FIRST HALF YEAR 2023

AB LTG CARGO

CONDENSED INTERIM
FINANCIAL INFORMATION (UNAUDITED) FOR THE
SIX-MONTH PERIOD ENDED 30 JUNE 2023, PROVIDED TOGETHER
WITH THE INTERIM REPORT

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

CEO FOREWORD

Dear all,

The first half of this year has shown that we have learned how to work in an environment of uncertainty. Unfortunately, Russia's war in Ukraine is still ongoing. We support Ukraine in this struggle and continue our work to help the country transport its essential products via alternative routes. Together, we are working consistently towards our strategic goal of diversification and the development of new services in the West. After a significant drop in freight volumes last year, this year we are already seeing positive developments, with higher-than-expected freight volumes in the first half of the year.

With businesses in the region actively looking for new logistics routes, we are actively developing new routes – primarily to and through neighbouring Poland. The country is at the heart of our international expansion and diversification.

At the beginning of the year, we started transporting coal for Poland's state-owned coal importer, helping the country meet its demand for solid fuels during the cold season. At the same time, we actively accelerated the expansion of the fleet of our subsidiary LTG Cargo Polska. The company currently operates around 30 locomotives in Poland. Almost half of them are electric, so we are already transporting some of our customers' freight in the neighbouring country as part of the company's sustainability goals.

In the middle of 2023, we announced for the first time in our history the purchase of electric locomotives for the Lithuanian market. We plan to invest around EUR 100 million in the purchase of these green electric locomotives, their parts and maintenance services.

We hear our customers' needs to reach the industrialised regions of Poland – starting with the first train charter routes from Kaunas to Sławków, we secured a regular connection on this route within just six months. To offer our customers more sustainable logistics solutions, we have added a new connection to Warsaw.

In the future and if needed, we could create another route connecting Lithuania and Ukraine via the terminal in Sławków: we currently transport agricultural produce, oil and other products of interest to Ukraine via two Ukrainian-Polish border points.

This year, we also took decisive action to develop business resilience solutions and further tighten controls on freight transport. We are guided by strong principles and prioritise our values and Lithuania's foreign and security policy interests. At the beginning of the year, when we detected attempts by businesses to circumvent the sanctions control mechanisms, we, together with the Lietuvos geležinkeliai Group, identified such actions as a threat to national security and disrespect for Lithuania.

We started and continue to carry out extremely detailed inspections for both Belarusian and non-Belarusian freight, as well as expanding the amount of information we collect from our customers and tightening the rules on transport applications. If we have any suspicions of attempts to circumvent the sanctions, or if our customers refuse to provide any of the additional documents requested, we have stopped and will continue to stop the freight carriage. The tighter rules help us to manage risks even more effectively and prevent possible circumvention of sanctions.

We have also worked on sustainability and efficiency by strengthening freight control and actively implementing diversification projects. In the few years that we have been organising intermodal rail freight in Lithuania to the West, we have already appreciated the extraordinary potential of this type of transport. Moving freight from road to rail can make long-distance transport more sustainable and safer. Therefore, this year we introduced our first methodology for capturing CO2 savings in freight, and created certificates for customers to prove it. According to our data, customers using intermodal transportation services saved 70 million kg of CO2 last year alone.

The company's management has also been recognised at the annual European Railway Award, where in February we received the Rail Trailblazer of the Year award. Although the award is given to me as the head of the company, it is a credit to the entire LTG Cargo team, which strives for continuous improvement. This year, we will continue to strengthen our customer-focused organisational culture and customer experience management, promote gender balance and attract women to the rail sector.

This year, a new LTG Cargo Board was elected in line with good corporate governance practices. The selection process was carried out by a committee consisting of representatives of the Ministry of Transport and Communications, the Government-established Governance Coordination Centre (GCC) and LTG, while the selection of the most suitable candidates for independent board members was assisted by the executive recruitment experts MasterClass Lietuva. Today, the company's Board consists of two independent Board members, two members delegated by our shareholder, Lietuvos geležinkeliai, and a female civil servant.

We continued projects to optimise operations and improve efficiency, most notably the automation of the Operations Control Centre. Its purpose is to transfer as many tasks as possible into the new business planning programmes and registers. The LTG Cargo team is continuously carrying out automation projects to automate more and more processes in order to organise the provision of transport services and the maintenance of the technical fleet more efficiently.

As we look forward to the second half of 2023, we will continue to work towards our strategic goals and strive to be a sustainable and efficient backbone of the transport sector. I thank our partners, customers and colleagues who have contributed to our transformation and achievements, both in Lithuania and across democratic Europe. I promise that we will continue to bring people and businesses together for a more sustainable future.

Respectfully

EGLĖ ŠIMĖ

Chief Executive Officer of AB LTG Cargo

(thousand Euro unless otherwise stated)

COMPANY PROFILE

Name	AB LTG Cargo
Registered office address	Geležinkelio st. 12, LT-02100, Vilnius
Legal form	Public limited liability company
Date and place of registration	28 December 2018, Register of Legal Entities
Company code	304977594
Phone No.	(+370 5) 202 1515
E-mail	info@ltgcargo.lt
Website	http://ltgcargo.lt
Core business	Freight carrier activities and related services, provision of rolling stock repair services
Chief Executive Officer of the Company	Eglė Šimė
Shareholders	100% of shares are held by AB Lietuvos geležinkeliai

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

SUBSIDIARIES

Name	LTG Cargo Polska Sp. z o. o.	UAB LTG Wagons	LLC LTG Cargo Ukraine	OOO Rail Lab (undergoing liquidation)
Registered office address	Świętojerska 5/7 st., Warsaw, Poland	Geležinkelio st. 12, Vilnius	Pushkin st. 21, office No. 3, Kiev, Ukraine	Internacionalnaya st. 36-1, office 423.3, Minsk, Republic of Belarus
Legal form	Private limited liability company	Private limited liability company	Private limited liability company	Limited liability company
Date and place of registration*	21 July 2020, Polish National Court Register	4 November 2020 Register of Legal Entities of the Republic of Lithuania	9 December 2020 Unified State Register of Legal Entities, Individual Entrepreneurs, and Public Organisations	26 May 2020 Minsk City Executive Committee, state registration
Company code	386573260	305651295	43987945	192827267
Phone No.	+48 22 103 38 15	+370 618 84991	+370 612 27634	
E-mail	office@ltgcargo.pl	info@ltgwagons.lt	Contact details are indicated on the website http://ltgcargo.ua	
Website	http://ltgcargo.pl	http://ltgcargo.lt	http://ltgcargo.ua	-
Core business	Freight carrier activities and related services in Poland	Rental of wagons for freight transport	Freight carrier activities and provision of related services in Ukraine	Activities are not carried out, the company is undergoing liquidation
Head of the company	Michal Szlendak	Vladas Ambrozevičius	Saulius Stasiūnas	Liquidator of the company Vladimir Dervenkov
Shareholding in the company, %	100% of shares are held by AB LTG Cargo	100% of shares are held by AB LTG Cargo	100% of shares are held by AB LTG Cargo	2% of shares are held by AB LTG Cargo

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

COMPANY'S BRANCHES, REPRESENTATIVE OFFICES ABROAD

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

Operating model of the company

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

In 2020, the name of AB LG Cargo was changed to AB LTG Cargo.

In order to expand on the international market, in 2020 LTG Cargo established subsidiaries LTG Cargo Polska Sp. z o. o. and LLC LTG Cargo Ukraine. LTG Cargo Polska develops rail freight activities in Poland, LTG Cargo Ukraine is a freight forwarding and train operator, as well as the lease of shunting locomotives and wagons and the transport of freight by rail in Ukraine.

In April 2021, in order to ensure the Company's competitiveness and efficiency in international markets, LTG Cargo acquired the business of UAB Vilniaus lokomotyvų remonto depas, a Vilnius locomotive repair depot providing rolling stock repair and modernisation services.

Core business and services

- Carriage of cargo on domestic and international routes. Lithuania has 1520 mm and 1435 mm gauges, so there is no limit to the list of routes – according to the customer's needs, the Company can deliver the freight to the required country. LTG Cargo transports all types of cargo, including containers. Containerised freight volumes are on the rise around the world due to a high level of security, lower transport and storage costs, and optimal delivery times.
- Transport of vehicle semi-trailers by rail.
- Freight wagon and container rental services in Lithuania and abroad.
- Handling and storage: cargo can be stored in open and closed areas in major Lithuanian cities. Warehousing, temporary storage, loading/unloading, sorting, picking and weighing services.
- Freight forwarding and related services combining road, sea and air transport.
- Customs broker services.
- Coordination of locomotives and crews in Lithuania and abroad.
- Manufacture of new locomotives, wagons and infrastructure track machinery.
- Overhaul, routine repair and maintenance of rolling stock.
- Other repairs and other activities (repairs of hubs, containers, wholesale).

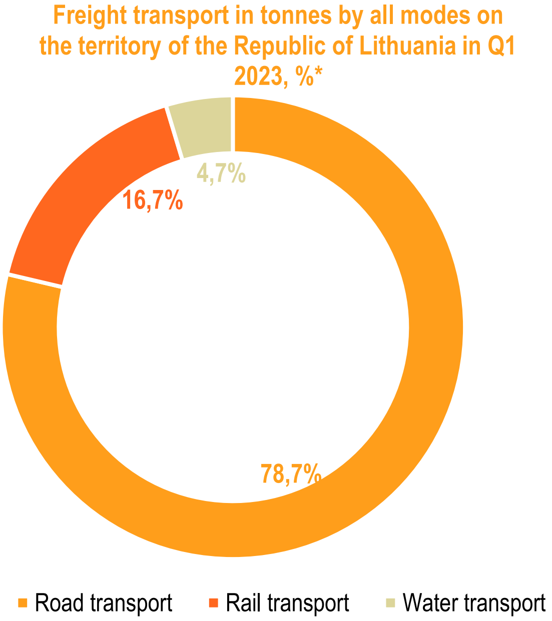
LTG Cargo also provides access services to rail service facilities and services at rail service facilities, such as locomotive inspection and large-scale maintenance of locomotives as well as routine overhauls and scheduled repairs of freight wagons.

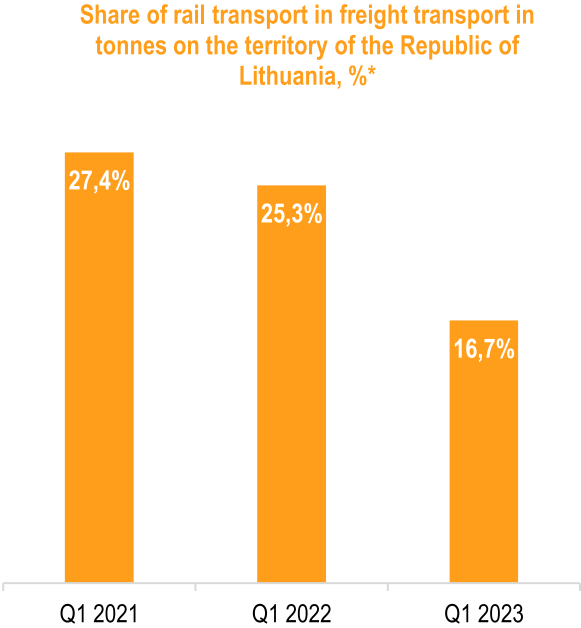
MARKET, COMPETITIVE ENVIRONMENT

The Company is a licensed railway company operating in a competitive market, transporting local and foreign cargo on the territory of the Republic of Lithuania according to the needs of its customers.

In the Lithuanian market, rail freight has historically competed strongly with road freight. Competition with road transport is particularly fierce for the carriage of small and "light" loads and short-distance freight. The main goods transported by rail are "heavy", such as petroleum products, chemical and mineral fertilisers and construction materials. For the carriage of such freight, rail transport can offer unique (safer, more reliable, cheaper and, in some cases, more expeditious) conditions for the transport of freight, including stowage and/or transhipment.

Looking at the data for all modes of transport on domestic routes, freight in and out of Lithuania and freight in transit through the territory of Lithuania from the State Data Agency for the Q1 2023 (measured in tonnes), the share of freight transported by railways was 16.7% and contracted by 8.7% compared to the Q1 2022. This share was taken by road transport, which increased its market share by 10.0% in Q1 2023 compared to the corresponding period in 2022.





** State Data Agency data .*

The share of local carriages in the Company's rail freight traffic in the territory of Lithuania has been growing in recent years, in H1 2021 this share amounted to 27.3%, in H1 2022 – 36.8%, and in 2022 – 53.6%.

The hostilities of the Russian Federation against Ukraine and the sanctions imposed by the USA, the EU and other Western countries on Russia and Belarus as Russia's ally in the war, to a large extent resulted in a decline in the transit of cargo through the territory of Lithuania as well as in a decline in the transport of Belarusian products to the Klaipėda Seaport via the territory of Lithuania. The Company's decline in cargo volumes in Lithuania was also influenced by the independent decisions of some customers not to carry goods from Russia and Belarus and by the Company's actions since the beginning of the war in Ukraine to reduce its links with these countries. The share of international carriages in the Company's rail freight traffic in the territory of Lithuania fell from 63.2% in H1 2022 to 46.4% in H1 2023. These carriages are dominated by cargo transported in the direction of the Klaipėda Seaport. Significant volumes are still transported by rail in transit through Lithuania towards the Kaliningrad region, i.e., essential goods in transit between the mainland of the Russian Federation and the Kaliningrad region through an EU country, in compliance with EU restrictions.

By participating in a common logistics chain with railways, cargo terminals and seaports of neighbouring countries, the Company competes not only in Lithuania, but also in the **international market** with railways of other countries, which carry cargo by alternative routes or by other modes of transport, such as by sea (water) or road.

In 2022, LTG Cargo has started to fully diversify its operations and to expand its activities in new markets, especially in Western Europe. As part of this strategy, the Company is developing freight transport on 1435 mm track. An important step in the expansion of LTG Cargo's activities in this direction was the connection of Kaunas Intermodal Terminal to the European rail system in July 2021. LTG Cargo is working intensively in this strategic direction, strengthening its position in Poland. The transportation of semi-trailers in the direction of Kaunas Intermodal Terminal (KIT) – Duisburg and vice versa, which were launched in 2022 by the Company together with its subsidiary LTG Cargo Polska, are gaining momentum, with an increase in the number of these transports and the development of new routes. In June 2023, LTG Cargo, together with LTG Cargo Polska, started regular intermodal freight services on the route Kaunas (KIT) – Sławków.

As part of the above-mentioned strategy of diversification and expansion into new markets, LTG Cargo has also started operations on the Ukrainian market, and at the end of 2022 LTG Cargo's subsidiary LTG Cargo Ukraine will become the operator of freight transport between Lithuania and Ukraine (via Poland).

The Company **provides rolling stock repair, maintenance and manufacturing services** to companies in Lithuania, Latvia, Estonia, Poland and Ukraine.

In Lithuania, Latvia and Estonia, the Company's main competitor for locomotive and wagon repair services is the Daugavpils Locomotive Repair Plant, which has large production facilities and significant repair capacity. In Poland, it also competes with manufacturers such as PESA, NEWAG and other private repair depots. There are more than 100 repair depots in Ukraine, owned and operated by Ukrainian Railways to repair its fleet. Their repair facilities are not up-to-date and lack investment. There are also private repair depots in Ukraine, such as the Nikolaev Locomotive Repair Plant, the Zaporozhye Locomotive Repair Plant, the Ivano-Frankivsk Locomotive Repair Plant, the Poltava Locomotive Repair Plant, etc.

(thousand Euro unless otherwise stated)

MANAGEMENT OF THE COMPANY

INFORMATION ON THE SHARES AS OF 30 JUNE 2023

Company	Amount of authorised capital	Number of shares, units	Par value per share
Parent company			
AB LTG Cargo	44,087 thousand EUR	209,299	210.64 EUR
Subsidiaries			
LTG Cargo Polska Sp. z o.o.	2,225 thousand zlotys	2,225	1,000 zlotys
UAB LTG Wagons	150 thousand EUR	150	1,000 EUR
LLC LTG Cargo Ukraine	17,027 thousand hryvnia	-	
OOO Rail Lab (undergoing liquidation)	24 thousand Belarusian roubles	-	

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

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

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

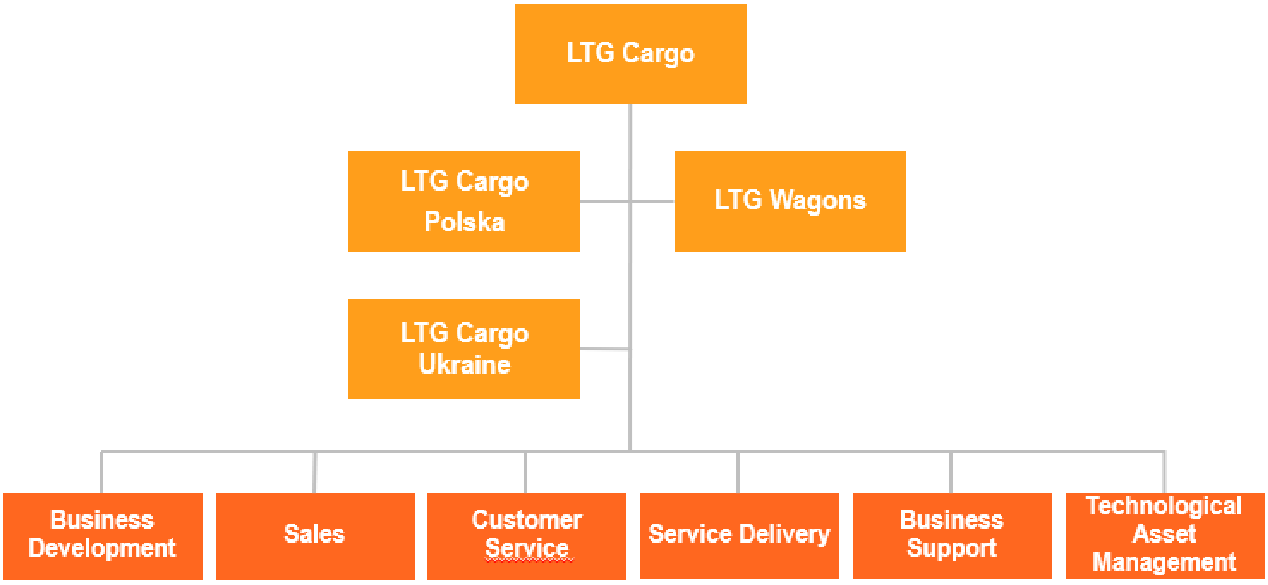
COMPANY MANAGEMENT AND ORGANISATIONAL STRUCTURE

AB LTG Cargo and its subsidiaries are companies of the AB Lietuvos geležinkeliai Group. AB LTG Cargo is the sole shareholder of its subsidiaries LTG Cargo Polska sp. z o. o., LLC LTG Cargo Ukraine and UAB LTG Wagons. Following the acquisition by LTG Cargo of the business of UAB Vilniaus lokomotyvų remonto depas in April 2021, its subsidiary OOO Rail Lab was incorporated into the structure of LTG Cargo. AB LTG Cargo currently holds a 2% stake in OOO Rail Lab, but is the sole shareholder and has full control. On 19 September 2022, the decision of the sole shareholder of OOO Rail Lab, AB LTG Cargo, to liquidate OOO Rail Lab was adopted, and the liquidation procedures are currently under way.

In order to grow the long-term value of LTG Group companies, to use funds, assets and other resources rationally and efficiently, and to meet shareholders' expectations and interests, the LTG Group's operating model focuses on the purification and consolidation of its core business activities in its subsidiaries and downstream companies. As part of the LTG Group, AB LTG Cargo and its subsidiaries are responsible for the performance of the core business and the achievement of the set performance targets. In order to achieve its objectives and to ensure good governance, AB LTG Cargo and its subsidiaries operate independently, take appropriate decisions and ensure accountability and responsibility for performance.

The Company's activities shall be governed by the Law on Companies, the Company's Articles of Association, the decisions of the Company's bodies and other legal acts of the Republic of Lithuania regulating the activities of companies, including state-owned enterprises.

The organisational structure of the Company remained unchanged during the reporting period.



ARTICLES OF ASSOCIATION OF THE COMPANY

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

During the reporting period, the Company's Articles of Association were amended 1 time, adding new powers to the Board and changing the limits of transactions approved by the Board:

- On 23 January 2023, a new version of the Company's Articles of Association was registered.

The Company's Articles of Association are available on the Company's website at https://cargo.litrail.lt/istatai.

The Company's Articles of Association shall be amended by a decision of the General Meeting of Shareholders adopted by a qualified majority, which may not be less than 2/3 of the total number of votes attaching to the shares of all the shareholders present at the Meeting.

BODIES OF THE COMPANY

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

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

General Meeting of Shareholders is the supreme governing body of the Company. The competence of the General Meeting of Shareholders, the procedure of its convening as well as resolution-passing is established by the Law on Companies, other legislation, and in the Articles of Association of the Company

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

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

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

- on the prioritisation of the Company's material risks and the approval of strategies to manage them;
- on the investment of the Company-owned property and facilities of importance to ensuring national security, conclusion of purchase or sale, or any other transfer of ownership, pledge or mortgage transactions;
- on the approval of the material terms of contracts concluded by the Company concerning freight tariffs or discounts applied to them, if the estimated annual revenue of the contract, or the revenue estimated for the entire duration of the contract, may be equal to or more than EUR 10,000,000 (ten million euro) (excl. VAT) or if the duration of the contract is more than 3 (three) years (with the exception of contracts of unlimited duration);
- on participation in or establishment of other legal entities;

- on the Company's commencement of a new activity or discontinuation the Company's existing activities, unless a decision to that effect has been taken at the time of approval of the Company's business strategy;
- to establish branches and representative offices of the Company, to terminate their activities, to appoint and dismiss the heads of the Company's branches and representative offices, to approve the regulations of the branches and representative offices;
- on the investment, disposal or lease of the Company's non-current assets with a carrying amount equal to or greater than EUR 3,000,000 (three million) (excluding value added tax) in the Company's group companies or third parties;
- on the pledge and mortgage of the Company's non-current assets with a carrying amount equal to or greater than EUR 3,000,000 (three million) (excluding value added tax);
- on guaranteeing or indemnification of other persons for the fulfilment of obligations of an amount equal to or greater than EUR 3,000,000 (three million) (excluding value added tax);
- to purchase non-current assets for a price equal to or more than EUR 3,000,000 (three million) (excluding value added tax);
- on the loan or other financing transactions with a value equal to or greater than EUR 3,000,000 (three million);
- to enter into transactions for the purchase of goods, services and works with a value equal to or greater than EUR 3,000,000 (three million euros, excluding value added tax), and to approve the material terms and conditions of such transactions (prior to the commencement of the Company's procurement procedures);
- on the approval of the Company, as a shareholder of the subsidiaries, of the decisions of the governing bodies of the subsidiaries, as referred to in the Articles of Association of the subsidiaries, concerning the investment, transfer, lease, acquisition, mortgage, pledge, hypothecation, and the granting of sureties and guarantees for the obligations of others, the purchase of goods, services, and works, and the granting of a loan or any other financing transactions, where the value of the transaction is equal to or exceeds EUR 3,000,000 (three million euros, excluding value added tax).

During the reporting period, the shareholder's property and non-property rights were not restricted, and there were no special rights for the shareholder.

The Board is a collegial governing body provided for in the Articles of Association of the Company, consisting of 5 (five) members, including 2 (two) independent members, 1 (one) civil servant, 2 (two) members delegated by the shareholder of the Company. The General Meeting of Shareholders elects the members of the Board for a term of 4 (four) years. The Board elects the chairperson of the Board from among its members. The same person may be elected as a member of the Board no more than for two consecutive offices.
The Board reports to the General Meeting of Shareholders of the Company.

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

Additional competences of the Board during the reporting period:

- to approve the Company's business strategy;
- to set Company goals;
- to approve the Company's annual business plan (budget);
- to approve the list of information considered to be the Company's trade (industrial) secrets and confidential information, as well as the conditions for the use and storage of such information;
- to analyse and assess the Company's material risks (prioritised by the Board when assessing such risks) and approve the strategies to manage them;
- to make decisions on the investment, sale and purchase, or any other transfer, pledge or mortgage of the Company's facilities and assets of national security importance;
- to make decisions on the investment, disposal or lease of the Company's non-current assets with a carrying amount equal to or greater than EUR 1,000,000 (one million euros) (excluding value added tax) in the Company's group companies or third parties;
- to make decision on pledges and mortgages of the Company's non-current assets with a carrying amount equal to or greater than EUR 1,000,000 (one million) (excluding value added tax);
- to decide on the guaranteeing or indemnifying of other persons in respect of obligations of an amount equal to or greater than EUR 1,000,000 (one million euros) (excluding value added tax);
- to make decisions to acquire non-current assets for a price equal to or greater than EUR 1,000,000 (one million) (excluding value added tax);
- to make decisions on loan or other financing transactions with a value equal to or greater than EUR 1,000,000 (one million) (excluding value added tax);
- to make decisions to enter into transactions for the purchase of goods, services and works with a value equal to or greater than EUR 1,000,000 (one million euros), and to approve the material terms and conditions of such transactions (before the Company commences the procurement procedure);
- to make decisions on the approval of the material terms of contracts concluded by the Company concerning freight tariffs or the discounts applied to them, if the estimated annual revenue of the contract, or the revenue estimated for the entire duration of the contract, may be equal to or more than EUR 10,000,000 (ten million euro) (excluding value added tax) or if the duration of the contract is more than 3 (three) years (with the exception of contracts of unlimited duration);
- to make decisions on the Company becoming a founder or participant of other legal entities;

- to make decisions for the Company to commence new activities or to discontinue the Company's existing activities if the relevant decision has not been taken at the time of approval of the Company's business strategy;
- to make decisions to establish branches and representative offices of the Company, to terminate their activities, to appoint and dismiss the heads of the Company's branches and representative offices, to approve the regulations of the branches and representative offices;
- to make decisions on the approval of the Company, as a shareholder of the subsidiaries, of the decisions of the governing bodies of the subsidiaries, as referred to in the Articles of Association of the subsidiaries, concerning the investment, transfer, lease, acquisition, mortgage, pledge, hypothecation, and the granting of sureties and guarantees for the obligations of others, the purchase of goods, services, and works, and the granting of a loan or any other financing transactions, where the value of the transaction is equal to or exceeds EUR 1,000,000 (one million euros, excluding value added tax).
- to make decisions on the Company's approval, as a shareholder of the subsidiaries, of the decisions of the governing bodies of the subsidiaries to merge, amalgamate, demerge, subdivide, divide, transfer, or transfer their activities by any other legal means, and to become a founder or a participant in any other legal entity (except for the decisions to become a founder or a participant in associations);
- to approve the procedures for calculating basic freight tariffs and granting discounts, and to decide on the indexation of basic freight tariffs;
- to approve the basic freight tariffs and the Ancillary Services Price List;
- to approve, promote and sanction the terms and conditions of employment of the Company's Chief Executive Officer;
- to approve the aggregate amount of performance incentives to be granted to the Company's employees, taking into account the performance of the Company;
- to analyse and evaluate other information provided by the Company's Chief Executive Officer on key issues relating to the Company's business;
- to analyse other matters relating to the Company's business which fall within the Board's remit and, if necessary, take decisions on such matters;

The Board also performs the following supervisory functions:

- supervises the performance of the Company's Chief Executive Officer and provide the General Meeting of Shareholders with feedback and proposals on the performance of the Company's Chief Executive Officer;
- considers whether the Company's Chief Executive Officer is fit for office if the Company is making a loss;
- proposes to the Company's Chief Executive Officer to revoke his/her decisions that are contrary to laws and other legal acts, the Company's Articles of Association, the decisions of the General Meeting of Shareholders or the Board;
- decides on other matters within the competence of the Board to supervise the Company and the activities of the Company's Chief Executive Officer, as provided for in the Company's Articles of Association, as well as in the decision of the General Meeting of Shareholders.

The term of office of the previous Board was from 21 December 2018 to 23 January 2023.

The term of office of the Board elected during the reporting period is from 23 January 2023 to 23 January 2027.

None of the members of the Board holds shares in LTG Group companies.

During the reporting period 12 meetings of the Board were held.

COMPOSITION OF THE COMPANY'S BOARD DURING THE REPORTING PERIOD

THE TERM OF OFFICE OF THE BOARD IS FROM 21 DECEMBER 2018 TO 23 JANUARY 2023.

EGIDIJUS LAZAUSKAS
Chairperson of the Board
Chairperson of the Board from 4 January 2022 to 23 January 2023.

Board Member
Member of the Board from 21 December 2018 to 23 January 2023.

Education

- Vilnius Gediminas Technical University, Bachelor of Environmental Engineering, Diploma of Environmental Engineer.

Main employer, position

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

BRIGITA VALENČIENĖ
Board Member
Member of the Board from 29 November 2019 to 23 January 2023.

Education

- Kaunas University of Technology, Bachelor of Business Management.

Main employer, position

Head of Personnel Management Partners Group, AB Lietuvos geležinkeliai, Geležinkelio st. 12, Vilnius, company code 110053842.

THE TERM OF OFFICE OF THE BOARD – FROM 23 JANUARY 2023 TO 23 JANUARY 2027.

ARNOLDAS ŪKENIEKAS

Independent Member of the Board, Chairperson
Member of the Board from 23 January 2023 and Chairperson of the Board from 7 February 2023.

Education

- ISM University of Management and Economics, Business Management
- FIATA certificate
- Vilnius Pedagogical University, Bachelor of Geography and Tourism Management

Main employer, position

Business Development Manager of UAB Hegelmann transportas, Kaunas district municipality, Domeikava eldership, Žemaitkiemis village, Pirklių st. 5, company code 300022163

VITALIJ RAKOVSKI

Independent Member of the Board
Member of the Board from 23 January 2023

Education

- Vilnius University, Bachelor of Business Administration and Management

Main employer, position

General Manager of AB Novaturas, A. Mickevičiaus st. 27, Kaunas, company code 135567698

NATALIJA BARANAUSKIENĖ

Board Member, civil servant
Member of the Board from 6 March 2023

Education

- Vilnius Gediminas Technical University, Master of Business Management
- Vilnius Gediminas Technical University, Bachelor of Transport Engineering

Main employer, position

Senior Adviser to the Ministry of Transport and Communications of the Republic of Lithuania, Vilnius, Gedimino pr. 17, legal entity code 188620589

IRENA JANKUTĖ-BALKŪNĖ

Member of the Board delegated by the shareholder
Member of the Board from 23 January 2023

Education

- Vytautas Magnus University, Master of Applied Sociology
- Vytautas Magnus University, Bachelor of Sociology

Main employer, position

Director of People and Culture, AB Lietuvos geležinkeliai, Geležinkelio st. 16, Vilnius, company code 110053842

VYTAUTAS RADZEVIČIUS

Member of the Board delegated by the shareholder
Member of the Board from 23 January 2023

Education

- Graduate of the Baltic Institute of Corporate Governance (BICG) Board member education programme
- Vilnius University, Master of Management and Business Administration
- Vilnius University, Bachelor of Management and Business Administration

Main employer, position

Director of Strategy and Business Development, AB Lietuvos geležinkeliai, Geležinkelio st. 12, Vilnius, company code 110053842

CHANGES IN THE COMPOSITION OF THE BOARD DURING THE REPORTING PERIOD

Brigita Valenčienė and Egidijus Lazauskas were removed from the Board as of 23 January 2023.

The following have been elected as members of the Board of the Company as of 23 January 2023: Arnoldas Ūkeniekas, Vitalij Rakovski, Irena Jankutė-Balkūnė and Vytautas Radzevičius. Natalija Baranauskienė has been elected as a member of the Board from 6 March 2023.

Arnoldas Ūkeniekas has been the Chairperson of the Board from 7 February 2023.

Members of the Board declare their jobs and positions publicly, and the information can be found and verified in the Register of Private Interests at https://pinreg.vtek.lt/app/deklaraciju-paieska

(thousand Euro unless otherwise stated)

Relationship between the Board and the Company's Chief Executive Officer. The Board should discuss with the Company's Chief Executive Officer the level of detail required on the Company's activities for the Board's consideration.

Chief Executive Officer (CEO) is the Company's sole governing body, who, in accordance with his/her powers, organises the day-to-day activities of the Company. The duties and competences of the CEO are defined in the Law on Companies, and the Articles of Association of the Company, which are published on the Company's website. The CEO is elected by the Company's Board for a 5-year term office and is accountable to the Board. The same person may be appointed as the CEO for no more than 2 consecutive terms of office.

EXECUTIVES OF THE COMPANY, CHANGES THERETO

EGLĖ ŠIMĖ	Chief Executive Officer of the Company	In office since 4 January 2022 (held the position on a temporary basis from 4 January 2022 until 21 August 2022)
MINDAUGAS SKUNČIKAS	Business Development Manager	In office since 7 December 2021
INDRĖ KOLESNIKOVIENĖ **AUŠRA MOCKAITĖ**	Head of Service Delivery	Held the position on a temporary basis from 4 January 2022 to 2 January 2023. In office since 3 January 2023.
LAIMONAS NEKROŠIUS	Sales Manager	In office since 9 May 2022.
AGNĖ ŽEROMSKIENĖ **LAIMONAS NEKROŠIUS**	Customer Service Manager	Held the position on a temporary basis from 2 January 2023 to 15 June 2023. Held the position on a temporary basis from 16 June 2023.
AUDRIUS PUKAS	Head of Technological Asset Management	In office since 15 June 2020.
MINDAUGAS LIUTKUS **INDRĖ KOLESNIKOVIENĖ** **MARIJUS JANKAUSKAS**	Business Support Manager	In office from 1 May 2019 to 2 January 2023. In office from 3 January 2023 to 15 June 2023. Held the position on a temporary basis from 16 June 2023.

INTEREST MANAGEMENT

At the end of the reporting period, the members of the Board of Directors, the Chief Executive Officer and the senior executives of the Company have filed declarations of private interests, which can be found in the Register of Private Interests of the Chief Official Ethics Commission. During the reporting period, there were no conflicts of interest between the members of the Company's Board, the Chief Executive Officer and senior executives.

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

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

- **Basic monthly salary.** The monthly base salary fixed in the employment contract with the Company's CEO amounted to EUR 9,750 at the end of the reporting period. The monthly basic salary of the CEO of the Company increased by 6 percent from EUR 9,200 to EUR 9,750

- **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 in addition to the basic monthly salary. Each year, the Board of the Company approves the structure of annual goals of the Group, threshold values for their achievement and benchmarks, and after the end of year the Board of the Company approves the results of achievement of these goals and the annual incentive pay opportunity.

The maximum amount of annual incentive pay cannot exceed 30 percent of the fixed annual base salary.

The maximum amount of monthly incentive, i.e. 1/12 of the annual incentive pay for 2022, cannot exceed EUR 2,760.

In 2023, **a monthly portion (1/12) of the annual incentive** to the Company's CEO for achievement of the goals of the year 2022 amounted to EUR 1,711.

Information on the remuneration of the Company's Chief Executive Officer is also available on the Company's website: https://cargo.litrail.lt/atlygis.

The remuneration of the members of the Board is linked to the time devoted to the Board's activities, as set out in the civil contracts concluded with the members.

On 5 August 2022, amendments to Resolution of the Government of the Republic of Lithuania No. 1092 "On the Approval of the Description of the Procedure for Payment of Remuneration to Members of Collegial Bodies of State-Owned Enterprises and Municipally-Owned Enterprises and the Civil Liability Insurance of Members of Collegial Bodies of State-Owned Enterprises and Municipally-Owned Enterprises" were adopted.

The provisions of this Resolution stipulate that the monthly remuneration of an independent member of a company's collegiate body and of a member of the collegiate body who is another person chosen by the entity initiating the selection process should be at least 1/4 of the average monthly salary of the company's CEO and not more than the average monthly salary of the CEO. For a civil servant holding a position as a member of a collegial body of a state-owned enterprise or a municipally-owned enterprise – not less than 1/8th and not more than 1/4th of the average monthly salary of the CEO of the company. It is recommended that the remuneration of the chairperson of the collegiate body of a state-owned enterprise should be at least 1/3 of the average monthly salary of the CEO.

Implementing the provisions of the aforementioned Resolution, the Order of the Minister of Transport and Communications of the Republic of Lithuania of 2 December 2022 approved the updated regulation of the remuneration of the members of the Board of Directors and members of the Committees of AB Lietuvos geležinkeliai, which mutatis mutandis applies to the members of the collegial bodies of the subsidiaries.

The remuneration of the members of the Board of the Company was determined by a decision of the Company's sole shareholder, with the monthly remuneration of the Chairperson of the Board of the Company being EUR 3,401, the monthly remuneration of the independent member of the Board of the Company being EUR 2,551, the monthly remuneration of the member of the Board of the Company who is a civil servant and the monthly remuneration of the member of the Board who is a delegate of the parent Company being EUR 1,276. At the same time, the rule is that if individual members of the Board are elected, they shall be remunerated at the same level as the members of the existing Board.

The remuneration of a Board member shall be reduced if the members do not attend meetings, recuse themselves from matters due to conflicts of interest, do not express an opinion on agenda items, do not vote on agenda items, do not carry out the member's activities, devote less time than the amount of time provided for in their contract, or do so improperly.

STRATEGY

LTG Cargo is a company that carries out domestic and international freight transport, shunting, rolling stock maintenance services, terminal and wagon operations. LTG Cargo owns two rail freight companies operating abroad – LTG Cargo Polska in Poland and LTG Cargo Ukraine in Ukraine.

In 2023, LTG's mission, vision and values were discussed and updated at Group level.

MISSION – Connecting people and businesses for a more sustainable future

VISION – To be the backbone of the transport system

VALUES – Customer | Cooperation | Responsibility | Improvement |

LTG Cargo has renewed its strategy in 2023 in response to the geopolitical and economic changes in the market for transport services starting in 2022. The update of the strategy includes detailed plans for the period 2023 to 2027 and operational guidelines for the period 2028 to 2040. **LTG Cargo's strategy for 2023-2040** consists of six strategic directions:

STRATEGIC DIRECTIONS OF ACTIVITIES AND THEIR COMPONENTS:

1. **First choice for logistics services**: improving service quality – implementation of a service quality management system, SLA implementation, order management model and IT solutions; customer experience management – new pricing model, customer journey, self-service portal. Creating a customer-centric culture in the organisation.
2. **Operational efficiency**: efficient asset management – modernisation of wagons, production of wagons, *polonisation* of Siemens locomotives; business transformation – OVC, development of SAP ERP, order management system (OMS); optimal and digitalised processes – establishment of the International (LT-PL-UA) Operations Control Centre, automation and robotization of the processes; development of technological and maintenance competences – attraction and development of specific technological competences.
3. **Business development**: transfer of freight to rail – new semi-trailer routes in Lithuania (Klaipėda Seaport – VIT / KIT); new services – locomotive repairs; modernisation of shunting locomotives; diversification – development of subsidiaries of LTG Cargo (LTG Cargo Polska and LTG Cargo Ukraine); expansion of the business to other countries – carrier in Latvia and Estonia (Orlen production).
4. **Strong organisational culture**: results-oriented organisation – Results-based recognition and reward system, development of a culture of continuous improvement; Employee engagement – Integrated organisational objectives and indicator model at all levels of the organisation, development of a culture of feedback; Strong middle management – Competency management model in place for all levels of management; Close cooperation with LTG Cargo Group companies – policies, methodologies and processes adapted.
5. **The Green Deal**: Optimal energy consumption – energy-efficient rolling stock maintenance and repair facilities; Reduced CO2 emissions – electric mainline locomotives, hybrid shunting locomotives; eliminating the use of paper in operations.
6. **Business resilience**: sustainable day-to-day operations – safeguarding national security interests; integration into European markets, raising awareness of sustainability issues; comprehensive security – worker safety, traffic safety; business safety.

ACHIEVEMENT OF THE 2023 GOALS

At the beginning of 2023, the LTG Cargo Board approved **LTG Cargo's annual targets**, the indicators that measure them and the target values linked to the implementation of LTG Strategy 2027. Given LTG Cargo's ambition and strategic objectives, the annual targets set out help to ensure that LTG Cargo is the first choice for logistics services, that it creates value by integrating into Western European markets, that it improves operational efficiency, that it develops its business and that it puts a great deal of effort into ensuring comprehensive security. Based on the approved annual targets, LTG Cargo employees have personal objectives. This way, LTG Cargo employees are involved in a structured and coherent process of implementing the LTG Group's strategy, linking the achievement of objectives to career, development and incentive plans.

(thousand Euro unless otherwise stated)

Main objectives	Indicators for measuring achievement of the objectives	Aims and tasks
First choice for logistics services	LTG Cargo (Lithuania) freight activity volume	*The aim is to maintain the carrier's dominant position in the domestic market and to provide a comprehensive range of other rail freight services* (traction, wagon and terminal operations, rolling stock maintenance).
	LTG Cargo customer satisfaction survey NPS	*A new customer service model is being developed to ensure the quality of services provided to customers and to follow the best practices of customer-oriented companies.*
Value creation through integration into Western markets	LTG Cargo Group EBITDA margin	*Successful implementation of westward integration projects (Amber Train, Sławków, Trieste, Trans-Caspian Corridor) and expansion of LTG Cargo Polska.*
Operational efficiency	Efficient asset management	*The process of purchasing electric locomotives has been initiated. In order to optimise operating costs, the locomotive repair depot is being relocated from Vaidotai to Vilnius. The project to polonise Siemens locomotives continues and an engineering services contract is signed.*
Business development	LTG Cargo Group income from foreign markets	*A project is underway to launch a carrier in Latvia and a carrier licence in Germany is under consideration for revenue growth and diversification.*
Comprehensive security	LTG Cargo Lost Time Injury Lost Rate (LTIIR)	*The target is 0 (zero) incidents, i.e. a safe rail traffic and working environment, minimising the negative impact of operations on the environment and climate change, and protecting LTG Group's business and assets.*

MAJOR PROJECTS CARRIED OUT IN H1 2023:

- The KIT – Duisburg intermodal train continues running in 2023. The route is served by 4 trains per week in both directions. The route to the West is **fully operated by LTG Cargo Group companies**. Traction operations in Lithuania are carried out by LTG Cargo and in Poland and Germany – by LTG Cargo Polska.
- On 15 June 2023, the first movement of the new intermodal train on the route KIT-Sławków (stop Pruszków) took place. It is planned to run 2 trains per week on this route. The route to the West is **fully operated by LTG Cargo Group companies**. LTG Cargo operates in Lithuania and LTG Cargo Polska in Poland.
- The Amber Train, an intermodal train connecting the three Baltic States, is being developed. On this route, semi-trailers and containers travel 760 km from Muuga (Estonia) to Kaunas. Pilot train with LTG Cargo wagons: 24-31/03/2023 (Kaunas – Muuga – Paldiski – Muuga – Kaunas). The planned start of regular services is Q3 2023 with 2 trains per week in both directions, 20 semi-trailers and containers per train.
- Intermodal routes have been successfully developed for the transport of containers from Klaipėda Seaport to VIT (Vilnius Shuttle) and KIT (Kaunas Shuttle) and for the transport of semi-trailers from Klaipėda to Vilnius (Baltic Gates).
- LTG Cargo's intermodal CO2 savings methodology contributes to the development of intermodal transport. According to the methodology, it was calculated that customers who transported cargo by rail between Lithuania and Western European countries saved 70 million kg of CO2 in 2022, i.e. such amount of emissions was not released into the environment! This methodology contributes to the development of the strategic direction of the Green Deal and has received positive feedback from customers. The methodology is the basis for the Green Kilometre Calculator, where anyone can check how much CO2 emissions, they would save by choosing intermodal transport.
- Project transport is successfully being developed: together with LTG Cargo Polska, LTG Cargo contributed to the reconstruction of Ukraine's railway infrastructure. Railway tracks were transported from Lithuania to Ukraine. In the first half of 2023, 8,000 tonnes of rails were transported. Another successful project is the transport of containerised coal from the Klaipėda Seaport to Poland (Braniewo). In the first half of 2023, 15,000 tonnes were transported.
- LTG Cargo transports military equipment to Lithuanian stations as well as to Latvia and Estonia as part of NATO troop rotations.
- In the first half of 2023, the focus was on the implementation of the sanctions policy for Russia and Belarus countries. Transport controls have been tightened by legal means to stop the movement of sanctioned cargo – **with zero tolerance for risky operators** as the main line. The measures have led to a decrease in the flow of cargo from Belarus.
- Necessary transit is carried out in the normal way, i.e., in accordance with the established quotas for sanctioned goods which are allowed to be transported to the Kaliningrad Region exclusively for the needs of this exclave.

- LTG Cargo is contributing to the Free Rail programme to develop a rail operating model tailored to the Baltic States, based on EU rail standards and best practices. It will achieve full integration with Europe – in terms of business links, technology and IT – and open up more opportunities for businesses and citizens alike.
- In March 2023, LTG Cargo Ukraine signed a contract with Linas Agro for the transportation of grain from Dnipro in Ukraine via Poland to the Klaipėda Seaport. LTG Cargo Polska will carry out the transport via Poland.
- LTG Cargo's mobile repair crews carried out locomotive repairs in Poland. In order to optimise the rolling stock repair activities, the Vaidotai depot has been abandoned, with drivers working from Paneriai and repairs being carried out in Vilnius (Geležinkelio st. 12).
- Procurement of electric locomotives is announced for the renewal of the rolling stock fleet. The procurement includes the purchase of locomotives, technical assistance for maintenance and spare parts. These locomotives will transport freight from Vilnius to Klaipėda along the electrified Corridor IX B. The locomotives have the capacity to carry train units of up to 5,700 tonnes.
- Negotiations on the Siemens locomotive Polonisation project have been finalised. LTG Cargo Polska has signed a contract with EC Engineering, a railway engineering company, which will assess the technical feasibility of converting the locomotive from 1520 mm gauge to 1435 mm gauge (converting it to the European gauge), and to legalise its participation in Polish traffic (*polonisation*).
- **The Centralised Implementation Project for the Resource Planning System (OVC)** has started using Rail Cargo Planning (RCP) models. The first Capacity and Scheduling Models allow capacity to be ordered directly from the RCP system and approved capacity schedules to be obtained from LTG Infra.
- Grain transport from Ukraine to Lithuania remains volatile due to the specifics of the global grain procurement market, the competition of the Klaipėda Seaport with the ports of Poland, Germany and Ukraine, and fierce road transport competition. In order to diversify **LTG Cargo Ukraine's** activities, a logistic offer has been developed for Ukrainian customers on the route Izów-Sławków-Kaunas, connection with LTG Cargo Polska train Sławków-Kaunas. A decision has been made to transport grain not in containers but in hopper wagons and open top wagons, with a new transhipment route to Lithuania at the terminals in Sławków or Wola-Baranovska. **LTG Cargo Ukraine** has delivered 23 grain wagons from Ukraine in preparation for the grain season, and another 23 grain wagons are expected to arrive in Lithuania in the near future. **LTG Cargo Ukraine** has made a profit of EUR 55 thousand since the beginning of the year.

MOST SIGNIFICANT EVENTS IN H1 2023

JANUARY

- The selection of new members of the LTG Cargo Board took place. The selection was carried out by a committee composed of representatives of the Ministry of Transport and Communications, the Government-established Management Coordination Centre (MCC) and LTG. The executive search experts MasterClass Lietuva assisted in the selection of the most suitable candidates for independent board members. Two independent members of the Board and two members delegated by LTG Cargo's shareholder, AB Lietuvos geležinkeliai, were selected. The repeated selection of a civil servant member of the LTG Cargo Board with expertise in regional and national transport policy has been announced.
- LTG Cargo started transporting coal on behalf of a Polish state-owned coal importer. This international project is aimed to help Poland meet its demand for solid fuels.
- On 17 January 2023, the Articles of Association of AB LTG Cargo were amended to add new powers for the Board and to modify the thresholds for transactions to be approved by the Board, increasing them from EUR 1 million.

FEBRUARY

- The Board of LTG and the Board of LTG Cargo agreed that LTG Cargo, as the sole shareholder of LTG Cargo Polska Sp. z o.o., would increase the authorised capital of LTG Cargo Polska Sp. z o.o. by EUR 7.2 million. It also approved LTG Cargo Polska Sp. z o.o.'s decision to enter into a long-term credit transaction of EUR 8.2 million to finance investments for the acquisition of a machinery fleet.
- A valuation of LTG Cargo's cargo handling business has been carried out, which will be sold to LTG Infra on 21 February 2023 by decision of the LTG Board on 1 May 2023. The value of the cargo handling business to be sold as at 31 December 2022 has been estimated by independent business valuers at EUR 438 thousand. LTG Cargo's cargo handling activities were not core and were loss-making; therefore, in order to optimise operations, increase efficiency and taking into account the growing impact of terminal operations on the LTG Group's strategic objectives and the centralisation of terminal and cargo handling operations in one operating unit – AB LTG Infra, the Board of LTG decided that LTG Cargo should sell this business to AB LTG Infra.
- LTG Cargo is tightening controls on freight carriage. The Company carries out extremely detailed inspections on all cargo, both from Belarus and from other countries. LTG Cargo's customers have already been informed and will have to comply with stricter application rules, which will help the company to manage its risks even more rigorously and to prevent possible circumvention of penalties.
- LTG Cargo CEO Eglė Šimė was awarded the Rail Trailblazer of the Year award at the annual European Railway Award. A panel of international sector experts, politicians and journalists commended Eglė Šimė both for her management of the company's comprehensive diversification and for her contribution to empowering women's participation in the railway sector. During the gala evening, the Rail Champion award went to Ukrainian Railways.
- LTG Cargo has introduced a new intermodal freight route Kaunas – Sławków. The terminal near Katowice is an important hub on the Polish railway system, connecting the 1435 mm gauge railway lines from Lithuania and 1520 mm gauge lines from Ukraine.

MARCH

- From 1 March, all LTG Cargo customers transporting freight by 1520 mm gauge are required to provide additional detailed information and documentation. In the event of any suspicion of attempts to circumvent the sanctions, or if customers refuse to provide any of the additional documents requested, the company has stopped, and will continue to stop, the transport of such cargo.
- On 20-21 March 2023, the Board of LTG held a strategy session to present the strategies of the LTG Group and LTG subsidiaries. Final adjustments have been made to the strategies in line with the comments of the Board of LTG. On 28 March, the Board of LTG Cargo approved the company's strategy.
- The decision of the Board of LTG of 22 March 2023 approves the Sanctions Implementation and Control Policy. The Sanctions Enforcement and Control Policy establishes a unified model and principles for the LTG Group's Sanctions Enforcement and Control in order to ensure compliance with the United Nations Security Council, the European Union, and national sanctions regulations, and to ensure alignment with the requirements of the sanctions regimes of the United States of America and United Kingdom of Great Britain and Northern Ireland.
- LTG Cargo has developed and introduced a methodology for capturing CO2 savings for intermodal freight, and has set up certificates for customers to prove it.
- The Board of LTG Cargo has been expanded by one more member – a civil servant. The selection was successful and the position was filled by Natalija Baranauskienė, Senior Advisor to the Ministry of Transport and Communications.

APRIL

- LTG Cargo has received some of the same reactions as the LTG Group has tightened up its freight controls even further, by carrying out extremely detailed checks on all cargo and expanding the amount of information it collects from customers. Although almost 40 companies, institutions and bodies from the aggressor countries have objected to the enhanced sanction control principles, the Company continues to work consistently with the other authorities responsible for sanction control and is taking all necessary steps to prevent any attempts to circumvent the limits.

MAY

- On 1 May, the cargo handling business was successfully transferred to LTG Infra.
- LTG Cargo said that after tightening controls on freight transport, carrying out extremely detailed checks on all cargo and expanding the amount of information collected from customers, the Company has rejected more than 1,000 applications from customers for the carriage of freight between Lithuania and foreign countries in just two months. Almost half of these rejected freight applications were for export or import from/to Belarus.

JUNE

- LTG Cargo has strengthened freight transport opportunities between Lithuania and Poland by launching regular Kaunas – Sławków routes and securing an intermodal freight link with Warsaw.

EVENTS AT THE END OF THE REPORTING PERIOD

JULY

- LTG Cargo has announced that for the first time in its history it will purchase electric locomotives. Around EUR 100 million is expected to be invested in new green electric locomotives, parts and maintenance services.
- As Lithuanian business prepares for the grain season, LTG Cargo has strengthened its capacity: up to 10% more of the Company's fleet of wagons is dedicated to the transport of grain than last year, the Company's wagon formation practices are being further streamlined, and the Company's operational planning and communication with customers are being enhanced. The Company has also expanded its wagon pick-up services from Ukraine.

ON THE IMPACT OF RUSSIA'S WAR AGAINST UKRAINE AND SANCTIONS AGAINST RUSSIA AND BELARUS ON THE COMPANY'S ACTIVITIES

Geopolitical developments continued in the H1 2023, affecting LTG Cargo's operations and results. Russia's hostilities in Ukraine have led to the imposition of additional sanctions on the financial, energy, transport, trade and other sectors of the Russian Federation and Belarus.

The Company's management cooperates promptly with the authorities, shares information and responds to the introduction of new sanctions to prevent the carriage of sanctioned goods as well as products of sanctioned companies.

- In H1 2023, LTG Cargo's freight volumes fell by 19 percent comparing to H1 2022.
- Due to disruptions in international supply chains, the Company experienced delays in the delivery of locomotive and wagon parts. In order to maintain the volume of repairs and the availability of the assets, additional measures have been taken to find alternatives and shorten procurement procedures.

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

- On a quarterly basis, the Company reviews business continuity plans and updates LTG Cargo's business forecasts, and has tightened cost control, focusing on its business outlook and cash flow balancing.
- Decisions are taken on the optimum number of employees in the Company in order to improve efficiency. The total employees of LTG Cargo decreased by 92 employees during the reporting period.
- **Diversification and expansion into new markets**, particularly in Western Europe, continued apace. The regular intermodal services from Kaunas Intermodal Terminal to Duisburg in Germany, which started in 2022, have been supplemented by a new route Kaunas –Sławków (with a stop in Pruszków, Poland). From 15 June 2023, trains will run back and forth on this route twice a week. Services on the Polish domestic market are being consistently developed, with LTG Cargo's subsidiary LTG Cargo Polska gaining momentum.
- LTG Cargo's long-term strategy was approved in spring 2023, including a review of existing strategic objectives and priorities, diversification decisions, investment orientations, financing needs and sources, as well as future prospects.
- Investment programmes have been revised to limit funding to those projects that are essential for business continuity.

In the opinion of the Company's management, the above measures and actions, as well as the borrowing facilities and cash flow generated from operating activities, enable the Company to balance the cash flows necessary to ensure the continuity of its operations and to service its existing loan agreements and commitments to partners.

(thousand Euro unless otherwise stated)

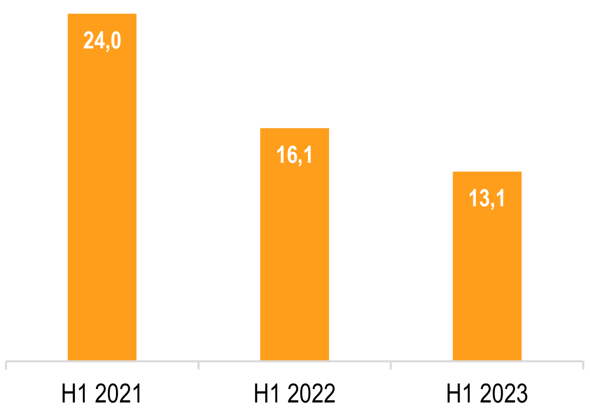
OVERVIEW OF KEY PERFORMANCE INDICATORS

Indicators of transport volumes	Measurement unit	2021 H1	2022 H1	2023 H1	2023/2022 Δ, %
Freight turnover	**billion tonne-kilometres**	**7.0**	**4.0**	**3.0**	**(23.0%)**
Average transport distance per tonne	**km**	**291**	**245**	**233**	**(5.0%)**
Total freight transportation	**million tonnes**	**24.0**	**16.1**	**13.1**	**(18.9%)**
Freight transport segments					
Domestic transportation	million tonnes	6.5	5.9	7.0	18.2%
International transportation	million tonnes	17.5	10.2	6.1	(40.5%)
Transit	million tonnes	5.4	4.7	3.5	(25.6%)
Export from Lithuania	million tonnes	2.2	1.6	1.6	(0.1%)
Import to Lithuania	million tonnes	9.9	3.9	1.0	(75.7%)

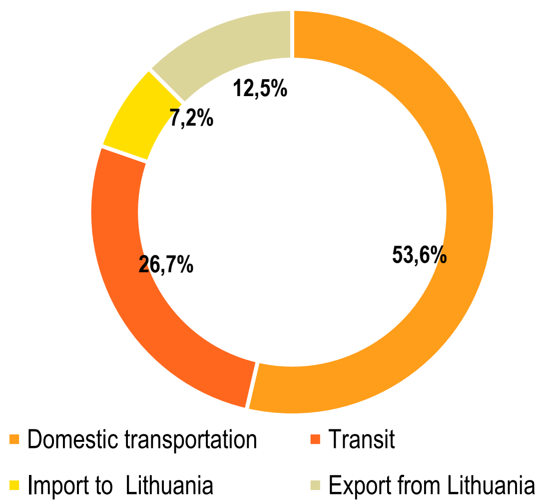
The ongoing war of the Russian government in Ukraine and the wide range of sanctions imposed on Belarus and Russia by the United States of America and the European Union have had a significant impact on the evolution of freight flows during the period under analysis. Freight transport volume decreased by 18.9% from 16.1 million tonnes in the first half of 2022 to 13.1 million tonnes in the first half of 2023, while freight turnover decreased by 23.0% from 4.0 billion tonne-km in the first half of 2022 to 3.0 billion tonne-km in the first half of 2023. Particularly significant declines were recorded in the segments of chemical and mineral fertilisers, ferrous metals and solid mineral fuels.

Domestic transportation, which accounted for 53.6% of the total freight transported, increased by 18.2% compared to the H1 2022, reaching 7.0 million tonnes. The growth was driven by an increase in carriage of petroleum and petroleum products, construction materials (due to increased demand for road infrastructure improvements) and products of plant origin, which compensated for the drop in carriage of chemical and mineral fertilisers. Cargo flows through the Klaipėda Seaport from local customers increased by almost 5% to 3.5 million tonnes. This increase is largely due to an increase in the volume of cereal carriage.

Freight transport volumes, million tonnes



Segments of freight transport in H1 2023, %



International transportation, which accounted for 46.4% of the total freight transported, dropped by almost 41% compared to the first half of 2021 and amounted to 6.1 million tonnes. During the analysed period, the flow of goods in transit through the territory of the Republic of Lithuania decreased by 25.6%. The flow of cargo in transit towards Kaliningrad region decreased by 25.7%. The most significant decrease was in the volume of solid mineral fuels transported in this direction. The volume of inbound and outbound cargo through Klaipėda Seaport decreased by 67.3% in the first half of 2023. This decrease was mainly due to the fact that Belarusian fertilisers will no longer be transported through the port as of February 2022, which resulted in an 81.9% decrease in the total volume of Belarusian cargo transported through the port, as well as due to the suspension of the carriage of the products of the companies, which were sanctioned due to the military invasion of Ukraine by Russia, to the Klaipėda Seaport.

Intermodal transport is becoming increasingly important in international transport.

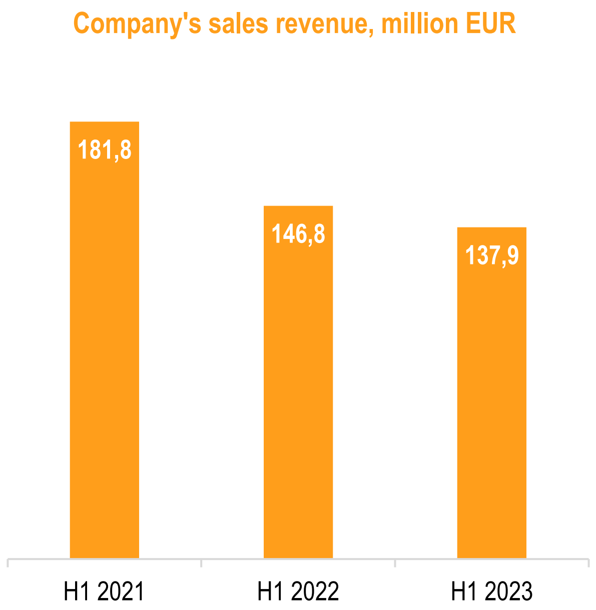
The volume of intermodal container train transport fell by 33.3% to 57,000 TEUs (20-foot equivalent unit) in the first half of 2023. Meanwhile, intermodal transport by semi-trailer trains is growing. These carriages have been organised since 2021 and have almost doubled compared to H1 2022, from 1,099 semi-trailers in H1 2022 to 2,098 semi-trailers in the H1 2023. The demand for intermodal transport is expected to continue to grow as a result of diversification solutions.

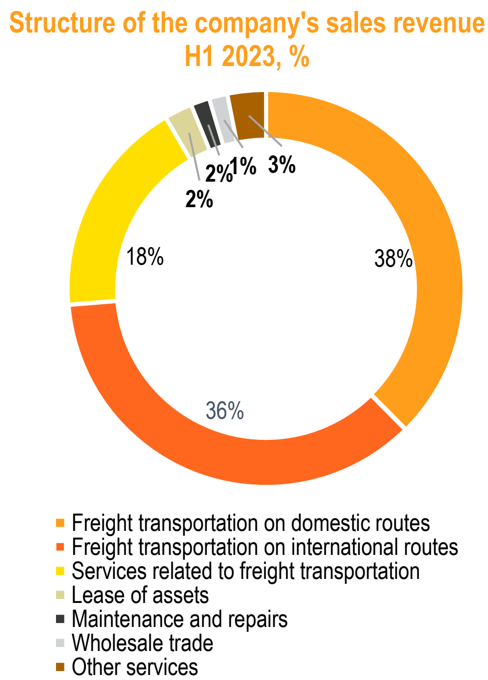
ANALYSIS OF FINANCIAL AND OPERATIONAL PERFORMANCE

PERFORMANCE RESULTS

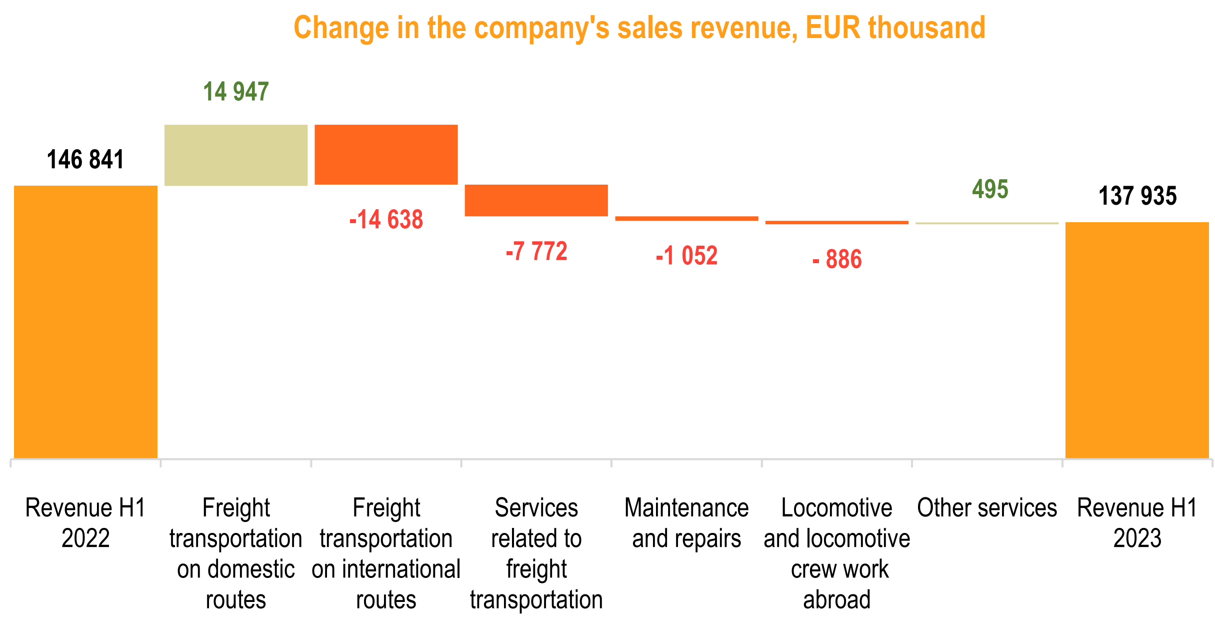
SALES REVENUE

The Company's sales revenue in H1 2023 amounted to EUR 137,935 thousand, i.e., 6.1% less than in H1 2022. Freight revenues accounted for the largest share – 73.7%.





- **Revenues freight transportation on domestic routes** in H1 2023 amounted to EUR 51,825 thousand, an increase of EUR 14,947 thousand (40.5%) compared to H1 2022, due to an increase of 18.2% in the volumes of this segment. Transportation of oil and oil products, construction materials and products of plant origin have increased. This revenue growth was also influenced by higher freight rates and a change in the structure of freight transported, with more oil products being transported.
- **Revenue from freight transportation on domestic routes** in H1 2023 amounted to EUR 49,846 thousand, a decrease of EUR 14,638 thousand (22.7%) compared to H1 2022. The decline in revenues was due to the sanctions imposed by Western countries on Russia as a result of its military actions in Ukraine and on Belarus, an ally of the aggressor, as well as to the Company's actions in stopping transportation of the sanctioned goods and the products of sanctioned companies. Revenues from inbound, outbound and transit (excluding empty wagons) of Russian and Belarusian freight into and out of Lithuania accounted for a significant share of LTG Cargo's international freight revenues by 2022 (82% in 2021).
- **Revenue from services related to freight transportation.** It amounted to EUR 24,610 thousand in the analysed period and decreased by EUR 7,772 thousand (24.0 %) compared to the same period in 2022. The reasons for this drop are the same as for international freight transport.

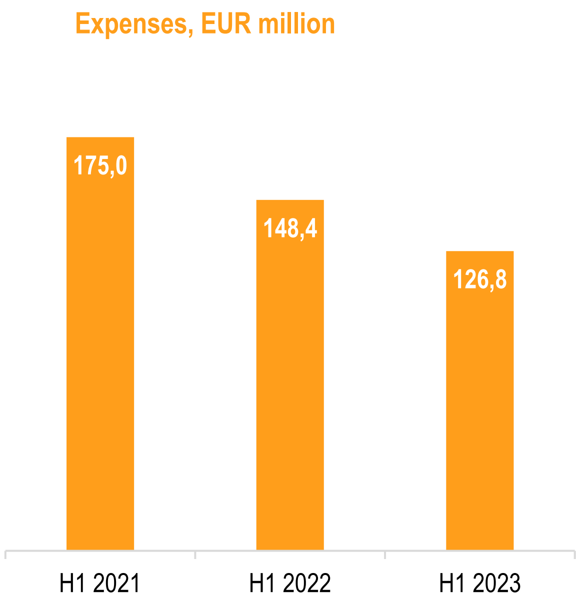


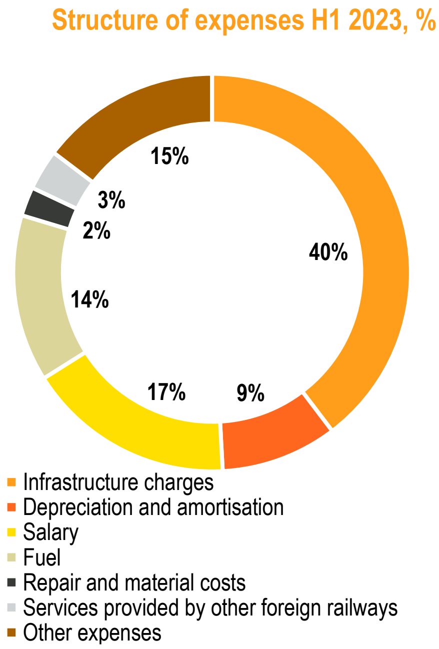
- **Maintenance and repair services revenue** amounted to EUR 2,113 thousand in the analysed period and decreased by EUR 1,052 thousand, i.e. by 33.2% compared to H1 2022. This was caused by a shortage of spare parts for rolling stock repair and maintenance due to disrupted international supply chains.
- The **revenue** of the **remaining services** (wholesale, locomotives and locomotive crews abroad, renting of assets and other services) amounted to EUR 9,540 thousand in H1 2023, a slight decrease of 3.9% compared to H1 2022.

EXPENSES

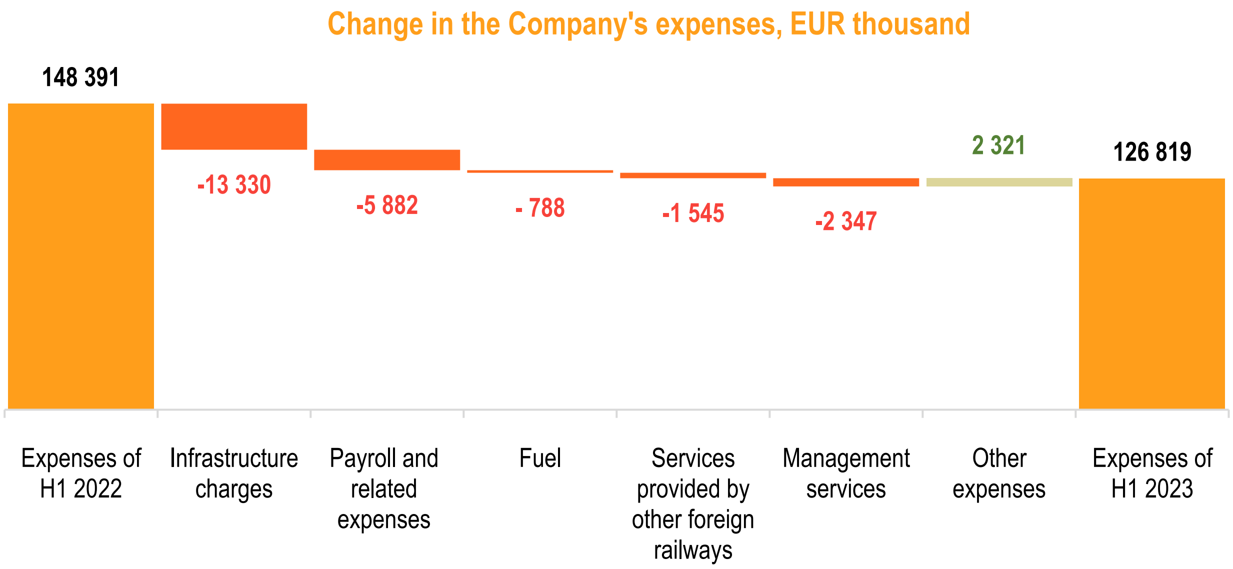
The Company's expenses for operating and non-operating activities in H1 2023 amounted to EUR 126,819 thousand, i.e. 14.5% less than in the same period of 2022.

The majority of the Company's expenses consisted of infrastructure charges (40%), wages (17%) and fuel (14%).



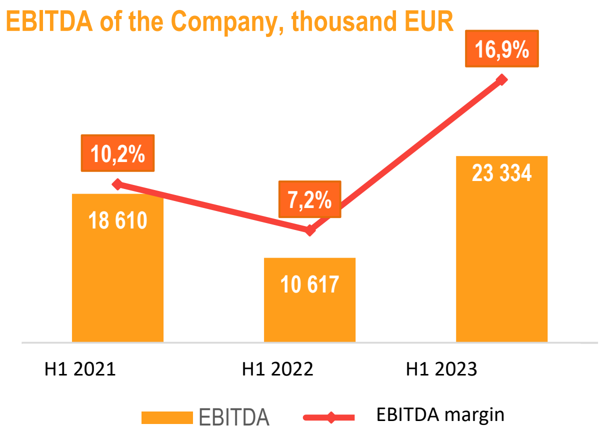


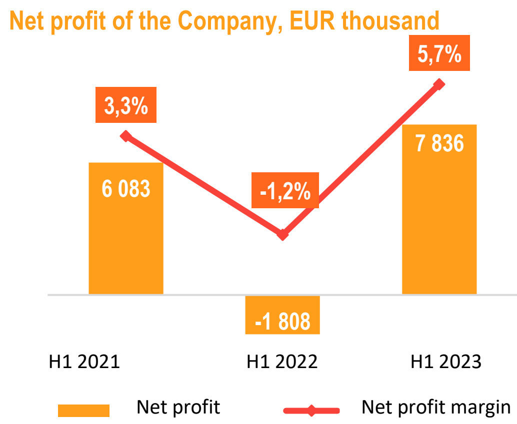
- **Infrastructure charges** in H1 2023 amounted to EUR 50,310 thousand, down by EUR 13,330 thousand (20.9%) compared toH1 2022. The main reason for the decrease in costs is the 23% drop in freight turnover.
- **Payroll and related expenses** in H1 2023 amounted to EUR 21,461 thousand, a decrease of EUR 5,882 thousand (21.5%) compared to the same period in 2021. The reduction in costs is the result of a review of the Company's business functions and optimisation of workforce.
- **Fuel expenses** amounted to EUR 17,237 thousand in the analysed period, a decrease of EUR 788 thousand (4.4%) compared to the same period last year. The decrease in costs was due to a 23% decrease in freight turnover, but this was offset by a 16.6% increase in the price of diesel.



- **Expenses of services provided by other foreign railways** amounted to EUR 4,186 thousand in the analysed period, down by EUR 1,545 thousand or 27% compared to H1 2022. The decrease in costs is due to a drop in volumes to/from Belarus and Russia and, consequently, in the use of rail wagons and other services from these countries. The decline in container traffic from China has reduced the cost of transporting freight between China and other territories.
- The decrease in **the expenses of management services** from EUR 9,115 thousand in H1 2022 to EUR 6,768 thousand (25.7%) is due to the review of the holding company's business functions and the streamlining of the workforce.
- **Other expenses** in H1 2023 amounted to EUR 26,857 thousand, an increase of EUR 2,321 thousand or 9.5% compared to H1 2022. Their growth was driven by the expansion of the Company's semi-trailer transport activities between Kaunas Intermodal Terminal (KIT) and Duisburg and back, together with LTG Cargo Polska, and by the acquisition of related freight forwarding (freight operator) services. Other costs in this group (utilities, rent, insurance, etc.) decreased compared to H1 2022.

PERFORMANCE RESULTS





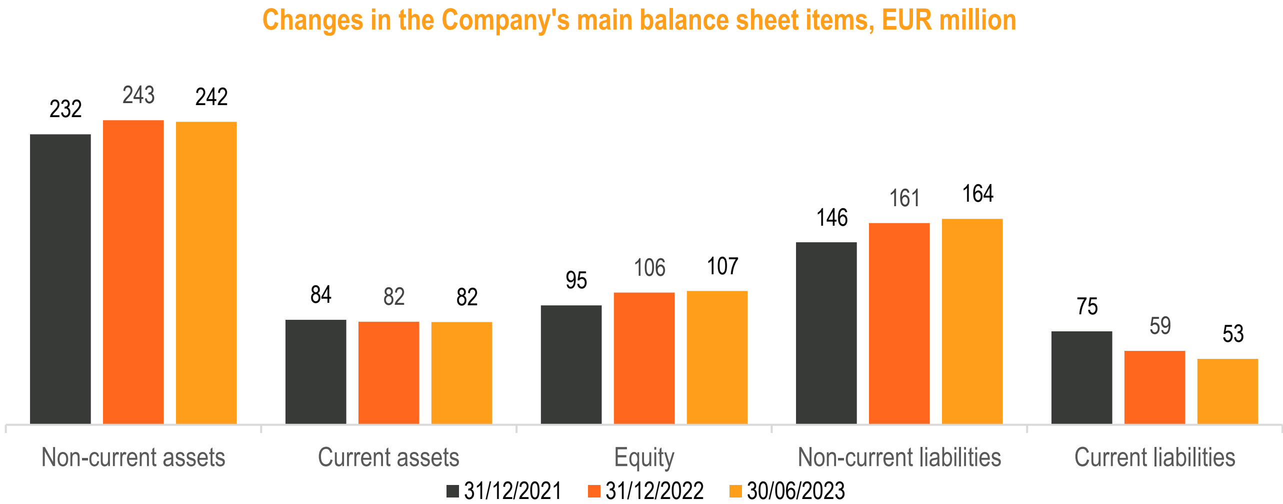
The Company's EB ITDA in H1 2023 amounted to EUR 23,334 thousand, which is a significant increase compared to H1 2022, i.e. more than 2 times. In the first half of the year, the increase was 2.3 times due to the Company's operational efficiency and workforce optimisation programme.

The Company generated a net profit of EUR 7,836 thousand in H1 2023, an increase of EUR 9,644 thousand compared to the H1 2022.

CHANGES IN THE BALANCE SHEET

The Company's assets as at 30/06/2023 amounted to EUR 323,947 thousand, a slight decrease of 0.5 % compared to 31/12/2022.

Non-current assets decreased by EUR 2,531 thousand as at 30/06/2023 compared to 31/12/2022, i.e. by 0.6%. Assets under its right of use amounted to EUR 29,596 thousand as at 30/06/2023, an increase of EUR 415 thousand compared to 31/12/2022, due to the renegotiation in H1 2023 of some lease agreements with longer lease terms.



The balance of cash and cash equivalents decreased from EUR 52,982 thousand as at 31/12/2022 to EUR 47,207 thousand.

The authorised capital remained unchanged during the analysed period at EUR 44,087 thousand.

Financial debt (including finance/operating leases) decreased by 0.6 % to EUR 160,014 thousand in the analysed period. No new loans were taken out during the reporting period.

(thousand Euro unless otherwise stated)

MAIN FINANCIAL INDICATORS*

	Units	2020 H1	2021 H1	2022 H1
Sales revenue	thousand EUR	176,678	146,841	137,935
Income from other activities	thousand EUR	25	85	203
Total revenue	thousand EUR	176,703	146,926	138,137
Costs	thousand EUR	172,667	148,391	126,819
EBITDA	thousand EUR	16,320	10,617	23,334
Normalised EBITDA*	thousand EUR	16,585	11,916	23,221
EBITDA margin	%	9.2%	7.2%	16.9%
Normalised EBITDA margin	%	9.4%	8.1%	16.8%
EBIT	thousand EUR	4,036	-1,465	11,319
EBIT margin	%	2.3%	-1.00%	8.2%
Net profit	thousand EUR	2,347	-1,808	7,836
Net profit margin	%	1.3%	-1.2%	5.7%
		31/12/2021	31/12/2021	30/06/2023
Non-current assets	thousand EUR	232,035	243,232	241,889
Current assets	thousand EUR	83,719	82,413	82,058
Total assets	thousand EUR	315,754	325,645	323,947
Equity	thousand EUR	95,400	105,512	106,796
Financial debt	thousand EUR	149,469	161,004	160,014
Net debt	thousand EUR	144,499	108,022	112,807
Return on equity (ROE)	%	25.0%	10.1%	18.6%
Return on assets (ROA)	%	7.1%	3.2%	6.1%
Return on investment (ROI)	%	9.2%	4.0%	8.1%
Financial debt / EBITDA	times	2.9	4.3	3.2
Financial debt / Equity	times	1.6	1.5	1.5
Net debt / EBITDA	times	2.8	2.9	2.24
Net debt / Normalised EBITDA	times	2.8	2.5	2.3
Loan servicing ratio	times	4.3	3.9	3.1
Equity ratio	%	30.2%	32.4%	33.0%
Asset turnover indicator	times	1.2	0.9	0.9
Quick ratio	times	1.0	1.2	1.3
Current ratio	times	1.1	1.4	1.6

** Definitions of the indicators can be found on page 42 of the statement.*

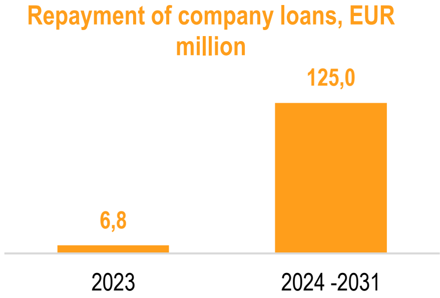
(thousand Euro unless otherwise stated)

COMPANY'S FUNDING

LTG Cargo's loan portfolio amounted to EUR 130,295 thousand as at 30 June 2023 (EUR 131,744 thousand at 31 December 2022). The weighted interest rate on the Company's loan portfolio as at 30 June 2023 was 2.99% (1.49% as at 31 December 2022). No new loans were received.

The longest maturity of the financial debt is 9 years and the last maturity is 2031.

The Company used the LTG Group's cash pool to balance its working capital. The parent company of the LTG Group has entered into an agreement with a credit institution for the provision of LTG Group account services and, accordingly, the Company has entered into a one-year inter-lending agreement. The terms of the agreement are in line with normal market conditions.



FINANCIAL INDICATORS MONITORED BY BANKS

The Company monitors the following indicators under the terms of the loan agreement with EIB, the calculation of which is subject to the clauses relating to the subordination of LTG Cargo's loan from LTG to the EIB loan:

Indicator	Units	30/06/2023	Value set by the bank
Net debt/ Normalised EBITDA	times	(0.1)	Not more than 4.0
Equity ratio	%	70.1	At least 35%
Loan servicing ratio	times	3.7	Not less than 2

DIVIDEND POLICY

The payment of dividends and the amount of profit contributions is regulated by Government Resolution of 6 June 2012 No. 665 "On the Approval of the Description of the Procedure for the Exercise of the State's Proprietary and Non-Proprietary Rights in State-Owned Enterprises", and the amendments to the Resolution (link). The consolidated version is valid from 5 April 2022.

The allocation and payment of the Company's dividends is governed by the LTG Group's Dividend Policy.

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 ROE indicator (%)	Dividend share of distributable profit (%)
≤1	≥85
>1 and ≤3	≥80
>3 and ≤5	≥75
>5 and ≤10	≥70
>10 and ≤15	≥65
>15	≥60

The 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 recognized as of state importance by resolutions of the Government of the Republic of Lithuania or the Seimas of the Republic of Lithuania, or a particularly important project that has an impact on the long-term strategy implemented by the LTG Group; The Company's equity after payment of dividends would become less than the amount of 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.

By the resolutions of the Board of LTG Cargo AB dated 7 June 2023 and the sole shareholder of AB LTG Cargo, i.e., AB Lietuvos geležinkeliai, dated 16 June 2023, The financial statements of AB LTG Cargo for 2022 and the distribution of profit (loss) for 2022 were approved by the decisions of the sole shareholder of AB LTG Cargo, i.e. AB Lietuvos geležinkeliai. Dividends distributed from LTG Cargo's 2022 distributable profit amounted to EUR 6.6 million.

AB LTG Cargo did not pay dividends in 2022 and previous years.

(thousand Euro unless otherwise stated)

PERFORMANCE RESULTS OF SUBSIDIARIES

Indicators, thousand EUR	LTG Cargo Polska		LTG Cargo Ukraine	
	2022 H1	2023 H1	2022 H1	2023 H1
Revenue	3,374	16,161	4	287
Costs	4,107	17,403	129	260
Net profit/loss	(733)	(1,242)	(125)	27
	31/12/2021	30/06/2023	31/12/2021	30/06/2023
Assets	7,673	15,293	621	814
Equity	(2,497)	(3,756)	60	82
Liabilities	10,170	19,049	561	732

LTG Cargo Ukraine will become the operator of cargo transport between Lithuania and Ukraine (via Poland) at the end of 2022. LTG Cargo Ukraine ensures control and monitoring of the entire logistics chain, and plans to carry out carriages 3-4 times a week once operations are up and running. The Company generated revenues of EUR 287 thousand H1 2023, resulting in a net profit of EUR 27 thousand for the half-year.

During the analysed period, LTG Cargo Polska expanded its international traffic to include domestic traffic in Poland, entered into contracts with new customers, grew its rolling stock by leasing rolling stock and acquiring its first own locomotive. In H1 2023, 703 freight trains were transported (compared to 147 in H1 2021). LTG Cargo Polska generated the revenue of EUR 16,161 thousand in H1 2023, which is almost 5 times more than in H1 2022. 2022. The operating result for H1 2023 is a net loss of EUR 1,242 thousand, as the growth in revenue has lagged behind the growth in costs due to the rapid expansion during the analysed period.

LTG Cargo is expanding its freight services to Poland in order to reduce its dependence on traditional freight routes. As part of this activity, in the first half of 2023 LTG Cargo Polska continued the investments in European-gauge rolling stock, which started in 2022, with the purchase of 1 locomotive and 146 units of specialised containers for the transport of bulk cargo. LTG Cargo Polska's investments in H1 2023 amounted to EUR 2.8 million.

During the analysed period, LTG Wagons did not carry out any sales activities, OOO Rail Lab did not carry out any sales activities and is in liquidation, therefore, the financial indicators of these subsidiaries of the Company are not presented.

(thousand Euro unless otherwise stated)

INVESTMENTS

LTG Cargo's investments in H1 2023 amounted to EUR **10.6** million*. All investments (100%) were funded from the Company's own resources. The majority of investment was in overhauls of freight rolling stock (**88%**).

Investments, thousand EUR	2021 H1	2022 H1	2023 H1
Overhaul of locomotives	13,781	4,512	6,268
Overhaul of freight wagons	3,546	2,144	3,062
Other LTG Cargo investments	9,313	937	1,249*
LTG CARGO total	**26,640**	**7,593**	**10,579***

* Excludes investments by subsidiary LTG Cargo Polska.

1. LTG Cargo's largest investment in H1 2023 is for the renewal of rolling stock in service:
   - EUR 6.3 million for capitalised repairs to locomotives. 27 freight locomotives were overhauled during the half-year period;
   - EUR 3.1 million for capitalised repairs of freight wagons. 806 freight wagons were overhauled during the half-year period.

2. Due to geopolitical reasons, LTG Cargo's East-West freight volumes have been drastically reduced and investments are being made to develop new markets. In particular, the Company is expanding its freight services in Poland. LTG Cargo's subsidiary LTG Cargo Polska continued in H1 2023 the investments in rolling stock for the European gauge, which started in 2022, with the purchase of an additional 1 locomotive and 146 units of specialised containers for the transport of bulk cargo.

3. A project to optimise LTG Tech's production bases is underway. A technical design is being prepared as part of a design contract signed in 2022. Once the project is completed (tentatively between 2025 and 2026), it is planned to move away from the worn-out repair depots in the centre of Vilnius city centre and relocate the locomotive maintenance and repair activities to the area near the Vaidotai station. At the same time, the aim is to increase the efficiency of locomotive repairs.

4. LTG Cargo continued the implementation of the Operational Control Centre in 2023 in order to increase operational efficiency. The project has resulted in the planning and management of freight transport activities through new business processes, automation and digitalisation of operations, and data exchange with other LTG systems.

5. In response to the demand for grain transport and in order to make use of the currently unused containers, the Company initiated a project to modernise its containers for the transport of grain. In 2023, the first phase is being implemented with the modification of 80 units of containers.

6. Replacement of locomotive safety systems (LSS) has been initiated. The unsafe Russian-made KLUB-U systems currently in service will be replaced in 44 mainline locomotives and 67 shunting locomotives.

7. As part of the LTG Group's rail electrification programme, LTG Cargo is carrying out preparatory work for the acquisition of electric locomotives.

EMPLOYEES

Focusing on employees and developing an organisational culture is one of the strategic directions. Particular attention is paid to ensuring the well-being and functional competences of employees, as well as to developing human capital and encouraging employee engagement. The aim is to develop an effective social dialogue with employees and to create more comfortable working conditions by introducing advanced technological solutions and providing employees with the necessary tools and benefits. Leadership among employees and managers is promoted. Educational initiatives are carried out together with social and educational partners. An organisational culture of high results is formed and supported, with the aim of creating a culture of shared values and open feedback in employees' day-to-day behaviour, increasing employee engagement and loyalty, and fostering integrity and respect for people.

EVENTS IN H1 2023

- In February, the results of the Voice of Employees, an extended survey on factors influencing organisational culture, were summarised for the fourth consecutive year. This time there was a record turnout, with 89% of LTG Group employees expressing their views. Based on the results of the survey, individual, activity-specific priorities for the development of the organisation's culture are identified.
- In 2023, the lecture series on mental and physical health, self-knowledge and self-awareness will continue. In May, employees were invited to a Diversity Charter event and a lecture dedicated to diversity and inclusion in the organisation as it is important to create a safe and respectful working environment.
- In order to ensure the knowledge of current students and potential employees about the railways and the Group, the cooperation with Lithuanian educational institutions continues to be strengthened by signing cooperation agreements with Vilnius Gediminas Technical University (VILNIUS TECH), Kaunas University of Technology, Kaunas Technical College, Vilnius College of Technologies and Design, and the Engineering Lyceum (VGTU), in order to collaborate in the preparation and implementation of research projects and to achieve a closer interaction of studies and internship together. LTG Group specialists will share their years of experience and knowledge in the field of railway transport engineering and technology in this sector, while students and pupils will be introduced to the perspectives of engineering specialities and railway engineering, business and scientific innovations.
- From 1 April 2023, an annual review of base salaries has been implemented, linked to clear and objective criteria such as a comparison of current employee remuneration with the market, the Company's financial performance and the budget available for the review, and an assessment of each employee's annual performance. The total budget for the spring 2023 base salary review in the LTG Group amounted to around 6.5%.
- In addition to the basic salary, employees receive free accident insurance and supplementary voluntary health insurance, which covers outpatient and inpatient treatment and diagnostics in private institutions, preventive health examinations and vaccinations, as well as prescription drugs and medical aids. In addition, employees can choose dental, rehabilitation or optical services. In the renewed sectoral collective agreement, agreed upon with the social partners, lump-sum payments for the birth of an employee's child or the death of a close family member have been increased by 50% from EUR 200 to EUR 300 after tax from 2023. The employee benefits package also includes disaster relief, loyalty payments for employees who leave the organisation at retirement age, additional holidays and other benefits provided for in the LTG Group's branch collective agreement and the Remuneration Methodology. In addition, all Group employees travel free of charge by train in Lithuania.
- At the end of the financial year, an annual incentive was awarded to employees in recognition of the LTG Group's achievements. This incentive is an employer-initiated incentive for good performance and positive performance of the LTG Group, as referred to in Article 139(2)(6) of the Labour Code of the Republic of Lithuania, and is granted on the basis of Article 142(1)(2) of the Labour Code of the Republic of Lithuania. The incentive is also forward-looking as a motivational tool for employees, and individual annual incentive opportunities are linked to corporate levels of position and each employee's annual performance evaluation. The decision to establish an annual incentive pool was taken by the Company's Board after a detailed assessment of all the circumstances. As part of the allocation of the annual incentive pool for the LTG Group's performance in 2022, EUR 1.4 million was paid to the Company's employees in June 2023.

The number of LTG Cargo employees as at 30 June 2023 amounted to 1,970, with a further 35 employees on long-term absence (parental leave, maternity leave, military service, etc).

(thousand Euro unless otherwise stated)

NUMBER OF EMPLOYEES IN LTG CARGO GROUP COMPANIES

Group companies	31/12/2021 Actual number of employees as of the end of the period	31/12/2021 Actual number of employees as of the end of the period	31/12/2021 Actual number of employees as of the end of the period
AB LTG CARGO	2,802	1,929	1,837
UAB LTG Wagons	2	1	1
LTG Cargo Polska Sp. Z o.o.	11	89	124
LTG Cargo Ukraine	5	5	6
OOO Rail Lab	2	2	2
Total	**2,822**	**2,026**	**1,970**

The number of employees of the Company as at 30 June 2023 was 1,837. Compared to 31 December 2022, the number of employees of the Company has decreased by 92 employees or 4.8%.

The average monthly salary has changed from EUR 1,862 to EUR 2,046 compared to 2022. There were two main reasons for the increase in salary: the periodic salary review across the LTG Group in April 2023 and the reduction in the number of the Company's employees in the course of 2022 due to the reduction in the number of positions, the impact of which was more pronounced in the comparison of this year's average remuneration with the previous year.

The total salary pool amounted to EUR 22.4 million. In addition, in June 2023, in line with other LTG Group companies, the Company's employees were paid an annual incentive amount of EUR 1.4 million for their work performance.

NUMBER OF EMPLOYEES OF THE COMPANY AND AVERAGE SALARY

Employee groups by position	31/12/2021		31/12/2021		30/06/2023**					
	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
LTG Holding Board*	1	8,600	1	9,200	1	1	-	9,750	-	-
Top-level managers*	8	5,981	5	6,357	5	1	4	6,996	-	-
Senior executives and specialists in exceptional fields	22	4,169	21	4,556	20	5	15	4,845	5,468	4,617
Middle-level managers and individual experts	85	2,708	88	2,727	86	23	63	2,896	2,706	2,965
Team leaders and experienced specialists	450	1,916	329	2,007	324	135	189	2,112	2,008	2,185
Specialists and experienced operational/service staff	811	2,073	597	2,127	583	149	434	2,355	1,674	2,594
Operational/service staff, qualified workers	1,425	1,421	888	1,500	818	153	665	1,597	1,409	1,640
Total	**2,802**	**1,772**	**1,929**	**1,862**	**1,837**	**467**	**1,370**	**2,046**	**1,813**	**2,126**

* fixed remuneration as at the end of the period is provided;
** In 2021, the Company started publishing salary data by gender. For reasons of confidentiality, the average salary information and the difference in the average salary are not disclosed if there are fewer than 5 employees of the same gender in a job group.

As at 30 June 2023, the fixed monthly salary of the Company's CEO amounted to EUR 9,750, and the average actual salary, including the annual motivation bonus for performance results, amounted to EUR 11,085.

As at 30 June 2023, the fixed monthly salary of top-level managers as stated in their labour contracts, amounted to EUR 6,996, and the average actual salary of these function groups, including the annual bonus for performance results, amounted to EUR 7,480.

By applying objective and unified equity principles in remuneration management, the actual differences in the average salary of women and men by general position groups, remain. These differences are caused by general distribution of women and men - more men than women work not only in the railway industry in general, but also in many job groups, especially in operational positions. Women dominate in positions related to support/administrative functions with relatively lower salary levels in the market. Men are concentrated in positions with higher level remuneration in the market (e.g., engineering) or are related to work of a special nature - physical exertion, field work or other special conditions. At the same time, the opposite situation is observed in certain groups of positions, when women are not the dominating part in the group but occupies positions with scarcity in the market which leads to a relatively higher remuneration, and in such cases the average salary of women is higher than men.

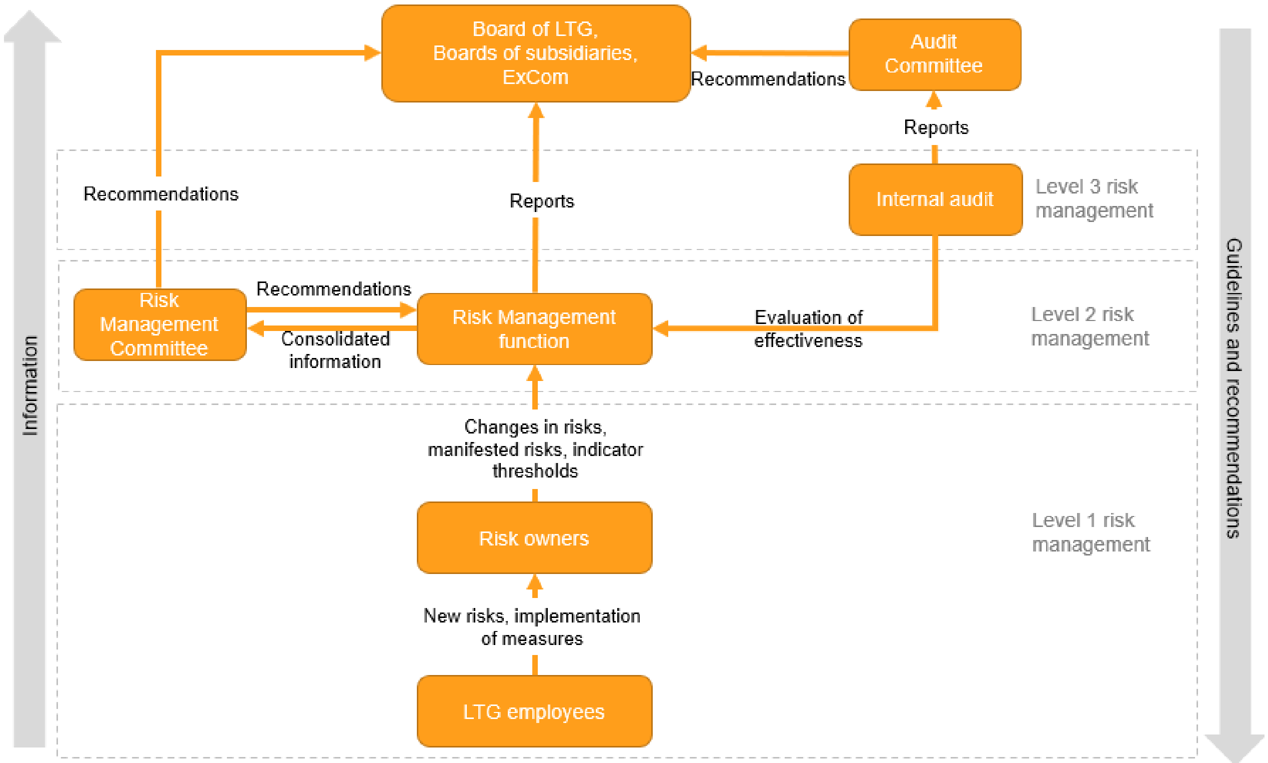
RISKS AND THEIR MANAGEMENT

The LTG Group's unified risk management system is implemented and continuously improved in the Company. It is defined in the LTG Group's risk management policies, methodologies and process standards developed in accordance with the International Organisation of Standardization (ISO 31000) and the Committee of Sponsoring Organisations of the Treadway Commission Enterprise Risk Management (COSO ERM).

The LTG Group allocates risk management responsibilities according to the Three Lines of Defence model.
According to it:

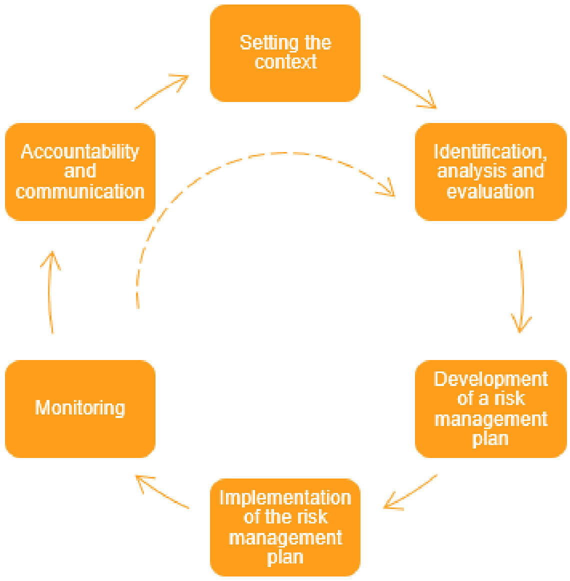
- Level 1 risk management activities are carried out by LTG Group companies and LTG corporate functions that identify, assess and manage risks;
- Level 2 risk management is carried out by LTG's Risk and Compliance Management function, which develops and refines the overall framework and carries out coordination and control activities;
- Level 3 risk management is carried out by LTG Internal Audit, which carries out an independent assessment of the effectiveness of Level 1 and Level 2 risk management and provides comments and recommendations.

Both line managers and collegiate bodies are actively involved in risk management practices. The LTG Group has an active Risk Management Committee, chaired by the LTG Group Director of Business Resilience. The Risk Management Committee's main activities are as follows: risk calibration to ensure a holistic view of the LTG Group's risks; identification of priority risks (systemic or relevant to the LTG Group); assessment of the status of management of the priority risks; proposals on the choice of risk management tools, identification of new risks; and recommendations on the improvement of the overall risk management system.



LTG Group risks are managed in phases. The overall periodic cycle consists of the following main steps:

1. Setting the context.
2. Risk identification, analysis and assessment.
3. Development of risk management plans.
4. Implementation of risk management plans.
5. Risk management monitoring.
6. Accountability and communication.



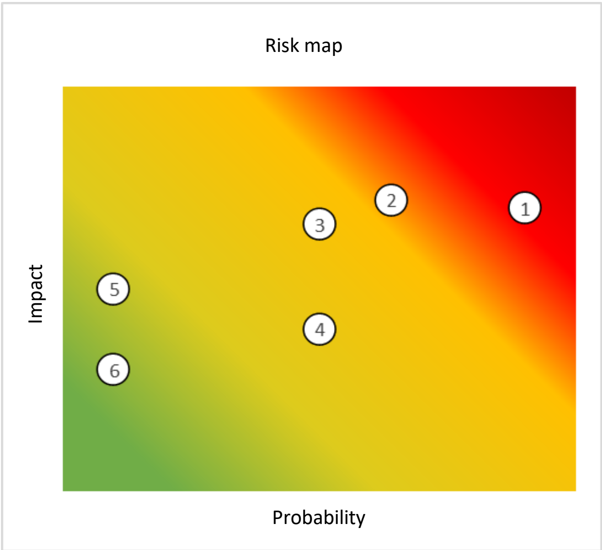
The level of identified risks is assessed by determining their likelihood and potential impact (assessing financial, legal, reputational, business continuity and employee safety impacts) and assigning them to one of four risk categories (strategic, operational, financial, compliance risks). In this context, for each of the risks, risk owners and the necessary management/mitigation actions are selected. Risk dynamics and progress in the implementation of measures are monitored on a quarterly basis.

Periodic and timely dissemination of risk-related information is ensured by a well-established reporting system. On a quarterly basis, the risk management status of each of the companies is reviewed in reports to the boards of the companies and the LTG Group. The LTG Group's Board is informed on a monthly basis about the risks exceeding the appetite. Such a cyclical system not only helps to monitor the status of identified risks, but also provides an opportunity to discuss the emergence of new risks.

Risk management activities continue to receive increasing attention and importance. The Risk and Compliance Management function reports directly to the Director of Business Resilience, providing direct reporting channels and reinforcing the importance of risk and other resilience issues in strategic decision-making.

MAIN RISKS OF LTG CARGO AND MEASURES TO MANAGE THEM

1. Insufficient financial resources to implement investment plans
2. Supply chain disruptions
3. Risks in sanctions compliance
4. Increasing competition
5. Delays in upgrading IT systems
6. Incident risk (inherent operational risk)



Risk	Main sources of risk	Possible effects	Main risk management tools
Insufficient financial resources to implement investment plans	• Change in political and economic situation • High technical infrastructure costs • Restrictions on changing prices for services	• Restriction on the development of activities • Non-implemented investment projects	• Expansion in foreign markets • Offerings of new products • Search for alternative sources of funding • Prioritisation of projects
Supply chain disruptions	• Limitation of supply markets • Lack of alternatives	• Operating disorders • Increase in costs	• Advance planning • Search for alternatives
Risks in sanctions compliance	• Operation of criminal groups • Rapidly expanding scope of sanctions	• Damage to reputation • Financial losses due to failure to ensure requirements	• Strengthening sanctioning policies • Continuous updating and control of the cargo screening process • Use of automated verification tools • Continuous education of employees
Incident risk (inherent operational risk)	• Failure to follow instructions • Human error • Phenomena caused by disasters	• Operating disorders • Financial losses • Damage to reputation • Injuries to employees or other persons	• Raising the maturity level of safety culture • Safety leadership development for managers • Review and update of l safety instructions • Periodic training and coaching • Mobile application intended to help keep employees safe • Inspections of safety systems • Periodic monitoring of physical and technical security
Increasing competition	• Development of other transport modes	• Decline in the number of Customers • Decline in income	• Actions to improve customer experience • Assurance of competitive services • Meeting of specific needs • Improvement of service quality
Delays in upgrading IT systems	• The changing business environment is leading to the rapid emergence of new technological needs	• Financial costs • Damage to reputation • Operating disorders • Data loss	• Updating of the business management systems • Updating of access control processes and tools • Installation of new systems

INFORMATION ON EXTERNAL AUDITOR

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

The public procurement contract for the audit of the consolidated LTG and separate financial statements of LTG Group subsidiaries, prepared in accordance with International Financial Reporting Standards, adopted by the EU, for the year 2023–2025, was awarded to KPMG Baltics, UAB. The candidacy of auditors was confirmed by the Audit Committee of LTG, it was approved by the Board of LTG and the confirmation of the shareholder was obtained. The contract for audit services is effective from 11 August 2023.

Information on the remuneration for the audit services of the financial statements for the year 2022 is presented in the Y2022 annual report of the Company that is available at the website of the Company https://cargo.litrail.lt/veiklos-rezultatai1.

INFORMATION ON COMPLIANCE WITH THE TRANSPARENCY GUIDELINES

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

Structured information on the compliance with the guidelines on transparency is presented in the Y2022 annual report of the Company that is available at the website of the Company https://cargo.litrail.lt/veiklos-rezultatai1.

DEFINITIONS AND ABBREVIATIONS

Income	Sales revenue + Income from other activities excluding income from financial activities
Sales revenue	Revenue, excluding income from other activities and financing activities
Costs	Costs, excluding the corporate income tax and expenses for financing activities
Financial debt	Interest-bearing financial debt, including financial/operating lease
Net debt	Interest-bearing financial debt, including financial/operating lease minus investments in cash and cash equivalents
Return on equity (ROE)	Net profit (loss) of the last 12 months / Average equity at the beginning and end of the reporting period
Return on assets (ROA)	Net profit (loss) of the last 12 months / Average assets at the beginning and end of the reporting period
Return on investment (ROI)	Net profit (loss) of the last 12 months / (Average assets at the beginning and end of the reporting period – Average current liabilities at the beginning and end of the reporting period)
EBIT	Profit (loss) before corporate income tax – Result from financing activities
EBITDA	Profit (loss) before corporate income tax – Result from financing activities + Depreciation and amortization
Normalised EBITDA	Profit (loss) before corporate income tax + Interest costs - Interest income + Depreciation and amortisation + Increase (decrease) in the value of non-current assets, inventories and investments + Increase (decrease) in the value of receivables and contract assets + Increase (decrease) in the value of provisions for non-operating costs
EBIT margin	EBIT / Sales revenue
EBITDA margin	EBITDA / Sales revenue
Normalised EBITDA margin	Normalised EBITDA / Sales revenue
Net profit margin	Net profit (loss) / Sales revenue
Equity ratio	Equity at the end of the reporting period / Assets at the end of the reporting period
Loan servicing ratio	(Net profit/(loss) for the last 12 months + Depreciation, amortisation and grant expense for the last 12 months + Interest expense for the last 12 months (adjusted for non-cash balance sheet items)) / (Amortisation of interest-bearing debt + Interest payable for the last 12 months)
Asset turnover indicator	Sales revenue for the period of the last 12 months / Assets at the end of the reporting period
Quick ratio	(Current assets at the end of the reporting period – Inventory at the end of the reporting period) / Current liabilities at the end of the reporting period
Current ratio	Current assets at the end of the reporting period / Current liabilities at the end of the period
Freight turnover (tonne-kilometres)	Freight performance indicator consisting of the product of the quantity of freight transported (tonnes) and the distance travelled (kilometres)
Train operation volume (gross tonne-kilometres)	Indicator calculated by multiplying the gross weight of the train, including the weight of the locomotive in operation, by the distance travelled
Total employees	The list-based number of active employees as at the end of the period (excluding the employees on parental leave, military service, long-term incapacity)
Average salary	Average gross salary per employee

ABBREVIATIONS:

LTG – AB Lietuvos geležinkeliai
LTG Group – AB Lietuvos geležinkeliai and its subsidiaries
LTG Cargo, Company – AB LTG Cargo
LTG Cargo Group – AB LTG Cargo and its subsidiaries
LTG Cargo Polska – LTG Cargo Polska Sp. z o.o.
LTG Cargo Ukraine – LLC LTG Cargo Ukraine
LTG Wagons – UAB LTG Wagons

AB LTG CARGO

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

FOR THE SIX -MONTHS PERIOD ENDED 30 JUNE 2023 (UNAUDITED)

(thousand Euro unless otherwise stated)

SEPARATE STATEMENT OF FINANCIAL POSITION

	Notes	30/06/2023	31/12/2022
NON-CURRENT ASSETS			
Property, plant and equipment	3	208,101	210,633
Buildings and constructions		418	483
Machinery and plant		2,665	2,207
Vehicles		190,513	192,125
Other equipment, fittings and tools		927	1,029
Construction in progress and prepayments		13,578	14,789
Right-of-use assets	4	**29,596**	29,181
Intangible assets		**3,063**	2,382
Financial assets	5	109	16
Prepayments		1,020	1,020
Total non-current assets		**241,889**	**243,232**
CURRENT ASSETS			
Inventories	6	13,538	13,436
Trade and other receivables	7	11,230	12,856
Prepayments		10,083	3,139
Cash and cash equivalents		47,207	52,982
Total current assets		**82,058**	**82,413**
TOTAL ASSETS		**323,947**	**325,645**

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

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(thousand Euro unless otherwise stated)

SEPARATE STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	30/06/2023	31/12/2022
EQUITY			
Authorised capital		44,087	44,087
Legal reserve	8	2,382	1,876
Other reserves	8	52,470	49,437
Retained earnings (loss)	9	7,857	10,112
Total equity		**106,796**	**105,512**
LIABILITIES			
Non-current liabilities			
Loans and other financial debts	10	126,259	125,010
Lease liabilities	11	26,437	26,053
Employee benefits		1,767	1,588
Deferred income tax liabilities		10,031	8,523
Total non-current liabilities		**164,494**	**161,174**
Current liabilities			
Loans and current portion of non-current loans	10	4,036	6,734
Lease liabilities	11	3,281	3,208
Income tax liabilities		291	7
Employee benefits		7,203	7,248
Trade and other payables	12	37,707	41,681
Provisions		139	81
Total current liabilities		**52,657**	**58,959**
TOTAL EQUITY AND LIABILITIES		**323,947**	**325,645**

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

The financial statements and exaplanatory notes on pages 47 to 61 have been approved and signed by:

Chief Executive Officer

Eglė Šimė

AB Lietuvos geležinkeliai Accounting,
Financial Reporting and Control,
Acting Financial Controller acting in
accordance with the power of attorney of
05/12/2022 No. [G(CARGO)-182/2022

Darius Saladžius

(thousand Euro unless otherwise stated)

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	06/2023	06/2022
Revenue	13	137,935	146,841
Other income		202	85
Total income		138,137	146,926
Infrastructure services		(50,310)	(63,640)
Employee benefits costs		(21,461)	(27,343)
Depreciation and amortisation	3	(12,015)	(12,082)
Fuel		(17,237)	(18,025)
Repairs and maintenance		(924)	(907)
Services rendered by other foreign railway companies		(4,186)	(5,731)
Management services		(6,768)	(9,115)
Materials		(2,069)	(1,788)
Electricity		(581)	(692)
Impairment of property, plant and equipment		(39)	-
Increase (decrease) in the value of receivables		(27)	(1,161)
Change in provisions		(58)	(16)
Other costs		(11,143)	(7,891)
Operating profit (loss)		11,319	(1,465)
Finance income	14	429	216
Finance costs	14	(2,121)	(876)
Profit (loss) before taxation		9,627	(2,125)
Income tax	15	(1,791)	317
Net profit (loss)		**7,836**	**(1,808)**
Other comprehensive income (expenses)		-	-
Total comprehensive income (expenses)		**7,836**	**(1,808)**

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

(thousand Euro unless otherwise stated)

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Notes	Authorised capital	Share premium	Legal reserve	Other reserves	Retained earnings (loss)	Total
Balance as at 31 December 2021		**44,087**	**-**	**814**	**29,717**	**20,782**	**95,400**
Net profit (loss)		-	-	-	-	(1,808)	(1,808)
Other comprehensive income, after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		*-*	*-*	*-*	*-*	*(1,808)*	*(1,808)*
Increase in share capital		-	-	-	-	-	-
Unrecognised profit (loss) in the statement of profit or loss and other comprehensive income		-	-	-	-	-	-
Transfers between reserves	8	-	-	1,062	19,720	(20,782)	-
Dividends		-	-	-	-	-	-
Total transactions with owners of the Company		*-*	*-*	*1,062*	*19,720*	*(20,782)*	*-*
Balance as at 30 June 2022		**44,087**	**-**	**1,876**	**49,437**	**(1,808)**	**93,592**
Balance as at 31 December 2022		**44,087**	**-**	**1,876**	**49,437**	**10,112**	**105,512**
Net profit (loss)		-	-	-	-	7,836	7,836
Other comprehensive income, after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		*-*	*-*	*-*	*-*	*7,836*	*7,836*
Increase in share capital		-	-	-	-		
Unrecognised profit (loss) in the statement of profit or loss and other comprehensive income		-	-	-	-	21	21
Transfers between reserves	8	-	-	506	3,033	(3,539)	-
Dividends	9	-	-	-	-	(6,573)	(6,573)
Total transactions with owners of the Company		*-*	*-*	*506*	*3,033*	*(10,091)*	*(5,52)*
Balance as at 30 June 2023		**44,087**	**-**	**2,382**	**52,470**	**7,857**	**106,796**

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

(thousand Euro unless otherwise stated)

SEPARATE STATEMENT OF CASH FLOWS

	Notes	30/06/2023	30/06/2022
Cash flows from operating activities			
Net profit (loss)		**7,836**	**(1,808)**
Adjustments			
Depreciation and amortisation	3	12,015	12,082
(Gain) loss from disposal of non-current assets		(292)	1
Change in impairment of receivables		(49)	1,063
Change in accumulated income/costs		(5,366)	14,225
Interest (income)costs		1,325	828
Lease liability interest		192	68
Increase (decrease) in provisions		58	16
Effect of currency exchange fluctuations		(56)	5
Income tax expenses (income)	14	1,791	(317)
Cash flows from operating activities after adjustments		17,454	26,163
Changes in working capital			
Decrease (increase) in inventories		(101)	(3,333)
Decrease (increase) in trade and other receivables and prepayments		(5,447)	17,228
Increase (decrease) in current and non-current trade payables and received prepayments		7,294	(22,307)
Increase (decrease) in employment related liabilities		284	(1,820)
Increase (decrease) in other non-current and current payables		(11,856)	(509)
Net cash from operating activities		7,628	15,422
Cash flows from investing activities			
(Acquisition) disposal of non-current assets and investments		(11,674)	(12,781)
Interest received		196	-
Net cash from investing activities		(11,478)	(12,781)
Cash flows from financing activities			
Interest (paid)		(97)	(192)
Payment of lease liability interest		(192)	(67)
Payment of lease liabilities		(1,636)	(2,020)
Net cash flows from financing activities		(1,925)	(2,279)
Net increase (decrease) in cash and cash equivalents		**(5,775)**	**362**
Cash and cash equivalents at the beginning of the period		**52,982**	**4,971**
Cash and cash equivalents at the end of the period		**47,207**	**5,333**

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

EXPLANATORY NOTES

1. GENERAL INFORMATION

AB LTG Cargo (hereinafter referred to as the Company) was registered in the Register of Legal Entities of the Republic of Lithuania on 28 December 2018. In its activities the Company follows the Constitution of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania, the Railway Transport Code of the Republic of Lithuania and other legal acts effective in the Republic of Lithuania

The Company is a private legal entity of limited civil liability, independently organising economic, financial, organisational, and legal activities. AB LTG Cargo is the company of the AB Lietuvos geležinkeliai Group, the sole shareholder of which is AB Lietuvos geležinkeliai (hereinafter referred to as LTG). The Company's code is 304977594, VAT identification number LT100012103918, legal (registered) address: Geležinkelio st. 12, LT-02100 Vilnius.

The Company follows the established strategy and strategic strands of the Group of companies, as well as the approved policies, Constitution of the Republic of Lithuania, the Civil Code of the Republic of Lithuania, the Law on Companies of the Republic of Lithuania, the Railway Transport Code of the Republic of Lithuania, other laws and legal acts regulating the activities of the Company, decisions of the bodies of the Company, Articles of Association and internal documents of the Company.

The Company's core activities are freight transport and logistics, loading and unloading, wagon rental, locomotive and crew coordination services, manufacture of new locomotives, railcars and infrastructure track machinery, overhaul, ongoing repairs and maintenance of rolling stock, manufacture of freight wagons, and depot, overhaul and ongoing repairs of freight wagons. Repairs are also carried out on rolling stock assemblies and units.
As at 30 June 2023 and 31 December 2022, the sole shareholder of the Company was the parent company AB LTG. 100% of the shares of AB LTG are owned by the Ministry of Transport and Communications of the Republic of Lithuania.

The Company has no branches or representative offices.

The listed number of active employees at the end of the period was 1,837 as at 30 June 2023 (2,499 as at 30 June 2022).

2. SIGNIFICANT ACCOUNTING POLICIES

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

These financial statements are separate financial statements. The Company does not prepare consolidated financial statements using the exemption in paragraph 4(a) of IFRS 10 when its parent entity prepares consolidated IFRS financial statements.

These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with IFRSs as adopted by the European Union and are available on the Company's website https://cargo.litrail.lt/.

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

The financial statements are prepared on the historical cost basis.

Standards and interpretations of standards not yet in force

New standards, amendments to standards and interpretations became effective for annual periods beginning on 1 January 2023. The Company is not materially affected by these new standards, amendments and interpretations.

On 28 February 2023, the following standards, amendments to standards and interpretations were issued but were not required to be applied for annual periods ending on 31 December 2023:

Non-current liabilities with bank-specific indicators (amendments to IAS 1)

The 2020 amendments to IAS 1 Presentation of Financial Statements clarify the requirements for classifying liabilities as current or non-current, depending on the rights held at the end of the reporting period. The amendments were supposed to apply from 1 January 2022, but the date of entry into force was later postponed to 1 January 2023 and then to 1 January 2024. The International Accounting Standards Board issued additional amendments clarifying the distinction between non-current and current liabilities.

The new amendments clarify that the specific bank ratios for loan contracts will not affect the classification of liabilities at the end of the reporting period if the entity is required to comply with the specific bank ratios after the end of the reporting period. However, if an entity is required to comply with these indicators at or before the reporting date, this will affect the classification, even if compliance with those specific bank indicators is not tested until after the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The amendments require disclosures if an entity has classified a liability as a non-current liability and the liability is subject to bank-specific indicators that are required to be met within 12 months of the end of the reporting period. Disclosures include:

- the carrying amount of the liability;
- information on the bank's special indicators;
- the facts and circumstances, if any, indicating that the entity may have difficulties in meeting the bank's specific indicators.

The amendments must be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Based on the information currently available, the Company's management does not expect the new amendments to have a material impact on the Company's financial statements when first applied.

Sale and leaseback obligations (Amendments to IFRS 16)

In September 2022, the International Accounting Standards Board finalised narrowly scoped amendments to the requirements for sale and leaseback transactions in IFRS 16 Leases that clarify how an entity accounts for sales and leaseback transactions after the transaction date.

The amendments clarify that, in measuring a lease liability after a sale and leaseback, the seller-lessee determines the 'lease fees' and 'adjusted lease payments' in such a way that the seller-lessee does not recognise any gain or loss relating to the right-of-use asset.

These amendments may particularly affect sale and leaseback transactions, where lease fees include variable charges that are not index or rate dependent.

The amendments apply to annual reporting periods from 1 January 2024.

Based on the information currently available, the Company's management does not expect the new amendments to have a material impact on the Company's financial statements when first applied.

There are no other new or amended standards or interpretations that are not yet effective that could have a material impact on the Company.

(thousand Euro unless otherwise stated)

3. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment consisted of:

	Buildings and structures	Machinery and plant	Vehicles	Other equipment, fittings and tools	Construction in progress and prepayments	Total
Acquisition cost						
31 December 2021	592	6,769	270,209	1,686	7,319	286,575
- acquisitions	23	452	11,535	28	4,858	16,896
- assets sold, written off, disposed	-	(12)	(4,425)	(245)	(2)	(4,684)
- reclassifications	81	(3,798)	1,163	(60)	2,614	-
31 December 2022	696	3,411	278,482	1,409	14,789	298,787
- acquisitions	-	-	-	-	9,780	9,780
- assets sold, written off, disposed	-	(86)	(2,341)	(10)	-	(2,437)
- reclassification to current assets	(66)	-	(7)	-	-	(73)
- reclassifications	-	732	10,259	-	(10,991)	-
30 June 2023	630	4,057	286,393	1,399	13,578	306,057
Accumulated depreciation and impairment losses						
31 December 2021	(162)	(1,404)	(64,634)	(423)	-	(66,623)
- depreciation	(51)	(481)	(20,745)	(236)	-	(21,513)
- impairment	-	-	(936)	-	-	(936)
- assets sold, written off, disposed	-	9	666	243	-	918
- reclassifications	-	672	(708)	36	-	-
31 December 2022	(213)	(1,204)	(86,357)	(380)	-	(88,154)
- depreciation	(26)	(260)	(10,504)	(100)	-	(10,890)
- impairment	-	-	(39)	-	-	(39)
- assets sold, written off, disposed	27	72	1,020	8	-	1,127
- reclassification to current assets	-	-	-	-	-	-
- reclassifications	-	-	-	-	-	-
30 June 2023	(212)	(1,392)	(95,880)	(472)	-	(97,956)
Carrying amount						
31 December 2021	430	5,365	205,575	1,263	7,319	219,952
31 December 2022	483	2,207	192,125	1,029	14,789	210,633
30 June 2023	**418**	**2,665**	**190,513**	**927**	**13,578**	**208,101**

(thousand Euro unless otherwise stated)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation and amortisation expense included in the Statement of Profit or Loss and Other Comprehensive Income amounted to EUR 12,015 thousand (EUR 12,082 thousand at 30 June 2022). This amount includes depreciation charges of EUR 10,890 thousand (EUR 10,908 thousand as at 30 June 2022) for property, plant and equipment, depreciation charges of EUR 1,879 thousand (EUR 1,982 thousand as at 30 June 2022) for right-of-use assets and depreciation charges of EUR 114 thousand (EUR 37 thousand as at 30 June 2022) for amortisation of intangible assets. In the first half of 2023, capitalised depreciation amounted to EUR 758 thousand (EUR 845 thousand at 30 June 2022).

The cost of the Company's fully depreciated but still used property, plant and equipment amounted to EUR 11,407 thousand (EUR 17,880 thousand as at 31 December 2022). The majority of fully depreciated property, plant and equipment were vehicles.

4. RIGHT-OF-USE ASSETS

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

	Buildings and structures	Other assets	Total
Acquisition cost			
31 December 2021	11,035	933	11,968
- acquisitions	25,629	224	25,853
- assets sold, written off, disposed	(5,476)	(171)	(5,647)
- reclassifications	-	-	-
31 December 2022	31,188	986	32,174
- acquisitions	2,953	(32)	2,921
- assets sold, written off, disposed	(1,538)	(488)	(2,026)
- reclassifications	-	-	-
30 June 2023	32,603	466	33,069
Accumulated depreciation and impairment losses			
31 December 2021	(3,145)	(405)	(3,550)
- depreciation	(3,584)	(225)	(3,809)
- assets sold, written off, disposed	4,197	169	4,366
- reclassifications	-	-	-
31 December 2022	(2,532)	(461)	(2,993)
- depreciation	(1,780)	(99)	(1,879)
- assets sold, written off, disposed	1,075	324	1,399
- reclassifications	-	-	-
30 June 2023	(3,237)	(236)	(3,473)
Carrying amount			
31 December 2021	7,890	528	8,418
31 December 2022	28,656	525	29,181
30 June 2023	**29,366**	**230**	**29,596**

The discount rate applicable to lease contracts is 6-month EURIBOR and the market margin estimated by a market survey in accordance with applicable market conditions.

(thousand Euro unless otherwise stated)

5. FINANCIAL ASSETS

Movements in investments in subsidiaries and other companies consisted of:

Company name		Controlled share (%)	30/06/2023			31/12/2022		
			Investment value	Provision accounted	Carrying value	Investment value	Provision accounted	Carrying value
Shares of subsidiaries								
LTG Cargo Polska Sp. Zo.o.	a)	100	507	(462)	45	476	(462)	14
UAB LTG Wagons	b)	100	150	(150)	-	150	(150)	-
LTG Cargo Ukraine	c)	100	489	(425)	64	432	(430)	2
OOO Rail Lab	d)	2	8	(8)	-	9	(9)	-
Total			**1,154**	**(1,045)**	**109**	**1,067**	**(1,051)**	**16**

a) On 20 July 2020, LTG Cargo Polska Sp. Zo.o. was established by issuing 2,225 ordinary registered shares with a nominal value of PLN 1,000.00 and a share capital of PLN 2,225 thousand (EUR 507 thousand) was formed and paid up. LTG Cargo's investments in subsidiaries are carried at cost. Impairments have been made on investments as part of the assessment of corporate performance.

b) On 4 November 2020, UAB LTG Wagons was established by issuing 150 ordinary registered shares with a nominal value of EUR 1,000.00 and a share capital of EUR 150 thousand.

c) On 9 December 2020, LLC LTG Cargo Ukraine was registered and a capital of UAH 17,027 thousand (EUR 489 thousand) was formed. LTG Cargo's investments in subsidiaries are carried at cost. Impairments have been made on investments as part of the assessment of corporate performance.

d) On 1 April 2021, the purchase of the business of UAB Vilniaus lokomotyvų remonto depas was accompanied by the acquisition of Rail Lab OOO, with a share capital of BYN 1,175 thousand (EUR 381 thousand). On 9 June 2022, a share purchase agreement was registered for the shares of OOO Rail Lab, according to which AB LTG Cargo owns a 2% stake in the shares for BYR 24 thousand (EUR 9 thousand), while the remaining 98% is owned by OOO Rail Lab for BYR 1,163 thousand (EUR 439 thousand). On 19 September 2022, a decision was taken by the shareholder of OOO Rail Lab, AB LTG Cargo, to liquidate the company. The Company is currently undergoing liquidation process.

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

	Investment value
Acquisition value as at 31 December 2021.	**1,385**
Acquisition (+)	(523)
Impairment (-)	(846)
Acquisition value as at 31 December 2022	**16**
Increase (+)	93
Impairment (-)	-
Acquisition value as at 30 June 2023	**109**

Financial position of subsidiaries:

30/06/2023	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity
LTG Cargo Polska Sp. Zo.o.	5,877	9,416	-	19,049	(3,756)
UAB LTG Wagons	-	9	-	71	(62)
LTG Cargo Ukraine	2	812	-	732	82
OOO Rail Lab (undergoing liquidation)	17	20	-	5	32

(thousand Euro unless otherwise stated)

5. FINANCIAL ASSETS (CONTINUED)

Statements of profit or loss and other comprehensive income of subsidiaries:

	06/2023		
	Income	(Expenses)	Profit (loss)
LTG Cargo Polska Sp. Zo.o.	16,161	(17,403)	(1,242)
UAB LTG Wagons	-	(17)	(17)
LTG Cargo Ukraine	287	(260)	27
OOO Rail Lab	-	(7)	(7)

Financial position of subsidiaries:

31/12/2022	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Equity
LTG Cargo Polska Sp. Zo.o.	2,959	4,714	-	10,170	(2,497)
UAB LTG Wagons	-	9	-	54	(45)
LTG Cargo Ukraine	3	618	7	554	60
OOO Rail Lab	17	23	-	1	39

Statements of profit or loss and other comprehensive income of subsidiaries:

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

6. INVENTORIES

The Company's inventories consisted of:

	30/06/2023	31/12/2022
Fuel and petrol	1,384	1,710
Spare parts	8,960	8,455
Materials	2,006	2,435
Other inventories	1,183	826
Total raw materials, supplies and components	13,533	13,426
Purchased goods for resale	3	3
Total purchases of goods for resale	3	3
Non-current assets held for sale	2	7
Total non-current assets held for sale	2	7
Total	**13,538**	**13,436**

The carrying amount of the Company's inventories of EUR 14,371 thousand (EUR 14,269 thousand in 2022) was reduced by EUR 833 thousand (EUR 834 thousand on 31 December 2022) to its net realisable value as at 30 June 2023.

In H1 2023, inventories (excluding fuel) amounting to EUR 2,069 thousand (EUR 1,788 thousand at 30 June 2022) were written off to operating expenses.

(thousand Euro unless otherwise stated)

7. TRADE AND OTHER RECEIVABLES

Trade and other receivables of the Company comprised:

	30/06/2023	31/12/2022
External trade receivables, gross value	10,348	10,474
Impairment (-)	(2,570)	(2,544)
Total external trade debtors	**7,778**	**7,930**
Receivables from related parties	2,285	1,841
Impairment (-)	-	-
Total receivable from related parties	**2,285**	**1,841**
Receivable VAT	453	-
Other receivables from the budget	338	334
Accrued income from related parties	-	1,723
Accrued income	373	977
Other receivables	3	51
Impairment (-)	-	-
Total other receivables	**1,167**	**3,085**
Total	**11,230**	**12,856**

The Company's disclosures of credit risk and expected credit loss on trade and other receivables as at 30 June 2023 were:

	Expected credit losses, %	Gross carrying amount	Provision	Net carrying amount
Not overdue	0.01%	9,980	(1)	9,979
1-30 days overdue	0.39%	200	(1)	199
31-60 days overdue	12.97%	3	-	3
61-120 days overdue	20.56%	125	(26)	99
More than 120 days overdue	94.08%	2,702	(2,542)	160
Total		**13,010**	**(2,570)**	**10,440**

The Company's disclosures about credit risk and expected credit loss on trade and other receivables as at 31 December 2022 were:

	Expected credit losses, %	Gross carrying amount	Provision	Net carrying amount
Not overdue	0.01%	11,674	(2)	11,672
1-30 days overdue	0.32%	239	(1)	238
31-60 days overdue	13.13%	126	(17)	109
61-120 days overdue	20.56%	514	(105)	409
More than 120 days overdue	96.27%	2,513	(2,419)	94
Total		**15,066**	**(2,544)**	**12,522**

The provision recorded by the Company reflects the estimated losses on trade receivables that are doubtful of recovery. The main component of this impairment is the individually assessed loss on significant trade receivables that are doubtful of recovery. The methods of estimating the provision are kept under constant review to minimise the differences between estimated losses and actual losses.

(thousand Euro unless otherwise stated)

8. 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. At 30 June 2023, the legal reserve amounted to EUR 2,382 thousand (EUR 1,876 thousand as at 30 June 2022).

Other reserves

At 30 June 2023, other reserves amounted to EUR 52,470 thousand (EUR 49,437 thousand as at 30 June 2022).

9. RETAINED EARNINGS (LOSS)

The Company's retained earnings (loss) for the year ended 30 June 2022 amounted to EUR 7,857 thousand (loss of EUR 1,808 thousand as at 30 June 2022) and included an unrecognised profit for the year of EUR 21 thousand, which arose from the sale of the cargo handling business to AB LTG Infra.

The financial statements of AB LTG Cargo for 2022 and the distribution of profit (loss) for 2022 were approved by the decisions of the sole shareholder of AB LTG Cargo, i.e. AB Lietuvos geležinkeliai. Dividends distributed from the 2022 distributable profit of AB LTG Cargo amounted to EUR 6,573 thousand. Previously, the Company did not pay dividends.

10. LOANS AND OTHER FINANCIAL DEBTS

The Company's financial debts comprised:

	30/06/2023	31/12/2022
Bank EIB – 4	4,000	7,333
AB Lietuvos geležinkeliai	126,259	124,344
Interest	36	67
Total	130,295	131,744
Long-term loans	126,259	125,010
Short-term loans	4,036	6,734
Total	**130,295**	**131,744**

EIB-4 loan for the purchase of new rolling stock. In H1 2023, the Company repaid EUR 3,333 thousand of the loan and paid EUR 92 thousand in interest.

On 12 March 2019, a loan agreement was concluded with AB Lietuvos geležinkeliai (LTG) for EUR 163,862 thousand. The purpose of the loan is the acquisition of rolling stock – wagons, containers and locomotives, pursuant to an Asset Purchase and Sale Agreement dated 25 January 2019 between LTG and the Company. Loan obtained against non-current assets, maturing in 2031. The interest is based on a floating interest rate consisting of 6-month EURIBOR plus a margin determined by market research. After the 2020 loan restructuring, the Company's and LTG's loan is considered subordinated to the EIB loans, i.e. both loan and interest payments cannot be made until the EIB loans mature in 2024, and therefore no loan or interest repayments have been made in H1 2023.

As at 30 June 2023, there were no breaches of the financial and non-financial conditions of the loan agreements.

In 2023, in order to manage funds more efficiently and to ensure liquidity of the Group companies, the Company used the Group's cash-pool agreement with AB Swedbank in market conditions. As at 30 June 2023, the Company had no debt liabilities under the said agreement.

(thousand Euro unless otherwise stated)

11. LEASE LIABILITIES

As at 30 June 2023, the Company had no debt liabilities under the said agreement. Building leases are usually for a fixed period of 5 to 10 years, renewable up to a maximum of 20 years. Car lease contracts are for 36 months with no possibility of renewal. In determining the lease term, management considers all facts and circumstances that give rise to an economic incentive to exercise the option to renew or not to exercise the option to terminate. Management assesses the extent to which renewal options (or periods beyond the option to terminate) are provided for in lease agreements only if there is a reasonable expectation that the lease will be renewed (or not terminated).

Possible future cash payments have not been included in the lease liabilities as there is no reason to be certain that the leases will be renewed (or not terminated).

Current leases with a term of 12 months or less and lease payments for low-value assets are recognised as an expense directly in profit or loss and other comprehensive income.

The discount rate applied to the 2023 lease contracts is the 6-month EURIBOR plus a market margin determined by a market study based on current market conditions.

The Company's lease liabilities comprised:

	30/06/2023	31/12/2022
Long-term lease liabilities	26,437	26,053
Short-term lease liabilities	3,281	3,208
Total	**29,718**	**29,261**

12. TRADE AND OTHER PAYABLES

The Company's trade and other payables comprised:

	30/06/2023	31/12/2022
Trade accounts payables	3,545	2,305
Trade accounts payables to related parties	12,721	5,198
Prepayments received	4,379	6,225
Prepayments received from related parties	7,216	7,216
Monetary guarantees received	597	657
Other taxes payable to the budget	207	5,682
Accumulated costs of foreign railway services	371	721
Accumulated payables to related parties	7,554	1,580
Accumulated costs	1,094	12,084
Other accounts payables and liabilities	23	13
Total	**37,707**	**41,681**

The Company accounted a liability for audit services of EUR 82 thousand under accrued costs.

(thousand Euro unless otherwise stated)

13. SALES REVENUE

The Company's revenue comprised:

	06/2023	06/2022
Revenue from domestic freight transportation	51,825	36,878
Revenue from international freight transportation	49,846	64,484
Provision of services related to freight transportation	24,610	32,382
Property lease	3,150	2,978
Locomotive and locomotive crew work abroad	719	1,605
Maintenance and repairs	2,113	3,165
Wholesale trade	2,068	2,012
Other services	3,604	3,337
Total	**137,935**	**146,841**

14. RESULT FROM FINANCING ACTIVITIES

The result from financing activities of the Company comprised:

	06/2023	06/2022
Total finance income	429	216
Penalties and default interest for overdue trade receivables	177	211
Impact of currency exchange fluctuations	56	-
Interest	196	5
Total finance cost	(2,121)	(876)
Impact of currency exchange fluctuations	-	(5)
Interest	(1,831)	(829)
Other costs	(290)	(42)
Total	**(1,692)**	**(660)**

15. INCOME TAX AND DEFERRED TAX

Income tax was calculated at a rate of 15%.

	06/2023	06/2022
Income tax for the reporting year	-	-
Adjustment of income tax of the previous year	284	-
Deferred tax expenses benefit)	1,507	(317)
Total income tax expense (benefit) recognised in profit or loss statement	**1,791**	**(317)**

(thousand Euro unless otherwise stated)

16. RELATED PARTY TRANSACTIONS

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

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

- The Government of the Republic of Lithuania acts as the owner of all the shares of AB LTG CARGO;
- Companies or institutions are managed by the Government of the Republic of Lithuania;
- Parent company AB Lietuvos geležinkeliai
- Subsidiaries of the parent company AB Lietuvos geležinkeliai ;
- AB Lietuvos geležinkeliai related, non-consolidated, associated and joint ventures;
- Board members, their close relatives and companies under their control;
- All key management personnel, their close relatives and companies under their control.

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

- the government that controls, jointly controls or significantly influences the reporting entity; and
- another entity that is a related party because the same government controls, jointly controls or exercises significant influence over both the reporting entity and the other entity.

For the above reasons, the Company does not disclose transactions with the Government of the Republic of Lithuania and other entities controlled by the Government of the Republic of Lithuania.

Transactions of the related parties of the Company:

	06/2023		30/06/2023	
	Sales	Purchases	Receivables	Payables
AB Lietuvos geležinkeliai*	10	28,976	8,668	144,864
AB LTG Infra	192	48,707	264	642
UAB LTG LINK	3,587	184	1,734	32
UAB Geležinkelio tiesimo centras	531	-	196	-
LLC LTG Cargo Ukraine	495	66	478	20
LTG Cargo Polska SP. Zo.o.	181	7,012	-	885
UAB LTG Wagons	-	-	-	-
UAB voestalpine VAE Legetecha	34	-	9	-
Total	**5,029**	**84,945**	**11,349**	**146,443**

	06/2022		31/12/2022	
	Sales	Purchases	Receivables	Payables
AB Lietuvos geležinkeliai*	18	31,036	1,724	139,532
AB LTG Infra	329	60,775	298	10,763
UAB LTG LINK	3,576	206	1,333	27
UAB Geležinkelio tiesimo centras	289	-	39	-
LLC LTG Cargo Ukraine	25	12	219	85
LTG Cargo Polska SP. Zo.o.	102	2,666	173	391
UAB LTG Wagons	1	-	-	-
UAB voestalpine VAE Legetecha	6	-	11	-
Total	**4,346**	**94,695**	**3,797**	**150 798**

* From 2022 onwards, purchases and sales are disclosed net of accruals and resales.

(thousand Euro unless otherwise stated)

16. RELATED PARTY TRANSACTIONS (CONTINUED)

The Company's accrued receivables and payables with related parties accounted in the statement of financial position as at 30 June 2023:

	30/06/2023	
	Accrued receivables	Accrued payables
AB Lietuvos geležinkeliai	-	330
AB LTG Infra	-	7,544
UAB LTG LINK	83	-
LTG Cargo Polska SP. Zo.o.	-	133
UAB Geležinkelio tiesimo centras	1	-
Total	**84**	**8,007**

The Company's accrued receivables and payables with related parties accounted in the statement of financial position as at 31 December 2022:

	31/12/2022	
	Accrued receivables	Accrued payables
AB Lietuvos geležinkeliai	9	1,309
AB LTG Infra	1593	229
UAB LTG LINK	37	-
LTG Cargo Polska SP. Zo.o.	-	31
Total	**1,639**	**1,569**

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

MANAGEMENT REMUNERATION AND OTHER BENEFITS

As at 30 June 2023, the number of executives was 7, i.e. Chief Executive Officer; Head of Business Development; Head of Service Delivery; Head of Sales; Head of Technology Asset Management; Head of Business Maintenance, Head of Customer Service.

	30/06/2023	30/06/2022
Management remuneration	445	381
Incentives*	- 69	81
Accumulated long-term benefits**	1	3
Number of executives	7	6
Allowances for members of the Board	51	-
Number of Board members	5	2

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

As of 30 June 2023 no loans, guarantees, or other disbursements or accruals or disposals of assets were made to the company's management other than as set forth above

17. EVENTS AFTER THE REPORTING PERIOD

LTG Cargo has announced that for the first time in its history it will purchase electric locomotives. Around EUR 100 million is expected to be invested in new green electric locomotives, parts and maintenance services.

On 12 July 2023, the Company paid a dividend of EUR 6,573 thousand to the sole shareholder of AB LTG CARGO, i.e. AB Lietuvos geležinkeliai.