



**AB KLAIPĖDOS NAFTA**

**INTERIM CONDENSED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS,  
PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS,  
AS ADOPTED BY THE EUROPEAN UNION**

**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021  
(UNAUDITED)**

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## STATEMENT OF FINANCIAL POSITION

	Notes	Group		Company	
		30-06-2021 <i>(unaudited)</i>	31-12-2020 <i>(audited)</i>	30-06-2021 <i>(unaudited)</i>	31-12-2020 <i>(audited)</i>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets		434	496	218	288
Property, plant and equipment	3	198,631	201,845	198,497	201,719
Right-of-use assets	3	349,849	357,053	349,849	357,053
Non-current contract assets and long-term receivables	7	87	349	87	349
Investment in subsidiaries		-	-	4,578	4,553
Investment in associates		203	256	203	256
<b>Total non-current assets</b>		<b>549,204</b>	<b>559,999</b>	<b>553,432</b>	<b>564,218</b>
<b>Current assets</b>					
Inventories	5	1,880	2,415	1,856	2,397
Trade receivables and other receivables	6	12,920	10,646	11,822	9,941
Contract assets	7	945	1,311	945	1,311
Prepaid income tax		349	349	349	349
Short term deposits	8	-	24,000	-	24,000
Other financial assets		1,297	1,898	1,297	1,898
Cash and cash equivalents	9	59,733	51,076	55,799	47,433
<b>Total current assets</b>		<b>77,124</b>	<b>91,695</b>	<b>72,068</b>	<b>87,329</b>
<b>Total assets</b>		<b>626,328</b>	<b>651,694</b>	<b>625,500</b>	<b>651,547</b>

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Explanatory notes are an integral part of these financial statements.

## STATEMENT OF FINANCIAL POSITION (CONT'D)

	Notes	Group		Company	
		30-06-2021 <i>(unaudited)</i>	31-12-2020 <i>(audited)</i>	30-06-2021 <i>(unaudited)</i>	31-12-2020 <i>(audited)</i>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	1	110,315	110,505	110,315	110,505
Share premium		4,002	4,002	4,002	4,002
Own shares		-	(267)	-	(267)
Reserve		94,604	68,947	94,604	68,947
Foreign currency translation reserve		(5)	(72)	-	-
Retained earnings		(6,825)	33,211	(7,239)	33,272
<b>Total equity</b>		<b>202,091</b>	<b>216,326</b>	<b>201,682</b>	<b>216,459</b>
<b>Non-current amounts payable and liabilities</b>					
Deferred income tax liability		7,331	8,605	7,331	8,605
Non-current employee benefits		618	632	618	632
Loans	10	97,727	92,704	97,727	92,704
Deferred government grants	11	5,718	5,817	5,718	5,817
Lease liabilities	10	252,819	265,339	252,819	265,339
<b>Total non-current amounts payable and liabilities</b>		<b>364,213</b>	<b>373,097</b>	<b>364,213</b>	<b>373,097</b>
<b>Current amounts payable and liabilities</b>					
Current employee benefits		13	43	13	43
Loans	10	3,779	3,806	3,779	3,806
Lease liabilities	10	41,599	40,280	41,599	40,280
Trade payables and other liabilities	12	6,873	7,946	6,628	7,720
Derivatives	13	304	1,946	304	1,946
Payroll related liabilities	14	1,961	2,731	1,787	2,677
Provisions		1,789	1,709	1,789	1,709
Contract liabilities		3,706	3,810	3,706	3,810
<b>Total current amounts payable and liabilities</b>		<b>60,024</b>	<b>62,271</b>	<b>59,605</b>	<b>61,991</b>
<b>Total equity and liabilities</b>		<b>626,328</b>	<b>651,694</b>	<b>625,500</b>	<b>651,547</b>

Explanatory notes are an integral part of these financial statements.

## STATEMENT OF COMPREHENSIVE INCOME

	Notes	Group		Group	
		For the six months period ended 30 June 2021 (unaudited)	For the three months period ended 30 June 2021 (unaudited)	For the six months period ended 30 June 2020 (unaudited)	For the three months period ended 30 June 2020 (unaudited)
Revenue from contracts with customers	15	31,629	15,956	40,737	20,728
Cost of sales	16	(26,887)	(13,679)	(25,094)	(12,460)
<b>Gross profit</b>		<b>4,742</b>	<b>2,277</b>	<b>15,643</b>	<b>8,268</b>
Operating expenses	17	(3,539)	(1,642)	(4,714)	(2,725)
Other income and (expenses)		21	13	15	5
<b>Profit from operating activities</b>		<b>1,224</b>	<b>648</b>	<b>10,944</b>	<b>5,548</b>
Income from financial activities	18	1,264	(616)	2,655	2,583
Expenses from financial activities	18	(10,343)	3,211	(1,440)	4,222
Share of the associate's profit or (loss)		(53)	-	-	-
<b>Profit (loss) before tax</b>		<b>(7,908)</b>	<b>3,243</b>	<b>12,159</b>	<b>12,353</b>
Income tax (expenses)		1,144	(938)	(2,747)	(2,564)
<b>Profit (loss) for the year</b>		<b>(6,764)</b>	<b>2,305</b>	<b>9,412</b>	<b>9,789</b>
Other comprehensive income					
Items that will not be subsequently reclassified to profit or loss		-	-	-	-
Items that may be subsequently reclassified to profit or loss		-	-	-	-
Exchange differences on translation of foreign operations		67	103	(44)	(28)
<b>Total comprehensive income, net of tax</b>		<b>(6,697)</b>	<b>2,408</b>	<b>9,368</b>	<b>9,761</b>
<b>Profit attributable to:</b>					
The shareholders of the Company		(6,764)	2,305	9,412	9,789
Non-controlling interests		-	-	-	-
<b>Total comprehensive income attributable to:</b>					
The shareholders of the Company		(6,697)	2,408	9,368	9,761
Non-controlling interests		-	-	-	-
Basic and diluted earnings (losses) per share, in EUR	19	(0.018)	0.006	0.025	0.026

Explanatory notes are an integral part of these financial statements.

## STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	Notes	Company		Company	
		For the six months period ended 30 June 2021 (unaudited)	For the three months period ended 30 June 2021 (unaudited)	For the six months period ended 30 June 2020 (unaudited)	For the three months period ended 30 June 2020 (unaudited)
Revenue from contracts with customers	15	30,090	15,130	39,654	19,881
Cost of sales	16	(26,386)	(13,408)	(24,803)	(12,287)
<b>Gross profit</b>		<b>3,704</b>	<b>1,722</b>	<b>14,851</b>	<b>7,594</b>
Operating expenses	17	(3,087)	(1,415)	(4,067)	(2,283)
Other income and (expenses)		21	13	15	5
<b>Profit from operating activities</b>		<b>638</b>	<b>320</b>	<b>10,799</b>	<b>5,316</b>
Income from financial activities	18	1,215	(665)	2,649	2,577
Expenses from financial activities	18	(10,311)	3,188	(1,382)	4,280
Share of the associate's profit or (loss)		(53)	-	-	-
<b>Profit (loss) before tax</b>		<b>(8,511)</b>	<b>2,843</b>	<b>12,066</b>	<b>12,173</b>
Income tax (expenses)		1,272	(887)	(2,746)	2,563
<b>Profit (loss) for the year</b>		<b>(7,239)</b>	<b>1,956</b>	<b>9,320</b>	<b>9,610</b>
Other comprehensive income					
Items that will not be subsequently reclassified to profit or loss		-	-	-	-
Items that may be subsequently reclassified to profit or loss		-	-	-	-
<b>Total comprehensive income, net of tax</b>		<b>(7,239)</b>	<b>1,956</b>	<b>9,320</b>	<b>9,610</b>
Basic and diluted earnings (losses) per share, in EUR	19	-	-	-	-

Explanatory notes are an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

Group	Notes	Share	Share	Own	Legal	Reserve	Other	Foreign	Retained	Total
		capital	premium	shares (-)	reserve	for own shares	reserves	currency translation reserve	earnings	
<b>Balance as at 31 December 2019 (audited)</b>		<b>110,476</b>	<b>3,993</b>	<b>(267)</b>	<b>11,038</b>	<b>15,929</b>	<b>42,057</b>	-	<b>7,423</b>	<b>190,649</b>
Net profit for the six months		-	-	-	-	-	-	-	9,412	9,412
Other comprehensive income		-	-	-	-	-	-	(44)	-	(44)
Total comprehensive income		-	-	-	-	-	-	(44)	9,412	9,368
Dividends declared		-	-	-	-	-	-	-	(7,947)	(7,947)
Transfers between reserves		-	-	-	10	-	(87)	-	77	-
<b>Balance as at 30 June 2020 (unaudited)</b>		<b>110,476</b>	<b>3,993</b>	<b>(267)</b>	<b>11,048</b>	<b>15,929</b>	<b>41,970</b>	<b>(44)</b>	<b>8,965</b>	<b>192,070</b>
<b>Balance as at 31 December 2020 (audited)</b>		<b>110,505</b>	<b>4,002</b>	<b>(267)</b>	<b>11,048</b>	<b>15,929</b>	<b>41,970</b>	<b>(72)</b>	<b>33,211</b>	<b>216,326</b>
Net profit (loss) for the six months		-	-	-	-	-	-	-	(6,764)	(6,764)
Other comprehensive income		-	-	-	-	-	-	67	-	67
Total comprehensive income		-	-	-	-	-	-	67	(6,764)	(6,697)
Dividends declared		-	-	-	-	-	-	-	(7,538)	(7,538)
Decrease in share capital	1	(190)	-	267	-	-	-	-	(77)	-
Transfers between reserves		-	-	-	3	-	25,654	-	(25,657)	-
<b>Balance as at 30 June 2021 (unaudited)</b>		<b>110,315</b>	<b>4,002</b>	<b>-</b>	<b>11,051</b>	<b>15,929</b>	<b>67,624</b>	<b>(5)</b>	<b>(6,825)</b>	<b>202,091</b>

Explanatory notes are an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY (CONT'D)

### Company

	Notes	Share capital	Share premium	Own shares (-)	Legal reserve	Reserve for own shares	Other reserves	Retained earnings	Total
<b>Balance as at 31 December 2019 (audited)</b>		<b>110,476</b>	<b>3,993</b>	<b>(267)</b>	<b>11,038</b>	<b>15,929</b>	<b>42,057</b>	<b>7,947</b>	<b>191,173</b>
Net profit for the six months		-	-	-	-	-	-	9,320	9,320
Other comprehensive income		-	-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	-	-	9,320	9,320
Dividends declared		-	-	-	-	-	-	(7,947)	(7,947)
Transfers between reserves		-	-	-	10	-	(87)	77	-
<b>Balance as at 30 June 2020 (unaudited)</b>		<b>110,476</b>	<b>3,993</b>	<b>(267)</b>	<b>11,048</b>	<b>15,929</b>	<b>41,970</b>	<b>9,397</b>	<b>192,546</b>
<b>Balance as at 31 December 2020 (audited)</b>		<b>110,505</b>	<b>4,002</b>	<b>(267)</b>	<b>11,048</b>	<b>15,929</b>	<b>41,970</b>	<b>33,272</b>	<b>216,459</b>
Net profit (loss) for the six months		-	-	-	-	-	-	(7,239)	(7,239)
Other comprehensive income		-	-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	-	-	(7,239)	(7,239)
Dividends declared		-	-	-	-	-	-	(7,538)	(7,538)
Decrease in share capital	1	(190)	-	267	-	-	-	(77)	-
Transfers between reserves		-	-	-	3	-	25,654	(25,657)	-
<b>Balance as at 30 June 2021 (unaudited)</b>		<b>110,315</b>	<b>4,002</b>	<b>-</b>	<b>11,051</b>	<b>15,929</b>	<b>67,624</b>	<b>(7,239)</b>	<b>201,682</b>

Explanatory notes are an integral part of these financial statements.



## CASH FLOW STATEMENT

	Notes	Group		Company	
		For the six months period ended 30 June 2021 <i>(unaudited)</i>	For the six months period ended 30 June 2020 <i>(unaudited)</i>	For the six months period ended 30 June 2021 <i>(unaudited)</i>	For the six months period ended 30 June 2020 <i>(unaudited)</i>
<b>Cash flows from operating activities</b>					
Net profit (loss)		(6,764)	9,412	(7,239)	9,320
<b>Adjustments for non-cash items</b>					
Depreciation and amortization	3	13,375	13,222	13,340	13,219
Impairment of property, plant and equipment					
Change in vacation reserve	14	(87)	255	(102)	227
Change in provisions		80	1	80	1
Change in non-current liabilities for employees		(43)	38	(43)	38
Contract assets	7	628	245	628	245
Income tax expenses		(1,144)	2,746	(1,272)	2,746
Share of (profit) or loss of equity-accounted investees		53	-	53	-
Change in allowance for doubtful trade and other receivables	6, 17	(391)	915	(391)	915
Interest income	18	(13)	(33)	(13)	(33)
Interest expenses	18	1,117	1,242	1,116	1,242
Other financial expenses (income)	13	(1,609)	-	(1,609)	-
Currency impact from lease liabilities	18	9,182	(2,542)	9,182	(2,542)
Other non-cash adjustments		30	608	(38)	631
		<b>14,414</b>	<b>26,109</b>	<b>13,692</b>	<b>26,009</b>
<b>Changes in working capital</b>					
(Increase) decrease in inventories	5	535	(61)	541	(61)
Decrease (increase) in trade and other accounts receivable	6	(1,317)	(754)	(923)	(74)
Increase (decrease) in trade and other payables	12	(549)	(5,780)	(437)	(5,920)
Increase (decrease) in contract liabilities		(104)	1,735	(104)	1,735
Increase (decrease) in payroll related liabilities	14	(643)	(807)	(750)	(822)
		<b>12,336</b>	<b>20,442</b>	<b>12,019</b>	<b>20,867</b>
Interest received	18	13	33	13	33
Net cash flows from (used in) operating activities		<b>12,349</b>	<b>20,475</b>	<b>12,032</b>	<b>20,900</b>
<b>Cash flows from investing activities</b>					
(Acquisition) of property, plant, equipment and intangible assets	4	(3,683)	(3,472)	(3,632)	(3,261)
Income from sales of non-current assets		27	1	27	1
Short term deposits (placed)/received	8	24,000	5,000	24,000	5,000
(Acquisition) of other investments		-	-	(25)	-
Dividends received		-	54	-	54
Grants, subsidies received		77	-	77	-
Net cash flows from (used in) investing activities		<b>20,421</b>	<b>1,583</b>	<b>20,447</b>	<b>1,794</b>

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## CASH FLOW STATEMENT (CONT'D)

	Notes	Group		Company	
		For the six months period ended 30 June 2021 <i>(unaudited)</i>	For the six months period ended 30 June 2020 <i>(unaudited)</i>	For the six months period ended 30 June 2021 <i>(unaudited)</i>	For the six months period ended 30 June 2020 <i>(unaudited)</i>
<b>Cash flows from financing activities</b>					
Loans received	10	6,707	18,428	6,707	18,428
Loans (paid)	10	(1,693)	-	(1,693)	-
Interest and fee related to loans (paid)		(172)	(443)	(172)	(443)
Guarantee fees paid		(56)	-	(56)	-
Dividends paid		(7,538)	(7,947)	(7,538)	(7,947)
Lease liabilities (paid)	10	(20,380)	(18,602)	(20,380)	(18,602)
Interest on lease liabilities (paid)		(981)	(909)	(981)	(909)
Net cash flows from (used in) financing activities		<b>(24,113)</b>	<b>(9,473)</b>	<b>(24,113)</b>	<b>(9,473)</b>
<b>Net increase (decrease) in cash flows</b>		<b>8,657</b>	<b>12,585</b>	<b>8,366</b>	<b>13,221</b>
Cash and cash equivalents on 1 January	9	<b>51,076</b>	<b>41,865</b>	<b>47,433</b>	<b>37,846</b>
Cash and cash equivalents on 30 June	9	<b>59,733</b>	<b>54,450</b>	<b>55,799</b>	<b>51,067</b>

Explanatory notes are an integral part of these financial statements.

## EXPLANATORY NOTES TO FINANCIAL STATEMENTS

### 1 GENERAL INFORMATION

AB Klaipėdos nafta (hereinafter “the Parent Company” or “the Company”) is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is as follows: Burių str. 19, 92276 Klaipėda, Lithuania. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as “the Group”).

The subsidiaries are these:

- UAB SGD logistika, a subsidiary (hereinafter “the subsidiary UAB SGD logistika”). The address is as follows: Burių g. 19, 92276 Klaipėda, Lithuania.
- UAB SGD terminalas, a subsidiary (hereinafter “the subsidiary UAB SGD terminalas”). The address is as follows: Burių g. 19, 92276 Klaipėda, Lithuania.
- UAB SGD SPB, a subsidiary of UAB SGD logistika (hereinafter “the subsidiary UAB SGD SPB”). The address is as follows: Burių g. 19, 92276 Klaipėda, Lithuania.
- KN Acu Servicos de Terminal de GNL LTDA (hereinafter “the subsidiary KN Acu Servicos de Terminal de GNL LTDA”). The address is as follows: F66 Fazenda Saco Dantas s/n, Distrito Industrial, Area 1 and Area 2, 28200-000 São João da Barra, State of Rio de Janeiro.

The main activities of the Group and the Company include operation of oil terminal, oil products transshipment services and other related services, as well as operation of the liquefied natural gas terminal (hereinafter referred to as “LNGT”) primarily dedicated to receive and store liquefied natural gas, regasify it and supply it to Gas Grid.

National Energy Regulatory Council (hereinafter referred to as “NERC”) issued Natural Gas Regasification License to the Company on 27 November 2014.

The Company was established by AB Naftos Terminalas (Lithuania) and Lancaster Steel Inc, (USA) acquiring 51% and 49% of shares respectively. The Company was registered on 27 September 1994.

As at 11 January 2021 a new version of the Company’s Articles of Association was registered within the Register of Legal Entities of the Republic of Lithuania following the decrease of the authorised capital of the Company, which is now equal to EUR 110,315,009.65 and divided into 380,396,585 units of shares, which grant 380,396,585 votes. The Ministry of Finance of the Republic of Lithuania granted the Company permission to decrease the authorised capital of the Company by cancelling 655,808 units of Company’s acquired own shares which each nominal value EUR 0.29.

The Company has not acquired any own shares and has arranged no deals regarding acquisition or transfer of its own shares during the six months of the year 2021 and 2020.

The Company’s shares are listed in the Baltic Main List on the NASDAQ Vilnius Stock Exchange (ISIN code LT0000111650, abbreviation KNF1L).

As at 30 June 2021 and 30 June 2020 the shareholders of the Company were:

	30 June 2021		30 June 2020	
	Number of shares held (thousand)	Part of ownership (%)	Number of shares held (thousand)	Part of ownership (%)
State of Lithuania represented by the Ministry of Energy (Gediminas av, 38/2, Vilnius, 302308327)	275,687	72.47	275,587	72.34
Concern UAB Achemos grupė (Jonalaukis village, Jonava district, 156673480)	39,663	10.43	39,663	10.41
Other (less than 5 per cent each)	65,047	17.10	65,702	17.25
Total	380,397	100.00	380,952	100.00

The Parent Company controls subsidiary UAB SGD logistika, which activities are these: expansion of operation of international LNG terminal activities, LNG transportation activities and other economic activities. The Company owns 100% of voting rights of this subsidiary.

The Parent Company also controls subsidiary UAB SGD terminalas. The purpose of is to perform activities of operating and managing a whole structure of LNG terminal in Klaipėda. The subsidiary is currently inactive. The Company owns 100% of voting rights of this subsidiary.

The subsidiary UAB SGD SPB became part of the Group in October 2019. The purpose of UAB SGD SPB is to participate in the projects of liquefied natural gas. This subsidiary may carry out expansion of operation activities of international LNG terminals by investing and establishing other companies in Lithuania and abroad. UAB SGD SPB owned by 100% UAB SGD logistika.

## 1 GENERAL INFORMATION (CONT'D)

On 13 December 2019 the subsidiary of UAB SGD logistika (90%) and UAB SGD SPB (10%) – limited liability company – KN Açu Servicos de Terminal de GNL LTDA was established in Federal Republic of Brazil. The purpose of KN Açu Servicos de Terminal de GNL LTDA is to provide operations and maintenance services for liquefied natural gas terminal at the port of Açu. KN Açu Servicos de Terminal de GNL LTDA started its activities in 2020.

The average number of employees of the Group on 30 June 2021 was 396 (389 – on 30 June 2020).

The average number of employees of the Company on 30 June 2021 was 364 (366 – on 30 June 2020).

## 2 ACCOUNTING PRINCIPLES

The financial statements are presented in Euro and all values are rounded to the nearest thousand (EUR 000), except when otherwise indicated. The financial statements of the Group and Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (hereinafter the EU).

The Group and Company applies the same accounting policies and the same calculation methods in preparing Interim Financial Statements as they have been used for the Annual Financial Statements of the year 2020. The principles used in preparation of financial statements were presented in more detail in the Notes to the Financial Statements for 2020.

These financial statements have been prepared on a historical cost basis, unless otherwise stated in the accounting policies below.

The financial year of the Company coincides with the calendar year.

The numbers in tables may not coincide due to rounding of particular amounts to EUR thousand, such rounding errors are not material in these financial statements.

## 3 NON-CURRENT TANGIBLE ASSETS

Part of the Group and the Company's property, plant and equipment with the acquisition cost of EUR 40,408 thousand as on 30 June 2021 was completely depreciated (EUR 40,132 thousand on 31 December 2020), however, it was still in operation.

The depreciation of the Group's and the Company's non-current tangible assets for the six months of 2021 amounts to EUR 6,172 thousand and EUR 6,137 thousand respectively (EUR 5,908 thousand – in six months of 2020). EUR 6,206 thousand of Group's and EUR 6,171 thousand of Company's depreciation charge has been included into cost of sales (EUR 5,774 thousand – in six months of 2020), EUR 176 thousand was reimbursement of the costs according to the grant agreement (EUR 276 thousand – in six months of 2020) and the remaining amount EUR 172 thousand (EUR 134 thousand – in six months of 2020) has been included into operating expenses in the Statement of comprehensive income of both, the Group and the Company.

During the six months of 2021 the Group and the Company additionally calculated depreciation costs, amounting to EUR 7,203 thousand, according to IFRS 16 "Leases" (EUR 7,447 thousand – in six months of 2020).

## 4 OPERATING SEGMENTS

The Management of the Group and the Company has identified the following business segments:

- LNGT – LNG terminal in Klaipėda which receives and stores liquefied natural gas, regasifies and supplies it to Gas Main pipeline;
- OT – Oil terminal in Klaipėda and Subačius oil terminal in Kupiškis who are providing oil products transshipment, services of long-term storage of oil products and other services related to oil products transshipment;
- comLNG – LNG commercial activities - includes LNG reloading station and execution of other LNG projects.

Main indicators of the business segments of the Group and the Company included into the statement of comprehensive income for the six months of 2021 and statement of financial position as of 30 June 2021, are described below:

### Group

For the six months period ended 30 June 2021

	LNGT	OT	comLNG	Total
Revenues from contracts with customers	17,937	10,784	2,908	31,629
Profit (loss) before income tax	(7,453)	(719)	264	(7,908)
Segment net profit (loss)	(6,258)	(635)	129	(6,764)
Interest revenue	-	13	-	13
Loan interest expense	212	-	-	212
Interest on financial lease liabilities	750	152	4	906
Depreciation and amortisation	1,623	3,829	720	6,172
Depreciation of right-of-use-assets	6,874	275	54	7,203
Write-off of non-current assets	-	(1)	-	(1)
Impairment of non-current asset (reversal)	-	(1)	-	(1)
Acquisitions of tangible and intangible assets	19	3,034	28	3,081
Segment total assets*	385,712	154,584	26,299	566,595
Loan and related liabilities	101,568	(20)	(42)	101,506
Lease liabilities	278,896	15,177	345	294,418
Segment total liabilities	401,401	11,301	11,535	424,237

Main indicators of the business segments of the Group and the Company included into the statement of comprehensive income for the six months of 2020 and statement of financial position as of 30 June 2020, are described below:

### Group

For the six months period ended 30 June 2020

	LNGT	OT	comLNG	Total
Revenues from contracts with customers	22,134	16,117	2,486	40,737
Profit (loss) before income tax	8,182	4,381	(404)	12,159
Segment net profit (loss)	5,662	4,155	(405)	9,412
Interest revenue	9	24	-	33
Loan interest expense	161	-	-	161
Interest on financial lease liabilities	919	156	5	1,080
Depreciation and amortisation	1,675	3,413	687	5,775
Depreciation of right-of-use-assets	7,107	284	56	7,447
Write-off of non-current assets	-	1	-	1
Impairment of non-current asset (reversal)	-	(1)	-	(1)
Acquisitions of tangible and intangible assets	2,551	105	378	3,034
Segment total assets*	396,971	163,195	28,554	588,720
Loan and related liabilities	91,564	(20)	(42)	91,502
Lease liabilities	336,294	15,548	433	352,275
Segment total liabilities	448,276	15,376	3,448	467,100

Segment total assets\* - total assets of the Group, excluded Cash and cash equivalents and short-term deposits at the period end.

## 5 INVENTORIES

	Group		Company	
	30-06-2021	31-12-2020	30-06-2021	31-12-2020
Diesel fuel for the LNG Terminal purpose	296	269	296	269
Fuel products for sale	-	499	-	499
Liquefied natural gas	47	48	47	48
Fuel for transport and other equipment	40	39	40	39
Spare parts, construction materials and other inventories	1,497	1,560	1,473	1,542
<b>Total inventories</b>	<b>1,880</b>	<b>2,415</b>	<b>1,856</b>	<b>2,397</b>

As at 30 June 2021 and 31 December 2020 the Group and the Company did not have any inventories items needed impairment allowance of inventories.

As of 30 June 2021, the Group and the Company did not have fuel products for sale, that was collected in the Wastewater Treatment Facilities (the Group and the Company had 3.4 thousand tons of fuel products for sale as of 31 December 2020).

As of 30 June 2021, the Group and the Company stored 1.4 thousand MWh (as of 31 December 2020 – 1.4 thousand MWh) (the quantities are unaudited) natural gas in the connecting pipeline for the Liquefied Natural Gas Terminal activities.

## 6 TRADE RECEIVABLES AND OTHER RECEIVABLES

	Group		Company	
	30-06-2021	31-12-2020	30-06-2021	31-12-2020
Trade receivable	10,417	9,551	9,890	9,167
Prepayments	532	391	495	371
Other receivable	1,971	704	1,437	403
<b>Total</b>	<b>12,920</b>	<b>10,646</b>	<b>11,822</b>	<b>9,941</b>

Trade and other receivables are non-interest bearing and are generally settled on 6 - 15 days payment terms.

Trade receivable disclosed below:

	Group		Company	
	30-06-2021	31-12-2020	30-06-2021	31-12-2020
Receivables from LNG terminal activities	7,081	8,126	7,081	8,202
Receivables for transshipment of oil products and other related services	4,640	3,187	4,640	3,187
Receivable for operating and management services	527	460	-	-
Less: impairment allowance	(1,831)	(2,222)	(1,831)	(2,222)
<b>Total</b>	<b>10,417</b>	<b>9,551</b>	<b>9,890</b>	<b>9,167</b>

The Group and the Company has recognized impairment allowance in the amount of EUR 1,831 thousand on 30 June 2021 and EUR 2,222 thousand on 31 December 2020.

For six months of 2021 reverse of allowance accounted for EUR 391 thousand has been included into operating expenses in the statement of the comprehensive income of both, the Group and the Company. For six months of 2020 allowance accounted for EUR 915 thousand has been included into operating expenses in the statement of the comprehensive income of both, the Group and the Company.

## 7 CONTRACT ASSETS

### The Group and the Company

	30-06-2021	31-12-2020
<b>Non-current contract assets:</b>		
Accrued rent income (1)	87	349
	<u>87</u>	<u>349</u>
<b>Current contract assets:</b>		
Accrued rent income (1)	575	624
Accrued income (2)	370	687
	<u>945</u>	<u>1,311</u>

- (1) As at 30 June 2021 and 31 December 2020 contract assets amounts long-term rent revenue accrual arising from Subačius fuel storage reservoirs rent agreement.

Subačius fuel storage reservoirs rent agreement signed with the Lithuanian petroleum products Agency in 2012 for the duration of 10 years is treated. The rent tariffs are different for the first 5 years and for the remaining period. Therefore, the income is recognized on a straight-line basis over the term of an agreement, i.e. the income is calculated on average tariff of the all agreement term (10 years), balances as of 30 June 2021 and 31 December 2020 respectively amounted to EUR 662 thousand and EUR 973 thousand, part of the accrued income is presented under short-term contract assets (EUR 87 thousand as of 30 June 2021 and EUR 349 thousand as of 31 December 2020).

- (2) Accrued income for storage of oil products as of 30 June 2021 and of 31 December 2020 calculated as percentage of completion based on expenses incurred from the total estimated cost of contracted services. Upon completion of transshipment of oil products and acceptance by the customer, the amounts initially recognized as contract assets are reclassified as trade receivables.

## 8 SHORT TERM DEPOSITS

### The Group and the Company

	30-06-2021	31-12-2020
Short-term bank deposits at the commercial banks	-	24,000

As of 30 June 2021 the Group and the Company had no deposits at banks. As of 31 December 2020, the Group and the Company had 6 term deposits at banks, amounted to EUR 24,000 thousand, with maturity of more than 3 months. Annual interest rate was 0.07% for all 6 agreements signed.

## 9 CASH AND CASH EQUIVALENTS

	Group		Company	
	30-06-2021	31-12-2020	30-06-2021	31-12-2020
Cash at bank	59,733	51,076	55,799	47,433

Calculated values of cash and cash equivalents are denominated in the following currencies:

Currency	Group		Company	
	30-06-2021	31-12-2020	30-06-2021	31-12-2020
EUR	59,319	46,347	55,783	43,133
USD	16	4,300	16	4,300
BRL	398	429	-	-
	<u>59,733</u>	<u>51,076</u>	<u>55,799</u>	<u>47,433</u>

## 9 CASH AND CASH EQUIVALENTS (CONT'D)

The Management of the Group and the Company considered potential impairment losses on cash held in banks as per IFRS 9 requirements, Assessment is based on official Standard & Poor's long-term credit ratings:

	Group		Company	
	30-06-2021	31-12-2020	30-06-2021	31-12-2020
A +	5,594	7,246	2,058	4,032
AA -	23,421	34,717	23,421	34,717
BBB+	30,320	8,684	30,320	8,684
BB-	398	429	-	-
	<u>59,733</u>	<u>51,076</u>	<u>55,799</u>	<u>47,433</u>

## 10 LOANS AND LEASE LIABILITIES

### Loans

#### Group and Company

	30-06-2021	31-12-2020
European Investment Bank's loan	50,153	51,133
Nordic Investment Bank's loan	51,457	45,481
Guarantee payment to the Ministry of Finance to the Republic of Lithuania	(133)	(134)
Payable loan interest	29	30
	<u>101,506</u>	<u>96,510</u>

### Lease liabilities

#### Group and Company

	30-06-2021	31-12-2020
Lease liabilities	<u>294,418</u>	<u>305,619</u>

Lease liabilities as at 30 June 2021 can be specified as follows:

	FSRU lease	Jetty rent	Land rent	Other*	Total
Long-term lease liabilities	232,766	5,048	15,005	-	252,819
Short-term lease liabilities	41,006	74	324	195	41,599
	<u>273,772</u>	<u>5,122</u>	<u>15,329</u>	<u>195</u>	<u>294,418</u>

Lease liabilities as at 31 December 2020 can be specified as follows:

	FSRU lease	Jetty rent	Land rent	Other*	Total
Long-term lease liabilities	245,026	5,101	15,167	45	265,339
Short-term lease liabilities	39,596	74	320	290	40,280
	<u>284,622</u>	<u>5,175</u>	<u>15,487</u>	<u>335</u>	<u>305,619</u>

\* Other comprises lease of transport vehicles, office rent, other.



## 11 GRANTS RELATED TO ASSETS

### The Group and the Company

	30-06-2021	31-12-2020
<b>Balance at the beginning of the period</b>	<b>5,817</b>	<b>5,988</b>
Received during the year	77	223
Amortisation	(176)	(394)
<b>Balance at the end of the period</b>	<b>5,718</b>	<b>5,817</b>

## 12 TRADE PAYABLES AND OTHER LIABILITIES

	Group		Company	
	30-06-2021	31-12-2020	30-06-2021	31-12-2020
Trade payables	5,722	6,544	5,697	6,511
Other payables and current liabilities	1,151	1,402	931	1,209
	<u>6,873</u>	<u>7,946</u>	<u>6,628</u>	<u>7,720</u>

Trade payables disclosed below:

	Group		Company	
	30-06-2021	31-12-2020	30-06-2021	31-12-2020
Payables for FSRU rent	4,272	4,558	4,272	4,558
Other payments related FSRU	509	333	509	333
Payable for rent of land	235	285	235	285
Payable to contractors	141	726	141	726
Payable for railway services	43	231	43	231
Payable for gas services	-	65	-	65
Other trade payables	522	346	497	313
	<u>5,722</u>	<u>6,544</u>	<u>5,697</u>	<u>6,511</u>

On 30 June 2021 trade payables of EUR 4,481 thousand were denominated in USD (on 31 December 2020 – EUR 5,249 thousand).

Trade payables are non-interest bearing and are normally settled on 30-day payment terms.

## 13 DERIVATIVES

Derivatives disclosed below:

### Group and Company

	30-06-2021	31-12-2020
Derivatives	304	1,946

As of 30 June 2021 and 31 December 2020 the Group and the Company accounted derivatives for the amount EUR 304 thousand and EUR 1,946 thousand respectively. The change in derivatives for the six months of 2021 accounted for EUR 1,188 thousand as income from derivatives (for the six months of 2020 income from derivatives accounted for EUR 29 thousand).

Due to the specifics of the business, the Group and the Company are exposed to the risk of EUR/USD foreign exchange rate fluctuations due to FSRU lease payments in US dollars and EUR/BRL foreign exchange rate fluctuations due to intercompany transactions with the Group company KN Acu Servicos de Terminal de GNL Ltda. The Group and the Company hedge against changes in EUR/USD and EUR/BRL exchange rates by using futures contracts. When derivatives are realized, the result is recorded in the statement of other comprehensive income each calendar month. The fair value as at the end of reporting period is confirmed by SEB bank. The maturity term of future USD agreements is 31 December 2021. The maturity term for the BRL agreements is 15 June 2022.

## 14 LIABILITIES RELATED TO LABOUR RELATIONS

	Group		Company	
	30-06-2021	31-12-2020	30-06-2021	31-12-2020
Accrued vacation reserve	1,043	1,130	975	1,077
Salaries payable	446	518	422	517
Social insurance payable	258	249	220	249
Income tax payable	179	185	170	185
Accrual of annual bonuses	35	646	-	646
Other deductions	-	3	-	3
	<u>1,961</u>	<u>2,731</u>	<u>1,787</u>	<u>2,677</u>

## 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

	Group		Company	
	For the six months period ended 30 June 2021	For the six months period ended 30 June 2020	For the six months period ended 30 June 2021	For the six months period ended 30 June 2020
Income from LNGT services regulated by NCC	14,055	18,268	14,055	18,268
Sales of oil transshipment services	9,332	14,306	9,332	14,306
Other sales related to LNG terminals activity	6,397	5,486	4,858	4,403
Sales of fuel products	1,061	170	1,061	170
Sales of consulting services	395	861	395	861
Other sales related to transshipment	389	1,646	389	1,646
	<u>31,629</u>	<u>40,737</u>	<u>30,090</u>	<u>39,654</u>

In December 2020 the client of the Company BNK (UK) Limited has informed about the temporary suspension of oil products sales through Klaipėda. In the future tenders announced by BNK Klaipėda will not be indicated as their sales point. All contracts between BNK and the Company remain in force, but the contractual obligations are suspended until further notice.

## 16 COST OF SALES

	Group		Company	
	For the six months period ended 30 June 2021	For the six months period ended 30 June 2020	For the six months period ended 30 June 2021	For the six months period ended 30 June 2020
Depreciation of right-of-use asset	7,050	7,279	7,050	7,279
Depreciation and amortisation (incl. amortisation of grants)	6,030	5,621	5,995	5,618
Wages, salaries and social security	3,686	4,100	3,372	3,950
Expenses related to FSRU rent (OPEX element, management, crew cost)	2,858	2,844	2,858	2,844
Tax on environmental pollution and emission allowances	2,448	441	2,448	441
Port charges	776	780	776	780
Natural gas	655	777	655	777
Cost of fuel products sold	599	-	599	-
Electricity	529	390	529	390
Railway services	387	766	387	766
Repair and maintenance of assets	384	315	362	314
Contribution for National Energy Regulatory Council (NERC)	297	486	297	486
Tax on real estate	245	182	245	182
Insurance	205	201	178	200
Cleaning expenses	168	139	168	139
Work safety costs	128	174	128	174
Other expenses related to FSRU	78	76	78	76
	<u>78</u>	<u>76</u>	<u>78</u>	<u>76</u>

## 16 COST OF SALES (CONT'D)

	Group		Company	
	For the six months period ended 30 June 2021	For the six months period ended 30 June 2020	For the six months period ended 30 June 2021	For the six months period ended 30 June 2020
Services for tankers	73	97	73	97
Transport	61	137	52	128
Other	230	289	136	162
	<u>26,887</u>	<u>25,094</u>	<u>26,386</u>	<u>24,803</u>

## 17 OPERATING EXPENSES

	Group		Company	
	For the six months period ended 30 June 2021	For the six months period ended 30 June 2020	For the six months period ended 30 June 2021	For the six months period ended 30 June 2020
Wages, salaries and social security	2,548	2,231	2,334	1,979
Consulting and legal costs	328	276	297	199
Telecommunication and IT expenses	186	120	174	119
Expenses for operating taxes	179	313	-	26
Depreciation of right-of-use asset	153	168	153	168
Depreciation and amortization	142	154	142	154
Administration of bank accounts	107	71	104	70
Salaries and other related expenses to governing bodies	82	81	82	81
Expenses for utilities	44	45	43	45
Expenses for refresher courses	31	28	27	28
Impairment of doubtful receivables (reversal)	(391)	915	(391)	915
Expenses for business trips	-	53	-	53
Other	130	259	122	230
	<u>3,539</u>	<u>4,714</u>	<u>3,087</u>	<u>4,067</u>

## 18 INCOME (EXPENSES) FROM FINANCIAL AND INVESTMENT ACTIVITIES

	Group		Company	
	For the six months period ended 30 June 2021	For the six months period ended 30 June 2020	For the six months period ended 30 June 2021	For the six months period ended 30 June 2020
Income from financial derivatives	1,188	29	1,188	29
Income from currency exchange on the lease liabilities	-	2,542	-	2,542
Interest income	13	33	13	33
Fines income	10	43	10	43
Income from currency exchange	-	6	-	-
Other financial income	53	2	4	2
Financial activity income, total	<u>1,264</u>	<u>2,655</u>	<u>1,215</u>	<u>2,649</u>
Losses from currency exchange on the lease liabilities	(9,182)	-	(9,182)	-
Interest on the lease liabilities	(906)	(1,080)	(906)	(1,080)
Interest expenses	(213)	(161)	(212)	(161)
Losses from currency exchange	(42)	(198)	(11)	(140)
Other financial activity expenses	-	(1)	-	(1)
Financial activity expenses, total	<u>(10,343)</u>	<u>(1,440)</u>	<u>(10,311)</u>	<u>(1,382)</u>

## 19 EARNINGS PER SHARE, BASIC AND DILUTED

Basic earnings per share are calculated by dividing net profit (loss) of the Group and the Company by the weighted average number of ordinary shares outstanding. Diluted earnings per share equal to basic earnings per share as the Group has no instruments issued that could dilute shares issued.

Basic and diluted earnings per share are as follows:

	For the six months period ended 30 June 2021	For the six months period ended 30 June 2020
<b>Group</b>		
Net profit (loss) attributable to shareholders	(6,764)	9,412
Weighted average number of ordinary shares (thousand)	380,436	380,952
Earnings and reduced earnings (in EUR)	(0.018)	0.025

## 20 RELATED PARTY TRANSACTIONS

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions,

The related parties of the Group and the Company and transactions with them during the six months of 2021 and 2020 were as follows:

### Transactions with Lithuanian State controlled enterprises and institutions and other related parties

#### Group

		Purchases	Sales	Receivable	Payables
State Enterprise Klaipeda State Seaport Authority	2021 six months	1,176	-	-	230
	2020 six months	1,171	-	-	229
AB "Amber Grid"	2021 six months	-	11,775	6,129	-
	2020 six months	-	18,268	7,049	-
UAB „Ignitis“	2021 six months	4	806	87	-
	2020 six months	293	1,329	426	-
Public Institution Lithuanian Energy Agency	2021 six months	-	1,664	336	-
	2020 six months	-	1,504	328	-
Energijos skirstymo operatorius, AB	2021 six months	207	-	-	-
	2020 six months	224	-	-	32
AB LTG CARGO	2021 six months	364	-	-	-
	2020 six months	807	-	-	48
Other related parties	2021 six months	16	-	-	3
	2020 six months	17	59	2	39
Transactions with related parties, in total:	2021 six months	1,767	14,245	6,552	233
	2020 six months	2,512	21,160	7,805	348

## 20 RELATED PARTY TRANSACTIONS (CONT'D)

### Company

		Purchases	Sales	Receivable	Payables
State Enterprise Klaipeda State Seaport Authority	2021 six months	1,176	-	-	230
	2020 six months	1,171	-	-	229
AB "Amber Grid"	2021 six months	-	11,775	6,129	-
	2020 six months	-	18,268	7,049	-
UAB „Ignitis“	2021 six months	4	806	87	-
	2020 six months	293	1,329	426	-
Public Institution Lithuanian Energy Agency	2021 six months	-	1,664	336	-
	2020 six months	-	1,504	328	-
Energijos skirstymo operatorius, AB	2021 six months	207	-	-	-
	2020 six months	224	-	-	32
AB LTG CARGO	2021 six months	364	-	-	-
	2020 six months	807	-	-	48
KN Acu Servicos de Terminal de GNL Ltda	2021 six months	-	239	2	-
	2020 six months	-	334	35	-
Other related parties	2021 six months	16	-	-	3
	2020 six months	17	59	2	39
Transactions with related parties, in total:	2021 six months	1,767	14,484	6,554	233
	2020 six months	2,512	21,494	7,840	348

### Management salaries and other payments

The Group's management consists of the Chief Executive Officer (CEO), Directors and Managers of the subsidiaries.

The Company's management consists of the Chief Executive Officer (CEO) and Directors.

	Group		Company	
	For the six months period ended 30 June 2021	For the six months period ended 30 June 2020	For the six months period ended 30 June 2021	For the six months period ended 30 June 2020
Payroll related costs	323	359	286	316
Number of management	10	11	6	7

During the six months of 2021 and the six months of 2020 the Management of the Group and the Company did not receive any loans, guarantees, or any other payments or property transfers were made or accrued.

## 21 SUBSEQUENT EVENTS

The new wording of the Articles of Association of AB Klaipedos nafta subsidiary UAB SGD terminalas was registered in the Register of Legal Entities after the increase of the authorised capital of the subsidiary. Following the increase of the authorised capital, the latter is equal to EUR 37.5 thousand and is divided into 37,500 units of shares, which grant 37,500 votes. Nominal value per share – EUR 1.00.

## CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Darius Šilenskis, Chief Executive Officer of AB Klaipėdos nafta, Indrė Kisielienė, Chief Financial Officer of AB Klaipėdos nafta, and Rasa Tamaliūnaitė, Chief Accountant hereby confirm that to the best of our knowledge the above-presented unaudited Interim condensed consolidated and separate Financial Statements of AB Klaipėdos nafta for the six months period ended on 30 June 2021, prepared in accordance with the International Financial Reporting Standards as adopted to be used in the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss and cash flows of AB Klaipėdos nafta.

Chief Executive Officer

Darius Šilenskis

Acting Chief Financial Officer

Indrė Kisielienė

Chief Accountant

Rasa Tamaliūnaitė



2021

# AB KLAIPĖDOS NAFTA CONSOLIDATED INTERIM REPORT

FOR THE SIX MONTHS PERIOD ENDING ON 30 JUNE 2021

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### Abbreviations:

KN – AB Klaipėdos nafta

KOT – Klaipėda oil terminal

SOT – Subačius oil terminal

OT – Oil terminals

LNGT – regulated LNG activities

comLNG – commercial LNG activities

LNG terminal – Klaipėda LNG terminal

BDP – Segment of LNG related business development and consulting

OP – Oil Products

HFO – Heavy Fuel Products

LP – Light Products

NERC – National Energy Regulatory Council.



## GENERAL INFORMATION ABOUT THE GROUP AND THE COMPANY

### 1. REPORTING PERIOD

AB Klaipėdos nafta Consolidated Interim Report for the year 2021 is prepared for the period from 1 January 2021 until 30 June 2021.

### 2. ISSUER INFORMATION AND CONTACT DETAILS

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Name of the Company:	AB Klaipėdos nafta (hereinafter – the Company, KN or Issuer)
Legal status:	Stock Company
Authorized share capital:	110,315,010 EUR
Date and place of registration:	27 September 1994, State Enterprise Centre of Registers
Company code:	110648893
Address:	Burių Street 19, 92276 Klaipėda
Register of the Company:	State Enterprise Centre of Registers
Telephone numbers:	+370 46 391772
Fax numbers:	+370 46 311399
E-mail address:	info@kn.lt
Internet site:	www.kn.lt

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### 3. INFORMATION ON SUBSIDIARIES AND CONTACT DETAILS:

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Name of the Company:	UAB SGD terminalas
Legal status:	Private Limited Liability Company
Authorized share capital:	12,500 EUR
Date and place of registration:	27 December 2018, State Enterprise Centre of Registers
Company code:	304977459
Address:	Burių Street 19, 92276 Klaipėda
Register of the Company:	State Enterprise Centre of Registers
Telephone numbers:	+370 46 391772
Fax numbers:	+370 46 311399
E-mail address:	info@kn.lt
Internet site:	www.kn.lt

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Name of the Company:	UAB SGD logistika
Legal status:	Private Limited Liability Company
Authorized share capital:	4,540,000 EUR
Date and place of registration:	20 November 2015, State Enterprise Centre of Registers
Company code:	304139242
Address:	Burių Street 19, 92276 Klaipėda
Register of the Company:	State Enterprise Centre of Registers
Telephone numbers:	+370 46 391772
Fax numbers:	+370 46 311399
E-mail address:	info@kn.lt
Internet site:	www.kn.lt

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### 4. INFORMATION ON SUBSIDIARIES OF UAB SGD LOGISTIKA AND CONTACT DETAILS:

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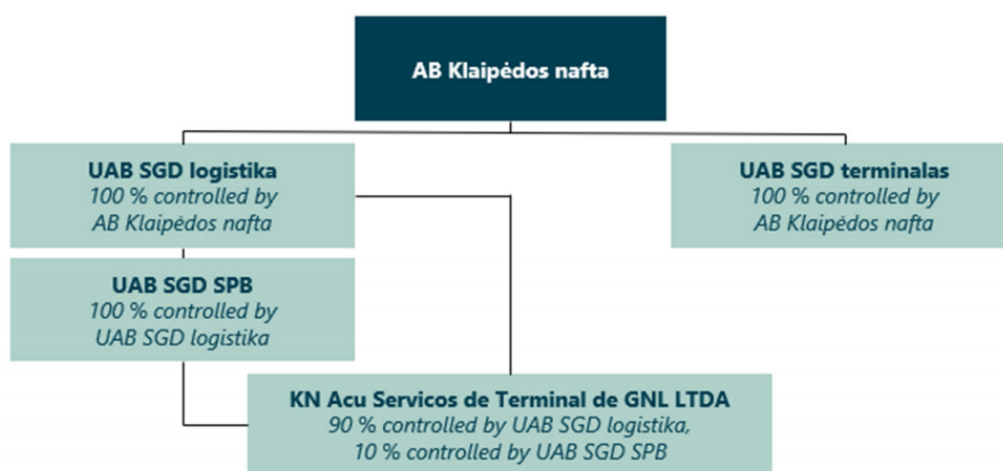
Name of the Company:	UAB SGD SPB
Legal status:	Private Limited Liability Company
Authorized share capital:	25,000 EUR
Date and place of registration:	9 October 2019, State Enterprise Centre of Registers
Company code:	305278800
Address:	Burių Street 19, 92276 Klaipėda
Register of the Company:	State Enterprise Centre of Registers
Telephone numbers:	+370 46 391772
Fax numbers:	+370 46 311399
E-mail address:	info@kn.lt
Internet site:	www.kn.lt

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Name of the Company:	KN Açu Servicos de Terminal de GNL LTDA
Legal status:	Limited Liability Company
Authorized share capital:	642.600 BRL (Brazilian reais)
Date and place of registration:	13 December 2019, State Register of Legal Entities of Rio de Janeiro
Company code:	NIRE 33.210.894.765; CPNJ 35.785.170/0001-03
Address:	F66 Fazenda Saco Dantas s/n, Distrito Industrial, Area 1 and Area 2, 28200-000 São João da Barra, State of Rio de Janeiro
Register of the Company:	State Register of Legal Entities of Rio de Janeiro
Telephone numbers:	+370 46 391772
Fax numbers:	+370 46 311399
E-mail address:	info@kn.lt
Internet site:	www.kn.lt

## 5. GROUP STRUCTURE AND MAIN TYPES OF ACTIVITY

Structure of the AB Klaipėdos nafta Group (hereinafter – Group) on 30 June 2021:



The Group's Capital on 30 June 2021:

NAME OF THE COMPANY	TYPE OF SHARE	NUMBER OF SHARES (UNIT)	SHARE FACE VALUE	TOTAL FACE VALUE
AB Klaipėdos nafta	Common registered shares	380,396,585	0.29 EUR	110,315,010 EUR
UAB SGD terminalas	Common registered shares	12,500	1.00 EUR	12,500 EUR
UAB SGD logistika	Common registered shares	4,540,000	1.00 EUR	4,540,000 EUR
UAB SGD SPB	Common registered shares	25,000	1,00 EUR	25,000 EUR
KN Açu Servicos de Terminal de GNL LTDA	Common registered shares	642,600	1.00 BRL <sup>1)</sup>	642,600 BRL <sup>1)</sup>

<sup>1)</sup> BRL - Brazilian real.

The Group's operating highlights:

NAME OF THE COMPANY	ADDRESS	OWNERSHIP PART, PER CENT	ACTIVITIES
AB Klaipėdos nafta	Burių Street 19, 92276 Klaipėda	100	The business activity of AB Klaipėdos nafta can be divided into three segments: Oil terminals, regulated LNG activities, and commercial LNG activities. Oil terminals include activities of Klaipėda Oil terminal and Subačius Oil terminal. Regulated LNG activities stand for Klaipėda LNG terminal. Commercial LNG activities include small-scale LNG station in Klaipėda, operation of LNG terminal in Açu port in Brazil, and other business development projects.
UAB SGD terminalas	Burių Street 19, 92276 Klaipėda	100	Operation (management) and development of the infrastructure of the liquefied natural gas terminal in Klaipėda, other economic activities. The subsidiary is currently not operating.
UAB SGD logistika	Burių Street 19, 92276 Klaipėda	100	Expansion of operation of international LNG terminal activities, LNG transportation activities, other economic activities.
UAB SGD SPB	Burių Street 19, 92276 Klaipėda	100 owned by UAB SGD logistika	Expansion of operation of international LNG terminal activities by investing and establishing project companies in Lithuania and foreign countries (holding activities).
KN Açu Serviços de Terminal de GNL LTDA (KN Açu)	F66 Fazenda Saco Dantas s/n, Distrito Industrial, Area 1 and Area 2, 28200-000 São João da Barra, State of Rio de Janeiro	90 owned by UAB SGD logistika and 10 owned by UAB SGD SPB	LNG terminal operation and maintenance services in the port of Açu, Brazil, including the technical and commercial operation of the installation of the quay and its facilities, gas pipeline and gas metering stations.

## 6. AGREEMENTS WITH INTERMEDIARIES OF PUBLIC SECURITIES TRADING

The Company has an agreement with Financial Markets Department of AB SEB Bankas for accounting of the Company's securities and related services.

AB SEB BANK FINANCIAL MARKETS DEPARTMENT:	
Company code	112021238
Address	J. Balčikonis Street 7, LT-08247 Vilnius, Lithuania
Telephone	1528
E-mail	info@seb.lt
Website	www.seb.lt

## 7. AGREEMENTS WITH BROKERAGES FOR PUBLIC ISSUE

The Company's shares are traded on the regulated market; they are listed in the Baltic Main List of the Stock Exchange of AB NASDAQ Vilnius.

THE MAIN DATA ABOUT THE SHARES OF THE COMPANY:	
ISIN code	LT0000111650
Abbreviation	KNF1L
Share emission	380,396,585

The Company's shares have been listed on the Nasdaq Vilnius Secondary List since 16<sup>th</sup> January of 1996 and since 4<sup>th</sup> April of 2016 The Company's shares are listed on the Nasdaq Vilnius Main List.  
The securities of the subsidiary companies are not publicly traded.

Details of the shares and shareholders are provided in 2021 Interim Report's chapter "Information about the shareholders and shares" of the Company".

## 8. CONFIRMATION OF RESPONSIBLE PERSONS

Referring to the Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuanian, Responsible Persons Darius Šilenskis, Chief Executive Officer of AB Klaipėdos nafta, Indrė Kisielienė, Acting Chief Financial Officer of AB Klaipėdos nafta, and Rasa Tamaliūnaitė, Chief Accountant of

AB Klaipėdos nafta, hereby confirm that to the best of our knowledge the Interim Report of AB Klaipėdos nafta for 2021 includes a fair review of the development and performance of the business and the present state of the Company together with the description of the main risks and uncertainties that are encountered.

## 9. PERSONS RESPONSIBLE FOR THE INFORMATION SUBMITTED IN THE ANNUAL REPORT

JOB TITLE	FULL NAME	TELEPHONE NUMBER
AB Klaipėdos nafta, Chief Executive Officer	Darius Šilenskis	+370 52 127 733
AB Klaipėdos nafta, Acting Chief Financial Officer	Indrė Kisielienė	+370 68 616 276
AB Klaipėdos nafta, Chief Accountant	Rasa Tamaliūnaitė	+370 61 888 260

## A FOREWORD OF THE CEO

Dear stakeholders,

As expected, the first half of 2021 did not spare any challenges for the business community all around the world. The pandemic continues to have a negative impact on some industries and business sectors, including KN, despite the accelerated vaccination process. During the first half of the year, oil-refining margins showed a slight recovery; however, so far it has not been sufficient to provide companies engaged in the production, handling or logistics of petroleum products with similar volumes of activity compared to before the COVID-19 pandemic.

In the case of KN, the stabilisation of business in the context of the pandemic was also inconvenienced by the cessation of oil exports from Belarus. The difficult political situation in this country has led to ever new international sanction packages against Belarus, so objectively, we have told ourselves that under the current circumstances, it would not be realistic to expect to regain even the least part of the Belarussian oil product flow.

All of these circumstances encourage KN to review its long-term business strategy in order to adapt to the changed market context and take advantage of new emerging opportunities. The process of reviewing the strategy is still ongoing and this year we plan to refine the key directions we will focus on until 2030, as well as add new ones. Among the strategic issues is the launch of an efficiency study, which will allow a better assessment of the competitiveness of oil terminals operated by KN in terms of the operational processes and resources used. For several years now, the company has been focusing on increasingly efficient business processes, as demonstrated by the implementation of the LEAN culture in the organisation, which was launched a year ago and which contributed significantly to the cost efficiency and improvement of the service quality. However, the additional study will show where we need to focus further to achieve the best results.

In the face of market and geopolitical challenges, KN sought quick solutions to fill the available storage capacity. In a highly competitive market, part of the available capacity of the KN oil terminal was leased for the storage of ethanol, petrol, fuel oil. Regular volumes of storage services, as well as income, has almost doubled.

Orientation towards green business and policy is yielding visible results in the demand for biofuels. KN signed contracts and started importing FAME (Fatty Acid Methyl Ester) in May. In 2021, the total volume of biofuel cargo handling in KN increased by about sixty-three percent, i.e. 61.4 kt of ethanol, FAME and biodiesel were handled during the first half of the year.

At the same time, we are taking on new ideas. Given the potential of carbon capture technology for tackling the global challenge of climate change, KN, Larvik shipping (LS) and Mitsui O.S.K. (MOL) have signed an agreement to carry out a feasibility study for a liquefied carbon dioxide (CO<sub>2</sub>) project, which could be implemented using the existing KN infrastructure in Klaipėda, as well as KN's international business development competences. For this purpose, the entire concept of the liquid carbon dioxide value chain in Lithuania will be assessed, and potentially in the Baltic region, with a centre at Klaipėda port.

Environmental protection remains a priority for KN. Despite challenges such as shutting down supply and service chains and shrinking operations due to the pandemic, KN continues to implement the verified environmental plan. A new air-pollutant treatment plant is already operating at the KN oil terminal in Klaipėda, where pollutants collected from sixteen tanks and from the railway loading platform are cleaned. The main purpose of this device is to reduce odours generated during the loading and storage of fuel oil. The company is also modernising its boiler burners, which will ensure three times lower one-time emissions of carbon monoxide and nitrogen oxides into the ambient air. One of the two boilers has already been upgraded and is undergoing testing, and the other will be upgraded by the end of the year. Despite the difficult circumstances, KN continues to demonstrate effective and real, non-declaratory social responsibility.

The second half of the year will not be easier. New strains of coronavirus threaten not only human health or life, but also economic well-being and business viability. More than two-thirds of KN employees have already formed immunity to coronavirus, but a significant proportion of people still avoid vaccination - insufficient global immunity is a serious risk in the context of business continuity.

Given the uncertainty of market conditions, the unpredictable impact of COVID-19 and its prolongation, KN will carefully monitor the potential developments in the second half year of 2021 and will assess the situation accordingly.

Meanwhile, I urge anyone who is hesitant about the COVID-19 vaccines, not to hesitate and get vaccinated. The recovery of the business-friendly environment, as well as environment favourable to socialise for the people around the world, is up to each one of us. Hopefully, in the nearest future we will be able to talk more boldly about business opportunities, not pandemic challenges, looking at the plans for the new half-year.

Sincerely,  
Darius Šilenskis  
Chief Executive Officer

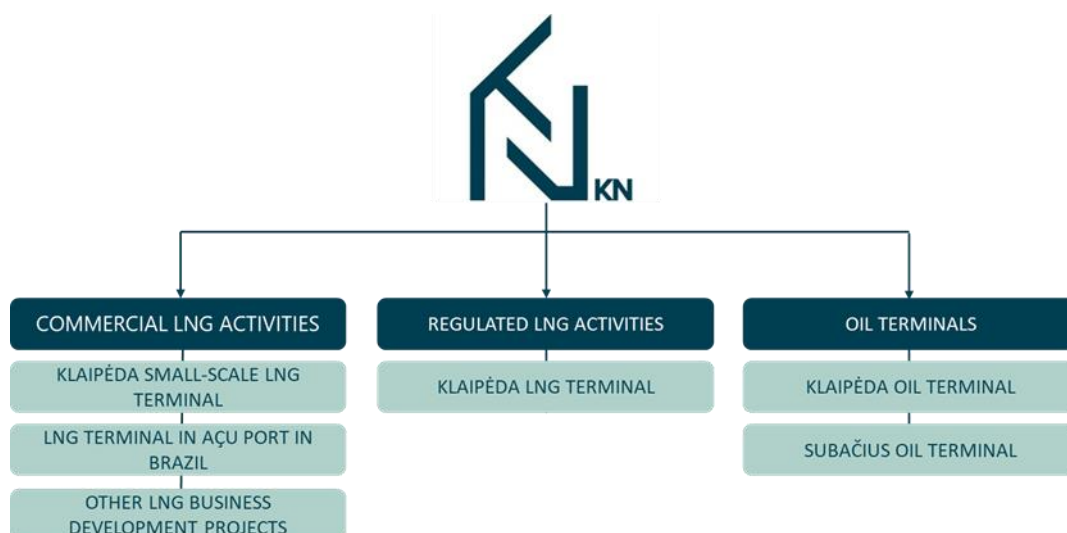
## INFORMATION ABOUT THE COMPANY AND ITS ACTIVITIES

AB Klaipėdos nafta is the company of strategic importance for the energy security of Lithuania and the surrounding region, which ensures the import of liquefied natural gas into Lithuania and neighbouring countries, the storage of the obligatory oil product reserve of the Republic of Lithuania, as well as reliable and efficient transshipment of oil products in Klaipėda port. Besides

the activities mentioned above, the Company has started small scale LNG activities in 2017.

Currently, the Company's activities can be divided into three main segments: commercial LNG activities, regulated LNG activities, and oil terminals activities. The Management of the Company evaluates the financial results of each segment and sets separate strategic goals

### MAIN ACTIVITIES:



### INFORMATION ABOUT INVESTMENT INTO ASSOCIATES

The Company has investments into the following associate companies as of 30 June 2021:

NAME OF THE COMPANY	ADDRESS	OWNERSHIP PART, PER CENT	ACTIVITIES
UAB BALTPOOL	9 A. Juozapavičiaus str., LT-09311, Vilnius	33	Development of activity of energy resources (biofuel, gas) exchange, administration of Public Interest Services (PIS) funds.
Sarmatia Sp. z o.o.	ul. Nowogrodzka 68, Prima court, 02-014 Warsaw, Poland	1	Analysis and engineering of possibilities to construct oil pipeline between Asian states and the Baltic Sea.

## OIL TERMINALS

Oil terminals segment (OT) includes activities of Oil Terminal in Klaipėda and Oil Terminal in Subačius which are providing services of oil products transshipment,

long-term storage of oil products, and other services related to oil products transshipment.

### KLAIPĖDA OIL TERMINAL

The Company is one of the largest oil transshipment terminals in the Baltic States. The terminal's main activity is to tranship oil products delivered by rail tanks into tankers.



The Company's Oil Terminal handles these oil and chemical industry products:

- Light Products (hereinafter – LP):
  - Different types of diesel fuel.
  - Different types of gasoline.
  - Jet fuel.
- Heavy Fuel Products (hereinafter – HFO):
  - Different types of fuel oil.
  - Technological fuel.
  - Vacuum gas oil (VGO).
  - Crude oil.
  - Bitumen (planned from the 3Q of 2021)
- Other products of the chemical industry:
  - Ethanol.
  - Monoethylene glycol.
  - Fatty acid methyl ester.

### CHARACTERISTICS OF KLAIPĖDA OIL TERMINAL

Location	Territory of Klaipėdos nafta oil terminal, address: Burių Street 19, Klaipėda
Oil product tanks	45 tanks
Volume of the tanks	575 thousand m <sup>3</sup> total volume
The capacity of the oil terminal	8 - 10 million. t / year
Jetty berths	2 (in 2019 started to modernize the jetty berths and construct an additional multi-functional berth. After the reconstruction will be completed the terminal will be capable to service three oil tankers simultaneously instead of two. The total length of all three berths after reconstruction will be about 750 m)
Harbour entrance depth:	14.5 m
Max. draught at the jetty	14.0 m
Max. length of serviced tankers	275.0 m
Railway	Two double-track rail tank loading racks: <ul style="list-style-type: none"> <li>• Two tracks for petroleum products that do not require maintaining of specific temperature conditions (up to 2 x 30 tank wagons are services simultaneously);</li> <li>• Two tracks for oil products that require maintaining of specific temperature conditions (up to 2 x 32 tank wagons are services simultaneously);</li> <li>• One of the tracks is adapted to oil products of all types;</li> <li>• 124 tank wagons can be loaded at the same time.</li> </ul>
Road tanker loading	4 loading points at the same time
Modern laboratory	Equipped to inspect main quality parameters of oil products
Total capacity of three boilers of own boiler station	100 MWh



The processes of oil products transshipment service in the Company's oil terminal mainly include the following operations: i) reloading of oil products from rail tanks, ii) temporary storage of oil products in the terminal's shore tanks and iii) loading oil products into tankers.

To supply the clients with imported oil products delivered to Klaipėda seaport by tankers, the Company is using trucks loading station located in its terminal.

Klaipėda oil terminal provides the following services:

- Transshipment of crude oil and oil products from rail tanks into tankers.

### SUBAČIUS OIL TERMINAL

After the approval of the share emission agreement with the Republic of Lithuania on 11 June 2012, the Company has started to manage Subačius oil terminal (hereinafter - SOT). After the takeover of Subačius oil terminal infrastructure the Company's activity and services have been diversified and expanded including services of long-term oil product storage.

- Transshipment of crude oil and oil products from tankers into rail tanks.
- Reloading of crude oil and oil products into trucks.
- Accumulation and storage of crude oil and oil products.
- Collection of wastewaters from sea vessels which is contaminated with oil products.
- Mooring services.
- Inspection of quality parameters of oil products.
- Adding bio-additives and marking substances to oil products.
- Blending of heavy and light oil products.
- Supply of fuel and water to vessels.



#### SUBAČIUS OIL TERMINAL'S CHARACTERISTICS

Location	In Kunčiai village, Kupiškis district
Volume of the tanks	Total 66 tanks
Volume of the tanks	Almost 338 m <sup>3</sup> thousand total volume
Railway	The rail trestle which can simultaneously handle 14 rail tanks
Road trucks loading	Modern loading station of auto trucks
Modern laboratory	Able to detect the main quality parameters of oil products

Subačius oil terminal provides the following services:

- Storage of oil product (fuel) stocks of the Lithuanian State to ensure the national energy security under the relevant legal acts.
- Long-term storage of oil products (gasoline, diesel fuel).
- Short-term storage and handling of oil products (gasoline and diesel fuel) to the customers.
- Adding bio-additives and marking substances to oil products.

The results of activities of Subačius oil terminal for 6 months of 2021 are present in Oil terminals segment in the Explanatory note "Operating segments" of the Company's interim financial statements for 6 months of 2021.

The infrastructure of Subačius oil terminal is continuously upgraded to ensure proper provision of high-quality services to customers, as well as safe and reliable operation of the facility.



## REGULATED LNG ACTIVITIES

Regulated LNG activities (LNGT) segment includes activity of LNG terminal in Klaipėda which receives and stores

### KLAIPĖDA LNG TERMINAL

#### Ensuring long-term operation of Klaipėda LNG terminal

At the end of 2019 Board of KN took necessary decisions regarding implementation of measures for ensuring long-term (until 2044) activities of the Klaipėda LNG Terminal, including principal decision on the FSRU acquisition after 2024. At the end of 2019, Parliament approved state guarantee for Stage I (optimization of LNG security supplement) and Stage II (purchase of FSRU) of the long-term LNG supply project, which enabled Klaipėdos nafta to sign agreement with NIB on the loan for the purpose of Stage I. Consequently, security supplement reduction (by almost 40 per cent since 2020) was proposed to National Energy Regulation Council (NERC). Based on NERC decision security supplement has been reduced and is applicable to all gas consumers starting January 2020.

Loan agreement for Stage II (FSRU acquisition) has been signed with NIB on 09-03-2020. On 20-11-2020 the European Commission (EC) approved the state aid to be provided in the form of state guarantee for the FSRU acquisition loan. By this, principal issues related to FSRU acquisition financing are solved. Preparatory work for FSRU selection and purchase has been started.

With the help of external international experts, during the 1<sup>st</sup> half of 2021 an LNG market study was conducted and tender documentation for FSRU acquisition has been

#### Infrastructure of the Liquefied Natural Gas Terminal

LNG Terminal of AB Klaipėdos nafta is based on a Floating Storage with Regasification Unit (FSRU) technology. The terminal is connected to the gas transmission network of the natural gas transmission system operator AB Amber Grid by an 18-kilometre connecting gas

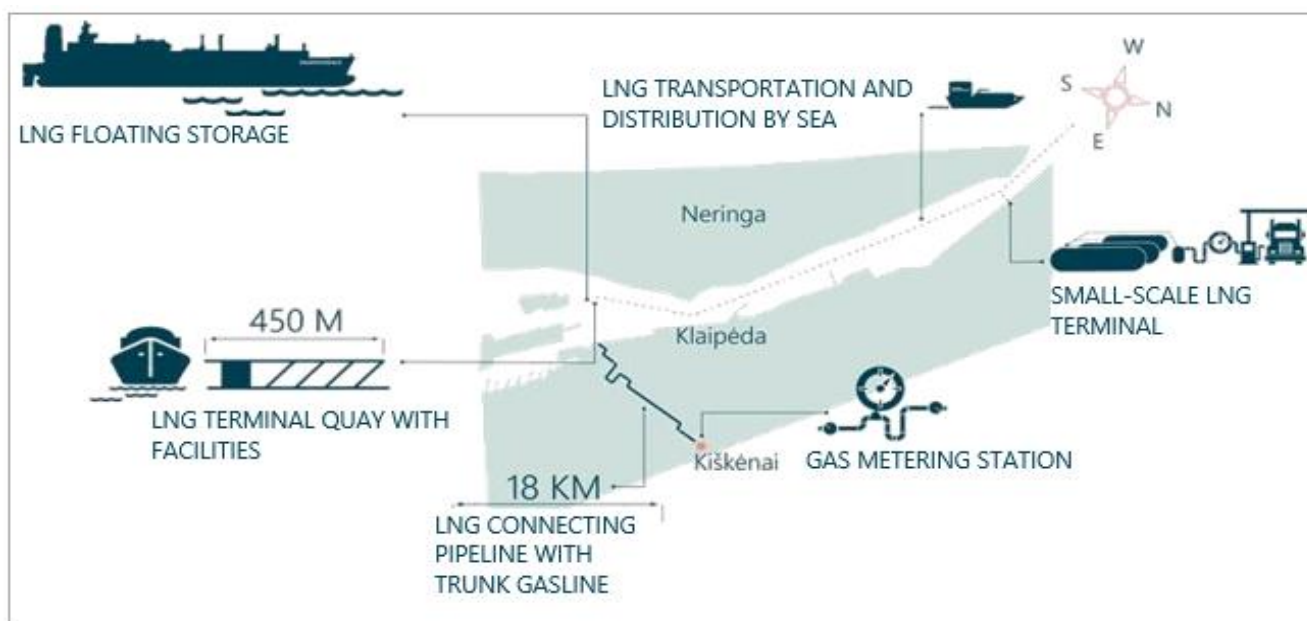
liquefied natural gas, regasifies, and supplies it to main gas pipeline.

prepared. Comments provided by the users of the terminal and the global FSRU market trends were taken into account while preparing tender documentation. Also, it is important to understand that the range of the FSRU suppliers is rather narrow and the market considered as niche due to high and specific requirements for technology, its flexibility, efficiency and reliability, thus the number of possible alternative offers on the market may be sufficiently limited. It should be noted that during the first half of 2021 LNG terminal has been used by 5 users of the Terminal (vs 4 users in the first half of 2020). Of those, one company is from Estonia and four companies are from Lithuania. 35 LNG carriers have arrived at the LNG Terminal and 9,441 TWh of LNG have been regasified and reloaded during the first half of 2021.

The LNG Terminal complements and extends the existing natural gas supply infrastructure of the country, creates opportunities for supply diversification, eliminates dependence on the only external natural gas supplier, ensures the security of natural gas supply and fulfils the EU Directive N-1 Infrastructure Standard, i.e., creates preconditions for Lithuania to independently supply itself with the natural gas needed to meet the demand of the first necessity.

pipeline. LNG Terminal functions - receive liquefied natural gas from LNG carriers, store them, regasify, and supply liquefied natural gas to transmission network or reload into other LNG carriers.

## LNG terminal infrastructure



### LNG Floating Storage with Regasification Unit

The LNG floating storage with regasification unit is an LNG tanker (Independence), which at the Klaipėda Seaport receives liquefied natural gas from the LNG vessels – LNG carriers, which are moored at the FSRU. According to the schedules of the Terminal users, LNG is passed through special equipment in order to return the LNG to a gaseous

state and supply it to the gas transmission system. In 2012 10-year lease (with purchase option) of LNG floating storage with gasification unit has been signed with Norwegian company Høegh LNG Ltd. The builder of this ship is South Korean shipyard Hyundai Heavy Industries Co. Ltd.

### TECHNICAL CHARACTERISTICS OF THE FSRU INDEPENDENCE\*

Klaipėda seaport jetty	157
The volume of the tanks	170,000 m <sup>3</sup>
Maximum LNG filling level	98% at 70 kPag
Maximum LNG loading capacity	9,000m <sup>3</sup> /h LNG
Maximum LNG reloading capacity	5,000 m <sup>3</sup> /h LNG when LNG regasification is performed during LNG reloading
FSRU capabilities	3.75 billion m <sup>3</sup> of natural gas per year (10.24 million m <sup>3</sup> per day)
Minimum operative LNG heel	3.500 m <sup>3</sup> LNG
Maximum gas flow into the gas pipeline	10.24 million m <sup>3</sup> per day

\*Terminal's technical specifications are given according to the current normative conditions: combustion/measurement temperature - 25/0 °C, pressure - 1.01325 bar.

### Jetty and its facilities

There is a permanently moored FSRU at the jetty, which receives LNG from the LNG carriers that deliver them. Special offshore equipment includes high pressure platform, service platform, mooring and berthing dolphins, catwalks, fire extinguishing towers, control room, fire protection equipment, service cranes and high-pressure gas loading arms, and other necessary equipment and systems.



### Connecting pipeline of the LNG terminal

The terminal is connected to the gas transmission network of the natural gas transmission system operator Amber Grid SC by an 18-kilometre-long and 700 mm

diameter connecting pipeline. A gas metering station is built at the point of connection to the transmission network.

### Services of the LNG terminal

The Terminal provides the following services: i) LNG regasification, ii) LNG reloading. The LNG regasification service consists of the following related services:

- Acceptance of LNG cargo from the LNG carrier that arrived, physical (up to 60 days) and virtual (up to 12 months) storage of the cargo and LNG regasification in the rate specified in the Terminal user schedule.

The LNG reloading service consists of the following related services:

- Acceptance of LNG cargo from the LNG carrier that arrived, physical and virtual storage of the cargo and reload (re-export) of LNG to an LNG carrier of not less

The following prices apply to the services provided by the terminal:

- The fixed part of the price of the LNG regasification service is approved annually by the National Energy Regulatory Council. This part of the price shall be included in the additional component of the natural gas supply security to the transmission price.



than 5,000 m<sup>3</sup> and not more than 65,000 m<sup>3</sup> (unless agreed otherwise).

- The variable part of the price of the LNG regasification service shall be paid by the users of the terminal for the regasified gas volume and shall be approved annually by the National Energy Regulatory Council (hereinafter – NERC).

SERVICES OF THE TERMINAL	SERVICE PRICE	NERC DECREE
LNG regasification service price* (set in 2020)	0.35 EUR/MWh excluding VAT	11 November 2019 No. O3E-724
LNG regasification service price* (set in 2021)	0.41 EUR/MWh excluding VAT	23 November 2020 No. O3E-1207
LNG reloading service price* (set in 2020)	1.11 EUR/MWh excluding VAT	11 November 2019 No. O3E- 725
LNG reloading service price* (set in 2021):		
- Small scale LNG cargo, up to 15.000 m3	0.53 EUR/MWh excluding VAT	
- Medium scale LNG cargo, from 15.000 m3 to 50.000 m3 inclusive	0.41 EUR/MWh excluding VAT	23 November 2020 No. O3E-1206
- Large scale LNG cargo, from 50.000 m3	0.30 EUR/MWh excluding VAT	

\* Terminal users transporting natural gas through the internal outlet of the natural gas transmission system shall also pay the additional security component of the natural gas supply price to the natural gas transmission price set by the NERC.

The LNG terminal fully ensures the third-party access requirements in accordance with EU laws. The terminal's activities are organized in observance with the Rules for Use of the Liquefied Natural Gas Terminal (hereinafter - Terminal rules), adopted after public consultations with

market parties and agreed by NERC. The terminal's capacities are provided to the potential users on the same conditions in the way of public and transparent annual capacity allocation procedure or during the on-going period if there are any free capacities left. LNG terminal can be used by multiple users

## COMMERCIAL LNG ACTIVITIES

Commercial LNG activities (comLNG) segment includes activities of small-scale LNG reloading station in Klaipėda,

operation of LNG terminal in Açu port in Brazil, and other business development projects and consultations.

## KLAIPĖDA SMALL SCALE LNG TERMINAL

During first half of 2021 4 cargoes were delivered to Klaipėda small-scale LNG terminal (hereinafter - LNG reloading station or ssLNG). The entire LNG cargo was loaded to LNG Trucks and distributed to consumers in Latvia and Poland. The rest of the LNG was used for the internal needs of the Company. A total of 249 LNG Trucks were loaded at the LNG reloading station in first half of 2021. June 2021 was recorded as a record month from the start of operation of LNG reloading station – 72 LNG trucks were loaded.

AB Klaipėdos nafta has opened an onshore LNG reloading station in the fall of 2017. The purpose of the LNG reloading station project is to develop small-scale LNG infrastructure in the Baltic States and Poland, which not only increases energy security for areas that are further away from the gas pipeline, but also provides the benefits of alternative and clean energy to a significant number of consumers. This infrastructure also contributes to ensuring the availability of LNG as a clean fuel for shipping and heavy road transport.

On April 1st, 2020, the Polish state oil and gas company PGNiG commences commercial operations at the KN-operated LNG reloading station. The capacities of the station were allocated to PGNiG for a five-year period.

The LNG reloading station is designed to receive cargo from small-scale LNG carriers, store LNG, load LNG into LNG Trucks or bunker LNG-powered vessels. LNG can also be loaded into ISO containers.

The LNG reloading station is a commercial project of the Company financed by the Company and partly by the European Union support funds under the CEF-Transport program for the implementation of the HEKLA<sup>1)</sup> and Blue Baltics<sup>2)</sup> projects.

<sup>1)</sup> Completion of the project - 30 June 2018.

<sup>2)</sup> Completion of the project – 16 April 2020.



### TECHNICAL CHARACTERISTICS OF THE LNG RELOADING STATION

Klaipėda seaport jetty	2
Technology	Five pressure tanks
Volume of the tanks	5 x 1,000 m <sup>3</sup>
Fill level	86%
LNG receiving speed (from ship)	up to 1,250 m <sup>3</sup> /h
Daily loading capacity for LNG Trucks	24 trucks
Loading of LNG Trucks	2 LNG Truck loading bays (possible simultaneous loading)
LNG Truck loading speed	up to 100 m <sup>3</sup> /h
Bunkering speed	up to 500 m <sup>3</sup> /h
Utilization of boil of gas	Gas pipeline connection to the Company's boiler house

### LNG for shipping:

With the implementation of the Clean Fuel Directives, global shipping is shifting towards cleaner and more efficient fuels. LNG as fuel in shipping is a great alternative to polluting petroleum products. With the rapidly growing

global fleet of LNG-powered vessels, the demand for clean fuel is also growing significantly.

On 8th March 2020, LNG powered vessel was bunkered for the first time in the port of Klaipėda. During this



operation, the fuel tank of the cement carrier MV Greenland was filled with LNG at the Malkos Bay Terminal.

Forty-five cubic meters of LNG were loaded from the ISO container mounted on the truck to the fuel tank of MV Greenland cement tanker. The LNG bunkering operation was conducted in accordance with all good practice requirements and recommendations of the European Maritime Safety Agency. ISO container was filled up at LNG reloading station, operated by KN.

With the amendment of the Regulations of Navigation of Klaipėda State Seaport, by the order of Minister of Transport and Communications of the Republic of Lithuania, No 3-708, dated 23 November 2020, the Regulations were supplemented by the requirements for bunkering of LNG-powered vessels in Klaipėda State Seaport.



#### LNG TERMINAL IN AÇU PORT IN BRAZIL

In 2020 KN became the operator of liquefied natural gas (LNG) terminal at Açú Port, Brazil. Under the contract concluded with Gas Natural Açú (GNA), a joint venture of Prumo Logística, BP and Siemens, KN as the operator of the LNG Terminal is responsible for the smooth operation of the LNG Terminal, including the technical and commercial operation of the installation of the quay and its facilities, gas pipeline and gas metering stations. KN established a company KN Açú Serviços de Terminal de GNL Ltda., which is responsible for the execution of this project in Brazil, has gathered a team of local professionals, and has begun the activities in 2020. The contract is concluded for a period of 13 years and can be extended with a mutual agreement.



FSRU AT THE PORT OF AÇU. COURTESY BY GNA

#### THE CORPORATE STRATEGY

In the beginning of 2020, the Board of AB Klaipėdos nafta has approved the corporate strategy for the period 2020-2030 (hereinafter - the Strategy). The Strategy analyses the Company's environmental factors, establishes common strategic goals for the entire Company and for each individual activity, evaluates the historical financial information of the Company and establishes the strategic period's target indicators to be reached. The Strategy of the Company could be found in: [2030.kn.lt](https://www.kn.lt).

The mission of the Company is to ensure safe, reliable and efficient access to global energy markets by sustainable development, investment and operation of multi-

functional liquid energy terminals worldwide. The Company aims to assist customers on cleaner energy transition and to maintain their competitiveness.

Changing energy markets and energy transition also acquired new competencies in management of LNG floating terminal in Klaipėda has led to the major change in the Company's vision and mission. From being local and regional player, providing one type of service, the Company for 2020-2030 is targeting to diversify its activities, to expand provided services and be less dependent on one source of income. As a result, the Company will continue to develop four business lines: international LNG projects, oil and refined products

handling services, management of Klaipėda LNG floating terminal and small-scale LNG reloading services.

The Company sees the biggest potential for growth and net profit generation in LNG business development and investments into LNG import terminals internationally. AB Klaipėdos nafta believes that floating LNG import-based solutions will account for almost a half of the new regasification capacity in the decade ahead and sees the possibility to achieve that by 2030 the profit from oil product handling services is identical to that from LNG business development projects.

Company's vision for the oil business segment is to expand the range of products that can be handled and increase the operational excellence through investing in environmentally sustainable and more efficient technologies as well as digitization. Increased capacities will enable the Company to meet changing demands and improve quality of services provided.

The strategy of state-regulated Klaipėda LNG terminal activity is to maintain operation after 2024 ensuring long-

term access to LNG import for the country and constantly increase flexibility of the usage of the terminal in order to increase the net value for gas consumers.

The growing demand for LNG which is transported by road and ships to the off-grid locations in the Baltics and northern Poland, the growing pressure to reduce global emissions and the promotion of LNG as a cleaner energy source give the LNG distribution station a significant role in the Company's portfolio. AB Klaipėdos nafta together with its strategic partners has an aim to stimulate LNG market creation and to increase share of this much cleaner fuel consumption in marine and heavy transport as well as off-grid industry within a region.

The Strategy foresees that significant attention of the Company's management will also be dedicated to the key asset of the Company – people, focus on direct and indirect business impact on the society - social responsibility, major digitization, and innovation directions of activities, carried out by the Company.

## MAIN BUSINESS LINES BY 2030

### OIL TERMINALS

- Handle any oil product without limitation to transshipment mode, provide smart throughput, storage and blending services.
- Be fully capable of working with products that go beyond traditional oil or petroleum products range.
- Invest in sustainable and more efficient technologies and processes to reduce emissions from our activities.



### KLAIPĖDA LNG HUB

- Assure the region's access to the global LNG market at least till 2044 and benefit for Lithuanian consumers through commercial activities.
- Assure highest quality bunkering and truck loading services, contribute to innovation development through the LNG cluster.



### INTERNATIONAL LNG PROJECTS

- See the net profit from international LNG projects higher than from oil products transshipment services, which is the largest portion today.
- Become the preferred partner for new LNG import terminal projects globally.
- Be within the top three leading floating LNG import terminal companies.



## OIL BUSINESS

By 2030 we aim to become the region's top and most efficient oil throughput and storage hub of liquid petroleum, petrochemical products, and refining feedstock for regional and global refineries, traders, and other customers.

### WHAT WE PLAN TO ACHIEVE BY 2030:

- A.** Sustain and increase volumes and profitability of oil terminals under consideration of changes to the market structure.
  - **EUR 46 million** revenue
- B.** Enter market for transshipment of petrochemicals and other new products.
  - **12 per cent** share from overall oil business revenue.
- C.** Ensure environmentally sustainable activities of KN oil infrastructure.
  - Full compliance with environmental regulations and reduction of emissions
- D.** Ensure secure, reliable, and efficient operation of oil terminal.
  - No critical accidents.

### STRATEGIC DIRECTIONS OF OIL BUSINESS

Oil business strategy is to ensure high rate of profitability and attractiveness by:

- Investing into expanding of technological capacities, acceptance of larger tankers, and ship to ship loading and blending operations.

## KLAIPĖDA LNG HUB

We aim to provide access to global LNG markets and competitive gas prices for traders and consumers in the Baltic Sea region and beyond, and to become the main small-scale LNG import terminal in the Baltic States and Poland.

### WHAT WE PLAN TO ACHIEVE BY 2030:

- A.** To become regional LNG hub that increases liquidity and flexibility of the interconnected natural gas systems.
  - Ownership of FSRU, full O&M.
  - Implemented long term LNG import solution.
  - >30 per cent FSRU revenues from international counterparties.
  - Provision of quality LNG services under the sustainable business model and for the benefit of the whole region.
- B.** Profitable small-scale terminal with a proven value in the growing regional small-scale LNG (ssLNG) market.



- Reducing the number of personnel and related costs by automatization and digital measures.
- Handling niche products like petrochemicals, alcohols, octane boosters, and other.

### ACTIONS TO BE MADE

KN will continue growing its market share and make impact by:

- Generating revenue from long-term agreements to small-scale terminal by upstream partnering with strong players in the market who could ensure stable supplies to the reloading station on competitive prices.
- Becoming effective and efficient terminal for the partners, being available when necessary and capable to do significant number of loads.
- Improving business environment in Lithuanian LNG market by continuing spreading awareness in the market, cooperating with institutions and other players, promoting LNG-in-favour legislations, cooperating with Port Authorities to improve bunkering conditions and start bunkering operations in the Port of Klaipėda.



## INTERNATIONAL LNG PROJECTS

We aim to become the preferred partner for new LNG import terminal projects globally and be within the top three leading floating LNG import terminal companies by 2030.

### WHAT WE PLAN TO ACHIEVE BY 2030:

- A.** Operator of at least 5 LNG terminals by 2030
- B.** Shareholder in at least 4 LNG terminals by 2030

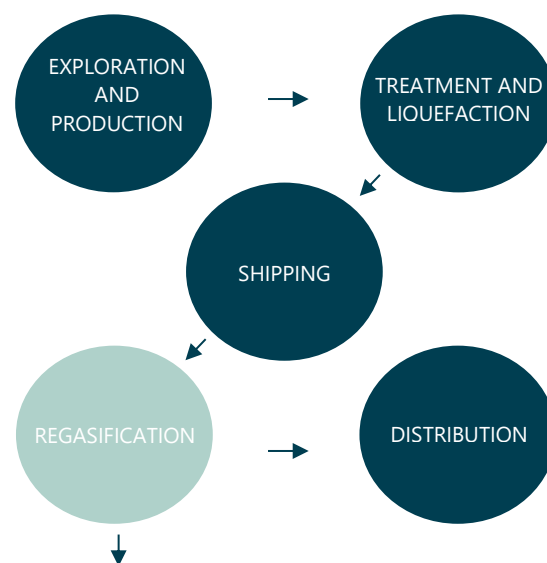
## LNG VALUE CHAIN AND KN BUSINESS

While natural gas is globally abundant cleanest burning fossil fuel and a highly competitive source of energy, many energy-hungry countries are at a considerable distance from the extraction locations.

KN draws on the experience in developing and advising more than ten new LNG import projects in Europe, Latin America, and Asia since 2015 and has a track record of on-time and on-budget delivery of floating LNG terminal. Company seeks to:

- Monitor and respond to public and private tenders for LNG import terminal development and O&M services.

- Develop and strengthen partner network of FSRU owners, LNG traders, suppliers, and other relevant counterparties.
- Develop market facing innovative solutions and concepts.
- Actively seek and evaluate acquisition opportunities.



The view of the management and evaluation of possibilities to achieve 2020-2030 strategic goals based on assumptions as at 30 June 2021:

STRATEGIC GOALS	STATUS	
<b>OIL TERMINALS</b>		
Increase volumes and profitability of oil terminals. EUR 46 million revenue	🚫	At risk for achievement*
Transshipment of petrochemicals and other products make up to 12 per cent of overall oil business revenue	✅	In line with expectations
Full compliance with environmental regulations and reduction of emissions	✅	In line with expectations
No critical accidents, secure, reliable, and efficient operations	✅	In line with expectations
<b>KLAIPĖDA LNG HUB</b>		
Ownership of FSRU, full O&M	✅	In line with expectations
Implemented long term LNG import solution	✅	In line with expectations
>30 per cent FSRU revenues from international counterparties	✅	In line with expectations
Provision of quality LNG services	✅	In line with expectations
Profitable small-scale terminal	✅	In line with expectations
<b>INTERNATIONAL LNG PROJECTS</b>		
Operator of at least 5 LNG terminals by 2030	✅	In line with expectations
Shareholder in at least 4 LNG terminals by 2030	✅	In line with expectations

\* Achievement of this goal could be at risk due to absence of Belarus cargo and Orlen Lietuva refinery modernization.



## SIGNIFICANT EVENTS OF THE REPORTING PERIOD

**1<sup>st</sup> January 2021** The Company became a member of the Lithuanian Shipowners Association (LLSA).

**11<sup>th</sup> January 2021** The new wording of Articles of Association of the Company was registered within the Register of Legal Entities of the Republic of Lithuania following the decrease of the authorised capital of the Company, which is now equal to EUR 110,315,010 and divided into 380,396,585 units of shares. Nominal value per share – EUR 0,29.

**24<sup>th</sup> March 2021** UAB "Kauno Dujotiekio Statyba" legal case was resolved by signing a peace agreement between all parties (KDS, the main creditor Luminor bank AS, and the Company). The parties reached an agreement that the amount of EUR 316 thousand paid by the Company to KDS remains covered and is not returned to the Company. All parties agree and confirm that the obligations of the Company are deemed to have been fulfilled and that KDS and Luminor bank AS will have no further claims against the Company

**7<sup>th</sup> April 2021** The Government of the REPUBLIC OF Lithuania adopted a resolution amending the Resolution of the Government of the Republic of Lithuania of 14th January 1997 No. 20 "On Dividends for State Owned Shares and Profit Contributions of State-Owned Companies" by addition of Article 31, which provides, inter alia, that the LNG operator shall calculate the share of profits to be paid for dividends for 2020-2024 by eliminating unrealized impact of changes in foreign currency exchange rates and other amounts of unrealized gains (losses).

**29<sup>th</sup> April 2021** The European Court of Justice (hereinafter - ECJ) has adopted the decision regarding Achema Grupė, UAB, and Achema, AB (hereinafter - the Applicants) appeal. The Applicants were seeking for annulment of the European Commission Decision C(2013)

7884, by which State aid SA.36740 (2013/N), granted by the Republic of Lithuania to AB Klaipėdos nafta for implementation of the Klaipėda LNG terminal, was declared compatible with the internal market of EU (hereinafter - Appeal). ECJ dismissed the Appeal. ECJ's decision is final and indisputable.

**30<sup>th</sup> April 2021** General Meeting of Shareholders of the Company adopted decision to pay dividends of EUR 7,538 thousand to shareholders (EUR 0.0198 per share), i.e., 68.6 per cent of the adjusted net profit of the Company.

**10<sup>th</sup> May 2021** Board of the Company adopted the following decision: As of 07-05-2021 revoke Jonas Lenkšas, from the position of Director of subsidiaries UAB SGD logistika, UAB SGD terminalas, and UAB SGD SPB. To elect Linas Kilda from 08-05-2021 as a Director of UAB SGD logistika subsidiary and to elect Mindaugas Navikas from 08-05-2021 as a Director of UAB SGD terminalas subsidiary and as a Director of UAB SGD SPB subsidiary.

**7<sup>th</sup> June 2021** After the closure of annual terminal capacities allocation procedure and conclusion of respective agreements, for the period from the 1st of October 2021 until the 30th of September, 2022, 8,891,452,000 kWh LNG regasification capacities were allocated. Part of the terminal capacities was ordered by the new terminal user, the Norwegian energy company Equinor ASA.

**15<sup>th</sup> June 2021** With the permission of the Ministry of Finance of the Republic of Lithuania, obtained by AB Klaipėdos nafta (hereinafter - the "Company"), came into force the Company's board decision to increase the authorised capital of the Company's subsidiary UAB SGD terminalas in the amount of Eur 25,000.

## SIGNIFICANT EVENTS OCCURRED AFTER THE END OF THE REPORTING PERIOD

**9<sup>th</sup> July 2021** The Company is implementing the project on ensuring the long-term operation of the LNG terminal in Lithuania and announces the public procurement of a FSRU (floating storage and regasification unit). Offers from potential suppliers will be compared to the redemption (option) value of the FSRU 'Independence', selecting the most economically advantageous offer, as required by the Law of LNG Terminal.

**15<sup>th</sup> July 2021** The new wording of the Articles of Association of AB Klaipėdos nafta subsidiary UAB SGD

terminalas was registered in the Register of Legal Entities after the increase of the authorised capital of UAB SGD terminalas. Following the increase of the authorised capital of UAB SGD terminalas, the latter is equal to EUR 37,500 and is divided into 37,500 units of shares, which grant 37,500 votes. Nominal value per share – EUR 1.00

**28<sup>th</sup> July 2021** The Board of AB Klaipėdos nafta has approved the renewed Dividend Policy. The full Company's Dividend Policy is available [here](#).

## INFORMATION ABOUT PUBLIC ANNOUNCEMENTS

Following the requirements of the Law of the Republic of Lithuania, all main events concerning the Company and information about the time and venue of the General

Meeting of Shareholders are published on the website of the Company [www.kn.lt](http://www.kn.lt) and in AB NASDAQ Vilnius ([www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com)) Stock Exchange.

## BUSINESS ENVIRONMENT AND MARKET

### OIL TERMINALS' BUSINESS ENVIRONMENT AND MARKET

The Company's oil products' transshipment activities are mostly affected by:

- Company's suprastructure for transshipment and storage of oil products (number of tanks, pipelines, trestles, etc.) and infrastructure limitations (number of jetties, water depth at jetties);
- Oil terminals' economic attractiveness from logistical point of view (both transshipment tariffs and costs of the entire logistic chain);
- Macroeconomic and geopolitical environment in regional and global oil processing and trade markets.

Strategic oil refineries (hereinafter – Refineries) of the region, part of, whose oil products were transhipped through Company's oil terminals in 2020 and 2021, are located in east and southeast directions. Those refineries were Mažeikiai plant in Lithuania (managed by AB ORLEN

At the end of last year Belarusian company BNK (UK) temporary suspended export of Belarussian oil products through the KN oil terminal in Klaipėda and started redirecting them to the Russian ports in Baltic Sea. Also sanctions to Belarus have been introduced by Council Regulation (EU) 2021/1030 on 24th June 2021. As the Company has no Belarussian oil products export since February 2021, sanctions introduced have not made any additional impact on the operations of the Company.

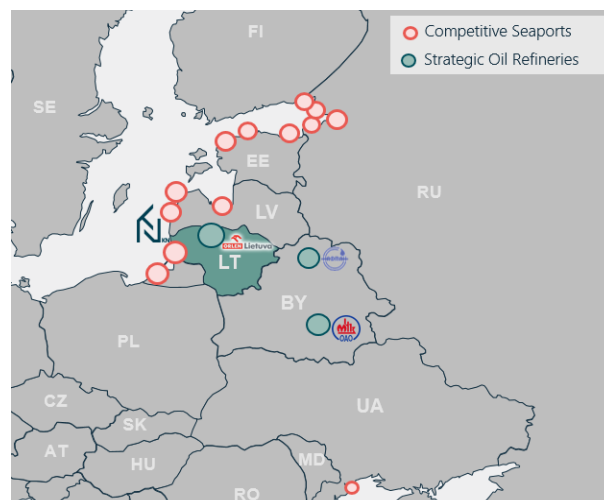
At the same time Russian's willingness, to reroute oil product flows towards Russian ports is noticeable. In this context, it is also important to note Russia's overall aim to transship both Belarussian and Russian origin oil and chemical products mainly through its own seaports located on the coast of the Gulf of Finland (St. Petersburg, Primorsk, Ust-Luga) as well as new target to handle petrochemicals, which are currently being handled in Finnish and Baltic ports.

It should also be mentioned that during 6 months of 2021 activities in regional oil terminals, including KN Oil Terminal, were also affected by the slowdown in the global economy caused by the coronavirus pandemic, leading to a drop in demand for petroleum products and stabilizing oil refining margins in record lows. Therefore, region's competitive environment in oil products transshipment market is getting more intense.

As a result of the decline of Russian-origin oil products flow to the Baltic States, the redirect of Belarussian oil product flows, and negative oil business environment due

Lietuva, hereinafter - Orlen), OJSC Mozyr and OJSC Naftan Refineries in Belarus.

Main Company's competitors are oil terminals operating along the eastern coast of the Baltic Sea, also in Gulf of Finland and Black Sea, located at Ust-Luga, Primorsk, St. Petersburg, Ventspils, Riga, Tallinn, Odesa ports.



to coronavirus pandemic, Estonian and especially Latvian ports are losing more and more major oil product flows. Consequently, due to the shortage of the cargo flows, Estonian, and especially Latvian ports, are becoming more active competitors for the Company's oil terminal.

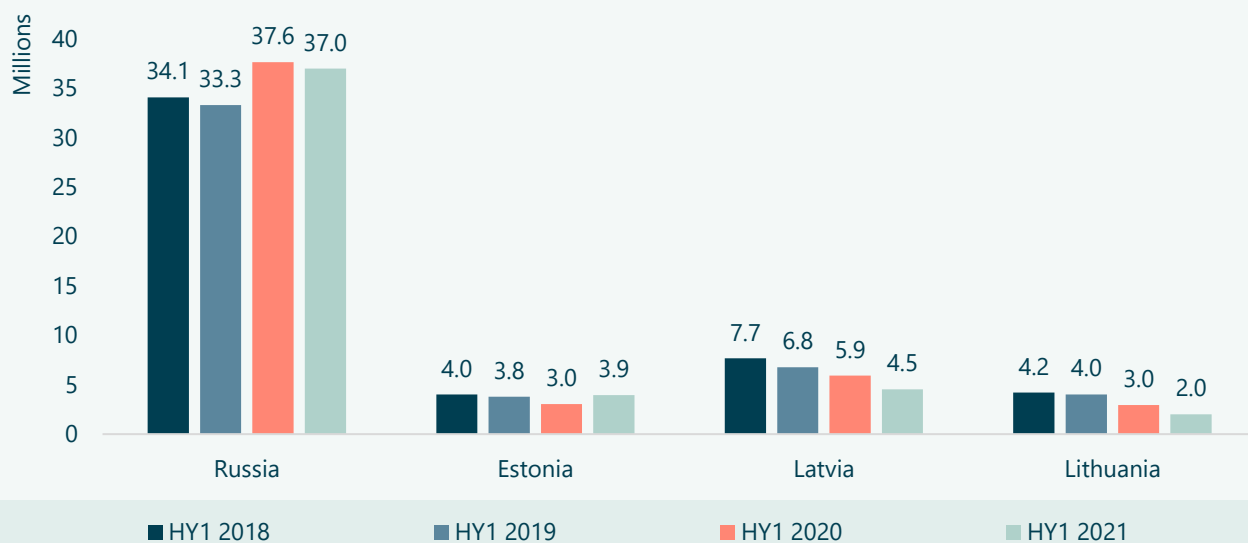
According to statistical data, during 6 months of 2021 ports of the eastern Baltic Sea coast transhipped approximately 47.4 million tons of oil products, i.e. 2.06 million tons or 4.16 per cent less compared to the same period in 2020.

During 6 months of 2021, port of Klaipėda handled about 2.01 million tons of oil products, i.e. 0.93 million tons or 31 per cent less than during 6 months of 2020.

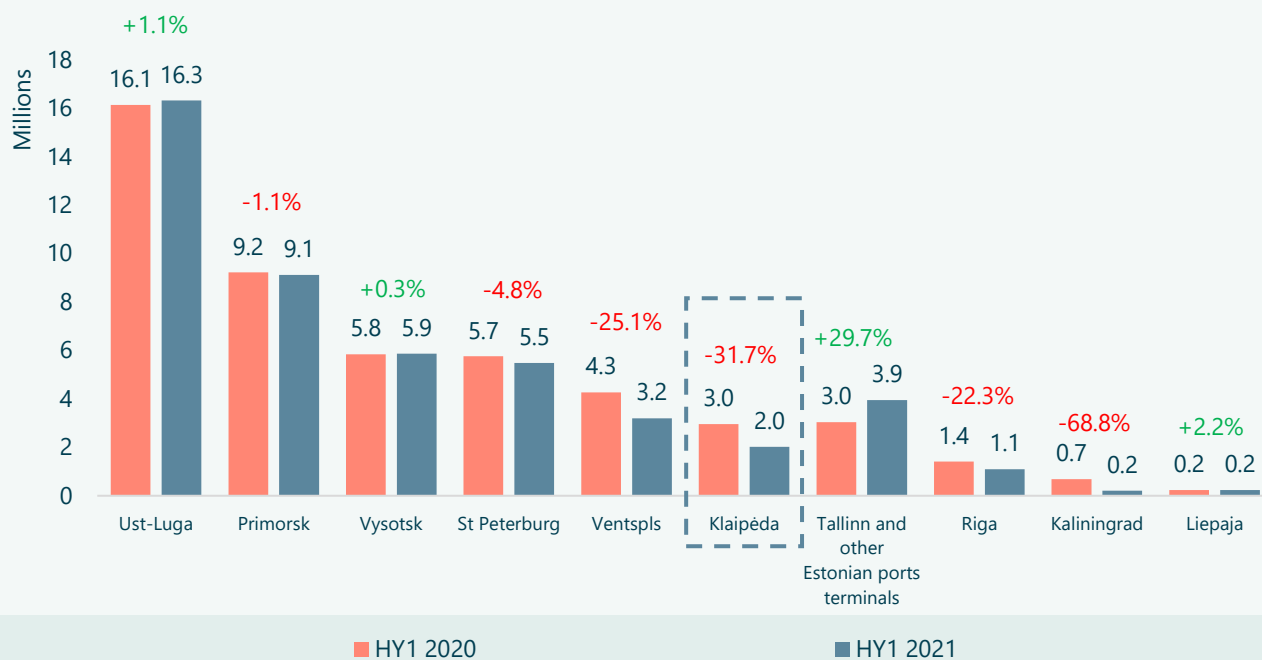
As shown in the chart "Dynamics of oil products transshipment at the eastern Baltic Sea coast ports in HY1 of 2018-2021" below, the share of Russian ports in eastern Baltic Sea coast oil products transshipment market is growing. During 6 months of 2018 – 2021 Russian ports yearly transshipment amount increased in approx. 8.5 per cent.

The overall change of oil product yearly transshipment through the Baltic ports (Lithuania, Latvia, Estonia) during first 6 months of 2018-2021 respectively – decrease by 34 per cent. Oil products transshipment market share decrease in 2018 was caused by the loss of oil product flows at Latvian and Estonian ports, and during 2018 – 2019 at the Klaipėda port as well.

DYNAMICS OF OIL PRODUCTS TRANSSHIPMENT AT THE EASTERN BALTIC SEA COAST PORTS IN HY1 OF 2018 – 2021



DYNAMICS OF OIL PRODUCTS TRANSSHIPMENT AT THE EASTERN BALTIC SEA COAST PORTS IN HY1 2020 – 2021



\* Figures are based on Klaipėda Port Authority and Argus Media Ltd. data

## TRANSSHIPMENT OF OIL PRODUCTS

During first six months of 2021 Company's Klaipėda and Subačius oil terminals, transshipped 1,612 kt of oil products in total. Klaipėda oil terminal transshipped 1,586 kt of oil products, meanwhile Subačius oil terminal transshipment amounted to 26 kt.

During the first six months of 2021 the turnover at Klaipėda Oil Terminal was 39.6 per cent lower compared to the same period in 2020, Subačius oil terminal performance was 61.2 per cent lower.

The total result of both terminals for 6 months of 2021 is 40.1 per cent lower than during the same period in 2020. The decrease of the total transshipment amount was influenced by both global and regional factors, such as:

- The drop in global demand for oil products due to COVID-19 declared pandemic and worldwide lockdowns which started in March 2020. Negative impact is still continuing in 2021 which resulted in lower volumes from AB ORLEN Lietuva as well.
- One of the former key clients – BNK (UK) Limited decided to suspend trade of oil products with the transshipment through Klaipėda port and redirect the cargoes to Russian Baltic Sea ports.

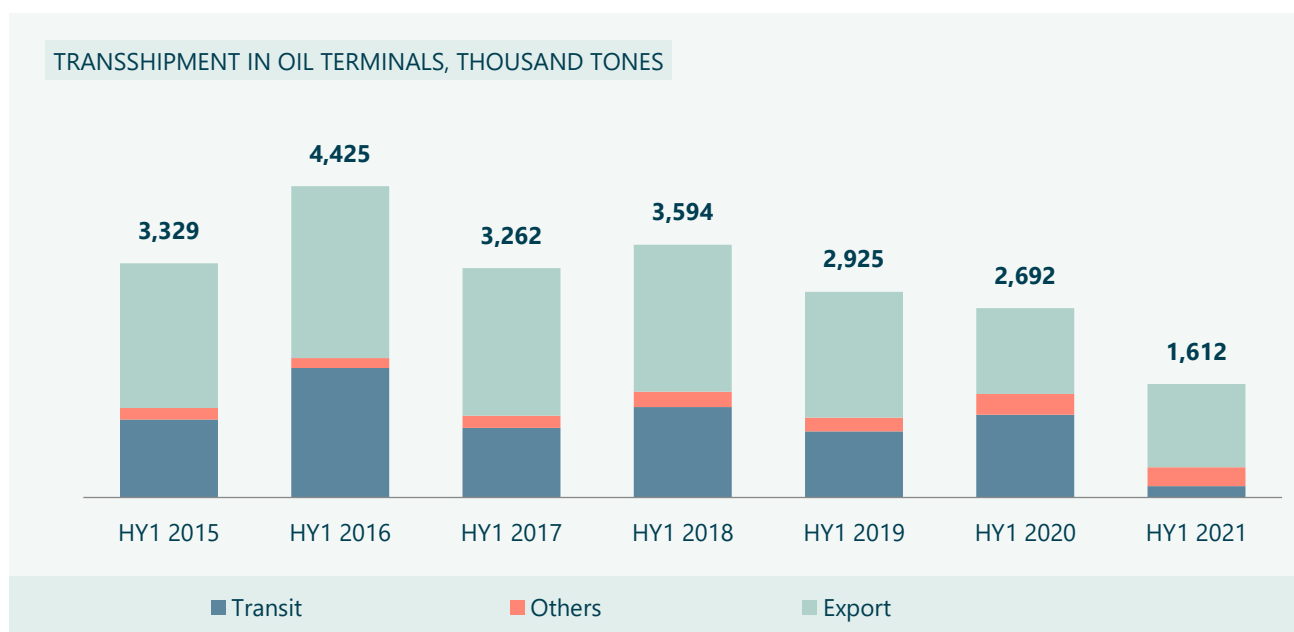
In 2021 HY1 the reconstruction of the storage tank park at the Klaipėda oil terminal was finished (8.5 thousand cbm in total) to adapt it to the storage and load of bitumen which is planned to start in August 2021.

During 6 months of 2021, the Company increased total transshipment of biofuels by approx. 63 per cent, i. e. transshipped 61.4 kt of ethanol, FAME, HVO (vs 37.6 kt during the same period in 2020).

Imports of light products for further supply to Lithuanian market via Company's trucks loading station during 6 months of 2021 increased by 10 per cent compared to the same period in 2020.

In order to expand the scope of activities and diversify products portfolio in Klaipėda and Subačius terminals, the Company continues to develop business relationships with international and regional market players.

Taking into account the uncertainty in the market conditions, unpredictability of COVID-19 impact and its continuation the management of the Company will closely monitor possible changes and developments in the course of 2021 HY2.



## OVERVIEW OF KLAIPĖDA LNG TERMINAL OPERATING ENVIRONMENT

LNG terminal capacity allocated for the gas year 2021 (period from 1 October 2020 to 30 September 2021):

ALLOCATED CAPACITY	AMOUNT OF ALLOCATED CAPACITY, GWh*	PERIOD
LNG regasification capacity**	8,364	From 1 October 2020 to 30 September 2021
	920	From 30 September 2020 to 21 November 2020
	63	From 1 October 2020 to 30 November 2020
	61	From 1 October 2020 to 30 November 2020
	242	From 1 November 2020 to 31 December 2020
	62	From 20 November 2020 to 18 December 2020
	63	From 18 December 2020 to 30 December 2020
	9,879	From 24 December 2020 to 30 September 2021
	62	From 5 January 2021 to 31 January 2021
	14	From 2 December 2020 to 15 December 2020
	63	From 4 December 2020 to 31 December 2020
	158	From 1 February 2021 to 28 February 2021
	60	From 1 February 2021 to 28 February 2021
	99	February 17, 2021 - March 31, 2021
	63	March 14, 2021 - April 13, 2021
	62	March 13, 2021 - April 4, 2021
	62	March 13, 2021 - April 23, 2021
	125	May 1, 2021 - June 7, 2021
	138	May 1, 2021 - June 30, 2021
	123	May 1, 2021 - June 24, 2021
30	June 1, 2021 - June 30, 2021	

\*Combustion / measurement temperature 25/0 °C, pressure 1.01325 bar, natural gas gross calorific value 11.90 kWh/nm<sup>3</sup>, expansion factor 1: 578 m<sup>3</sup> LNG / nm<sup>3</sup> of gas). \*\*During Gas Year LNG regasification capacity may be changed to LNG reloading capacity.

Total 20,710 GWh LNG regasification capacities of LNG terminal were allocated for the Gas Year 2021 (period from 1 October 2020 to 30 September 2021). Meanwhile, total 8,891 GWh LNG regasification capacities of LNG terminal were allocated for the Gas Year 2022 (period from 1 October 2021 to 30 September 2022). LNG terminal users can book LNG terminal capacities during a Gas Year.

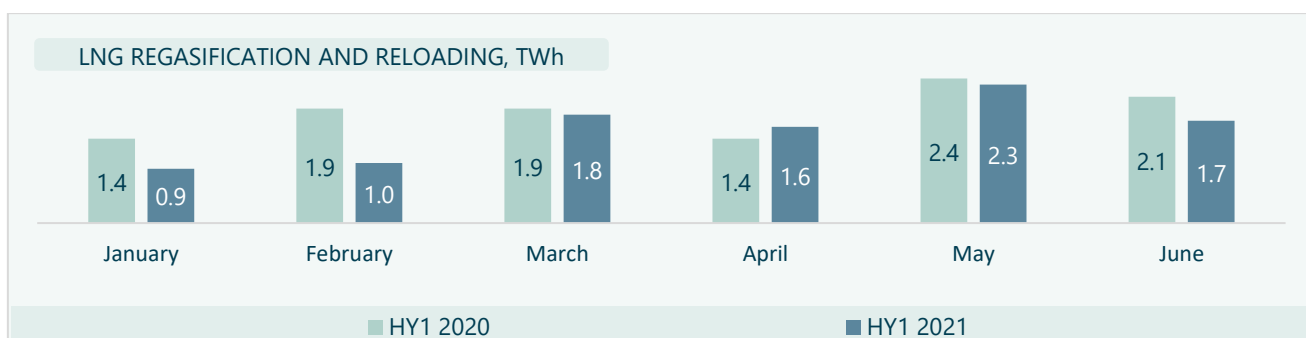
9,355 GWh of LNG have been regasified and transmitted to AB "Amber Grid" transmission system in first half of 2021. It should be noted that in HY1 2021 LNG terminal has been used by 5 users (one company from Estonia). Starting from the Gas Year 2022 new terminal user From Norway will start to use services of the Terminal.

During first half of 2021 the LNG terminal:

- Performed 37 ship-to-ship operations (35 ship-to-ship operations in first half of 2020).
- 669 thousand tonnes of LNG were received (708.7 thousand tonnes in first half of 2020).
- 820.8 million nm<sup>3</sup> of natural gas were regasified and supplied to the natural gas transmission system (949.2 million nm<sup>3</sup> in first half of 2020).
- 5.6 thousand tonnes of LNG were reloaded into small scale LNG carriers (none of LNG were reloaded in first half of 2020).
- Accepted LNG origin was 64 percent from USA, 17 percent from Russia, 10 percent from Egypt and 9 percent from Trinidad and Tobago.

The need for LNG terminal capacity depends on several key criteria:

- Joint gas demand of Lithuania and other Baltic States.
- Pricing offered by competing natural gas supply sources (gas supplied by pipeline) and quantity of gas supplied.
- Limitations of the Lithuanian natural gas infrastructure (transmission system capacity);
- Supply of LNG in the global market.
- LNG prices in the region and worldwide.
- Duration and terms of gas supply contracts.
- Availability and freight costs of LNG carrier.



#### GAS PIPELINES PROJECTS IN THE BALTIC STATES

Energy projects implemented in the Baltic region would enable the development of the LNG market and more efficient use of the available capacity of the LNG terminal.

At the beginning of 2022, the GIPL gas transmission pipeline between Lithuania and Poland will increase demand for the LNG terminal.

#### KLAIPĖDA LNG TERMINAL CAPACITY ALLOCATION AND TARIFFICATION PROJECT

During the first half of 2021 the Company started implementing "Klaipėda LNG terminal capacity allocation and tariffication" project. The aim is to ensure maximum actual long-term capacity utilization and efficient operation of the LNG terminal based on a cost-reflective tariff model. As of April 2021, KN signed a service agreement with the Swedish company AFRY which will provide project aims related study. Study provider will perform market analysis and evaluate the long-term and short-term capacity allocation and pricing mechanisms of

European LNG terminals and identify which model would be the most suitable for Klaipėda LNG terminal. Based on the study results, the regulations of use of the LNG terminal will be amended accordingly, amendments will be coordinated with the National Energy Regulatory Council (NERC) and market participants during a public consultation. Until the end of 2021, updated regulations of use of the LNG terminal will be presented to LNG terminal users and other stakeholders.

## CONSOLIDATION

The financial results of the Group consist of the financial results of the parent company AB Klaipėdos nafta and its directly and indirectly controlled subsidiaries. According to IFRS 10, the parent company controls an entity when the parent company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Control is generally obtained by holding more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The financial statements of subsidiaries have been prepared using uniform accounting policies and for the

same reporting period as that covered by the financial statements of the Group. On consolidation, all inter-company transactions, balances, and unrealized gains and/or losses on transactions among the Group companies are eliminated.

On consolidation, the revenue and expenses are translated into euros at an average exchange rate observed during reporting period. The assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

### CONSOLIDATED FINANCIAL RESULTS OF THE GROUP INCLUDE THE FOLLOWING COMPANIES:

NAME OF THE COMPANY	ADDRESS	OWNERSHIP PART, PER CENT
AB Klaipėdos nafta	Burių Street 19, 92276 Klaipėda	100
UAB SGD terminalas	Burių Street 19, 92276 Klaipėda	100
UAB SGD logistika	Burių Street 19, 92276 Klaipėda	100
UAB SGD SPB	Burių Street 19, 92276 Klaipėda	100 owned by UAB SGD logistika
KN Açu Serviços de Terminal de GNL LTDA (KN Açu)	F66 Fazenda Saco Dantas s/n, Distrito Industrial, Area 1 and Area 2, 28200-000 São João da Barra, State of Rio de Janeiro	90 owned by UAB SGD logistika and 10 owned by UAB SGD SPB
More information about the structure of the Group and its subsidiaries can be found in the Annual Report section " <a href="#">General Information About the Group and the Company</a> "		

## FINANCIAL RESULTS OF GROUP'S ACTIVITY

### THE KEY FINANCIAL RATIOS OF THE GROUP (IN EUR THOUSAND, IF NOT INDICATED OTHERWISE)

\* adj. - adjusted financial indicators/data are recalculated and presented by eliminating from net profit the following amounts: (1) the impact of unrealised foreign currency exchange rates (forex) arising from IFRS 16 requirements, (2) respective impact of deferred income tax arising from forex and (3) impact of financial derivatives.

THE GROUP	HY1 2021	HY1 2021 adj.*	HY1 2020	HY1 2020 adj.*	HY1 2019	HY1 2019 adj.*	HY1 2018	HY1f 2017
Transshipment of oil products, thousand t	1,612	1,612	2,592	2,592	2,926	2,926	3,594	3,262
LNG regasification and reloading, GWh	9,511	9,511	11,046	11,046	6,419	6,419	4,519	4,869
Investments of non-current assets	3,056	3,056	2,513	2,513	15,622	15,622	6,313	10,208
<b>FINANCIAL FIGURES</b>								
Sales	31,629	31,629	40,737	40,737	51,244	51,244	52,739	52,341
Gross profit	4,742	4,742	15,643	15,643	8,683	8,683	12,687	11,065
EBITDA (APM)	14,601	14,601	24,166	24,166	33,968	33,968	17,170	15,182
EBIT (APM)	-6,794	1,120	13,408	10,866	3,494	3,494	10,321	8,311
Financial and investment activities	-9,132	-1,218	1,215	-1,327	-2,912	-2,912	-43	-59
Profit before income tax (EBT)	-7,908	-7,908	12,159	12,159	2,300	2,300	10,219	8,227
Net profit (loss)	-6,764	-227	9,412	7,251	2,542	4,045	10,210	7,389
Current assets	77,124	77,124	89,373	89,373	77,752	77,752	89,952	52,045
Non-current assets	549,204	549,204	569,797	569,797	470,291	470,291	203,564	189,957
Total assets	626,328	626,328	659,170	659,170	548,043	548,043	293,516	242,002
Equity	202,091	206,467	192,070	191,412	185,688	187,191	193,523	190,702
<b>PROFITABILITY</b>								
Return on assets (ROA) (APM)	2.8%	0.6%	2.4%	2.6%	0.9%	1.3%	7.4%	3.9%
Return on equity (ROE) (APM)	9.0%	2.0%	7.6%	8.4%	2.1%	2.8%	10.3%	5.0%
Return on Capital Employed (ROCE) (APM)	0.4%	0.4%	3.8%	3.9%	2.0%	2.0%	3.8%	3.7%
Gross profit margin (APM)	15.0%	15.0%	38.4%	38.4%	16.9%	16.9%	24.1%	21.1%
EBITDA margin (APM)	46.2%	46.2%	59.3%	59.3%	66.3%	66.3%	32.6%	29.0%
EBIT margin (APM)	-21.5%	3.5%	32.9%	26.7%	6.8%	6.8%	19.6%	15.9%
EBT margin (APM)	-25.0%	-25.0%	29.8%	29.8%	4.5%	4.5%	19.4%	15.7%
Net profit margin (APM)	-21.4%	-0.7%	23.1%	17.8%	5.0%	7.9%	19.4%	14.1%
<b>FINANCIAL STRUCTURE</b>								
Debt ratio (D/E) (APM)	210%	205%	243%	244%	195%	194%	52%	27%
Debt ratio (D/E) – excluding IFRS 16 liabilities (APM)	64%	63%	60%	60%	55%	55%	52%	27%
Debt to EBITDA (APM)	29	29	19	19	11	11	6	3
Debt (excluding IFRS 16) to EBITDA (APM)	9	9	5	5	3	3	6	3
Debt service coverage ratio (DSCR) (APM)	3	3	4	4	8	8	11	131
Leverage ratio (D/A) (APM)	0.68	0.68	0.71	0.71	0.66	0.66	0.34	0.21
Leverage ratio (D/A) (excluding IFRS 16) (APM)	47%	47%	39%	39%	35%	35%	34%	21%
Interest coverage ratio (EBITDA/interest expense)	13	13	19	19	28	28	168	181
Effective tax rate	14%	3,883%	23%	25%	-11%	1%	0%	10%
Capital to assets ratio (APM)	32%	33%	29%	29%	34%	34%	66%	79%
Gross liquidity ratio (current ratio) (APM)	1.28	1.28	1.40	1.40	1.13	1.13	4.62	3.28
Quick ratio (APM)	1.25	1.25	1.36	1.36	1.10	1.10	4.56	3.20
Quick ratio (excluding IFRS 16) (APM)	4.08	4.08	4.29	4.29	2.97	2.97	4.56	3.20
<b>MARKET VALUE RATIOS</b>								
Price-Earnings Ratio (P/E)	14.0	30.3	9.7	8.8	36.4	26.3	9.9	18.4
Earnings per share (EPS)	-0.018	-0.001	0.025	0.019	0.007	0.011	0.027	0.019



**THE KEY FINANCIAL RATIOS OF THE COMPANY (IN EUR THOUSAND, IF NOT INDICATED OTHERWISE)**

\* adj. - adjusted financial indicators/data are recalculated and presented by eliminating from net profit the following amounts: (1) the impact of unrealised foreign currency exchange rates (forex) arising from IFRS 16 requirements, (2) respective impact of deferred income tax arising from forex and (3) impact of financial derivatives.

THE COMPANY	HY1 2021	HY1 2021 adj.*	HY1 2020	HY1 2020 adj.*	HY1 2019	HY1 2019 adj.*	HY1 2018	HY1 2017
Transshipment of oil products, thousand t	1,612	1,612	2,592	2,592	2,926	2,926	3,594	3,262
LNG regasification and reloading, GWh	9,511	9,511	11,046	11,046	6,419	6,419	4,519	4,869
Investments of non-current assets	3,056	3,056	2,513	2,513	15,622	15,622	6,313	10,208
<b>FINANCIAL FIGURES</b>								
Sales	30,090	30,090	39,654	39,654	51,244	51,244	52,739	52,341
Gross profit	3,704	3,704	14,851	14,851	8,683	8,683	12,687	11,065
EBITDA (APM)	13,979	13,979	24,018	24,018	33,968	33,968	17,170	15,182
EBIT (APM)	-7,394	520	13,308	10,766	3,494	3,494	10,321	8,311
Financial and investment activities	-9,149	-1,235	1,267	-1,275	-2,912	-2,912	-43	-59
Profit before income tax (EBT)	-8,511	-8,511	12,066	12,066	2,300	2,300	10,219	8,227
Net profit (loss)	-7,239	-703	9,320	7,159	2,542	4,045	10,210	7,389
Current assets	72,068	72,068	85,299	85,299	77,752	77,752	89,952	52,045
Non-current assets	553,432	553,432	574,142	574,142	470,291	470,291	203,564	189,957
Total assets	625,500	625,500	659,441	659,441	548,043	548,043	293,516	242,002
Equity	201,682	206,058	192,546	191,888	185,688	187,191	193,523	190,702
<b>PROFITABILITY</b>								
Return on assets (ROA) (APM)	2.6%	0.5%	2.4%	2.7%	0.9%	1.3%	7.4%	3.9%
Return on equity (ROE) (APM)	8.6%	1.6%	7.8%	8.6%	2.1%	2.8%	10.3%	5.0%
Return on Capital Employed (ROCE) (APM)	0.2%	0.2%	3.8%	3.8%	2.0%	2.0%	2.8%	3.7%
Gross profit margin (APM)	12.3%	12.3%	37.5%	37.5%	16.9%	16.9%	24.1%	21.1%
EBITDA margin (APM)	46.5%	46.5%	60.6%	60.6%	66.3%	66.3%	32.6%	29.0%
EBIT margin (APM)	-24.6%	1.7%	27.1%	27.1%	6.8%	6.8%	19.6%	15.9%
EBT margin (APM)	-28.3%	-28.3%	30.4%	30.4%	4.5%	4.5%	19.4%	15.7%
Net profit margin (APM)	-24.1%	-2.3%	18.1%	18.1%	5.0%	7.9%	19.4%	14.1%
<b>FINANCIAL STRUCTURE</b>								
Debt ratio (D/E) (APM)	210%	206%	242%	243%	195%	194%	52%	27%
Debt ratio (D/E) – excluding IFRS 16 liabilities (APM)	64%	63%	60%	60%	55%	55%	52%	27%
Debt to EBITDA (APM)	30	30	19	19	11	11	6	3
Debt (excluding IFRS 16) to EBITDA (APM)	9	9	5	5	3	3	6	3
Debt service coverage ratio (DSCR) (APM)	3	3	4	4	8	8	11	131
Leverage ratio (D/A) (APM)	0.68	0.68	0.71	0.71	0.66	0.66	0.34	0.21
Leverage ratio (D/A) (excluding IFRS 16) (APM)	47%	47%	39%	39%	35%	35%	34%	21%
Interest coverage ratio (EBITDA/interest expense)	13	13	19	19	28	28	168	181
Effective tax rate	15%	-18%	23%	25%	-11%	1%	0%	10%
Capital to assets ratio (APM)	32%	33%	29%	29%	34%	34%	66%	79%
Gross liquidity ratio (current ratio) (APM)	1.21	1.21	1.34	1.34	1.13	1.13	4.62	3.28
Quick ratio (APM)	1.18	1.18	1.30	1.30	1.10	1.10	4.56	3.20
Quick ratio (excluding IFRS 16) (APM)	3.90	3.90	4.13	4.13	2.97	2.97	4.56	3.20
<b>MARKET VALUE RATIOS</b>								
Price-Earnings Ratio (P/E)	15.7	40.1	9.5	8.7	36.4	26.3	9.9	18.4
Earnings per share (EPS)	-0.019	-0.002	0.024	0.019	0.007	0.011	0.027	0.019

## ALTERNATIVE PERFORMANCE MEASURES

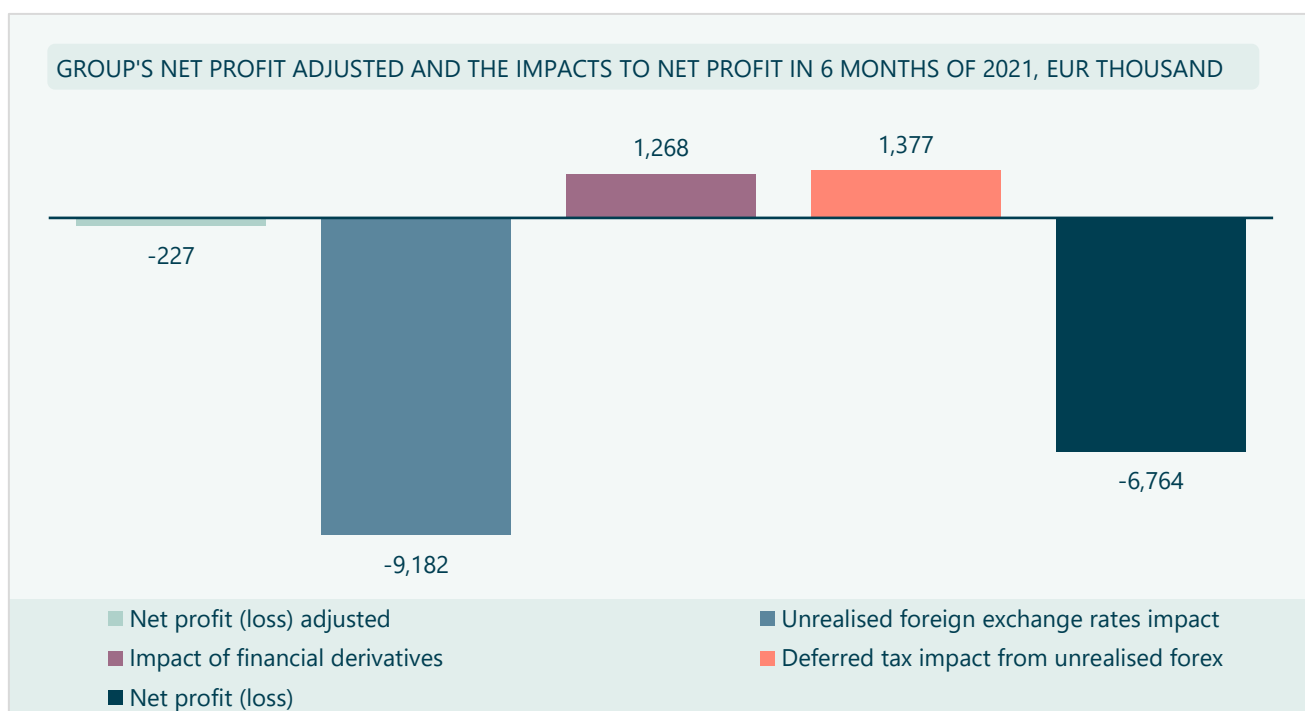
MEASURE	CALCULATION
Capital to assets ratio	total capital at the end of the period / total assets at the end of the period
Debt (excluding IFRS 16) to EBITDA	(total current and non-current liabilities at the end of the period – current and non-current IFRS lease liabilities) / EBITDA
Debt ratio (D/E)	total current and non-current liabilities at the end of the period / total equity at the end of the period
Debt ratio (D/E) – excluding IFRS 16 liabilities	(total current and non-current liabilities at the end of the period – total current and non-current IFRS 16 lease liabilities) / total equity at the end of the period
Debt service coverage ratio (DSCR)	EBITDA / total current debt obligations
Debt to EBITDA	total current and non-current liabilities at the end of the period / EBITDA
EBIT	earnings before interest and taxes
EBIT margin	EBIT / revenue
EBITDA	earnings before taxes – financial activity income + financial activity expenses + depreciation and amortization expenses
EBITDA margin	EBITDA / revenue
EBT margin	(earnings before taxes) / revenue
Gross liquidity ratio (current ratio)	total current assets at the end of the period / total current liabilities at the end of the period.
Gross profit margin	(revenue – COGS) / revenue * 100
Leverage ratio (D/A)	total current and non-current liabilities at the end of the period / total assets at the end of the period
Leverage ratio (D/A) (excluding IFRS 16)	(total current and non-current liabilities at the end of the period – current and non-current IFRS lease liabilities) / total assets at the end of the period
Net profit margin	net profit / revenue
Quick ratio	(total current assets at the end of the period - Inventories at the end of the period) / total current liabilities at the end of the period
Quick ratio (excluding IFRS 16)	(total current assets at the end of the period - inventories at the end of the period) / (total current liabilities at the end of the period - total current IFRS 16 lease liabilities)
Return on assets (ROA)	net profit of the last twelve months / (total average assets at the end of the period + total average assets at the beginning of the period) / 2
Return on Capital Employed (ROCE)	(EBITDA - depreciation and amortization expenses) / (shareholder's equity + total long-term liabilities at the end of the period)
Return on equity (ROE)	net profit of the last twelve months / (total average equity at the end of the period + total average equity at the beginning of the period) / 2

## FINANCIAL RESULTS

KN uses alternative performance measures (APM) in order to provide better understanding of the Group and the Company business operations. Currently, net profit of the Group and the Company is affected by material non-cash items. Therefore, the adjusted financial indicators are recalculated and presented by eliminating from net profit the following amounts: (1) the impact of unrealised foreign currency exchange rates (forex) arising from IFRS 16 requirements, (2) respective impact of deferred income tax arising from forex and (3) impact of financial derivatives.

KN's financial results for 1-6 months of 2021 and 2020 have mainly been affected by IFRS 16 "Leases" – a new standard which came into effect on 1 January 2019 and by the reduction of LNG security supplement from 1 January 2020 by EUR 26.8 million per annum. These changes have significantly affected KN's statement of financial position,

statement of comprehensive income, and financial indicators. When the standard has become effective, the lease obligations are recognized in the statement of financial position as an asset and a liability (right-of-use assets and a lease liability). As most lease payments are denominated in USD, the negative impact of unrealised USD/EUR exchange rate in amount of EUR 9,182 thousand has been recognized in the statement of comprehensive income in 1-6 months of 2021. However, it is a non-cash item, which has no impact to the Group's and the Company's actual earnings. The reduction of the LNG security supplement from 1 January 2020 reduced revenue of the Group and the Company for 1-6 months of 2020 and 2021 in amount of EUR 13.4 million each half year. The LNG security supplement reduction is financed by NIB loans; therefore, the cash flows of the Group and the Company are not affected.



The calculation of adjusted net profit (loss) of the Group and the Company is presented below:

INCREASE/(DECREASE) IN EUR THOUSAND	30-06-2021	30-06-2021
	THE GROUP	THE COMPANY
<b>Net profit (loss)</b>	<b>-6,764</b>	<b>-7,239</b>
Unrealised foreign exchange rates impact	9,182	9,182
Impact of financial derivatives	-1,268	-1,268
Deferred tax impact from unrealised forex	-1,377	-1,377
<b>Net profit (loss) adjusted</b>	<b>-227</b>	<b>-703</b>

During 6 months of 2021 the main KN financial indicators have changed compared to 6 months of 2020 as follows:

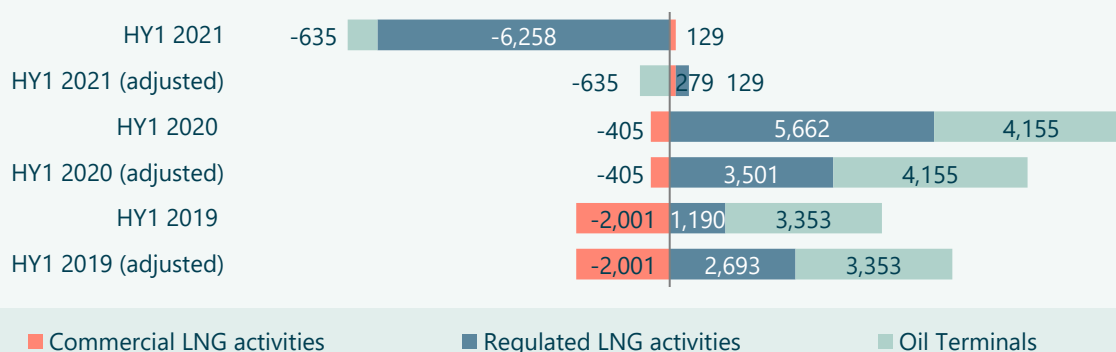
	HY1 2021	HY1 2021 adj.	HY1 2020	HY1 2020 adj.	CHANGE, 2021A VS 2020A	
					+/-	%
<b>GROUP</b>						
Gross profit	4,742	4,742	15,643	15,643	-10,901	-69.7%
Net profit (loss)	-6,764	-227	9,412	7,251	-7,478	-103.1%
EBITDA (APM)	14,601	14,601	24,166	24,166	-9,565	-39.6%
Gross profit margin (APM)	15.0%	15.0%	38.4%	38.4%	-23.4%	-61.0%
Net profit margin (APM)	-21.4%	-0.7%	23.1%	17.8%	-18.5%	-104.0%
EBITDA margin (APM)	46.2%	46.2%	59.3%	59.3%	-13.2%	-22.2%
Earnings per share (EPS)	-0.018	-0.001	0.025	0.019	-0.020	-105.3%
Financial and investing activities	-9,132	-1,218	1,215	-1,327	109	-8.2%
Return on equity (ROE) (APM)	9.0%	2.0%	7.6%	8.4%	-6.4%	-76.2%
Return on assets (ROA) (APM)	2.8%	0.6%	2.4%	2.6%	-2.0%	-77.3%
<b>COMPANY</b>						
Gross profit	3,704	3,704	14,851	14,851	-11,147	-75.1%
Net profit (loss)	-7,239	-703	9,320	7,159	-7,861	-109.8%
EBITDA (APM)	13,979	13,979	24,018	24,018	-10,039	-41.8%
Gross profit margin (APM)	12.3%	12.3%	37.5%	37.5%	-25.1%	-67.1%
Net profit margin (APM)	-24.1%	-2.3%	23.5%	18.1%	-20.4%	-112.9%
EBITDA margin (APM)	46.5%	46.5%	60.6%	60.6%	-14.1%	-23.3%
Earnings per share (EPS)	-0.019	-0.002	0.024	0.019	-0.021	-110.5%
Financial and investing activities	-9,149	-1,235	1,267	-1,275	40	-3.1%
Return on equity (ROE) (APM)	8.6%	1.6%	7.8%	8.6%	-7.0%	-81.6%
Return on assets (ROA) (APM)	2.6%	0.5%	2.4%	2.7%	-2.2%	-81.9%

For the 6 months of 2021 **the Group's adjusted net loss** is EUR 227 thousand and the result is in EUR 7,478 thousand lower compared to the adjusted net profit for the 6 months of 2020 (EUR 7,251 thousand).

The Group's adjusted net profit margin (APM) for the 6 months of 2021 is -0.7 per cent, the adjusted gross profit margin (APM) reached 15.0 per cent (for the 6 months of 2020 respectively 17.8 per cent and 38.4 per cent). The loss per share calculated from adjusted net profit (loss) amounts to EUR 0.001/share for the 6 months of 2021 (respective profit of EUR 0.019/share for the 6 months of 2020).

For the 6 months of 2021 **the Company's adjusted net loss** is EUR 703 thousand and the result is in EUR 7,862 thousand lower compared to the adjusted net profit for the 6 months of 2020 (EUR 7,159 thousand). The Company's adjusted net profit margin (APM) for the 6 months of 2021 is -2.3 per cent, the adjusted gross profit margin (APM) reached 12.3 per cent (for the 6 months of 2020 respectively 18.1 per cent and 37.5 per cent). The loss per share calculated from adjusted net profit (loss) amounts to EUR 0.002/share for the 6 months of 2021 (respective profit of EUR 0.019/share for the 6 months of 2020).

#### THE GROUP'S PROFIT BY BUSINESS SEGMENTS, TEUR



The main reasons for the decrease of Group's adjusted net profit by EUR 7,478 thousand compared to 6 months of 2020 are – EUR 4,790 thousand lower adjusted net profit from Oil terminals, commercial LNG activities profit was EUR 534 thousand higher, and EUR 3,222 thousand lower adjusted net profit from regulated LNG activities. For detailed explanations see below:

- The adjusted net profit from Oil terminals is EUR 4,790 thousand lower mainly due to EUR 5,333 thousand or 33 per cent lower revenue from contracts with customers. Compared to 6 months of 2020 variable costs of Oil terminals were in EUR 248 thousand or 12.6 per cent higher, and fixed costs EUR 580 thousand or 6 per cent lower.
- The adjusted net profit from commercial LNG activities is higher in EUR 534 thousand because a long-term contract with the Polish state gas company PGNiG was signed for reserving capacity of Klaipeda LNG distribution station for the 5 years, starting from Q2 2020.
- The adjusted net profit from regulated LNG activities is lower by EUR 3,222 thousand, mainly due to EUR 4,197 thousand lower revenue (main reasons: (1) LNG security supplement in 2021 has been reduced with the surplus of LNG return from the period 2014-2019 in total amount of EUR 1.9 million, with the effect of EUR 1 million lower revenue of HY1 2021 vs 2020; (2) LNG security supplement level set by NERC for HY period is lower in EUR 1 million compared HY1 2021 vs 2020; (3) lower revenue from variable part from LNG security supplement in EUR 1 million during HY1 2021

vs 2020; (4) significant surplus amount in EUR 1 million has been collected during HY1 2020 due to higher than planned consumption capacities in 2020 which gives additional EUR 1 million deviation comparing HY 2021 vs 2020) and EUR 1,160 thousand higher costs (due to significant increase in pollution permits prices in 2021) Also, deferred income tax income has a EUR 1,957 thousand positive impact on adjusted net profit.

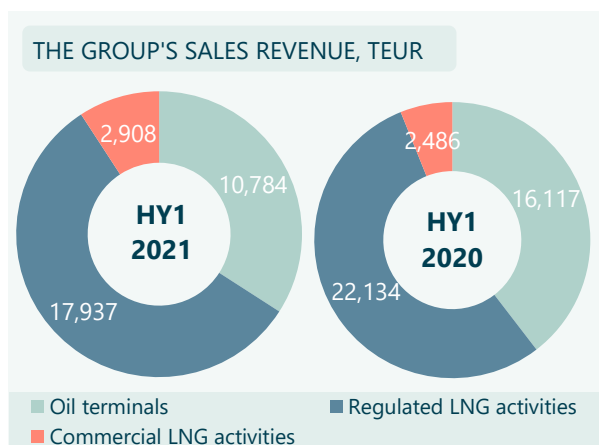
For the 6 months of 2021 **Group's EBITDA (APM)** is EUR 14,601 thousand and is lower by 39.6 per cent or by EUR 9,565 thousand compared to the 6 months of 2020 (EUR 24,166 thousand). EBITDA margin (APM) is 46.2 per cent, for the 6 months of 2020 – 59.3 per cent.

For the 6 months of 2021 **Company's EBITDA (APM)** is EUR 13,979 thousand and is lower by 41.8 per cent or by EUR 10,039 thousand compared to the 6 months of 2020 (EUR 24,018 thousand). EBITDA margin (APM) is 46.5 per cent, for the 6 months of 2020 – 60.6 per cent.

The **adjusted Group's return on assets (ROA) (APM)** is 0.6 per cent for the 6 months of 2021 (2.6 per cent for the 6 months of 2020), the **Company's adjusted return on assets (ROA) (APM)** is 0.5 per cent (2.7 per cent for the 6 months of 2020).

For the 6 months of 2021 the **Group's adjusted annual return on equity (ROE) (APM)** is 2.0 per cent (8.4 per cent for the 6 months of 2020), the **Company's adjusted annual return on equity (ROE) (APM)** is 1.6 per cent (8.6 per cent for the 6 months of 2020).

## SALES REVENUE



The **Group's sales revenue** for the 6 months of 2021 (EUR 31,629 thousand) is lower by 22.4 per cent or by EUR 9,108 thousand compared to the 6 months of 2020 (EUR 40,737 thousand).

The Company's **sales revenue** for the 6 months of 2021 (EUR 30,090 thousand) is lower by 24.1 per cent or by EUR 9,564 thousand compared to the 6 months of 2020 (EUR 39,654 thousand). The main reason is 45.9 per cent or EUR 5,717 thousand lower revenue from sales of oil transshipment.

The total **revenue from the regulated LNG activities** for the 6 months of 2021 amounts to EUR 17,937 thousand and is EUR 4,197 thousand or 19 per cent lower compared to the 6 months of 2020. The activity of LNG terminal is regulated and has a price cap; therefore, return from LNG activity does not depend on regasification volume. For more information, concerning regulated revenues refer to the article "Regulated profit of LNG terminal".

**Sales revenue from oil terminals** for the 6 months of 2021 amounts to EUR 10,784 thousand and is EUR 5,333 thousand or 33.1 per cent lower compared to the 6 months of 2020 (EUR 16,117 thousand). The decrease in revenue was influenced by the COVID-19 pandemic, related worldwide lockdowns, and redirected cargoes to Russian Baltic Sea ports from one of the former key clients – BNK (UK) Limited.

Sales revenue from **commercial LNG activities** for the 6 months of 2021 (EUR 2,908 thousand) is 17 per cent or by EUR 422 thousand higher than for the 6 months of 2020 (EUR 2,486 thousand), because a long-term contract with the Polish state gas company PGNiG was signed for reserving capacity of Klaipeda LNG distribution station for the 5 years, starting from Q2 2020.

## EXPENSES

For the 6 months of 2021 and 2020 cost of sales and operating expenses for the Group and the Company:

	HY1 2021		HY1 2020		CHANGE 2021 VS 2020		HY1 2021		HY1 2020		CHANGE 2021 VS 2020	
	GROUP	GROUP	GROUP	GROUP	+/-	%	COMPANY	COMPANY	COMPANY	COMPANY	+/-	%
Cost of sales	26,887	25,094	26,887	25,094	1,793	7.1%	26,386	24,803	26,386	24,803	1,583	6.4%
Operating expenses	3,539	4,714	3,539	4,714	-1,175	-24.9%	3,087	4,067	3,087	4,067	-980	-24.1%
<b>Total costs</b>	<b>30,426</b>	<b>29,808</b>	<b>30,426</b>	<b>29,808</b>	<b>618</b>	<b>2.1%</b>	<b>29,473</b>	<b>28,870</b>	<b>29,473</b>	<b>28,870</b>	<b>603</b>	<b>2.1%</b>

Total **cost of sales of the Group** for the 6 months of 2021 comprises EUR 26,887 thousand and is higher by 7.1 per cent or by EUR 1,793 thousand comparing to the 6 months of 2020 (EUR 25,094 thousand), due to higher emission allowances and tax on environmental pollution by EUR 2,007 thousand. Total **cost of sales of the Company** for the 6 months of 2021 comprises EUR 26,386 thousand and is higher by 6.4 per cent or by EUR 1,583 thousand compared to the 6 months of 2020 (EUR 24,803 thousand) due to higher emission allowances and tax on environmental pollution by EUR 2,007 thousand.

The **Group's operating expenses** for the 6 months of 2021 comprise EUR 3,539 thousand and are lower by 24.9 per cent or EUR 1,175 thousand compared to the 6 months of 2020 (EUR 4,714 thousand). The main impact to the decrease in Group's operating expenses is the change in amount of impairment of doubtful receivables. **The Company's operating expenses** for the 6 months of 2021 are lower by 24.1 per cent or EUR 980 thousand and comprise EUR 3,087 thousand (EUR 4,067 thousand for the 6 months of 2020). The main impact to the decrease in Company's operating expenses is the change in amount of impairment of doubtful receivables by EUR 1,306 thousand.

The listing of **the Group's** major expenses is presented below:

	HY1 2021				HY1 2020				CHANGE 2021 VS 2020	
	OT	LNGT	comLNG	TOTAL	OT	LNGT	comLNG	TOTAL	+/-	%
Depreciation and amortization	3,829	1,623	720	<b>6,172</b>	3,413	1,675	687	<b>5,775</b>	397	6.9%
Depreciation of right-of-use asset	275	6,874	54	<b>7,203</b>	284	7,107	56	<b>7,447</b>	-244	-3.3%
Expenses related to FSRU rent (OPEX element, management, crew cost)	-	2,858	-	<b>2,858</b>	-	2,844	-	<b>2,844</b>	14	0.5%
Wages, salaries and social security	3,683	1,287	1,264	<b>6,234</b>	3,790	1,391	1,149	<b>6,331</b>	-96	-1.5%
Variable costs (natural gas, electricity, railway services, vessel service expenses and other)	1,621	12	13	<b>1,646</b>	1,972	44	16	<b>2,032</b>	-386	-19.0%
Emission allowances and tax on environmental pollution	453	1,995	-	<b>2,448</b>	98	343	-	<b>441</b>	2,007	455.3%
Port charges	-	776	-	<b>776</b>	3	776	-	<b>780</b>	-4	-0.5%
Cost of fuel products sold	599	-	-	<b>599</b>	-	-	-	<b>-</b>	599	100.0%
Repair and exploitation expenses	277	77	31	<b>384</b>	248	56	11	<b>315</b>	69	21.8%
Work safety costs	112	11	6	<b>128</b>	136	13	25	<b>174</b>	-47	-26.7%
Contribution for National Energy Regulatory Council (NERC)	-	297	-	<b>297</b>	-	486	-	<b>486</b>	-188	-38.8%
Impairment of doubtful receivables	-391	-	-	<b>-391</b>	915	-	-	<b>915</b>	-1,307	-142.7%
Other cost of sales and operating expenses	862	715	494	<b>2,072</b>	791	630	847	<b>2,268</b>	-197	-8.7%
<b>Total expenses</b>	<b>11,320</b>	<b>16,525</b>	<b>2,581</b>	<b>30,426</b>	<b>11,652</b>	<b>15,365</b>	<b>2,791</b>	<b>29,808</b>	<b>618</b>	<b>2.1%</b>



For the 6 months of 2021 **regulated LNG activity expenses** amount to EUR 16,525 thousand and are higher by EUR 1,160 thousand comparing to the 6 months of 2020. Main reason – emission allowances and tax on environmental pollution expenses higher in EUR 1,652 thousand. A major part of the expenses is depreciation of the right-of-use asset expenses that amount to EUR 6,874 thousand and are lower by 7.7 per cent or by EUR 233 thousand comparing to the 6 months of 2020. Expenses related to FSRU rent (OPEX element, management, crew cost) amount to EUR 2,858 thousand that are higher by 0.5 per cent or by EUR 14 thousand comparing to the 6 months of 2020.

Other LNG terminal's expenses (staff remuneration, depreciation, jetty lease) amount to EUR 4,798 thousand and are lower by 16.7 per cent or by EUR 959 thousand comparing to the 6 months of 2020.

For the 6 months of 2021 the total expenses of the **Oil terminal** amount to EUR 11,320 thousand (for the 6 months of 2020 – EUR 11,652 thousand) and are lower by

EUR 332 thousand. Main deviations are in amount of impairment of doubtful receivables (impairment amount of EUR 915 thousand recognised in 6 months 2020, while in 6 months 2021 impairment of doubtful receivables in EUR 391 thousand has been reversed as the client fulfilled its obligations). The Oil terminals variable costs (gas, electricity, and railroad costs, vessel service expenses and other) are lower by 17.8 per cent or by EUR 351 thousand. OT's depreciation and amortization expenses are higher by EUR 417 thousand due to implementation of investments. Cost of sales of fuel products sold amounts to EUR 599 thousand, no such during 6 months of 2020. Emission allowances and tax on environmental pollution expenses higher in EUR 355 thousand.

For the 6 months of 2021 the total **commercial LNG activity expenses** amount to EUR 2,581 thousand (1-6 months of 2020 – EUR 2,791 thousand) and are lower by EUR 210 thousand mainly due to activity of the subsidiary's KN Açu Servicos de Terminal, which is influenced by depreciating BRL/EUR exchange rate.

## INVESTMENTS

The most important investment projects during 6 months of 2021:

NO.	PROJECT	INVESTMENTS IN 2021 (INCL. PREPAYMENTS)	PROJECT DESCRIPTION
1.	Modernization of jetty No. 1 and No. 2	EUR 1.7 million	Reconstruction of berth No. 1 phase I construction works were continued throughout 2021 – foundation and structure works carried out, marine loading equipment erected on site, other mechanical works in progress.
2.	Bitumen storage and handling reconstruction project	EUR 0.5 million	Reconstruction and adaptation of two existing storage tanks for bitumen loading. Mechanical works were continued during 2021.
3.	Vapor collection from railway trestles and HFO tank park	EUR 0.07 million	Environmental safety related project for the purpose of collecting vapor generated during transshipment process in railway trestle and HFO tank park and transition to new vapor filtration unit. All works were completed during 2021, trial operation is ongoing.

## INFORMATION ABOUT THE SHAREHOLDERS AND SHARES OF THE COMPANY

### SHAREHOLDERS AND SHARES OF THE COMPANY

#### THE MAIN DATA ABOUT SHARES OF THE COMPANY:

ISIN code	LT0000111650
Abbreviation	KNF1L
Share emission	380,396,585

The Company's shares are traded on the regulated market; they are listed in the Baltic Main List of the Stock Exchange of AB NASDAQ Vilnius.

#### SHAREHOLDERS OF THE COMPANY

As at 30 June 2021 all the shares of the Company were owned by 4,037 shareholders (on 31 December 2020 – 3,444). All shares of the Company are of one class ordinary registered shares granting their owners (shareholders) equal rights. One ordinary registered share of the

Company grants one vote in the General meeting of Shareholders.

The Company has not been informed about mutual agreements of its shareholders which could limit the transfer of securities and (or) right of vote.

Major shareholders of the Company having more than 5 per cent of shares (each) of the Company as at 30 June 2021 and 31 December 2020:

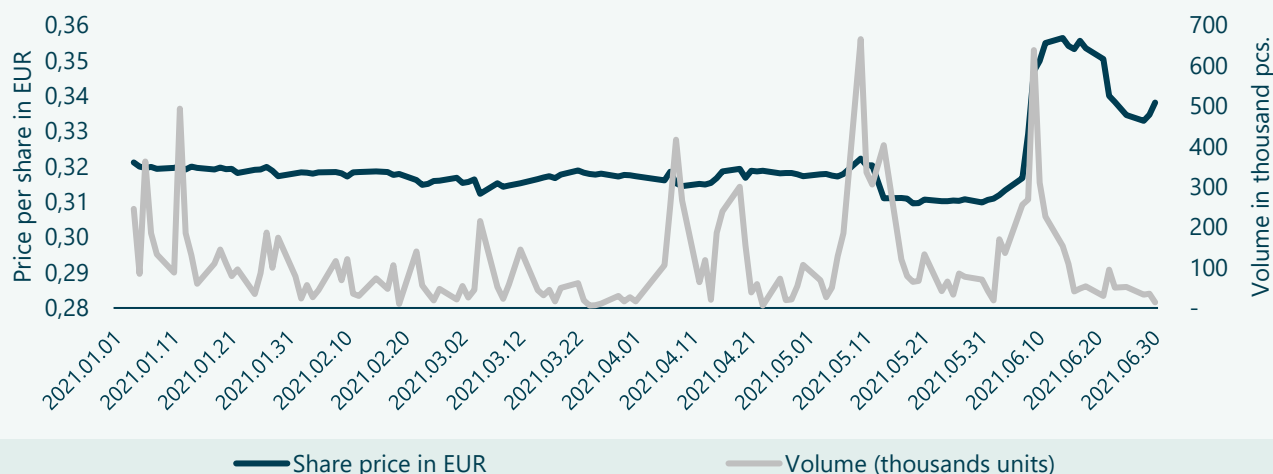
SHAREHOLDER'S NAME (COMPANY'S NAME, ADDRESS, COMPANY CODE OF REGISTRATION)	30 JUNE 2021		31 DECEMBER 2020	
	NUMBER OF OWNED SHARES (UNIT)	PART OF AUTHORIZED CAPITAL (%)	NUMBER OF OWNED SHARES (UNIT)	PART OF AUTHORIZED CAPITAL (%)
The Republic of Lithuania, represented by the Ministry of Energy of the Republic of Lithuania (Gediminas Ave. 38/2, Vilnius, 302308327)	275,687,444	72.47%	275,687,444	72.34%
Concern UAB Achemos grupė (Vykinto st. 14, Vilnius, 156673480)	39,662,838	10.43%	39,662,838	10.41%
Other (each owning less than 5%)	65,046,303	17.10%	65,702,111	17.25%
<b>Total</b>	<b>380,396,585</b>	<b>100.00%</b>	<b>381,052,393</b>	<b>100.00%</b>

Dynamics of KNF1L share price at NASDAQ Vilnius during 2017 – 2020 and 6 months of 2021:

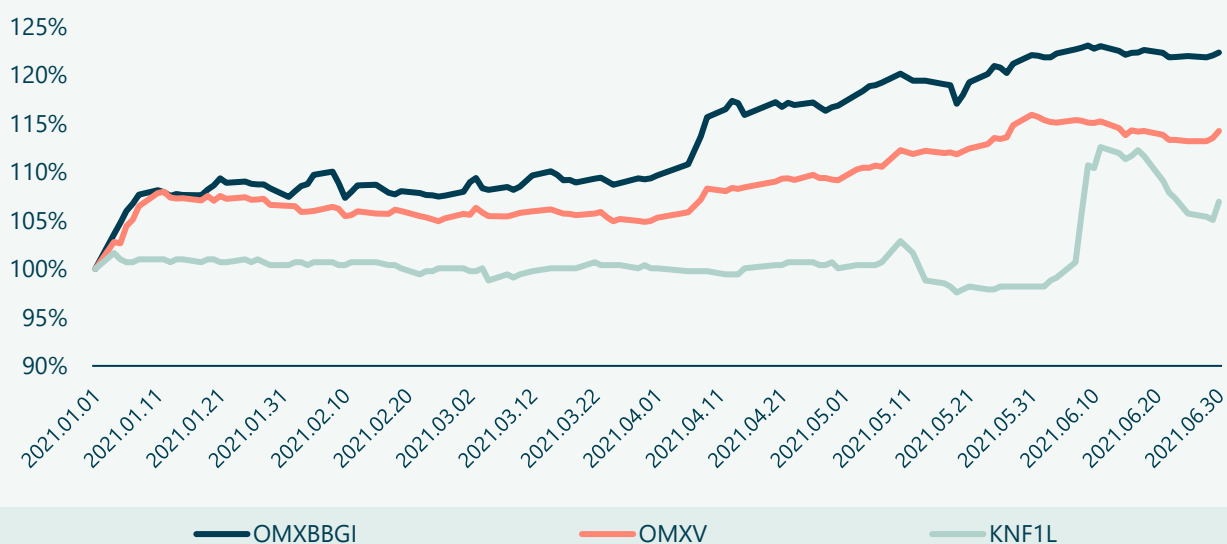
	HY1 2021	2020	2019	2018	2017
Highest share price in EUR	0.359	0.414	0.444	0.574	0.572
Lowest share price in EUR	0.305	0.301	0.357	0.386	0.428
Price per share at the end of the period in EUR	0.338	0.320	0.362	0.410	0.508
Average share price in EUR	0.320	0.331	0.393	0.502	0.490
Traded volume, pcs.	13,535,398	23,934,244	5,908,666	6,936,769	10,501,664
Turnover in EUR thousand	4,358	7,928	2,296	3,552	5,083
Capitalisation in EUR thousand	128,574	121,920	137,875	156,049	193,348



TRADING IN KNF1L SHARES ON NASDAQ VILNIUS STOCK EXCHANGE IN 6 MONTHS OF 2021



KNF1L SHARE PRICE COMPARISON WITH OMX VILNIUS AND OMX BALTIC BENCHMARK GI IN 6 MONTHS OF 2021



DIVIDENDS

On 30<sup>th</sup> April 2021, the ordinary General Meeting of Shareholders has been held which approved the audited financial statements and profit distribution for 2020. In 2021 the Company has paid dividends in amount of

EUR 7,538 thousand or EUR 0.0198 for one share from the profit of 2020 (in 2020 the Company paid EUR 7,947 thousand dividends or EUR 0.0209 for one share).

Below is the historical information about dividends paid in the period for the prior financial year:

	2021	2020	2019	2018	2017
Dividends paid in EUR thousand	7,538	7,947	11,577	17,031	9,656
Dividends per one share in EUR	0.0198	0.0209	0.0304	0.0447	0.0254
Net profit per 1 share in EUR	0.02	0.02	0.03	0.04	0.04
Dividends for net profit (of previous FY), %	70%	100%	100%	100%	70%

## DIVIDEND POLICY

On 28<sup>th</sup> July 2021 the Board of AB Klaipėdos nafta has approved the renewed Dividend Policy. The Dividend Policy provides that the Board of the Company shall, in accordance with the Company's audited financial statements which are prepared in accordance with IFRS, present the draft decision of dividends allocation to the Company's shareholders for approval. The amount of dividends is proposed taking into account the Company's return on equity for the reporting period.

The Company sets the goal to increase the shareholders' value and pay stable dividends. The main objectives for a Dividend Policy are:

- compliance with the applicable laws of the Republic of Lithuania, secondary legislation, the Articles of Association and internal documents of the Company;
- assurance of the Company's shareholders interests;
- commitment to high corporate governance standards;
- enhance of the Company's market value;
- definition of the Company's procedures relating to transparent publication and payment of dividends.

AB Klaipėdos nafta Dividend Policy is based on the existing legislation of the Republic of Lithuania (including, but not limited to, the Lithuanian Government Resolution of 14th January 1997 No. 20 On The Dividends For The State-Owned Shares (Official Gazette, 1997, no. 6-102 with all subsequent amendments and additions) (hereinafter – the Resolution), the Company's Articles of Association and other Company's internal documents.

According to the art. 4.4. of the Company's Dividend Policy the amount of dividends for the years 2021-2024 is calculated by eliminating from the Company's distributable net profit unrealised foreign exchange rates impact and other unrealised gains (losses). The Company's return on equity is calculated based on the data of the set of audited annual financial statements, net profit (loss) of the reporting period by eliminating the impact of unrealised foreign exchange rates and other unrealised gains (losses) divided by the average equity at the beginning and end of this period. Equity at the beginning of the reporting period is adjusted by estimating the impact of unrealised foreign exchange rates and other unrealised gains (losses) accumulated before the reporting period. Equity at the end of the reporting period is adjusted by estimating the impact of unrealised foreign exchange rates and other unrealised

gains (losses) of the reporting period and those accumulated before the reporting period.

According to the art. 4.5 of the Company's Dividend Policy, the Board of the Company shall consider the following on a yearly basis:

- the financial indicators for assessment of the Company's current financial position (net debt / EBITDA, DSCR, ISCR, Equity ratio).
- the Company's performance of the current period, in order to ensure the scope of funds needed for the smooth operation.
- the scope of equity and loan necessary for strategic and investment projects' implementation.
- any financial and non-financial liabilities for the Company investors.
- the stock market situation related to dividend income.
- implementation of the Company's Strategy;
- a change in plans for strategic, investment projects, their scope or their financing.

According to the art. 4.7. of the Company's Dividend Policy dividends for the financial year should be allocated as follows:

- Not lower than 85 per cent from the Company's distributable profit if ROE of the financial reporting year is not higher than 1 per cent.
- Not lower than 80 per cent from the Company's distributable profit if ROE of the financial reporting year is higher than 1 per cent but not higher than 3 per cent.
- Not lower than 75 per cent from the Company's distributable profit if ROE of the financial reporting year is higher than 3 per cent but not higher than 5 per cent.
- Not lower than 70 per cent from the Company's distributable profit if ROE of the financial reporting year is higher than 5 per cent but not higher than 10 per cent.
- Not lower than 65 per cent from the Company's distributable profit if ROE of the financial reporting year is higher than 10 per cent but not higher than 15 per cent.
- Not lower than 60 per cent from the Company's distributable profit if ROE of the financial reporting year is higher than 15 per cent.

Dividend rate, as a rule, should not be less than presented in the article 4.7. of the Company's Dividend Policy, however, based on criteria in article 4.5., lower dividend rate could be proposed.

The full Company's Dividend Policy is available [here](#).

## AGREEMENTS WITH INTERMEDIARIES OF PUBLIC SECURITIES TRADING

The Company has an agreement with Financial Markets Department of AB SEB Bankas for accounting of the Company's securities and related services.

AB SEB BANK FINANCIAL MARKETS DEPARTMENT:	
Company code	112021238
Address	J. Balčikonis Street 7, LT-08247 Vilnius, Lithuania
Telephone	1528
E-mail	info@seb.lt
Website	www.seb.lt

## INFORMATION ABOUT THE EMPLOYEES OF THE GROUP

### PERSONNEL

The Company's main asset is its employees who are the most important link to the achievement of Company's goals. Company's personnel policy is focused on the development of teamwork, constant progress in professional and process development, the optimal use of

work resources, training of qualified staff, and development of the Company's culture that empowers personal growth and creates additional value for the company and its stakeholders.

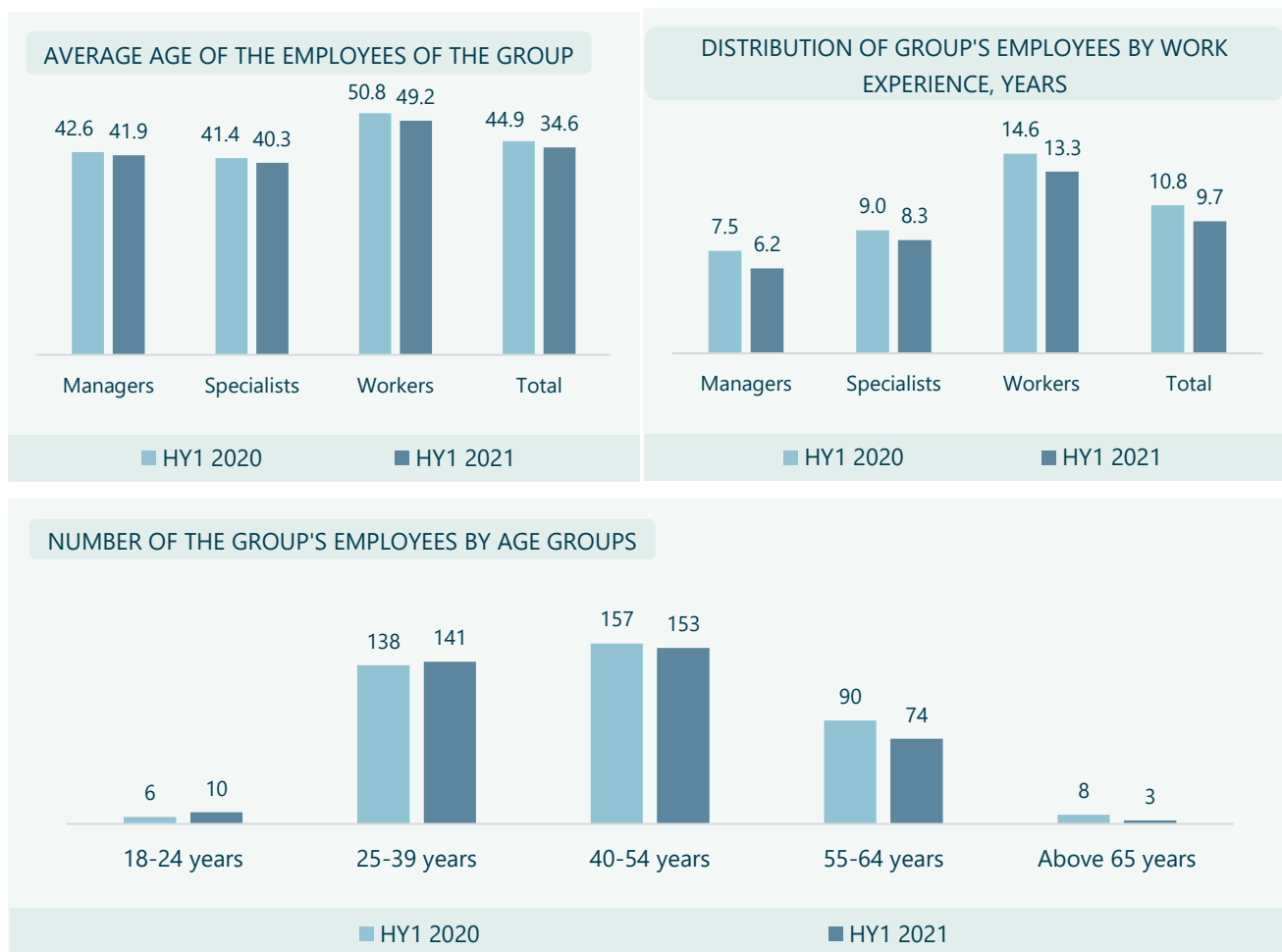
Number of the Group employees as at 30 June 2021:

	30-06-2021	30-06-2020	CHANGE, %
AB Klaipėdos nafta	348	370	-6.2
UAB SGD terminalas	2	2	-
UAB SGD logistika	2	2	-
UAB SGD SPB	2	2	-
KN Açu Servicos de Terminal de GNL LTDA	27	23	17.4
<b>Total</b>	<b>381</b>	<b>399</b>	<b>-4.5</b>
Remarks:			
- The number of employees does not include employees on maternity/paternity leave.			

The breakdown of the number of the Group and the Company employees by gender as at 30 June 2021:

	FEMALES	%	MALES	%
AB Klaipėdos nafta	87	25.0%	261	75.0%
UAB SGD terminalas	1	50.0%	1	50.0%
UAB SGD logistika	1	50.0%	1	50.0%
UAB SGD SPB	1	50.0%	1	50.0%
KN Açu Servicos de Terminal de GNL LTDA	3	11.1%	24	88.9%
<b>Total</b>	<b>93</b>	<b>24.4%</b>	<b>288</b>	<b>75.6%</b>

The average age of the Group's employees – 44 years. Detailed information about employees' age, work experience and education are provided in Figures below in years.



Education of the Group's employees by categories:

EMPLOYEE CATEGORY	EMPLOYEES ON 30-06-2021				EMPLOYEES ON 30-06-2020			
	UNIVERSITY	VOCATIONAL	SECONDARY AND OTHER		UNIVERSITY	VOCATIONAL	SECONDARY AND OTHER	
Managers <sup>1)</sup>	57	55	2	-	47	45	2	-
Specialists	196	174	14	8	209	179	16	14
Workers	128	11	43	74	143	10	51	82
<b>Total</b>	<b>381</b>	<b>240</b>	<b>59</b>	<b>82</b>	<b>399</b>	<b>234</b>	<b>69</b>	<b>96</b>

1) The managers of the Company include: Chief Executive Officer (CEO), Directors, Functional Managers and Heads of Divisions

## PAYROLL SYSTEM AND REMUNERATION POLICY

The Company seeks to create motivating, efficient, fair, transparent, and easy to understand compensation system which aims to attract, retain, and motivate employees whose skills and work results help the Company to successfully develop and implement its mission and achieve strategic business objectives. Remuneration principles and procedures in the Company are regulated by Employee Remuneration Policy (2018), Salary Structure Building procedure (2019), Procedure for paying Bonuses to Top Management Employees (2020), Procedure of Employee's annual Performance Discussion and Reward (2021) and Remuneration Policy (for Governing bodies of the Company) (2020).

The Employee Remuneration Policy defines the principles of determination and payment of remuneration as well as the incentives of employees. The remuneration policy applies to all employees of the Company.

The goals of the Remuneration Policy are to:

- Establish clearly understandable, fair, and transparent procedures for the determination and payment of remuneration as well as the incentives of employees, aiming at ensuring the Company's competitiveness in the labour market;
- Encourage the employees to achieve the objectives set in the corporate strategy, to create value added and increase the returns to shareholders while fostering the values of the Company.

The remuneration of the employee may consist of the following components: a fixed component, i. e. a monthly salary (or hourly fee), a variable component payable for

either short-term performance results or the annual results of the Company's/the employee's performance, benefits such as telecommunications assistance, private health insurance coverage, compensation of tuition fees, vaccination programme, etc.

The Company's remuneration system is based on the Hay Methodology, determining the weight of each position (to ensure fair remuneration for work within the Company). The amount of the monthly remuneration for the position is determined by assessing the level of knowledge and work experience required to perform the functions of each position, the complexity of the functions, the degree of responsibility and management level, the impact / risk on the Company's performance, working conditions. In order to ensure the competitiveness of the remuneration of the Company's employees and to promote the achievement of results, the remuneration (fixed and variable remuneration components) focuses on the range of the 50th and 75th percentile of the remuneration market of foreign capital companies operating in Lithuania. Employees in the same position can receive different monthly pay depending on qualifications, experience, capabilities, and functions and responsibilities assigned to the employee. The variable component is set according to the procedure laid down in the Remuneration Policy.

Remuneration is reviewed once a year taking into account: Lithuanian labour market trends; the Company's performance results; The results of the evaluation of the Company's employees; demand - supply situation for jobs important to the company in the labour market.

The breakdown of employee related expenses (EUR thousand) of the Group:

	HY1 2021	HY1 2020	CHANGE, %
AB Klaipėdos nafta	5,704	5,929	-3.8
UAB SGD terminalas	2	1	100.0
UAB SGD logistika	2	1	100.0
UAB SGD SPB	2	2	0.0
KN Açu Servicos de Terminal de GNL LTDA	524	398	31.7
<b>Total</b>	<b>6,234</b>	<b>6,331</b>	<b>-1.5</b>

Average number of employees according to categories:

EMPLOYEE CATEGORY	GROUP			COMPANY		
	HY1 2021	HY1 2020	CHANGE, %	HY1 2021	HY1 2020	CHANGE, %
Managers <sup>1)</sup>	57	45	27.0	46	41	12.0
Specialists	206	203	1.0	185	184	1.0
Workers	133	141	-6.0	133	141	-6.0
<b>Total</b>	<b>396</b>	<b>389</b>	<b>2.0</b>	<b>364</b>	<b>366</b>	<b>-1.0</b>

<sup>1)</sup> The Company's managers include: Chief Executive Officer (CEO), Directors, Functional Managers and Heads of Divisions

Average monthly salary (gross) of employees according to categories, EUR:

EMPLOYEE CATEGORY	AVERAGE MONTHLY SALARY (GROSS), EUR					
	GROUP HY1 2021	GROUP HY1 2020	CHANGE, %	COMPANY HY1 2021	COMPANY HY1 2020	CHANGE, %
Managers <sup>1)</sup>	5,052	5,538	-9.0	5,506	5,556	-1.0
Specialists	2,452	2,386	3.0	2,570	2,490	3.0
Workers	1,596	1,708	-7.0	1,596	1,708	-7.0
<b>Total</b>	<b>2,493</b>	<b>2,441</b>	<b>2.0</b>	<b>2,568</b>	<b>2,501</b>	<b>3.0</b>

1) The Company's managers include: Chief Executive Officer (CEO), Directors, Functional Managers and Heads of Divisions.  
2) The average monthly salary is calculated according to the average monthly wage calculation procedure as stated in the State companies' employees' average monthly salary calculation procedure approved by the Government of Lithuania on 23 August 2002, resolution No. 1341 and its subsequent changes.

Average monthly salary (gross) of employees by gender, EUR:

EMPLOYEE CATEGORY	GROUP HY1 2021			COMPANY HY1 2021		
	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE
Vadovai <sup>1)</sup>	5,052	5,011	5,218	5,506	5,596	5,218
Specialistai	2,452	2,583	2,233	2,570	2,754	2,284
Darbininkai	1,596	1,617	1,207	1,596	1,617	1,207
<b>Iš viso</b>	<b>2,493</b>	<b>2,496</b>	<b>2,508</b>	<b>2,568</b>	<b>2,570</b>	<b>2,560</b>

1) The Company's managers include: Chief Executive Officer (CEO), Directors, Functional Managers and Heads of Divisions.  
2) The average monthly salary is calculated according to the average monthly wage calculation procedure as stated in the State companies' employees' average monthly salary calculation procedure approved by the Government of Lithuania on 23 August 2002, resolution No. 1341 and its subsequent changes.

## EMPLOYEE PERFORMANCE EVALUATION AND ANNUAL BONUS ALLOCATION

The Company has implemented the procedures for annual employee performance evaluation and annual bonus allocation. These bonuses depend on the achievement of the goals set directly for the person, service director or for the Company. Annual employee performance review together with periodic and frequent one to one meetings throughout the year is one of the most effective management and leadership techniques that increase employee engagement and help to achieve the organizational goals. Such practice creates collaborative and positive relationships between managers and their subordinates that allow to make it clear with employees while planning their careers, increasing their motivation and promoting continuous improvement in their professional field. Annual performance review at the Company is a tool for

employee performance management and development that ensures that employees' personal goals are set in accordance with the Company's goals and values. The annual performance review helps to assess the employee's achievement of annual goals as well as set the new goals and form the feedback culture, strengthen collaboration and unity between a supervisor and a subordinate. In 2020 implementation of Asaichi methodology being one of the three LEAN tools initiated in the company brought even better performance management when KPIs have been reviewed and actioned with personal accountability on a daily basis. Annual performance review meetings, on the other hand, allow to review entire year with the step back for a review of competence development, learning opportunities, and career review and aspirations.

## EMPLOYEE SELECTION AND RECRUITMENT

In April 2020 the Company has approved an Employee Selection and Recruitment procedure whose purpose is to standardize the employee selection process and ensure efficient and effective procedures for organizing the selection of KN personnel (employees and trainees) in order to successfully achieve the objectives of KN - to select employees who recognize the values of KN and have the greatest potential to achieve the objectives set for them.

In order to ensure that the objectives set out in KN's strategy are met, an assessment and planning of staffing needs must be carried out. Each year management of the Company draws up a staffing plan for the upcoming year. The plan takes into account the workload of staff, the

need for new posts (due to organizational changes or legal requirements), staff mobility (transition from one staff post to another) and natural change (retirement, parental leave, etc). The main steps of the recruitment process include the evaluation of need for employee, determination of required competencies, search and attraction of potential candidates, job interviews, final decision, and preparation of the offer.

In April 2021, the Company has approved the Procedure for Organizing the Recruitment of Collegial Supervisory and Management Bodies, Chief Executive Officer of The Company, that describes how recruitment process should be organized for these positions.

## PRINCIPLES OF EMPLOYEE COMPETENCE DEVELOPMENT

KN education system is designed to promote the development of employees both independently and through the learning processes of strategically important knowledge and skills that are part of the curricula. All employees are given the opportunity to participate in the programs. The implementation of KN education system is based on 6 principles: link with business strategy, cooperation between departments, identification of needs based on assessment of employees' competencies, measurement of learning effectiveness, integration of education with other processes and selection of appropriate educational tools.

Up to 15 per cent of annual learning and development budget is allocated to fund employees with various formal studies at different Universities.

For the last three years Company conducts 360-degree feedback study for managers. Following the method, KN Managers receive feedback on their behaviour according to the Company's values and leadership competencies from people who work with them. Based on survey results Managers create their Personal development plans and thus grow to be even better leaders for their teams.



## RISK FACTORS AND RISK MANAGEMENT

The Company's Board has approved Risk Management Policy that regulates risk management, defines risk management principles and responsibilities, functions and responsibilities of the Chief Risk Officer as well as sets risk appetite and tolerance limits. The risk management system is developed in accordance with the ISO 31000 guidelines. The list of principal risks and the risk management plan are provided to and approved by the Company's Board each quarter. The Board actively participates in the principal risk management process by continuously monitoring the risk level changes and the risk management measures' action plans. The Company's high-level management is responsible for shaping the personnel's attitude towards risk management, setting the risk management goals in the managed area, implementation of the control measures, implementation and monitoring the efficiency of the risk management measures. The medium level managers are responsible for implementation of the risk management process and provision of the results, as well as for reliability, correctness, and impartiality of information.

The Company has established Audit Committee which is responsible for efficiency improvement when controlling Company's finances, contribution to the achievement of optimal and impartial decision making. The Audit Committee reviews financial reporting process as well as audit execution process and oversees internal control environment, risk management and internal audit framework.

Primary risk categories that the Group and the Company are exposed to while conducting business:

- **Business risk.** It is a risk category that is generally related with the environment where the Group and the Company operate and has an impact on financial results: competitiveness of the Group and the Company comparing with other players in the market of oil products transshipment, economic viability of the key customers of the Group and the Company, political and economic environment in Belarus, changes in legal regulation of the LNG related activities etc.
- **Operational risk** is probably the widest risk category covering potential loss resulting from inadequate or failed procedures, systems or policies, employee errors, systems failures, fraud, or other criminal activity, as well as any event that disrupts business processes.
- **Reputational risk.** It is a risk mostly related with the decisions of the Group and the Company and behaviour of the employees.
- **Project risk.** The Company is engaged in several large investment projects; therefore, effective risk management throughout the whole lifecycle is critical when achieving goals.

SOME WIDER COMMENTS ON THE RISK CATEGORIES OF THE GROUP AND THE COMPANY ARE PROVIDED BELOW:

- **Business risk**

The Company works with several big clients in the area of oil products transshipment. One of the main clients of the Company is AB ORLEN Lietuva. The Company has signed a long-term transshipment agreement with AB ORLEN Lietuva which guarantees stable flows of oil products. KN stopped receiving cargoes from Belarus starting February 2021, as well starting June 24th, 2021 new sanctions against Belarus have been imposed by EU. It restricts possibility to enter into any new agreements with clients from Belarus, thus KN management is actively looking for new business opportunities.

The Company is continuously looking for new clients and other business opportunities. Also, the Company is analysing existing expenses and is constantly searching for cost optimization possibilities. During 6 months of 2021, the Company increased total transshipment of biofuels by approx. 63 per cent compared to 6 months of 2020, i. e. transshipped 61,4 kt of ethanol, FAME, HVO (vs 37,6 kt in 2020).

Imports of light products for further supply to Lithuanian market via Company's trucks loading station during 6 months of 2021 increased by 10 per cent compared to the same period in 2020.

The Company is striving to manage its business risks by: diversifying its income sources and widening the range of services, i.e. communicating and cooperating with potential clients who are interested in blending services, petrochemical products such as monoethylene glycol, ethanol and is also planning to load new product - bitumen starting from August 2021. The main factors that affected the business environment of the Company during 6 months of 2021 were:

- The increase of supply of vacant tank volumes at the beginning of the year intensified the competition for oil products storage (especially dark heated) service and the competition remained intense throughout the first half of the year.
- The volumes of oil product handled via Klaipėda oil terminal during Q1 2021 were influenced mainly by restrictions in European countries due to COVID-19 pandemic as well as the scheduled repair and maintenance works at the plant of one of the main customers in Q2 quarter.
- Part of the vacant capacity of Klaipėda Oil Terminal was rented for gasoline storage until the end of 2021 Q2. Cooperation with the customer has been extended by concluding a



- new contract - for the storage of fuel oil, at the same time almost doubling the storage volume.
- Part of the vacant capacity of the terminal was rented for the ethanol storage until the end of 2021 Q3.
- KN has extended the cooperation agreements of biofuel handling in 2021 and increased their transshipment by 63 per cent during the first half of the year compared to the same period last year.

Business risk is managed in the LNG segment: KN successfully operates the liquefied natural gas (LNG) terminal and small scale reloading station, participates in international projects related with the development of LNG terminals, provides LNG services to clients and invests into LNG infrastructure.

- KN is selected as the operator of a floating liquefied natural gas (LNG) terminal in the Brazilian port of Açú. KN, through its subsidiary KN Açú Serviços de Terminal de GNL Ltda, is responsible for the smooth operation of the LNG terminal, which includes the technical and logistical operation of the quay and its facilities, pipelines and gas metering stations.
- In accordance with the LNG Terminal Act, which provides that LNG activities must be carried out until at least 31/12/2044 and that LNG terminal operator must acquire an FSRU and become its manager no later than 06/12/2024, KN is conducting a tender for the acquisition of FSRU, which is scheduled to end in mid-2022. KN must inform Norwegian company Høegh LNG by December 2022 about its decision to realize the purchase option of FSRU "Independence" as provided for in the lease agreement.
- During the first half of 2021 the Company started implementing "Klaipėda LNG terminal capacity allocation and tariffication" project. The aim is to ensure maximum actual long-term capacity utilization and efficient operation of the LNG terminal based on a cost-reflective tariff model. As of April 2021, KN signed a service agreement with the Swedish company AFRY which will perform market analysis and evaluate the long-term and short-term capacity allocation and pricing mechanisms of other European LNG terminals and identify which model would be the most suitable for the Klaipėda LNG terminal. Based on the results of the study, the rules for the use of the LNG terminal will be amended accordingly, and their coordination with the National Energy Regulatory Council and market participants during the public consultation will take place.

#### • Operational risk

Operational risk is considered a risk directly related to the possibility of occurrence of losses, caused by external factors (natural disasters, illegal acts of the third parties, etc.) or internal factors (ineffective processes and management, improper and inefficient utilization of funds, internal control deficiencies, ineffective procedures, human error, malfunctions of information systems, cyber security control gaps, unduly allocation of functions or responsibilities, etc.).

From a risk management perspective, while COVID-19 pandemic is continuing, year 2021 is remaining stable. COVID-19 Risk Assessment and Management group assembled by the Company continues its work in 2021. KN performs functions that are vital to the state and society and necessary for ensuring national security; therefore, the Company was given the opportunity to vaccinate its employees from COVID-19 as a matter of priority. To date, 69.64 per cent of all KN employees have already received COVID-19 vaccines. During the pandemic the Company is investing in health care of its employees in order to prevent viral diseases and to ensure uninterrupted operations of the Company. Contracts have been concluded with suppliers providing vaccination, testing, single-use personal protective equipment, and facility maintenance and disinfection services.

Operational risk management is significantly influenced by the standards implemented and maintained in the company - quality ISO 9001:2015, environmental protection ISO 14001:2015, occupational health and safety ISO 45001:2018. These standards impose requirements for the control of processes according to the most significant risks as well as require management system audits to be carried out to ensure that the controls and processes described are applied in practice in the operation. The Company applies the following internal control measures: separation of decision-making and control functions, control of transactions and accounting, limitation of decision-making powers and control of their execution, collegial decision-making on important issues, etc.

The Company strives to minimize legal compliance risk and assure that its operations are compliant with the applicable legal requirements and standards. For this reason, the Company has decided to implement coordinated compliance function management and adopted a compliance policy in 2021. Therefore, in-house lawyers are actively participating in decision making processes of the Company and drafting of internal legal acts and agreements. Infrastructure, as well as management and safety processes, cooperation with the third parties and control systems have been positively evaluated by the representatives of potential clients of the terminals.

- **Reputational risk**

The Company cherishes its reputation and good name and employs risk mitigation means. The Company is building culture guided by respect, cooperation, professionalism, and progress. KN ensures good employee experience from the beginning of the selection process to the end of employment. Each candidate is assessed as a potential ambassador of the Company; therefore, communication is treated as with a future client or partner. 2021 was marked by a special result - the Company was listed as one of the top five most desirable employers in Lithuania.

The Company constantly invests in its employees to ensure business continuity and good reputation. For this reason, employees are provided with trainings which meet the needs of the Company, substitutability is planned, which helps to ensure business continuity and develops the competencies of employees.

The Company pays a special attention to the public. The Company provides information to interested institutions, public organizations and the general public, and has been focusing on strengthening relations with communities for years. During 6 months of 2021 Company has continued to actively communicate with representatives of neighbouring communities: despite the quarantine due to Covid-19, remote meetings were held with local communities to present the progress of the ongoing Environmental Action Plan and answer any relevant questions raised by the communities. KN also openly shares environmental data with the public – KN website provides environmental monitoring data for Klaipėda Oil Terminal, as well as information on the progress of the environmental action plan.

The Company pays a substantial attention to minimizing corruption risk and implements relevant internal processes. By participating in the activities of the project "[Integrity Academy](#)", which is initiated by the President of the Republic of Lithuania (organizer – Special Investigation Service of the Republic of Lithuania), it aims to introduce additional and improved existing measures to prevent corruption in KN.

- **Project risk**

Management of investment projects is an important part of the Company's business. Currently, the Company is working on the reconstruction project of the storage tanks and their application for bitumen storage and loading as well as working on the reconstruction of jetties to increase the availability of the Company's services and flexibility of technological capabilities. The Company is looking for opportunities in international LNG investment projects. Also, KN is participating in the analysis and search for technologies for carbon capturing and storage and is actively taking part in the development of hydrogen platform technologies.

To attain the economic value that investment projects are supposed to generate it is important to assure that the projects are implemented within the defined budget and timeframe. The Board of the Company has set 10 per cent tolerance limit for deviations; therefore, the management of the Company constantly monitors implementation statuses of the important projects, related risks, and their mitigation measures. In order to effectively manage projects, the Company has signed a contract with a consulting firm for the implementation of the project management methodology according to the PRINCE2 standard and some employees are trained in project management according to this standard.

## MANAGEMENT OF THE COMPANY

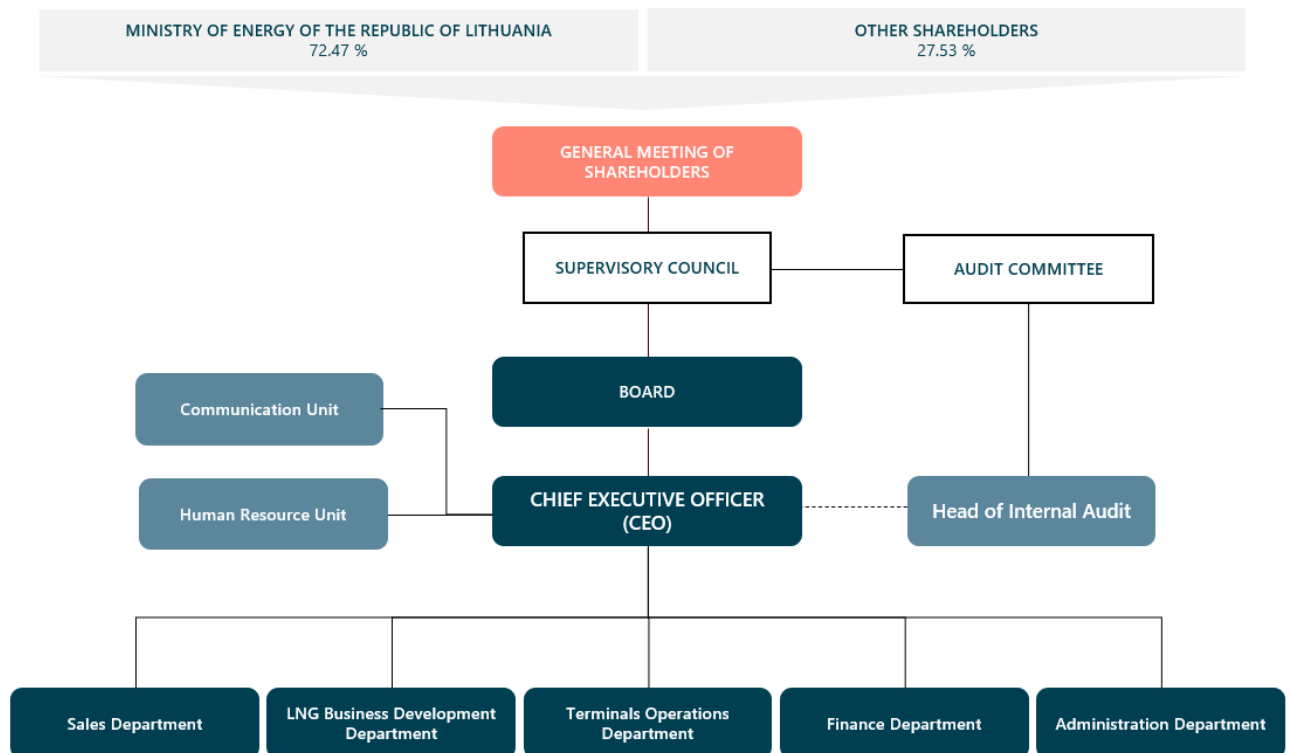
### MANAGEMENT STRUCTURE

The Company follows the Law on Stock Companies, the Law on Securities, Articles of Association of the Company, and other legal acts of the Republic of Lithuania during its operation.

The Company's Articles of Association are registered in the Register of Legal Entities and indicate the following management bodies:

- The General Meeting of Shareholders
- The Supervisory Council
- The Board
- Chief Executive Officer (CEO, General Manager)

### ORGANIZATIONAL AND MANAGEMENT STRUCTURE OF THE COMPANY:



The **General Meeting of Shareholders** is the supreme management body of the Company. Competences of the General Meeting of Shareholders of the Company, Shareholders' rights, their implementation are identified in the Law on Stock Companies and in the Article of Association of the Company.

The Company's CEO or authorised Head of any other department of the Company always participates in the Shareholders Meetings while the member of the Supervisory Council and the CFO participate depending on the questions addressed.

In the last ordinary general meeting of Shareholders of the Company the following representatives of the Company took part: Company's CEO, acting Chief Financial Officer, Head of the legal division.

The **Supervisory Council** is a collegial supervisory body which consists of 3 (three) members (at least 2 (two) being

independent), elected for the period of four years in the General Meeting of Shareholders according to the procedure established by the Law on Stock Companies. The number of the terms of office a member may serve on the Supervisory Council is not limited. The CEO of the Company, a member of the Board of the Company and a person, who under the legal acts is not entitled to serve in this office, shall not serve on the Supervisory Council. The Supervisory Council is a collegial body supervising the activities of the Company, its status, competence, and functions have been defined by the Law on Stock Companies and the Articles of Association of the Company. Functions, rights and duties of the Supervisory Council are detailed in the Rules of Procedure of the Supervisory Council.

The Supervisory Council by its decision has formed an **Audit Committee**, which consists of 3 (three) members elected for the office term of the Supervisory Council. The

Rules of formation and conduct of the Audit Committee of AB Klaipėdos nafta, approved by the Company's Supervisory Council, regulate functions, rights, and duties of the Audit Committee. The key responsibilities of the Committee are to assist the Supervisory Council in fulfilling its oversight responsibilities in relation to financial reporting, the effectiveness of the system of risk management and internal control, monitoring the independence of both the internal and external auditors and assessing their performance and effectiveness. By the decision of the Supervisory Council of the Company the members of Audit committee have been elected until the end of office of the current Supervisory Council.

**The Board** is a collegial management body of the Company consisting of 5 (five) members, who are elected by the Supervisory Council for the period of 4 (four) years with the requirement that at least 3 (three) members are independent. The number of the terms of office a member may serve on the Board is not limited. A person who is a member of the Supervisory Council of the Company or

who under the legal acts may have no right to be elected, cannot serve as a member of the Board. The mandate of the Board members has been determined by the Law of Stock Companies and the Articles of Association of the Company. The tenure of all Board members of AB Klaipėdos nafta has been extended based on the 24 April 2019 decision of the Supervisory Council of AB Klaipėdos nafta which extended the tenure of the Board members of the Company until the respective separate decision of the Supervisory Council, on 2 July 2019 the Supervisory Council of the Company decided to further extend the tenure of all Board members of the Company for three years until 24 April 2022.

The Company is managed by the **Chief Executive Officer (CEO)** which is a single person managing body of the Company. The CEO is the main person managing and representing the Company. The duties and competence of the CEO have been determined by the Law on Stock Companies and the Articles of Association of the Company.

#### SUPERVISORY COUNCIL

NAME	POSITION IN THE COMPANY	THE INDEPENDENCE CRITERIA	CADENCE COMMENCEMENT DATE
Eimantas Kiudulas	Chairman of the Supervisory Council	Independent	From the 27 April 2018 until 27 April 2022
Karolis Švaikauskas	Member of the Supervisory Council	-	From the 10 April 2020 until 27 April 2022
Žaneta Kovaliova	Member of the Supervisory Council	Independent	From the 20 November 2020 until 27 April 2022

#### AUDIT COMMITTEE

NAME	POSITION IN THE COMPANY	THE INDEPENDENCE CRITERIA	CADENCE COMMENCEMENT DATE
Žaneta Kovaliova	Chairperson of Audit Committee	Independent	From the 8 December 2020 until 27 April 2022
Laura Garbenčiūtė-Bakienė	Member of Audit Committee	Independent	From the 21 August 2018 until 27 April 2022
Žana Kraučėnienė	Member of Audit Committee	Independent	From the 3 December 2018 until 27 April 2022

#### BOARD OF THE COMPANY

NAME	POSITION IN THE COMPANY	THE INDEPENDENCE CRITERIA	BOARD MEMBER FROM THE DATE
Giedrius Dusevičius	Chairman of the Board	Independent	From the 30 December 2016
Dainius Bražiūnas	Member of the Board	-	From the 25 August 2014
Mantas Bartuška	Member of the Board	-	From the 25 September 2014
Bjarke Pålsson	Member of the Board	Independent	From the 24 January 2017
Ian Bradshaw	Member of the Board	Independent	From the 2 January 2019

## MANAGEMENT OF THE COMPANY AS AT 30 JUNE 2021

NAME	POSITION IN THE COMPANY
Darius Šilenskis	Chief Executive Officer (CEO)
Rytis Valūnas	Chief Administration Officer (CAO) and General Counsel
Linās Kilda	LNG Business Development Director
Mindaugas Navikas	Chief Sales Officer (CSO)
Dainius Čiuta	Chief Operations Officer (COO)
Indrė Kisielienė	Acting Chief Financial Officer (CFO)

## OTHER INFORMATION

The activity of the Company is based on the Articles of Association, Civil Code and other laws and sub legislative acts of the Republic of Lithuania. Changes in the Articles

of Association can be made by the General Meeting of Shareholders.

## TRANSACTIONS WITH RELATED PARTIES

The Company did not have any transactions or agreements with the members of its Supervisory Council and the Board. More information regarding transactions with related Parties is presented in the Explanatory note to the Company's financial statements for the six months of 2021. In six months of 2021 there were no changes in

type of transactions with related parties, which could have made impact on the financial activity of the Group and the Company. All transactions with the related parties have been performed under market conditions (following the arm's length principle).

## PARTICIPATION IN ASSOCIATIONS

The Company has been acting as a member of the following associations as at the end of the year:

- Klaipėda Chamber of Commerce, Industry and Crafts, <http://www.kcci.lt/>
- Association of Lithuanian Stevedoring Companies, [www.ljkka.lt](http://www.ljkka.lt)

- Lithuanian Confederation of Industrialists, [www.lpk.lt](http://www.lpk.lt)
- Gas Infrastructure Europe (GIE) association Gas LNG Europe (GLE) group, [www.gie.eu.com](http://www.gie.eu.com)
- Lithuanian LNG cluster, [www.lngcluster.eu](http://www.lngcluster.eu)
- Lithuanian Shipowners Association, [www.llsa.lt](http://www.llsa.lt)

## INFORMATION ABOUT THE AUDIT

**30<sup>th</sup> April 2021.** Extraordinary General Meeting of Shareholders of the Company adopted the following resolutions: UAB KPMG Baltics has been elected as an auditor for the Financial Statements and Regulated Activities Statements of the Company and assessment of its Annual Report for the years 2021 and 2022. The shareholders authorized the General Manager of the Company to conclude the Agreement for provision of 2 years auditing services (financial audit and regulatory activities audit) for total amount of EUR 164 thousand

(excl. VAT). More details on payment conditions for the audit fees can be found [here](#). UAB Ernst & Young Baltic performed the audit for the years 2014-2018. UAB KPMG Baltics performed the audit for the years 2008-2013 and 2019-2020.

The proposal regarding approval of the audit company is provided by the Board of the Company to the General Meeting of Shareholders based on the public procurement procedures.