First half year 2023

AB Lietuvos Geležinkeliai

CONSOLIDATED AND THE COMPANY'S
CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023 (UNAUDITED),
PROVIDED TOGETHER WITH CONSOLIDATED INTERIM REPORT

CONTENTS

The consolidated and Company reports are publicly available on the Company's website https://www.litrail.lt.

CONSOLIDATED INTERIM REPORT

CEO'S FOREWORD

Dear colleagues, clients and partners,

EGIDIJUS LAZAUSKAS

Chief Executive Officer AB Lietuvos Geležinkeliai

Lietuvos Geležinkeliai (LTG) started this year with its feet firmly on the ground. The 2022 plan to improve operational efficiency, reduce costs, diversify and expand into new markets was successfully implemented, with the Group's financial indicators stabilising and results exceeding forecasts.

This year, we have renewed the Group's operational strategy, allowing us to move forward consistently and confidently. The renewed strategy has five main thrusts: expanding the business into Northern and Western Europe, improving operational excellence and efficiency, strengthening organisational culture, business resilience and sustainability. These directions will be reflected in the actions of every company in the Group and will allow us to confidently pursue the Group's vision of becoming the backbone of the transport system.

We have also taken firm steps towards full integration with Europe. In March, we launched FREE Rail programme to help achieve this goal. LTG has taken the lead and initiated the development of a rail operating model tailored to the Baltic States, based on EU rail standards and best practices. It will lead to the integration of business links, technology and IT with Europe, opening up more opportunities for businesses and citizens alike.

We are mobilising the necessary expertise within the LTG Group for the implementation of this programme, and the programme has achieved its first major milestones: a Memorandum of Understanding has been signed with the Ukrainian Railways, and the programme has been presented to the Director of European Commission's Directorate-General for Mobility and Transport (DG MOVE).

In the first months of this year, we have made significant progress in the implementation of strategically important projects for Lithuania – Rail Baltica and the electrification of the Vilnius – Klaipėda railway line.

In June, the European Commission allocated almost EUR 1 billion for the implementation of Rail Baltica in the Baltic States, of which Lithuania's share is EUR 394 million. This is the largest funding Lithuania has ever received from the Connecting Europe Facility (CEF). This is a major achievement, as the timely financing of project activities is an essential prerequisite for the project to be implemented within the pre-agreed deadlines.

LTG Infra, the Group's company that manages and maintains the railway infrastructure, has started intensive electrification works on the Vilnius – Klaipėda section, the main railway transport artery in Lithuania. Work on the Kaišiadorys – Radviliškis section started in February. Railway electrification is a strategically important project for efficient and green mobility in Lithuania. The electrification project will electrify 35% of the railway when completed, and around 40% when Rail Baltica is completed.

An important breakthrough was also achieved this year in the passenger transport business: the Group's passenger transport company LTG Link signed an agreement with the Swiss train manufacturer Stadler Group for the purchase of new electric and battery-electric trains. This step marks a long-term commitment of LTG Group companies to contribute to the development of green transport in Lithuania.

The achievements of the first half of this year provide a positive outlook for the future. With a clear focus, LTG Group is prepared to strengthen its competitive advantage, improve its services and be an indispensable partner for both Lithuanian and foreign clients.

This positivity is a credit to the entire LTG Group team. Every employee who has contributed to the success of companies in adapting to the radically and suddenly changed business environment of 2022, and to helping customers looking for new supply chains to the West to do so. I am grateful to all of them, together and individually.

GROUP STRUCTURE AND GOVERNANCE MODEL

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

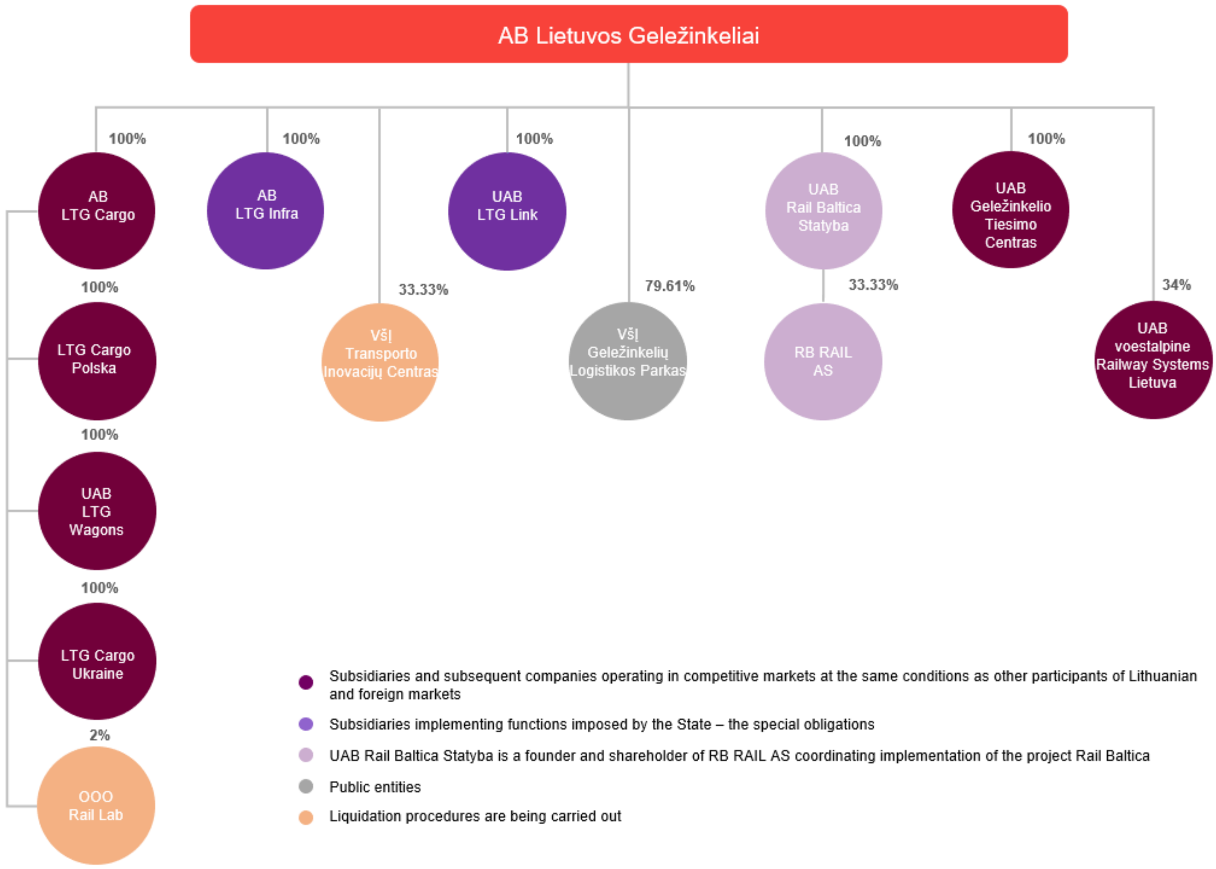
Taking into account the structural changes carried out in the LTG Group during 2018-2021 and the purification and separation of the activities of the carriers and the infrastructure manager into separate legal entities in accordance with EU requirements, preconditions are created for the companies providing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

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

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

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

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



(all amounts are in EUR million unless otherwise stated)

- On 19 September 2022, LTG Cargo (a sharer of OOO Rail Lab) adopted the decision to liquidate the company. Procedures for liquidation of OOO Rail Lab are currently ongoing.
- On 12 January 2023, sharers of Public Enterprise Transporto Inovacijų Centras adopted the decision to liquidate the company. Procedures for liquidation of the company are currently ongoing.

INFORMATION ON SHARES AS AT 30 JUNE 2023

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

- As at 30 June 2023, the sole shareholder of AB Lietuvos Geležinkeliai was the Republic of Lithuania, the property and non-property rights of which are exercised by the Ministry of Transport and Communications of the Republic of Lithuania.
- The shares of the Company and its subsidiaries are of a single class – ordinary registered shares. The shares are non-certified, and they are recorded in personal securities accounts in accordance with the legal procedure. The Company and its subsidiaries have not issued any preference shares.
- The Company and its subsidiaries did not acquire any of their own shares during the reporting period, with the exception of OOO Rail Lab, to which in 2022 AB LTG Cargo and UAB Geležinkelio Tiesimo Centras transferred their shareholdings of 97% and 1%, respectively. Currently, LTG Cargo holds 2% of shares in OOO Rail Lab; however, it is the sole shareholder and has full control.
- Subsidiaries and associates did not acquire any shares of the Company during the reporting period.

ACTIVITY OF THE LTG GROUP

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

The LTG Group also carries out special obligations imposed by the State by providing public services of passenger transportation via railway transport, also in the activities of maintenance, modernisation and development of the public railway infrastructure, and providing services of the minimum access package. State funds are allocated for implementation of the special obligations. It is a significant contribution to sustainability of the LTG Group's financial flows.

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

As at 30 June 2023, 6,104 employees worked for the LTG Group companies, 759 of them worked for the parent company LTG.

PRINCIPAL ACTIVITIES OF THE LTG GROUP COMPANIES

Management of the Group companies

LTG is the parent management company.

Besides the provision of management services of the LTG Group companies, the Company provides the following services to the Group companies: fuel resale, lease of property and vehicles.

Freight transportation by rail

LTG Cargo is a licenced railway company engaged in freight transportation by rail, also services of repair and technical maintenance of locomotives and wagons.

LTG Cargo Group companies – LTG Cargo Polska and LTG Cargo Ukraine – provide freight transportation services in Poland and Ukraine.

Passenger transportation by rail

LTG Link is a licenced railway company providing passenger transportation by rail services in Lithuania and on international routes. The Company also ensures transit trips from the Belarussian border to the Kaliningrad region.

Management of the public railway infrastructure

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

Construction and repair of railway

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

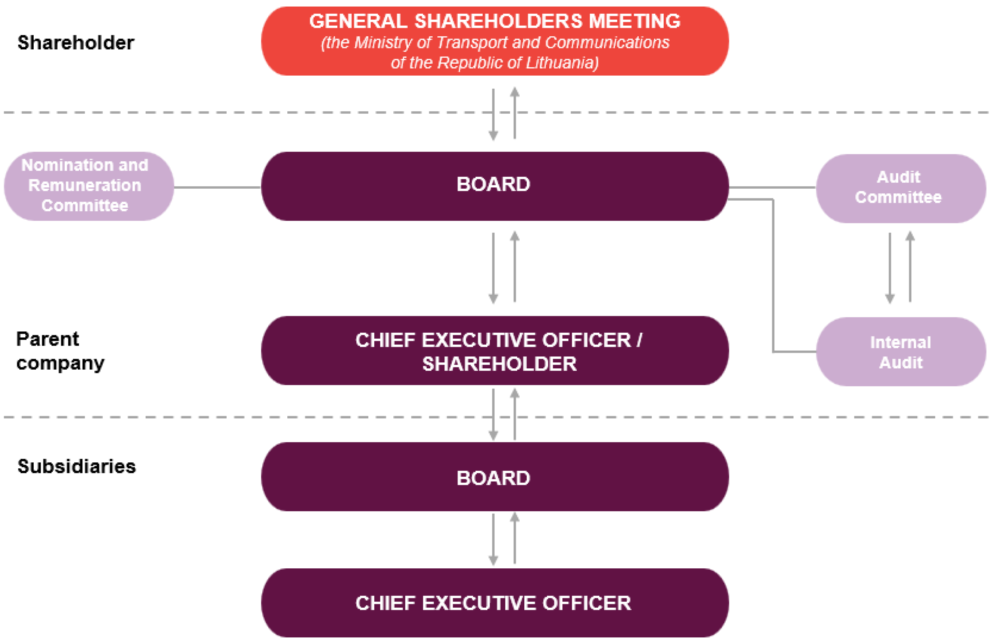
For more information on the services and performance of the LTG Group's companies, please refer to the *Performance of the main Group companies section of the Consolidated Interim Report*.

CORPORATE GOVERNANCE

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

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

LTG GROUP'S MANAGEMENT STRUCTURE



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

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

- Openness and transparency of activities;
- Compliance of corporate governance with legal regulation and its effectiveness
- Meeting the expectations of the shareholders;
- Cooperation with stakeholders and their role;
- Effective and efficient risk management and internal control systems;
- Clarity and sustainability of goals;
- Responsibility and accountability of governance bodies.

THE ARTICLES OF ASSOCIATION OF THE COMPANY

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

On 8 February 2023, the updated version of the Articles of Association of AB Lietuvos Geležinkeliai was registered in the Register of Legal Entities, in which additional competences of the Board were introduced and the limits of transactions approved by the Board were changed.

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

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

BODIES OF THE COMPANY

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

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

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

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

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

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

- on the investment, disposal, lease of the Company's non-current assets with a carrying amount equal to or exceeding 1/20 of the Company's authorised capital (calculated separately for each type of transaction);
- on the pledges and mortgages of the Company's non-current assets with a carrying amount equal to or exceeding 1/20 of the Company's authorised capital (calculated as the total amount of transactions);
- on the guaranteeing or indemnification of other persons for the fulfilment of obligations of other persons, the amount of which equals or exceeds 1/20 of the Company's authorised capital;
- to acquire non-current assets for a price equal to or exceeding 1/20 of the Company's authorised capital;
- on the approval of the Chief Executive Officer of the Company to enter into transactions for the purchase of goods, services and works, the value of each transaction of which is equal to or exceeds 1/20 of the Company's authorised capital, after prior consideration of the drafts of the documents for such purchases submitted by the CEO;
- on the loan and/or other financing transactions, the value of each transaction being equal to or exceeding 1/20 of the Company's authorised capital;
- on the approval of the Company, as a shareholder of the subsidiaries, of the decisions of the governing bodies of the subsidiaries concerning the investment, transfer, lease, acquisition, mortgage, pledge and guarantee and provision of guarantees for the obligations of other persons, purchase of goods, services, works, loan and/or other financing transactions, where invested, transferred, respectively, the carrying amount of the non-current assets to be invested, the price of the non-current assets to be acquired, the carrying amount of the non-current assets to be mortgaged or pledged (calculated separately for each type of transaction), the carrying amount of the obligations of other persons the performance of which is guaranteed or suretied, the value of a transaction for the purchase of goods, services, works, or the value of a loan and/or other financing transaction, which equals or exceeds 1/20 of the Company's authorised capital.

The shareholder's expectations

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

In this regard, the letter regarding the objectives that the state pursues and raised expectations in the Company was approved by the Order of the Minister of Transport and Communications of 4 October 2022. The letter of expectations of the shareholder is available on the Company's website https://www.litrail.lt/veiklos-strategija.

According to the letter of expectations, the priorities of the state in the activity of LTG Group are as follows:

- Carrying out of special obligations:
  - provision of public services of passenger transportation by rail and public services of combined passenger transportation on domestic routes;
  - provision of services for maintenance, renovation and development of the public railway infrastructure, organisation of railway transport traffic and services of the minimum package of access to the public railway infrastructure.
- Development of freight transportation by rail activities;
- Transparent distribution of capacities of the public railway infrastructure and effective use of the railway network;
- Implementation of strategic and intermodal projects.

Non-financial expectations:

- Planning and development of the public railway infrastructure.
- Implementation of the project Rail Baltica.
- Integrity of the transport system.
- Quality of customer service.
- Leadership and increasing competitiveness.
- Innovation, digitalisation, sustainability.
- Social responsibility and employee engagement.
- Transparency and risk management.
- Good Governance.

Financial expectations:

- Long-term profitability of the LTG Group must be in line with that set by the government;
- Dividends are calculated in accordance with the legislation governing the determination of the share of profits to be distributed as dividends;
- The LTG Group must ensure that the optimal capital structure ratio complies with that set by the government.

Key financial performance indicators of state-owned enterprises for the period 2022-2024 are approved by the Resolution No 509 of the Government of the Republic of Lithuania of 18 May 2022 (link).

In order to ensure the development of the business in the directions outlined in the shareholder's letter of expectations, the strategies of the LTG Group and its subsidiaries are being updated, which currently focus on **diversification and expansion into Western European markets, prioritisation of investments (including the projects of Rail Baltica, greening, safety, digitalisation, and improvement attractiveness to passengers), improvement of operational efficiency, resilience of the business, and strengthening of organisational culture**. Shareholder expectations are linked to the targets set in the strategies and the means for implementation of the strategy.

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

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

The Board is accountable to the General Shareholders Meeting.

The competence of the Board is in line with the competence of the Board as set out in the Law on Companies and other laws, and additional competences of the Board are set out in the Articles of Association of the Company.

The Board of the Company takes the following decisions in accordance with the Articles of Association of the Company:

- for the Company to become a founder or participant in other legal entities;
- to establish branches and representative offices of the Company;
- on investment, disposal, lease of the Company's non-current assets with a carrying amount equal to or exceeding EUR 3,000,000 (excluding value added tax) (calculated separately for each type of transaction);
- on pledges and mortgages of the Company's non-current assets with a carrying amount equal to or exceeding EUR 3,000,000 (excluding value added tax) (calculated as the total amount of transactions);
- on sureties or guaranteeing the fulfilment of obligations of other persons for an amount equal to or exceeding EUR 3,000,000 (excluding value added tax);
- for a Company to acquire non-current assets for a price equal to or exceeding EUR 3,000,000 (excluding value added tax);
- on approval of the Chief Executive Officer of the Company to enter into transactions for the purchase of goods, services and works, the value of each transaction of which equals or exceeds EUR 3,000,000 (excluding value added tax), after having considered draft documents for such purchases submitted by the Chief Executive Officer;
- on the loan and/or other financing transactions with a value of EUR 3,000,000 or more per transaction (excluding value added tax);
- on the approval of the Company, as a shareholder of the subsidiaries, of the decisions of the governing bodies of the subsidiaries concerning the investment, transfer, lease, acquisition, mortgage, pledge and guarantee and provision of guarantees for the obligations of other persons, purchase of goods, services, works, loan and/or other financing transactions, where invested, transferred, respectively, the carrying amount of the non-current assets to be invested, the price of the non-current assets to be acquired, the carrying amount of the non-current assets to be mortgaged or pledged (calculated separately for each type of transaction), the carrying amount of the obligations of other persons the performance of which is guaranteed or suretied, the value of a transaction for the purchase of goods, services, works, or the value of a loan and/or other financing transaction, which equals or exceeds EUR 6,000,000 (excluding value added tax);
- on the approval of the Company, as a shareholder of the subsidiaries, of the decisions of the governing bodies of the subsidiaries on the subsidiaries' becoming founders or participants of other legal entities (except for decisions on becoming founders or participants in associations);
- on the consent to the Company, as a shareholder of the subsidiaries, taking decisions on the merger, amalgamation, demerger, subdivision or other legal transfer or transfer of the subsidiaries.

The Board analyses and evaluates the material provided by the Company's CEO on:

- implementation of the Company's business strategy;
- organisation of the Company's activities;
- financial condition of the Company;
- results of business operations, estimates of income and expenditure, inventories and other accounting data on changes in assets;
- the Company's material risks (the Board prioritises these risks in its assessment);
- other matters relating to the Company's business which fall within the competence of the Board and, if necessary, take decisions on such matters.

The Board 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 of supervision of the Company and the activities of the Company's Chief Executive Officer which are within the competence of the Board under the Articles of Association, as well as under the decisions of the General Meeting of Shareholders.

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

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

During the reporting period 13 meetings of the Board took place.

COMPOSITION OF THE BOARD

KĘSTUTIS ŠLIUŽAS

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

Education

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

Main employer, position

CEO of IPI srl / Oji Holdings Corporation (Japan).

Other positions held

Supervisory Board member and Audit Committee member of PayRay Bank, UAB, Lvivo g. 25, Vilnius, company code 304862948.

EUGENIJUS PREIKŠA

Independent Board Member
Holds the position from 20 July 2021

Education

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

Main employer, position

Board Member, Head of Risk Management at UAB European Merchant Bank.

Other positions held

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DR. AURIMAS VILKELIS

Independent Board Member
Holds the position from 20 July 2021

Education

– Vilnius Gediminas Technical University, Doctor's degree in Technology;
– ETH Zurich (Switzerland), Post-doctorate in areas of transport and logistics;
– IMD (Lausanne, Switzerland), High Performance Boards programme.

Main employer, position

Head for Transport at Swiss Post (Switzerland).

Other positions held

Independent Supervisory Board Member of AB Klaipėdos Valstybinio Jūrų Uosto Direkcija, J. Janonio g. 24, Klaipėda, company code 240329870.

BERNARD GUILLELMON

Independent Board Member
Holds the position from 20 July 2021

Education

– Ecole Polytechnique Fédérale de Lausanne, Microtechnology engineer and Master's degree in energy;
– INSEAD (Fontainebleau, France, Master's degree in Business Administration, Leadership Challenge Course;
– Trigon, Master's degree in Organisational Development;
– Management Institute (London), certificate in corporate governance.

Main employer, position

– Owner of consulting Company Bridge The Gap Ltd with focus on senior advisory in energy / mobility / real estate and sparring / coaching for personal and organisational development;
– Various qualifications and authorisations in the transport sector (Nexxiot, Hupac, Rail Logistics Europe, etc.).

Other positions held

– JJM (real estate company owned by family) Vice President and Board Member;
– Camerata Bern (professional chamber orchestra) member of the Board of Trustees.

DALIA ANDRULIONIENĖ

Independent Board Member
Holds the position from 20 July 2021

Education

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

Main employer, position

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

Other positions held

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ROMAS ŠVEDAS

Board Member
Holds the position from 20 July 2021

Education

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

Main employer, position

– Head of the Governance Department at VšĮ Valdymo Koordinavimo Centras (State-delegated Board Member), Žalgirio g. 92, Vilnius, company code110068011;
– Head of MB Romas Švedas ir partneriai, Nemenčinės pl. 10-10, Vilnius, company code 303150481.

Other positions held

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

AGNĖ AMELIJA MIKALONĖ

Board Member
Holds the position from 20 July 2021

Education

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

Main employer, position

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

Other positions held

– Board member of AB Kelių Priežiūra, Savanorių Ave. 321C, Kaunas, company code 232112130;
– Board member at AB Lietuvos Automobilių Kelių Direkcija (Lithuanian Road Administration), J. Basanavičiaus g. 36, Vilnius, company code 188710638.

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

COMMITTEES OF THE BOARD

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

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

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

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

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

- Audit Committee;
- Nomination and Remuneration Committee.

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

AUDIT COMMITTEE, ITS COMPOSITION AND ACTIVITY

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

The main functions of the Audit Committee are to:

- supervise financial reporting and auditing processes of the LTG Group;
- ensure compliance with the principles of independence and objectivity of auditors and audit companies of the LTG Group;
- supervise the effectiveness of the LTG Group's internal control, risk management and internal audit systems and business processes;
- provide recommendations to the relevant governing bodies of the LTG Group on the selection of the audit firm and the proposed fee;
- provide recommendations to the Board of the Company on the appointment and dismissal of the head of the structural unit performing the Company's internal audit functions, on promotion, on the application of liability for non-performance or inadequate performance of the rights and duties set out in the Labour Code of the Republic of Lithuania, and on the approval of the terms of reference;
- inform the Board of the Company of problematic issues related to the audit of the LTG Group companies, in particular where significant deficiencies in internal control over financial reporting have been identified, and recommend on how to remedy these deficiencies and improve the systems for their prevention;
- provide the Board of the Company with summarised information on the independence of audit firms auditing the LTG Group companies, as defined in the Law on Audit of Financial Statements of the Republic of Lithuania and other applicable legislation, as well as on the non-audit services rendered by such auditors (audit firms) to the LTG Group;
- prepare and present material for meetings of the relevant governing bodies of the LTG Group on matters within its competence;
- inform the Company's Board about the audits carried out in the Company and the LTG Group companies by the State Audit Authority of the Republic of Lithuania, the Ministry of Transport and Communications of the Republic of Lithuania or other institutions, and to provide information on the monitoring of the implementation of the recommendations made by the above mentioned institutions;
- execute the functions of the audit committee of the subsidiaries.

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

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

During the reporting period, 7 meetings of the Audit Committee were held.

Composition of the Audit Committee

EUGENIJUS PREIKŠA

Chairman of the Audit Committee
Holds the position from
23 August 2021
Independent Board member

DR. AURIMAS VILKELIS

Committee Member
Holds the position from
23 August 2021
Independent Board Member

BERNARD GUILLELMON

Committee Member
Holds the position from
23 August 2021
Independent Board Member

ROMAS ŠVEDAS

Committee Member
Holds the position from
23 August 2021
Board Member

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

Internal Audit

The LTG Group has established a centralised Internal Audit function, which acts as a third line and covers all LTG Group companies. The Internal Audit function had 6 auditors as at 30 June 2023. The purpose of Internal Audit is to provide independent, objective assurance and advisory services in order to contribute to the achievement of the LTG Group's strategic objectives and to preserve and enhance value. The activity of the division is organised on the basis of the guiding principles set out in the International Standards for the Professional Practice of Internal Auditing. Audit provides risk-based assurance services, advice/consultation and insight, and carries out necessary investigations as required. It also regularly monitors the implementation of recommendations made and the correction of other internal control weaknesses identified by external auditors and supervisory authorities.

The division reports directly to the Board, thus ensuring the independence and objectivity of internal audit and enabling it to identify weaknesses and areas for improvement in operational efficiency. In the first half of 2023, Internal Audit worked closely with the Audit Committee, presenting to the Audit Committee issues related to audit activities, on the basis of which the Audit Committee recommended to the Board the appropriate decisions.

The activities of the Internal Audit division in 2023 were planned on the basis of an independent risk assessment and the prioritisation of activities and processes to be assessed. In the first half of 2023 the assessment of the Internal Audit, among other matters, covered the following areas:

- Implementation of the electrification project;
- Ensuring compliance with sanctions;
- Execution of the ERP implementation programme;
- The accuracy of external reporting.

Each audit assesses the probability of fraud occurrence. Recommendations have been made on areas for improvement identified during the audit. The findings of the audits carried out and the follow-up of the recommendations were reported to the heads of the responsible departments, the Company's senior management, as well as to the Audit Committee and the Board.

NOMINATION AND REMUNERATION COMMITTEE, ITS COMPOSITION AND ACTIVITY

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

Essential functions of the Committee:

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

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

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

During the reporting period 6 meetings of the Nomination and Remuneration Committee took place.

COMPOSITION OF THE NOMINATION AND REMUNERATION COMMITTEE

DALIA ANDRULIONIENĖ

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

KĘSTUTIS ŠLIUŽAS

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

AGNĖ AMELIJA MIKALONĖ

Committee member
Holds the position from 23 August 2021
Board member

There were no changes in the composition of the committee during the reporting period.

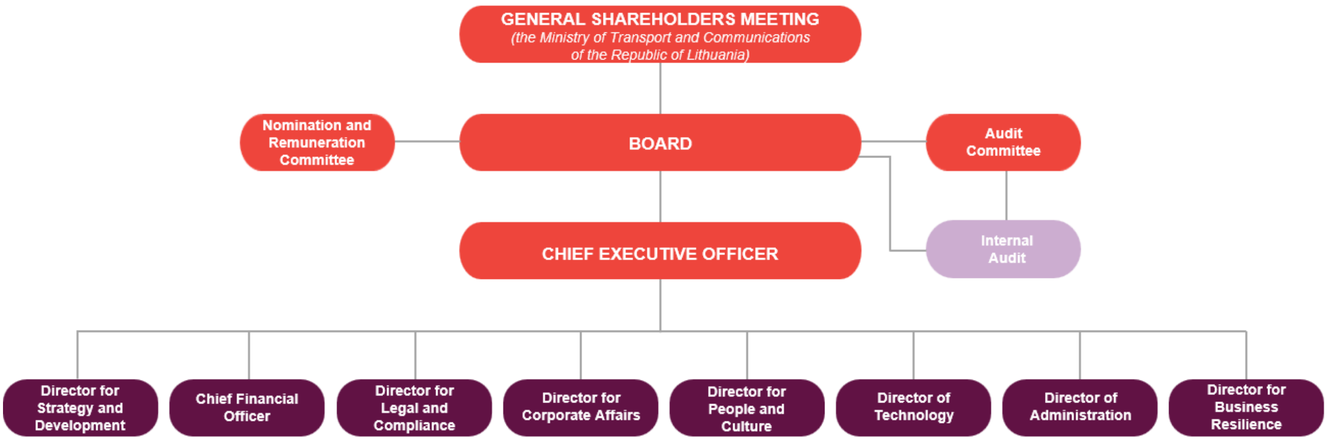
(all amounts are in EUR million unless otherwise stated)

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

The essential functions and competences of the CEO:

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

CORPORATE GOVERNANCE AND ORGANISATIONAL STRUCTURE



MANAGEMENT OF THE COMPANY

EGIDIJUS LAZAUSKAS*	Chief Executive Officer	Appointed on 23 June 2022
VYTAUTAS RADZEVIČIUS	Director for Strategy and Development	Appointed on 11 April 2022
ANDREJ KOSIAKOV	Chief Financial Officer	Appointed on 2 October 2017
IRMANTAS BERŽAUSKAS	Director for Legal and Compliance	Appointed on 22 February 2022
IRENA JANKUTĖ-BALKŪNĖ	Director for People and Culture	Appointed on 10 July 2017
AGNĖ BELICKAITĖ	Director for Corporate Affairs	Held position from 13 March 2023 to 23 March 2023
LAURA GABRILAVIČIŪTĖ	Director for Corporate Affairs	Held position as acting director from 31 December 2022 to 12 March 2023 Acting director from 24 March 2023
EDVINAS KERZA	Director for Business Resilience	Held position from 22 November 2022 to 29 June 2023. Vytautas Bitinas is acting as interim head from 30 June 2023 until a new head is appointed.
VYTAUTAS BITINAS	Director for Technology	Appointed on 21 November 2022
IEVA LAURAITYTĖ	Director for Administration	Appointed on 21 November 2022

* The first term of office of the CEO of LTG started on 23 June 2022. Before being appointed as the CEO of LTG, Egidijus Lazauskas has acted as the CEO of AB LTG Cargo – the subsidiary of the LTG – from 1 May 2019.

Egidijus Lazauskas has a university degree in environmental engineering gained at Vilnius Gediminas Technical University.

Management of interests

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

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

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

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 should be at least 1/4 of the average monthly salary of the company's CEO and no more than the average monthly salary of the company's CEO. For a civil servant holding a position as a member of a collegiate body of a state-owned company or a municipally-owned company, the remuneration should be at least 1/8 and not more than 1/4 of the average monthly salary of the company's CEO. It is recommended that the remuneration of the chairman of a collegiate body of a state-owned company should be at least 1/3 of the average monthly salary of the company's manager.

In order to implement 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 on remuneration of the members of the Company's Board and the Committees.

The Order sets the remuneration of the members of the Company's Board the Committees, providing that the monthly remuneration of the Chairman of the Company's Board shall be EUR 3,742, the monthly remuneration of the Company's independent member of the Board and of the member of the Board, who is another person selected by the Ministry of Transport and Communications of the Republic of Lithuania, shall be EUR 2,807, the monthly remuneration of the member of the Board of the Company, who is a civil servant shall be EUR 1,403. At the same time, the rule is laid down that if individual members of the Board are elected, their remuneration shall be set at the same level as that of the members of the existing Board. The monthly remuneration of a member of a committee set up by the Board of the Company is EUR 1,403 and that of the chairman of a committee set up by the Board of the Company is EUR 2,105; a member of a committee who is a civil servant is not remunerated for his/her activity on the committee.

In the light of the above changes in the legal framework, the Company's Board and Committee Agreements with the members of the Company's Board and the Company's Committee Agreements are being updated and amended.

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

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

1. Basic monthly salary. The Company's Chief Executive Officer's basic monthly salary set out in the employment contract amounted to EUR 11,075 as at the end of the reporting period. During the reporting period, the basic monthly salary of the Company's Chief Executive Officer increased by 6% from EUR 10,450 to EUR 11,075.

2. Annual incentives. The annual variable remuneration (annual incentive) **might be** paid to the Company's Chief Executive Officer in addition to the basic monthly salary. The scheme of the annual incentives shall be approved by the Company's Board. According to the scheme, the level of achievement of the annual goals of the LTG Group and team leadership and personal achievements account for 90% and 10% of the payment of the annual incentives, respectively. Each year, the Board of the Company approves the structure of annual goals of the LTG Group and team leadership and personal achievements of the CEO of the Company, their achievement thresholds and benchmarks, and, after the end of year, the Board of the Company approves the results of achievement of these objectives and the possibility of paying annual incentives.

The maximum amount of the variable annual incentive is up to 30% of the annual basic salary.

The maximum monthly proportion (i.e. 1/12) of the annual incentive for 2022 could not exceed EUR 3,135.

A monthly portion (1/12) of the annual incentive paid to the Company's CEO in 2023 for achievement of the implemented goals of the year 2022 amounted to EUR 1,818.

Information on the Remuneration Policy guidelines, remuneration of the members of the Board of Directors, the members of the Committee and the Company's CEO is also available on the Company's website https://www.litrail.lt/atlygis.

STRATEGY

The LTG Group of entities builds its activities on rational strategic planning and governance. The long-term corporate strategy of LTG, encompassing all the activities of the LTG Group was approved in 2018: transportation of freight and passengers and provision of related services in domestic and international markets, railway infrastructure management, implementation of top-priority investment projects, and other promising activities.

The LTG has undergone a number of significant changes over the last few years. The COVID-19 pandemic had a particularly negative impact on passenger operations and challenged the smooth functioning of the supply chain, while the war in Ukraine, caused by the Russian Federation in February 2022 and the imposition and continuation of economic sanctions on Russia by the EU and the USA have led to a significant reduction in freight flows to and from third countries, including transit flows to Kaliningrad. Cargo types are changing, with a steady decline in general cargo flows (coal, metals, oil, etc.) and an increase in the importance of intermodal transport in international shipments. There is a growing global focus on ecology, the efficient use of energy and natural resources, and initiatives that reduce environmental impact and climate change. Given the significant contribution and impact of the LTG's work at national level, there is a need to take responsibility for contributing to the country's progress in the field of sustainable development, by being a leader and driving organisational change in this direction.

The Strategy is reviewed and updated annually to ensure the quality of its implementation and to ensure that the LTG Group does not deviate from its objectives in the context of a constantly changing external and internal environment.

CHANGES IN STRATEGY

In order to make good use of the opportunities offered by the changes and to reinforce our activities, **a review of the LTG Strategy – Integration into Europe was carried out at the end of 2022 and the beginning of 2023**, focusing on the **TOP 5 strategic directions**:

- **BUSINESS RESILIENCE.** Moving away from a preventive approach to traffic and worker safety, the Comprehensive Security direction has been expanded to include the principles of **Business Resilience, including seamless integration into the European rail system**, the enabling of military mobility, ensuring compatibility of technologies within the LTG Group, the prevention of cyber threats, and the principles of zero tolerance in sanctions.
- **BUSINESS DEVELOPMENT.** As part of the implementation of **diversification decisions due to the rapid reorientation of operations from East to West**, intermodal activities are being actively developed, new destinations are being sought in Western Europe as well as the possibility of transporting semi-trailers in the Baltic States, and the potential for the growth of general cargoes and, in particular, of intermodal cargoes to/from the Klaipėda Seaport is being constantly evaluated. In order to offer a broader range of services, the activities of all terminals in the LTG Group have been concentrated in the hands of a single railway infrastructure manager. Passenger traffic has been expanded on international routes: the Vilnius – Kaunas – Warsaw – Krakow route was launched in 2022, and preparations are underway for the launch of the Riga route in 2024.
- **OPERATIONAL EFFICIENCY.** The LTG Group is prioritising **operational efficiency solutions and streamlining business processes** to optimise costs and implement cost-saving and asset optimisation initiatives for the LTG Group as a whole; projects are underway to modernise the ERP business accounting system, to set up operational control centres, and other projects to optimise costs in the short-term. The strategy focuses on a **review of investment and investment priorities**, emphasising operational efficiency and value for money.
- **ESG.** Given the significant contribution and impact of the LTG Group's activities at national level, an initiative to take the lead **in advancing sustainability and to promote organisational change in the environmental, social and governance fields was expressed**.
- **Strengthening ORGANISATIONAL CULTURE** by contributing to employee well-being and empowering employees to contribute to organisational change.

In order to ensure smooth operations in the face of uncertainties regarding the financing of projects of strategic importance and the economic crisis, **the horizon for the formulation of the Strategy has been revised** by introducing a detailed planning horizon up to 2027, with strategic orientations up to 2040.

MISSION, VISION, VALUES AND STRATEGIC DIRECTIONS

To ensure the viability of the organisation and successful adaptation, the LTG Group's vision and values have been updated in 2022–2023.

MISSION

Connecting people and businesses for a more sustainable future

VISION

Being a backbone of the transport system

RESPONSIBILITY

I do what I say.
I promise what I can.
I protect myself and others.
I boldly commit.
I care about the future.

CUSTOMER

I hear the customer.
I understand the needs.
I perform qualitatively.

COOPERATION

Together we strive for a common goal.
I communicate openly.
I respect and support.

DEVELOPMENT

I am interested in innovation.
I share knowledge and experience.
I grow and change purposefully.

STRATEGIC DIRECTIONS

1. **ESG** – to use energy and natural resources efficiently, to initiate measures enabling reduction of the impact on the environment and climate change, increasing awareness of employees and the society on safety, to develop best corporate governance practice and to manage risks in the most efficient way possible. The main objective is to become a benchmark for greenness and sustainability in freight and passenger transport in Lithuania and abroad, thus contributing to the EU and LR's climate neutrality objectives.
2. **Operational efficiency** – to ensure financial stability by improving operational efficiency, operating in line with international corporate standards of the highest level and optimising the use of assets.
3. **Business development** – increasing capacity and expanding abroad, while continuously looking for solutions to diversify. The aim is to ensure greater competitiveness and independence in the market, and to drive LTG Group's revenue growth.
4. **A culture of sustainable mobility for travellers** – to become the first choice of passengers, valued for its high level of service, operational efficiency and governance. Ensuring optimal interaction with other modes of transport, improving people's perception of rail passenger transport, and ensuring that rail services are adapted according to the principles of universal design, i.e. making rail services accessible to all people as widely as possible, without any special adaptations.
5. **The first choice for logistics services** is to increase freight flows, competitiveness and partnerships with other railway companies, potential new entrants, water and road transport companies, thus facilitating attractive opportunities to shift freight from road to rail in cooperation with road transport.
6. **Infrastructure for smooth movement** – to perform smooth management of rail infrastructure, providing sufficient freight and passenger capacity and increasing infrastructure availability.
7. **Business resilience** – enhancing business resilience in the interests of national security; ensuring technology compatibility within the LTG Group and seamless integration into the European rail system; applying the "safety first" principle, ensuring a high level of road safety, occupational safety and business safety.
8. **Strong organisational culture** – to become one of the most attractive employers in Lithuania, to develop a respectful and transparent corporate culture, and to increase the maturity of the organisation to ensure the successful implementation of the strategy.

PROJECTS UNDERWAY AND PLANNED FOR 2023

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

Modernisation of ERP: continuation of the automation of planning and management processes

In order to continuously improve the efficiency of LTG Group's resource use, automate resource planning and management processes, the Group is modernising, expanding and upgrading its ERP business management system to the latest version of the system. In 2021, the HR module of SAP Success Factors was launched, in 2022 the go-live of LTG Cargo was carried out, and in 2023, the launch of the large-scale functions, processes and technology of LTG Infra in SAP S/4Hana was implemented. The planning phase for the upgrade of LTG Link and LTG Holding's ERP system was initiated.

SAP S/4 HANA

The implemented programme will ensure high quality, reliable and accessible data in real time, based on a single source, will standardise most of LTG Group's processes in line with international best practices, will allow for more efficient planning of labour and material capacities, will eliminate duplication of functions, and will create new conditions for staff development.

Electrification and related projects: reducing pollution, creating socio-economic benefits

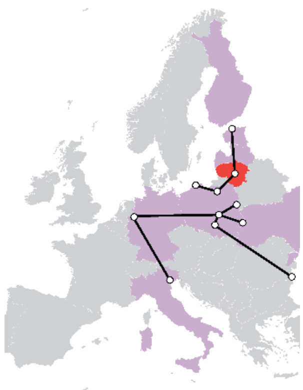
1. **Electrification.** In order for Lithuania to step up its efforts to meet the objectives of the European Green Deal, intensive electrification work is being carried out on the Kaišiadorys–Radviliškis, Šiauliai–Klaipėda and Vilnius railway junction sections. In March, work on the installation of foundations and supports in single tracks for the second phase of electrification on the Kaišiadorys–Radviliškis section was successfully completed. From April to June, work moved to the third phase of the Vilnius–Klaipėda electrification project – Radviliškis–Klaipėda (Draugystė station), where the same foundation and support installation works were carried out on the single-track sections. The electrification project is estimated to reduce air pollution by 150,000 tonnes of CO_2 per year. The socio-economic benefits of the project are estimated at more than EUR 700 million over the lifetime of the project, with a reduction of more than 30% in fuel costs for railway companies (hauliers) and an improvement in the quality of life for people living in the vicinity of the railway.

2. **Acquisition of electric passenger trains.** On 21 June 2023, a contract for the purchase of 9 electric trains and 6 battery-electric trains was signed with Stadler Polska, a company of the Swiss-owned Stadler Group (with an option to purchase more in the future). LTG Link has also acquired train maintenance services until 2037. Services include the supply of spare parts, technical assistance and advice on train operation and maintenance, depot refurbishment, warranties for electric-battery trains, etc. The new trains are scheduled to start running in mid-2026 to early 2027.

3. **Acquisition of electric locomotives.** In June 2023, LTG Cargo launched a public tender for the purchase of electric locomotives. The planned investment is around EUR 100 million. The new electric locomotives will transport freight on the main railway artery between Vilnius and Klaipėda, using electricity from renewable sources. The electric locomotives to be purchased will be able to carry LTG Cargo trainsets weighing up to 5,700 tonnes.

1435 mm gauge expansion: integration into the European rail network and diversification solutions

1. **Rail Baltica is a project intended to integrate the Baltic countries into the European rail network.** In the first half of 2023, LTG Infra signed an EUR 8.59 million (incl. VAT) contract for contract works towards the Latvian border with Latvian company A.C.B. At the end of June, the European Commission allocated almost EUR 1 billion for the implementation of Rail Baltica, the European Union's railway line in the Baltic States, of which Lithuania's share is EUR 394 million. This funding will make a major contribution to accelerating work from Kaunas towards the Lithuanian/Latvian border and opening the first sections from Kaunas to Riga. During the first half of 2023, works were successfully carried out on the most mature section of the project, the Kaunas–Lithuania–Latvia state border. This year, a crossing, engineering structures, car access roads and a railway bridge over the river Neris will be built.



2. **In the search for diversification solutions, a strong focus is being placed on the development of freight transport on the 1435 mm gauge.** The regular intermodal services from Kaunas Intermodal Terminal to Duisburg in Germany, which started last year, have been supplemented by a new Kaunas–Slavkow route (with a stop in Pruszków, Poland). From 15 June, trains will run back and forth on this route twice a week. LTG Cargo will be the intermodal transport operator in both Lithuania and Poland. Services on the Polish domestic market are developing steadily, with LTG Cargo's subsidiary LTG Cargo Polska gaining momentum, having transported 583 freight trains last year.

(all amounts are in EUR million unless otherwise stated)

Production and innovation: renewal of LTG Cargo's freight wagon fleet

Production of freight wagons. In order to expand the range of services provided by the LTG Group and to increase the revenue generated by the new activities, LTG Cargo aims to start wagon production in Lithuania. Production lines have been set up in Vilnius and Radviliškis, and the testing of two open wagons has been successfully completed and a certificate of verification in Lithuania has been obtained. During Q1 2023, a decision was taken by the LTG Cargo Management Committee to assess the possibility of renewing the fleet by modernising the existing open wagons. The modernisation would be carried out by replacing the body with a new one and overhauling the trolley and other crew components (e.g., brakes, clutch). The body would be produced on an existing production line. Project materials are currently being prepared and negotiations are underway with suppliers of components and materials. In addition, in view of the need for diversification, the possibility of reorienting the production of wagons for the 1435 mm market in the future is being assessed.

Closer to the customer: the LTG Link ticketing system

At the end of March 2023, a new, modern online ticketing system was launched. The project to install ticketing machines continues: the procurement phase is completed, the final tenders from suppliers have been received and evaluated, and the contract is awarded. The new system makes it easier to keep customers informed about the route or changes to each route, to analyse travel data, and to buy tickets more easily and quickly. Plans are underway to integrate other modes of transport into the mobile application, making it possible to plan a door-to-door journey on a single ticket.

ANNUAL OBJECTIVES FOR 2023

In February 2023, the LTG Board approved the **LTG Group's annual objectives**, metrics and target values linked to the implementation of the LTG Strategy. Taking into account the LTG Group's ambition and strategic objectives, the annual targets help to ensure LTG's value creation through the integration into Western markets, the expansion of its activities in Lithuania and abroad, increased operational efficiency, the implementation of a culture of sustainability, and a strong focus on ensuring business resilience. In line with the approved annual targets, LTG Group employees have personal objectives. This way, LTG 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.

Main objectives / targets	Indicators for measuring achievement of the objectives / targets	Aims and tasks	Weight, %
VALUE CREATION THROUGH INTEGRATION INTO WESTERN MARKETS	LTG Group EBITDA margin	LTG Group's long-term profitability in line with shareholder expectations	25.0
	LTG Group's value creation projects for integration into Western markets	Successful implementation of Westward integration projects: Rail Baltica, electrification of Corridor IX, FREE Rail programme, modernisation of ERP system	20.0
OPERATIONAL EFFICIENCY	LTG Group's operating costs to revenue ratio	LTG Group's declining cost levels for market competitiveness and flexibility	15.0
GREEN DEAL	ESG rating	Implementation of actions and measures under the plan	10.0
BUSINESS DEVELOPMENT	LTG Group income from foreign markets	Expansion of the business westwards for revenue growth and diversification	20.0
COMPREHENSIVE SECURITY	Level of business resilience	Strengthening of business resilience by implementing cyber security, anti-corruption, GDPR, information security measures and reducing LTG Group's technological dependence on unfriendly countries	5.0
	Indicator of time lost due to injuries	Minimisation of incidents by ensuring a high level of occupational safety	5.0

MOST SIGNIFICANT EVENTS FOR THE FIRST HALF OF 2023

JANUARY

- A new selection procedure for a civil servant member of the Board of LTG Cargo was launched. His/her area of expertise is regional and national transport policy.
- 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.
- It has been announced that due to the electrification works in progress on the railway section Kaišiadorys–Radviliškis, train traffic will be significantly restricted from 6 February to May. While work on a major railway infrastructure project is underway, some of the Vilnius–Klaipėda, Vilnius–Šiauliai and Kaunas–Šiauliai train services organised by the passenger transport company LTG Link will be temporarily shortened or cancelled.
- On 17 January 2023, the Articles of Association of AB LTG Cargo, UAB LTG Link, AB LTG Infra were amended to add new powers of the Board and to modify the scope of transactions approved by the Board.
- The new Boards of the subsidiaries of AB Lietuvos geležinkeliai, i.e., LTG Cargo, LTG Infra and LTG Link, have been approved and started their activities. Arnoldas Ūkeniekas and Vitalij Rakovski will serve as independent members of the Board of LTG Cargo, while Vytautas Radzevičius, LTG's Director for Strategy and Business Development, and Irena Jankutė-Balkunė, LTG's Director of People and Culture, will also serve on the Board. Gediminas Almantas and Haroldas Nausėda will be independent members of the Board of LTG Infra. Ramūnas Rimkus will be a member of the Board of LTG Infra as a civil servant; the Board will also include LTG's Director for Administration Ieva Lauraitytė and LTG's project and investment management expert Sigitas Kubilis. Aurelija Kazlauskienė and Viktoras Bachmetjevas will be independent members of the Board of LTG Link. Aistė Gasiūnienė will join LTG Link as a member of the Board as a civil servant, while LTG's Director for Legal and Compliance Irmantas Beržauskas and Chief Financial Officer Andrej Kosiakov will also serve on the Board.
- In January, the liquidation procedures of the Public Enterprise Transporto inovacijų centras were launched. The decision to close the institution was taken by its founders – Lietuvos Geležinkeliai (LTG), Lietuvos Paštas and Kelių Priežiūra. In order to use available resources more efficiently, from now on, publicly owned companies in the transport sector will concentrate their resources internally for technological development, the search for modern solutions and their application.

FEBRUARY

- Electrification works on the Kaišiadorys–Radviliškis section started on 6 February. The construction work on the 125 km section of the overhead contact line is expected to continue until the first quarter of next year. The investment in this phase of the project amounts to EUR 136.5 million.
- On 8 February 2023, the updated version of the Articles of Association of AB Lietuvos Geležinkeliai was registered in the Register of Legal Entities, in which additional competences of the Board have been established – to assess the Company's risks, prioritise and approve management strategies; to make decisions on loan or other financing transactions with a value of EUR 3 million or more; to approve the decisions of the Boards of subsidiaries to enter into transactions with a value equal to or exceeding EUR 6 million.
- The Board of LTG and the Board of LTG Cargo have agreed that LTG Cargo, as the sole shareholder of LTG Cargo Polska Sp. z o.o., shall 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.
- Following the completion of the selection procedures, Justas Vyžintas has been appointed as the new CEO of the LTG Group subsidiary UAB Geležinkelio Tiesimo Centras by the shareholder's decision.
- On 21 February 2023, LTG's Board decided to sell LTG's terminal assets, approved LTG Infra's decision to acquire them for EUR 10,839,141 and agreed to LTG Cargo's divestment and LTG Infra's acquisition of the cargo handling business for EUR 438,000. This decision was taken in continuation of the centralisation of LTG Group's terminals and cargo handling activities, which was initiated in June 2022, and in view of the growing impact of the terminals' activities on the achievement of LTG Group's strategic objectives, as well as in order to optimise operations and increase efficiency. As at 31 March 2023, the assets related to the terminals' activities, and the cargo handling services part of the business as at 1 May 2023, have been successfully transferred into LTG Infra.

MARCH

- On 10 March 2023, LTG Infra launched a tender for the purchase of X-ray equipment for the Stasylos and Kybartai sections. The system will contribute to more effective control of sanctioned goods.
- On 13 March 2023, Agnė Belickaitė took office of Director for Corporate Affairs of LTG.

- On 20-21 March, the LTG Board held a strategy session to present the strategies of the LTG Group and LTG subsidiaries. Following comments and corrections by the LTG Board, the strategies of the subsidiaries were approved by their respective Boards, and the LTG Board on 4 April approved the LTG Group Strategy 2027: Integration into Europe.
- The decision of the Board of LTG of 22 March 2023 approved 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.
- On 23 March 2023, Agnė Belickaitė left the position of Director for Corporate Affairs of LTG. The decision was made by mutual agreement of the parties due to the appearance of a possibility of a conflict of interest.
- On 24 March 2023, Lietuvos Geležinkeliai Group has strengthened the processes regulating the declaration of interests of participants in job selections. This step increased LTG's resistance to external factors and ensured the highest standards of good governance. To improve the processes of declaration of interests in the LTG Group, LTG's measures for preventing corruption and conflicts of public and private interests were updated in March. The LTG Conflict of Interest Prevention and Management Policy was approved, which defines the concept of the possibility of a conflict of public and private interests. Also, from 24 March before proceeding to the final stage of selection, applicants for positions in the LTG must fill out declarations in an updated form, in which they must also disclose information about their potential political vulnerability and related persons.
- The LTG Group has developed and is implementing the FREE Rail programme to help achieve the goal of full integration of business relations, technology and IT with Europe by 2030.
- LTG Cargo has developed and introduced a methodology for capturing CO_2 savings for intermodal freight and has set up certificates for customers to prove it.
- LTG Infra has completed the installation of foundations and supports in single tracks for the second phase of electrification on the Kaišiadorys–Radviliškis section. Work continues on the third phase Radviliškis–Klaipėda (Draugystės station).
- 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 of the Republic of Lithuania.
- Karolis Sankovski, CEO of LTG Infra, LTG Group's infrastructure management company for almost six years, retired in March. He will be replaced in April by Rūta Jakubauskienė, currently Head of Strategy and Governance. She will act as interim CEO until a permanent CEO is appointed.

APRIL

- LTG Infra has launched a tender for the construction of a military and civilian site in Palemonas. The project will expand the capacity of the loading bay, build three additional tracks, and reconstruct/refurbish the pavement of the military and loading yards. The construction of the site will contribute to the country's readiness to host NATO troops.

MAY

- Lietuvos Geležinkeliai (LTG), which seeks full integration with Europe, signed a Memorandum of Understanding with Ukrainian Railways in Munich on 9 May – Europe Day. In the Memorandum, the companies agreed to cooperate in the implementation of the FREE Rail programme, initiated by LTG, which aims to develop a rail operating model based on EU rail standards and best practices and aligned with the specificities of broad gauge (EU+).
- LTG Infra has finalised the procurement of the Station Management Tool, its implementation, development, support, and training services. The new station management tool will make traffic management more efficient and modern.

JUNE

- Voitech Makovskij, Head of International Development, and Indrė Kisielienė, who has joined the management team of LTG Link, the leading passenger transport company, as Head of Corporate Affairs. In order to develop new routes connecting Lithuania and its western neighbours and to carry out the preparatory work for the integration of the Rail Baltica line, the International Development Unit has been established as a new function within the Company.
- Lietuvos Geležinkeliai (LTG) Group, which seeks closer mutual cooperation with scientific institutions, has signed 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 of VGTU (Vilnius State University of Technology). This step marks LTG's commitment to contribute to a more active dialogue with the scientific community and a mutual effort to improve the knowledge of professionals educated in educational institutions – from schools to colleges and universities – about today's business needs, the prospects of the railway industry and the latest technologies used.

- As Lietuvos Geležinkeliai (LTG) strengthens the Group-wide implementation of Rail Baltica, the functions of Rail Baltica Statyba are being expanded and the selection of a Director has been announced. The new head of the company will be responsible for centralised coordination of Rail Baltica implementation between the different companies of the Lietuvos Geležinkeliai (LTG) Group.
- On 13 June 2023, LTG Board approved the Company's and consolidated annual report of AB Lietuvos Geležinkeliai for the year 2022, accepted audited the Company's and consolidated set of financial statements of AB Lietuvos Geležinkeliai for the year 2022, accepted the draft profit (loss) distribution of AB Lietuvos Geležinkeliai for the year 2022 and submitted them to the General Meeting of Shareholders. Later On 4 July 2023, the Ministry of Transport and Communications of the Republic of Lithuania, implementing the rights and duties of the Company's shareholder, approved the set of the financial statements of AB Lietuvos Geležinkeliai for 2022, the set of the consolidated financial statements of AB Lietuvos Geležinkeliai for 2022 and distribution of profit (loss) of AB Lietuvos Geležinkeliai for 2022.
- LTG Cargo, the freight transport company of the LTG Group, has started to carry out regular intermodal freight transport trips on the route Kaunas–Slawkov. From 15 June, trains run back and forth on this route twice a week. In addition, to strengthen rail links with Poland, customers can transport freight to the Pruszków terminal near Warsaw – trains on the Kaunas–Slawkov route operate with an intermediate stop near the Polish capital.
- LTG Link, the passenger transport company of the Lietuvos Geležinkeliai (LTG) Group, will purchase new electric and battery-electric trains from the Swiss train manufacturer Stadler Group. The trains will be built for LTG Link by Stadler Polska, which signed the contract in June. The successful tenderer has signed a EUR 226.5 million contract to build 15 ultra-comfortable trains, provide technical support for their maintenance and supply spare parts until 2037.
- The European Commission has allocated almost EUR 1 billion (EUR 928 million to be precise) for the implementation of Rail Baltica in the Baltic States, of which Lithuania's share is EUR 394 million. This is the largest funding Lithuania has ever received from the Connecting Europe Facility (CEF). The funding will be used for the construction of the railway and its structures from Kaunas towards the border with Latvia: the construction of the crossing and engineering structures, the construction of the access service roads in the sections Kaunas–Šveicarija and Šėta–Ramygala, the preparatory works, the technical supervision, the risk and safety assessment, the conformity assessment and the other activities related to the railway construction. The additional funding will also be used for land acquisition activities on two sections: the Kaunas railway junction and the Kaunas–Lithuania–Poland state border section.
- LTG Infra has implemented a new business management system, S/4Hana. The new management system will ensure high quality, reliable and accessible data from a single source, more efficient planning of work and material capacity, and eliminate duplication of functions.

SUBSEQUENT EVENTS

JULY

- LTG Cargo, the Group's freight company, will buy electric locomotives for the first time in its history. Around EUR 100 million is expected to be invested in new green electric locomotives, parts and maintenance. LTG Cargo plans to procure both electric locomotives and technical support for their maintenance and the supply of spare parts through a public tender launched in July.
- LTG Link, the Group's passenger transport company, will install modern ticketing machines at the country's railway stations that attract the highest passenger flows. The ticketing machines will be manufactured for LTG Link by Mera Systemy and Mera-Serwis, Polish companies operating on a joint venture basis. The successful tenderers will provide the manufacture of 33 ticketing machines, the installation of the monitoring and control system, the maintenance of the system and the ongoing maintenance during the operational period, for a total cost of almost EUR 1.7 million.

INFORMATION ON BUSINESS CONTINUITY OF LTG GROUP COMPANIES

The first half of 2023 saw continued geopolitical developments related to Russia's military actions in Ukraine and the imposition of a wide range of sanctions by the United States, the United Kingdom and the European Union on the financial, energy, transport, trade and other sectors of the Russian Federation and Belarus. During the analysed period, additional sanctions were imposed, affecting the activities and performance of LTG Group companies.

The Company's management, together with the heads of LTG Group companies, closely monitors the geopolitical situation in Eastern Europe, cooperates with the Lithuanian authorities, shares information and is prepared to react promptly by making the necessary decisions.

The LTG Group's companies with the most significant impact on operations are LTG Cargo, the freight carrier, and LTG Infra, the infrastructure manager:

- In the first half of 2023, LTG Cargo's freight turnover decreased by 23.0% compared to the first half of 2022, while the Company's sales revenue decreased from EUR 146.8 million in the first half of 2022 to EUR 137.9 million in the first half of 2023, or by EUR 8.9 million. LTG Cargo also experienced delays in the delivery of locomotives and wagon parts as a result of disruptions in its international supply chains. 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. As part of the diversification and consistent development of services on the Polish market, LTG Cargo's subsidiary LTG Cargo Polska grew its business volumes and sales turnover (in the first half of 2022, LTG Cargo Polska's revenue amounted to EUR 3.4 million, while in the first half of 2023 it amounted to EUR 16.2 million). Semi-trailer transports on the route Kaunas Intermodal Terminal – Duisburg are underway, and intermodal freight transports on the route Kaunas Intermodal Terminal – Slawkov will start in June 2023;
- In the first half of 2023, after a 19.0% decrease in train working volume (gross tonne-kilometres), LTG Infra's sales revenue, without taking into account the subsidies provided by the State to balance revenues and costs, decreased from EUR 73.2 million in the first half of 2022 to EUR 57.7 million in the first half of 2023, or EUR 15.5 million. LTG Infra's revenues are essentially derived from the remuneration received for the provision of the minimum access package to the public railway infrastructure, which is paid by railway undertakings (carriers), mainly the Group's freight carrier LTG Cargo;
- The sanctions did not have a significant impact on the Group's passenger company LTG Link during the reporting period, but did have an impact on the development of international routes – the planned Kiev–Vilnius–Riga route was not launched. Since 2020, when the COVID-19 pandemic began, passenger train services between Vilnius and Minsk have been suspended. Taking into account all the circumstances and in accordance with the Republic of Lithuania Law on Restrictive Measures due to the Military Aggression against Ukraine, which entered into force as at 3 May 2023 (No. XIV-1888 of 20/04/2023), the resumption of the train service between the capital cities of Lithuania and Belarus is not planned to be resumed in the year 2023 as well as in the years to come. In addition, there remains uncertainty about the continued operation of transit trains. In addition, the war in Ukraine caused by Russia has disrupted supply chains, in particular for the necessary components and spare parts for the old LTG Link trains, and an intensive search is underway to find alternative solutions to keep part of the train fleet in service. LTG Link's sales revenue, unlike other LTG Group companies, increased from EUR 13.8 million in the first half of 2022 to EUR 20.0 million in the first half of 2023 or EUR 6.2 million.

The LTG Group's total sales revenue, excluding the impact of subsidies, increased from EUR 164.2 million in the first half of 2022 to EUR 167.8 million in the first half of 2023, i.e. by EUR 3.6 million, or 2.2%, over the analysis period.

In view of the current situation, the Company's management continues to assess the main risks and threats related to business continuity and the impact on the operations of the LTG Group and its companies and continues to implement the necessary actions to manage the situation:

- The implementation of the Operational Optimisation Project continues, covering three axes: improving operational efficiency, cost reduction, diversification, and expansion into new markets.
- Business continuity plans are reviewed on a quarterly basis and business forecasts are updated for the LTG Group as a whole, with a focus on the outlook and cash flow balancing of the LTG Group's LTG Cargo and LTG Infra, the operator of the public railway infrastructure.
- Decisions were taken to control LTG Group's costs, and the portfolio of investment projects was reviewed.
- Public subsidies to LTG Group companies – LTG Link and LTG Infra – have been guaranteed:
  - public passenger services are fully funded, covering all losses incurred by these activities. The long-term contract signed in December 2022 with the Government of the Republic of Lithuania for 10 years (2023–2032) for the outsourced services and their financing by *Public Service Obligations* (PSOs) ensures the continuity of operations. The average annual amount of co-financing for passenger transport will be EUR 40 million, which will not only provide the necessary funding, but also allow the renewal of the train fleet. During the reporting period, a contract was signed for the purchase of new electric trains. The project is intended to be financed by international institutional banks with a state guarantee.
  - In accordance with the EU Directive 2021/34/EU and the provisions of the RTC, on 6 April 2022, the Ministry of Transport and Communications of the Republic of Lithuania and LTG Infra, the company managing the country's public railway infrastructure network, signed a Quality and Funding Contract for the railway service facilities owned by the Lithuanian State, which is publicly available on LTG Infra's web site (link). The LTG Group company will be able to ensure stable infrastructure maintenance and a high level of safety in rail transport, as well as to improve the quality of services provided. The contract will run for five years. The state's long-term obligation to balance the revenues and costs of the infrastructure manager is enshrined in both European Union and Lithuanian legislation.
- In order to ensure liquidity risk management, the Company has an existing EUR 30.0 million short-term funding agreement (overdraft) with one of the commercial banks serving the LTG Group.
- The LTG Group's Long-Term Strategy 2027: Integration into Europe has been revised and updated and approved by the LTG Board on 4 April 2023.

According to the LTG Group's management, the measures taken, and the additional public funding will enable the LTG Group to balance the cash flows necessary to ensure the continuity of its operations and to service its existing loan agreements and commitments to partners.

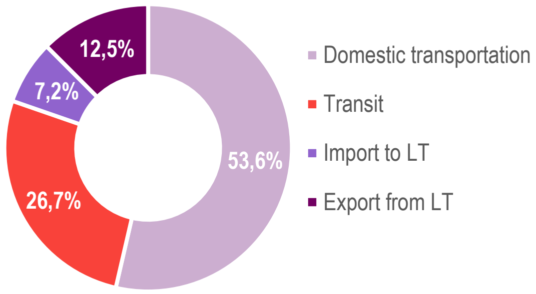
OVERVIEW OF THE LTG GROUP'S KPIs

Transportation volumes		H1 2021*	H1 2022	H1 2023	2023/2022 Δ, %
Freight turnover	**in billion tons km**	**7.0**	**4.0**	**3.0**	**(23.0%)**
Average distance travelled per ton	**km**	**291**	**245**	**233**	**(5.0%)**
Freight carried	**in million tons**	**24.0**	**16.1**	**13.1**	**(18.9%)**
Freight transportation segments					
Domestic transportation	in million tons	6.5	5.9	7.0	(18.2%)
International transportation	in million tons	17.5	10.2	6.1	(40.5%)
Transit	in million tons	5.4	4.7	3.5	(25.6%)
Export from Lithuania	in million tons	2.2	1.6	1.6	(0.1%)
Import to Lithuania	in million tons	9.9	3.9	1.0	(75.7%)
Passenger turnover	**in million passenger km**	**114.0**	**195.3**	**208.2**	**6.6%**
Average distance travelled by passenger	**km**	**81**	**88**	**88**	**0.0%**
Passengers carried	**in millions of pass.**	**1.410**	**2.212**	**2.358**	**6.6%**
Domestic	in millions of pass.	1.331	2.120	2.214	4.4%
International	in millions of pass.	0.079	0.092	0.144	56.2%
Train operational volume	**in billion tkm gross**	**13.8**	**8.4**	**6.8**	**(19.0%)**

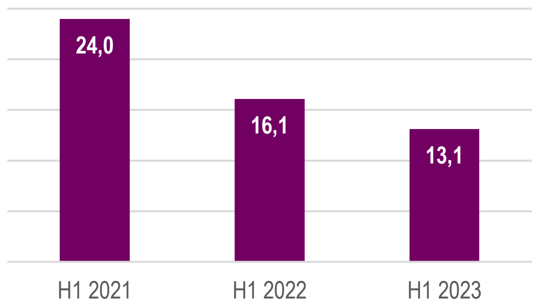
* having re-conducted data analysis and identified a discrepancy between the number of fixed-term tickets for local transport sold in 2021 actually and the ones recorded automatically in the data system, LTG Link adjusted the results of passenger transport on local routes for 2021.

FREIGHT TRANSPORTATION BY RAIL

Freight transportation segments in H1 2023, %



Freight volumes (in million tons)



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

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.

Rail transport in the first half of 2023 was dominated by oil and its products and products of plant origin. These types of freight accounted for more than half of all rail freight transported during the period under analysis.

Local transportation volumes, which accounted for 53.6% of total freight transport volumes, increased by 18.2% to 7.0 million tonnes in the first half of 2023. The increased need to improve road infrastructure resulted in an increase in the transport of construction materials as well as oil and its products and products of plant origin during the analysis period. The increase in these types of freight compensated for the decrease in fertiliser transportation. Cargo flows through 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.

International transportation, which accounted for 46.4% of the total freight transported, decreased by 40.5% compared to the first half of 2022 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 most significant decrease was in the volume of solid mineral fuels in transit. The amount of cargo entering and leaving through Klaipeda 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. During the analysing period the volume of intermodal container train transport fell by 33.3% to 57,000 TEUs[1]. 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.

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.

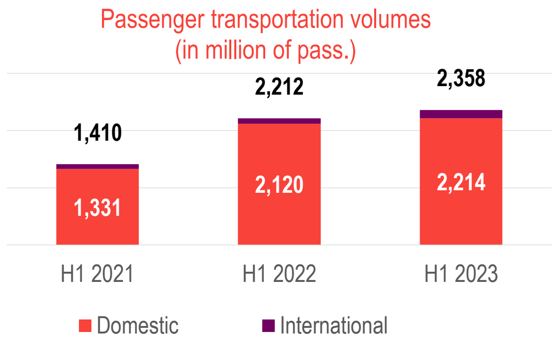
[1] measurement unit, 20-foot equivalent unit

PASSENGER TRANSPORTATION BY RAIL

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

The total number of rail passengers increased by 6.6% in the first half of 2023 compared to the first half of 2022.

More passengers were carried on both domestic and international routes, with passenger flows practically reaching pre-pandemic levels. In the first half of 2023, 93.9% of rail passengers travelled on domestic routes and 6.1% on international routes.



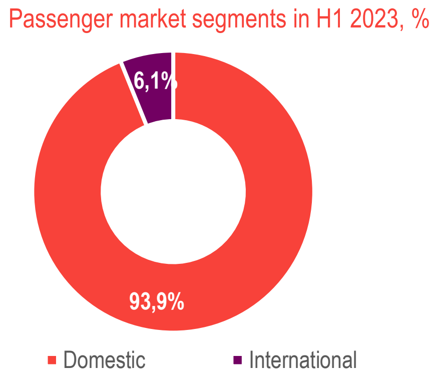
Domestic transport increased by 4.4% to 2.214 million passengers compared to the first half of 2022. The growth in passenger numbers has been positively influenced by a number of ongoing marketing campaigns and other measures to increase the attractiveness of train travel. However, higher growth of passenger transport volumes in the local transport market was limited during the analysed period by intensive electrification works on the Vilnius–Klaipėda section of the rail network. Traffic interruptions for roadworks have led to cancellations or shortened train routes.

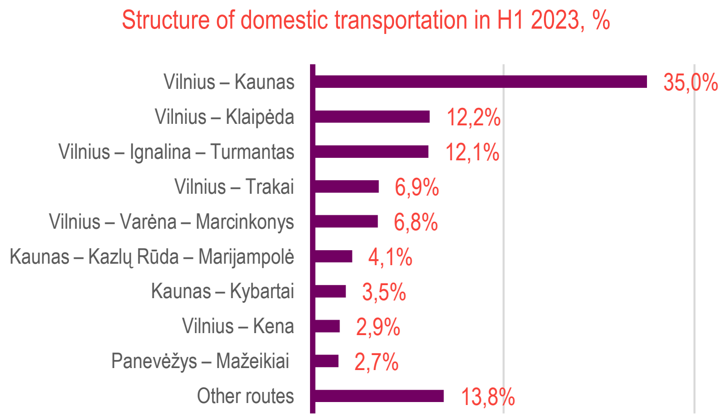
The introduction of Smart ticketing and the mobile application in 2022 has led to a steady increase in the number of tickets purchased through digital sales channels. As well as faster ticket purchases, passengers can conveniently store their tickets, view travel information and receive notifications about important changes to their journey.

Vilnius–Kaunas remains the most popular local route (35.0% of all local traffic), with 0.8 million passengers travelling on it in the first half of 2023. The very popular Seaside Express trips to the country's seaside resorts continue in the summer months. Joint trains and special buses from Vilnius can take passengers to Palanga, Nida and other seaside resorts. The Seaside Express is one of the most prominent projects of the LTG Link team promoting sustainable mobility.

During the reporting period, **international transportation** was carried out by transit trains through the territory of the Republic of Lithuania to the Kaliningrad region and by passenger trains to Poland. At the end of June 2023 there were 10 international trains, 8 of which were transit trains.

The number of passengers in the international segment grew by 56.2% compared to the first half of 2022 and reached 0.144 million passengers. The growth has also been boosted by the launch on 11 December 2022 of a joint international train with the Polish carrier PKP Intercity, which will run daily from Vilnius to Warsaw and Krakow. In January-June 2023, 51,000 passengers travelled on this route, including 20,000 on international routes. The average occupancy rate was 61%.





SERVICES OF THE PUBLIC RAILWAY INFRASTRUCTURE MANAGER

The functions of management, use and disposal by the right of trust and of the public railway infrastructure manager have been carried out by LTG Group company LTG Infra.

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

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

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

The manager of public railway infrastructure LTG Infra sets the rates of charges and they are available on the company's website (link). The set charges were calculated based on the Payment Rules of the fee for allocated but not used public railway infrastructure capacities, approved by the Government of the Republic of Lithuania by Resolution No 610 of 19 May 2004 "Regarding Payment for the Minimum Access Package, and Approval of Calculation and Payment Rules of the Fee for Allocated but not Used Public Railway Infrastructure Capacities" (with subsequent amendments).

In 2023, railway undertakings (carriers) and repair undertakings paid contributions of the charge for the minimum access package (traffic of trains; passenger, luggage transport by transit; market segment of freight transport by transit, freight transportation by rail transport in which mark-up may be imposed; use of overhead contact line) and fee for allocated but not used public railway infrastructure capacities.

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

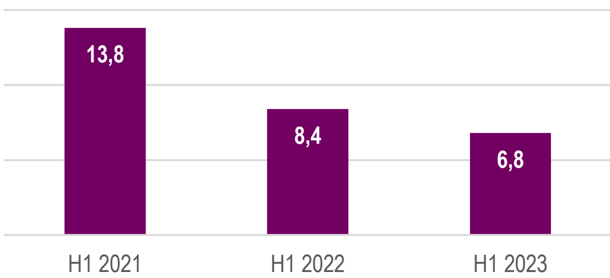
The activities carried out by LTG Infra are monitored by the railway transport market regulator whose functions, since the start of 2017, have been performed by the Communications Regulatory Authority of the Republic of Lithuania.

LTG Infra holds and maintains the assets with the value of EUR 1.7 billion.

In the first half of 2023, the volume of train work decreased by 19.0% compared to the first half of 2022 and amounted to 6.8 billion tonne-km gross gross. The most significant impact was caused by a decrease in LTG Group's LTG Cargo volumes due to Russia's military actions in Ukraine and imposed sanctions.

The Company implements high-value investment projects, some of which are recognised as economic projects of national importance. The Rail Baltica project, the electrification of Corridor IX B, the construction of second railway tracks, the installation of noise attenuation walls, etc. continue. For more information on ongoing investment projects, see the *Investments* section of the report.

Train operational volume (in Bn tkm gross gross)



ANALYSIS OF FINANCIAL AND OPERATIONAL PERFORMANCE

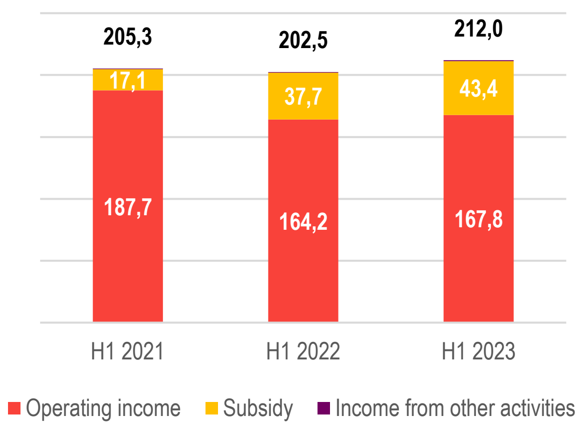
LTG GROUP PERFORMANCE RESULTS

LTG GROUP REVENUE

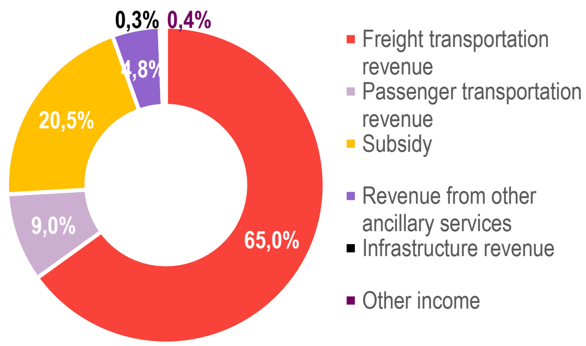
In the first half of 2023, the Group's revenue amounted to EUR 212.0 million, an increase of EUR 9.5 million or 4.7% compared to the first half of 2022. The majority, or 65%, of revenue come from freight transport activities.

- **The Group's operating income** grew by 2.2% to EUR 167.8 million in the analysed period:
  - **Freight transportation revenue** increased by EUR 0.9 million, or 0.6%, to EUR 137.9 million compared to the first half of 2022. As a result of the impact of sanctions and the reduction of links with Russia and Belarus, freight turnover fell by 23.0% in the analysed period. This contributed to a decrease in LTG Cargo's revenue for the period under review, but the consistent development of services on the Polish market led to a significant increase in LTG Cargo Polska's revenue, offsetting the decline in overall freight sales. The increase in transit tariffs also had a positive impact;
  - **Passenger transportation revenue** in the first half of 2023 increased by EUR 5.9 million or 44.3% to EUR 19.2 million. The comparative weight of these revenues in the Group's total revenue structure increased to 9.0%. Revenue growth was driven by rising passenger traffic on both domestic and international routes, including the connection with Poland. Increases in freight prices and various marketing campaigns to boost sales have also had an impact;
  - **Revenues from the use of public railway infrastructure** from non-Group companies are not significant in the overall revenue structure and amounted to EUR 0.5 million in the first half of 2023 (EUR 0.6 million in the first half of 2022);
  - The Group also provides **other ancillary services**, such as rolling stock maintenance and repair, asset leasing, scrap metal sales and other services. This revenue represented 4.8% of the total revenue earned and decreased by EUR 3.1 million or 23.0% to EUR 10.2 million over the analysed period. The number of locomotives and their crews working abroad continued to fall, with a drop in international freight traffic, fewer scrap metal sales, and a shortage of spare parts leading to a drop in commercial repairs.

LTG Group income, EUR million

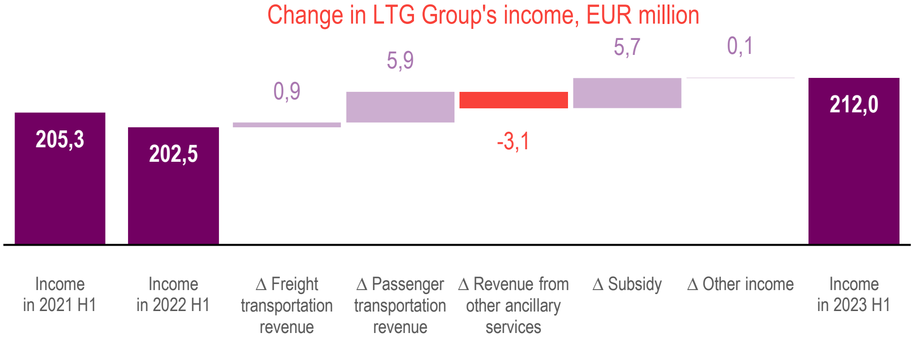


LTG Group income structure in H1 2023, %



- **The Group's other income** amounted to EUR 0.8 million in the first half of 2023, with no significant change compared to the first half of 2022.
- **Subsidy** income amounted to EUR 43.4 million in the reporting period (EUR 37.7 million in the first half of 2022). The state budget compensates LTG Link for the losses incurred by LTG Link in the provision of public passenger transport services by rail – in the first half of 2023, LTG Link's subsidy income amounted to EUR 15.5 million (in the first half of 2022 it amounted to EUR 17.3 million). Also, from 2022, as a result of significant changes in operating conditions and freight transport volumes due to the war in Ukraine, public funds are being allocated to balance the revenues and costs of LTG Infra, the public railway infrastructure manager, with the subsidy income of LTG Infra amounting to EUR 27.9 million in the first half of 2023 (EUR 20.4 million in the first half of 2022). The Group continues to pursue efficiency initiatives and diversification in order to increase transport volumes, optimise costs and reduce the need for public subsidies to balance operations.

Change in LTG Group's income, EUR million

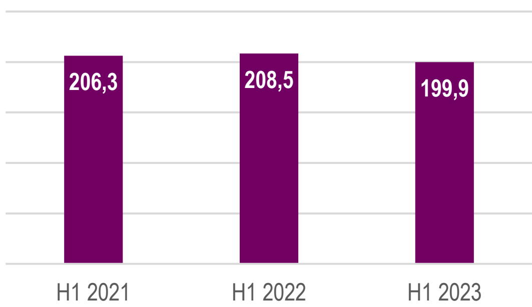


LTG GROUP COSTS

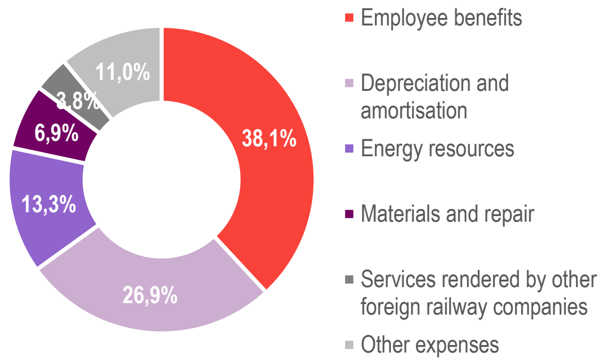
The Group's costs in the first half of 2023 amounted to EUR 199.9 million. Compared to the first half of 2022, costs decreased by EUR 8.6 million or 4.1%. Due to the changed operating environment, the LTG Group is optimising its activities, one of the directions of which is cost reduction. The measures taken have helped to contain costs and avoid losses, although inflation and fluctuations in energy prices have a significant impact.

The majority of the Group's costs are attributable to personnel costs (38.1%), depreciation (26.9%) and energy costs (13.3%).

LTG Group costs, EUR million

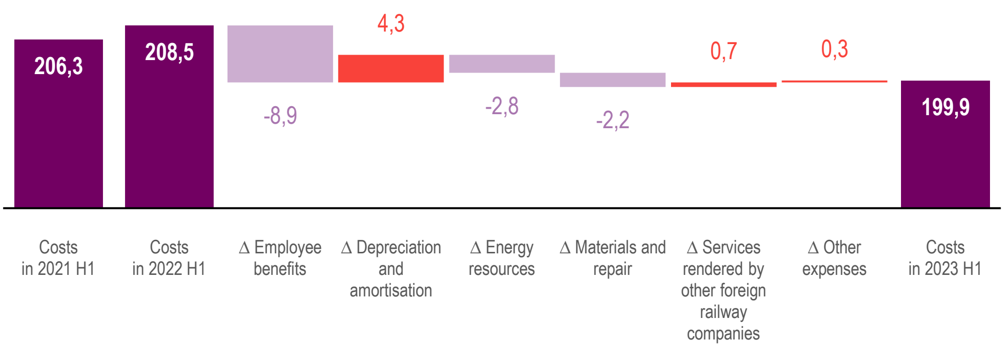


LTG Group costs structure in H1 2023, %



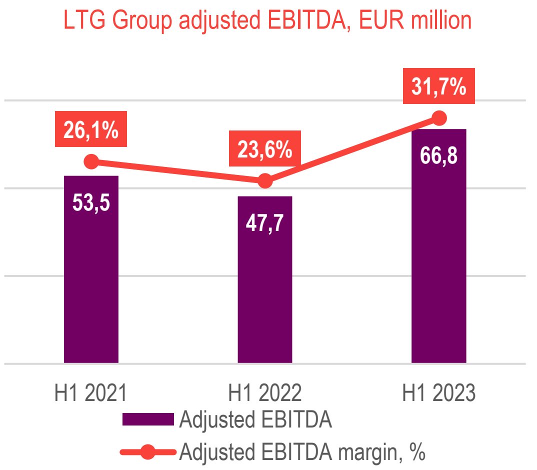
- **Employee benefits costs** amounted to EUR 76.2 million in the first half of 2023, a decrease of EUR 8.9 million or 10.5% compared to the first half of 2022. The decrease in costs is due to a significant reduction in the number of employees – on 30 June 2023, the number of employees in the Group's companies was 6,104, compared to 7,023 on 30 June 2022. In addition to the reduction in the number of employees, the level of wage costs for the analysed period was affected by the annual review of staff salaries, which led to an increase in average wages. Changes in average salaries are shown in the section *Employees* of the report.
- **Depreciation costs** in the first half of 2023 amounted to EUR 53.9 million, an increase of EUR 4.3 million or 8.5% compared to the first half of 2022. The increase in depreciation during the period under review was mainly driven by transferring the assets from construction in progress into operation. Significant part of public railway infrastructure investment projects is long-term and are being implemented for several years. Depreciation of LTG Cargo Polska's right-of-use assets has also increased as a result of the expansion of the Polish market.
- **The cost of energy resources** (fuel, electricity) in the first half of 2023 amounted to EUR 26.6 million, a decrease of EUR 2.8 million or 9.5% compared to the first half of 2022. The most significant cost drivers are changes in freight volumes and fluctuations in energy prices.
- **Materials, repairs and technical maintenance costs** in the first half of 2023 amounted to EUR 13.8 million, a decrease of EUR 2.2 million or 13.6% compared to the first half of 2022. During the reporting period, planned repairs necessary to ensure traffic safety were carried out.
- Expenses for **services rendered by other foreign railway companies** amounted to EUR 7.5 million in the first half of 2023, an increase of EUR 0.7 million, or 10.2%, compared to the first half of 2022. Their growth in the reporting period is attributable to increasing volumes in the Polish market.
- **Other expenses** amounted to EUR 21.9 million in the first half of 2023 and did not change significantly compared to the first half of 2022.

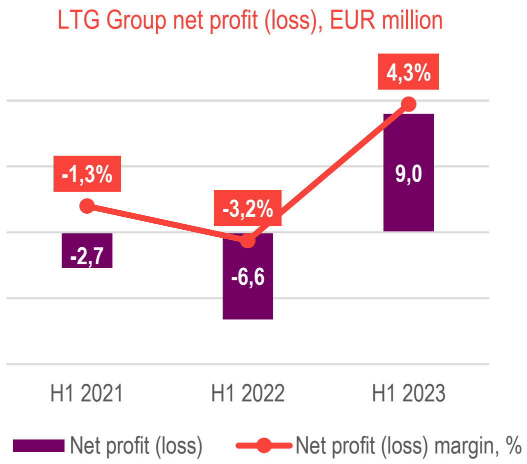
Change in LTG Group's costs, EUR million



LTG GROUP PERFORMANCE RESULTS

In the first half of 2023, the LTG Group's performance improved. Ongoing LTG Group's business optimisation and diversification, as well as government support helped to contain costs and avoid losses. The Group's adjusted EBITDA for the first half of 2023 increased to EUR 66.8 million, with a positive operating result and a net profit of EUR 9.0 million.





CHANGES IN THE STATEMENT OF FINANCIAL POSITION OF LTG GROUP

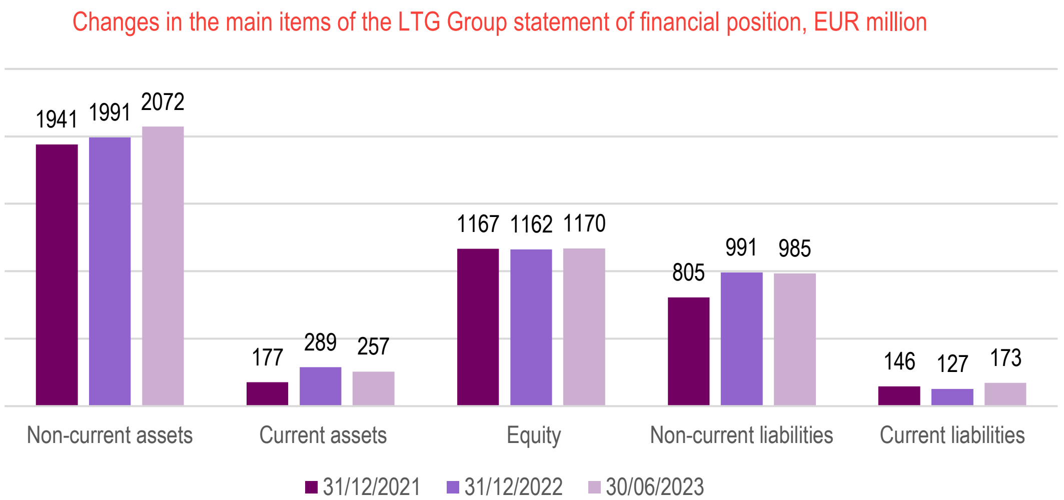
The Group's assets as at 30 June 2023 amounted to EUR 2,328.3 million, an increase of 2.1% compared to 31 December 2022. Non-current assets, which accounted for 89.0% of total assets, increased by 4.0% to EUR 2,071.8 million. As the companies of the Group are implementing large-scale and multi-year investment programmes, construction in progress increased the most significantly.

Current assets amounted to EUR 256.5 million as at 30 June 2023, a decrease of 11.2% compared to 31 December 2022. The change in current assets was mainly due to a decrease in the cash balance of the Group companies, which stood at EUR 145.1 million at the end of the period.

Authorised capital remained unchanged during the analysed period at EUR 1,059.3 million.

Equity increased by 0.7% to EUR 1,170.2 million as at 30 June 2023. The change is due to an increase in the Group's result for the period.

Financial debt (including leases) decreased by 10.6% to EUR 142.9 million during the analysed period. The decrease in financial debt is due to the repayment of long-term loans, and no new long-term loans were taken out during the reporting period. The decrease in cash balances of the Group's companies during the period under analysis led to an increase in net debt.



(all amounts are in EUR million unless otherwise stated)

MAIN FINANCIAL INDICATORS*

		LTG Group			Company		
		H1 2021	H1 2022	H1 2023	H1 2021	H1 2022	H1 2023
Sales income	million EUR	187.7	164.2	167.8	48.3	48.1	44.0
Subsidies	million EUR	17.1	37.7	43.4	-	-	-
Other income	million EUR	0.5	0.6	0.8	0.4	0.1	5.0
Total income	million EUR	205.3	202.5	212.0	48.7	48.2	49.0
Costs	million EUR	206.3	208.5	199.9	51.9	52.2	47.8
EBITDA	million EUR	54.0	43.7	65.9	0.7	0.1	5.2
Adjusted EBITDA**	million EUR	53.5	47.7	66.8	3.1	1.2	17.6
EBITDA margin	%	26.4%	21.6%	31.2%	1.5%	0.2%	11.8%
Adjusted EBITDA margin	%	26.1%	23.6%	31.7%	6.4%	2.6%	39.9%
EBIT	million EUR	(0.9)	(6.0)	12.1	(3.2)	(4.0)	1.2
EBIT margin	%	(0.5%)	(3.0%)	5.7%	(6.7%)	(8.3%)	2.8%
Net profit	million EUR	(2.7)	(6.6)	9.0	(0.3)	(2.8)	15.0
Net profit margin	%	(1.3%)	(3.2%)	4.3%	(0.6%)	(5.8%)	34.1%

		31/12/2021	31/12/2022	30/06/2023	31/12/2021	31/12/2022	30/06/2023
Non-current assets	million EUR	1,940.6	1,991.3	2,071.8	1,080.4	1,069.1	1,072.1
Current assets	million EUR	177.3	289.0	256.5	84.7	63.1	82.5
Total assets	million EUR	2,117.9	2,280.3	2,328.3	1,165.1	1,132.2	1,154.6
Equity	million EUR	1,166.6	1,161.5	1,170.2	1,108.3	1,099.0	1,114.0
Financial debt	million EUR	180.1	159.9	142.9	10.4	8.8	7.9
Net debt	million EUR	95.4	(53.5)	(2.2)	(27.5)	4.2	(17.6)

Return on equity (ROE)	%	2.0%	0.1%	1.4%	0.3%	(0.3%)	1.3%
Return on assets (ROA)	%	1.1%	0.1%	0.8%	0.3%	(0.3%)	1.3%
Return on investment (ROI)	%	1.2%	0.1%	0.8%	0.3%	(0.3%)	1.3%
Financial debt / EBITDA	times	1.3	1.4	1.1	1.4	2.9	1.0
Financial debt / Equity (D/E)	times	0.2	0.1	0.1	0.0	0.0	0.0
Net debt / EBITDA	times	0.7	(0.5)	(0.02)	(3.7)	1.4	(2.2)
Net debt / Adjusted EBITDA	times	0.7	(0.4)	(0.01)	(2.5)	0.9	(0.8)
Debt servicing ratio	times	4.7	3.6	4.2	-	-	-
Equity ratio	%	55.1%	50.9%	50.3%	95.1%	97.1%	96.5%
Asset turnover rate	times	0.2	0.2	0.2	0.1	0.1	0.1
Quick liquidity ratio	times	1.0	2.0	1.2	1.7	1.7	2.1
Total liquidity ratio	times	1.2	2.3	1.5	1.8	2.4	2.4

* For definitions of the indicators, see page 53 of the Report;

** Next to redundancy payments and compensations to dismissed employees in the course of implementation of the *Performance Optimisation Project*, provision costs unrelated to ordinary activities, were taken into account in the calculation of Adjusted EBITDA in H1 2022.

DIVIDEND POLICY

The payment of dividends and the amount of profit contributions of state-owned enterprises is regulated by Resolution No. 665 of the Government of the Republic of Lithuania dated 6 June 2012 *On the Approval of the Description of the Procedure for the Implementation of the Property and Non-property Rights of the State in State-owned Enterprises* (with subsequent amendments) (link).

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

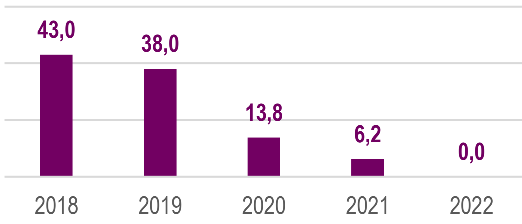
Allocation of dividends for the financial year or a shorter period than the financial year is planned taking into consideration the level of return on equity, net profit earned, financial ability to pay dividends, implementation of economic projects of state importance, as well as other conditions and circumstances set in the Dividend Policy.

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

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

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

LTG allocated dividends, EUR million



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

- The Company incurred a net loss for the reporting period;
- The Company's performance as monitored by institutional creditors at the end of the reporting period for which dividends are proposed would not be in line with contractual values or the size of the indicators would adversely affect the credit rating;
- The Company carries out or participates in carrying out an economic project recognised as of state importance by resolutions of the Government of the Republic of Lithuania or the Seimas of the Republic of Lithuania, or a particularly important project that has an impact on the long-term strategy implemented by the LTG Group;
- The Company's equity after payment of dividends would become less than the amount of authorised capital, compulsory reserve, revaluation reserve and reserve for acquiring own shares of the LTG Group entity;
- The Company is insolvent or would become such after the payment of dividends.

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

On 4 July 2023, the Minister of Transport and Communications of the Republic of Lithuania issued Order No. 3-328 "On the Approval of the Set of Financial Statements for 2022 of the Public Limited Liability Company Lietuvos Geležinkeliai, Approval of the Set of Consolidated Financial Statements for 2022 of the Public Limited Liability Company Lietuvos Geležinkeliai, and Allocation of the Profit (Losses) to Be Distributed in 2022", which approves the financial statements for 2022 of the AB Lietuvos Geležinkeliai, as well as the allocation of the profit (loss) for the 2022. No dividends have been allocated after the Company made a financial loss for the period.

During the reporting period, dividends distributed to the parent Company (LTG) from the distributed profit for 2022 of the subsidiary AB LTG Cargo amounted to EUR 6.6 million, from the subsidiary UAB LTG Link – EUR 5.4 million, from the associate UAB voestalpine Railway Systems Lietuva – EUR 0.3 million.

LTG GROUP FUNDING

The LTG Group's portfolio of loans to credit institutions, after taking into account accrued interest on the loans, amounted to EUR 135.7 million as at 30 June 2023 (EUR 148.5 million as at 31 December 2022). Long-term loans finance rolling stock acquisition projects of LTG Group companies and public railway infrastructure investment projects.

The weighted average interest rate on the Group's loan portfolio as at 30 June 2023 increased to 4.5% due to rising interbank interest rates. The longest maturity of the financial debt is 9 years and the last maturity is 2032.

The parent company AB Lietuvos Geležinkeliai did not have any long-term debt liabilities to external credit institutions as at 30 June 2023, but has guarantee agreements with European Investment Banks and Nordic Investment Banks for the LTG Group companies' liabilities to creditors.

In the first half of 2023, LTG Group repaid EUR 12.8 million of loans and paid EUR 2.4 million in interest. During the reporting period, the LTG Group did not sign any new long-term financing agreements.

During the reporting period, the Group's passenger transport company LTG Link signed an agreement with Stadler Polska, a company of the Swiss train manufacturer Stadler Group, to purchase new electric trains. The project is intended to be financed by international institutional banks with a state guarantee.

In order to ensure liquidity risk management, the Company has an existing EUR 30.0 million short-term overdraft agreement with SEB bank. The Company was not in arrears under this agreement at 30 June 2023.

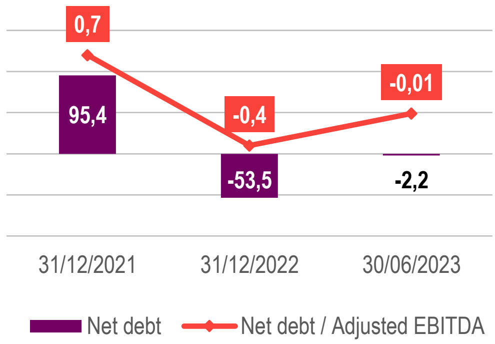
As at 30 June 2023, the net debt of the LTG Group was negative and amounted to (EUR 2.2 million). Compared to 31 December 2022, the net debt ratio increased by EUR 51.3 million as a result of the decrease in the LTG Group's cash balances.

The Group's financial debt-to-equity ratio (D/E) is 0.1 as at 30 June 2023. The Group's level of financial debt remains low.

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

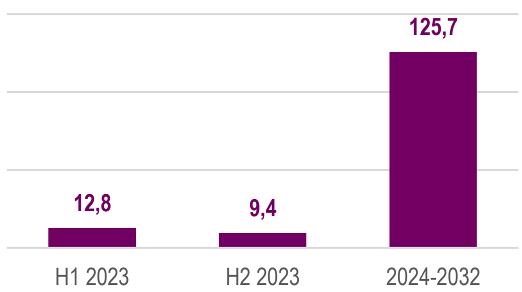
In order to ensure operational funding at the lowest possible cost and to manage liquidity risk, LTG Group has secured the possibility to borrow from one company to another through the Group's cash pool account. The parent company, AB Lietuvos Geležinkeliai, has a single Group account agreement with a commercial bank and, accordingly, all companies in the LTG Group have mutual lending agreements. Group companies sign annual intercompany borrowing agreements. The terms of the agreement are in line with normal market conditions.

LTG Group's net debt, EUR million



Ratios observed by the LTG Group's institutional creditors	Measu-rement	H1 2023	Established value
Net debt / Adjusted EBITDA	times	(0.01)	< 4,0
Equity ratio	%	50.3%	≥ 35%
Debt servicing ratio	times	4.2	≥ 2

Repayment of the LTG Group's loans, EUR million



SPECIAL OBLIGATIONS

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

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

Special obligations performed by LTG Corporate Group:

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

More detailed information on the special obligations of LTG Group companies is available on the websites of the Company, UAB LTG Link and AB LTG Infra, as well as in the 2022 annual statements.

PERFORMANCE OF THE MAIN GROUP COMPANIES

AB LTG Cargo

The Board	Position	Appointed on	Main employer, position
Arnoldas Ūkeniekas	Chairman of the Board, Independent Board Member	Appointed on 23/01/2023	Business Development Manager of UAB Hegelmann transporte, Pirklių g. 5, Žemaitkiemis village, Kaunas district, company code 300022163.
Vitalij Rakovski	Independent Board Member	Appointed on 23/01/2023	CEO of AB Novaturas, A. Mickevičiaus g. 27, Kaunas, company code 135567698.
Vytautas Radzevičius	Board Member delegated by LTG	Appointed on 23/01/2023	Director for Strategy and Development, AB Lietuvos Geležinkeliai, Geležinkelio g. 16, Vilnius, company code 110053842.
Irena Jankutė–Balkūnė	Board Member delegated by LTG	Appointed on 23/01/2023	Director for People and Culture, AB Lietuvos Geležinkeliai, Geležinkelio g. 16, Vilnius, company code 110053842.
Natalija Baranauskienė	Board Member – civil servant	Appointed on 06/03/2023	Senior Adviser to the Ministry of Transport and Communications of the Republic of Lithuania, Gedimino Ave. 17, Vilnius, company code 188620589.

On 23 January 2023, Board Members Brigita Valenčienė and Egidijus Lazauskas were removed from the Board. During the reporting period, a new Board was formed.

CEO – Eglė Šimė, appointed on 4 January 2022.

Core business:

- Domestic and international freight transportation services.
- Transportation of semi-trailers by rail.
- Rental services of commercial wagons and containers in Lithuania and abroad.
- Loading and warehousing.
- Services related to the forwarding of freight as well as the services related to the carriage of freight.
- Customs brokerage services.
- Domestic and cross-border work and coordination of locomotives and locomotive crews.
- Services of repair and maintenance of railway rolling stocks, manufacture of locomotives and freight wagons.

Indicators, EUR million	H1 2021	H1 2022	H1 2023
Sales income	176.7	146.8	137.9
Costs	172.7	148.4	126.8
EBITDA	16.3	10.6	23.3
EBITDA margin, %	9.2%	7.2%	16.9%
Adjusted EBITDA	16.6	11.9	23.2
Adjusted EBITDA margin, %	9.4%	8.1%	16.8%
Net profit / losses	2.3	(1.8)	7.8
	31/12/2021	31/12/2022	30/06/2023
Assets	315.8	325.6	323.9
Equity	95.4	105.5	106.8
Financial debt	149.5	161.0	160.0
Net debt	144.5	108.0	112.8
Net debt / EBITDA	2.8	2.9	2.2
Return on equity, %	25.0%	10.1%	18.6%
Equity / Assets, %	30.2%	32.4%	33.0%

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

Subsidiaries of LTG Cargo:

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

UAB LTG Link

The Board	Position	Appointed on	Main employer, position
Aurelija Kazlauskienė	Chairman of the Board, Independent Board Member	Appointed on 23/01/2023	Director for Strategy, Clients and Marketing and Member of the Board, AB Lietuvos Draudimas, J. Basanavičiaus st. 12, Vilnius, company code 110051834
Viktoras Bachmetjevas	Independent Board Member	Appointed on 23/01/2023	Associate Professor, Department of Philosophy, Vytautas Magnus University, V. Putvinskio st. 23, Kaunas, company code 111950396.
Irmantas Beržauskas	Board Member delegated by LTG	Appointed on 23/01/2023	Director for Legal and Compliance, AB Lietuvos Geležinkeliai, Geležinkelio st. 16, Vilnius, company code 110053842.
Andrej Kosiakov	Board Member delegated by LTG	Appointed on 23/01/2023	Chief Financial Officer, AB Lietuvos Geležinkeliai, Geležinkelio st. 16, Vilnius, company code 110053842.
Aistė Gasiūnienė	Board Member – civil servant	Appointed on 23/01/2023	Senior Adviser, Future Transport Group, Ministry of Transport and Communications of the Republic of Lithuania, Gedimino Ave. 17, Vilnius, company code 188620589.

Daiva Pivoriūnienė served as a member of the Board until 10 January 2023. During the reporting period, a new Board was formed.

CEO – Linas Baužys, appointed on 28 February 2019.

Core business:

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

Indicators, EUR million	H1 2021	H1 2022	H1 2023
Sales income	6.6	13.8	20.0
Subsidy	17.1	17.3	15.5
Costs	26.0	29.2	30.2
EBITDA	4.1	8.6	11.8
EBITDA margin, %	17.3%	27.5%	33.3%
Adjusted EBITDA	4.2	8.7	12.0
Adjusted EBITDA margin, %	17.5%	27.8%	33.8%
Net profit / losses	(1.9)	1.8	4.8
	31/12/2021	31/12/2022	30/06/2023
Assets	162.3	170.7	178.7
Equity	147.7	154.8	154.3
Financial debt	2.3	4.0	3.9
Net debt	(26.8)	(38.2)	(44.8)
Net debt / EBITDA	(1.5)	(1.7)	(1.8)
Return on equity, %	2.7%	4.7%	6.7%
Equity / Assets, %	91.0%	90.7%	86.4%

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

AB LTG Infra

The Board	Position	Appointed on	Main employer, position
Gediminas Almantas	Chairman of the Board, Independent Board Member	Appointed on 23/01/2023	Independent Board Member of SE Lietuvos Oro Uostai, SE Oro Navigacija, EPSO-G, Chairman of the Board of the Lithuanian Red Cross Society.
Haroldas Nausėda	Independent Board Member	Appointed on 23/01/2023	Director for the Business Clients and Development Service of UAB Ignitis, Laisvės Ave. 10, Vilnius, company code 303383884.
Ieva Lauraitytė	Board Member delegated by LTG	Appointed on 23/01/2023	Director for Administration, AB Lietuvos Geležinkeliai, Geležinkelio st. 16, Vilnius, company code 110053842.
Sigitas Kubilis	Board Member delegated by LTG	Appointed on 23/01/2023	Chief Expert, Project and Investment Management, Strategy and Business Development Function, AB Lietuvos Geležinkeliai, Geležinkelio st. 16, Vilnius, company code 110053842.
Ramūnas Rimkus	Board Member – civil servant	Appointed on 23/01/2023	Head of the Strategic Planning Division of the Budget and Investment Department of the Ministry of Transport and Communications of the Republic of Lithuania, Gedimino Ave. 17, Vilnius, company code 188620589.

On 23 January 2023, Board Members Andrej Kosiakov and Irena Jankutė-Balkūnė were removed from the board. During the reporting period, a new Board was formed.

CEO:

- Karolis Sankovski – held the position from 1 July 2019 to 31 March 2023;
- Rūta Jakubauskienė – acting CEO from 1 April 2023.

Core business:

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

Indicators, EUR million	H1 2021	H1 2022	H1 2023
Sales income	97.5	73.2	57.7
Subsidy	-	20.4	27.9
Costs	95.7	93.7	87.7
EBITDA	36.7	29.8	28.9
EBITDA margin, %	37.6%	31.8%	33.8%
Adjusted EBITDA	36.5	29.3	28.7
Adjusted EBITDA margin, %	37.5%	31.3%	33.5%
Net profit / loss	1.2	(1.5)	(2.9)
	31/12/2021	31/12/2022	30/06/2023
Assets	1,554.1	1,704.4	1,744.6
Equity	670.9	659.3	656.3
Financial debt	160.2	143.1	133.4
Net debt	149.3	31.1	112.9
Net debt / EBITDA	2.3	0.6	2.2
Return on equity, %	(0.4%)	(1.7%)	(2.0%)
Equity / assets, %	43.2%	38.7%	37.6%

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

UAB Geležinkelio Tiesimo Centras

The Articles of Association of GTC does not provide for a collegial governance body – the Board.

CEO – Justas Vyžintas, appointed on 20 February 2023.

Core business:

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

Indicators, EUR million	H1 2021	H1 2022	H1 2023
Sales	7.8	6.2	10.0
Costs	10.4	10.6	10.5
EBITDA	(1.2)	(3.2)	0.6
EBITDA margin, %	(15.7%)	(52.0%)	6.0%
Net profit / loss	(2.4)	(4.0)	(0.6)
	31/12/2021	31/12/2022	30/06/2023
Assets	35.7	31.1	32.2
Equity	30.8	25.9	25.3
Financial debt	0.4	0.4	0.3
Net debt	0.4	0.4	0.1
Net debt / EBITDA	0.1	(0.2)	0.2
Return on equity, %	1.2%	(17.3%)	(2.2%)
Equity / assets, %	86.4%	83.4%	78.5%

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

UAB Rail Baltica Statyba

The Articles of Association of RBS does not provide for a collegial governance body – the Board.

CEO:

- Karolis Sankovski – held the position from 1 June 2017 to 31 March 2023;
- Arenijus Jackus – appointed on 1 April 2023.

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

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

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

Indicators, EUR million	H1 2021	H1 2022	H1 2023
Sales	0.02	0.03	0.03
Costs	0.04	0.04	0.04
EBITDA	(0.02)	(0.01)	(0.01)
Net profit / loss	(0.02)	(0.01)	(0.01)
	31/12/2021	31/12/2022	30/06/2023
Assets	2.30	2.30	2.29
Equity	2.28	2.28	2.27
Financial debt	-	-	-
Net debt	(0.05)	(0.04)	(0.03)
Equity / assets, %	99.0%	99.1%	98.9%

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

INVESTMENTS

LTG Group's investments in the first half of 2023 amounted to EUR 155.0 million. The majority of the investments were for the renewal and extension of railway infrastructure (87.7%). The investments are financed by the EU, the state budget and the LTG Group's own funds. During the reporting period, EUR 85.7 million of EU support and state budget funds were used in addition to own resources.

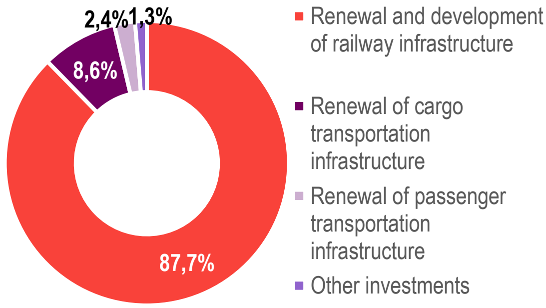
Group's investments (works completed and advances paid), EUR million	H1 2021	H1 2022	H1 2023
Renewal and development of railway infrastructure	37.2	27.6	135.9
Renewal of assets related to cargo transportation	20.0	7.6	13.4
Renewal of assets related to passenger transportation	3.2	2.2	3.7
Other investments (IT, etc.)	4.7	4.1	2.0
Total	**65.1**	**41.5**	**155.0**

MAIN DIRECTIONS FOR DEVELOPMENT AND MODERNISATION OF THE LTG GROUP

Priority areas for development and modernisation:

- **Rail Baltica project**;
- **Green projects** – electrification programme: electrification of infrastructure and purchase of electric rolling stock;
- **Safety projects** – upgrading infrastructure and rolling stock to ensure safe operation, upgrading level crossings and installing 2-level junctions, automatic rolling stock control system, etc.;
- **Passenger attractiveness projects** – adaptation of station areas for people with disabilities, installation of a station information system, reconstruction of the Vilnius station building, reconstruction of pedestrian bridges at railway stations, and acquisition of new passenger trains;
- **Diversification of rail freight transport** – investments in the Polish market, development of intermodal transport;
- **Digitisation projects** – ERP modernisation programme, modernisation of station management and tools, improvement of traffic management efficiency, digitisation of maintenance, etc.

Investments structure of LTG Group in H1 2023, %



KEY INVESTMENT PROJECTS IN THE FIRST HALF OF 2023

Development and renewal of railway infrastructure

1. Rail Baltica, Lithuania's largest rail infrastructure project, continues, intended to connect the Baltic countries to the EU's dominant European rail network. In the first half of 2023, EUR 38.8 million were invested. Project progress during the reporting period:

- *On the railway section Kaunas-LT/LV state border*:
  - technical design works for individual sections of the railway line are being carried out, as well as spatial planning for additional infrastructure at the Panevėžys junction and regional stations;
  - construction work have started on the bridge over the Neris river at Jonava. It will be the longest bridge in the Baltic States – 1.5 km long;
  - The construction of the road embankment has commenced on part of the Kaunas-Ramygala section (30 km);
  - Procurement of the construction works for the remaining part of the Kaunas-Ramygala section (48 km) is being carried out;
  - Preparations are underway for the construction of Ramygala–Panevėžys and Panevėžys–LT/LV state border sections.
- *On the railway section Kaunas–Vilnius:*
  - the final phase of spatial planning is carried out;
  - procurement for land acquisition for public use and procurement for design is being carried out.
- *On the railway section Kaunas-LT/PL state border:*
  - the final phase of spatial planning is carried out;
  - procurement for land acquisition for public use and procurement for design is being carried out.
- The preparation of specific plans for infrastructure depots and regional stations continues.
- The Rail Baltica project is financed by the EU and the state budget. In June 2023, the EU funding for Rail Baltica (EUR 394 million for Lithuania's share) will allow the start of contracting works on the new sections and other project activities.

2. The Railway Electrification Programme is continued in order to improve the competitiveness of Lithuania's transport sector and significantly reduce air pollution. As part of the Vilnius–Klaipėda corridor electrification project, contract works are being carried out both at the Vilnius railway junction and on the Kaišiadorys–Klaipėda (Draugystė station) section. In the first half of 2023, investment volumes for electrification increased to EUR 79.7 million. The project is largely funded by the EU and national budgets. The electrification of the Vilnius node and the railway line from Kaišiadorys to Klaipėda (Draugystė station) (366 km) by 2025 will enable freight and passengers to be transported on the Kena–Vilnius/Vaidotai–Šiauliai–Klaipėda routes using environmentally friendly and efficient electric traction.

3. Other key investments in the development and modernisation of rail infrastructure:

- In 2023, contract works for the construction of a *second track on the Livintai–Gaižiūnai railway section* will be completed. 10.8 km of new track have been built and 10.7 km of existing track have been reconstructed.
- Improving safety at railway and road crossings:
  - *the project for the installation of two-level railway and motorway crossings on the sections Lentvaris-Vievis (38+855 km) and Kyviškės-Valčiūnai (18+419 km)* is being implemented. The Kyviškės–Valčiūnai section of the project was completed in 2022, while the contracting works in Lentvaris–Vievis section continued during the reporting period. The implementation of the project will virtually eliminate traffic safety issues at these level crossings, where both train and road traffic is heavy;
  - *10 priority level crossings on the Vilnius-Klaipėda corridor are being modernised*: the modernisation of one crossing has been completed and procurement procedures are being finalised for the modernisation of the remaining 9 crossings. The implementation of the project will include the technical safety measures required by the International Union of Railways standard.
- Digitisation of rail infrastructure is underway:
  - The *Station Management and Instrumentation Modernisation (SMIM)* project is being implemented in order to improve station efficiency. The project will create a new operating model and implement the most appropriate station management tool;
  - the ERP system is being modernised. LTG Infra started using the business management system SAP S/4Hana on 1 July 2023;
  - *The Rolling Stock Automatic Control Systems (RACS) deployment project* is underway. Procurement procedures were carried out during the reporting period. The system will help ensure a high level of safety for passengers, freight and rail infrastructure;
  - *A project has been initiated to implement a monitoring system for Automation, Communication, and Electrical Equipment (ARE)*, which will increase the efficiency of maintenance of automation equipment, identify faults in a timely manner, automate the maintenance process and reduce costs;
  - there are ongoing projects to improve the efficiency of traffic management, create an operational model for infrastructure maintenance and other digitisation projects.
- Investments are being made in railway stations to increase their attractiveness to the public:
  - during the first half of 2023, the implementation of the *Station Information System* project continued. The scope of the project provides for the installation of a modern passenger information system and equipment at 50 stations;
  - in order to make train journeys easily accessible for passengers with disabilities, the *Barrier-Free Route for People with Disabilities in the Station Area* is being implemented in the station area. After the implementation of the project, station accesses will be renovated, ramps will be installed, paths will be repaired, warning lanes and other measures will be installed;
  - a *Redevelopment project at Vilnius Railway Station* is underway, which will improve the attractiveness of the station for passengers and adapt it for commercial purposes. During the reporting period, contract works were carried out at Vilnius railway station;
  - the *Plungė railway and bus station interconnection project* is being finalised, creating a common transport hub that will provide more convenient connections for passengers by different modes of transport.
- The *Kaunas Intermodal Terminal Capacity Expansion Project* is being implemented. A design and contract for the reconstruction of the terminal's pavement is in progress. The project will increase loading capacity and sales of additional services.
- In order to be an environmentally friendly company and to meet the needs of the public, a *programme for the installation of noise reduction walls* is being finalised. A total of 9 noise attenuation walls were installed in 7 municipalities under the programme.
- Together with the State Service for Protected Territories under the Ministry of the Environment of the Republic of Lithuania, *a project is being implemented for the adaptation of the Lyduvėnai railway bridge maintenance path for visitors*. By the end of 2023, visitors will be able to admire the views from the Lyduvėnai railway bridge, the longest (599 m) and highest (42 m) in Lithuania.
- Replacement of locomotive safety systems (LSS) on self-propelled infrastructure rolling stock has been initiated. Procurement has started for the installation of new systems to replace the unsafe Russian-made KLUB-U systems currently in service on 17 vehicles.

4. LTG Infra is investing in the renewal of its infrastructure to ensure safety and the smooth continuation of its core activities. During the reporting period, rehabilitation works were carried out on the main railway tracks, switch replacement programme, reconstruction of defective bridges, repairs of level crossings, replacement of overhead contact line supports in an emergency condition (on the Vilnius–Kaunas section), a *project for the replacement of the electrical switches and signalling centralisation equipment in the Vilnius region stations* and other asset rehabilitation works were underway. During the first half of 2023, EUR 10.0 million worth of work was completed on the renewal of railway infrastructure assets, including EUR 6.4 million on the renewal of main tracks.

Investments in freight transport activities

1. LTG Cargo's largest investment in the first half of 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, LTG Cargo is expanding its freight services in Poland. LTG Cargo's subsidiary LTG Cargo Polska continued in the first half of 2023 the investments in European rail rolling stock started in 2022, with the purchase of 1 additional locomotive and 146 units of specialised containers for bulk transport.

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. LTG Cargo has initiated a *project to modernise its containers for the transport of grain* in response to the demand for grain transport and to "reuse" currently unused containers. In 2023, the first phase is being implemented with the modification of 80 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.

Investments in passenger transport activities

1. LTG Link's largest investment in the first half of 2023 is for the renewal of trains in service. For passenger trains, EUR 2.7 million was spent on capitalised repairs and 18 carriages were repaired.

2. The LTG Group is in the process of *acquiring new electric passenger trains* as part of its rail electrification programme. In June 2023, LTG Link signed a contract with Standler Polska, the Polish subsidiary of the Swiss train manufacturing group Stadler Rail, to produce 15 electric trains (including 6 battery trains) to replace a number of LTG Link's end-of-life diesel trains. The new trains will provide environmentally friendly passenger transport. They will be more efficient, adapted to the needs of people with disabilities and provide a higher level of comfort for passengers. The first new trains are expected to start running in 2026.

3. *Smart Ticketing project*: with the introduction of the new ticketing system in 2022, the second phase of the project is currently underway – the installation of ticketing machines at stations. The project is scheduled for completion in early 2024.

4. In order to increase the efficiency of LTG Link's operational management activities and to ensure control over operational activities, the *Operational Control Centre project* is being implemented. The final stages of the project are being completed in 2023.

5. To ensure that the passenger rolling stock fleet is prepared for the planned passenger services, a project is being implemented to acquire *replacement units for 730ML trains*. In H1 2023, an advance payment was made to start the production of aggregates.

6. The LTG Link *Passenger Rolling Stock Repair Base Optimisation Project* has been initiated to optimise the repair bases for new electric trains, increase the efficiency of repairs, address environmental issues, etc. The first phase is the procurement and implementation of design works. The project has a planned completion date of 2026.

7. Replacement of locomotive safety systems (LSS) has been initiated. 35 passenger trains will replace the unsafe Russian-made KLUB-U systems currently in service.

Investments by Geležinkelių Tiesimo Centras

During the first half of 2023, refurbishment of existing equipment (capitalised repairs) and acquisitions of small machinery were carried out.

Replacement of locomotive safety systems (LSS) on self-propelled rolling stock has started. Under the contract, the unsafe Russian-made KLUB-U systems currently in service will be replaced on 4 rolling stock within 2023.

EMPLOYEES

Focusing on employees and developing organisational culture is one of the LTG Group's 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.

INITIATIVES AND SIGNIFICANT EVENTS IN THE FIRST HALF OF 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 employees remuneration with the market, the Company's financial performance and the budget allocated 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%.
- **Additional benefits**. 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 distribution of the annual incentive pool for 2022 performance, EUR 1.4 million was paid to the Company's employees in June 2023.

(all amounts are in EUR million unless otherwise stated)

NUMBER OF EMPLOYEES OF THE COMPANIES OF THE LTG GROUP AND AVERAGE SALARY

Group companies	31/12/2021		31/12/2022		30/06/2023	
	Number of employees as at the end of the period	Average salary, EUR	Number of employees as at the end of the period	Vidutinis darbo užmokestis, Eur	Number of employees as at the end of the period	Average salary, EUR
AB Lietuvos Geležinkeliai	1,080	2,432	785	2,616	759	2,844
AB LTG Cargo group of companies	2,822	1,772	2,026	1,862	1,970	2,046
UAB LTG Link	595	1,726	567	1,851	595	2,086
AB LTG Infra	2,961	1,613	2,453	1,749	2,496	1,880
UAB Geležinkelio Tiesimo Centras	340	1,819	291	1,947	280	2,052
UAB Saugos Paslaugos (liquidated)	2	-	-	-	-	-
UAB Rail Baltica Statyba	4	3,057	4	3,148	4	3,381
Total	**7,804**		**6,126**		**6,104**	

As at 30 June 2023, the number of the Parent Company's employees was 759, 52 employees were on long-term leave (parental leave, maternity leave, military service, etc.). Compared to the data as of 31 December 2022, the number of the Company's employees has decreased by 26 or by 3.3%.

The average monthly salary during the reporting period, compared to 2022, increased from EUR 2,616 to EUR 2,844. The most significant impact on salary increases was the remuneration review implemented across the LTG Group in April 2023.

The LTG's total remuneration fund, excluding severance payments, compensation, holiday pay and other accruals, amounted to EUR 13.0 million. In addition, in April 2023, in line with other LTG Group companies, an annual incentive of EUR 1.4 million was paid to the Company's employees in recognition of their performance and the achievement of targets in 2022.

NUMBER OF LTG EMPLOYEES AND AVERAGE SALARY

Function groups	31/12/2021		31/12/2022		30/06/2023**					
	Number of employees as at the end of the period	Average salary, EUR	Number of employees as at the end of the period	Average salary, EUR	Number of employees as at the end of the period			Average salary, EUR		
					Total	Women	Men	Total	Women	Men
CEO of the LTG Holding*	1	9,770	1	10,450	1	-	1	11,075	-	-
Managers Council of the LTG Holding*	4	7,400	7	8,044	6	2	4	8,382	-	-
Top-level managers	11	6,393	12	6,462	12	6	6	6,573	6,624	6,519
Senior executives and specialists in exceptional fields	66	4,258	57	4,545	69	34	35	4,877	4,830	4,926
Middle-level managers and individual experts	312	3,061	258	3,166	266	155	111	3,315	3,173	3,506
Team leaders and experienced specialists	485	2,053	329	2,104	308	174	134	2,208	2,107	2,345
Specialists and experienced operational/ service staff	135	1,642	66	1,727	42	22	20	1,767	1,621	1,884
Operational/ service staff, qualified workers	66	1,341	55	1,492	55	6	49	1,569	1,562	1,569
Total	**1,080**	**2,432**	**785**	**2,616**	**759**	399	360	**2,844**	2,765	2,931

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

As at 30 June 2023, the fixed monthly salary of the Company's CEO amounted to EUR 11,075, and the average actual salary, including the annual motivation bonus for performance results, amounted to EUR 12,535.

As at 30 June 2023, the fixed monthly salary of top-level managers as stated in their labour contracts, amounted to EUR 8,382, and the average actual salary of these function groups, including the annual motivation bonus for performance results, amounted to EUR 9,545.

RISKS AND THEIR MANAGEMENT

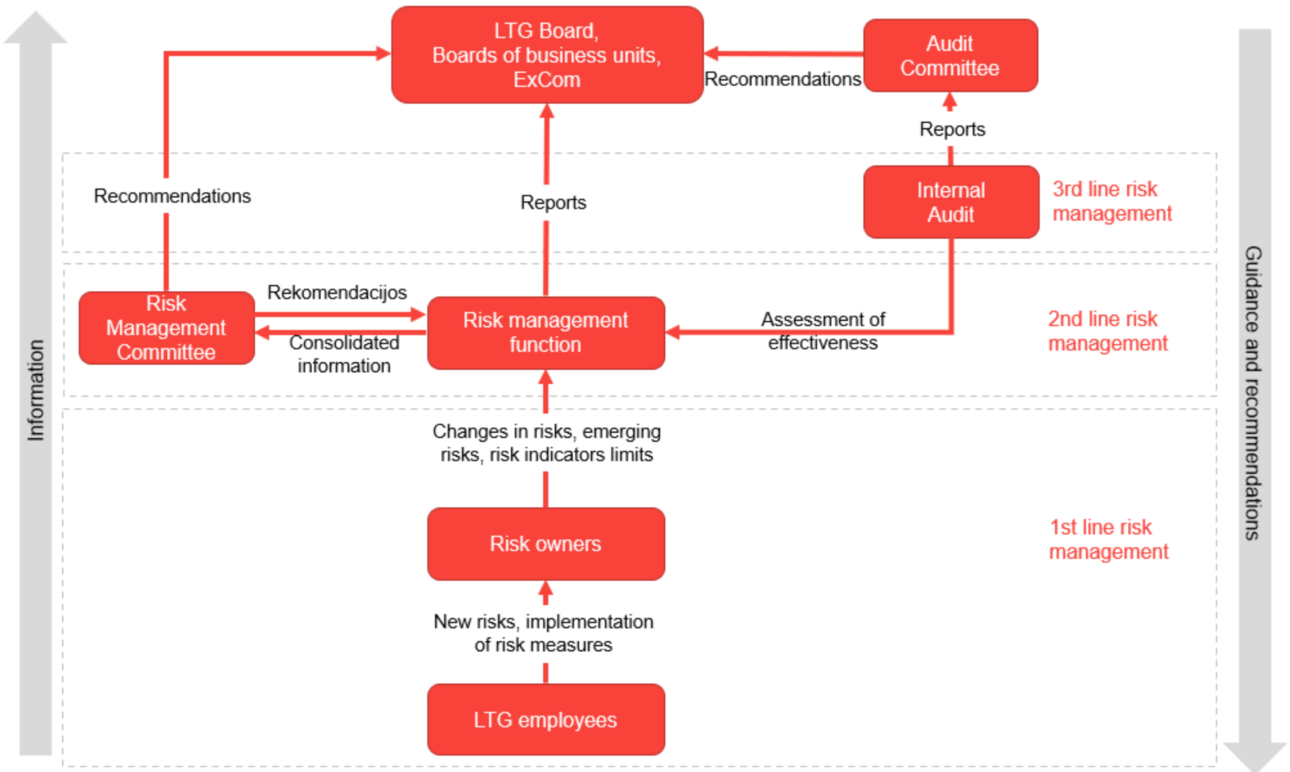
The Company implements and continuously improves the unified risk management system of LTG Group. It is defined in LTG Group's risk management policy, methodology and procedure standards, which are based on the international standards ISO 31000 and COSO ERM (Committee on Sponsoring Organizations of the Treadway Commission, Enterprise Risk Management) and best practices.

In the LTG Group, risk management responsibilities are divided according to the Model of Three Lines of Defence.

According to it:

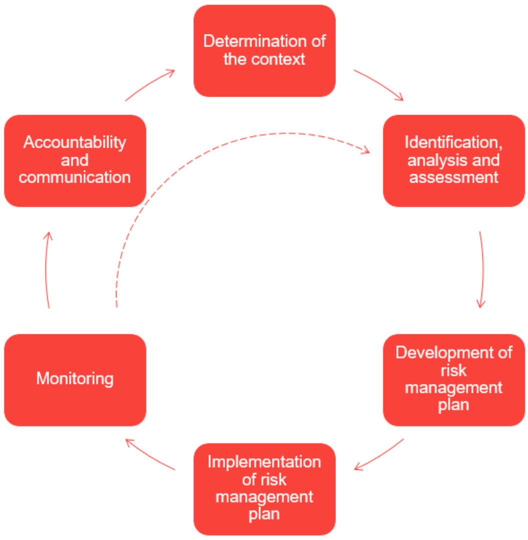
- 1st line risk management activities are performed by LTG Group companies and LTG corporate functions, which identify, assess and manage risks;
- 2nd line risk management activities are performed by LTG Risk and Compliance Management, which develops and improves the overall system and performs coordination and control activities;
- 3rd line risk management is performed by the Internal Audit Division of LTG, which carries out an independent assessment of the effectiveness of risk management levels 1 and 2, and provides comments and recommendations.

Both managers at various levels and collegial bodies are actively involved in risk management practices. The LTG Group has the Risk Management Committee chaired by the Director for Business Resilience of the LTG Group. The Risk Management Committee works along the following main lines of action: to ensure a holistic view of the Group's risks, it carries out risk calibration and prioritises risks (systemic or at LTG Group level); assesses the status of priority risks management; proposes the choice of risk management measures and the recording of new risks; makes recommendations for the improvement of the overall risk management framework.



Risks of the LTG Group are managed in stages. The overall periodic cycle consists of the following steps:

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



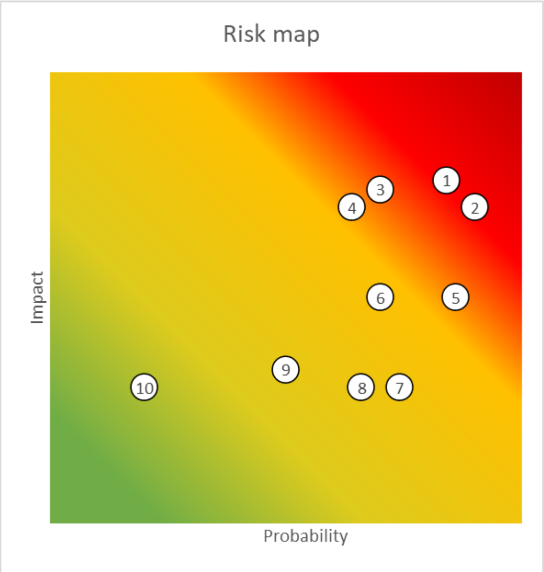
The level of identified risks is assessed by determining their likelihood and potential impact (assessing financial, legal and reputational impact, impact on activities as a going concern, on employee safety) and attributing them to one out of four risk categories (strategic, operational, financial, compliance risk). In this context, risk owners are selected for each of the risks and management/mitigation actions are required. The dynamics of risks and the progress in implementing the measures are monitored periodically on a quarterly basis.

The periodic and timely dissemination of risk-related information is ensured by a well-established reporting system. The risk management status of each of the companies is reviewed on a quarterly basis in reports submitted to the boards of companies. The Board of the LTG 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 with an opportunity to discuss the occurrence of new ones.

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

MAIN RISKS AND THEIR MANAGEMENT MEASURES

1. Cyber security risk.
2. Possible external provocations against the LTG in the context of a hybrid war.
3. Risk of delays in the implementation of strategic projects.
4. Risk of insufficient rolling stock availability.
5. Risk of using outdated technologies.
6. Risk in sanctions compliance.
7. Risk of attracting and retaining talent.
8. Risk of inadequate information management and enforcement of GDPR requirements.
9. Risk of not meeting sustainability expectations.
10. Incident risk (inherent operational risk).



Name of risk	Main sources of risk	Potential impact	Main risk management measures
Cyber security risk	• Cyber attacks • Activities of hostile groups, states • Social engineering • Human factor • Technical and cyber vulnerabilities in the system	• Reputational damage • Financial losses due to disruption of systems or loss of data • Impairments in critical activities	• Updating the network monitoring system • Periodic scans for security breaches • EDR/XDR protection installed in information systems • Access control • Strengthening of competences • Internal audits
Possible external provocations against the LTG in the context of a hybrid war	• Geopolitical situation • Activities of hostile states, groups	• Cyber attacks • Data theft • Disruption of operations • Damage to infrastructure	• Assessment of irregularities • Plans / actions intended to reduce irregularities • Close cooperation with institutions
Risk of delays in strategic infrastructure projects	• Insufficient financial resources of the Company • Failure to ensure public funding • Supply chain disruptions	• Delayed implementation of projects • Damage to reputation	• Project re-planning, phasing • Ensuring human resource needs • Control of contract works • Securing of external funding • Strengthening of stakeholder cooperation
Risk of insufficient rolling stock availability	• Supply chain disruptions • Outdated rolling stock	• Operational failures due to lack of repair parts • Decline in customer satisfaction	• Advance planning • Search for alternatives • Rolling stock recovery programmes • Purchase of repair services from external suppliers
Risk of using outdated technologies	• Changes in the technologies used • Legacy systems not supported	• Operational efficiency • Business continuity	• Updating of the systems in use • Technology modernisation • Introduction of new solutions • Porting of functionality to other systems
Risk 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 • Activities of the Sanctions Working Group • Continuous education of employees • Implementation of additional controls in procurement processes
Risk of attracting and retaining talent	• National and global labour market trends • Negative employer image	• Lack of specific competences • Increase in staff turnover	• Development of leadership and management skills • Implementation of employee incentive measures • Formation of the employer's image • Cooperation with scientific institutions
Risk of inadequate information management and enforcement of GDPR requirements	• Technical vulnerabilities in systems • Human factor	• Reputational damage • Financial losses due to non-compliance with data management requirements	• Continuous education of employees • Data processing contracts and controls • Updating of information management legislation in the light of changes in external regulation • System audits
Risk of not meeting sustainability expectations	• Insufficient development of sustainability activities • Insufficient, unclear communication	• Damage to reputation • Failure to meet shareholder expectations	• Inclusion of sustainability criteria in the evaluation of strategic projects • Monitoring of sustainability indicators • Cleaning of contaminated areas • Monitoring of implemented prevention measures
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 occupational safety and health instructions • Periodic training and coaching • Mobile application intended to help keep employees safe • Inspections of safety systems • Periodic monitoring of physical and technical security

INFORMATION ON EXTERNAL AUDIT

Audit of the LTG Group and 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 was signed on 27 July 2023.

Information on the remuneration for the audit services performed in 2022 is set out in the LTG Group's consolidated and Company's 2022 Annual Report, which is available on the Company's website http://www.litrail.lt.

INFORMATION ON THE COMPLIANCE WITH THE GUIDELINES ON TRANSPARENCY

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

Structured information on compliance with the Transparency Guidelines is provided in the LTG Group's consolidated and the Company's 2022 Annual Report, which is available on the Company's website http://www.litrail.lt.

(all amounts are in EUR million unless otherwise stated)

INFORMATION ABOUT THE GROUP AND THE COMPANY

PARENT COMPANY

Company name	AB Lietuvos Geležinkeliai
Legal form	Public limited liability company
Date and place of registration	24/12/1991, Register of Legal Entities, RoL
Company code	110053842
Company address	Geležinkelio g. 16, 02100 Vilnius
Address for correspondence	Pelesos g. 10, 02111 Vilnius
Phone No	+370 5 269 2038
E-mail	info@ltg.lt
Website	https://www.litrail.lt
Core business	Management of the LTG Group companies
Sole shareholder	The Republic of Lithuania, the property and non-property rights of which are carried out by the Ministry of Transport and Communications of the RoL

SUBSIDIARIES

Company name	**AB LTG Cargo**	**UAB LTG Link**	**AB LTG Infra**	**UAB Geležinkelio Tiesimo Centras**	**UAB Rail Baltica Statyba**	**voestalpine Railway Systems Lietuva, UAB (associate)**
Legal form	Public limited liability company	Private limited liability company	Public limited liability company	Private limited liability company	Private limited liability company	Private limited liability company
Date and place of registration	28/12/2018, Register of Legal Entities, RoL	28/02/2019, Register of Legal Entities, RoL	01/07/2019, Register of Legal Entities, RoL	21/12/2001, Register of Legal Entities, RoL	23/01/2014, Register of Legal Entities, RoL	28/07/1995, Register of Legal Entities, RoL
Company code	304977594	305052228	305202934	181628163	303227458	110709524
Company address	Geležinkelio St. 12, 02100 Vilnius	Geležinkelio St. 16, 02100 Vilnius	Geležinkelio St. 2, 02100 Vilnius	Trikampio St. 10, 25112 Lentvaris, Trakai district	Geležinkelio St. 16, 02100 Vilnius	Sostinės St. 18, 13221 Valčiūnai, Vilnius district
Phone No	+370 5 202 1515	+370 700 55 111	+370 5 269 3353	+370 655 37023	+370 614 18055	+370 672 49800
E-mail	info@ltgcargo.lt	info@ltglink.lt	info@ltginfra.lt	info@gtc.lt	rbs@litrail.lt	office.lietuva@voestalpine.com
Website	http://ltgcargo.lt	https://ltglink.lt	https://ltginfra.lt	https://gtc.lt	https://www.rail-baltica.lt/	http://www.railwaysystems.lt
Core business	Freight transportation by rail	Passenger transportation by rail	Manager of the public railway infrastructure	Repairs and construction of the public railway infrastructure	Implementation of shareholder's functions of the joint Baltic States company RB Rail AS	Manufacture of railway switches
Shares owned by LTG	100%	100%	100%	100%	100%	34%

(all amounts are in EUR million unless otherwise stated)

SECONDARY SUBSIDIARIES AND COMPANIES

Company name	**RB Rail AS**	**OOO Rail Lab (under liquidation)**	**LTG Cargo Polska Sp.zo.o.**	**UAB LTG Wagons**	**LLC LTG Cargo Ukraine**
Legal form	Public limited liability company	Limited liability company	Private limited liability company	Private limited liability company	Private limited liability company
Date and place of registration	12/11/2014, Republic of Latvia	26/05/2020, Republic of Belarus	21/07/2020, Republic of Poland	04/11/2020, Register of Legal Entities, RoL	09/12/2020, Ukraine
Company code	40103845025	192827267	386573260	305651295	43987945
Company address	Satekles iela 2B, Riga, Republic of Latvia, LV-1050	Internacionalnaja g. 36-1, Minsk, Republic of Belarus	Świętojerska 5/7, 00-236 Warsaw, Republic of Poland	Geležinkelio g. 12, 02100 Vilnius	Pushkin st. 21, office No. 3, 01004 Kyiv, Ukraine
Phone No	+371 6696 7171	-	+48 22 103 38 15	+370 618 84991	contacts provided on http://ltgcargo.ua
E-mail	info@railbaltica.org	-	office@ltgcargo.pl	info@ltgwagons.lt	contacts provided on http://ltgcargo.ua
Website	https://www.railbaltica.org	-	http://ltgcargo.pl	http://ltgcargo.lt	http://ltgcargo.ua
Core business	Implementation and coordination of the Rail Baltica project	No activity, company is under liquidation	Activities of freight carrier in Poland	Lease of wagons and containers used for freight transportation	Activities of freight carrier in Ukraine
Shares owned	LTG subsidiary UAB Rail Baltica Statyba owns 33,33% of shares	LTG subsidiary AB LTG Cargo owns 2% of shares	LTG subsidiary AB LTG Cargo owns 100% of shares	LTG subsidiary AB LTG Cargo owns 100% of shares	LTG subsidiary AB LTG Cargo owns 100% of shares

PUBLIC ENTITIES AND ASSOCIATION

Company name	**VšĮ Geležinkelių Logistikos Parkas**	**VšĮ Transporto Inovacijų Centras (under liquidation)**	**Lithuanian Railway Companies Association**
Legal form	Public entity	Public entity	Association
Date and place of registration	07/10/2011, Register of Legal Entities, RoL	08/02/2019, Register of Legal Entities, RoL	13/11/2018, Register of Legal Entities, RoL
Company code	302674602	305017405	304949011
Company address	Švitrigailos St. 39, 03209 Vilnius	Geležinkelio St. 16, 02100 Vilnius	Geležinkelio St. 16, 02100 Vilnius
Phone No	+370 612 02006	-	+370 616 18841
E-mail	logisticspark@logisticspark.lt	info@mobilitytech.lt	-
Website	https://www.logisticspark.lt	https://mobilitytech.lt	-
Core business	Entity owned by the Vilnius City Municipality and AB Lietuvos Geležinkeliai, responsible for the development and management of the Vilnius Public Logistics Centre Fleet	No activity, the company is under liquidation	Representation of members of association – rights of employers and interests in social partnership. Members: LTG, LTG Cargo, LTG Link, LTG Infra, GTC, RBS
Share in the LTG capital	79,61%	33,33%	-

REPRESENTATIVE OFFICES ABROAD

Representative office in the Russian Federation	Closed
Representative office in the Republic of Belarus	Closed
Representative office in the People's Republic of China	Closed
Representative office in the Republic of Kazakhstan	D. Kunajevo st. 6, office No. 310/10, 010000, Astana (Activities suspended)
Representative office in the Republic of Poland	Rondo ONZ st. 1, floor 12, 00-124, Warsaw (Activities suspended)

MEMBERSHIP IN INTERNATIONAL ORGANISATIONS

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

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

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

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

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

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

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

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

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

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

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

(all amounts are in EUR million unless otherwise stated)

DEFINITIONS AND ABBREVIATIONS

Income	Sales revenue + Income from other activities excluding Income from financial activities
Sales revenue / operating revenue	Revenue, excluding Subsidy, Income from other activities and Income from financial activities
Subsidy	State budget funds to compensate the activities of LTG Link and LTG Infra
Costs	Costs, excluding the Corporate tax and Expenses from financial activities
Financial debt	Interest-bearing financial debt, including lease
Net debt	Interest-bearing financial debt, including lease, less cash, and cash equivalent investments
Return On Equity (ROE)	Net profit/loss for the period of the last 12 months / Average equity as at the beginning and the end of the reporting period
Return On Assets (ROA)	Net profit/loss for the period of the last 12 months / Average assets as at the beginning and the end of the reporting period
Return On Investment (ROI)	Net profit/loss for the period of the last 12 months / (Average assets as at the beginning and the end of the reporting period – Average short-term liabilities as at the beginning and the end of the reporting period)
EBIT	Profit (loss) before the corporate tax – The result of financial activities
EBITDA	Profit (loss) before the corporate tax – The result of financial activities + Depreciation and amortisation
Adjusted EBITDA	Profit (loss) before the corporate tax + Interest expenses – Interest income + Depreciation and amortisation + (Decrease) increase in the value of non-current assets, inventories and investments + (Decrease) increase in the value of amounts receivable and contract assets + Costs of provisions not related to operating activities
EBIT margin*	EBIT / Sales revenue
EBITDA margin*	EBITDA / Sales revenue
Adjusted EBITDA margin*	Adjusted EBITDA / Sales revenue
Net profit margin*	Net profit (loss) / Sales revenue
Equity ratio	Equity at the end of the reporting period / Assets at the end of the reporting period
Loan servicing ratio	(Net profit/(loss) for the period of the last 12 months + Amortisation, depreciation and grant costs of the last 12 months + Interest expenses of the last 12 months (adjusted considering the non-monetary items)) / (Debt for interest amortisation + Interest payable for the last 12 months)
Asset turnover ratio*	Sales revenue for the period of the last 12 months / Assets at the end of the reporting period
Financial debt / EBITDA	Financial debt / EBITDA of the period of the last 12 months
Financial debt / equity (D/E)	Financial debt / equity at the end of the reporting period
Net debt / EBITDA	Net debt / EBITDA of the period of the last 12 months
Quick liquidity rate	(Current assets at the end of the reporting period – Inventories at the end of the reporting period) / Current liabilities at the end of the reporting period
Total liquidity rate	Current assets at the end of the reporting period / Current liabilities at the end of the reporting period
Turnover of freight transportation (ton/km)	Freight transport indicator, which is the product of the amount of transported freight (tonnes) and the distance travelled (kilometres)
Passenger turnover (passenger kilometres)	Passenger transportation indicator, calculated by multiplying the trip of each transported passenger by the travelled distance
Train operational volume (tkm gross gross)	Unit of measure representing by multiplying the gross weight of the train, including the weight of the running locomotive, by the distance travelled
Number of employees	The number of listed active employees as of the end of the period (excluding the employees on parental leave, military service, long-term incapacity)
Average salary	Average gross salary per employee

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

ABBREVIATIONS:

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

AB Lietuvos Geležinkeliai

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

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

(all amounts are in EUR thousand unless otherwise stated)

STATEMENTS OF FINANCIAL POSITION

	Notes	Group		Company	
		30/06/2023	31/12/2022	30/06/2023	31/12/2022
NON-CURRENT ASSETS					
Property, plant and equipment	3	2,021,060	1,937,138	26,649	26,696
Land		152,438	152,437	-	-
Buildings and structures		970,114	983,968	18,533	17,704
Machinery and plant		133,282	134,422	3,034	3,378
Vehicles		319,472	322,802	235	340
Other equipment, fittings and tools		67,809	69,762	4,585	5,087
Construction in progress and prepayments		377,945	273,747	262	187
Right-of-use assets	4	7,078	11,361	7,584	8,528
Intangible assets	5	29,376	28,892	11,122	9,926
Investment property	6	3,392	3,169	9,900	12,283
Financial assets		7,355	7,437	1,015,058	1,009,405
Investments	7	4,637	4,837	883,767	883,982
Loans to affiliated companies	24	-	-	130,258	124,490
Trade and other receivables	9	2,718	2,600	1,033	933
Other non-current assets		108	66	-	-
Deferred income tax asset		3,413	3,254	1,733	2,238
Total non-current assets		**2,071,782**	**1,991,317**	**1,072,046**	**1,069,076**
CURRENT ASSETS					
Inventories	8	40,710	30,577	10,299	8,384
Non-current assets held for sale	8	2,962	1,731	1,279	9,341
Contracts assets	10	181	16	-	-
Loans to related and other companies	24	160	160	12,061	7,527
Trade and other receivables	9	61,567	39,770	24,385	23,467
Prepayments	10	5,765	3,255	9,025	9,870
Cash and cash equivalents	11	145,134	213,434	25,494	4,567
Total current assets		**256,479**	**288,943**	**82,543**	**63,156**
TOTAL ASSETS		**2,328,261**	**2,280,260**	**1,154,589**	**1,132,232**

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

(all amounts are in EUR thousand unless otherwise stated)

STATEMENTS OF FINANCIAL POSITION (continued)

	Notes	Group		Company	
		30/06/2023	31/12/2022	30/06/2023	31/12/2022
EQUITY					
Authorized capital	12	1,059,282	1,059,282	1,059,282	1,059,282
Legal reserve	14	34,025	34,025	34,025	34,025
Other reserves	14	8,757	8,757	8,757	8,757
Foreign currency translation reserve		(163)	48	-	-
Retained earnings (loss)		68,301	59,392	11,935	(3,085)
Total equity		**1,170,202**	**1,161,504**	**1,113,999**	**1,098,979**
LIABILITIES					
Non-current liabilities					
Grants	15	813,725	809,164	740	822
Loans and borrowings	16	117,301	125,745	-	-
Lease liabilities	17	3,579	4,536	5,012	5,994
Employee benefits	18	6,202	5,458	350	291
Trade and other payables	19	5,796	8,960	-	-
Provisions		14,470	14,470	-	-
Deferred tax liabilities		23,633	23,063	-	-
Total non-current liabilities		**984,706**	**991,396**	**6,102**	**7,107**
Current liabilities					
Loans and borrowings	16,24	18,430	22,737	-	-
Lease liabilities	17	3,628	6,895	2,858	2,790
Corporate income tax liabilities		1,126	750	148	-
Employee benefits	18	25,857	24,396	4,979	4,820
Trade and other payables	19	103,881	49,335	10,366	9,091
Contract liabilities	20	361	9	-	-
Prepayments received	20	19,572	22,630	16,137	9,445
Provisions		498	608	-	-
Total current liabilities		**173,353**	**127,360**	**34,488**	**26,146**
Total liabilities		**1,158,059**	**1,118,756**	**40,590**	**33,253**
TOTAL EQUITY AND LIABILITIES		**2,328,261**	**2,280,260**	**1,154,589**	**1,132,232**

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

Financial statements and explanatory notes on pages from 62 to 80 were approved and signed:

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

(all amounts are in EUR thousand unless otherwise stated)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Group		Company	
		06/2023	06/2022	06/2023	06/2022
Revenue	21	167,779	164,179	44,060	48,158
Grant		43,393	37,684	-	-
Other income		782	666	4,971	97
Total income		**211,954**	**202,529**	**49,031**	**48,255**
Employee benefit costs		(76,170)	(85,083)	(14,616)	(18,001)
Depreciation and amortisation		(53,876)	(49,651)	(3,961)	(4,095)
Fuel		(20,800)	(21,939)	(189)	(86)
Materials		(6,378)	(6,514)	(17,932)	(19,356)
Services rendered by other foreign railway companies		(7,538)	(6,841)	-	-
Electricity consumption		(5,766)	(7,417)	(446)	(310)
Repairs and maintenance		(7,430)	(9,476)	(816)	(1,461)
Increase (decrease) in the value of non-current assets		112	52	-	17
Write-down of inventories to net realisable value		-	-	-	-
Increase (decrease) in the value of investments		-	-	(215)	(141)
Impairment loss (gain) on receivables		(20)	(1,255)	(27)	(26)
Change in provisions		(186)	111	-	-
Other expenses		(21,839)	(20,503)	(9,601)	(8,776)
Profit (loss) from operations		12,063	(5,987)	1,228	(3,980)
Finance income	22	793	238	14,566	775
Finance costs	22	(2,476)	(1,724)	(120)	(74)
Share of net profit (loss) of associates		127	6	-	-
Profit (loss) before taxation		10,507	(7,467)	15,674	(3,279)
Corporate income tax	23	(1,518)	907	(653)	490
Net profit (loss)		**8,989**	**(6,560)**	**15,021**	**(2,789)**
Currency exchange rate differences due to translation of financial statements of foreign undertakings		(211)	38	-	-
Total comprehensive income (expenses)		**8,778**	**(6,522)**	**15,021**	**(2,789)**

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

(all amounts are in EUR thousand unless otherwise stated)

STATEMENTS OF CHANGES IN EQUITY

Group	Notes	Authorised share capital	Share premium	Legal reserve	Other reserves	Currency translation reserve	Retained earnings (loss)	Total
Balance as at 31 December 2021		**1,059,282**	**-**	**33,852**	**7,829**	**-**	**65,644**	**1,166,607**
Net profit (loss)		-	-	-	-	-	(6,560)	(6,560)
Other comprehensive income, after tax		-	-	-	-	38	-	38
Total comprehensive income (expenses)		*-*	*-*	*-*	*-*	*38*	*(6,560)*	*(6,522)*
Profit (loss) not recognised in the statement of profit or loss and other comprehensive income		-	-	-	-	-	(90)	(90)
Increase in share capital		-	-	-	-	-	-	-
Reserves formed	14	-	-	173	928	-	(1,101)	-
Reserves used		-	-	-	-	-	-	-
Dividends	13	-	-	-	-	-	(6,241)	(6,241)
Total transactions with owners of the Company		*-*	*-*	*173*	*928*	*-*	*(7,432)*	*(6,331)*
Balance as at 30 June 2022		**1,059,282**	**-**	**34,025**	**8,757**	**38**	**51,652**	**1,153,754**
Balance as at 31 December 2022		**1,059,282**	**-**	**34,025**	**8,757**	**48**	**59,392**	**1,161,504**
Net profit (loss)		-	-	-	-	-	8,989	8,989
Other comprehensive income, after tax		-	-	-	-	(211)	-	(211)
Total comprehensive income (expenses)						*(211)*	*8,989*	*8,778*
Profit (loss) not recognised in the statement of profit or loss and other comprehensive income		-	-	-	-	-	(80)	(80)
Increase in share capital		-	-	-	-	-	-	-
Reserves formed	14	-	-	-	-	-	-	-
Reserves used		-	-	-	-	-	-	-
Dividends	13	-	-	-	-	-	-	-
Total transactions with owners of the Company		*-*	*-*	*-*	*-*	*-*	*(80)*	*(80)*
Balance as at 30 June 2023		**1,059,282**		**34,025**	**8,757**	**(163)**	**68,301**	**1,170,202**

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

(all amounts are in EUR thousand unless otherwise stated)

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

Company	Notes	Authorised share capital	Share premium	Legal reserve	Other reserves	Retained earnings (loss)	Total
Balance as at 31 December 2021		**1,059,282**	**-**	**33,852**	**7,829**	**7,342**	**1,108,305**
Net profit (loss)		-	-	-	-	(2,789)	(2,789)
Other comprehensive income, after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		*-*	*-*	*-*	*-*	*(2,789)*	*(2,789)*
Increase in share capital		-	-	-	-	-	-
Reserves formed	14	-	-	173	928	(1,101)	-
Reserves used		-	-	-	-	-	-
Dividends	13	-	-	-	-	(6,241)	(6,241)
Total transactions with owners of the Company		*-*	*-*	*173*	*928*	*(7,342)*	*(6,241)*
Balance as at 30 June 2022		**1,059,282**	**-**	**34,025**	**8,757**	**(2,789)**	**1,099,275**
Balance as at 31 December 2022		**1,059,282**	**-**	**34,025**	**8,757**	**(3,085)**	**1,098,979**
Net profit (loss)		-	-	-	-	15,021	15,021
Other comprehensive income, after tax		-	-	-	-	-	-
Total comprehensive income (expenses)		*-*	*-*	*-*	*-*	*15,021*	*15,021*
Increase in share capital		-	-	-	-	-	-
Reserves formed	14	-	-	-	-	-	-
Reserves used		-	-	-	-	-	-
Dividends	13	-	-	-	-	-	-
Total transactions with owners of the Company		*-*	*-*	*-*	*-*	*-*	*-*
Balance as at 30 June 2023		**1,059,282**	**-**	**34,025**	**8,757**	**11,935**	**1,113,999**

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

(all amounts are in EUR thousand unless otherwise stated)

STATEMENTS OF CASH FLOWS

	Notes	Group		Company	
		30/06/2023	30/06/2022	30/06/2023	30/06/2022
Cash flows from operating activities					
Net profit (loss)		**8,989**	**(6,560)**	**15,021**	**(2,789)**
Adjustments					
Depreciation and amortisation expenses		67,342	60,587	4,068	4,168
(Depreciation) of grants	15	(11,855)	(9,573)	(107)	(73)
(Gain) loss from disposal/write-off of non-current assets		399	(378)	(2,754)	(23)
Decrease (increase) in the value of non-current assets		(112)	(52)	-	(17)
Write-down of inventories to net realisable value		-	-	-	-
Decrease (increase) in the value of investments		-	-	215	141
Decrease (increase) in the value of receivables		20	1,255	27	26
Change in accrued income/expenses		(446)	(12,324)	662	(10,952)
Interest (income) expenses		2,462	1,435	(2,295)	(716)
Increase (decrease) in provisions		186	(111)	-	-
Effect of currency exchange fluctuations		368	138	(67)	54
Interest on lease liabilities		85	95	47	73
Corporate income tax expenses (income)	23	1,518	(907)	653	(490)
(Profit) loss of an associated company		(127)	(6)	-	-
Cash flows from operating activities after adjustments		**68,829**	**33,599**	**15,470,**	**(10,598)**
Changes in working capital					
Decrease (increase) in inventories		(11,356)	(18,219)	(1,649)	(11,738)
Decrease (increase) in trade and other receivables and prepayments		(40,533)	(12,960)	(2,459)	2,384
Increase (decrease) in current and non-current trade payables and received prepayments		45,475	(26,546)	7,998	(6,659)
Increase (decrease) in employment related liabilities		1,461	(1,050)	224	(610)
Increase (decrease) in other non-current and current payables		1,587	(8,541)	2,119	(367)
(Paid) income tax		-	(2,114)	-	-
Net cash from operating activities		**65,463**	**(35,831)**	**21,703**	**(27,588)**
Cash flows from investing activities					
(Acquisition) of non-current assets and change in prepayments for non-current assets		(147,581)	(43,171)	9,458	(2,539)
(Acquisition) disposal of investment		-	-	-	378
Dividends received		328	-	328	-
Interest received		-	-	-	-
Loans granted		-	-	(10,303)	1,779
Net cash used in investing activities		**(147,253)**	**(43,171)**	**(517)**	**(382)**
Cash flows from financing activities					
Loans received		-	-	-	-
Loans (repaid)		(12,830)	(13,909)	-	-
Grants received (repaid, utilised)		31,664	54,774	-	378
Interest on lease liabilities		(85)	(95)	(25)	(73)
Payment of lease liabilities		(2,822)	(980)	(257)	(1,092)
Interest (paid)		(2,437)	(1,075)	25	-
Dividends (paid)	13	-	(4,160)	-	(4,160)
Net cash flows from financing activities		13,490	34,555	(257)	(4,947)
Increase (decrease) in net cash flows		(68,300)	(44,447)	20,929	(32,917)
Cash and cash equivalents at the beginning of the period		213,434	84,656	4,567	37,885
Cash and cash equivalents at the end of the period		**145,134**	**40,209**	**25,496**	**4,968**

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

EXPLANATORY NOTES

1. General information

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

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

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

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

As at 30 June 2023 and 31 December 2022, the Republic of Lithuania represented by the Ministry of Transport and Communications was the sole shareholder of the Company.

As at 30 June 2023 the authorized capital of the Company comprised 3,657,492 ordinary registered shares at EUR 289.62 nominal value per share. The authorized capital amounted to EUR 1,059,282 thousand. The company did not purchase its own shares.

As at 30 June 2023 the actual number of the Group's and the Company's employees was 6,104 and 759 respectively (at 31 December 2022: 6,126 and 785 respectively).

(all amounts are in EUR thousand unless otherwise stated)

1. General information (continued)

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

Subsidiaries

Company name	Registered address	Owned share, % 30/06/2023	Owned share, % 31/12/2022	Main activities
AB LTG Cargo	Geležinkelio g. 12, Vilnius	100	100	Freight transportation by rail.
UAB LTG Link	Geležinkelio g. 16, Vilnius	100	100	Passenger transportation by rail.
AB LTG Infra	Geležinkelio g. 2, Vilnius	100	100	Management of public railway infrastructure and implementation of functions of the manager of public railway infrastructure.
UAB Geležinkelio Tiesimo Centras	Trikampio g. 10, Lentvaris	100	100	Public railway infrastructure road repairs and construction.
LUAB Gelsauga	Prūsų g. 1, Vilnius	-	100	The legal entity was removed from the Register of Legal Entities on 25 February 2022.
LUAB Saugos Paslaugos	Prūsų g. 1, Vilnius	100	100	The legal entity was removed from the Register of Legal Entities on 30 June 2022.
UAB Rail Baltica Statyba	Geležinkelio g. 16, Vilnius	100	100	Implementation of shareholder's functions of the joint Baltic States company RB Rail AS, which monitors implementation of the Rail Baltica 2 project.
OOO Rail Lab	Internacionalnaja st. 36-1, Minsk, the Republic of Belarus	2	100	Manufacturing of locomotives and rolling stock, repairs and technical maintenance of vehicles, wholesale of other machinery and equipment. The company is under liquidation
LTG Cargo Polska Sp.zo.o.	ul. Rondo ONZ, 12 Piętro, 00-124, Warsaw, Poland	100	100	Activities of freight carrier and provision of related services.
UAB LTG Wagons	Geležinkelio g. 12, Vilnius	100	100	Lease of wagons and containers used for freight transportation by rail and provision of related services.
LTG Cargo Ukraine LLC	Puškino St. 21, Kiev, Ukraine	100	100	Lease, repair forwarding of rolling stock used for freight transportation by rail and provision of other logistic services.
VšĮ Geležinkelių Logistikos Parkas	Švitrigailos g. 39, Vilnius	79.61	79.61	Responsible for the development and management of Vilnius Public Logistics Centre Fleet. The Company is not significant thus not material for consolidation.

Associated and secondary companies

Company name	Registered address	Owned share, % 30/06/2023	Owned share, % 31/12/2022	Main activities
voestalpine Railway Systems Lietuva, UAB	Sostinės g. 18, Valčiūnai, Vilnius district	34	34	Manufacture of railway switches.
RB Rail AS	Satekles iela 2B, LV-1010, Riga, Latvia	33.33	33.33	Implementation of Rail Baltica project and of functions of central project coordinator. Controlled through UAB Rail Baltica Statyba.
VšĮ Transporto Inovacijų Centras	Geležinkelio g. 16, Vilnius	33.33	33.33	Development of innovation testing possibilities in transport sector infrastructure. The company is under liquidation

2. Significant accounting policies

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

These consolidated financial statements have been prepared in accordance with all effective requirements of IFRS as at 31 December 2022 and publicly available at the Company's website https://www.litrail.lt/en/veiklos-rezultatai.

The financial statements are prepared on the historical cost basis.

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

New standards, amendments to standards and interpretations not yet adopted

New standards, amendments to standards and interpretations that are permitted to be applied earlier became effective for annual periods beginning on 1 January 2023. No new standards, amendments to the standards have been applied, which are permitted earlier in the preparation of these consolidated and separate financial statements.

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.

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 Group's and the Company's management does not expect the new amendments to have a material impact on the Group's and 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 Group and the Company.

(all amounts are in EUR thousand unless otherwise stated)

3. Property, plant and equipment

Property, plant and equipment of the Group comprised:

Group	Land	Buildings and structures	Machinery and plant	Vehicles	Other equipment, fittings and tools	Construction in progress and prepayments	Total
Acquisition cost							
31 December 2021	**154,100**	**1,287,203**	**256,889**	**565,790**	**120,217**	**325,334**	**2,709,533**
- acquisitions for the year	-	2,502	8,675	20,019	421	156,366	187,983
- assets sold, written off, disposed	(1 660)	(4,433)	(6,481)	(17,317)	(1,746)	(960)	(32,597)
- reclassification from/(to) current assets	(3)	(1,086)	(416)	(8,957)	47	(1)	(10,416)
- reclassification(to) intangible assets	-	-	-	-	-	(37)	(37)
- reclassifications*	-	180,986	(2,342)	7,946	1,196	(188,841)	(1,055)
31 December 2022	**152,437**	**1,465,172**	**256,325**	**567,481**	**120,135**	**291,861**	**2,853,411**
- acquisitions	1	172	(252)	5,358	176	141,900	147,355
- assets sold, written off, disposed	-	(2,110)	1,062	7,657	(1,279)	(11,141)	(5,811)
- reclassification from/(to) current assets	-	(2,436)	(2,684)	(234)	(141)	-	(5,495)
- reclassification(to) intangible assets	-	-	-	-	-	-	-
- reclassifications*	-	18,297	6,333	165	1,511	(26,711)	(405)
30 June 2023	**152,438**	**1,479,095**	**260,784**	**580,427**	**120,402**	**395,909**	**2,989,055**
Accumulated depreciation and impairment losses							
31 December 2021	**-**	**(422,251)**	**(111,091)**	**(225,668)**	**(44,905)**	**(10,797)**	**(814,712)**
- depreciation	-	(62,732)	(16,074)	(35,041)	(7,216)	-	(121,063)
- impairment for the year	-	59	1	(936)	3	(7,317)	(8,190)
- assets sold, written off, disposed	-	3,819	4,337	13,447	1,600	-	23,203
- reclassification from/(to) current assets	-	(357)	256	4,227	108	-	4,234
- reclassifications	-	258	668	(708)	37	-	255
31 December 2022	**-**	**(481,204)**	**(121,903)**	**(244,679)**	**(50,373)**	**(18,114)**	**(916,273)**
- depreciation	-	(31,513)	(7,842)	(17,528)	(3,467)	-	(60,350)
- reversal impairment	-	2	-	(39)	-	150	113
- assets sold, written off, disposed	-	3,328	400	1,176	1,206	-	6,110
- reclassification from/(to) current assets	-	396	1,786	115	41	-	2,338
- reclassifications	-	10	57	-	-	-	67
30 June 2023	**-**	**(508,981)**	**(127,502)**	**(260,955)**	**(52,593)**	**(17,964)**	**(967,995)**
Carrying amount							
31 December 2021	**154,100**	**864,952**	**145,798**	**340,122**	**75,312**	**314,537**	**1,894,821**
31 December 2022	**152,437**	**983,968**	**134,422**	**322,802**	**69,762**	**273,747**	**1,937,138**
30 June 2023	**152,438**	**970,114**	**133, 282**	**319,472**	**67,809**	**377,945**	**2,021,060**

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

(all amounts are in EUR thousand unless otherwise stated)

3. Property, plant and equipment (continued)

Property, plant and equipment of the Company comprised:

Company	Land	Buildings and structures	Machinery and plant	Vehicles	Other equipment, fittings and tools	Construction in progress and prepayments	Total
Acquisition cost							
31 December 2021	**3**	**39,534**	**13,781**	**972**	**15,595**	**2,258**	**72,143**
- acquisitions for the year	-	-	54	52	454	1,412	1,972
- sold, written off, disposed assets	(3)	(8,992)	(2,044)	(118)	(2,054)	(175)	(13,386)
- transferred to investment property	-	1,160	-	-	-	-	1,160
- transferred to intangible assets	-	1,990	506	-	649	(3,159)	(14)
31 December 2022	**-**	**33,692**	**12,297**	**906**	**14,644**	**336**	**61,875**
- acquisitions	-	-	33	-	12	48	93
- sold, written off, disposed assets	-	(347)	(93)	(162)	(655)	-	(1,257)
- transferred to investment property	-	2,309	-	-	-	-	2,309
- transferred to intangible assets	-	-	-	-	-	-	-
30 June 2023	**-**	**35,654**	**12,237**	**744**	**14,001**	**384**	**63,020**
Accumulated depreciation and impairment losses							
31 December 2021	**-**	**(15,858)**	**(9,032)**	**(516)**	**(9,544)**	**(324)**	**(35,274)**
- depreciation	-	(2,406)	(953)	(78)	(917)	-	(4,354)
- impairment for the year	-	-	-	-	-	175	175
- sold, written off, disposed assets	-	3,506	1,066	28	904	-	5,504
- transferred to investment property	-	(1,230)	-	-	-	-	(1,230)
31 December 2022	**-**	**(15,988)**	**(8,919)**	**(566)**	**(9,557)**	**(149)**	**(35,179)**
- depreciation	-	(1,112)	(392)	(26)	(435)	-	(1,965)
- impairment	-	-	-	-	-	-	-
- sold, written off, disposed assets	-	222	108	110	576	-	1,016
- transferred to investment property	-	(243)	-	-	-	-	(243)
30 June 2023	**-**	**(17,121)**	**(9,203)**	**(482)**	**(9,416)**	**(149)**	**(36,371)**
Carrying amount							
31 December 2021	**3**	**23,676**	**4,749**	**456**	**6,051**	**1,934**	**36,869**
31 December 2022	**3**	**17,704**	**3,378**	**340**	**5,087**	**187**	**26,696**
30 June 2023	**-**	**18,533**	**3,034**	**262**	**4,584**	**235**	**26,649**

(all amounts are in EUR thousand unless otherwise stated)

3. Property, plant and equipment (continued)

The Group's depreciation charge included to the statement of profit or loss and other comprehensive income of the Group amounted to EUR 47,832 thousand (EUR 47,523 thousand as at 30 June 2022). This amount included EUR 60,350 thousand (EUR 57,884 thousand as at 30 June 2022) depreciation expenses, which were reduced by depreciation of grants of EUR 10,906 thousand (EUR 8,998 thousand as at 30 June 2022) as disclosed in Note 15 and by capitalised depreciation costs amounting to EUR 1,612 thousand (EUR 1,363 thousand as at 30 June 2022.

The Company's depreciation charge included to the statement of profit or loss and other comprehensive income amounted to EUR 1,893 thousand (EUR 2,127 thousand as at 30 June 2022). This amount included EUR 1,935 thousand (EUR 2,135 thousand as at 30 June 2022) depreciation expenses which were reduced by depreciation of grants of EUR 42 thousand (EUR 8 thousand as at 30 June 2022) as disclosed in Note 15.

As at 30 June 2023, the carrying amount of assets managed under the right of trust at the Group comprised EUR 940,276 thousand (at 31 December 2022: EUR 947,811 thousand).

The acquisition cost of fully depreciated but still used property, plant and equipment of the Group was EUR 59,487 thousand (EUR 65,413 thousand as at 31 December 2022) and the Company EUR 10,626 thousand (EUR 10,414 thousand as at 31 December 2022). The Group's most of fully depreciated property, plant and equipment comprised other equipment, fittings and tools, the Company's - other equipment, fittings and tools, machinery and plant.

The Group and the Company have no assets pledged.

4. Right-of-use assets

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

Group	Land	Buildings and structures	Machinery and plant	Vehicles	Other equipment, fittings and tools	Total
Acquisition cost						
31 December 2021	**1,480**	**1,946**	**29**	**5,526**	**872**	**9,853**
- acquisitions for the year	47	92	-	12,520	27	12,686
- disposed assets	-	(675)	(29)	(2,108)	-	(2,812)
31 December 2022	**1,527**	**1,363**	**-**	**15,938**	**899**	**19,727**
- acquisitions	-	-	-	570	-	570
- disposed assets	-	(65)	-	(169)	(431)	(665)
30 June 2023	**1,527**	**1,298**	**-**	**16,339**	**468**	**19,632**
Accumulated depreciation and impairment losses						
31 December 2021	**(46)**	**(302)**	**(23)**	**(3,168)**	**(319)**	**(3,858)**
- depreciation	(43)	(563)	(6)	(5,152)	(239)	(6,003)
- write-back of depreciation of disposed assets	-	149	29	1,317	-	1,495
31 December 2022	**(89)**	**(716)**	**-**	**(7,003)**	**(558)**	**(8,366)**
- depreciation	(21)	(210)	-	(4,255)	(103)	(4,589)
- write-back of depreciation of disposed assets	-	65	-	77	259	401
30 June 2023	**(110)**	**(861)**	**-**	**(11,181)**	**(402)**	**(12,554)**
Carrying amount						
31 December 2021	**1,434**	**1,644**	**6**	**2,358**	**553**	**5,995**
31 December 2022	**1,438**	**647**	**-**	**8,935**	**341**	**11,361**
30 June 2023	**1,417**	**437**	**-**	**5,158**	**66**	**7,078**

(all amounts are in EUR thousand unless otherwise stated)

4. Right-of-use assets (continued)

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

Company	Land	Buildings and structures	Machinery and plant	Vehicles	Other equipment, fittings and tools	Total
Acquisition cost						
31 December 2021	**1,424**	**6,670**	**30**	**4,943**	**447**	**13,514**
- acquisitions for the year	80	92	-	1,826	30	2,028
- disposed assets	(177)	(1,433)	-	(2,089)	-	(3,699)
31 December 2022	**1,327**	**5,329**	**30**	**4,680**	**477**	**11,843**
- acquisitions for the year	-	154	-	12	-	166
- disposed assets	-	(136)	-	(136)	(8)	(280)
30 June 2023	**1,327**	**5,347**	**30**	**4,556**	**469**	**11,729**
Accumulated depreciation and impairment losses						
31 December 2021	**(49)**	**(462)**	**(24)**	**(2,745)**	**(181)**	**(3,461)**
- depreciation	(70)	(659)	(6)	(1,186)	(155)	(2,076)
- depreciation reversal of disposed assets	32	149	-	2,041	-	2,222
31 December 2022	**(87)**	**(972)**	**(30)**	**(1,890)**	**(336)**	**(3,315)**
- depreciation	(24)	(316)	-	(625)	(75)	(1,040)
- depreciation reversal of disposed assets	-	125	-	77	8	210
30 June 2023	**(111)**	**(1,163)**	**(30)**	**(2,438)**	**(403)**	**(4,145)**
Carrying amount						
31 December 2021	**1,375**	**6,208**	**6**	**2,198**	**266**	**10,053**
31 December 2022	**1,240**	**4,357**	**-**	**2,790**	**141**	**8,528**
30 June 2023	**1,216**	**4,184**		**2,118**	**66**	**7,584**

The discount rate applied to the leases in 2023 is 6 months EURIBOR and the market margin is determined by market research, based on current market conditions.

5. Intangible assets

Intangible assets of the Group comprised:

Group	Software	Licenses and similar rights	Other intangible assets	Total
Acquisition cost				
31 December 2021	**30,504**	**3,461**	**6,737**	**40,702**
- acquisitions	542	313	5,536	6,391
- sales, disposals, write-offs	(47)	(15)	(67)	(129)
- transferred from tangible assets	7,002	1	(6,966)	37
31 December 2022	**38,001**	**3,760**	**5,240**	**47,001**
- acquisitions	-	-	2,772	2,772
- sales, disposals, write-offs	(1)	-	-	(1)
- transferred from tangible assets	-	-	-	-
30 June 2023	**38,000**	**3,760**	**8,012**	**49,772**
Accumulated amortisation and impairment losses				
31 December 2021	**(11,058)**	**(2,219)**	**(543)**	**(13,820)**
- amortisation	(4,039)	(361)	(18)	(4,418)
- impairment for the year	-			
- sales, disposals, write-offs	47	14	68	129
31 December 2022	**(15,050)**	**(2,566)**	**(493)**	**(18,109)**
- amortisation	(2,062)	(221)	(5)	(2,288)
- Impairment for the year	-	-	-	-
- sales, disposals, write-offs	1	-	-	1
- reclassifications	-	-	-	-
30 June 2023	**(17,111)**	**(2,787)**	**(498)**	**(20,396)**
Carrying amount				
31 December 2021	**19,446**	**1,242**	**6,194**	**26,882**
31 December 2022	**22,951**	**1,194**	**4,747**	**28,892**
30 June 2023	**20,889**	**973**	**7,514**	**29,376**

(all amounts are in EUR thousand unless otherwise stated)

5. Intangible assets (continued)

Intangible assets of the Company's comprised:

Company	Software	Licences and similar rights	Other intangible assets	Total
Acquisition cost				
31 December 2021	**7,312**	**3,361**	**4,912**	**15,585**
- additions	-	312	2,671	2,983
- sales, disposals, write-offs	-	-	-	
- transferred from tangible assets	6,067	-	(6,053)	14
31 December 2022	**13,379**	**3,673**	**1,530**	**18,582**
- additions	1	-	1,920	1,921
- sales, disposals, write-offs	(1)	-	-	(1)
- transferred from tangible assets	-	-	-	-
30 June 2023	**13,379**	**3,673**	**3,450**	**20,502**
Accumulated amortisation and impairment losses				
31 December 2021	**(5,004)**	**(2,119)**	**(28)**	**(7,151)**
- amortisation	(1,145)	(360)	-	(1,505)
- Impairment for the year	-	-	-	-
- sales, disposals, write-offs	-	-	-	-
31 December 2022	**(6,149)**	**(2,479)**	**(28)**	**(8,656)**
- amortisation	(504)	(221)	-	(725)
- Impairment for the year	-	-	-	-
- sales, disposals, write-offs	1	-	-	1
30 June 2023	**(6,652)**	**(2,700)**	**(28)**	**(9,380)**
Carrying amount				
31 December 2021	**2,308**	**1,242**	**4,884**	**8,434**
31 December 2022	**7,230**	**1,194**	**1,502**	**9,926**
30 June 2023	**6,727**	**973**	**3,422**	**11,122**

Amortisation costs of intangible assets of the Group which amounted to EUR 1,340 thousand (EUR 872 thousand as at June 2022) are accounted for in the statement of profit or loss and other comprehensive income. This amount includes EUR 2,288 thousand (EUR 1,447 thousand as at June 2022) of amortisation expenses which were reduced by amortisation of grants of EUR 948 thousand (EUR 575 thousand as at June 2022) as disclosed in Note 15.

Amortisation costs of intangible assets of the Company which amounted to EUR 661 thousand (EUR 497 thousand as at 30 June 2022) are accounted for in the statement of profit or loss and other comprehensive income. This amount includes EUR 725 thousand (EUR 562 thousand as at 30 June 2022) of amortisations expenses which were reduced by amortisation of grants of EUR 64 thousand (EUR 65 thousand as at 30 June 2022) as disclosed in Note 15.

The Group's fully amortised intangible assets still in use amounted to EUR 7,402 thousand (EUR 6,341 thousand as at 31 December 2022). The Company's fully amortised intangible assets still in use amounted to EUR 6,350 thousand (EUR 5,304 thousand as at 31 December 2022). Most of fully amortised assets was software.

(all amounts are in EUR thousand unless otherwise stated)

6. Investment property

Investment property of the Group and the Company comprised:

	Group	Company
Acquisition cost		
31 December 2021	**3,210**	**20,827**
- acquisitions for the year	-	-
- sold, written off, disposed assets	-	(2,033)
- transferred from property, plant and equipment	1,055	(1,160)
31 December 2022	**4,265**	**17,634**
- acquisitions for the year	-	-
- sold, written off, disposed assets	-	-
- transferred from property, plant and equipment	405	(2,309)
30 June 2023	**4,670**	**15,325**
Accumulated depreciation and impairment losses		
31 December 2021	**(624)**	**(6,450)**
- depreciation	(217)	(760)
- sold, written off, disposed assets	-	629
- transferred from property, plant and equipment	(255)	1,230
31 December 2022	**(1,096)**	**(5,351)**
- depreciation	(115)	(338)
- sold, written off, disposed assets	-	
- transferred from property, plant and equipment	(67)	264
30 June 2023	**(1,278)**	**(5,425)**
Carrying amount		
31 December 2021	**2,586**	**14,377**
31 December 2022	**3,169**	**12,283**
30 June 2023	**3,392**	**9,900**

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

Part of the Group's investment property with the acquisition cost as at 30 June 2023 of EUR 126 thousand (EUR 126 thousand as at 31 December 2022) was fully depreciated but still used in operations.

Part of the Company's investment property with the acquisition cost as at 30 June 2023 of EUR 326 thousand (EUR 327 thousand as at 31 December 2022) was fully depreciated but still used in operations

(all amounts are in EUR thousand unless otherwise stated)

7. Investments

Company name	Owned share, %	30/06/2023			31/12/2022		
		Investment value	Accounted impairment	Carrying amount	Investment value	Accounted impairment	Carrying amount
Shares of subsidiaries							
AB LTG Cargo	100	39,752	-	39,752	39,752	-	39,752
UAB LTG Link	100	142,778	-	142,778	142,778	-	142,778
AB LTG Infra	100	673,668	-	673,668	673,668	-	673,668
UAB Geležinkelio tiesimo centras	100	24,752	(215)	24,537	24,752	-	24,752
UAB Rail Baltica statyba	100	4,805	(2,536)	2,268	4,804	(2,536)	2,268
VšĮ Geležinkelių logistikos parkas	79.61	460	(443)	17	460	(443)	17
		886,214	(3,194)	883,020	886,214	(2,979)	883,235
Shares of associates							
voestalpine Railway Systems Lietuva, UAB	34	745	-	745	745	-	745
VšĮ Transporto inovacijų centras	33.33	115	(115)	19	115	(115)	-
		860	(115)	764	860	(115)	745
Long-term investments							
Brussels Centralised Payment Centre	1.34	2	-	2	2	-	2
		2	-	2	2	-	2
Total		**887,076**	**(3,309)**	**883,767**	**887,076**	**(3,094)**	**883,982**

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

	Investment value
Acquisition value as at 31 December 2021	**884,520**
Increase (+)	-
Decrease (-)	(538)
Acquisition value as at 31 December 2022	**883,982**
Increase (+)	-
Decrease (-)	(215)
Acquisition value as at 30 June 2023	**883,767**

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

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

	Group		Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Spare parts	11,812	10,368	277	313
Materials of the upper railway part	6,339	3,737	-	-
Materials	4,545	5,368	98	137
Fuel	11,517	9,864	9,894	7,906
Other inventories	1,515	1,209	30	28
Total raw materials, materials and component parts	35,728	30,546	10,299	8,384
Goods for resale	4,982	31	-	-
Total goods for resale	4,982	31	-	-
Non-current assets held-for-sale	2,962	1,731	1,279	9,341
Total non-current assets held-for-sale	2,962	1,731	1,279	9,341
Total	**43,672**	**32,308**	**11,578**	**17,725**

(all amounts are in EUR thousand unless otherwise stated)

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

The carrying amount of the Group's inventories of EUR 55,147 thousand was reduced by EUR 11,475 thousand to the net realizable value as at 30 June 2023 (EUR 43,791 thousand reduced by EUR 11,483 thousand to the net realizable value as at 31 December 2022).

The carrying amount of the Company's inventories of EUR 12,190 thousand was reduced by EUR 612 thousand to the net realizable value as at 30 June 2023 (EUR 18 338 thousand reduced by EUR 612 thousand to the net realizable value as at 31 December 2022).

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

The increase in inventories of the Group as at 30 June 2023 was largely due to an increase in goods and services held for resale. The balance of goods purchased for resale comprises the value of assets developed under investment projects and to be transferred to units representing the Republic of Lithuania (project partners) under joint venture agreements.

As at 30 June 2023, the Company's decrease in inventories was largely due to the sale of non-current assets to AB LTG Infra.

As at 30 June 2023, the majority of the Group's non-current assets held for sale consisted of wagons, locomotives and diesel locomotives, machinery for railway construction. Most of the sales are carried out by public auction.

9. Trade and other receivables

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

	Group		Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Gross external trade debtors	20,502	23,649	959	6,211
Impairment (-)	(4,132)	(4,166)	(130)	(104)
Total external trade receivables	**16,370**	**19,483**	**829**	**6,107**
Receivables from related parties	68	11	21,169	12 ,268
Impairment (-)	-	-	-	-
Total receivables from related parties	**68**	**11**	**21,169**	**12,268**
Receivable VAT	3,634	4,509	395	534
Other amounts receivable from the budget	38,130	9,676	1,279	1,959
Accrued other amounts receivable from related parties	-	-	694	2,239
Accrued income	3,209	2,775	11	250
Other receivables	7,148	10,190	5,315	5,317
Impairment (-)	(4,274)	(4,274)	(4,274)	(4,274)
Total other receivables	**47,847**	**22,876**	**3,420**	**6,025**
Total	**64,285**	**42,370**	**25,418**	**24,400**

As at 30 June 2023 trade and other receivables of the Group increased EUR 21,915 thousand (in 2022 trade and other receivables increased EUR 11,480 thousand compared to 2021). Other amounts receivables from the budget increased mainly by EUR 27,933 thousand due to the accrual of a subsidy accounted for on the basis of the contract "Ensuring the Quality and Financing of the Public Railway Infrastructure and the Facilities of Railway Services Owned by the State of Lithuania" dated 6 April 2022, as well as the reimbursement to compensate the incurred losses of local passenger transportation activity for a total amount of EUR 1,592 thousand.

As at 30 June 2023 trade and other amounts receivables of the Company increased EUR 1,018 thousand (in 2022, the Company's trade and other receivables increased by EUR 3,154 thousand compared to 2021) since the invoices related to management services were issued and paid.

The Company accrued other amounts receivable from related parties of EUR 496 thousand for management services rendered to Group companies (EUR 1,516 thousand as at 31 December 2022).

(all amounts are in EUR thousand unless otherwise stated)

9. Trade and other receivables (continued)

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

	Group		Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Not overdue	14,088	14,811	491	1,990
Overdue 0– 60 days	1,371	1,713	323	1,234
Overdue 61– 120 days	682	2,710	10	2,223
Overdue 121– 180 days	448	799	5	675
Overdue 181– 360 days	555	502	43	22
Overdue for over 360 days	3,358	3,114	87	67
Impairment (-)	(4,132)	(4,166)	(130)	(104)
Total	**16,370**	**19,483**	**829**	**6,107**

As at 30 June 2023 overdue trade debts before impairment in the Group decreased EUR 3,147 thousand compared to year 2022, overdue trade debts before impairment in the Company decreased EUR 3 753 thousand, trade debt impairment decreased EUR 34 thousand and increased EUR 26 thousand respectively.

10. Prepayments and assets arising from contracts with customers

Prepayments of the Group and the Company comprised:

	Group		Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Prepayments to external customers	3,096	469	223	233
Prepayments to related parties	-	-	7,216	7,222
Guarantees paid to suppliers	13	40	341	347
Deferred costs	2,656	2,746	1,245	2,068
Total	**5,765**	**3,255**	**9,025**	**9,870**

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

	Group		Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Accrued income	-	6	-	-
Paid guarantees to customers	5	-	-	-
Prepayments	176	10	-	-
Total	**181**	**16**	**-**	**-**

11. Cash and cash equivalents

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

	Group		Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Cash in banks	145,115	213,427	25,494	4,567
Cash in hand	19	7	-	-
Total	**145,134**	**213,434**	**25,494**	**4,567**

As at 30 June 2023 and 31 December 2022 the Group and the Company did not hold any term deposits. Cash was not pledged.

Seeking the higher efficiency in cash management and liquidity assurance within the Group, on 30 December 2021 a cash-pool agreement with AB Swedbank was signed. The Group and the Company implemented an inter-company borrowing and lending platform (Cash Pool service), which ensures the possibility of mutual borrowing for a maximum period of one year. The Group companies owed the Company EUR 29 thousand as at 30 June 2023 (EUR 27.7 thousand as at 31 December 2022) under the cash-pool agreement. During first half of 2023, the members of the Group used the cash-pool funds as required and accrued interest income of EUR 26 thousand (EUR 78 thousand as at 31 December 2022).

As at 30 June 2023, due to bank guarantees issued, the use of cash and cash equivalents of EUR 104 thousand was restricted (EUR 104 thousand as at 31 December 2022).

12. Authorized capital

During the first half of 2023, the Articles of Association of the Company were not amended due to the increase / decrease of the authorized capital.

(all amounts are in EUR thousand unless otherwise stated)

13. Dividends

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

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

14. Reserves

Legal reserve. The legal reserve means a reserve which is required by the provisions of legal acts of the Republic of Lithuania. An annual transfer of 5% of net profit to the legal reserve is compulsory until the reserve reaches 10% of the share capital. The legal reserve cannot be distributed as dividends and is formed to cover future losses. As at 30 June 2023 the legal reserve of the Group and the Company comprised EUR 34,025 thousand.

Other reserves. As at 30 June 2023, the Company's other reserves' balance consisted of reserves for investments of EUR 8,757 thousand.

15. Grants

Movement of grants of the Group and the Company:

	Group		Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Balance at the beginning of the period	**809,164**	**603,642**	**822**	**611**
Received	17,184	204,263	25	396
Grants received in advance	-	33,720	-	-
Used for reduction of depreciation and amortisation costs of non-current assets	(11,854)	(22,531)	(107)	(180)
Used for reduction of other expenses	(650)	(4,933)	-	(5)
Impairment	-	(3,066)	-	-
Repaid/transferred	(119)	(1,931)	-	-
Balance at the end of the period	**813,725**	**809,164**	**740**	**822**
Including assets managed under right of trust	**239,583**	**237,002**	**-**	**-**

Grants are mainly related to the financing of investment programmes, assets received under the Trust Agreement and subsidies earmarked for compensating costs.

16. Loans and borrowings

Borrowings of the Group and the Company comprised:

	Group		Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Non-current loans	117,301	125,745	-	-
Current loans	18,430	22,737	-	-
Total	**135,731**	**148,482**	**-**	**-**

The Company does not have any financial liabilities to credit institutions, because on 8 December 2019 all the loans between the Company and the Nordic Investment Bank were transferred to LTG Infra AB, and, on 30 June 2020, all the loans between the Company and the European Investment Bank were transferred to LTG Cargo AB. On 30 June 2020, following the completion of the restructuring of the Company's long-term loans, the guarantee agreements with the Nordic Investment Bank and the European Investment Bank entered into force, under which the Company guarantees for the obligations of LTG Cargo AB and LTG Infra AB to creditors.

Borrowings of the Group comprised:

	Loan currency	30/06/2023	31/12/2022
Bank EIB - 4, total [1]	EUR	4,037	7,401
Nordic Investment Bank - 3, total [2]	EUR	66,664	70,017
Nordic Investment Bank - 4, total [3]	EUR	29,229	32,891
Nordic Investment Bank - 5, total [4]	EUR	35,801	38,173
Total		**135,731**	**148,482**

16. Loans and borrowings (continued)

During the first half of 2023 the Group repaid EUR 12,830 thousand loan and EUR 2,535 thousand interest.

[1] EIB-4 is the loan for the procurement of new rolling stock. During the first half of 2023 AB LTG Cargo repaid EUR 3,333 thousand loan and EUR 92 thousand interest.

[2] Two loan agreements have been signed with the Nordic Investment Bank (NIB-3) for the renovation and development of the railway infrastructure at the total value of EUR 114,000 thousand. Each tranche was set a separate interest rate. During the first half of 2023 AB LTG Infra repaid EUR 3,677 thousand loan and EUR 1,321 thousand interest.

[3] A loan agreement of EUR 53,300 thousand has been signed with the Nordic Investment Bank (NIB-4). The loan was granted to ensure co-financing of the national part of the public railway infrastructure project Rail Baltica, which is financed by the EU support funds for 2007-2013. During the first half of 2023 AB LTG Infra repaid EUR 3,438 thousand loan and EUR 870 thousand interest.

[4] (NIB-5) loan is intended for the implementation of the investment projects for 2014–2021 and the Rail Baltica project. During the first half of 2023, AB LTG Infra paid EUR 2,381 thousand of the loan and EUR 154 thousand of interest.

17. Lease liabilities

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

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

Lease liabilities of the Group comprised:

	Group		Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Non-current	3,579	4,536	5,012	5,994
Current	3,628	6,895	2,858	2,790
Total	**7,207**	**11,431**	**7,870**	**8,784**

18. Employee benefits

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

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

	Group	Company
Balance as at 31 December 2021	**8,442**	**595**
Change (+)	-	-
Change (-)	(2,984)	(304)
Balance as at 31 December 2022	**5,458**	**291**
Change (+)	744	59
Change (-)	-	-
Balance as at 30 June 2023	**6,202**	**350**

(all amounts are in EUR thousand unless otherwise stated)

18. Employee benefits (continued)

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

	30/06/2023	31/12/2022
Discount rate, %	3.57	3.54
Staff turnover ratio, %	15.44	17.41
Salary increase rate, %	5.00	5.00

Current employee benefits and liabilities by type:

	Group		Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Vacation pay accruals	8,835	7,700	1,553	1,299
Payable remuneration	6,168	5,999	1,121	1,147
Payable social insurance contributions	4,494	3,089	871	534
Payable personal income tax contributions	2,580	1,861	448	376
Other employment related liabilities	3,780	5,747	986	1,464
Total	**25,857**	**24,396**	**4,979**	**4,820**

The Company's current employee benefits and liabilities mainly decreased due to payments of the incentive reserve. Capitalized remuneration amounted to EUR 334 thousand (30 June 2022: EUR 612 thousand).

19. Trade and other payables

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

	Group		Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Trade payables	88,953	40,159	3,531	3,094
Trade payables to related parties	515	306	4,434	2,088
Cash guarantees received	2,610	2,856	907	977
Other taxes payable to the budget	677	6,639	335	667
Accumulated service costs of foreign railways	792	227	-	-
Accrued other amounts payable from related parties	-	-	41	1,077
Other accrued costs	5,378	6,033	1,094	1,175
Other amounts payable and liabilities	10,752	2,075	24	13
Total	**109,677**	**58,295**	**10,366**	**9,091**

In the first half of 2023 other accrued amounts payable from related parties of the Company decreased due to issue of credit invoices for the management services.

20. Received prepayments and liabilities arising from contracts with customers

	Group		Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Received prepayments, non-current	-	-	-	-
Received prepayments, current	19,572	22,630	16,137	9,445
Total	**19,572**	**22,630**	**16,137**	**9,445**

The largest part of the prepayments received by the Group and the Company consisted of an advance payment of EUR 8,186 thousand received from OAO Belaruskalij.

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

	Group		Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Received prepayments, non-current	-	-	-	-
Received prepayments, current	361	9	-	-
Total	**361**	**9**	**-**	**-**

(all amounts are in EUR thousand unless otherwise stated)

21. Sales

Sales revenue of the Group and the Company comprised:

	Group		Company	
	06/2023	06/2022	06/2023	06/2022
Income from freight transportation	137,834	136,987	-	-
Income from use of the railway infrastructure	539	612	-	-
Income from passenger, baggage and post	19,173	13,291	-	-
Other auxiliary services, of which:	10,233	13,289	44,060	48,158
Fuel resale	-	-	17,778	18,871
Management services	-	-	19,733	22,953
Other services	10,233	13,289	6,549	6,334
Total	**167,779**	**164,179**	**44,060**	**48,158**

22. Result from financing activities

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

	Group		Company	
	06/2023	06/2022	06/2023	06/2022
Total finance income	**793**	**238**	**14,566**	**775**
Interest	453	15	2,295	716
Currency exchange gain	204	100	-	54
Dividends	-	-	12,251	-
Penalties and default interest	136	123	20	5
Other income	-	-	-	-
Total finance costs	**(2,476)**	**(1,724)**	**(120)**	**(74)**
Interest	(2,462)	(1,434)	-	-
Currency exchange loss	-	-	(66)	-
Penalties and default interest	(5)	(290)	(7)	-
Other expenses	(9)	-	(47)	(74)
Total	**(1,683)**	**(1,486)**	**14,446**	**701**

The Company's dividend income consists of EUR 328 thousand from voestalpine Railway Systems Lietuva, UAB, EUR 5,350 thousand from UAB LTG Link and EUR 6,573 thousand from AB LTG Cargo.

23. Corporate income tax

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

	Group		Company	
	06/2023	06/2022	06/2023	06/2022
Income tax for the year	1,076	53	148	-
Adjustment to income tax of the previous year	-	(58)	-	(30)
Deferred tax expenses	442	(902)	505	(460)
Total corporate income tax expenses (income) recognised in profit or loss	**1,518**	**(907)**	**653**	**(490)**

24. Related party transactions

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

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

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

(all amounts are in EUR thousand unless otherwise stated)

24. Related party transactions (continued)

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

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

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

The Company's related party transactions before elimination:

	06/2023		30/06/2023	
	Company's sales	Company's purchases	Company's receivables	Company's payables
AB LTG Cargo	28,976	10	144,864	8,668
UAB LTG Link	5,457	32	6,796	3,886
AB LTG Infra	21,249	1,517	2,314	271
UAB Geležinkelio Tiesimo centras	625	-	2,417	2
UAB Rail Baltica Statyba	1	-	-	-
voestalpine Railway Systems Lietuva, UAB	-	-	-	-
UAB LTG Wagons	8	-	63	-
LTG Cargo Ukraine LLC	16	-	154	-
LTG Cargo Polska SP. Z. o. o.	449	-	14,272	-
Total	**56,781**	**1,559**	**170,880**	**12,827**

The Company's related party transactions before elimination:

	06/2022		31/12/2022	
	Company's sales	Company's purchases	Company's receivables	Company's payables
AB LTG Cargo	31,036	18	139,532	1,724
UAB LTG Link	5,766	51	1,816	1,617
AB LTG Infra	10,884	1,314	2,777	462
UAB Geležinkelio Tiesimo Centras	480	-	68	-
UAB Rail Baltica Statyba	3	-	-	-
voestalpine Railway Systems Lietuva, UAB	-	-	-	-
UAB LTG Wagons	14	-	28	-
„LTG Cargo Ukraine" LLC	8	-	141	-
LTG Cargo Polska SP. Z. o. o.	23	-	7,320	-
Total	**48,214**	**1,383**	**151,682**	**3,803**

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

	30/06/2023		31/12/2022	
	Accrued receivables	Accrued payables	Accrued receivables	Accrued payables
AB LTG Cargo	8,547	-	1,309	9
UAB LTG Link	14	115	170	3
AB LTG Infra	4	1,126	25	1,065
UAB Geležinkelio Tiesimo Centras	234	-	495	-
LTG Cargo Polska Sp. Z.o.o.	4	-	203	-
UAB LTG Wagons"	6	-	26	-
LTG Cargo Ukraine LLC	3	-	11	-
Total	**8,812**	**1,241**	**2,239**	**1,077**

Accrued payables mainly comprised management services accruals to related parties.

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

(all amounts are in EUR thousand unless otherwise stated)

24. Related party transactions (continued)

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

	Group		Company	
	30/06/2023	31/12/2022	30/06/2023	31/12/2022
Loans granted to related parties	-	-	130,258	124,490
Total non-current part	**-**	**-**	**130,258**	**124,490**
Loans granted to related parties	160	160	269	269
Cash-pool / Credit line	-	-	11,792	7,258
Total current part	160	160	12,061	7,527
Total	**160**	**160**	**142,319**	**132,017**

More details on the borrowing from cash-pool are presented in Note 11.

Based on the loan agreement dated 12 March 2019, the loan of EUR 163,862 thousand was granted to AB LTG Cargo in the form of non-current assets: for the acquisition of railway transport rolling stock – wagons, containers and locomotives. The loan matures in 2031. Interest was determined applying variable interest rate linked with 6-month EURIBOR and the market margin estimated by a market survey. On 30 June 2020, the restructuring of the Company's non-current loans was completed. According to a separate agreement with the European Investment Bank (EIB), AB LTG Cargo and the Company, the said loan is subordinate in respect to the EIB loans transferred by AB LTG Cargo, i.e. both loan and interest payments are not possible until the maturity of EIB loans (until 2024). Interest receivable amounted to EUR 5,895 thousand (EUR 4,127 thousand as at 31 December 2022). No breaches of the financial and non-financial terms of the loan agreements as at 30 June 2023 have been identified.

On 30 December 2021, the Company signed a credit agreement with LTG Cargo Ukraine LLC for EUR 1,000 thousand, with a maturity date of 31 December 2023 and an option to extend for 6 months, i.e. until 30 June 2024. The amount of the credit used by 30 June 2023 amounted to EUR 108.5 thousand.

On 15 April 2022, the Company signed a credit agreement with UAB LTG Wagons, with a maturity date of 15 April 2023 and a possible extension of 6 months. The amended agreement provides for a credit amount of EUR 120 thousand, maturing on 12 December 2024. The amount of the credit used up to 30 June 2023 amounted to EUR 63 thousand.

On 15 March 2023, the Company signed 2 credit line agreements with LTG Cargo Polska Sp.z.o.o., the first amounting to EUR 8,200 thousand for a period of seven years, with accrued interest income of EUR 101 thousand, and the second one amounting to EUR 2,300 thousand for a period of one year, with accumulated interest income of EUR 25 thousand.

Management salary and other benefits. As of June 30, 2023, the number of managers was 9 people, i.e., 1 Director General, 1 Chief Financial Officer, 1 Director for Strategy and Development, 1 Director for People and Culture, 1 Director for Legal and Compliance, 1 Director for Business Resilience, 1 Director of Technology, and 1 Director of Administration, 1 Director of Corporate Affairs.

	30/06/2023	30/06/2022
Management salary	600	431
Incentive payments*	88	88
Number of managers	9	5
Benefits to Board Members	115	35
Number of Board Members	7	7
Benefits to audit committee members	38	4
Number of audit committee members	4	4
Benefits to remuneration committee members	21	4
Number of remuneration committee members	2	3

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

** Accrued non-current payments are provisions for pension and similar liabilities, accrued as at the end of the year.

As at 30 June 2023 and 30 June 2022, the management was not granted with loans, provided with guarantees or other paid or accrued benefits or disposed assets, except as disclosed above.

25. Contingent assets and liabilities, potential disputes

UAB Civinity Solutions has applied to the court for indemnification of damages in the 2022 public procurement carried out by AB Lietuvos geležinkeliai. The amount of the claim: EUR 668 thousand. As at the date of issue of the financial statements, AB Lietuvos geležinkeliai assesses the probability of winning the case.

On 30 August 2018, VAS Latvijas dzelzcelš and SIA LDZ CARGO wrote to AB Lietuvos geležinkeliai claiming indemnification for the damage suffered by these companies. According to these companies, they suffered damage as a result of the dismantling of the railway section Mažeikiai – Latvian State border, amounting to EUR 82,340 thousand. The above-mentioned companies also claim interest at 6 % for the period from the date of the damage until the date of its indemnification. AB LTG Infra, as successor in title, does not accept these claims and considers them to be unfounded.

On 12 January 2022, the Court of Justice of the European Union issued a judgment dismissing the appeal and upholding the judgment of the General Court of the European Union of 18 November 2020, which reduced the fine of EUR 27,873 thousand imposed by the European Commission on 2 October 2017 on AB Lietuvos geležinkeliai to EUR 20,069 thousand. The fine was paid in 2018.

Two civil cases are still pending in Vilnius Regional Court – AB LTG Infra against UAB Sweco Lietuva and DB Engineering & Consulting GMbH:

- Project Kaunas – Vilnius - AB LTG Infra's claim of 30 January 2023 for EUR 30 thousand in interest on arrears for the delay in services and a counterclaim of 24 February 2023 by UAB Sweco Lietuva and DB Engineering & Consulting GMbH against AB LTG Infra for the unlawful crediting of EUR 190 thousand in interest on arrears and EUR 1,390 thousand for additional services.

- Project PL– Jiesia - AB LTG Infra's claim of 13 March 2023 for EUR 152 thousand in interest on arrears for delayed services and the counterclaim of UAB Sweco Lietuva and DB Engineering & Consulting GMbH against AB LTG Infra for EUR 101 thousand in debt, EUR 850 thousand for additional services rendered, EUR 18 thousand in interest on arrears, procedural interest of 10.5% per annum, starting from the date of filing of the claim and ending on the date of the court's judgement and the full discharge of the judgment; and costs of the proceedings, i.e. a stamp duty of EUR 8 thousand.

As both cases are in the process of preparation (exchange of procedural documents), the final positions of the parties on the claims have not been finalised, and the hearing has not yet been scheduled. However, AB LTG Infra supports its claims in principle and disagrees with the claims of UAB Sweco Lietuva and DB Engineering & Consulting GMbH, therefore no provision has been made.

26. Subsequent events and other information

By the Order of the Minister of Transport and Communications of the Republic of Lithuania No. 3-328 of 4 July 2023, which is an equivalent to the decision of the General Shareholders Meeting of the Company, the set of the financial statements of AB Lietuvos Geležinkeliai for 2022 was approved, and it was decided to cover the 2022 Company's retained loss of EUR 3,085 thousand by reducing other reserves.

AB 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.

There were no other significant events after the end of the reporting period which should be recognized or disclosed in the financial statements for the first half of 2023.