(446,278)**	**(118,063)**	**(232,740)**	**(48,255)**	**(10,273)**	**(855,609)**
Carrying amount							
31 December 2020	**153,785**	**907,175**	**156,036**	**347,857**	**80,903**	**243,519**	**1,889,275**
31 December 2021	**154,100**	**864,952**	**145,798**	**340,122**	**75,312**	**314,537**	**1,894,821**
30 June 2022	**152,276**	**863,336**	**137,857**	**327,142**	**72,908**	**319,257**	**1,872,776**

*The balance of the reclassification of non-current assets was transferred to investment property

(all amounts are in EUR thousand unless otherwise stated)

3. Property, plant and equipment (continued)

Property, plant and equipment of the Company comprised:

Company	Land	Buildings and structures	Machinery and plant	Vehicles	Other equipment, fittings and tools	Construction in progress and prepayments	Total
Acquisition cost							
31 December 2020	**-**	**40,979**	**13,407**	**1,247**	**15,804**	**2,372**	**73,809**
- acquisitions for the year	3	1,123	103	315	235	2,480	4,259
- sold, written off, disposed assets	-	(1,421)	(349)	(590)	(732)	(7)	(3,099)
- assets taken over during reorganisation*	-	1,322	368	-	285	-	1,975
- transferred to investment property	-	(3,001)	-	-	-	-	(3,001)
- transferred to intangible assets	-	532	252	-	3	(2,587)	(1,800)
31 December 2021	**3**	**39,534**	**13,781**	**972**	**15,595**	**2,258**	**72,143**
- acquisitions	-	-	18	-	433	1,358	1,809
- sold, written off, disposed assets	-	(47)	(195)	(106)	(134)	(17)	(499)
- assets taken over during reorganisation*	-	-	-	-	-	-)	-)
- transferred to investment property	-	2,050	-	-	-	-	2,050
- transferred to intangible assets	-	-	33	-	649	(696)	(14)
30 June 2022	**3**	**41,537**	**13,637**	**866**	**16,543**	**2,903**	**75,489**
Accumulated depreciation and impairment losses							
31 December 2020	**-**	**(14,511)**	**(8,036)**	**(820)**	**(9,009)**	**(141)**	**(32,517)**
- depreciation	-	(2,484)	(989)	(87)	(915)	-	(4,475)
- impairment for the year	-	-	(1)	-	-	(183)	(184)
- sold, written off, disposed assets	-	464	300	391	578	-	1,733
- assets taken over during reorganisation*	-	(314)	(306)	-	(198)	-	(818)
- transferred to investment property	-	987	-	-	-	-	987
31 December 2021	**-**	**(15,858)**	**(9,032)**	**(516)**	**(9,544)**	**(324)**	**(35,274)**
- depreciation	-	(1,181)	(478)	(42)	(434)	-	(2,135)
- impairment	-	-	-	-	-	17	17
- sold, written off, disposed assets	-	9	151	17	128	-	305
- assets taken over during reorganisation*	-	-	-	-	-	-	-
- transferred to investment property	-	(585)	-	-	-	-	(585)
30 June 2022	**-**	**(17,615)**	**(9,359)**	**(541)**	**(9,850)**	**(307)**	**(37,672)**
Carrying amount							
31 December 2020	**-**	**26,468**	**5,371**	**427**	**6,795**	**2,231**	**41,292**
31 December 2021	**3**	**23,676**	**4,749**	**456**	**6,051**	**1,934**	**36,869**
30 June 2022	**3**	**23,922**	**4,278**	**325**	**6,693**	**2,596**	**37,817**

*Reorganisation of AB Vilniaus Lokomotyvų remonto depas by the way of merger took place on 1 December 2021.

(all amounts are in EUR thousand unless otherwise stated)

3. Property, plant and equipment (continued)

The depreciation charge of the Group included to the statements of profit or loss and other comprehensive income of the Group amounted to EUR 47,523 thousand (EUR 53,660 thousand as at 30 June 2021). This amount includes EUR 57,884 thousand depreciation expense (EUR 62,018 thousand as at 30 June 2021) which was reduced by EUR 8,998 thousand as grants depreciation expense (EUR 10,544 thousand as at 30 June 2021), which are described in Note 15 and by capitalized depreciation costs amounting to EUR 1,363 thousand (EUR 2,186 thousand as at 30 June 2021).

The Company's depreciation charge included to the statement of profit or loss and other comprehensive income amounted to EUR 2,127 thousand (EUR 2,298 thousand as at 30 June 2021). This amount included EUR 2,135 thousand (EUR 2,300 thousand as at 30 June 2021) depreciation expenses which were reduced by depreciation of grants of EUR 8 thousand (EUR 2 thousand as at 30 June 2021) as disclosed in Note 15.

On 30 June 2022 the carrying amount of assets under the right of trust accounted for EUR 968,211 thousand (on 31 December 2021 it was EUR 959,123 thousand).

The acquisition of fully depreciated property, plant and equipment of the Group still in use comprised EUR 63,168 thousand (EUR 55,243 thousand as at 31 December 2021) and of the Company – EUR 8,967 thousand (EUR 9,131 thousand as at 31 December 2021). Of the Group most of the fully depreciated property, plant and equipment consisted of machinery and plant, other equipment, fittings and tools, of the Company - other equipment, fittings and tools, machinery and plant.

The Group and the Company have no collaterals.

4. Right-of-use assets

The Group's right-of-use assets comprised:

Group	Land	Buildings and structures	Machinery and plant	Vehicles	Other equipment, fittings and tools	Total
Acquisition cost						
31 December 2020	**-**	**1,222**	**352**	**5,003**	**713**	**7,290**
- acquisitions for the year	1,480	724	-	523	159	2,886
- disposed assets	-	-	(323)	-	-	(323)
31 December 2021	**1,480**	**1,946**	**29**	**5,526**	**872**	**9,853**
- acquisitions	1	-	-	787	27	815
- disposed assets	-	(129)	-	(718)	-	(847)
30 June 2022	**1,481**	**1,817**	**29**	**5,595**	**899**	**9,821**
Accumulated depreciation and impairment losses						
31 December 2020	**-**	**(124)**	**(209)**	**(1,973)**	**(105)**	**(2,411)**
- depreciation	(46)	(178)	(37)	(1,195)	(214)	(1,670)
- write-back of depreciation of disposed assets	-	-	223	-	-	223
31 December 2021	**(46)**	**(302)**	**(23)**	**(3,168)**	**(319)**	**(3,858)**
- depreciation	(21)	(202)	(5)	(643)	(120)	(991)
- write-back of depreciation of disposed assets	-	-	-	714	-	714
30 June 2022	**(67)**	**(504)**	**(28)**	**(3,097)**	**(439)**	**(4,136)**
Carrying amount						
31 December 2020	**-**	**1,098**	**143**	**3,030**	**608**	**4,879**
31 December 2021	**1,434**	**1,644**	**6**	**2,358**	**553**	**5,995**
30 June 2022	**1,414**	**1,313**	**1**	**2,498**	**460**	**5,685**

(all amounts are in EUR thousand unless otherwise stated)

4. Right-of-use assets (continued)

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

Company	Land	Buildings and structures	Machinery and plant	Vehicles	Other equipment, fittings and tools	Total
Acquisition cost						
31 December 2020	**-**	**5,666**	**30**	**4,139**	**346**	**10,181**
- acquisitions for the year	1,424	6,568	-	963	101	9,056
- disposed assets	-	(5,564)	-	(159)	-	(5,723)
31 December 2021	**1,424**	**6,670**	**30**	**4,943**	**447**	**13,514**
- acquisitions for the year	78	-	-	774	30	882
- disposed assets	-	(522)	-	(719)	-	(1,241)
30 June 2022	**1,502**	**6,148**	**30**	**4,998**	**477**	**13,155**
Accumulated depreciation and impairment losses						
31 December 2020	**-**	**(387)**	**(13)**	**(1,581)**	**(50)**	**(2,031)**
- depreciation	(49)	(765)	(11)	(1,319)	(131)	(2,275)
- depreciation reversal of disposed assets	-	690	-	155	-	845
31 December 2021	**(49)**	**(462)**	**(24)**	**(2,745)**	**(181)**	**(3,461)**
- depreciation	(35)	(333)	(5)	(610)	(78)	(1 061)
- depreciation reversal of disposed assets	-	104	-	714	-	818
30 June 2022	**(84)**	**(691)**	**(29)**	**(2,641)**	**(259)**	**(3,704)**
Carrying amount						
31 December 2020	**-**	**5,279**	**17**	**2,558**	**296**	**8,150**
31 December 2021	**1,375**	**6,208**	**6**	**2,198**	**266**	**10,053**
30 June 2022	**1,418**	**5,457**	**1**	**2,357**	**218**	**9,451**

The discount rate applied to the leases in 2022 is 6 months EURIBOR and the market margin is determined by market research, based on current market conditions.

(all amounts are in EUR thousand unless otherwise stated)

5. Intangible assets

Intangible assets of the Group comprised:

Group	Software	Licenses and similar rights	Other intangible assets	Total
Acquisition cost				
31 December 2020	**29,872**	**3,140**	**1,216**	**34,228**
- acquisitions	400	576	4,959	5,935
- sales, disposals, write-offs	(1,204)	(139)	(188)	(1,531)
- transferred from tangible assets	1,436	(116)	750	2,070
31 December 2021	**30,504**	**3,461**	**6,737**	**40,702**
- acquisitions	-	-	1,388	1,388
- sales, disposals, write-offs	(1)	(1)	(18)	(20)
- transferred from tangible assets	15	1	(2)	14
30 June 2022	**30,518**	**3,461**	**8,105**	**42,084**
Accumulated amortisation and impairment losses				
31 December 2020	**(9,941)**	**(2,133)**	**(677)**	**(12,751)**
- amortisation	(2,321)	(225)	(25)	(2,571)
- impairment for the year	-	-	-	-
- sales, disposals, write-offs	1,204	139	159	1,502
31 December 2021	**(11,058)**	**(2,219)**	**(543)**	**(13,820)**
- amortisation	(1,267)	(162)	(18)	(1,447)
- Impairment for the year	-	-	-	-
- sales, disposals, write-offs	1	1	18	20
- reclassifications	-	(1)	1	-
30 June 2022	**(12,324)**	**(2,381)**	**(542)**	**(15,247)**
Carrying amount				
31 December 2020	**19,931**	**1,007**	**539**	**21,477**
31 December 2021	**19,446**	**1,242**	**6,194**	**26,882**
30 June 2022	**18,194**	**1,080**	**7,563**	**26,837**

Intangible assets of the Company's comprised:

Company	Software	Licences and similar rights	Other intangible assets	Total
Acquisition cost				
31 December 2020	**6,614**	**2,979**	**35**	**9,628**
- additions	444	576	4,136	5,156
- sales, disposals, write-offs	(914)	(78)	(7)	(999)
- transferred from tangible assets	1,168	(116)	748	1,800
31 December 2021	**7,312**	**3,361**	**4,912**	**15,585**
- additions	-	-	1,165	1,165
- sales, disposals, write-offs	-	-	-	-
- transferred from tangible assets	14	-	-	14
30 June 2022	**7,326**	**3,361**	**6,077**	**16,764**
Accumulated amortisation and impairment losses				
31 December 2020	**(5,278)**	**(1,973)**	**(35)**	**(7,286)**
- amortisation	(640)	(224)	-	(864)
- Impairment for the year	-	-	-	-
- sales, disposals, write-offs	914	78	7	999
31 December 2021	**(5,004)**	**(2,119)**	**(28)**	**(7,151)**
- amortisation	(400)	(162)	-	(562)
- Impairment for the year	-	-	-	-
- sales, disposals, write-offs	-	-	-	-
30 June 2022	**(5,404)**	**(2,281)**	**(28)**	**(7,713)**
Carrying amount				
31 December 2020	**1,336**	**1,006**	**-**	**2,342**
31 December 2021	**2,308**	**1,242**	**4,884**	**8,434**
30 June 2022	**1,922**	**1,080**	**6,049**	**9,051**

(all amounts are in EUR thousand unless otherwise stated)

5. Intangible assets (continued)

Amortisation costs of intangible assets of the Group which amounted to EUR 872 thousand (EUR 654 thousand as at June 2021) are accounted for in the statement of profit or loss and other comprehensive income. This amount includes EUR 1,447 thousand (EUR 1,160 thousand as at June 2021) of amortisation expenses which were reduced by amortisation of grants of EUR 575 thousand (EUR 506 thousand as at June 2021) as disclosed in Note 15.

Amortisation costs of intangible assets of the Company which amounted to EUR 497 thousand (EUR 333 thousand as at 30 June 2021) are accounted for in the statement of profit or loss and other comprehensive income. This amount includes EUR 562 thousand (EUR 397 thousand as at 30 June 2021) of amortisations expenses which were reduced by amortisation of grants of EUR 65 thousand (EUR 64 thousand as at 30 June 2021) as disclosed in Note 15.

The Group's intangible assets, which were fully amortized but continue to be used, amounted to EUR 5,951 thousand (EUR 5,819 thousand as at 31 December 2021). The Company's intangible assets, which were fully amortized but continue to be used, amounted to EUR 4,871 thousand (EUR 4,751 thousand as at 31 December 2021). Software accounted for the majority of depreciated assets.

6. Investment property

Investment property of the Group and the Company comprised:

	Group	Company
Acquisition cost		
31 December 2020	**3,012**	**9,384**
- acquisitions for the year	-	-
- sold, written off, disposed assets	-	(28)
- assets taken over during reorganisation*	-	8,470
- transferred from property, plant and equipment	198	3,001
31 December 2021	**3,210**	**20,827**
- acquisitions for the year	-	-
- sold, written off, disposed assets	-	-
- assets taken over during reorganisation*	-	-
- transferred from property, plant and equipment	1,106	2,050
30 June 2022	**4,316**	**18,777**
Accumulated depreciation and impairment losses		
31 December 2020	**(258)**	**(2,892)**
- depreciation	(292)	(505)
- sold, written off, disposed assets	-	11
- assets taken over during reorganisation*	-	(2,077)
- transferred from property, plant and equipment	(74)	(987)
31 December 2021	**(624)**	**(6,450)**
- depreciation	(265)	(410)
- sold, written off, disposed assets	-	-
- assets taken over during reorganisation*	-	-
- transferred from property, plant and equipment	25	585
30 June 2022	**(864)**	**(6,275)**
Carrying amount		
31 December 2020	**2,754**	**6,492**
31 December 2021	**2,586**	**14,377**
30 June 2022	**3,452**	**12,502**

*Reorganisation of AB Vilniaus Lokomotyvų remonto depas by the way of merger took place on 1 December 2021.

Investment property of the Group and the Company comprised leased buildings. The average term of an irrevocable lease is 3 years with the possibility of extension.

A portion of the Group's investment property with an acquisition value of EUR 124 thousand as at 30 June 2022 (31 December 2021: EUR 124 thousand) was fully depreciated but is still used in operations.

A portion of the Company's investment property with an acquisition value of EUR 691 thousand as at 30 June 2022 (31 December 2021: EUR 691 thousand) was fully depreciated but is still used in operations.

(all amounts are in EUR thousand unless otherwise stated)

7. Investments

Company name	Owned share, %	30/06/2022 Investment value	30/06/2022 Accounted impairment	30/06/2022 Carrying amount	31/12/2021 Investment value	31/12/2021 Accounted impairment	31/12/2021 Carrying amount
Shares of subsidiaries							
AB LTG Cargo	100	39,752	-	39,752	39,752	-	39,752
UAB LTG Link	100	142,778	-	142,778	142,778	-	142,778
AB LTG Infra	100	673,668	-	673,668	673,668	-	673,668
UAB Geležinkelio tiesimo centras	100	24,752	-	24,752	24,752	-	24,752
LUAB Saugos paslaugos	-	-	-	-	1,522	(1,139)	383
UAB Rail Baltica statyba	100	4,805	(2,536)	2,269	4,804	(2,455)	2,349
VšĮ Geležinkelių logistikos parkas	79.61	460	(443)	17	460	(405)	55
		886,215	(2,979)	883,236	887,736	(3,999)	883,737
Shares of associates							
voestalpine Railway Systems Lietuva, UAB	34	745	-	745	745	-	745
VšĮ Transporto inovacijų centras	33.33	115	(96)	19	115	(79)	36
		860	(96)	764	860	(79)	781
Long-term investments							
Brussels Centralised Payment Centre	1.34	2	-	2	2	-	2
		2	-	2	2	-	2
Total		**887,077**	**(3,075)**	**884,002**	**888,598**	**(4,078)**	**884,520**

UAB Saugos Paslaugos.was removed from the Register of Legal Entities in June 2022.

Movement of the Company's investments in related parties and other companies:

	Investment value
Acquisition value as at 31 December 2020	**902,416**
Increase (+)	1,360
Decrease (-)	(19,256)
Acquisition value as at 31 December 2021	**884,520**
Increase (+)	-
Decrease (-)	(518)
Acquisition value as at 30 June 2022	**884,002**

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

The Group's and the Company's inventories and non-current assets held-for-sale comprised:

	Group		Company	
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
Spare parts	13,358	10,591	320	468
Materials of the upper railway part	5,719	8,603	-	-
Materials	6,262	4,868	238	617
Fuel	16,834	4,377	15,324	3,060
Other inventories	2,281	1,621	24	78
Total raw materials, materials and component parts	44,454	30,060	15,906	4,223
Goods for resale	21	151	-	-
Total goods for resale	21	151		-
Non-current assets held-for-sale	5,607	2,986	544	500
Total non-current assets held-for-sale	5,607	2,986	544	500
Total	**50,082**	**33,197**	**16,450**	**4,723**

The carrying amount of the Group's inventories of EUR 55,385 thousand was reduced by EUR 5,303 thousand to the net realizable value as at 30 June 2022 (EUR 38,500 thousand reduced by EUR 5,303 thousand to the net realizable value as at 31 December 2021).

(all amounts are in EUR thousand unless otherwise stated)

8. Inventories and non-current assets held-for-sale (continued)

The carrying amount of the Company's inventories of EUR 17,106 thousand was reduced by EUR 656 thousand to the net realizable value as at 30 June 2022 (EUR 5,379 thousand reduced by EUR 656 thousand to the net realizable value as at 31 December 2021).

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

In the Group and the Company as at 30 June 2022, the increase in inventories was largely impacted by the lower consumption of fuel.

At 30 June 2022, the majority of the Group's non-current assets held for sale consisted of wagons, locomotives and diesel locomotives. Most of the sales are carried out by public auction.

9. Trade and other receivables

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

	Group		Company	
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
Gross external trade debtors	19,877	32,104	2,391	1,919
Impairment (-)	(4,047)	(2,900)	(99)	(73)
Total external trade receivables	**15,830**	**29,204**	**2,292**	**1,846**
Receivables from related parties	5	388	15,810	12,034
Impairment (-)	-	-	-	-
Total receivables from related parties	**5**	**388**	**15, 810**	**12,034**
Receivable VAT	3,863	6,134	566	-
Other amounts receivable from the budget	42,629	8,227	1,803	2,549
Accrued other amounts receivable from related parties	-	-	8,812	3,382
Accrued income	2,952	2,830	9	145
Other receivables	8,807	11,341	7,167	5,564
Impairment (-)	(4,274)	(4,274)	(4,274)	(4,274)
Total other receivables	**53,977**	**24,258**	**14,083**	**7,366**
Total	**69,812**	**53,850**	**32,185**	**21,246**

As at 30 June 2022 trade and other receivables of the Group increased EUR 15,962 thousand (in 2021 trade and other receivables increased EUR 6,660 thousand compared to 2020). Other amounts receivables from the budget increased mainly by EUR 20,425 thousand due to the accrual of a subsidy accounted for on the basis of the contract "Ensuring the Quality and Financing of the Public Railway Infrastructure and the Facilities of Railway Services Owned by the State of Lithuania" dated 6 April 2022, as well as the reimbursement to compensate the incurred losses of local passenger transportation activity for a total amount of EUR 17,259 thousand.

As at 30 June 2022 trade and other amounts receivables of the Company increased EUR 10,939 thousand (in 2021, the Company's trade and other receivables decreased by EUR 19,574 thousand compared to 2020) since the invoices related to management services were issued and paid.

The Company accrued other amounts receivable from related parties of EUR 8,593 thousand for management services rendered to Group companies (EUR 2,851 thousand as at 31 December 2021).

External trade debtors receivables of the Group and the Company comprised:

	Group		Company	
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
Not overdue	14,046	25,431	1,485	1,800
Overdue 0– 60 days	1,657	3,767	742	48
Overdue 61– 120 days	378	21	84	4
Overdue 121– 180 days	349	43	8	1
Overdue 181– 360 days	896	89	6	4
Overdue for over 360 days	2,551	2,753	66	62
Impairment (-)	(4,047)	(2,900)	(99)	(73)
Total	**15,830**	**29,204**	**2,292**	**1,846**

As at 30 June 2022 overdue trade debts before impairment in the Group decreased EUR 842 thousand compared to year 2021, overdue trade debts before impairment in the Company increased EUR 787 thousand, trade debt impairment increased EUR 1,147 thousand and EUR 26 thousand respectively.

(all amounts are in EUR thousand unless otherwise stated)

10. Prepayments and assets arising from contracts with customers

Prepayments of the Group and the Company comprised:

	Group		Company	
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
Prepayments to external customers	455	2,945	270	14,779
Prepayments to related parties	-	-	7,222	
Guarantees paid to suppliers	57	91	356	351
Deferred costs	3,108	4,949	1,582	2,325
Total	**3,620**	**7,985**	**9,430**	**17,455**

Assets arising from contracts with customers of the Group and the Company comprised:

	Group		Company	
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
Accrued income	38	54	-	-
Paid guarantees to customers	1	30	-	-
Prepayments	697	-	-	-
Total	**736**	**84**	**-**	**-**

11. Cash and cash equivalents

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

	Group		Company	
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
Cash in banks	40,194	84,630	4,968	37,885
Cash in hand	15	26	-	-
Total	**40,209**	**84,656**	**4,968**	**37,885**

As at 30 June 2022 and 31 December 2021 the Group and the Company did not hold any term deposits. Cash was not pledged.

Seeking the higher efficiency in cash management and liquidity assurance within the Group, on 30 December 2021 a cash-pool agreement with AB Swedbank was signed. The Group and the Company implemented an inter-company borrowing and lending platform (Cash Pool service), which ensures the possibility of mutual borrowing for a maximum period of one year. As at 30 June 2022, there were no outstanding debts by the subsidiaries to the cash-pool (as at 31 December 2021 the debt amounted to EUR 2,527 thousand). During the first half of 2022, the Group's members used cash-pool funds based on their needs, interest revenue of EUR 19 thousand (EUR 114 thousand as at 31 December 2021) and no interest expense was calculated (31 December 2021: EUR 6 thousand).

The Group had significant cash and cash equivalent balances throughout the year and ensured the liquidity of all Group companies through the Group's cash-pool platform. On 24 September 2021 the Company also signed a credit line agreement with LTG Cargo Polska Sp.z.o.o. for a period of one year with an option to extend it by 6 months for a credit line of EUR 2,000 thousand, accumulated interest income of EUR 33 thousand was accounted for. On 30 December 2021, the Company signed a credit agreement of EUR 1,000 thousand with LTG Cargo Ukraine LLC, the term of the agreement expires on 31 December 2023 with an option to extend it for 6 months, i.e. until 30 June 2024. Over the first half of 2022, the credit amount drawn amounted to EUR 59 thousand. On 15 April 2022 the Company signed a credit agreement for EUR 50 thousand with UAB LTG Wagons, the term of the agreement expires on 15 April 2023 with an option to extend it for 6 months. In the first half of 2022, the credit amount drawn amounted to EUR 23 thousand.

As at 30 June 2022, due to bank guarantees issued, the use of cash and cash equivalents of EUR 104 thousand was restricted (EUR 104 thousand as at 31 December 2021).

12. Authorized capital

During the first half of 2022, the Articles of Association of the Company were not amended due to the increase / decrease of the authorized capital.

13. Dividends

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

(all amounts are in EUR thousand unless otherwise stated)

13. Dividends (continued)

Based on Order No 3-264 of the Minister for Transport and Communications of the Republic of Lithuania of 24 May 2022 it was decided to allocate EUR 6,241 thousand from the Company's distributable profit of 2021. Disbursements were made on 25 May 2022 in the amount of EUR 2,080 thousand, and on 29 June 2022 in the amount of EUR 2,080 thousand. The outstanding amount was paid in July 2022. Dividends per share amounted to EUR 1.71.

Profit (loss) distribution projects of the Company and its subsidiaries are prepared and only after the decision of the General Meeting of Shareholders approves the set of annual financial statements, the shareholder distributes the profit (loss) of the Company and its subsidiaries, taking into account internal and external legal acts and other conditions.

14. Reserves

Legal reserve. The legal reserve means a reserve which is required by the provisions of legal acts of the Republic of Lithuania. An annual transfer of 5% of net profit to the legal reserve is compulsory until the reserve reaches 10% of the share capital. The legal reserve cannot be distributed as dividends and is formed to cover future losses. As at 30 June 2022 the legal reserve of the Group and the Company comprised EUR 34,025 thousand.

Other reserves. As at 30 June 2022, the Company's other reserves' balance consisted of reserves for investments of EUR 8,757 thousand.

15. Grants

Movement of grants of the Group and the Company:

	Group		Company	
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
Balance at the beginning of the period	**587,853**	**581,384**	**611**	**641**
Received	53,496	31,495	378	101
Used for reduction of depreciation and amortisation costs of non-current assets	(9,573)	(21,757)	(73)	(131)
Used for reduction of other expenses	(336)	(3,140)	-	-
Repaid/transferred	(1,871)	(129)	-	-
Balance at the end of the period	**629,569**	**587,853**	**916**	**611**
Including assets managed under right of trust	**242,739**	**237,699**	**-**	**-**

The Group's grants are mainly related to the financing of investment programs with the assets received under the trust agreement and subsidies to compensate for costs.

16. Loans and borrowings

Borrowings of the Group and the Company comprised:

	Group		Company	
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
Non-current loans	136,856	147,967	-	-
Current loans	22,677	25,475	-	-
Interest	538	559	-	-
Total	**160,071**	**174,001**	**-**	**-**

The Company's does not hold any borrowings with credit institutions, since on 8 December 2019 all loans concluded between the Company and the Nordic Investment Bank were transferred to AB LTG Infra and on 30 June 2020, all of the Company's loans from the European Investment Bank were transferred to AB LTG Cargo. On 30 June 2020, after the restructuring of the Company's long-term loans was complete, a guarantee agreement with the European Investment Bank (EIB) and the Nordic Investment Bank (NIB) came into effect, based on which the Company guarantees for the obligations of AB LTG Cargo and AB LTG Infra to EIB.

Borrowings of the Group comprised:

	Loan currency	30/06/2022	31/12/2021
Bank EIB - 3, total [2]	EUR	454	1,363
Bank EIB - 4, total [1]	EUR	10,667	14,000
Nordic Investment Bank -2, total [5]	EUR	-	1,889
Nordic Investment Bank - 3, total [3]	EUR	73,549	77,226
Nordic Investment Bank - 4, total [4]	EUR	34,387	36,107
Nordic Investment Bank - 5, total [6]	EUR	40,476	42,857
Loan interest	EUR	538	559
Total		**160,071**	**174,001**

(all amounts are in EUR thousand unless otherwise stated)

16. Loans and borrowings(continued)

During the first half of 2022 the Group repaid EUR 13,909 thousand loan and EUR 1,075 thousand interest.

[1] EIB-4 is the loan for the procurement of new rolling stock. During the first half of 2022 AB LTG Cargo repaid EUR 3,333 thousand loan and EUR 176 thousand interest.

[2] EIB-3 are the loans for the procurement of new rolling stock. During the first half of 2022 AB LTG Cargo repaid EUR 909 thousand loan, paid EUR 16 thousand interest.

[3] Two loan agreements have been signed with the Nordic Investment Bank (NIB-3) for the renovation and development of the railway infrastructure at the total value of EUR 114,000 thousand. Each tranche was set a separate interest rate. During the first half of 2022 AB LTG Infra repaid EUR 3,677 thousand loan and EUR 561 thousand interest.

[4] A loan agreement of EUR 53,300 thousand has been signed with the Nordic Investment Bank (NIB-4). The loan was granted to ensure co-financing of the national part of the public railway infrastructure project Rail Baltica, which is financed by the EU support funds for 2007-2013. During the first year-half 2022 AB LTG Infra repaid EUR 1,719 thousand loan and EUR 224 thousand interest.

[5] A loan of the Nordic Investment Bank (NIB-2) for the renovation and development of the railway infrastructure. During the first half of 2022, AB LTG Infra repaid the entire loan, i.e. EUR 1,889 thousand. euros in loans and paid 7 thousand. euro interest.

[6] A loan of the Nordic Investment Bank (NIB-5) for the implementation of investment project and the Rail Baltica project over the period 2014-2020. During the first half of 2022 AB LTG Infra repaid EUR 2,381 thousand loan and paid EUR 92 thousand interest.

17. Lease liabilities

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

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

Lease liabilities of the Group comprised:

	Group		Company	
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
Non-current	4,094	4,559	7,418	8,490
Current	1,827	1,506	2,334	1,894
Total	**5,921**	**6,065**	**9,752**	**10,384**

(all amounts are in EUR thousand unless otherwise stated)

18. Employee benefits

According to the legislative requirements of the Republic of Lithuania, each employee of the Company at the age of retirement is entitled to a one-off payment in the amount of 2-month salary. In addition, under the effective collective agreement, payment of up to 1 month average remuneration is paid to an employee who has served for 25 years or more. Jubilee payments also comprise provisions for pensions and similar liabilities. Under the collective agreement effective at the Group and the Company, a payment of EUR 300 is paid to members of trade unions when they reach the ages of 50 and 60 years.

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

	Group	Company
Balance as at 31 December 2020	**10,360**	**860**
Change (+)	15	-
Change (-)	(1,933)	(265)
Balance as at 31 December 2021	**8,442**	**595**
Change (+)		--
Change (-)	(1,197)	(192)
Balance as at 30 June 2022	**7,245**	**403**

Main assumptions applied in assessment of the Company's non-current payments for employees are provided in below:

	30/06/2022	31/12/2021
Discount rate,%	2.36	0.76
Staff turnover ratio,%	20.57	11.79
Salary increase rate, %	5.00	2.00

Current employee benefits and liabilities by type:

	Group		Company	
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
Vacation pay accruals	11,102	10,190	2,078	1,838
Payable remuneration	6,306	6,783	1,164	1,296
Payable social insurance contributions	3,759	3,444	711	631
Payable personal income tax contributions	2,386	2,126	432	426
Other employment related liabilities	3,887	5,947	1,003	1,614
Total	**27,440**	**28,490**	**5,388**	**5,805**

The Company's current employee benefits and liabilities mainly decreased due to payments of the incentive reserve. Capitalized remuneration amounted to EUR 612 thousand (30 June 2021: EUR 422 thousand).

19. Trade and other payables

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

	Group		Company	
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
Trade payables	27,884	39,934	2,967	8,800
Trade payables to related parties	489	705	5,701	1,047
Dividends payable	2,080	-	2,080	-
Cash guarantees received	2,792	4,832	1,125	2,405
Other taxes payable to the budget	1,210	6,224	332	541
Accumulated service costs of foreign railways	32	1,167	-	-
Accrued other amounts payable from related parties	-	-	1,242	6,612
Other accrued costs	1,536	12,583	682	968
Other amounts payable and liabilities	2,855	3,292	598	12
Total	**38,878**	**68,737**	**14,727**	**20,385**

Under other accrued expenses, the Group and the Company accounted for audit service expenses of EUR 104 thousand (2021: EUR 216 thousand) and EUR 23 thousand (2021: EUR 52 thousand), respectively.

In the first half of 2022 other accrued amounts payable of the Company decreased due to issue of credit invoices for the governance services.

(all amounts are in EUR thousand unless otherwise stated)

20. Received prepayments and liabilities arising from contracts with customers

	Group		Company	
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
Received prepayments, non-current	-	-	-	-
Received prepayments, current	26,189	40,456	13,636	18,909
Total	**26,189**	**40,456**	**13,636**	**18,909**

Amounts of the liabilities arising from contracts with customers of the Group and the Company comprised:

	Group		Company	
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
Received prepayments, non-current	-	-	-	-
Received prepayments, current	6	2	-	-
Total	**6**	**2**	**-**	**-**

21. Sales

Sales revenue of the Group and the Company comprised:

	Group		Company	
	06/2022	06/2021	06/2022	06/2021
Income from freight transportation	134,076	170,644	-	-
Income from use of the railway infrastructure	612	549	-	-
Income from passenger, baggage and post	13,291	5,924	-	-
Other auxiliary services, of which:	16,200	10,593	48,158	48,329
Fuel resale	-	-	18,871	21,034
Management services	-	-	22,953	22,133
Other services	16,200	10,593	6,334	5,162
Total	**164,179**	**187,710**	**48,158**	**48,329**

22. Result from financing activities

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

	Group		Company	
	06/2022	06/2021	06/2022	06/2021
Total finance income	**238**	**50**	**775**	**2,359**
Interest	15	-	716	711
Currency exchange gain	100	17	54	9
Dividends	-	-	-	1,636
Penalties and default interest	123	33	5	3
Other income	-	-	-	-
Total finance costs	**(1,724)**	**(1,569)**	**(74)**	**(144)**
Interest	(1,434)	(1,264)	-	(3)
Currency exchange loss	-	-	-	-
Penalties and default interest	(290)	(215)	-	(32)
Other expenses	-	(90)	(74)	(109)
Total	**(1,486)**	**(1,519)**	**701**	**2,215**

23. Corporate income tax

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

	Group		Company	
	06/2022	06/2021	06/2022	06/2021
Income tax for the year	53	383	-	-
Adjustment to income tax of the previous year	(58)	(403)	(30)	(533)
Deferred tax expenses	(902)	99	(460)	(184)
Total corporate income tax expenses (income) recognised in profit or loss	**(907)**	**79**	**(490)**	**(717)**

(all amounts are in EUR thousand unless otherwise stated)

24. Related party transactions

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

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

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

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

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

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

he Company's related party transactions before elimination:

	06/2022		30/06/2022	
	Company's purchases	Company's sales	Company's receivables	Company's payables
AB LTG Cargo	2,920	26,451	142,081	9,216
UAB LTG Link	5,446	8,896	1,550	2,198
AB LTG Infra	1,718	12,925	3,213	180
UAB Geležinkelio Tiesimo centras	-	854	69	-
LUAB Saugos Paslaugos	-	104	-	-
UAB Rail Baltica Statyba	-	3	-	-
voestalpine Railway Systems Lietuva, UAB	-	-	-	-
UAB LTG Wagons	-	26	23	-
LTG Cargo Ukraine LLC	-	31	90	-
LTG Cargo Polska SP. Z. o. o.	-	51	2,051	-
Total	**10,084**	**49,341**	**149,077**	**11,594**

The Company's related party transactions before elimination:

	06/2021		31/12/2021	
	Company's purchases	Company's sales	Company's receivables	Company's payables
AB LTG Cargo	4,084	29,240	147,088	4,320
UAB LTG Link	3,070	8,725	1,264	1,164
AB LTG Infra	1,036	14,746	3,982	173
UAB Geležinkelio Tiesimo Centras	202	749	77	1
UAB Vilniaus Lokomotyvų Remonto Depas	-	3,665	-	-
UAB Gelsauga	758	106	-	-
UAB Saugos Paslaugos	2,557	181	-	-
UAB Rail Baltica Statyba	-	4	-	-
voestalpine Railway Systems Lietuva, UAB	-	-		-
„LTG Cargo Ukraine“ LLC	-	-	2,000	-
UAB LTG Wagons	-	1	-	-
Total	**11,707**	**57,417**	**154,411**	**5,658**

(all amounts are in EUR thousand unless otherwise stated)

24. Related party transactions (continued)

Accrued receivables and payables with related parties were accounted in the statements of financial position:

	30/06/2022		31/12/2021	
	Accrued receivables	Accrued payables	Accrued receivables	Accrued payables
AB LTG Cargo	8,547	-	493	4,125
UAB LTG Link	14	115	2,167	-
AB LTG Infra	4	1,127	7	2,487
LUAB Saugos Paslaugos	-	-	102	-
UAB Geležinkelio Tiesimo Centras	234	-	531	-
LTG Cargo Polska Sp. Z.o.o.	4	-	32	-
UAB LTG Wagons"	6	-	24	-
LTG Cargo Ukraine LLC	3	-	26	-
Total	**8,812**	**1,242**	**3,382**	**6,612**

Accrued payables mainly comprised management services accruals to related parties.

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

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

	Group		Company	
	30/06/2022	31/12/2021	30/06/2022	31/12/2021
Loans granted to related parties	-	-	123,684	122,960
Total non-current part	-	-	123,684	122,960
Loans granted to related parties	160	160	160	160
Cash-pool / Credit line	-	-	2,023	4,538
Total current part	160	160	2,183	4,687
Total	**160**	**160**	**125,867**	**127,658**

More details on the borrowing from cashpool are presented in Note 11.

Based on the loan agreement dated 12 March 2019, the loan of EUR 163,862 thousand was granted to AB LTG Cargo in the form of non-current assets: for the acquisition of railway transport rolling stock – wagons, containers and locomotives. The loan matures in 2031. Interest was determined applying variable interest rate linked with 6-month EURIBOR and the market margin estimated by a market survey. On 30 June 2020, the restructuring of the Company's non-current loans was completed. According to a separate agreement with the European Investment Bank (EIB), AB LTG Cargo and the Company, the said loan is subordinate in respect to the EIB loans transferred by AB LTG Cargo, i.e. both loan and interest payments are not possible until the maturity of EIB loans (until 2024). Interest receivable amounted to EUR 3,262 thousand (EUR 2,597 thousand as at 31 December 2021). No breaches of the financial and non-financial terms of the loan agreements as at 30 June 2022 have been identified.

Management salary and other benefits. As of June 30, 2022, the number of managers was 5 people, i.e., 1 Chief Executive Officer, 1 Chief Financial Officer, 1 Director of Strategy and Development, 1 Director of Human Resources, 1 Director of Communications.

	30/06/2022	30/06/2021
Management salary	431	282
Incentive payments*	88	140
Number of managers	5	6
Benefits to Board Members	35	37
Number of Board Members	7	5
Benefits to audit committee members	4	7
Number of audit committee members	4	3
Benefits to remuneration committee members	4	2
Number of remuneration committee members	3	2

* Incentive payments are additional payment for performance results and one-off payments.
** Accrued non-current payments are provisions for pension and similar liabilities, accrued as at the end of the year.

As at 30 June 2022 and 30 June 2021, the management was not granted with loans, provided with guarantees or other paid or accrued benefits or disposed assets, except as disclosed above.

25. Contingent assets and liabilities, potential disputes

On 30 August 2018, VAS Latvijas dzelzcelš and SIA LDZ CARGO applied to The Company in writing demanding compensation for the damage incurred by these companies. According to these companies, they incurred the damage because of the removed rail track connecting Mažeikiai with the Latvian border, and the amount of damage is EUR 82,340 thousand. The above-mentioned companies also demand the payment of 6% interest for the period from the occurrence of damage until the date of indemnification. AB LTG Infra, as an assignee of procedural rights, disagrees with these claims and considers them unjustified. By its decision dated 18 November 2020, the European Union General Court upheld the decision of the European Commission; however, on 27 January 2021 an appeal was lodged with the European Union Court of Justice seeking a full annulment of the decision of the European Commission. Considering the statistics of the cases being heard, the final decision of the European Union Court of Justice can be expected only at the end of 2022.

On 26 June 2020, BUAB Hidrostatyba applied to the Regional Court of Vilnius with a claim against LTG Infra, requesting to adjudge from this entity the debt in an amount of EUR 1,870 thousand (excl. VAT), a penalty of EUR 337 thousand, annual procedural interest of 8.34% from the amount adjudged by the court for the period the case was started in court until full execution of the court decision, as well as litigation costs. On 31 December 2020, the Regional Court of Vilnius dismissed the action brought by BUAB Hidrostatyba. BUAB Hidrostatyba appealed against the decision, which was examined by the Lithuanian Court of Appeal on 6 April 2021 and the case was referred back to the court for a new hearing. On 4 November 2021, the Regional Court of Vilnius fully satisfied the claim of BUAB Hidrostatyba and ordered LTG Infra to pay EUR 1,870 thousand of debt, EUR 337 thousand of penalty and the annual interest of 8.34% for the period from the commencement date of the case until the court's decision is fully executed. Disagreeing with this judgment, LTG Infra appealed against the decision and requested the claim to be dismissed. On 15 February 2022, the Court of Appeal of Lithuania issued a ruling upholding the judgment of the Regional Court of Vilnius, dated 4 November 2021. On 19 April 2022, the Supreme Court of Lithuania accepted LTG Infra's cassation appeal.

26. Subsequent events and other information

The search for the Chief Executive Officer of rail freight company LTG Cargo was launched on 1 July 2022.

The Group has launched a tender for a selection agency to select independent members of the boards of LTG Link, LTG Cargo and LTG Infra.

Starting from 1 July 2022 LTG Link is temporarily shortening the train route Šiauliai – Radviliškis – Panevėžys – Rokiškis. This decision was taken after an analysis of the declining passenger flows as well the impact of the Russian war in Ukraine and the impact of international sanctions imposed on the aggressors on the supply of spare parts needed for the maintenance of some trains.

Starting from 1 July 2022 LTG Link is resuming international train services to Poland in cooperation with Polish carrier Polregio. Trains on the route Kaunas - Bialystok - Kaunas resume from 1 July.

Information concerning the impact on the Group's and the Company's business activities of the Russian war against Ukraine and sanctions

Russia's military actions in Ukraine from 24 February 2022, and the extensive sanctions imposed on Belarus and Russia by the United States of America and the European Union have had a significant impact on the Group's activities and results during the reporting period.

The Group companies most affected by the sanctions are LTG Cargo, a freight transport company, and LTG Infra, a company that manages Lithuania's public railway infrastructure network. A significant part of LTG Cargo's revenues until 2022 came from the Russian Federation and the Republic of Belarus, as well as from the transit of these countries (about 60% of revenues). A significant part of LTG Infra's revenue is generated by charges for the use of the public railway infrastructure from freight carriers (around 85% of revenue). These charges are used to cover maintenance costs and development projects.

Freight turnover in the first half of 2022 is down by more than 40% compared to the corresponding period in 2021 and Group's sales revenue, excluding subsidies, is down by 12.5%.

In view of the current situation, the Group's management is responsibly assessing the main risks and threats related to the continuity of operations and the impact on the business of the Group and is taking steps to manage the situation. To this end a Crisis Management Committee has been set up to coordinate the activities of the seven working groups established (Business Continuity and Planning, Cost Control, Sanctions and Inter-Agency Coordination, Management of National Threats, Governance and Business Risk Assessments, Communications, Staff Support, and Shelter, Accommodation and Logistics for Ukrainians fleeing the war). The Business Optimisation Project (comprising efficiency improvements, cost reductions, diversification and expansion into new markets) is being implemented, business continuity plans are regularly reviewed and business forecasts are updated for the Group as a whole, with a focus on the business prospects and cash flow balancing of LTG Cargo and LTG Infra. Decisions have been taken on strict cost control in the Group: only costs necessary for the operation are financed. The portfolio of investment projects has been reviewed and decisions have been taken to defer and postpone some investment projects. Investment projects that have been started are being continued and the necessary investments for the renewal of assets are being made. On 6 April 2022 LTG Infra and the Ministry of Transport and Communications signed an agreement on financing railway infrastructure. A review of the Group's long-term strategy has been initiated, including a review of existing strategic objectives and priorities, investment orientations, funding needs and sources, and future perspectives.

26. Subsequent events and other information (continued)

In the second half of 2022, it is planned to sign a short-term financing agreement ("overdraft") with one of the commercial banks servicing the Group.

In the opinion of the Group's management, the above measures and actions, as well as the additional public funding, will enable the Group to balance the cash flows necessary to ensure the continuity of its operations and to service its existing loan agreements and commitments to partners.

There were no other significant events after the end of the reporting period which should be recognized or disclosed in the financial statements for the first half of 2022.