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2022

AB KLAIPĖDOS NAFTA

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION, INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2022

CONTENT

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Independent Auditor's Report

To the Shareholders of AB Klaipėdos nafta

Report on the Audit of the Separate and the Consolidated Financial Statements

Opinion

We have audited the separate financial statements of AB Klaipėdos nafta ("the Company") and the consolidated financial statements of AB Klaipėdos nafta and its subsidiaries ("the Group") contained in the file abklaipedosnafta-2022-12-31-en.zip (ParsePort generated hashcode: vdivSIsblqXeFdg=). The Company's separate and the Group's consolidated financial statements comprise:

- the separate and the consolidated statement of financial position as at 31 December 2022,
- the separate and the consolidated statement of other comprehensive income for the year then ended,
- the separate and the consolidated statement of changes in equity for the year then ended,
- the separate and the consolidated cash flow statement for the year then ended, and
- the notes to the separate and the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the non-consolidated financial position of the Company and the consolidated financial position of the Group as at 31 December 2022, and of their non-consolidated and consolidated financial performance and their non-consolidated and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Company code: 111616158
VAT code: LT114949716

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Each audit matter and our respective response are described below.

Impairment of the property, plant and equipment and right-of-use assets

We refer to the financial statements:

The carrying amount of property, plant and equipment and right-of-use assets of the LNG reloading station CGU as at 31 December 2022: EUR 23,635 thousand; related impairment losses recognized in 2022: nil.

The carrying amount of property, plant and equipment and right-of-use assets of the oil terminal CGU as at 31 December 2022: EUR 88,933 thousand; related impairment losses recognized in 2022: nil.

Significant accounting policies – Note 2.8 "Property, plant and equipment", Note 2.25 "Use of estimates and judgments", Note 3 „Property, plant and equipment and right-of-use asset"

The key audit matter	How the matter was addressed in our audit
As described in Note 3 of the consolidated and the separate financial statements, in the current year, the Company and the Group identified possible impairment indications in respect of its property, plant and equipment attributed to the LNG reloading station and property, plant and equipment and right of use assets attributed to the oil terminal (hereafter – OT). As at 31 December 2022, the Company and the Group tested property, plant and equipment and right-of-use assets for impairment, as part of the impairment test performed for the LNG reloading station and OT cash generating units („CGUs"). The Company and the Group determined the CGUs' recoverable amounts based on their value in use estimated under the discounted cash flow method. Determining the CGU's recoverable amount is a process which requires a number of significant judgments and estimates, especially in respect of the amounts of future cash flows, and associated discount rates and growth rates, based on management's projections of future performance.	Our procedures in the area included, among other things, the following: • Evaluating, against the requirements of the relevant financial reporting standards, the Company's and the Group's accounting policy for identification of impairment indicators, and measurement and recognition of any impairment losses in respect of property, plant and equipment and intangible assets. • Assessing the appropriateness of the impairment methodology applied by the Company and the Group against methodologies commonly used for similar assets and the requirements of the relevant financial reporting standards. As part of the above, we identified the relevant methods, assumptions and sources of data, and assessed, whether such methods, assumptions, data and their application are appropriate in the context of the said requirements. • Evaluating the quality of the Company's and the Group's forecasting by comparing historical projections with actual outcomes.

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The projected operating cash flows from the Company's activities are influenced primarily by assumptions concerning quantity of LNG loaded, prices of loading services as well as level of main related costs. The main assumptions used in projecting operating cashflows from OT segment are quantity of oil products loaded and stored, prices for transhipment, storage and other related services as well as level of main related costs and investments. These projections are exposed to significant variability due to changing market conditions. Accordingly, this matter was considered by us to be associated with significant judgements and estimates and required our increased attention in the audit. As such, we determined it to be a key audit matter.	• Assessing the appropriateness of asset grouping into CGUs, based on our understanding of the Company's and the Group's operations and business units. • Challenging the reasonableness of the Company's and Group's key assumptions and judgments used in estimating the recoverable amount, including: - Assisted by our own valuation specialists, challenging reasonableness of the key macroeconomic assumptions used, such as those in respect of discount rates, by reference to publicly available external sources; - Tracing the key assumptions used in the discounted cash flows calculation, such as those in respect of the future demand, revenue growth, operating costs, by reference to the budgets approved by the Board, our understanding of the Company's and the Group's operations and trends, and publicly available industry data; • Testing the internal consistency, underlying formulas and mathematical accuracy of the discounted cash flow model. • Assessing susceptibility of the impairment models and the resulting impairment conclusions to management bias, by challenging the Company's and the Group's analysis of the model's sensitivity to changes in key underlying assumptions. • Considering the adequacy of impairment-related disclosures in the Company's and the Group's financial statements.

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Other Information

The other information comprises the information included in the consolidated annual report, including Governance Report, Report on Remuneration, but does not include the separate and consolidated financial statements and our auditor’s report thereon. Management is responsible for the other information.

Our opinion on the separate and consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, our responsibility is to consider whether information included in the consolidated annual report, including Governance Report and Report on Remuneration, for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements and whether consolidated annual report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of the separate and consolidated financial statements, in our opinion, in all material respects:

- The information given in the consolidated annual report, including Governance Report and Report on Remuneration, for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements; and
- The consolidated annual report, including Governance Report and Remuneration Report, has been prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania.

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company’s and the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s and the Group’s financial reporting process.

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Auditor’s Responsibilities for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s and the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s and the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

Under decision of the general shareholders‘ meeting we were appointed on 30 August 2019 for the first time to audit the Company‘s and the Group’s separate and consolidated financial statements. Our appointment to audit the Company‘s and the Group’s separate and consolidated financial statements is renewed each year under decision of the general shareholders‘ meeting, and the total uninterrupted period of engagement is 4 years.

We confirm that our audit opinion expressed in the Opinion section of our report is consistent with the additional report which we have submitted to the Company and the Group and their Audit Committee.

We confirm that in light of our knowledge and belief, services provided to the Company and the Group are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council. .

In addition to services provided to the Company and the Group in the course of audit and disclosed in the annual separate and consolidated management report or separate and consolidated financial statements, we have provided provided translation of consolidated and separate financial statements and performed procedures on the regulated natural gas activity report for the year ended 31 December 2022, 31 December 2021, 31 December 2020 and 31 December 2019.

Report on the compliance of format of the separate and consolidated financial statements with the requirements for European Single Electronic Reporting Format

We have been engaged based our agreement by the management of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the European single electronic reporting format of the separate and consolidated financial statements, including separate and consolidated annual management report, contained in the file abklaipedosnafta-2022-12-31-en.zip (ParsePort generated hashcode: vdivSIsblqXeFdg=), for the year ended 31 December 2022 (the “Single Electronic Reporting Format of the separate and consolidated financial statements”).

Description of a subject and applicable criteria

The Single Electronic Reporting Format of the separate and consolidated financial statements has been applied by the management of the Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the “ESEF Regulation”). The applicable requirements regarding the Single Electronic Reporting Format of the separate and consolidated financial statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Single Electronic Reporting Format of the separate and consolidated financial statements and, in our view, these requirements constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibilities of management and those charged with governance

The management of the Company is responsible for the application of the Single Electronic Reporting Format of the separate and consolidated financial statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Single Electronic Reporting Format of the separate and consolidated financial statements which is free from material non-compliance with the requirements of the ESEF Regulation.

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Those charged with governance are responsible for overseeing the financial reporting process.

Our responsibility

Our responsibility was to express a reasonable assurance conclusion whether the Single Electronic Reporting Format of the separate and consolidated financial statements complies with the ESEF Regulation.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) ‘Assurance Engagements other than Audits and Reviews of Historical Financial Information’ (the ,,ISAE 3000 (R)”). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Single Electronic Reporting Format of the separate and consolidated financial statements is prepared, in all material aspects, in accordance with the applicable requirements. Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance ISAE 3000 (R) will always detect the existing material misstatement (significant non-compliance with the requirements).

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Single Electronic Reporting Format of the separate and consolidated financial statements was applied, in all material aspects, in accordance with the applicable requirements and such application is free from material errors or omissions. Our procedures included in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Single Electronic Reporting Format of the separate and consolidated financial statements, including the preparation of the XHTML format and marking up the separate and consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the separate and consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of single electronic format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group’s' use of XBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the Single Electronic Reporting Format of the separate and consolidated financial statements for the year ended 31 December 2022 complies, in all material respects, with the ESEF Regulation.

The engagement partner on the audit resulting in this independent auditor’s report is Rokas Kasperavičius.

On behalf of KPMG Baltics, UAB

Rokas Kasperavičius
Partner pp
Certified Auditor

Klaipėda, the Republic of Lithuania
23 March 2023

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Disclaimer

In compliance with article 4 of the Transparency Directive introduced by the European Commission, the Group and the Company files Consolidated and separate financial statements prepared in accordance with international financial reporting standards as adopted by the European Union and consolidated annual report in the European Single Electronic Format (ESEF) using the XHTML format tagging consolidated financial statements, including notes, using Inline eXtensible Business Reporting Language (iXBRL), which is available here. For all intents and purposes, other than the XHTML Consolidated and separate financial statements and the Consolidated annual report document is considered as nonofficial version and ESEF version prevails in case of any questions or conflicts.

Accordingly, the independent auditor's report on Annual report 2022 filed in ESEF, is presented.

(all amounts are in EUR thousand unless otherwise stated)

STATEMENT OF FINANCIAL POSITION

	Notes	Group		Company	
		31-12-2022	31-12-2021	31-12-2022	31-12-2021
ASSETS					
Non-current assets					
Intangible assets		793	456	645	279
Property, plant and equipment	3	145,800	150,686	145,683	150,565
Right-of-use assets	3	328,515	338,256	328,495	338,232
Other financial assets		575	-	465	-
Investment in subsidiaries	5	-	-	4,578	4,578
Investment in associates		261	226	261	226
Deferred tax asset	21	5,106	3,616	5,106	3,616
Total non-current assets		**481,050**	**493,240**	**485,233**	**497,496**
Current assets					
Inventories	6	2,120	1,798	2,120	1,796
Trade receivables and other receivables	7	14,741	11,643	13,972	10,636
Contract assets	8	328	612	328	612
Other financial assets	9	3,271	3,271	3,271	3,271
Cash and cash equivalents	10	72,423	61,517	66,848	57,148
Total current assets		**92,883**	**78,841**	**86,539**	**73,463**
Total assets		**573,933**	**572,081**	**571,772**	**570,959**

(Cont'd on the next page)

Explanatory notes are an integral part of these financial statements.

(all amounts are in EUR thousand unless otherwise stated)

STATEMENT OF FINANCIAL POSITION (CONT'D)

		Group		Company	
	Notes	31-12-2022	31-12-2021	31-12-2022	31-12-2021
EQUITY AND LIABILITIES					
Equity					
Share capital	1, 11	110,315	110,315	110,315	110,315
Share premium		4,002	4,002	4,002	4,002
Reserves	11	29,633	94,604	29,633	94,604
Foreign currency translation reserve		131	(82)	-	-
Retained earnings		(4,981)	(64,126)	(6,654)	(64,971)
Total equity		**139,100**	**144,713**	**137,296**	**143,950**
Non-current amounts payable and liabilities					
Non-current employee benefits	12	569	707	569	707
Loans	13	137,451	116,044	137,451	116,044
Deferred government grants	2.21	5,468	5,771	5,468	5,771
Lease liabilities	13	220,122	243,430	220,108	243,412
Total non-current amounts payable and liabilities		**363,610**	**365,952**	**363,596**	**365,934**
Current amounts payable and liabilities					
Current employee benefits	12	62	49	62	49
Loans	13	5,689	3,879	5,689	3,879
Lease liabilities	13	46,126	43,675	46,118	43,668
Trade payables and other liabilities	14	5,871	3,695	5,721	3,513
Derivatives		-	15	-	15
Payroll related liabilities	15	3,437	2,669	3,252	2,517
Provisions	16	5,663	3,596	5,663	3,596
Contract liabilities	24	4,375	3,838	4,375	3,838
Total current amounts payable and liabilities		**71,223**	**61,416**	**70,880**	**61,075**
Total equity and liabilities		**573,933**	**572,081**	**571,772**	**570,959**

Explanatory notes are an integral part of these financial statements.

(all amounts are in EUR thousand unless otherwise stated)

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Group		Company	
		2022	2021	2022	2021
Revenue from contracts with customers	17	77,818	61,811	74,722	58,633
Cost of sales	18	(57,703)	(53,109)	(56,706)	(52,144)
Gross profit (loss)		**20,115**	**8,702**	**18,016**	**6,489**
Operating expenses	19	(8,432)	(61,928)	(7,526)	(61,160)
Other income and (expenses)		510	61	510	61
Profit (loss) from operating activities		**12,193**	**(53,165)**	**11,000**	**(54,610)**
Income from financial activities	20	1,221	1,987	1,058	1,969
Expenses from financial activities	20	(20,347)	(24,557)	(20,327)	(24,456)
Share of the associate's profit or (loss)		33	(32)	33	(32)
Profit (loss) before tax		**(6,900)**	**(75,767)**	**(8,236)**	**(77,129)**
Income tax (expenses)	21	996	11,756	1,504	12,212
Profit (loss) for the year		**(5,904)**	**(64,011)**	**(6,732)**	**(64,917)**
Other comprehensive income					
Items that will not be subsequently reclassified to profit or (loss)		-	-	-	-
Items that are or may be reclassified subsequently to profit or (loss)		-	-	-	-
Actuarial gain (loss)		92	(63)	92	(63)
Exchange differences on translation of foreign operations		213	(10)	-	-
Related taxes		(14)	9	(14)	9
Total other comprehensive income		**291**	**(64)**	**78**	**(54)**
Total comprehensive income (loss), net of tax		**(5,613)**	**(64,075)**	**(6,654)**	**(64,971)**
Profit attributable to:					
The shareholders of the Company		(5,904)	(64,011)	(6,732)	(64,917)
Non-controlling interests		-	-	-	-
Total comprehensive income (loss) attributable to:					
The shareholders of the Company		(5,613)	(64,075)	(6,654)	(64,971)
Non-controlling interests		-	-	-	-
Basic and diluted earnings (losses), in EUR	22	(0.02)	(0.17)	-	-

Explanatory notes are an integral part of these financial statements.

(all amounts are in EUR thousand unless otherwise stated)

STATEMENT OF CHANGES IN EQUITY

GROUP

	Notes	Share capital	Share premium	Own shares (-)	Legal reserve	Reserve for own shares	Other reserves	Foreign currency translation reserve	Retained earnings	Total
Balance as at 31 December 2020		**110,505**	**4,002**	**(267)**	**11,048**	**15,929**	**41,970**	**(72)**	**33,211**	**216,326**
Net profit (loss) for the year		-	-	-	-	-	-	-	(64,011)	(64,011)
Other comprehensive income (loss)		-	-	-	-	-	-	(10)	(54)	(64)
Total comprehensive income (loss)		-	-	-	-	-	-	(10)	(64,065)	(64,075)
Dividends declared	23	-	-	-	-	-	-	-	(7,538)	(7,538)
Decrease in share capital	1, 11	(190)	-	267	-	-	-	-	(77)	-
Transfer between reserves		-	-	-	3	-	25,654	-	(25,657)	-
Balance as at 31 December 2021		**110,315**	**4,002**	**-**	**11,051**	**15,929**	**67,624**	**(82)**	**(64,126)**	**144,713**
Net profit (loss) for the year		-	-	-	-	-	-	-	(5,904)	(5,904)
Other comprehensive income (loss)		-	-	-	-	-	-	213	78	291
Total comprehensive income (loss)		-	-	-	-	-	-	213	(5,826)	(5,613)
Transfer between reserves		-	-	-	-	-	(64,971)	-	64,971	-
Balance as at 31 December 2022		**110,315**	**4,002**	**-**	**11,051**	**15,929**	**2,653**	**131**	**(4,981)**	**139,100**

(all amounts are in EUR thousand unless otherwise stated)

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
Balance as at 31 December 2020		**110,505**	**4,002**	**(267)**	**11,048**	**15,929**	**41,970**	**33,272**	**216,459**
Net profit (loss) for the year		-	-	-	-	-	-	(64,917)	(64,917)
Other comprehensive income (loss)		-	-	-	-	-	-	(54)	(54)
Total comprehensive income (loss)		-	-	-	-	-	-	(64,971)	(64,971)
Dividends declared	23	-	-	-	-	-	-	(7,538)	(7,538)
Decrease in share capital	1, 11	(190)	-	267	-	-	-	(77)	-
Transfer between reserves		-	-	-	3	-	25,654	(25,657)	-
Balance as at 31 December 2021		**110,315**	**4,002**	**-**	**11,051**	**15,929**	**67,624**	**(64,971)**	**143,950**
Net profit (loss) for the year		-	-	-	-	-	-	(6,732)	(6,732)
Other comprehensive income (loss)		-	-	-	-	-	-	78	78
Total comprehensive income (loss)		-	-	-	-	-	-	(6,654)	(6,654)
Transfer between reserves		-	-	-	-	-	(64,971)	64,971	-
Balance as at 31 December 2022		**110,315**	**4,002**	**-**	**11,051**	**15,929**	**2,653**	**(6,654)**	**137,296**

Explanatory notes are an integral part of these financial statements.

(all amounts are in EUR thousand unless otherwise stated)

CASH FLOW STATEMENT

	Notes	Group 31-12-2022	Group 31-12-2021	Company 31-12-2022	Company 31-12-2021
Cash flows from operating activities					
Net profit (loss)		(5,904)	(64,011)	(6,732)	(64,917)
Adjustments for non-cash items:					
Depreciation and amortization	3	22,664	25,646	22,566	25,565
Impairment of non-current assets		27	54,338	27	54,338
Change in vacation reserve		(49)	(312)	(44)	(319)
Change in provisions	16	2,067	1,887	2,067	1,887
Change in non-current liabilities for employees	12	(32)	18	(32)	18
Contract assets	8	175	1,048	285	1,048
Income tax expenses	21	(996)	(11,756)	(1,503)	(12,212)
Share of (profit) or loss of equity-accounted investees		(33)	32	(33)	32
Change in allowance for doubtful trade and other receivables	7	12	(711)	12	(711)
Interest income	20	(31)	(13)	(31)	(13)
Interest expenses	20	2,796	2,279	2,796	2,278
(Gain) or loss of derivative financial instruments	20	(15)	(1,898)	(15)	(1,898)
Currency impact from lease liabilities	20	17,380	22,073	17,380	22,073
Other non-cash adjustments		1,423	943	1,152	923
		39,484	**29,563**	**37,895**	**28,092**
Changes in working capital					
(Increase) decrease in inventories	6	101	617	100	600
Decrease (increase) in trade and other accounts receivable	7	(2,607)	(1,610)	(3,127)	(1,392)
Increase (decrease) in trade and other payables		7,130	(4,377)	7,590	(4,231)
Increase (decrease) in contract liabilities	24	537	28	537	28
Increase (decrease) in payroll related liabilities	15	(797)	(672)	(781)	(735)
		43,848	**23,549**	**42,214**	**22,362**
Income tax (paid)		(359)	(440)	-	-
Interest received		31	13	31	13
Net cash flows from (used in) operating activities		**43,520**	**23,122**	**42,245**	**22,375**
Cash flows from investing activities					
(Acquisition) of property, plant, equipment and intangible assets	3	(4,823)	(9,030)	(4,761)	(8,989)
Income from sales of non-current assets		186	27	186	27
Short term deposits (placed)/received		-	24,000	-	24,000
(Acquisition) of other investments		(2)	(2)	(2)	(27)
Grants, subsidies received	2.21	89	302	89	302
Net cash flows from (used in) investing activities		**(4,550)**	**15,297**	**(4,488)**	**15,313**
Cash flows from financing activities					
Dividends (paid)	23	-	(7,538)	-	(7,538)
Loans received	13	26,829	26,829	26,829	26,829
Loans paid	13	(3,901)	(3,492)	(3,901)	(3,492)
Interest and fee related to loans (paid)	13	(759)	(255)	(759)	(255)
Guarantee fees (paid)	13	(606)	(146)	(606)	(146)
Lease liabilities (paid)	13	(47,901)	(41,459)	(47,895)	(41,455)
Interest on leasing liabilities paid	13	(1,726)	(1,917)	(1,725)	(1,916)
Net cash flows from (used in) financing activities		**(28,064)**	**(27,978)**	**(28,057)**	**(27,973)**
Net increase (decrease) in cash flows		**10,906**	**10,441**	**9,700**	**9,715**
Cash and cash equivalents on 1 January	10	61,517	51,076	57,148	47,433
Cash and cash equivalents on 31 December	10	72,423	61,517	66,848	57,148

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 associates are these:

- Sarmatia Sp. z o.o. – as at 31 December 2022 and 2021 the Group and the Company owns 1% of the authorised capital of the international pipeline company. As a result of associate financial performance 100% impairment for investment to Sarmatia Sp. z o.o was accounted for as at 31 December 2022 and 2021. The Group and the Company is entitled to appoint one of five board members to the management of Sarmatia Sp. z o.o., thus it can have significant influence. Therefore, this investment was classified as an associate and measured using the equity method. The unaudited equity of the associate as at 31 December 2022 amounts to EUR (35) thousand (EUR 5 thousand as at 31 December 2021).
- BALTPOOL UAB – as at 31 December 2022 and 2021 the Group and the Company owns 33% of BALTPOOL UAB shares and their voting rights at the General Meeting of the Shareholders of BALTPOOL UAB. The unaudited equity of the associate as at 31 December 2022 is EUR 784 thousand (EUR 771 thousand as at 31 December 2022).

The main activities of the Group and the Company include operation of oil terminal, oil products transhipment 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.

As of 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. As of 26 August 2020 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. As at 31 December 2022 and 31 December 2021 authorised capital was equal to EUR 110,315,009.65 and divided into 380,396,585 units of shares, which grant 380,396,585 votes.

During the year of 2022 and 2021 the Company has not acquired any own shares.

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

As at 31 December 2022 and 31 December 2021 the shareholders of the Company were:

	31 December 2022		31 December 2021	
	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	275,687	72.47
UAB koncernas Achemos grupė (Vykinto st. 14, Vilnius, 156673480)	39,663	10.43	39,663	10.43
Other (less than 5% each)	65,047	17.10	65,047	17.10
Total	380,397	100.00	380,397	100.00

The average number of employees of the Group in 2022 was 360 (388 in 2021).

The average number of employees of the Company in 2022 was 328 (355 in 2021).

The financial statements of the Group and the Company are presented in Euro and all values are rounded to the nearest thousand (EUR 000), except when otherwise indicated.

2 ACCOUNTING PRINCIPLES

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

The financial year of the Group and 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 differences are not material to these financial statements.

2.1. Basis for preparation of the financial statements

Statement of compliance

Annual financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (hereinafter the EU). They were authorized for issuance by the management on 23 March 2023 and are subject to the approval of the shareholders. The shareholders of the Company have the power to reject these financial statements and request for the new ones to be prepared.

IFRSs and their interpretations, announced and adopted by the European Union, effective for the current reporting period

The following new Standards, amendments to Standards and new Interpretations approved by the International Accounting Standards Board (IASB) and adopted by the EU are applicable for the reporting period:

- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16);
- Onerous Contract – Costs of Fulfilling a Contract (Amendment to IAS 37);
- Annual Improvements to IFRS Standards 2018-2021;
- Reference to the Conceptual Framework (Amendments to IFRS 3).

The Group and the Company anticipates that the adoption of these standards, revisions and interpretations had no material impact on the financial statements.

Standards and Interpretations in issue not yet adopted

At the date of authorisation of these financial statements the following standards, amendments to existing standards and interpretations were issued, however the Group and the Company does not plan to adopt these standards early.

- Deferred tax related to assets and liabilities arising from Single Transaction (Amendments to IAS 12)
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance
- Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)
- Definition of Accounting Estimates (Amendments to IAS8)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice statement 2)
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

The Group and the Company has elected not to adopt these standards, revisions and interpretations. The Group and the Company anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Group and the Company in the period of initial application.

2.2. Foreign currency

Functional currency

The amounts shown in these consolidated and separate financial statements are measured and presented in local currency, euro (EUR), which is the functional currency of the Group and the Company.

The Group and the Company have decided to use EUR as a functional currency considering the structure of revenue, costs, equity, and debt instruments. Despite the fact that lease liabilities are denominated in US dollars, the major part of revenues and cost are denominated in EUR. Most of the Group's and the Company's sales prices and costs are influenced by competitive forces, acting in Lithuania and in the Euro-zone countries. The equity of the Company is formed in EUR.

Transactions and balances

Foreign currency transactions are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the conversion of monetary assets and liabilities denominated in foreign currencies using the exchange rate available at the reporting date are recognised in the statement of profit or loss and comprehensive income as finance income or expenses.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are converted using the exchange rate available at the date of the transaction.

2 ACCOUNTING PRINCIPLES (CONT'D)

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss and comprehensive income are translated at average exchange rates observed during reporting period. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss and comprehensive income.

2.3. Going concern

The management of the Group and the Company assessed the going-concern assumptions, during the preparation of the Group's and the Company's Consolidated financial statements. The management believes that no events or conditions, including those related to the war in Ukraine, give rise to doubt about the ability of the Group to continue in operation in the next reporting period. This conclusion is drawn based on knowledge of the Group and the Company, the estimated economic outlook and identified risks and uncertainties in relation thereto.

Furthermore, this conclusion is based on a review of the expected developments in liquidity and capital, current credit facilities available including contractual and expected maturities and covenants. Consequently, it has been concluded that it is reasonable to apply the going-concern concept as the underlying assumption for the financial statements.

For further details on the impact of the war in Ukraine to Annual report.

2.4. Basis for consolidation

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company or the Group obtains control and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

2.5. Operating segments

Operating segment is a separated business constituent part, the business risks and profitability of which differ from other business constituent parts. Chief executive officer of the Group is responsible for making strategic decisions for distribution of the Company's resources and evaluation of activity's results of the segments.

The management of the Group has identified the following segments (Note 4):

- LNGT – LNG terminal in Klaipėda which receives and stores liquefied natural gas, regasifies and supplies it to Gas Main pipeline;

2 ACCOUNTING PRINCIPLES (CONT'D)

- OT – Oil terminal in Klaipėda and Subačius oil terminal in Kupiškis who are providing oil products transhipment, services of long-term storage of oil products and other services related to oil products transhipment;
- comLNG – LNG commercial activities – includes LNG reloading station and execution of other LNG projects.

2.6. Investment in subsidiaries and associates

Investments in subsidiaries are carried at cost, less impairment in separate financial statements of the Company. The Company determines at each reporting date whether there is any objective evidence that the investment in the subsidiary is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and it's carrying value and recognises the amount in the profit (loss) in the statement of comprehensive income.

The Group and the Company accounts for investments in associates using the equity method. An associate is an entity in which the Group and the Company has significant influence, but no control over the financial and operating policies. Significant influence is presumed to exist when the Group and the Company holds between 20% and 50% of the voting rights of another company.

Under the equity method the investment in the associate is carried in the Statement of Financial position at cost plus post acquisition changes in the Group's and the Company's share of the associate's net assets. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The share of profit (loss) of an associate is shown on the face of the statement of comprehensive income (loss).

The financial statements of the associate are prepared for the same reporting period as the Group and the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group and the Company. After application of the equity method the Group and the Company determines whether it is necessary to recognise an additional impairment loss on the investment in associate. The Group and Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group and the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the caption "Share of the associate's profit or (loss)" in the statement of comprehensive income.

Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's and the Company's interest to investee. Unrealized losses are eliminated the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.7. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. The Group and the Company did not have assets with indefinite useful lives (as at 31 December 2022 and 31 December 2021). Intangible assets with finite lives are amortized over the useful economic lives of 3-15 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end. Calculation of amortization is discontinued as at the first day of the next month after the disposal of asset or when the whole acquisition cost is expensed or reclassified as a part of another asset.

Costs associated with maintaining computer software programs are recorded as an expense as incurred.

2.8. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes, capitalised borrowing costs and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after property, plant and equipment have been put into operation, such as repair and maintenance costs, are normally charged to profit or loss in the period the costs are incurred.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The useful lives, residual values and depreciation method are reviewed periodically to ensure that the period of depreciation and other estimates including borrowing costs are consistent with the expected pattern of economic benefits from items of property, plant and equipment. In case external and (or) internal impairment indications exist at the date of the statement of financial position, the Group and the Company perform detailed impairment testing in order to ensure that property, plant and equipment are accounted for at value not higher than their recoverable amount.

(all amounts are in EUR thousand unless otherwise stated)

2 ACCOUNTING PRINCIPLES (CONT'D)

2.8. Property, plant and equipment (cont'd)

Construction-in-progress is stated at cost. This includes the cost of construction, plant and equipment and other directly attributable costs including borrowing cost. Construction-in-progress is not depreciated until the relevant assets are completed and available for their intended use. The Group and the Company determine at each reporting date whether there is any objective evidence that the construction-in-progress is impaired. The Group and the Company calculate the amount of impairment for suspended construction-in-progress.

When property, plant and equipment are retired or otherwise disposed, the cost and related depreciation are removed from the financial statements and any related gains or losses are included in the statement of comprehensive income. Gains and losses on disposal of property, plant and equipment are determined as a difference between proceeds and the carrying amount of the property, plant and equipment disposed and recorded in profit (loss).

Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to profit or loss during the financial period in which they are incurred. The estimated useful life (in years) of different groups of property, plant and equipment is as follows:

Group and Company

Description	Estimated useful life
Property, plant and equipment	
Buildings and structures	10-60
Machinery, plant and equipment	5-55
Other non-current assets	4-15

2.9. Financial instruments

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

The Group and the Company qualify financial assets to one of the following categories:
- measured at amortised cost;
- measured at fair value through other comprehensive income (FVOCI) – debt instruments;
- measured at fair value through other comprehensive income (FVOCI) – equity instruments;
- measured at fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them. Except for trade receivables that do not contain a significant financing component, the Group and the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

For a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how the Company manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

A regular way purchases or sales of financial assets are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

After initial recognition, the Group and the Company measures a financial asset at:
- Amortised cost;
- Fair value through OCI with recycling of cumulative gains and losses upon derecognition (debt instruments). The Company did not have such items as at 31 December 2022 and 2021;
- Fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments). The Company did not have such items as at 31 December 2022 and 2021;
- Fair value through profit or loss. The Company did not have such items as at 31 December 2022 and 2021.

2 ACCOUNTING PRINCIPLES (CONT'D)

2.9. Financial instruments (cont'd)

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group and the Company. The Group's and the Company's financial assets at amortised cost includes trade, other current and non-current receivables and contract assets. The Group and the Company measures financial assets at amortised cost if both of the following conditions are met and is not designated as of FVTPL:

- The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the statement of comprehensive income when the asset is derecognised, modified or impaired.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Trade receivables and contract assets (Notes 7 and 8).

The Group and the Company performs the assessment for all debt instruments on an individual basis. The management considers a financial asset in default (credit impaired) when contractual payments are long overdue due or when indications exist that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. The lifetime expected credit losses of loans receivable and trade receivables is recognised in profit or loss through the contrary account of doubtful receivables A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss (FVTPL) or at amortised costs. Financial liability is classified as of FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss in the statement of other comprehensive income.

The Group's and the Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and finance lease liabilities, as well as derivative financials instruments.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, i.e. to realize the assets and settle the liabilities simultaneously.

iv) Derivative financial instruments and hedge accounting

The Group and the Company holds derivative financial instruments to hedge its foreign currency risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss in the statement of other comprehensive income.

2.10. Derecognition of financial instruments

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's and the Company's statement of financial position) when:

i) The contractual rights to receive cash flows from the asset have expired; or

ii) The Group and the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group/Company has transferred substantially all the risks and rewards of the asset, or (b) the Group/Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2 ACCOUNTING PRINCIPLES (CONT'D)

2.10. Derecognition of financial instruments (cont't)

When the Group and the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay (amount of the guarantee).

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability at fair value, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

2.11. Employee benefits

Social security contributions

The Group and the Company pays social security contributions to the State Social Security Fund (hereinafter the Fund) on behalf of its employees based on the legally defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group and the Company pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits related to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within staff costs.

Non-current employee benefits

The past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. Any gains or losses appearing as a result of curtailment and/or settlement are recognised in the statement of comprehensive income as incurred. The past service costs are recognized in the statement of comprehensive income as incurred.

The above-mentioned employee benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. Obligation is recognized in the statement of financial position and reflects the present value of these benefits on the preparation date of the statement of financial position. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. Actuarial gains and losses are recognized in the statement of other comprehensive income as incurred.

2.12. Inventories

Inventories are stated at the lower of cost and net realisable value. Net realizable value is estimated taking the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. The cost of inventories consists of purchase price, transport, and other costs directly attributable to the cost of inventories. The costs of inventories are determined by the first-in, first-out (FIFO) method.

2.13. Cash and cash equivalents

Cash includes cash in bank accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value (Note 10).

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, deposits held at call with banks, and other short-term highly liquid investments with maturities of less than three months.

2.14. Short term deposits

Short term deposits include short-term bank deposits at the commercial banks with maturity of more than 3 months. Initially short-term bank deposits are recognised at cost. Subsequently short-term deposits are stated at acquisition cost less any allowance for impairment.

2 ACCOUNTING PRINCIPLES (CONT'D)

2.15. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The borrowing costs, which represent a part of the cost price of a qualifying asset, the Group and the Company begins to capitalize from the start of construction. Capitalization start is considered to be the day when the company meets the following conditions for the first time: incurs costs in respect of the asset, incurs borrowing costs, carries out activities required to prepare the asset for its intended use or sale.

The Group and the Company discontinues the capitalization of borrowing costs when virtually all the activities necessary to prepare a qualifying asset for its intended use or sale have been completed. Commonly, an asset is prepared for its intended use or sale when its physical construction has been completed, even if the routine administrative work is still carried out. Although small changes are still possible, such as finishing of the asset in accordance with the instructions of a purchaser or user, it indicates that, essentially, all the activities have already been completed.

During the year 2022 and 2021 the Group and the Company did not capitalize borrowing costs due to the reason that all outstanding borrowings were related to assets which were not qualifying for borrowing costs capitalization in accordance with IAS 23.

2.16. Lease

At inception of contract, a Group and the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use if an identified asset for a period of time in exchange in consideration.

The Group and the Company as a lessee

At commencement or on modification of a contract that contains a lease component the Group and the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group and the Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group and the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Group and the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's and the Company's incremental borrowing rate. Generally, the Group and the Company uses its incremental borrowing rate as the discount rate.

The Group and the Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.
Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as of the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group and the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Group and the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group and the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the Group's and the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Group and the Company's changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group and the Company presents right-of-use assets that do not meet the definition of investment property in `Right-of-use assets' and lease liabilities in `lease liabilities` in the statement of financial position.

2 ACCOUNTING PRINCIPLES (CONT'D)

2.16. Lease (cont'd)

Short-term leases and leases of low-value assets

The Group and the Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group and the Company recognises the lease payments associated with the leases as an expense on a straight-line basis over the lease term.

The Group and the Company as a lessor

At inception or on modification of a contract that contains a lease component, the Group and the Company allocates the consideration in the contract to each lease component based on their relative stand-alone prices.

When the Group and the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Company makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

As part of this assessment, the Group and the Company considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

When the Group and the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group and the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group and the Company applies IFRS 15 to allocate the consideration in the contract.

2.17. Income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, also including adjustments in respect of prior years. The tax rates used to compute the amount are those that are enacted by the date of the Statement of Financial position.

Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on the Lithuanian tax legislation.

The standard corporate income tax rate in the Republic of Lithuania is 15% as at 31 December 2022 and 31 December 2021. The Group's subsidiary KN Açu Serviços de Terminal de GNL Ltda applies Brazilian Tax System and subsidiary´s administration has elected the Real Profit Regime that is calculated on quarterly basis. The official rates are 25% for Income tax and 9% Social Contribution on Net Profit.

As to Law on Corporate Income Tax of the Republic of Lithuania starting from 1 January 2014 deductible tax losses carried forward can be used to reduce the taxable income earned during the reporting year by maximum 70%. Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the Group and the Company stops its activities due to which these losses were incurred except when the Group and the Company does not continue its activities due to reasons which do not depend on the Company itself.

The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

Deferred income tax is recognized in respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse based on tax rates enacted or substantively enacted at reporting date.

A deferred tax asset is recognised in the Statement of Financial position to the extent the management of the Group and the Company believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2.18. Dividends

Dividends are recorded in the financial statements when they are declared by the Annual General Shareholders' Meeting.

(all amounts are in EUR thousand unless otherwise stated)

2 ACCOUNTING PRINCIPLES (CONT'D)

2.19. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the shareholders by the weighted average of ordinary registered shares issued. Provided that the number of shares changes without causing a change in the economic resources, the weighted average of ordinary registered shares is adjusted in proportion to the change in the number of shares as if this change took place at the beginning of the previous period presented. Since there are no instruments reducing profit (loss) per share, there is no difference between the basic and diluted earnings per share (Note 22).

2.20. Provisions

General

Provisions are recognised when the Group and the Company has a present legal or constructive obligation in respect of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Where the Group and the Company expects the provision to be reimbursed the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Expenses related to provisions are recorded in the statement of comprehensive income.

Greenhouse gas (GHG) emissions

The Company applies a 'net liability' approach in accounting for the emission rights received. It records the emission allowances granted to it at a nominal (null) amount, as it is allowed by IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance". Liabilities for emissions are recognised only as emissions are made (i.e. provisions are never made on the basis of expected future emissions) and only when the reporting entity has made emissions in excess of the rights held. Costs of allowances are recorded under cost of sales caption in the other comprehensive income.

2.21. Deferred government grants

Asset-related grants

Asset-related government and the European Union grants and third-party compensations comprise grants received in the form of non-current assets or intended for the acquisition of non-current assets. Grants are initially recognised at fair value of the asset received and subsequently accounted for in the statement of comprehensive income by reducing the depreciation charge of related asset over the expected useful life of the asset.

The Group and the Company

	2022	2021
Balance as at 1 January	**5,771**	**5,817**
Received during the year	89	302
Reclassification	(4)	-
Amortisation	(388)	(348)
Balance as at 31 December	**5,468**	**5,771**

Amortisation of grants related to assets of EUR 388 thousand for 2022 (EUR 348 thousand for 2021) has been included into cost of sales in the statement of comprehensive income.

The Group and the Company has no unfulfilled conditions or contingencies attached to these grants as at 31 December 2022 and as at 31 December 2021.

Income-related grants

Government and the European Union grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all other grants, which are not asset-related grants, are treated as income-related grants. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant. These grants are recognised in the statement of comprehensive income, net of related expenditure.

2.22. Revenue recognition

Revenue from Contracts with Customers

The Group and the Company recognizes revenue at the time and to the extent that the transfer of goods or services to customers would reflect an amount that the Group and the Company expects to receive in exchange for those goods or services. In applying this Standard, the Group and the Company considers the terms of the contract and all relevant facts and circumstances. Revenue is recognized using the 5-step model:

Step 1 – Identification of the contract with the customer.

The contract acknowledges an agreement between two or more parties (subject to purchase / sale conditions) that creates enforceable rights and enforceable obligations (not applicable if a joint venture agreement is signed).

2 ACCOUNTING PRINCIPLES (CONT'D)

2.22. Revenue recognition (cont'd)

A contract that is subject to IFRS 15 is recognized only if the following criteria are met:
- the parties have approved the contract (in writing, orally or in accordance with other usual business practices) and are bound by the obligations under the contract,
- there is a possibility to identify the rights of each party in respect of the goods and / or services to be transferred,
- there is a possibility of identifying the payment terms provided for the goods and / or services to be transferred,
- the contract is of a commercial nature,
- there is a possibility of getting a reward in return for the goods and / or services that will be transferred to the customer.

Contracts with the customer may be combined or separated into several contracts, while retaining the criteria of the former contracts. Such interconnection or separation is considered a change of contract.

Step 2 – Identification of operational commitments in the contract.

The contract establishes a commitment to deliver goods and / or services to the customer. When goods and / or services can be distinguished, liabilities are recognized separately. Each commitment is identified in one of two ways:
- the product and / or service is separate, or
- a set of individual goods and / or services that are essentially the same and passed on to the customer in a uniform model.

Step 3 – Determination of a transaction price.

The Group and the Company considers the terms of the transaction and the usual business practices. The transaction price is the amount of consideration that the Group and the Company expects to receive after delivering promised goods and services to the Customer, except for amounts collected on behalf of third parties. The fee provided for in a contract with a client may include fixed amounts, variable amounts, or both.

Step 4 – The transaction price is attributable to the contractual performance obligations.

The Group and the Company attributes the portion of the transaction price to each operating obligation in an amount that reflects the amount of consideration to which the Group and the Company expects to be entitled in exchange for the promised goods or services transferred to the customer. The transaction price is allocated to each operating obligation based on the relative individual selling prices of the good or service promised in the contract. If the contract does not specify the price of the service or product separately (for example, one price for two products), the Group and the Company determines it. Similar transactions are treated equally.

Step 5 – Revenue is recognised when the Group and the Company performs operating obligations.

Revenue is recognised when the operating obligation is settled by the transfer of goods or services to the customer (i. e. the customer acquires control over the mentioned goods or services). Revenue is recognized as an amount equal to the transaction price that was determined for the respective operating obligation. The recognised amount of revenue is attributed to the settled liability that can be settled at a particular point of time or over a period.

Revenue is recognized when the amount of revenue can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Company, and when specific criteria have been met for each type of income. The Company relies on historical results, considering the customer type, the transaction type and the terms of each agreement.

Revenue is recognised by classifying it as per customer contracts, other income and finance income.

Revenue from contracts with clients is only recognized when the control of goods or services is transferred to the client to the extent that reflects the remuneration which the Group and the Company expects to receive in return for these goods or services.

The Group and Company has following main revenue streams (Note 17):

- Income from LNGT services (57% from total sales revenue in 2022, 56% in 2021)

One performance obligation exists – to ensure the compensation of for all fixed operating costs of LNGT infrastructure. The Group and the Company acts as a principal in service provision. Revenues are recognized at the over the point of time when the services were rendered based on amount collected from the users of the natural gas transmission system due to the following reasons:
- ✓ The Group and the Company has a present right to payment for the rendered LNGT services;
- ✓ Significant risks and rewards of ownership have been transferred to the client;
- ✓ The client has accepted the service.

- Oil products transhipment services (34% from total sales revenue in 2022, 33% in 2021)

One performance obligation exists – to provide oil product loading service for which the loading rate is specified. Company acts as a principal in service provision. Revenues are recognized over time due to the following reasons:
- ✓ By providing the services of loading of oil products, the Group and the Company does not create an alternative use of the assets, which it could sell as goods.
- ✓ The Group and the Company shall have the unconditional refund right for the performed share of production. In the event the client does not perform or is behind the schedule in performing his obligations, the Company, having notified the client, has the right to

2 ACCOUNTING PRINCIPLES (CONT'D)

2.22. Revenue recognition (cont'd)

suspend the provision of services and/or to detain the oil products within the terminal until the client's obligations are fulfilled. All the consequences and losses arising from the detention of oil products and/or suspension of the provision of services shall be borne by the client.

- ✓ With the client's delay in dispatching the oil products from the terminal, additional storage fees shall be applied. This way the Group and the Company shall not only compensate the expenses of storage of oil products, but also obtain income.
- ✓ In the event the client terminates the agreement in a unilateral manner, he usually must pay the take-or-pay fee, if such was specified in the contract, or the difference in the oil product quantity between the planned minimum annual amount of reload and the reloaded amount.

Calculation of percentage of completeness of performance obligation already satisfied at year end is calculated in the following way. The Group and the Company recognises revenues from oil transhipment considering the level of fulfilment of a service. The level of service provided is measured as percentage of transhipment cost expenses from the total cost of services. In the case reliable evaluation of the service agreement is impossible, the revenues are recognised only as a part of expenses incurred that can be recoverable. Service provided at certain level of completion is already received and consumed by the customer and the customer benefits from it (it would not incur the whole loading service cost in service reperformance case), therefore management believes that percentage of completion accounting method applied by the Group and the Company is in line with IFRS 15 requirements.

- Income from other LNG terminal activities (7% from total sales revenue in 2022, 3% in 2021). Main source of other LNG terminal activities income:

- Small-scale LNG reloading station in Klaipėda:

Small-scale LNG reloading station activities have one performance obligation exists – to provide LNG reloading station services. Company acts as a principal in service provision. Revenues are recognized over the point of time when services are rendered.

- ✓ The Group and the Company has a present right to payment for the rendered LNG reloading station services;
- ✓ Significant risks and rewards of ownership have been transferred to the client;
- ✓ The client has accepted the service.

- Operation of LNG terminal in Açu port in Brazil:

Operation of LNG terminal in Açu port in Brazil has one performance obligation exists – to provide LNG terminal management and operation services. Company acts as a principal in service provision. Revenues are recognized over the point of time based on services provided.

- ✓ The Group and the Company has a present right to payment for the rendered LNG terminal operation services;
- ✓ Significant risks and rewards of ownership have been transferred to the client;
- ✓ The client has accepted the service.

- Other activities

Revenues from other activities consist of sales of goods and other services rendered (mainly storage of oil products, consulting services). The Group and the Company acts as a principal in service provision. Revenues from sales of goods are recognized when the control of the goods is passed to customer (at point in time), revenues from other services – when the services are provided (over the point in time).

Revenues are recorded in the statement of comprehensive income under the item "Revenues from contracts with customers", and the assets resulting from contracts with customers are accounted for as short-term assets under the item "contract assets" in the statement of financial position. Related costs are accounted for in the statement of comprehensive income under the item "Cost of sales".

Due to the Group's and the Company's business nature the management did not make any other significant accounting judgments, estimates or assumptions relating to revenue from contracts with customers recognition except for take or pay transactions described below.

Take-or-Pay

The Company calculates monthly, quarterly or annual Take-or-Pay fees to certain customers once the loading quantities specified in the contract with customer are not achieved. Since the most probable loading quantity is agreed with the customer in the contract and only due to certain unforeseen circumstances arisen in the market, the loading quantity cannot be reached. Take-or-Pay is calculated at the period-end. There is no significant impact on financial statements for year ended 31 December 2022 as no significant Take-or-Pay transactions occurred in 2022 and 2021.

<u>Contract assets – accrued income</u>

Contract assets mean the right to the remuneration for goods or services, which were delivered or provided to the client, but not invoiced yet.

If the Company renders services to the Client before the Client pays for these services or before the payment term, the contractual assets are calculated by the amount equal to the earned contingent remuneration. The assets resulting from contracts with clients, i.e. the accumulated income, after all the contractual obligations are fulfilled and the invoice is issued, are recognised as a trade receivable.

2 ACCOUNTING PRINCIPLES (CONT'D)

2.22. Revenue recognition (cont'd)

Contract liabilities – prepayments received

Contract liabilities include advances received from customers for services to be delivered in the future. Contract liabilities also include interest and fees paid by AB Ambergrid on behalf of AB Achema (as disclosed in Note 25).

Income from liquefied natural gas terminal services regulated by National Energy Regulatory Council

Income from LNGT services is regulated by NERC. Based on LNG terminal law clause 5.2, all users of the natural gas transmission system, including final consumers, are obliged to pay the additional Security Supplement together with their other payments for the natural gas transmission service.

The revenue of the LNG terminal activity comprises from:

i) LNG regasification service fixed part which is collected through additional Security Supplement;
ii) LNG regasification service variable part;
iii) LNG reloading service. Regasification and reloading revenue are collected directly from the clients after services are provided based on quantities. For the actual tariffs see the LNGT services in the annual report. The LNG Security Supplement is collected by the transmission service operator (hereinafter referred to as "TSO") either directly from the user or from suppliers of natural gas in case the user has no direct contractual obligations with the TSO. The additional Security Supplement is calculated by NERC on an annual basis in proportion to the planned natural gas consumption capacities as set out in National legislation in relation to gas market.

Prices set for the LNGT services for the year 2022 and 2021:

- LNG regasification service price fixed part is approved by NERC based on the LNG revenue cap. LNG revenue cap is set by NERC and adjusted annually according to the necessary costs of the LNG terminal and determined return on investment. The fixed part of the price is included into the additional Security Supplement to the natural gas transmission price, whether the Company is not able to cover the set revenue level from LNG regasification service price variable part directly from LNG terminal users.
- LNG regasification service price variable part is calculated based on the upper limit of LNG revenue divided by LNG terminal capacity per unit:
  - price of variable part for May-December 2022 set by the resolution No. O3E-437 on 31 March 2022, was 1.19 EUR/MWh;
  - price of variable part for January-April 2022 set by the resolution No. O3E-1496 on 16 November 2021, was 0.41 EUR/MWh;
  - price of variable part for the year 2021 set by resolution No. O3E-1207 on 23 November 2020, was 0.41 EUR/MWh.
- NERC on 16 November 2021 adopted decision on reloading service prices for the year 2022. Differentiated LNG reloading tariff was set based on size of LNG cargos to be reloaded:
  - Small scale cargos up to 15,000 m3 LNG – 0.56 EUR/MWh (0.53 EUR/MWh in 2021);
  - Medium scale cargos from 15,000 up to 50,000 m3 LNG – 0.44 EUR/MWh (0.41 EUR/MWh in 2021).

Large scale cargos from 50,000 m3 LNG – 0.31 EUR/MWh (0.30 EUR/MWh in 2021).

Sales of goods

Revenues from sales of goods are recognised upon delivery and transfer of risks of products and customer acceptance.

Interest income

Interest income is recognised in profit (loss) on accrual basis (using the effective interest rate method).

Dividend income

Dividend income represents gross dividends from investment and recognised when the shareholder's rights to receive payment is established.

Rent income

Rent income is recognised over the lease term on a straight-line basis.

Income from fines and penalties

Income from fines and penalties is recognized when the Company has evidence that fines and penalties will be received and the probability that it would not be received is low or when money is already received.

2 ACCOUNTING PRINCIPLES (CONT'D)

2.23. Expenses recognition

Expenses are recognised based on accrual and revenue and expense matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred.

The amount of expenses is usually accounted for as the amount paid or due, excluding VAT. In the cases when a long period of payment is established and the interest is not distinguished, the amount of expenses shall be estimated by discounting the amount of payment using the market interest rate.

2.24. Impairment of non-financial assets

The Group and the Company reviews at least at each reporting date the carrying amounts of non-financial assets, excluding inventories and deferred income tax assets, to assess whether an indication of impairment exists. If such indication exists, the Company estimates the asset's recoverable amount.

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the profit (loss). Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is accounted in the same caption of the profit (loss) as the impairment loss.

Recoverable amount of an asset or cash-generating unit is its value in use or fair value less costs to sell depending on which is greater. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For impairment testing the asset that cannot be assessed individually is grouped into the minimum asset's group generating cash inflows during continuous use and that is independent from other asset or asset's groups generating cash flows (cash generating unit or CGU).

Where the carrying amount of an asset exceeds its recoverable amount the impairment loss is recognised in the profit (loss). Impairment losses related to the value of CGU are proportionally attributed to decrease the carrying amount of the asset, prescribed to the unit (unit group).

Previously recognised impairment losses are reversed only if there is any indication that such losses no longer exist or have decreased. The reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined net of depreciation or amortisation had no impairment loss been recognised for the asset in prior years. The reversal is accounted in the same caption of the profit (loss) as the impairment loss.

2.25. Use of estimates and judgements

The preparation of the financial statements in accordance with IFRS as adopted by the EU, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Significant accounting judgements

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Lease term: whether the Group and the Company is reasonably certain to exercise the option to purchase FSRU (Note 13);
- Provision for acquisition of emission allowances (Note 16);
- The deferred tax (Note 21).

2 ACCOUNTING PRINCIPLES (CONT'D)

2.25. Use of estimates and judgements (cont'd)

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties as at 31 December 2022 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Impairment evaluation of property, plant and equipment and right of use asset: key assumptions underlying recoverable amounts of identified cash generating units (Note 3);
- Useful life of property, plant and equipment and intangible assets (Note 3);
- Residual value and useful life of FSRU (Note 3);
- Impairment evaluation of investments to subsidiaries: key assumptions underlying recoverable amounts (Note 5);
- Net realisable value of inventory (Note 6)
- Assessment of expected credit losses and impairment losses on receivable amounts: key assumptions determining the impairment allowance (Note 7);
- Recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilized (Note 21);
- Measurement of non-current employee benefits: key actuarial assumptions (Note 12);
- Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources (Note 25).

2.26. Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

2.27. Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

2.28. Subsequent events

Subsequent events that provide additional information about the Company's position at the date of the statement of financial position (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes if material (Note 27).

2.29. Offsetting

When preparing the financial statements, assets, and liabilities, as well as income and expenses are not set off, except the cases when certain International Financial Reporting Standard specifically allows such set-off.

2.30. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (Note 24).

However, the objective of a fair value measurement in both cases is the same: to estimate the price at which an orderly transaction to sell the assets or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e., an ultimate price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

In determining the fair value of non-financial assets, market participant's ability to derive economic benefit from the assets in using it in the highest and best use or selling the asset to another market participant, who would use it according to the highest and best use, is considered.

In determining the fair value, a business entity should determine all the following:

- the specific assets or liability, the fair value of which is determined (together with the appropriate unit of account);
- when non-financial asset is valuated, the valuation assumption, which is fit for the purpose of determining the fair value (along with the corresponding highest and best use of the non-financial asset);
- the principal (or most advantageous) market for the assets or liability;

2 ACCOUNTING PRINCIPLES (CONT'D)

2.30. Fair value (cont'd)

- the valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorised.

The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell the assets or to transfer the liability would take place between market participants at the measurement date under current market conditions. Three widely used valuation techniques are the market approach, the cost approach and the income approach.

Market approach. A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.

Cost approach. A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Income approach. Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined based on the value indicated by current market expectations about those future amounts.

Fair value hierarchy. To increase consistency and comparability in fair value measurements and related disclosures, the IFRS 13 establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value.

Level 1 inputs. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs. Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group and the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing classification (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(all amounts are in EUR thousand unless otherwise stated)

3 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Land	Buildings and structures	Machinery, plant and equipment	Other non-current assets	Construction in progress	Total
Acquisition cost						
Balance as at 31 December 2020	38	181,656	188,888	25,606	5,956	402,144
Acquisitions	-	374	250	613	7,473	8,710
Advance payments	-	-	-	-	225	225
Retirements and disposals	-	(39)	(232)	(204)	-	(475)
Transfer from construction in progress	-	81	185	41	(307)	-
Transfer from construction in progress to intangible assets	-	-	-	-	(98)	(98)
Effect of foreign currency translation	-	-	1	-	-	1
Balance as at 31 December 2021	38	182,072	189,092	26,056	13,249	410,507
Acquisitions	-	82	355	689	3,002	4,128
Advance payments	-	-	-	4	-	4
Retirements and disposals	-	(8)	(77)	(837)	-	(922)
Transfer from construction in progress	-	164	3,804	489	(4,457)	-
Reclassification	-	10	(10)	-	(524)	(524)
Effect of foreign currency translation	-	-	5	15	-	20
Balance as at 31 December 2022	38	182,320	193,169	26,416	11,270	413,213
Accumulated depreciation and impairment:						
Balance as at 31 December 2020	-	84,084	101,418	14,201	596	200,299
Depreciation for the year	-	4,308	5,494	1,606	-	11,408
Retirements and disposals	-	(9)	(168)	(172)	-	(349)
Impairment for the year (reversal)	-	26,796	16,308	1,885	3,473	48,462
Effect of foreign currency translation	-	-	1	-	-	1
Balance as at 31 December 2021	-	115,179	123,053	17,520	4,069	259,821
Depreciation for the year	-	2,977	4,180	1,325	-	8,482
Retirements and disposals	-	(8)	(77)	(630)	-	(715)
Impairment for the year (reversal)	-	-	-	-	27	27
Reclassifications	-	39	881	112	(1,204)	(172)
Effect of foreign currency translation	-	-	(8)	(22)	-	(30)
Balance as at 31 December 2022	-	118,187	128,029	18,305	2,892	267,413
Net book value as at 31 December 2020	38	97,572	87,470	11,405	5,360	201,845
Net book value as at 31 December 2021	38	66,893	66,039	8,536	9,180	150,686
Net book value as at 31 December 2022	38	64,133	65,140	8,111	8,378	145,800

(all amounts are in EUR thousand unless otherwise stated)

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

COMPANY

	Land	Buildings and structures	Machinery, plant and equipment	Other non-current assets	Construction in progress	Total
Acquisition cost						
Balance as at 31 December 2020	38	181,656	188,856	25,498	5,956	402,004
Acquisitions	-	374	236	602	7,473	8,685
Advance payments	-	-	-	-	225	225
Retirements and disposals	-	(39)	(232)	(204)	-	(475)
Transfer from construction in progress	-	81	185	41	(307)	-
Transfer from construction in progress to intangible assets	-	-	-	-	(98)	(98)
Balance as at 31 December 2021	38	182,072	189,045	25,937	13,249	410,341
Acquisitions	-	82	340	686	3,002	4,110
Advance payments	-	-	-	4	-	4
Retirements and disposals	-	(8)	(77)	(837)	-	(922)
Transfer from construction in progress	-	164	3,804	489	(4,457)	-
Reclassification	-	10	(10)	-	(524)	(524)
Balance as at 31 December 2022	38	182,320	193,102	26,279	11,270	413,009
Accumulated depreciation and impairment:						
Balance as at 31 December 2020	-	84,084	101,415	14,190	596	200,285
Depreciation for the year	-	4,308	5,486	1,584	-	11,378
Retirements and disposals	-	(9)	(168)	(172)	-	(349)
Impairment for the year (reversal)	-	26,796	16,308	1,885	3,473	48,462
Balance as at 31 December 2021	-	115,179	123,041	17,487	4,069	259,776
Depreciation for the year	-	2,977	4,159	1,274	-	8,410
Retirements and disposals	-	(8)	(77)	(630)	-	(715)
Impairment for the year (reversal)	-	-	-	-	27	27
Reclassifications	-	39	881	112	(1,204)	(172)
Balance as at 31 December 2022	-	118,187	128,004	18,243	2,892	267,326
Net book value as at 31 December 2020	38	97,572	87,441	11,308	5,360	201,719
Net book value as at 31 December 2021	38	66,893	66,004	8,450	9,180	150,565
Net book value as at 31 December 2022	38	64,133	65,098	8,036	8,378	145,683

The Group's and the Company's depreciation of property, plant and equipment amounts to EUR 8,482 thousand and EUR 8,410 thousand for the year 2022, respectively (EUR 11,408 thousand and EUR 11,378 thousand – in 2021). In 2022 the depreciation EUR 388 thousand was reduced by amortisation of related grant (EUR 348 thousand – in 2021). EUR 8,376 thousand and EUR 8,303 thousand of depreciation charge has been included into cost of sales of the Group and the Company, respectively (EUR 11,199 thousand and EUR 11,169 thousand – in 2021). The remaining amount EUR 107 thousand (EUR 209 thousand – in 2021) has been included into operating expenses in the Statement of comprehensive income of both, the Group and the Company.

Part of the Group's and the Company's property, plant and equipment with the acquisition cost of EUR 42,529 thousand as at 31 December 2022 was completely depreciated (EUR 40,537 thousand on 31 December 2021), however, it was still in operation.

The Group's and the Company's property, plant and equipment attributed to Liquefied natural gas terminal (net book value amounted to EUR 38,132 thousand) was pledged to the Ministry of Finance of Republic of Lithuania for the state guarantee, given to European Investment Bank (hereinafter – EIB) and Nordic Investment Bank (hereinafter – NIB) as at 31 December 2022 (net book value amounted to EUR 40,353 thousand as at 31 December 2021).

The Group's and the Company's property, plant and equipment attributed to Subačius oil terminal, with net book value amounting to EUR 4,277 thousand, was pledged to the Ministry of Finance of the Republic of Lithuania for the state guarantee, given to NIB as at 31 December 2022 (net book value of pledged property, plant and equipment amounted to EUR 4,483 thousand as at 31 December 2021).

Impairment of property, plant and equipment and right of use asset attributed LNG reloading station assets

The management of the Group and the Company has assessed the internal and external indications of impairment for property, plant and equipment attributed to LNG reloading station as at 31 December 2022.

During 2022, significant changes in economic environment and financial markets took place in both regional and global scale. Taking into account all external factors it was presumed that increase in market interest rates and other factors could significantly impact the weighted average cost of capital used for discounting of LNG reloading station CGU's future pre-tax cash flows.

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

As at 31 December 2022 the management of the Group and the Company did not identify any other negative significant events or changes in the circumstances that would indicate potential impairment of assets attributed to LNG reloading station. CGU's future cash-flows have been reviewed in the light of current market conditions and management's expectations for the future performance along with reassessment of WACC used for discounting future pre-tax cash flows.

As at the end of the year 2022 the management of the Group and the Company performed an impairment test of property, plant and equipment attributed to LNG reloading station project by comparing discounted future cash flows forecasted for period till year 2045 (end of estimated useful life of assets) to carrying amounts of this cash generating unit (CGU). The main assumptions used to perform the test were:

- Fixed and variable income as to long-term agreement with client (signed in 2019 for the period of 2020-2024).
- Possible LNG market development after 2024, according to which reloaded LNG volume is assumed to increase 4 times by the year 2030, when the maximum CGU's technical capacity is reached.
- Possible operating expenses based on actual activity expenses and inflated by 2% p.a. starting from 2024.
- Discount rate estimated as weighted average cost of capital (WACC) that as of 31 December 2022 was equal to 11.27% (pre-tax, real prices).

Long-term results, e.g. after the end of the rent period were based on the management judgement, strategic partners assumptions, available LNG market development studies and other publicly available data sources.

Based on impairment test results no impairment recognized for property, plant and equipment and right-of-use asset attributed to LNG reloading station as at 31 December 2022.

Net book value of property, plant and equipment and right of use asset attributed to LNG reloading station amounted to EUR 23,635 thousand as at 31 December 2022 (EUR 24,787 thousand as at 31 December 2021).

Sensitivity analysis of LNG reloading station assets value in use within an impairment test carried out as of 31 December 2022

The major elements impacting the amount of the value in use of LNG reloading station assets within the individual CGU are operation extent – fixed and variable income as to long-term agreement with client (signed in 2019 for the period of 2020-2024) and long-term income, based on possible LNG market development after 2024 along with the discount rate applied.

The sensitivity of changes of the elements mentioned above on the impairment are presented below.

Difference between the recoverable amount of CGU and its carrying value, EUR thousand

		Change in discount rate				
		(1.0) p.p.	***(0.5) p.p.***	***0.0 p.p.***	***+0.5 p.p.***	***+1.0 p.p.***
Change in reloading quantities	***(20.0)%***	(1,923)	(2,637)	(3,305)	(3,930)	(4,514)
	(10.0)%	416	(410)	(1,182)	(1,904)	(2,581)
	0.0%	2,755	1,818	941	121	(647)
	10.0%	3,886	2,918	2,012	1,163	367
	20.0%	4,632	3,648	2,726	1,862	1,051

Future financial projections are based on several assumptions, a part of which related to macroeconomic factors such as: gas prices, regional and global market demands, global LNG business development will remain beyond the control of the Group and the Company. Changes in mentioned assumptions can affect impairment test results of non-current assets and may result to changes in the financial position and financial results of the Group and the Company. Accordingly, the CGU of LNG reloading station remains very sensitive to further impairment losses (or reversal of impairment losses) in the future reporting.

Impairment of property, plant and equipment and right of use asset attributed to Klaipėda oil terminal assets

During 2022, significant changes in economic environment and financial markets took place in both regional and global scale. Taking into account all external factors it was presumed that increase in market interest rates and other factors could significantly impact the weighted average cost of capital used for discounting of CGU's future pre-tax cash flows.

As at 31 December 2022 the management of the Group and the Company did not identify any other negative significant events or changes in the circumstances that would indicate potential impairment to assets attributed to Klaipėda oil terminal. CGU's future cash-flows have been reviewed in the light of current market conditions and management's expectations for the future performance along with reassessment of WACC used for discounting future pre-tax cash flows..

CGU's cash-flows were projected for the period of 2023-2047 based on estimated remaining useful life of key assets. Additionally, segment is operating in asset-heavy and stable industry, relying on long-term contracts, allowing to execute long term cash flow projections. Overall oil product transshipment was expected to maintain stable level by 2025, compared to current transshipment levels, and drop by 21 percent after

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

expected implementation of AB Orlen Lietuva investment into deeper crude oil processing and consequently lower transshipment of high-sulphur residue products, which currently makes a signification portion of oil products, transhipped via Klaipėda oil terminal. Oil product transshipment during the period of 2027-2030 was expected to remain at the similar level and start gradually decreasing by on average 1.4 percent p.a. afterwards. Oil product storage and tank reservation related income was expected to maintain similar level, compared to current situation, and assume to double in 2026, mainly due to significant increase in reservation/ storage rates based on current market situation and increase redundant storage capacities after transshipment decrease. 2% steady growth afterwards is projected, mainly due to indexation of tariffs. Restorative and maintenance investments into Klaipėda oil terminal assets were assumed to reach EUR 52,721 thousand during the forecasted period.

Cash flows up to 2026, used in the assessment, were projected based on the assumption made by the management that AB Orlen Lietuva investment would be finished till that date, significantly impacting scope of CGU activity and cash flows in subsequent periods. Operating assumptions used in cash flow calculations are projected based on global oil market forecast from the year 2030, meanwhile, income and expense assumptions for the remaining periods are projected based on long term 2% growth rate, which is aimed inflation target in order to maintain price stability over the medium term, according to the decision of ECB Governing Council.

To determine the value in use of CGU, future pre-tax cash flows are calculated and discounted with a pre-tax discount rate that represents current market valuation of time value of money as well as the significant risks allocated to related assets.

The discount rate was calculated as the weighted average cost of capital using data based on listed oil/ gas distribution sector company performance during 2022 as to publicly available data, as well as other commonly used indicators such as – risk-free rate of Lithuanian government bonds, country risk premium, corporate credit spread and effective tax rate that reflects market that CGU is generally based in. To reflect risks and uncertainty arising from the Company's business environment, additional risk premium of 1.48% was estimated and added directly to pre-tax WACC estimate.

Accordingly, pre-tax discount rate was estimated at 10.27% and used for determining value in use of CGU as at 31 December 2022 (31 December 2021 – 6.65%).

Taking into account the changes in impairment testing assumptions, the result of impairment testing of Klaipėda oil terminal's assets did not indicate any potential impairment as at 31 December 2022.

Sensitivity analysis of Klaipėda oil terminal assets value in use within an impairment test carried out as of 31 December 2022

The major elements impacting the amount of the value in use of Klaipėda oil terminal assets within the individual CGU are income generated from terminal operation and the discount rate applied.

The sensitivity of changes of the elements mentioned above on the impairment are presented below.

Difference between the recoverable amount of CGU and its carrying value, EUR thousand

		Change in discount rate				
		(1.0) p.p.	*(0.5) p.p.*	*0.0 p.p.*	*+0.5 p.p.*	*+1.0 p.p.*
Change in income projection (other assumptions held constant)	***(10.0)%***	(7,107)	(10,832)	(14,311)	(17,562)	(20,605)
	(5.0)%	3,360	(878)	(4,835)	(8,534)	(11,996)
	0.0%	13,827	9,076	4,640	493	(3,387)
	5.0%	24,294	19,030	14,115	9,521	5,222
	10.0%	34,761	28,984	23,590	18,549	13,831

The Group and the Company has additionally assessed annual investments and income level from key client as major elements impacting value in use of Klaipėda oil terminal assets. Under the base scenario EUR 52,721 thousand of capital investments are assumed during the valuation period. It is estimated that a 10% proportional increase in annual capital expenditure would reduce NPV of CGU by EUR 2,669 thousand, meanwhile, a 10% decrease would result in an increase by EUR 2,669 thousand.

In case of reloading quantities from main client would not significantly change from 2026 EUR 28,898 thousand positive impact to value in use would be identified.

Future financial projections are based on several assumptions, a part of which relate to macroeconomic factors such as: commodity prices, regional and global market demands, global oil business development will remain beyond the control of the Group and the Company. Changes in mentioned assumptions can affect impairment test results of non-current assets and may result to changes in the financial position and financial results of the Group and the Company.

Net book value of property, plant and equipment and right of use asset attributed to Klaipėda oil terminal amounted to EUR 88,933 thousand as at 31 December 2022 (EUR 85,451 thousand as at 31 December 2021).

(all amounts are in EUR thousand unless otherwise stated)

3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Right-of-use assets

GROUP

	Land	Buildings and structures	Machinery, plant and equipment	Other non-current assets	Total
Acquisition cost					
Balance as at 31 December 2020	21,420	965	392,961	44	415,390
Acquisitions / disposals	1,172	100	74	1	1,347
Balance as at 31 December 2021	22,592	1,065	393,035	45	416,737
Acquisitions / disposals	3,789	792	-	-	4,581
Effect of foreign currency translation	-	4	-	-	4
Balance as at 31 December 2022	26,381	1,861	393,035	45	421,322
Accumulated depreciation and impairment:					
Balance as at 31 December 2020	1,110	638	56,550	39	58,337
Depreciation for the year	510	274	13,539	6	14,329
Impairment for the year (reversal)	5,759	45	11	-	5,815
Balance as at 31 December 2021	7,379	957	70,100	45	78,481
Depreciation for the year	538	237	13,550	-	14,325
Effect of foreign currency translation	-	-	1	-	1
Balance as at 31 December 2022	7,917	1,194	83,651	45	92,807
Net book value as at 31 December 2020	20,310	327	336,411	5	357,053
Net book value as at 31 December 2021	15,213	108	322,935	-	338,256
Net book value as at 31 December 2022	18,464	667	309,384	-	328,515

COMPANY

	Land	Buildings and structures	Machinery, plant and equipment	Other non-current assets	Total
Acquisition cost					
Balance as at 31 December 2020	21,420	965	392,961	44	415,390
Acquisitions / disposals	1,172	71	74	1	1,318
Balance as at 31 December 2021	22,592	1,036	393,035	45	416,708
Acquisitions / disposals	3,789	792	-	-	4,581
Balance as at 31 December 2022	26,381	1,828	393,035	45	421,289
Accumulated depreciation and impairment:					
Balance as at 31 December 2020	1,110	638	56,550	39	58,337
Depreciation for the year	510	269	13,539	6	14,324
Impairment for the year (reversal)	5,759	45	11	-	5,815
Balance as at 31 December 2021	7,379	952	70,100	45	78,476
Depreciation for the year	538	230	13,550	-	14,318
Balance as at 31 December 2022	7,917	1,182	83,650	45	92,794
Net book value as at 31 December 2020	20,310	327	336,411	5	357,053
Net book value as at 31 December 2021	15,213	84	322,935	-	338,232
Net book value as at 31 December 2022	18,464	646	309,385	-	328,495

The Group's and the Company's depreciation of right-of-use asset amounts to EUR 14,325 thousand and EUR 14,318 thousand for the year 2022, respectively (EUR 14,329 thousand and EUR 14,324 thousand in 2021). EUR 14,088 thousand of depreciation charge has been included into cost of sales of both, the Group and the Company (EUR 14,052 thousand in 2021) and the remaining amount of EUR 218 thousand and EUR 211 thousand has been included into operating expenses in the Statement of comprehensive income of the Group and the Company, respectively (EUR 277 thousand and EUR 272 thousand in 2021).

Since right of use assets do not generate separate cash flow, the management of the Group and the Company has assessed the internal and external indications of impairment of right-of-use assets along with other tangible assets as common CGU as at 31 December 2022 and 31 December 2021. The impairment related to Klaipėda oil terminal business segment for EUR 5,815 thousand accounted as at 31 December 2021 and has been included into operating expenses in the Statement of comprehensive income of both, the Group and the Company. The management did not identify additional impairment of the right-of-use assets as at 31 December 2022.

(all amounts are in EUR thousand unless otherwise stated)

4 INFORMATION ABOUT SEGMENTS

The management of the Group and the Company has identified the following 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 transhipment, services of long-term storage of oil products and other services related to oil products transhipment;
- comLNG – LNG commercial activities – includes LNG reloading station and execution of other LNG projects.

The Group includes its investments in subsidiaries and associates to the specific segments according to which activities these entities are involved in: UAB SGD logistika, UAB SGD SPB and KN Açu Servicos de Terminal de GNL LTDA – comLNG, UAB SGD terminalas – LNGT, BALTPOOL UAB and Sarmatia Sp. z. o. o. – OT.

As at 31 December 2022, there were five customers each of which generated revenues exceeding 10% of total Company's revenues and in total amounted to EUR 55,683 thousand:

Customer A – EUR 16,059 thousand (OT – EUR 16,059 thousand);
Customer B – EUR 11,047 thousand (LNGT – EUR 11,047 thousand);
Customer C – EUR 10,527 thousand (LNGT – EUR 10,527 thousand);
Customer D – EUR 9,141 thousand (LNGT – EUR 9,141 thousand);
Customer E – EUR 8,909 thousand (LNGT – EUR 8,909 thousand).

As at 31 December 2021, there were three customers each of which generated revenues exceeding 10% of total Company's revenues and in total amounted to EUR 45,079 thousand:

Customer A – EUR 27,732 thousand (LNGT segment);
Customer B – EUR 12,841 thousand (OT segment);
Customer C – EUR 4,506 thousand (OT segment).

Main indicators of the segments of the Company included in the statement of comprehensive income and statement of financial position for the financial year 2022 and 2021 are described below:

Group

For the year ended 31 December 2022	LNGT	OT	comLNG	Total
Revenues from contracts with customers	44,614	27,817	5,387	77,818
Profit (loss) before income tax	(10,571)	3,186	485	(6,900)
Segment net profit (loss)	(9,128)	3,220	4	(5,904)
Interest revenue	31	-	72	103
Loan interest expense	966	-	7	973
Interest on financial lease liabilities	1,423	365	43	1,831
Depreciation and amortisation	2,487	4,646	1,206	8,339
Depreciation of right-of-use-assets	13,740	436	149	14,325
Impairment of non-current asset (reversal)	-	12	15	27
Acquisitions of tangible and intangible assets	123	4,200	40	4,363
Segment total assets*	362,642	113,183	25,685	501,510
Loan and related liabilities	143,202	(20)	(42)	143,140
Lease liabilities	245,600	18,567	2,081	266,248
Segment total liabilities	400,387	26,329	8,117	434,833

For the year ended 31 December 2021	LNGT	OT	comLNG	Total
Revenues from contracts with customers	34,831	21,427	5,553	61,811
Profit (loss) before income tax	(20,584)	(55,700)	517	(75,767)
Segment net profit (loss)	(16,510)	(47,563)	62	(64,011)
Interest revenue	-	13	-	13
Loan interest expense	481	-	-	481
Interest on financial lease liabilities	1,484	303	13	1,800
Depreciation and amortisation	3,172	6,737	1,408	11,317
Depreciation of right-of-use-assets	13,745	464	120	14,329
Impairment of non-current asset (reversal)	-	54,338	-	54,338
Acquisitions of tangible and intangible assets	210	8,764	97	9,071
Segment total assets*	377,049	106,872	26,643	510,564
Loan and related liabilities	119,985	(20)	(42)	119,923
Lease liabilities	270,594	14,872	1,639	287,105
Segment total liabilities	398,655	20,782	7,931	427,368

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

(all amounts are in EUR thousand unless otherwise stated)

4 INFORMATION ABOUT SEGMENTS (CONT'D)

Reconciliation of information on reportable segments to the amounts reported in the financial statements

I. Revenues	2022	2021
Total revenues for reportable segments	77,818	61,811
Consolidated revenue	**77,818**	**61,811**

II. Profit (loss) before tax	2022	2021
Total profit (loss) before tax for reportable segments	(6,900)	(75,767)
Consolidated profit (loss) before tax from continuing operations	**(6,900)**	**(75,767)**

III. Net profit (loss)	2022	2021
Total net profit (loss) for reportable segments	(5,904)	(64,011)
Consolidated net profit (loss)	**(5,904)**	**(64,011)**

IV. Interest on financial lease liabilities	2022	2021
Total interest on financial lease liabilities for reportable segments	1,831	1,800
Consolidated interest on financial lease liabilities	**1,831**	**1,800**

V. Depreciation and amortization	2022	2021
Total depreciation and amortization for reportable segments	8,339	11,317
Consolidated depreciation and amortization	**8,339**	**11,317**

VI. Depreciation of ROU assets	2022	2021
Total depreciation of ROU assets for reportable segments	14,325	14,329
Consolidated depreciation of ROU assets	**14,325**	**14,329**

VII. Acquisitions of tangible and intangible assets	2022	2021
Total acquisitions of tangible and intangible assets for reportable segments	4,363	9,071
Consolidated acquisitions of tangible and intangible assets	**4,363**	**9,071**

VIII. Assets*	2022	2021
Total assets for reportable segments	501,510	510,564
Consolidated total assets	**501,510**	**510,564**

IX. Loan and related liabilities	2022	2021
Total loan and related liabilities for reportable segments	143,140	119,923
Consolidated loan and related liabilities	**143,140**	**119,923**

X. Lease liabilities	2022	2021
Total lease liabilities for reportable segments	266,248	287,105
Consolidated financial lease liabilities	**266,248**	**287,105**

XI. Liabilities	2022	2021
Total liabilities for reportable segments	434,833	427,368
Consolidated total liabilities	**434,833**	**427,368**

**Segment total assets – total assets of the Company, excluding Cash and cash equivalents and short-term deposits at the period end.*

(all amounts are in EUR thousand unless otherwise stated)

4 INFORMATION ABOUT SEGMENTS (CONT'D)

The Group's and Company's customers are both Lithuanian and foreign. Sales revenue by geography is as follows:

	Group		Company	
	2022	2021	2022	2021
Lithuanian clients	55,814	53,272	55,863	53,272
Foreign clients	22,004	8,539	18,859	5,361
	77,818	61,811	74,722	58,633

Majority of property, plant and equipment is located in Lithuania and only less than 1% - in Brazil.

5 INVESTMENT IN SUBSIDIARIES

The Company

	31-12-2022	31-12-2021
Cost of shares of UAB SGD logistika	4,540	4,540
Cost of shares of UAB SGD terminalas	38	38
	4,578	4,578

The Company indirectly controls subsidiaries UAB SGD SPB and KN Açu Servicos de Terminal de GNL LTDA.

UAB SGD logistika

The subsidiary was registered on 20 November 2015. The main activity – expansion of operation of international LNG terminal activities, LNG transportation activities, other economic activities.

The authorised capital of UAB SGD logistika is equal to EUR 4,540 thousand and is divided into 4,540 thousand units of shares, which grant 4,540 thousand votes. Nominal value per share – EUR 1.00.

As KN has been appointed as the operator of a liquefied natural gas (LNG) terminal in the Brazilian Port of Açu, on 13th of December 2019, UAB SGD logistika together with UAB SGD SPB established KN Acu Servicos de Terminal de GNL LTDA. As to the long-term contract with Gas Natural Açu (GNA), KN, through its subsidiary, assumes the responsibility for the provision of safe, reliable and efficient operations, including maintenance of the jetty and its installations, gas pipeline and gas metering stations as well as supporting the commissioning of the LNG Terminal.

The management of the Company has reassessed indications of impairment of investment to subsidiary – no indications as at 31 December 2022. As at 31 December 2021, the Company performed the impairment test of investment to subsidiary UAB SGD logistika by comparing discounted future cash flows forecasted for the project, implemented by established KN Açu Serviços de Terminal de GNL Ltda to carrying value of investment. Impairment test was prepared for the period until the year 2035, based on valid agreement with GNA. The main assumptions used to perform the test were income level, which is based on different main project phases and agreed in the long-term contract, possible operating costs, which were estimated based on actual LNG terminal operation business activity expenses and adjusted as to local inflation and discount rate, estimated as weighted average cost of capital (WACC) of listed oil/ gas distribution sector companies, operating in emerging markets (including Brazil) as to publicly available data for 2022 that as at 31 December 2021 was assumed to be 8.9%.

Based on impairment test results no impairment should be recognized for investment to UAB SGD logistika as at 31 December 2022.

Unaudited financial position of UAB SGD logistika is as follows:

	UAB SGD logistika	
	2022	2021
Non-current assets	151	151
Current assets	4,665	4,012
Current liabilities	1	1
Equity	4,815	4,162

Unaudited comprehensive income of UAB SGD logistika is, as follows:

	UAB SGD logistika	
	2022	2021
Income	721	154
(Expenses)	(68)	(34)
Profit (loss)	653	120

(all amounts are in EUR thousand unless otherwise stated)

5 INVESTMENT IN SUBSIDIARIES (CONT'D)

UAB SGD terminalas

The subsidiary of AB Klaipėdos nafta – UAB SGD terminalas (Burių str. 19, 92276 Klaipėda, 304139242) was established and registered on 27 December 2018. UAB SGD terminalas objective is to perform activities of operating and managing a whole structure of LNG terminal in Klaipėda. The subsidiary is currently inactive. In 2021 the share capital of subsidiary was increased by EUR 25 thousand.

Unaudited financial position of UAB SGD terminalas is as follows:

	UAB SGD terminalas	
	2022	2021
Current assets	24	27
Current liabilities	1	-
Equity	23	27

Unaudited comprehensive income of UAB SGD terminalas is, as follows:

	UAB SGD terminalas	
	2022	2021
Income	-	-
(Expenses)	(4)	(4)
Profit (loss)	(4)	(4)

6 INVENTORIES

	Group		Company	
	31-12-2022	31-12-2021	31-12-2022	31-12-2021
Oil products for sale	263	23	263	23
Diesel fuel for the LNG Terminal purpose	257	234	257	234
Emission allowances	133	-	133	-
Fuel for transport and other equipment	47	48	47	48
Liquefied natural gas	46	47	46	47
Spare parts, construction materials and other inventories	1,374	1,446	1,374	1,444
	2,120	1,798	2,120	1,796

As of 31 December 2022, the Group and the Company accounted the write-off of inventories in the amount of EUR 92 thousand that have been written down to the net realizable value. No write down to net realisable value accounted as at 31 December 2021.

In 2022 the Group and the Company recognised inventories for EUR 5,549 thousand (in 2021: EUR 3,218 thousand) in cost of sales and EUR 37 thousand in operating expenses (in 2021: EUR 30 thousand). Inventories recognised as costs during the year were included into following captions under costs of sales and operating expenses:

	2022	2021
Inventories recognised under cost of sales:		
Natural gas	3,942	2,184
Oil products	1,019	599
Repair and maintenance of assets	223	205
Emission allowances	168	-
Services for tankers	125	136
Transport	52	40
Work safety costs	19	53
Other	1	1
	5,549	3,218
Inventories recognised as operating expenses:		
Expenses for transport	36	20
Other	1	10
	37	30

(all amounts are in EUR thousand unless otherwise stated)

7 TRADE RECEIVABLES AND OTHER RECEIVABLES

	Group		Company	
	31-12-2022	31-12-2021	31-12-2022	31-12-2021
Trade receivable	11,879	9,411	11,336	8,939
Prepayments	796	553	765	523
Other receivables	2,066	1,679	1,871	1,174
	14,741	11,643	13,972	10,636

Trade and other receivables are non-interest bearing and are generally settled on 2 - 15 days payment terms.

Trade receivable disclosed below:

	Group		Company	
	8,521	7,435	8,521	7,435
Receivables from LNG terminal activities	8,521	7,435	8,521	7,435
Receivables for transhipment of oil products and other related services	4,261	2,902	4,261	2,902
Receivable for operating and management services	620	585	77	113
Less: impairment allowance	(1,523)	(1,511)	(1,523)	(1,511)
	11,879	9,411	11,336	8,939

	Group		Company	
	31-12-2022	31-12-2021	31-12-2022	31-12-2021
Receivables from third-party customers	6,801	2,067	6,221	1,580
Receivables from related parties (Note 26)	5,078	7,344	5,115	7,359
	11,879	9,411	11,336	8,939

The Group and the Company has recognized impairment allowance in the amount of EUR 1,523 thousand on 31 December 2022 (EUR 1,511 thousand on 31 December 2021).

Change in allowance for trade receivables for 2022, amounting to EUR 12 thousand (for 2021 – reverse of allowance accounted amounting to EUR (711) thousand) has been included into operating expenses in the statement of the comprehensive income. A part of impaired trade receivables in 2021 was covered by paying back or taking over the client's surplus of fuel oil – total covered amount EUR 122 thousand. Remaining part was reversed after credit invoices to two clients were issued by the decision of the management.

Movements in the allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Group and Company

	31-12-2022	31-12-2021
Balance at 1 January	1,511	2,222
Impairment of the year	12	-
Reversal of impairment	-	(711)
Balance at 31 December	1,523	1,511

The age analysis of trade receivables of the Group and the Company as at 31 December 2022 and 2021 is as follows:

Group

	Trade neither past due nor impaired	Trade receivables past due but not impaired: Less than 30 days	30 – 59 days	60 – 89 days	90 – 179 days	180 – 279 days	280 – 359 days	More than 360 days	Total
2022	6,999	896	6	3	-	3,975	-	-	11,879
2021	5,341	2,770	1,300	-	-	-	-	-	9,411

Company

	Trade neither past due nor impaired	Trade receivables past due but not impaired: Less than 30 days	30 – 59 days	60 – 89 days	90 – 179 days	180 – 279 days	280 – 359 days	More than 360 days	Total
2022	6,456	896	6	3	-	3,975	-	-	11,336
2021	4,869	2,770	1,300	-	-	-	-	-	8,939

(all amounts are in EUR thousand unless otherwise stated)

7 TRADE RECEIVABLES AND OTHER RECEIVABLES (CONT'D)

All receivable amounts from the liquefied natural gas terminal services are pledged to UAB Hoegh LNG Klaipėda for 10 years period from 2014 (agreement concluded on 2 March 2012, Note 25).

Other receivables disclosed below:

	Group		Company	
	31-12-2022	31-12-2021	31-12-2022	31-12-2021
Excise duty receivable	983	354	983	354
VAT receivable	860	820	860	820
Other receivable taxes	195	505	-	-
Other receivables	28	-	28	-
Total	2,066	1,679	1,871	1,174

(1) Other receivable taxes related to subsidiary KN Acu Servicos de Terminal de GNL Ltda receivable social security taxes (INSS). Any employee on a Brazilian payroll is subject to social security contributions. According to the current legislation, the monthly social security contribution in Brazil is due on the total amount of the remuneration at rates of 7.5% up to 14%.

8 CONTRACT ASSETS

The Group and the Company

	31-12-2022	31-12-2021
Current contract assets:		
Accrued rent income (1)	-	349
Accrued income (2)	328	263
	328	612

(1) 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 all agreement term (10 years). As at 31 December 2022 agreement amount is fully depreciated, balance as at 31 December 2021 amounted to EUR 349 thousand.

(2) Accrued income for storage of oil products as of 31 December 2022 and 31 December 2021 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.

9 OTHER FINANCIAL ASSETS

The Group and the Company

	31-12-2022	31-12-2021
Excise duty guarantee receivable	3,271	3,271
	3,271	3,271

In 2020 the Group and the Company paid a guarantee to the Excise Administration Department for tax which may arise from the movement of excise goods under suspension of excise duty. The additional excise duty guarantee paid in September 2021 for EUR 2,000 thousand. The guarantee agreement is without a fixed term.

(all amounts are in EUR thousand unless otherwise stated)

10 CASH AND CASH EQUIVALENTS

	Group		Company	
	31-12-2022	31-12-2021	31-12-2022	31-12-2021
Cash at banks	72,423	61,517	66,848	57,148

Cash and cash equivalents are not pledged as at 31 December 2022 and 31 December 2021.

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

	Group		Company	
Currency	31-12-2022	31-12-2021	31-12-2022	31-12-2021
EUR	66,687	60,827	61,909	57,145
USD	4,939	3	4,939	3
BRL	797	687	-	-
	72,423	61,517	66,848	57,148

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	
	31-12-2022	31-12-2021	31-12-2022	31-12-2021
A+	26,784	6,061	22,006	2,379
A-	17,000	-	17,000	-
AA-	27,842	27,337	27,842	27,337
BBB+	-	27,432	-	27,432
BB-	797	687	-	-
	72,423	61,517	66,848	57,148

Based on management's assessment performed and best estimate cash and its equivalents are presented at fair value and no indications of cash impairment exist as at 31 December 2022 and 31 December 2021.

11 ISSUED CAPITAL AND RESERVES

As of 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. All shares are paid. 72.47% of the shares (275,687,444 shares) are owned by the State of Lithuania, represented by the Ministry of Energy.

The Company has not acquired any own shares and has arranged no deals regarding acquisition or transfer of its own shares during the year 2022 and 2021.

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit, calculated in accordance with International Financial Reporting Standards, are compulsory until the reserve reaches 10% of the share capital. The legal reserve is fully formed as at 31 December 2022 and 31 December 2021.

Other (distributable) reserves are formed based on the decision of the General Shareholders' Meeting on profit distribution. These reserves can be used only for the purposes approved by the General Shareholders' Meeting. The largest portion of the Company's other reserves are formed for investments.

12 NON-CURRENT EMPLOYEE BENEFITS

Provisions for non-current employee benefits represent payable amounts calculated in accordance with the Lithuanian laws. Each employee at retirement age is entitled to receive a payment of 2-6 monthly salaries upon retirement. As at 31 December 2022 and 31 December 2021 the Company and the Group has recognised employee benefits related to the length of service of employees, which is described in collective agreement. Depending on time spent in the Company, the employer is entitled to a higher benefit payment than the one prescribed by the law.

As at 31 December 2022 and 31 December 2021, the Company and the Group reclassified a portion of non-current employee benefits under short term liabilities.

(all amounts are in EUR thousand unless otherwise stated)

12 NON-CURRENT EMPLOYEE BENEFITS (CONT'D)

On 31 December 2022 the liabilities related to the defined benefit obligations to the employees terminating the employment on the normal retirement date were EUR 631 thousand (EUR 756 thousand – in 2021) as follows:

Group and Company

	2022	2021
Start of period	**756**	**675**
Calculated per year	(93)	99
Paid per year	(32)	(18)
End of period	**631**	**756**
Current	62	49
Non-current	569	707

The main preconditions applied to assess long-term employee benefit liability are presented below:

Group and Company

	31-12-2022	31-12-2021
Discount rate	1.94%	0.11%
Staff turnover rate	8.46%	8.30%
Future salary increases	4.90%	4.80%

13 LOANS AND LEASE LIABILITIES

Loans

The Group and the Company

	31-12-2022	31-12-2021
Nordic Investment Bank's loan (b, c)	96,102	70,733
European Investment Bank's loan (a)	46,703	49,175
Guarantee payment to the Ministry of Finance to the Republic of Lithuania	(130)	(132)
Payable loan interest	465	147
	143,140	119,923

(a) A credit contract dated at 9 July 2013 was concluded by the Company with European Investment Bank (EIB) to grant a credit up to EUR 87,000 thousand to implement LNGT project. According to the contract, EIB financed up to 50% of necessary funds for the project implementation. According to the contract, credit tenor is up to 20 years (5 years grace period, 15 years linear repayment scheme applied), interest rate is variable comprising bank margin with inclusion of 3 months EURIBOR rate, and whose margin was submitted by the EIB in payment offers. The contract also provided that minimum credit tranche was EUR 15,000 thousand, and the whole credit sum had to be paid out to the Company over no more than 6 tranches.

The performance of 100% Company's contractual financial liabilities is ensured by the State Guarantee and aligned with EU commission. The Finance ministry of the Republic of Lithuania being issuer of the state aid guarantee has pledge on all property, plant and equipment created during LNGT project (Note 3).

Above credit was facilitated in several tranches:

i. **First tranche.** On 20 December 2013, the 1st tranche amounting to EUR 15,000 thousand was received with full principal amortization till 20 December 2033. The principal repaid by EUR 984 thousand as of 31 December 2022. First tranche loan balance as at 31 December 2022 – EUR 10,766 thousand (as at 31 December 2021 – EUR 11,746 thousand).
ii. **Second tranche.** On 28 November 2014, the 2nd tranche amounting to EUR 15,000 thousand was received with full principal amortization till 28 November 2034. The principal repaid by EUR 984 thousand as of 31 December 2022. Second tranche loan balance as at 31 December 2022 – EUR 11,751 thousand (as at 31 December 2021 – EUR 12,730 thousand).
iii. **Third tranche**. On 15 December 2017, the 3rd tranche amounting to EUR 24,700 thousand was received with full principal amortization till 20 September 2034. The principal repaid by EUR 515 thousand as of 31 December 2022. Third tranche loan balance as at 31 December 2022 – EUR 24,186 thousand (as at 31 December 2021 – EUR 24,700 thousand).

The Company complied with covenants prescribed in the loan agreement as at 31 December 2022 and as at 31 December 2021.

(all amounts are in EUR thousand unless otherwise stated)

13 LOANS AND LEASE LIABILITIES (CONT'D)

(b) On 27 November 2014, the Company has concluded the Credit Agreement with the Nordic Investment Bank (NIB) regarding granting a credit of up to EUR 34,755 thousand for the implementation of the LNGT project (the same). According to the contract, credit tenor was up to 20 years (5 years grace period, 15 years linear repayment scheme applied, interest: floating, which rate was provided in the NIB disbursement offer (a fixed margin + 6 months EURIBOR). The Loan contract also provided that the minimal payable amount of credit was EUR 7,000 thousand, and all the credit had to be paid out to the Company in no more than 5 tranches.

On 10 November 2015 there was signed NIB loan agreement amendment to reduce the loan principle to EUR 22,000 thousand.

On 31 August 2017, the Company withdrew the amount of EUR 22,000 thousand. Resulting in requirement of full principal amortization till 19 June 2034. The principal repaid by EUR 1,452 thousand as of 31 December 2022. NIB loan balance as at 31 December 2022 – EUR 16,615 thousand (as at 31 December 2021 – EUR 18,074 thousand).

The performance of 100% Company's contractual financial liabilities is ensured by the State Guarantee and aligned with EU commission. The Finance ministry of the Republic of Lithuania being issuer of the state aid guarantee has pledge on property, plant and equipment created during LNGT project.

(c) On 19 November 2019, the Company concluded the Credit Agreement with the Nordic Investment Bank (NIB) regarding granting a credit of up to EUR 134,145 thousand for restructuring of the lease payments of the FSRU. According to the Loan contract, the term of the credit was up to 25 years (5 years grace period, 20 years linear repayment scheme), interest: floating (a fixed margin + 6 months EURIBOR). The Loan contract also provides that the minimal payable amount of credit is EUR 5,000 thousand with the annual tranche cap EUR 26,829 thousand (making total 5 annual tranches). Loan balance as at 31 December 2021 – EUR 79,487 thousand (as at 31 December 2021 – EUR 52,658 thousand).

The performance of 100% Company's contractual financial liabilities is ensured by the State Guarantee and aligned with EU commission. The Finance ministry of the Republic of Lithuania being issuer of the state aid guarantee has following collateral structure: Subačius oil terminal and all existent and future receivables from security supplement till 2044. Pledge of receivables from security supplement is postponed till 31 January 2025 as performance bank guarantee of EUR 20,000 thousand is issued for 5 years tenor in favour of the Finance ministry of the Republic of Lithuania for credit support. For issuance of the state guarantee, likewise historically, a guarantee administration payment of 0.1% to the Ministry of Finance to the Republic of Lithuania was incurred.

On 31 March 2022, the Company withdrew the amount of EUR 6,707 thousand, followed by three consecutive tranches on 30 June 2022, 30 September 2022 and 31 December 2022 respectively, each amounting to EUR 6,707 thousand. The principal repaid by EUR 1,452 thousand as at 31 December 2022. The withdrawal schedule in 2021 was the same as in 2022: on 31 March 2021, the Company withdrew the amount of EUR 6,707 thousand, followed by three consecutive tranches on 30 June 2021, 30 September 2021 and 31 December 2021 respectively, each amounting to EUR 6,707 thousand. Total withdrawn amount by 31 December 2022 was EUR 79,487 thousand (EUR 53,658 thousand as at 31 December 2021).

LEASE LIABILITIES

	Group		Company	
	31-12-2022	31-12-2021	31-12-2022	31-12-2021
Lease liabilities	266,248	287,105	266,226	287,080

Lease liabilities as at 31 December 2022 can be specified as follows:

Group

	FSRU lease	Land rent	Jetty rent	Other*	Total
Long term lease liabilities	195,022	19,231	5,392	477	220,122
Short term lease liabilities	45,353	443	77	253	46,126
	240,375	19,674	5,469	730	266,248

Company

	FSRU lease	Land rent	Jetty rent	Other*	Total
Long term lease liabilities	195,022	19,231	5,392	463	220,108
Short term lease liabilities	45,353	443	77	245	46,118
	240,375	19,674	5,469	708	266,226

Lease liabilities as at 31 December 2021 can be specified as follows:

Group

	FSRU lease	Land rent	Jetty rent	Other*	Total
Long term lease liabilities	222,380	15,966	5,011	73	243,430
Short term lease liabilities	43,119	352	75	129	43,675
	265,499	16,318	5,086	202	287,105

(all amounts are in EUR thousand unless otherwise stated)

13 LOANS AND LEASE LIABILITIES (CONT'D)

Company

	FSRU lease	Land rent	Jetty rent	Other*	Total
Long term lease liabilities	222,380	15,966	5,011	55	243,412
Short term lease liabilities	43,119	352	75	122	43,668
	265,499	16,318	5,086	177	287,080

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

The interest rate for lease liabilities varies from 0.5% to 2% as at 31 December 2022 and as at 31 December 2021. The main characteristics of rent agreements by asset group, as well as the movement of the lease liability can be presented as follows:

GROUP, denominated in euros

	Currency	Year of maturity	Carrying amount as at 31-12-2021	Interests	Interest payments	Payments	Reclassifi-cation*	Additional disbursement	Exchange rate effect	Carrying amount as at 31-12-2022
FSRU lease	USD	2024	265,499	1,322	(1,334)	(47,133)	4,640	-	17,380	240,374
Land rent	EUR	2055	16,320	396	(299)	(396)	(136)	3,789	-	19,674
Jetty rent	EUR	2065	5,086	100	(81)	(86)	450	-	-	5,469
Other	EUR	2022-2022	200	13	(12)	(286)	25	791	-	731
			287,105	**1,831**	**(1,726)**	**(47,901)**	**4,979**	**4,580**	**17,380**	**266,248**

COMPANY, denominated in euros

	Currency	Year of maturity	Carrying amount as at 31-12-2021	Interests	Interest payments	Payments	Reclassifi-cation*	Additional disbursement	Exchange rate effect	Carrying amount as at 31-12-2022
FSRU lease	USD	2024	265,499	1,322	(1,334)	(47,133)	4,640	-	17,380	240,374
Land rent	EUR	2055	16,320	396	(299)	(396)	(136)	3,789	-	19,674
Jetty rent	EUR	2065	5,086	100	(81)	(86)	450	-	-	5,469
Other	EUR	2022-2022	175	11	(11)	(280)	23	791	-	709
			287,080	**1,829**	**(1,725)**	**(47,895)**	**4,977**	**4,580**	**17,380**	**266,226**

** Reclassifications of lease liabilities include impact of changes in unpaid invoices for leases as at 31 December 2022 and 31 December 2021.*

As at 31 December 2022 and 31 December 2021 the Group and the Company did not have residual value guarantees related to lease agreements or leases not yet commenced to which the Group and the Company is committed. Only one agreement, FSRU lease, contains purchase option, which is described below.

Floating Storage and Regasification Unit (FSRU) lease

On 2nd March 2012 the Company has signed the 10 years Build, Operate and Transfer (BOT) lease contract with Hoegh LNG Ltd. regarding LNG Floating Storage and Regasification Unit (FSRU) with a purchase option. FSRU has arrived at the Seaport of Klaipėda at 27th October 2014 and has been taken over by the Company on 27th November 2014. There have been no changes in the BOT lease contract with Hoegh LNG Ltd. regarding LNG Floating Storage and Regasification Unit (FSRU) in the year 2022 and 2021. The terms and condition of the BOT lease contract do not provide any restrictions on the Company's activities, associated with dividends, additional borrowings or additional rent.

FSRU operating lease payments include such elements:

- Charter Hire Element
- OPEX Element (Services, spares, consumables, insurance in FSRU mode, ship radio and communication)
- Management Fee
- Crew Costs or Maritime personnel expenses

At the lease period end the Group and the Company has an option to purchase FSRU Independence. On 25 February 2021 the General Shareholders' Meeting approved the decision to acquire the floating storage regasification unit "Independence".

(all amounts are in EUR thousand unless otherwise stated)

13 LOANS AND LEASE LIABILITIES (CONT'D)

RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

In accordance with IAS 7 Disclosure Initiative requirements, the following table provides disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities (loans taken), including both changes arising from cash flows and non-cash changes:

	Group		Company	
	Loans	Lease liabilities	Loans	Lease liabilities
Non-current interest-bearing loans and borrowings, including interest payable as at 1 January 2021	**96,510**	**305,619**	**96,510**	**305,619**
Additional loan disbursements (Cash flows)	26,829	27	26,829	-
Loan repayments (Cash flows)	(3,492)	-	(3,492)	-
Repayment of lease liabilities (Cash flows)	-	(41,459)	-	(41,455)
Interest and loan administration fee charged	481	1,800	479	1,798
Interest and loan administration fee paid (Cash flows)	(255)	(1,917)	(255)	(1,916)
Guarantee payments (Cash flows)	(146)	-	(146)	-
The effect of changes in foreign exchange rates	-	22,073	-	22,073
Reassessment of lease liabilities	-	1,319	-	1,319
Other payments / reclassifications	(4)	(357)	(2)	(358)
Non-current interest-bearing loans and borrowings, including interest payable as at 1 January 2022	**119,923**	**287,105**	**119,923**	**287,080**
Additional loan disbursements (Cash flows)	26,829	-	26,829	-
Reclassification	-	(595)	-	(595)
New leases	-	650	-	650
Loan repayments (Cash flows)	(3,901)	-	(3,901)	-
Repayment of lease liabilities (Cash flows)	-	(47,901)	-	(47,895)
Interest and loan administration fee charged	973	1,831	964	1,829
Interest and loan administration fee paid (Cash flows)	(759)	(1,726)	(759)	(1,725)
Guarantee payments (Cash flows)	(606)	-	(606)	-
The effect of changes in foreign exchange rates	-	17,380	-	17,380
Other payments / reclassifications	681	4,979	690	4,977
Non-current interest-bearing loans and borrowings, including interest payable as at 31 December 2022	**143,140**	**261,723**	**143,140**	**261,701**

14 TRADE PAYABLES AND OTHER LIABILITIES

	Group		Company	
	31-12-2022	31-12-2021	31-12-2022	31-12-2021
Trade payables	3,596	3,053	3,564	3,045
Other payables and current liabilities	2,275	642	2,157	468
	5,871	3,695	5,721	3,513

Trade payables disclosed below:

	Group		Company	
	31-12-2022	31-12-2021	31-12-2022	31-12-2021
Other payments related FSRU	1,640	257	1,640	257
Payable to contractors	184	740	184	740
Payable for railway services	99	86	99	86
Payable for rent of land	-	322	-	322
Payable for gas services	-	313	-	313
Other trade payables	1,673	1,335	1,641	1,327
Total	3,596	3,053	3,564	3,045

On 31 December 2022 trade payables of EUR 912 thousand were denominated in USD (on 31 December 2021 – EUR 3 thousand).

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

(all amounts are in EUR thousand unless otherwise stated)

14 TRADE PAYABLES AND OTHER LIABILITIES (CONT'D)

Other payables and current liabilities disclosed below:

	Group		Company	
	31-12-2022	31-12-2021	31-12-2022	31-12-2021
Accrued expenses and liabilities	909	327	909	327
Received guarantee payment (1)	880	-	880	-
Real estate tax payable	126	90	126	90
Other taxes payable	120	205	-	31
Other liabilities	240	20	242	20
	2,275	642	2,157	468

(1) Received guarantee payment related to particular client's fulfillment of payment obligations. Guarantee payment will be returned after the execution of the contract. The term of the contract is at the first quarter of 2023.

Other liabilities are non-interest bearing and have an average payment term of one month.

15 PAYROLL RELATED LIABILITIES

	Group		Company	
	31-12-2022	31-12-2021	31-12-2022	31-12-2021
Accrual of annual bonuses	1,711	977	1,631	930
Accrued vacation reserve	769	818	715	759
Salaries payable	500	451	500	450
Social insurance payable	265	262	228	217
Income tax payable	190	158	176	158
Other deductions	2	3	2	3
Total	3,437	2,669	3,252	2,517

16 PROVISIONS

Greenhouse gas emission allowances in advance is distributed for the periods covering the next few years. The first period started from 2005 and ended in 2007, the second period started from 2008 and ended in 2012, the third period started from 2013 and ended in 2021, and the current period started from 2022 and will end in 2025. Companies that participate in the project from 2005 are obliged to report about real extent of pollution of each calendar year. When available allowances are not sufficient to cover actual pollution, then a penalty should be paid for each ton of excess carbon dioxide.

Emission rights are accounted for when evaluating the deficit between the emission allowances allocated under the national allocation plan for emission allowances and the actual pollution for the particular year. The quantity of used emission allowances is audited by external auditors each year.

As at 31 December 2022, the Group and the Company has accounted for a provision of EUR 5,663 thousand regarding the emission made which exceed available emission rights (as at 31 December 2021 – EUR 3,596 thousand).

Movement of provision in 2022:

Balance as at 31 December 2021	(3,596)
Purchase of emission allowances	133
Emission allowances used	3,413
Additional provision made	(5,613)
Balance as at 31 December 2022	(5,663)

(all amounts are in EUR thousand unless otherwise stated)

17 REVENUE FROM CONTRACTS WITH CUSTOMERS

	Group		Company	
	2022	2021	2022	2021
Income from LNGT regasification services collected directly from LNGT users (1)	33,586	6,795	33,586	6,795
Sales of oil transhipment services	25,137	19,066	25,137	19,066
Income from LNGT services included in security supplement (2)	10,729	27,732	10,729	27,732
Other sales related to LNG terminals activity	5,407	5,636	2,262	2,255
Other sales related to transhipment	1,023	1,066	1,023	1,066
Sales of inventories	1,669	1,303	1,669	1,304
Sales of consulting services	267	213	316	415
	77,818	61,811	74,722	58,633

(1) The significant factor, which has influenced the increase in Group's and Company's revenue in 2022, is higher regasification volumes compared to the previous year.

Income from LNGT services contains income from LNG regasification service and LNG reloading service. The tariffs of this services are adjusted annually and regulated by NERC. Regasification and reloading income are collected directly from the clients after services are provided based on quantities.

In 2022 the Company has implemented regasification model in order to reduce the additional security supplement price for the natural gas consumers. Regasification tariff which is actual just for the LNG terminal users from May, 2022 was increased according to the upper limit of the Company's LNG revenue. After these changes it was possible to decrease the security supplement and to collect all revenue directly from LNG terminal users.

(2) Security supplement – security of supply fee applied to natural gas transmission price paid by Lithuanian natural gas consumers. LNG terminal additional security supplement tariff is applied to Terminal users, who regasify gas via LNG terminal and use gas transmission system. LNG terminal additional security supplement tariff is set by NERC by the resolutions annually and is dedicated to cover operating costs of LNG terminal, its infrastructure and tie-in, independently from gas volumes regasified and submitted to gas transmission system.

Security supplement income is lower in 2022 compared to 2021 due to implemented regasification model when regasification tariff was increased and security supplement from May 2022 was 0 EUR.

18 COST OF SALES

	Group		Company	
	2022	2021	2022	2021
Depreciation of right-of-use asset	(14,088)	(14,052)	(14,088)	(14,052)
Wages, salaries and social security	(8,217)	(7,720)	(7,587)	(7,177)
Depreciation and amortisation (incl. amortisation of grants)	(8,198)	(11,076)	(8,107)	(11,001)
Expenses related to FSRU rent (OPEX element, management, crew cost)	(7,471)	(5,641)	(7,471)	(5,641)
Tax on environmental pollution and Emission allowances	(5,686)	(4,274)	(5,686)	(4,274)
Natural gas	(3,942)	(2,184)	(3,942)	(2,184)
Electricity	(1,831)	(1,314)	(1,831)	(1,314)
Port charges	(1,536)	(1,541)	(1,536)	(1,541)
Railway services	(1,240)	(934)	(1,240)	(934)
Cost of oil products sold	(1,019)	(599)	(1,019)	(599)
Other	(4,475)	(3,774)	(4,199)	(3,427)
Total	(57,703)	(53,109)	(56,706)	(52,144)

(all amounts are in EUR thousand unless otherwise stated)

19 OPERATING EXPENSES

	Group		Company	
	2022	2021	2022	2021
Wages, salaries and social security	(5,298)	(4,963)	(4,933)	(4,667)
Consulting and legal costs (2)	(598)	(930)	(501)	(839)
Telecommunication and IT expenses	(395)	(384)	(330)	(355)
Depreciation of right-of-use asset	(237)	(277)	(230)	(272)
Administration of bank accounts	(209)	(277)	(201)	(270)
Salaries and other related expenses to governing bodies	(185)	(161)	(185)	(161)
Operating tax expense	(179)	(227)	(85)	(68)
Depreciation and amortization	(141)	(241)	(141)	(240)
Training costs	(134)	(87)	(134)	(81)
Impairment of assets (1)	(27)	(54,338)	(27)	(54,338)
Impairment (reversal) of doubtful receivables	(12)	711	(12)	711
Other	(1,017)	(754)	(747)	(580)
	(8,432)	(61,928)	(7,526)	(61,160)

(1) **Impairment of non-current assets.** Reconciliation of impairment recognised under operating expenses in 2021:

Property, plant and equipment	48,462
Right of use assets	5,815
Intangible assets	61
Total impairment recognised under operating expenses	54,338

(2) **Remuneration to auditors.** Consulting and legal costs contain EUR 70 thousand and EUR 55 thousand expenses incurred for financial statutory audit performed by external auditor of the Group and the Company for the year ended 31 December 2022, respectively (EUR 69 thousand and EUR 55 thousand – for the year ended 31 December 2021, respectively). Remuneration to the independent audit firms for regulated activity review services amounts to EUR 13 thousand for both, the Group and the Company, (EUR 13 thousand – for the year ended 31 December 2021).

20 INCOME (EXPENSES) FROM FINANCIAL AND INVESTMENT ACTIVITIES – NET

	Group		Company	
	2022	2021	2022	2021
Gain from lease liabilities	949	-	949	-
Interest income	103	13	31	13
Fines income	56	30	56	30
Gain from derivatives	-	1,898	-	1,898
Other financial income	113	46	22	28
Financial activity income, total	1,221	1,987	1,058	1,969
Losses from currency exchange on the lease liabilities	(17,380)	(22,073)	(17,380)	(22,073)
Interest on the lease liabilities	(1,831)	(1,800)	(1,829)	(1,798)
Interest expenses	(973)	(481)	(965)	(479)
Losses from currency exchange	(88)	(174)	(81)	(105)
Loss from financial derivatives	(72)	-	(72)	-
Fines and penalties expenses	-	(19)	-	-
Other financial activity expenses	(3)	(10)	-	(1)
Financial activity expenses, total	(20,347)	(24,557)	(20,327)	(24,456)

21 INCOME TAX

	Group		Company	
	2022	2021	2022	2021
Current income tax expense	(508)	(456)	-	-
Deferred tax (expenses) income	1,504	12,212	1,504	12,212
Income tax (expense) income recorded in the profit (loss)	996	11,756	1,504	12,212

(all amounts are in EUR thousand unless otherwise stated)

21 INCOME TAX (CONT'D)

Reconciliation between income tax expense of the Group and Company and the result of taxable income of the Group and the Company multiplied by income tax rate for the years 2022 and 2021 is as follows:

Group	2022	2022	2021	2021
Accounting profit (loss) before tax		(6,900)		(75,767)
Applying 15% profit tax	15.00%	(1,035)	15.00%	(11,365)
Effect of tax rates in foreign jurisdictions	(3.88)%	268	(0.35)%	264
Tax effect of:				
Tax-exempt income	0.16%	(11)	0.00%	-
Non-deductible expenses of income tax	(1.41)%	97	(0.06)%	48
Income tax recognised in other comprehensive income	0.20%	(14)	0.00%	-
Adjustments in respect of prior years	4.90%	(338)	0.90%	(680)
Other	(0.54)%	37	0.03%	(23)
	14.43%	(996)	15,52%	(11,756)

Company	2022	2022	2021	2021
Accounting profit (loss) before tax		(8,236)		(77,129)
Applying 15% profit tax	15.00%	(1,235)	15.00%	(11,569)
Tax effect of:				
Tax-exempt income	0.13%	(11)	0.00%	-
Non-deductible expenses of income tax	(0.91)%	75	(0.04)%	31
Income tax recognised in other comprehensive income	0.17%	(14)	0.00%	-
Adjustments in respect of prior years	4.10%	(338)	0.88%	(680)
Other	(0.23)%	19	(0.01)%	6
	18.26%	(1,504)	15.83%	(12,212)

Movements of deferred tax balances:

Group and Company	**Balance as at 31 December 2022**							
2022	**Net balance at 1 January**	**Recognised in profit or loss**	**Recognised in OCI**	**Recognised directly in equity**	**Other**	**Net**	**Deferred tax assets**	**Deferred tax liabilities**
Non-current asset (right-of-use asset)	(8,533)	(2,317)	-	-	-	(10,850)	-	(10,850)
Accelerated depreciation for tax purposes	197	(10)	-	-	-	187	187	-
Vacation reserve	114	(7)	-	-	-	107	107	-
Accrued annual bonuses	139	105	-	-	-	244	244	-
Emission allowances	539	310	-	-	-	849	849	-
Other temporary differences	60	17	-	-	-	77	77	-
Impairment of non-current assets	8,034	4	-	-	-	8,038	8,038	-
Long-term employee benefit liability	113	(6)	(14)	-	-	93	93	-
Associates' equity method	5	(5)	-	-	-	-	-	-
Different depreciation rates of non-current assets	(763)	(654)	-	-	-	(1,417)	-	(1,417)
Accrued income	(53)	52	-	-	-	(1)	-	(1)
Accrued taxable losses	5,657	3,904	-	-	-	9,561	9,561	-
Investment incentive of non-current assets under the law previously in force	(1,893)	111	-	-	-	(1,782)	-	(1,782)
Tax assets (liabilities) before set-off	**3,616**	**1,504**	**(14)**	**-**	**-**	**5,106**	**19,156**	**(14,050)**
Set-off of tax	-	-	-	-	-	-	**(14,050)**	**14,050**
Net tax assets (liabilities)	**3,616**	**1,504**	**(14)**	**-**	**-**	**5,106**	**5,106**	**-**

21 INCOME TAX (CONT'D)

Group and Company	**Balance as at 31 December 2021**							
2021	**Net balance at 1 January**	**Recognised in profit or loss**	**Recognised in OCI**	**Recognised directly in equity**	**Other**	**Net**	**Deferred tax assets**	**Deferred tax liabilities**
Non-current asset (right-of-use asset)	(7,715)	(818)	-	-	-	(8,533)	-	(8,533)
ccelerated depreciation for tax purposes	207	(10)	-	-	-	197	197	-
Vacation reserve	162	(48)	-	-	-	114	114	-
Accrued annual bonuses	96	43	-	-	-	139	139	-
Emission allowances	256	283	-	-	-	539	539	-
Other temporary differences	59	1	-	-	-	60	60	-
Impairment of non-current assets	38	7,996	-	-	-	8,034	8,034	-
Long-term employee benefit liability	101	3	9	-	-	113	113	-
Associates' equity method	-	5	-	-	-	5	5	-
Different depreciation rates of non-current assets	(752)	(11)	-	-	-	(763)	-	(763)
Accrued income	(146)	93	-	-	-	(53)	-	(53)
Accrued taxable losses	1,094	4,563	-	-	-	5,657	5,657	-
Investment incentive of non-current assets under the law previously in force	(2,005)	112	-	-	-	(1,893)	-	(1,893)
Tax assets (liabilities) before set-off	**(8,605)**	**12,212**	**9**	**-**	**-**	**3,616**	**14,858**	**(11,242)**
Set-off of tax	-	-	-	-	-	-	**(11,242)**	**11,242**
Net tax assets (liabilities)	**(8,605)**	**12,212**	**9**	**-**	**-**	**3,616**	**3,616**	**-**

As at 31 December 2022 the Group and the Company did not recognise as deferred tax asset in total amounting to EUR 319 thousand: EUR 229 thousand from allowance of trade accounts receivable and EUR 96 thousand from Group companies' tax losses carried forward (UAB "SGD logistika", UAB "SGD SPB", UAB "SGD terminalas"). As at 31 December 2021 the Group and the Company did not recognise as deferred tax asset in total amounting to EUR 319 thousand: EUR 227 thousand from allowance of trade accounts receivable and EUR 92 thousand from Group companies' tax losses carried forward (UAB "SGD logistika", UAB "SGD SPB", UAB "SGD terminalas").

As at 31 December 2022 and 31 December 2021 the Company's management's judgement was not to recognize as deferred tax asset amounting up to EUR 263 thousand from the investment incentive in the amount of up to EUR 1,756 thousand, whose expiry date is 2024, up to EUR 2,828 thousand from the investment incentive in the amount of up to EUR 18,850 thousand, whose expiry date is 2023 as the management does not expect to use the investment incentive to set off against taxable profit in the future.

In the Statement of Financial position deferred income tax asset and deferred income tax liability are set-off as they both are related to the same tax authority.

While assessing deferred income tax asset and liability components as at 31 December 2022 and 2021 the Company has used the domestic Lithuanian income tax rate of 15%. The Group's subsidiary KN Açu Serviços de Terminal de GNL Ltda applies Brazilian Tax System and subsidiary´s administration has elected the Real Profit Regime that is calculated on quarterly basis. The official rates for Income tax rate is 25% and Social Contribution on Net Profit is 9%.

22 BASIC AND DILUTED EARNINGS (LOSSES) PER SHARE

Basic earnings per share are calculated by dividing net profit (loss) of the Group 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:

	Group	
	2022	2021
Net profit (loss) attributable to shareholders	(5,904)	(64,011)
Weighted average number of outstanding ordinary shares (thousand)	380,397	380,416
Earnings and reduced earnings (in EUR)	(0.02)	(0.17)

23 DIVIDENDS

	2022	2021
Dividends declared	-	(7,538)
Weighted average number of shares (thousand)	380,397	380,416
Dividends declared per share (expressed in EUR per share)	-	0.02

The General Meeting of the Shareholders held on 22 April 2022 approved allocation of profit (loss) for the year 2021 – no dividends were declared. The General Meeting of the Shareholders held on 30 April 2021 approved profit appropriation for the year 2020 and allocated to the Shareholders dividends in the amount of EUR 7,538 thousand for 2021.

The outstanding amount of declared dividends to the shareholders, who were not reached from the stated addresses, is accounted as current amounts payable and liabilities in the Statement of financial position as at 31 December 2022. As at 31 December 2022, the outstanding number of dividends not paid during the previous financial year amounted to EUR 157 thousand (EUR 164 thousand as at 31 December 2021).

24 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT

Credit risk

The Group and The Company have significant concentration of trading counterparties. Trade receivables from the main customers are as follows:

- Client A accounted for approximately 31% as at 31 December 2022 (about 69% as at 31 December 2021) of total Group trade receivables;
- Client B – on 31 December 2022 accounted for approximately 17% (0% as at 31 December 2021) of the total Group's and Company's receivables from all its customers;
- Client C – on 31 December 2022 accounted for approximately 11% (about 14% as at 31 December 2021) of the total Group's and Company's receivables from all its customers.
- Client D – on 31 December 2022 accounted for approximately 11% (about 6% as at 31 December 2021) of the total Group's and Company's receivables from all its customers.

The average payment term for the main customer mentioned above varies from 12 to 20 calendar days, whereas the usual payment terms for all other customers is 5 days. A possible credit risk for the Group's and the Company's customers is managed by a continuous monitoring of outstanding balances.

The Group's and Company's procedures are in force to ensure on a permanent basis that services are provided to reliable customers and do not exceed an acceptable credit exposure limit. The Group and the Company trades only with reputable third parties, so there is no requirement for collateral.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, if any, in the Statement of Financial position. Consequently, the Group and the Company considers that its maximum exposure is reflected by the amount of trade receivables, net of allowance for doubtful accounts and cash and other short-term deposits recognized at the date of Statement of Financial position. In the management's opinion there were no reasonably likely circumstances, which would raise additional obligations to the Group and the Company.

The following table provides information about the exposure to credit risk for trade receivables from the customers:

Group

31-12-2022	Gross carrying amount	Loss allowance	Credit impaired
Current (not past due)	6,999	-	No
1-30 days past due	896	-	No
31-59 days past due	6	-	No
60-89 days past due	3	-	No
90-179 days past due	-	-	No
180-279 days past due	3.975	-	No
More than 280 days past due	1,523	(1,523)	Yes
	13,402	(1,523)	

(all amounts are in EUR thousand unless otherwise stated)

24 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (CONT'D)

Company

31-12-2022	Gross carrying amount	Loss allowance	Credit impaired
Current (not past due)	6,456	-	No
1-30 days past due	896	-	No
31-60 days past due	6	-	No
60-89 days past due	3	-	No
90-179 days past due	-	-	No
180-279 days past due	3,975	-	No
More than 280 days past due	1,523	(1,523)	Yes
	12,859	(1,523)	

Group

31-12-2021	Gross carrying amount	Loss allowance	Credit impaired
Current (not past due)	5,341	-	No
1-30 days past due	2,770	-	No
31-60 days past due	1,300	-	No
More than 60 days past due	1,511	(1,511)	Yes
	10,922	(1,511)	

Company

31-12-2021	Gross carrying amount	Loss allowance	Credit impaired
Current (not past due)	4,869	-	No
1-30 days past due	2,770	-	No
31-60 days past due	1,300	-	No
More than 60 days past due	1,511	(1,511)	Yes
	10,450	(1,511)	

Interest rate risk

The Group's and the Company's income and operating cash flows are influenced by changes in market interest rates, which are linked to EURIBOR base. Overall, 44% of loan portfolio is exposed to floating interest rate risk no hedging derivative instruments were used. Thus, such standing has implications on financial results.

EIB facility with 3 tranches is exposed to 3 months EURIBOR with zero-floor applicable on EURIBOR base. In contrast, NIB facilities are exposed to 6 months EURIBOR with no zero-floor applicable on EURIBOR base.

	Maturity date	Carrying amount as at 31-12-2022	Carrying amount as at 31-12-2021	Interest rate	Floating interest rate exposure
EIB loan:					
1st tranche	20-12-2023	10,766	11,746	fixed margin + 3 months EURIBOR	Negative total interest rate is set at zero
2nd tranche	28-11-2034	11,751	12,730	fixed margin + 3 months EURIBOR	Negative total interest rate is set at zero
3rd tranche	20-09-2034	24,186	24,700	fixed margin + 3 months EURIBOR	Negative total interest rate is set at zero
NIB loan:					
Reloading station	19-06-2034	16,615	18,074	fixed margin + 6 months EURIBOR	Negative interest is accrued and offset on the repayment date as part of the loan
FSRU loan	31-12-2044	79,487	52,658	fixed	No exposure to floating interest rate
		142,805	119,908		

Fixed margin varies from 0,066% to 0,78% as at 31 December 2022.

The Group and the Company is constantly assessing its possibilities to hedge interest rate risks on its loans. Thus, the loans related with long-term LNG terminal solution with high probability in future are expected to be with partially or fully fixed interests.

(all amounts are in EUR thousand unless otherwise stated)

24 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (CONT'D)

The Group's and the Company's excess liquidity in forms of money and time deposits are distributed across the accounts of major Lithuanian banks, which are granted with Standard Poor's or equivalent long-term term borrowing BBB- or better external rating according to the foreign rating agencies. Partner bank's rating is assessed either on a stand-alone or applying a bank group logic into which exposure is present. Also, the Group and the Company is monitoring recommendation of the Central Bank of Lithuania.

Retrospectively, risk related to the funds security in banks was limited, because the Group and the Company carried out transactions with the banks that have high ratings provided by the foreign rating agents.

As at 31 December 2022 increase/decrease in EURIBOR interest rate by 10 basis points would increase/decrease yearly interest expenses amount by EUR 63 thousand (as at 31 December 2021 – EUR 28 thousand).

Exchange rate risk

The Group and the Company is exposed to foreign currency fluctuations primarily related to the U.S. dollar. Foreign exchange risk arises from future commercial transactions as well as recognized liabilities including impact arising from IFRS 16 "Leases".

Because the highest part of lease payments is denominated in US dollars, as a result changes in exchange rates occur in the statement of comprehensive income, the Group and the Company incurred the currency exchange loss amounting to EUR 17,380 thousand for 2022 arising from IFRS 16 "Leases" and loss amounting to EUR 22,073 thousand for 2021.

Summary of exchange rates as at 31 December 2022 and 31 December 2021 to EUR:

	Exchange rate as at 31-12-2022	Average exchange rate in 2022	Exchange rate as at 31-12-2021	Average exchange rate in 2021
USD	1.0666	1.0538	1.1334	1.1833
BRL	5.6386	5.4424	6.3734	6.3773

Group (denominated in euro)

31-12-2022	EUR	USD	BRL	Total
Cash and cash equivalents	66,687	4,939	797	72,423
Trade receivables	11,336	-	543	11,879
Lease liabilities	(25,851)	(240,375)	(22)	(266,248)
Trade payables	(2,652)	(912)	(32)	(3,596)
Total	49,520	(236,348)	1,286	(185,542)

Company (denominated in euro)

31-12-2022	EUR	USD	BRL	Total
Cash and cash equivalents	61,909	4,939	-	66,848
Trade receivables	11,336	-	-	11,336
Lease liabilities	(25,851)	(240,375)	-	(266,226)
Trade payables	(2,652)	(912)	-	(3,564)
Total	44,742	(236,348)	-	(191,606)

Group (denominated in euro)

31-12-2021	EUR	USD	BRL	Total
Cash and cash equivalents	60,827	3	687	61,517
Trade receivables	8,925	-	486	9,411
Lease liabilities	(21,581)	(265,499)	(25)	(287,105)
Trade payables	(3,026)	(3)	(24)	(3,053)
Total	45,145	(265,499)	1,124	(219,230)

Company (denominated in euro)

31-12-2021	EUR	USD	BRL	Total
Cash and cash equivalents	57,145	3	-	57,148
Trade receivables and other receivables	8,939	-	-	8,939
Lease liabilities	(21,581)	(265,499)	-	(287,080)
Trade payables and other liabilities	(3,042)	(3)	-	(3,045)
Total	41,461	(265,499)	-	(224,038)

As at 31 December 2022 increase in USD currency rate by 10 basis points would increase yearly loss from currency exchange amount by EUR 237 thousand (as at 31 December 2021 – EUR 234 thousand).

As at 31 December 2022 increase in BRL currency rate by 10 basis points would increase yearly income from currency exchange amount by EUR 7 thousand (as at 31 December 2021 – EUR 1 thousand).

24 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (CONT'D)

Liquidity risk

The Company's and Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans.

The Group's liquidity (total current assets / total current liabilities) and quick ratios ((total current assets - inventories) / total current liabilities) as at 31 December 2022 were 1.30 and 1.27, respectively (1.28 and 1.25 as at 31 December 2021).

The Company's liquidity (total current assets / total current liabilities) and quick ratios ((total current assets - inventories) / total current liabilities) as at 31 December 2022 were 1.22 and 1.19, respectively (1.20 and 1.17 as at 31 December 2021).

The Group's and Company's objective is to maintain a balance between continuity of funding and flexibility. The Groups and the Company's activities generate sufficient amount of cash, therefore, the managements' main responsibility is to monitor that the liquidity ratio of the Company is close or higher than 1.

The table below summarizes the maturity profile of the Group's and Company's financial liabilities as at 31 December 2022 assessed on contractual undiscounted payments:

Group

	Carrying amount	On demand	Less than 3 months	3 to 12 Months	1 to 5 years	More than 5 years	Total
Trade and other payables	5,871	-	5,849	22	-	-	5,871
Lease liabilities	266,248	-	14,085	42,182	188,737	32,574	277,578
Loan and interest	143,140	-	1,414	5,632	25,696	118,174	150,916
Balance as at 31 December 2022	415,259	-	21,348	47,836	214,433	150,748	434,365

Company

	Carrying amount	On demand	Less than 3 months	3 to 12 Months	1 to 5 years	More than 5 years	Total
Trade and other payables	5,721	-	5,699	22	-	-	5,721
Lease liabilities	266,226	-	14,082	42,175	188,721	32,574	277,552
Loan and interest	143,140	-	1,414	5,632	25,696	118,174	150,916
Balance as at 31 December 2022	415,087	-	21,195	47,829	214,417	150,748	434,189

The table below summarizes the maturity profile of the Group's and Company's financial liabilities as at 31 December 2021 assessed on contractual undiscounted payments:

Group

	Carrying amount	On demand	Less than 3 months	3 to 12 Months	1 to 5 years	More than 5 years	Total
Trade and other payables	3,695	-	3,346	349	-	-	3,695
Lease liabilities	287,105	-	14,116	42,267	229,839	29,045	315,267
Loan and interest	119,923	-	630	3,439	27,969	92,379	124,417
Derivatives	15	-	-	15	-	-	15
Balance as at 31 December 2021	410,738	-	18,092	46,070	257,808	121,424	443,394

Company

	Carrying amount	On demand	Less than 3 months	3 to 12 Months	1 to 5 years	More than 5 years	Total
Trade and other payables	3,513	-	3,164	349	-	-	3,513
Lease liabilities	287,080	-	14,106	42,251	229,813	29,045	315,215
Loan and interest	119,923	-	630	3,439	27,969	92,379	124,417
Derivatives	15	-	-	15	-	-	15
Balance as at 31 December 2021	410,531	-	17,900	46,054	257,782	121,424	443,160

EUR 184 thousand of the EUR 10,356 thousand of Group's trade and other payables as at 31 December 2022 (EUR 740 thousand of the EUR 3,513 thousand amount as at 31 December 2021) are the retention amounts under contracts, which are paid for when all work under a contract has been completed. There is no possibility to forecast these payment terms.

Fair value of financial assets and liabilities

The Company's and Group's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, non-current and current borrowings.

Fair value is stated as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(all amounts are in EUR thousand unless otherwise stated)

24 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (CONT'D)

Fair value of financial assets and liabilities (cont'd)

The following methods and assumptions are used to estimation the fair value of each class of financial assets and liabilities as at 31 December 2022:

Group	Carrying amount				Fair value			
	Fair value - hedging instruments	Financial assets at amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value								
Trade receivables	-	11,879	-	11,879				
Cash	-	72,423	-	72,423				
Contract assets	-	328	-	328				
	-	**84,630**	**-**	**84,630**				
Financial liabilities not measured at fair value								
Loan and interest	-	-	(143,140)	(143,140)	-	(143,140)	-	(143,140)
Financial lease liabilities			(266,248)	(266,248)				
Trade payables	-	-	(3,596)	(3,596)				
	-	**-**	**(412,984)**	**(412,984)**				

Company	Carrying amount				Fair value			
	Fair value - hedging instruments	Financial assets at amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value								
Trade receivables	-	11,336	-	11,336				
Cash	-	66,848	-	66,848				
Contract assets	-	328	-	328				
	-	**78,512**	**-**	**78,512**				
Financial liabilities not measured at fair value								
Loan and interest	-	-	(143,140)	(143,140)	-	(143,140)	-	(143,140)
Financial lease liabilities			(266,226)	(266,226)				
Trade payables	-	-	(3,564)	(3,564)				
	-	**-**	**(412,930)**	**(412,930)**				

(all amounts are in EUR thousand unless otherwise stated)

24 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (CONT'D)

The following methods and assumptions are used to estimation the fair value of each class of financial assets and liabilities as at 31 December 2021:

Group	Carrying amount				Fair value			
	Fair value - hedging instruments	Financial assets at amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value								
Trade receivables	-	9,411	-	9,411				
Cash	-	61,517	-	61,517				
Contract assets	-	612	-	612				
	-	**71,540**	**-**	**71,540**				
Financial liabilities measured at fair value								
Derivatives	(15)	-	-	(15)	-	(15)	-	(15)
	(15)	**-**	**-**	**(15)**				
Financial liabilities not measured at fair value								
Loan and interest	-	-	(119,923)	(119,923)	-	(119,923)	-	(119,923)
Financial lease liabilities	-	-	(287,105)	(287,105)				
Trade payables	-	-	(3,053)	(3,053)				
	-	**-**	**(410,081)**	**(410,081)**				

Company	Carrying amount				Fair value			
	Fair value - hedging instruments	Financial assets at amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value								
Trade receivables	-	8,939	-	8,939				
Cash	-	57,148	-	57,148				
Contract assets	-	612	-	612				
	-	**66,699**	**-**	**66,699**				
Financial liabilities measured at fair value								
Derivatives	(15)	-	-	(15)	-	(15)	-	(15)
	(15)	**-**	**-**	**(15)**				
Financial liabilities not measured at fair value								
Loan and interest	-	-	(119,923)	(119,923)	-	(119,923)	-	(119,923)
Financial lease liabilities			(287,080)	(287,080)				
Trade payables	-	-	(3,045)	(3,045)				
	-	**-**	**(410,048)**	**(410,048)**				

No transfers occurred between levels in the hierarchy by re-assessing categorization as at 31 December 2022 compared to 31 December 2021.

Capital management

The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements. Capital includes equity attributable to equity holders.

The Company manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

In 2021 the decrease on authorized capital of the Company was amounting to EUR 190 thousand.

The Company must keep its equity at least up to 50% of its share capital, as imposed by the Law on Companies of Republic of Lithuania as at 31 December 2022 and as at 31 December 2021.

The Company's activities are financed using its equity and loan capital.

25 COMMITMENTS AND CONTINGENCIES

The Tax Authorities have not performed full-scope tax investigations at the Company and the Group. The Tax Authorities may inspect accounting, transaction and other documents, accounting records and tax returns for the current and previous 3 calendar years at any time, and where appropriate, for the current and previous 5 or 10 calendar years and impose additional taxes and penalties. Management of the Group and The Company is not aware of any circumstances which would cause calculation of additional significant liabilities due to unpaid taxes.

The Customs of the Republic of Lithuania and the Tax Authorities have granted to the Company the exemption from the obligation to provide guarantees for possible tax liabilities. The total amount of exemptions amounts to EUR 371,000 thousand as at 31 December 2022 (EUR 363,000 thousand as at 31 December 2021).

Material contractual liabilities (acquisition of property, plant and equipment) amounted to EUR 791 thousand as at 31 December 2022 (EUR 1,884 thousand as at 31 December 2021).

The Company has an agreement on assignment of claim rights and a maximum pledge agreement with UAB Hoegh LNG Klaipėda which maximum amount of USD 50,000 thousand per one year as at 31 December 2022 and as at 31 December 2021. The said agreements are intended to secure obligations of the Company to Hoegh LNG Klaipėda under the Time Charter Party (Lease of a Floating Storage and Regasification Unit in conjunction with maintenance and operation services) agreement concluded on 2 March 2012.

The Company takes out part of NIB loan on a quarterly basis, fulfilling the legal obligation to reduce the security supplement until the acquisition of the Floating Storage Regasification Unit (FSRU) and to spread the costs of the LNG terminal over the expected period of its operation. The revenue cap of LNG terminal is reduced by the part of the loan taken. In accordance with the provision of the NERC Methodology, it is foreseen after the acquisition of the FSRU, the reduced income in 2020-2024 will be compensated in order to cover the loan repayments according to the loan schedule over the period 2025-2044.

Legal disputes

- In January 2023 PGNiG Supply & Trading GmbH, both users of the LNG terminal, submitted claims to the Company for a compensation in the amounts of USD 874 thousand and USD 725 thousand, because during loading operations in December 2022, the LNG carrier ordered by PGNiG Supply & Trading GmbH experienced demurrage while loading liquefied natural gas to the Floating Storage Regasification Unit (FSRU). The demurrage of LNG carrier ordered by PGNiG Supply & Trading GmbH arose due to a technical malfunction of the equipment of the FSRU as of November 25, 2022, where the capacity of LNG regasification was partially limited, which in turn led to the fact that the mentioned LNG carrier exceeded the laytime while loading the LNG cargo. The Company considers that the claims of PGNiG Supply & Trading GmbH are unreasonable, because in the event of such malfunction, the Company as the operator has the right to switch the working modes of operations and limit LNG terminal services without being responsible for losses of the LNG terminal user.

  The management of the Company evaluates that the outflow of these claims are not probable and the Company believes that there will be no significant additional costs related to this case, wherefore no deferrals have been formed in the preparation of the financial statements of 31 December 2022.

- The Company is defending an action brought in 2014 by UAB "Naftos grupė", which allegedly incurred loss in the amount of EUR 5 million and additionally aims to recover the surplus of oil products allegedly owned by UAB "Naftos grupė" and stored by the Company.

  Competition Council is involved in the process, however there is a lack of evidence for the Court and the case is suspended until the criminal case (described in the next bullet point) is resolved.

  Based on judgement of legal advisors, the management of the Company believes that the defence against the action will be successful, no provisions for this ongoing case have been formed in the preparation of the financial statements of 31 December 2022.

- The Company is a civil plaintiff in a criminal case on the accusations against the former managers of the Company and against companies UAB "Naftos grupė" and UAB "Artilona".

  In 2017 the court of the first instance issued a verdict to award the payment of EUR 20.9 million and 5% annual interest in favour of the Company and, additionally, to cover the court representation costs. However, all accused persons appealed against the first instance court decision and the case was transferred to the appellate instance, Court of Appeal of Lithuania. Currently, the case is still on-going.

  Since the Company is a plaintiff in the case, no significant additional costs related to this case will be incurred.

- Since 2015 the Company is involved as a third interested party in the legal cases with AB Achema, which has submitted 13 complaints regarding the resolutions of the NERC to the court. AB Achema requests the court to annul NERC resolutions related to the additional security component of natural gas supply transmission price.

  As a result of this dispute, AB Amber Grid calculates fine and interest for AB Achema for overdue payments for security component. As at 31 December 2022 the amount of the fine and interest calculated by AB Amber Grid and paid to the Company amounts to EUR 4,002 thousand (as at 31 December 2021 – EUR 3,837 thousand). The Company does not recognise the received payments for fines and interest as income until a court decision is rendered. Payments received are presented under Contract liabilities caption in the statement of financial position.

25 COMMITMENTS AND CONTINGENCIES (CONT'D)

In the opinion of the Company's management, the Company will not incur any significant additional costs related to this case, therefore no provisions for this ongoing case have been formed in the preparation of the financial statements of 31 December 2022.

- Vilnius Commercial Arbitration Court resolved the case based on the claim filed by the Company regarding the judgment of a debt of EUR 1,529 thousand (EUR 1,409 thousand debt and EUR 120 thousand interest) from the VERUM PLUS AG. The claim has been satisfied. Bankruptcy proceedings to the VERUM PLUS AG has been initiated, however, the process has been suspended, because the defendant appealed the bankruptcy case.

  In the opinion of the Company's management, the proceedings from this case are not probable, wherefore no assets for this ongoing case have been formed in the preparation of the financial statements of 31 December 2022.

- In July 2021 a civil claim of the prosecutor of the Klaipėda Regional Prosecutor Office was received in defense of the public interest concerning the annulment of the decisions of the Company's bodies and employees' Shares Granting Contracts, and the application of restitution. The Company is involved in the case as a defendant.

  In December 2022 the Court of Appeal of Lithuania issued a decision in a civil case and satisfied Prosecutor's claim. Although the court satisfied the prosecutor's claim, the decision is basically in favor of the Company.

  It should be noted that the Court of Appeal of Lithuania by its decision made conclusions inter alia that:

- by paying part of the bonuses to employees not in cash but in the form of shares, the Company violated the relevant provisions of the Law on Companies;
- by granting shares to employees, the Company did not transfer the state property;
- no harm is made to the Company and its shareholders;
- employees who received bonuses in the form of shares cannot be considered unfair;
- shares granted as bonuses to employees in accordance with employment contracts concluded with them are considered as remunerative transactions;
- restitution is not applicable, as its application would not meet the proportionality criterion.

In the Company's opinion, although the Lithuanian Court of Appeal satisfied the claim, the court's decision basically supported the position expressed by the Company regarding the absence of harm and the fact that employees were not given the shares of the state but instead purchased by the Company from private individuals, whereas the demands of the prosecutor's office regarding the application of restitution and compensation of damages were not satisfied. It should be noted that the outcome of the case does not cause significant financial consequences for the Company and its employees, since restitution is not applicable and there is no need for the employees to return shares or compensate for damages.

26 RELATED PARTY TRANSACTIONS

A related party is a person or entity that is related to the Company and the Group:

1) A person or a close member of that person's family is related to the Company and the Group:

- has control or joint control over the Company;
- has significant influence over the Company; or
- is a member of the key management personnel of the Company and the Group.

2) An entity is related to the Company and the Group, if any of the following conditions applies:

- The entity and the Company / Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is controlled or jointly controlled by a person identified in (1).
- The entity is a post-employment defined benefit plan for the benefit of employees of either the Company / Group or an entity related to the Company / Group. If the Company is itself such a plan, the sponsoring employers are also related to the reporting entity.

(all amounts are in EUR thousand unless otherwise stated)

26 RELATED PARTY TRANSACTIONS (CONT'D)

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

Group:		Purchases	Sales	Receivables	Payables
Klaipeda State Seaport Authority	2022	2,503	-	-	458
	2021	2,442	-	-	257
AB "Amber Grid"	2022	-	10,729	3,975	-
	2021	-	27,732	7,005	-
UAB „Ignitis"	2022	-	10,530	1,103	-
	2021	4	1,930	339	-
Public Institution Lithuanian Energy Agency	2022	-	3,365	-	-
	2021	-	3,329	-	-
Energijos skirstymo operatorius, AB	2022	287	-	-	35
	2021	429	-	-	55
AB LTG CARGO	2022	1,430	-	-	99
	2021	966	-	-	86
Other related parties	2022	59	-	-	3
	2021	31	-	-	1
Transactions with related parties, in total:	2022	4,279	24,624	5,078	595
	2021	3,872	32,991	7,344	399

Company:		Purchases	Sales	Receivables	Payables
Klaipeda State Seaport Authority	2022	2,503	-	-	458
	2021	2,442	-	-	257
AB "Amber Grid"	2022	-	10,729	3,975	-
	2021	-	27,732	7,005	-
UAB „Ignitis"	2022	-	10,530	1,103	-
	2021	4	1,930	339	-
Public Institution Lithuanian Energy Agency	2022	-	3,365	-	-
	2021	-	3,329	-	-
Energijos skirstymo operatorius, AB	2022	287	-	-	35
	2021	429	-	-	55
AB LTG CARGO	2022	1,430	-	-	99
	2021	966	-	-	86
KN Acu Servicos de Terminal de GNL Ltda	2022	-	151	37	-
	2021	-	294	15	-
Other related parties	2022	59	-	-	3
	2021	31	-	-	1
Transactions with related parties, in total:	2022	4,279	24,775	5,115	595
	2021	3,872	33,285	7,359	399

Other related parties are following: UAB Tetas, VĮ Registrų centras, Vilniaus metrologijos centras, AB, UAB Nordic Metrology Science, UAB GET Baltic, VĮ Regitra, Smiltynės perkėla, AB, Lietuvos paštas, AB, The Association of Lithuanian Stevedoring Companies, Association Baltic Institute of Corporate Governance, Lithuanian maritime cluster, LTG Infra, AB, UAB "LTG Link", Kelių priežiūra, AB.

- Purchases from State Klaipėda State Seaport Authority include land rent, jetty usage and FSRU port fee.
- Sales to AB Amber Grid include income from additional security supplement to the price of natural gas' transmission. Sales to AB Amber Grid do not include interest and fines for AB Achema for delayed payments of the security component to the upper ceiling of the natural gas transmission price. These amounts are recognized and accounted for as contract liabilities (as at 31 December 2022 – EUR 4,002 thousand, as at 31 December 2021 – EUR 3,837 thousand) (Note 25).
- Purchases from UAB Ignitis include purchases of natural gas. Sales to UAB Ignitis include income from LNG regasification and reloading services as well as income from customs brokerage services.
- In 2022 and 2021 sales to Public Institution Lithuanian Energy Agency include income from rent of tanks.
- Purchases from AB LG Cargo comprise purchase of railway services.
- Purchases from AB Energijos skirstymo operatorius include acquisition of electricity power.
- Sales to KN Acu include consulting services and bank guarantees.

(all amounts are in EUR thousand unless otherwise stated)

26 RELATED PARTY TRANSACTIONS (CONT'D)

Management salaries and other payments

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

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

	Group		Company	
	2022	2021	2022	2021
Payroll related costs	689	648	598	570
Number of managers	10	10	6	6

During 2022 and 2021 the management of the Group and the Company did not receive any loans, guarantees, and no other payments or property transfers occurred.

27 SUBSEQUENT EVENTS

No significant events have occurred after the date of financial statements that would require disclosure or amendment in the financial statements.

CONFIRMATION OF RESPONSIBLE PERSONS

23 March 2023

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, Mindaugas Kvekšas, Chief Financial Officer of AB Klaipėdos nafta, and Rasa Tamaliūnaitė, Chief Accountant, hereby confirm that to the best of our knowledge the above-presented consolidated and separate Financial Statements of AB Klaipėdos nafta for the year 2022, 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
Chief Financial Officer	Mindaugas Kvekšas
Chief Accountant	Rasa Tamaliūnaitė

2022

AB KLAIPĖDOS NAFTA CONSOLIDATED ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2022

CONTENT

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 Oil Products

LP – Light Products

NERC – National Energy Regulatory Council

GENERAL INFORMATION ABOUT THE GROUP AND THE COMPANY

1. REPORTING PERIOD

AB Klaipėdos nafta Consolidated Annual Report for the year 2022 is prepared for the period from 1 January 2022 until 31 December 2022.

Annual Report for the year 2022 also includes Governance Report and Report on Remuneration for the year 2022.

2. 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, Mindaugas Kvekšas, 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 Annual Report of AB Klaipėdos nafta for 2022 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.

3. 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, Chief Financial Officer	Mindaugas Kvekšas	+370 46 391 772
AB Klaipėdos nafta, Chief Accountant	Rasa Tamaliūnaitė	+370 61 888 260

4. ISSUER INFORMATION AND CONTACT DETAILS

Name of the Company:	AB Klaipėdos nafta (hereinafter – the Company, KN or Issuer)
Legal status:	Stock Company
Authorized share capital:	110,315,009 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

5. INFORMATION ON SUBSIDIARIES AND CONTACT DETAILS:

Name of the Company:	UAB SGD terminalas
Legal status:	Private Limited Liability Company
Authorized share capital:	37,500 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

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

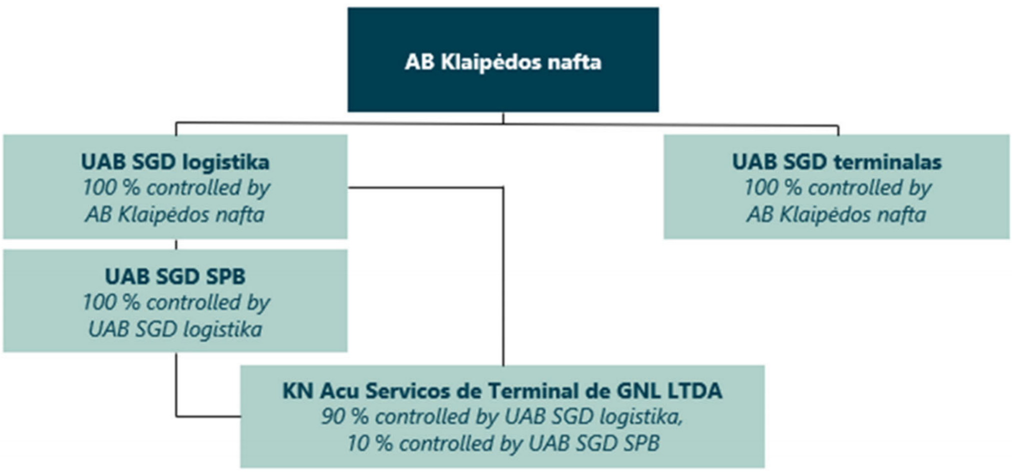
6. INFORMATION ON SUBSIDIARIES OF UAB SGD LOGISTIKA AND CONTACT DETAILS:

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

Name of the Company:	KN Acu Servicos de Terminal de GNL LTDA
Legal status:	Limited Liability Company
Authorized share capital:	642,600 BRL (Brazilian reals)
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

7. GROUP STRUCTURE AND MAIN TYPES OF ACTIVITY

Structure of AB Klaipėdos nafta Group (hereinafter – Group) on 31 December 2022:



The Group's Capital on 31 December 2022:

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	110,315,009 EUR
UAB SGD terminalas	Common registered shares	37,500	1.00 EUR	37,500 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 Acu Servicos de Terminal de GNL LTDA	Common registered shares	642,600	1.00 BRL[1)]	642,600 BRL[1)]

[1)] BRL – Brazilian real.

The companies of the Group and their main activities:

NAME OF THE COMPANY	ADDRESS	OWNERSHIP PART, %	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 Klaipeda, 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 Acu)	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.

8. 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

9. 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 16th January of 1996 and since 4th 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 the 2022 Annual Report's chapter "Information about the shareholders and shares" of the Company".

A FOREWORD OF THE CEO

Dears,

The year 2022 was marked by the radical changes in almost all business segments of KN as well as in our competitive environment. Russia's war against Ukraine has led to an unprecedented energy price crisis in Europe accompanied by the record high inflation in the region. For KN, these challenges, in addition to the threats, also created several additional revenue opportunities in almost all business segments, which helped to partially mitigate the unpredictably high increase in energy costs. We successfully took part in diversification of supply of oil products to Ukraine. The need for Europe to diversify Gazprom's supplies created us new opportunities in global LNG development. We contribute to the Germany's aspirations of energy independence as KN was selected to provide the operational services of the first floating LNG terminal project in Wilhelmshaven. Finally, FSRU Independence became a cornerstone of energy security for the whole region, as well as the prime example of how energy-dependencies can be healed for Western Europe countries.

In a recent few years KN focused heavily on operational transformation by implementing wide list of processes, safety, efficiency improvement measures and tools (f. e. ISO standardization, LEAN, risk and business continuity management, improvement of control environment, project management practices etc.). It helped us to mitigate the worst possible effect of suffered crises and disruptions in our businesses and generated tangible returns.

The ability to seize opportunities as they arise, our focus on diversification of product portfolio (number of handled oil products at KN oil terminals increased from 8 in 2018 to 14 in 2022) and outstanding efforts in energy efficiency have contributed to improved financial performance in all business segments.

The increased complexity of KN operations went hand in hand with continuous safety improvements in all our terminals. One of the Company's key strategic objectives is the continuous improvement of the safety and health system by ensuring compliance and enhancing safety culture to achieve a rate of zero significant safety incidents and accidents. I am delighted to summarize that we finished the year without any critical accidents, also just in the beginning of January 2023, our LNG terminal facility in Klaipėda hit the milestone of 3000 days without the accidents. For the last couple years, the Company was going through the cultural shift towards building of a safe and healthy working environment, fostering a culture of occupational safety and health, and enhancing employees' awareness in this area.

Year 2022 was also marked as a breakthrough year in establishing foundation for the Company's long-term future. We have entered number of strategic partnerships in areas of greener energy components, including but not limited to renewable energy generation, carbon capture storage and / or utilisation (CCS/CCU), R&D in the field of green hydrogen production. These are the key business lines to be further discussed and developed in our new long-term corporate strategy.

Looking ahead to the 2023, the context is likely to remain unchanged in terms of both the geopolitical and macroeconomic environment in which KN operates. Thus, it will remain critically important to support and closely monitor all safety areas and parameters, keeping extra focus on ongoing improvement processes and investments as well as further promoting safety behavioural and cultural changes within entire organization. Furthermore, as far as the current outlook suggests , energy supply and demand will remain topical in 2023: global tensions in gas production (supply) and demand will keep energy costs at record highs and we will be under the continuous pressure on managing variable costs of KN operations, especially energy costs at the terminals, and to move to the next level of automation and productivity.

Also, following the sustainability path, we will continue with the projects of supplying managed oil and gas terminals with self-produced green energy, and continue implementation of processes and technological upgrades to reduce volatile organic compounds (VOC) and CO_2 emissions of our operations by at least 15%. These directions are extremely important for achieving one of the main goals of the segment's future strategy that is climate-neutral operations.

Another critically important direction in the oil segment will be viable investment and development of the infrastructure for future, new product flows, which will enable further diversification of our portfolio of customers and services to ensure return the benefits created by this segment to shareholders.

Ensuring reliable regasification operations and availability of infrastructure for customers will remain the main priorities in Klaipeda LNG segment. The commitments made and the importance of the terminal's availability will be critical to ensuring the energy independence of the entire region. In 2023, we will choose O&M service provider for the FSRU Independence, and we will begin accumulating FSRU operating experience on board, which we did not have until now. One of the most important and sustainable ongoing projects in the Klaipėda LNG segment will remain the Klaipėda LNG terminal electrification project which is a subject to significantly reduce C02 emissions and increase effectiveness of overall terminal activity. Parallelly, the possibility of Klaipėda LNG terminal capacity expansion is under development with currently ongoing season procedure. Decision regarding expansion and its scope will be made after evaluation of results of the procedure.

In the global arena, KN will continue our strategic ambition to expand the number of LNG terminals where KN has got a role (acting as O&M service provider, co-investor, or both). During the strategy development process, we will revise our resources, competitiveness, and value proposition. We might come out with different solutions and strategic ambitions.

There is a lot of ambition and hope embedded in 2023. Globally – for peace and back to normality. For KN the main goal will be to navigate through the uncertainty with a willingness to embrace change, to adapt and transform ourselves for the long-term future. And that will be the most significant organizational milestone for our Company in 2023. We have launched the preparations for the renewal of our corporate strategy at the end of 2022, and the strategy upgrade will be in full swing in the first half of 2023. The preparation of a new KN strategy, aligned with the directions and policies of the energy transformation of Lithuania, the EU and globally, will undoubtedly become a kick-starter of our ambitious journey to 2050.

As Charles Darwin once said, it is not the strongest, nor the most intelligent that survives. It is the one that is most adaptable to change. And that is the crucial task of every business leader in this uncertain and vulnerable environment.

Regards,
Darius Šilenskis
Chief Executive Officer

BUSINESS CONTINUITY – THE IMPACT OF RUSSIAN WAR IN UKRAINE, OPERATIONS IN, DEPENDENCE ON, OR OTHER EXPOSURE TO RUSSIAN/BELARUSSIAN OR UKRAINIAN ECONOMIES

On 24th of February 2022, Russia has launched a full-scale war against Ukraine, which has led to an economic slowdown, high energy price shocks and inflation in both Lithuania and other European countries.

The management of the Group and the Company has evaluated the potential impact of operations in, dependence on, and other exposure to Russian/Belarussian or Ukrainian economies, and the Group's and the Company's ability to continue as a going concern as at the date of the issue of the consolidated financial statements for the year ended 31 December 2021.

The Group and the Company had not been trading with entities in Russia/Belarus and entities associated with them, sanctioned as a result of the war in Ukraine as of 31 December 2022 and no trading activities have been planned for 2023 with entities registered and related with aforementioned countries. The Group and the Company has no trading relationships with Belarus since February 2021 and no trading relationships with Russian entities. Therefore, no significant impact to the Group's and the Company's accounts receivables as at 31 December 2021 and for the future cashflows.

The Group and the Company do not have material contracts/sales with entities in Russia/Belarus or Ukraine and does not receive key supplies or services from these countries.

However, the Group's and the Company's results were significantly affected by increase in the cost of raw materials such as gas and electricity. Unpredictable shocks in the prices of energy resources may also affect the future results of the Group and the Company. Furthermore, sanctions imposed on persons from Russia/Belarus could have an indirect effect on the Group's and Company's business.

The Group and the Company do not have significant contracts that may no longer be enforceable (e.g., due to force majeure) in the foreseeable future.

The Group and the Company do not have significant indirect exposure through trade with entities in other countries which may have significant exposure to Russia/Belarus or Ukraine.

On 3 March 2022, the Company announced that acceptance of Novatek's cargo at the Klaipėda LNG terminal is suspended. In Company's view, Gennady Nikolayevich Timchenko, included in the EU sanctions list (EU Council Regulation 2022/336 implementing Regulation No. 269/2014), can be considered a controlling person of the Novatek group under the EU law. According to the available data, Novatek group companies supply LNG cargo to LNG terminal users. The sanctions imposed prohibit entities from engaging in activities the object or effect of which is to circumvent restrictive measures.

Although the Group and the Company do not have contracts with Novatek or its related entities, the Company contacted Klaipėda LNG terminal clients on its own initiative and asked to ensure compliance with the sanctions in their operations. In the absence of information that Klaipėda LNG terminal users are complying with the sanctions in respect of LNG cargoes scheduled to be unloaded at the Klaipėda LNG terminal, acceptance of Novatek's cargo at the Klaipėda LNG terminal is suspended.

As at the date of the issue of the consolidated financial statements for the year ended 31 December 2022 the Group and the Company have not identified any other links in any way to organisations (including banks) or other individuals targeted for sanctions, or other politically exposed people in the region.

As LNG activity is regulated, sanctions introduced have no impact on payments and liquidity/access to capital for the Group and the Company.

The Group and the Company should not suffer potential material impacts (quantitative or qualitative) of sanctions introduced to Russia/Belarus and sanctioned individuals.

From April 2022, Lithuania's gas transmission system started operating without Russian gas imports. All of Lithuania's gas needs are met through the Klaipėda Liquefied Natural Gas (LNG) terminal.

In September 2022 4 LNG terminal capacity packages of 6 TWh/year (24 TWh) were allocated to Klaipėda LNG terminal users from Lithuania, Latvia and Poland for a ten-year period until 2033, starting from 1st of January, 2023. The renewed LNG terminal capacity allocation model will allow to allocate around 60% of the total LNG terminal capacity over the next 10 years to long-term contract users. Allocating capacity ten years in advance ensures that the market will be able to meet not only the gas demand of Lithuanian consumers, but also transmission to other European countries and storage in the Latvian gas storage facility.

The remaining capacity of the LNG terminal will be allocated through an annual capacity allocation procedure. It is expected that the annual capacity allocation will give priority to the nominated supplier and to meeting the current year's gas demand of the LNG terminal's customers. The allocation of spot market capacity will take into account the need for gas imports to ensure the isolated operation of the electricity system when necessary and, in the absence of such a need, to meet gas demand on a case-by-case basis.

As the Group and the Company operate the Klaipėda LNG terminal, it is stated that organization is in potential scope of malicious activities on the internet because of the importance of infrastructure to Lithuanian gas independence. Management is in charge that appropriate measures should be taken to respond to dynamic change of the situation in cyber space. Government institutions evaluate the readiness of the most important entities for cyber defence and give additional instructions what is the most important to implement and check as well as provide threat intelligence communication channels for preventive cyber defence.

The Group and the Company do not outsource operational business processes (e.g., IT services) to Ukrainian or Russian/Belarussian service providers.

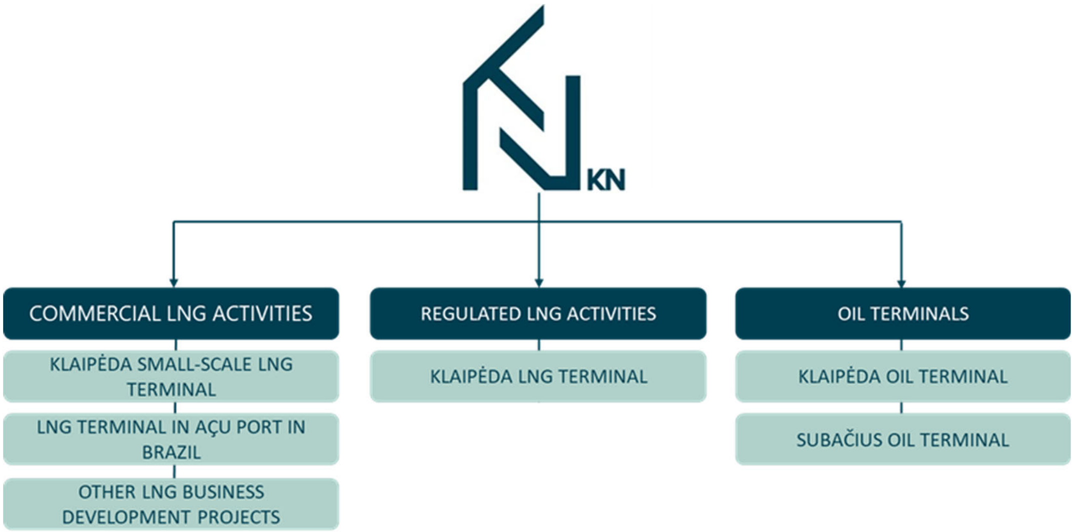
The Company's management has concluded that under current circumstances at the date of financial statements there is no significant doubt on the Group's and the Company's ability to continue as a going concern in the foreseeable future.

INFORMATION ABOUT THE GROUP AND 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 transhipment of oil products in Klaipėda port. Besides the activities mentioned above, the Company has started small scale LNG activities in 2017 and in 2020 became the operator of LNG terminal in Açu Port in Brazil, becoming the Group.

Currently, the Group's activities can be divided into three main segments: commercial LNG activities, regulated LNG activities, and oil terminals. The Management of the Group and 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 at 31 December 2022:

NAME OF THE COMPANY	ADDRESS	OWNERSHIP PART, %	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 transhipment, long-term storage of oil products, and other services related to oil products transhipment.

KLAIPĖDA OIL TERMINAL

The Company is one of the largest oil transhipment 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 Oil Products (hereinafter – HFO):
  - Different types of fuel oil.
  - Technological fuel.
  - Vacuum gas oil (VGO).
  - Crude oil.
  - Bitumen.
- Bio-fuels:
  - Ethanol.
  - Fatty acid methyl ester.
  - Hydrotreated vegetable oil.
- Other products of the chemical industry:
  - Monoethylene glycol.

CHARACTERISTICS OF KLAIPĖDA OIL TERMINAL	
Location	Territory of AB Klaipėdos nafta oil terminal, address: Burių street 19, Klaipėda
Oil product tanks	51 tanks
Volume of the tanks	571 thousand m^3 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	13.5 m
Max. length of serviced tankers	Up to 275.0 m
Railway	Two double-track rail tank loading racks:
•	Two tracks for petroleum products that do not require maintaining of specific temperature conditions (up to 2 x 30 tank wagons are services simultaneously);
•	Two tracks for oil products that require maintaining of specific temperature conditions (up to 2 x 32 tank wagons are services simultaneously);
•	One of the tracks is adapted to oil products of all types;
•	124 tank wagons can be loaded at the same time.
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 transhipment 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:

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

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.

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^3 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 2022 are present in the Explanatory note "Information about segments" of the Company's audited financial statements for 2022.

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

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 Klaipeda 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 AB Klaipėdos nafta to sign agreement with NIB on the loan for the purpose of Stage I. Consequently, security supplement reduction (by almost 40% 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 2020-03-09. On 2020-11-20 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.

In accordance with the Law on LNG Terminal, which provides that LNG activities must be carried out until at least 2044-12-31 and the LNG terminal operator acquires FSRU and becomes an operator no later than 2024-12-31. During 2021, KN focused on FSRU selection. Following an extensive market investigation and an open tender for the acquisition of FSRU, the existing purchase option to acquire FSRU "Independence" has proven to be the most economically advantageous solution for KN. In October 2022, KN has informed the Norwegian company Höegh LNG of its decision to execute the right of FSRU Independence buy-out option. As the following steps, the FSRU operation and maintenance activity shall be ensured. KN decided to hire experienced technical manager for the FSRU's operation and maintenance (O&M) service provision and launched open tender for FSRU O&M service acquisition in the second half of 2022. The technical manager for FSRU expected to be selected by mid of 2023.

In 2022, six users from Estonia, Poland, Norway and Lithuania have been using services of LNGT in Klaipeda. 54 LNG carriers have arrived at the LNGT and 32.26 TWh of LNG have been regasified and reloaded during 2022 (record year from the start of operation, increasing by 96.47% from year before). In 2022, Lithuania's natural gas consumption was about 15.58 TWh, 78.7% from all imported natural gas in Lithuania's transmission system operator AB "Amber Grid" system were from Klaipeda LNGT.

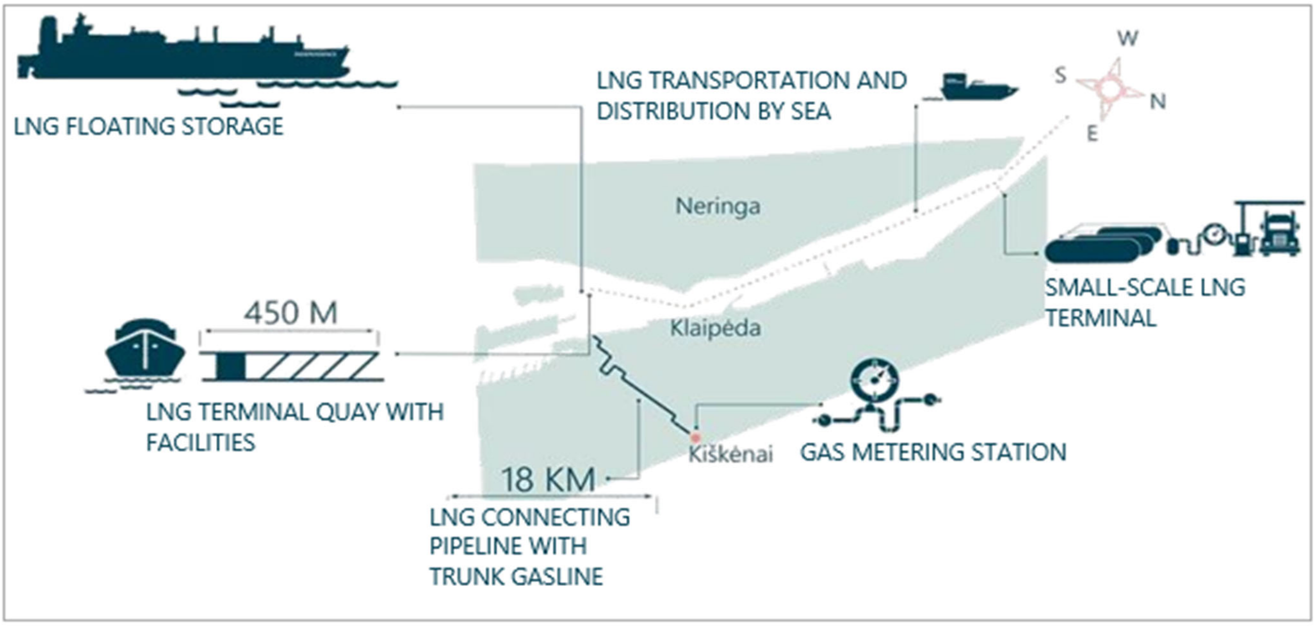
In 2022, the average utilization of Klaipeda's LNGT was 72% (vs 37% year ago); in comparison, based on data from GIE ALSI, the average European utilization of LNG terminals was 64% (vs 39% year ago).

The LNGT complements and extends the existing natural gas supply infrastructure of the country, creates opportunities for supply diversification, allowed to cut imports from Russia, 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.

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 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 to return the LNG to a gaseous state and supply it to the gas transmission system. In 2012 10-year lease (with purchase option) (starting from December 2014) of LNG floating storage with regasification unit has been signed with Norwegian company Höegh LNG Ltd. The builder of this ship is South Korean shipyard Hyundai Heavy Industries Co. Ltd.

TECHNICAL CHARACTERISTICS OF THE FSRU INDEPENDENCE*	
Klaipeda seaport jetty	157
The volume of the tanks	170,000 m^3
Maximum LNG filling level	98% at 70 kPag
Maximum LNG loading capacity	9,000 m^3/h LNG
Maximum LNG reloading capacity	5,000 m^3/h LNG when LNG regasification is performed during LNG reloading
FSRU capabilities	3.75 billion m^3 of natural gas per year (10.24 million m^3 per day)
Minimum operative LNG heel	3,500 m^3 LNG
Maximum gas flow into the gas pipeline	10.24 million m^3 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 AB "Amber Grid" by an 18-kilometre-long and 700 mm diameter connecting gasoline. 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 than 5,000 m^3.

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 is included in the additional component of the natural gas supply security to the transmission price, whether the Company is not able to collect the set revenue level from LNG regasification service price variable part directly from LNG terminal users.
- The variable part of the price of the LNG regasification service is paid by the users of the LNG terminal for the regasified gas volume. Tariffs are approved annually by NERC. LNG regasification service price variable part is calculated based on the upper limit of LNG revenue divided by LNG terminal capacity per unit.

SERVICES OF THE TERMINAL	SERVICE PRICE	NERC DECREE
LNG regasification service price* (2022)	0.41 EUR/MWh (until 1 May 2022) excluding VAT 1.19 EUR/MWh (from 1 May 2022) excluding VAT	16 November 2021 No. O3E-1496 31 March 2022 No. O3E-437
LNG regasification service price (2023)	1.41 EUR/MWh	31 May 2022 No. O3E-799
LNG reloading service price* (2022): - Small scale LNG cargo, up to 15,000 m^3 - Medium scale LNG cargo, from 15,000 m^3 to 50,000 m^3 inclusive - Large scale LNG cargo, from 50,000 m^3	0.56 EUR/MWh excluding VAT 0.44 EUR/MWh excluding VAT 0.31 EUR/MWh excluding VAT	16 November 2021 No. O3E-1495
LNG reloading service price (2023): - Small scale LNG cargo, up to 15,000 m^3 - Medium scale LNG cargo, from 15,000 m^3 to 50,000 m^3 inclusive - Large scale LNG cargo, from 50,000 m^3	0.62 EUR/MWh excluding VAT 0.48 EUR/MWh excluding VAT 0.35 EUR/MWh excluding VAT	25 November 2022 No. O3E-1620

* 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 Regulations for Use of the Liquefied Natural Gas Terminal (hereinafter – Terminal regulations), adopted after public consultations with market participants and approved by NERC. The terminal's capacities are allocated to the users on the same conditions in the way of public and transparent capacity allocation procedures or on Spot capacity allocation procedure in case of free capacities left. LNGT ensures multiuser environment, i. e. allows several terminal users to use LNG regasification services simultaneously at the same time based on mandatory borrowing/lending conditions.

Detailed information on LNGT services and operating model could be found in the Terminal regulations or on www.kn.lt.

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 2022, 9 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, Estonia, and Poland. A total of 658 LNG trucks were loaded at Klaipėda Small scale terminal in 2022 (record year from the start of operation in 2017).

AB Klaipėdos nafta has opened an onshore LNG reloading station in the autumn 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 oil and gas company PGNiG (on November 2nd 2022, PGNiG S.A. became part of the ORLEN Group) commenced commercial operations at KN-operated Klaipeda Small scale LNG terminal. 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, ISO containers or bunker LNG-powered vessels.

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[1)] and Blue Baltics[2)] projects.

[1)] Completion of the project – 30 June 2018.

[2)] Completion of the project – 16 April 2020.

TECHNICAL CHARACTERISTICS OF THE LNG RELOADING STATION	
Klaipeda seaport jetty	2
Technology	Five pressure tanks
Volume of the tanks	5 x 1,000 m^3
Fill level	86%
LNG receiving speed (from ship)	up to 1,250 m^3/h
Daily loading capacity for LNG Trucks	24
Loading of LNG Trucks	2 LNG Truck loading bays (possible simultaneous loading)
LNG Truck loading speed	up to 100 m^3/h
Bunkering speed	up to 500 m^3/h
Utilization of boil of gas	Gas pipeline connection to the Company’s boiler house

LNG TERMINAL IN AÇU PORT IN BRAZIL

In 2020 KN became the operator of liquefied natural gas (LNG) terminal at Açu Port, Brazil. Under the contract concluded with Gas Natural Açu (GNA), a joint venture of Prumo Logistica, 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 Açu 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

On 13th February 2020 the Supervisory Council of the Company approved the corporate strategy of KN until 2030, which analysed the Company's business environment factors and established common strategic goals for the entire Group. However, shortly after, the environment, in which the Group operates, began to change significantly starting October 2020, when the EU imposed several packages of sanctions on Belarus. On June 24, 2021, the Council Regulation (EU) 2021/1030 was introduced, due to which no more transit of oil product flows from Belarus were possible. The Company started to adapt the oil business segment to the changing environment, acting with no Belarus cargoes from the beginning of 2021. Finally, the COVID pandemic, the outbreak of the war in Ukraine in 2022, and the acceleration of the pace of the green transformation determined that initially approved strategy no longer reflects the changed business and geopolitical environment in which KN operates.

Due to aforementioned circumstances, some of the goals, in particular for the oil business segment of the Group, are no longer relevant and need revision. Accordingly, the Group's management in 2021 started and throughout 2022 continued to review the strategy. At the beginning of 2023 KN has selected international experts for consulting on the development of the Company's new long-term operational strategy. Selected strategic consultants will assist in further assessing the strategic directions already developed by KN managers, analyse internal and external environmental factors, and based on the best management practices and the latest standards, will help to draft a strategy that will best meet the business expectations.

KN newly developed long-term strategy will cover the period of 2023–2050 but will be divided into three distinct phases: short-term (2023-2030), or the current evolution; medium-term (2030–2040) focusing on the role of KN in the transitional energy market; and long-term (2040–2050), which will cover the planning of the company's activities for its journey towards full climate neutrality.

The long-term strategy will have to cover the four main activities of KN – the current oil terminal services, the LNG terminal business in Klaipėda port and in the region, the global LNG business development through operation and maintenance services and investments in LNG terminal projects and the new business lines such as hydrogen and alternative energy carriers, carbon-dioxide capture, and storage, etc.

Meanwhile, in this annual report we report KN's progress based on the goals laid out in the corporate strategy approved on 13 February 2020.

Despite the changing business environment, the mission of the Group and the Company remains to ensure safe, reliable, and efficient access to global energy markets by sustainable development, investment, and operation of multi-functional liquid energy terminals worldwide.

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 targeted to diversify its activities, to expand provided services and be less dependent on one source of income. As a result, the Company continued to develop four business lines: international LNG projects, oil and refined products handling services, management of Klaipeda LNG floating terminal and small-scale LNG reloading services.

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

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

The strategy of state-regulated Klaipeda LNG terminal activity was seen 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 would give the LNG distribution station a significant role in the Company's portfolio. AB Klaipėdos nafta together with its strategic partners aimed 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 anticipated significant attention of the Company's management to be dedicated towards the key asset of the Company – people, focus on direct and indirect business impact on the society – social responsibility, major digitalization, and innovation directions of activities, carried out by the Company.

MAIN BUSINESS LINES INITIALLY ANTICIPATED BY 2030

OIL TERMINALS

• Handle any oil product without limitation to transhipment 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 transhipment 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.

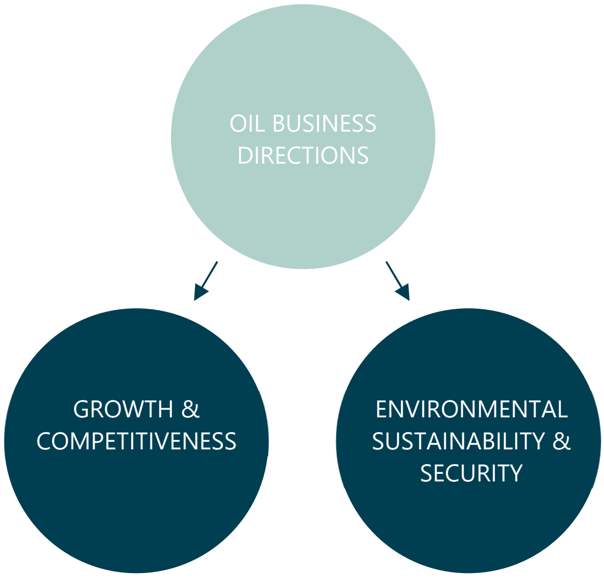
B. Enter market for transhipment of petrochemicals and other new products.

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% FSRU revenues from international counterparties.
- Provision of quality LNG services under the sustainable business model and for the benefit of the whole region.

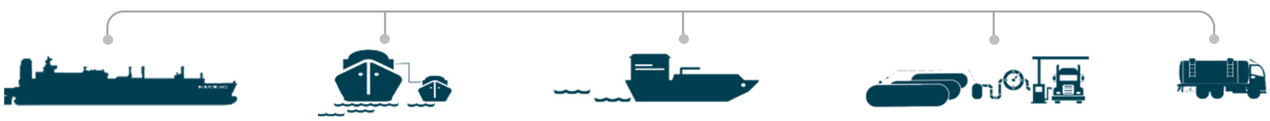
- Reducing the number of personnel and related costs by automatization and digital measures.
- Handling niche products like petrochemicals, alcohols, octane boosters, and other.

B. Profitable small-scale terminal with a proven value in the growing regional small-scale LNG (ssLNG) market.

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:

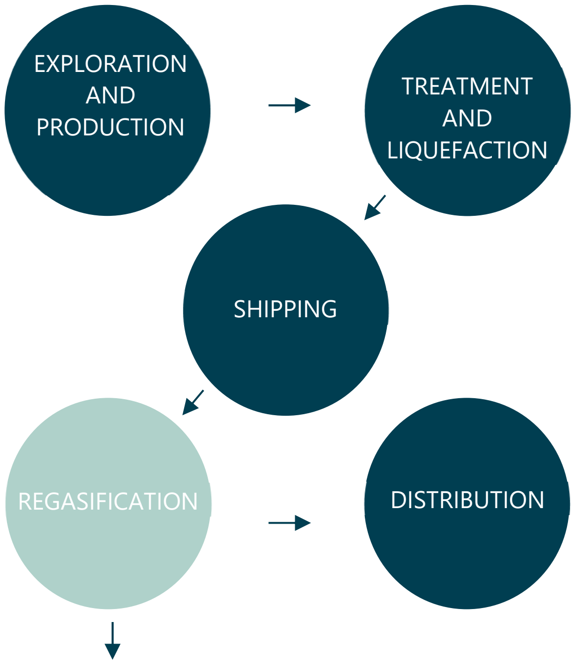
A. Operator of at least 5 LNG terminals by 2030
B. Shareholder in at least 4 LNG terminals by 2030

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:

- Engage in early development to capture new projects.
- 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.

STATUS OF ACHIEVEMENT OF STRATEGIC GOALS

The view of the management and evaluation of possibilities to achieve 2020-2030 strategic goals based on assumptions as at 31 December 2022:

STRATEGIC GOALS	STATUS
OIL TERMINALS	
Increase volumes and profitability of oil terminals.	At risk for achievement *
Enter the market for transhipment of petrochemicals and other new products and increase their share from 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
KLAIPĖDA LNG HUB	
Ownership of FSRU, full O&M	In line with expectations
Implemented long term LNG import solution	In line with expectations
>30% 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
INTERNATIONAL LNG PROJECTS	
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 is at risk due to the absence of Belarus cargo and global energy crisis due to Russia's invasion of Ukraine.

SIGNIFICANT EVENTS OF THE REPORTING PERIOD

5th January 2022. AB Klaipėdos nafta received a formal notice by the independent Board member Bjarke Pålsson regarding his resignation from the position as the Board member of KN from 1st February 2022.

5th January 2022. The Supervisory Council elected Guy Mason, Edvinas Katilius, Alfonso Morriello, and Jūratė Lingienė as independent Board members for a new four-year term of office. New Board will take office on 25th of April 2022.

7th January 2022. KN successfully transhipped the first bulk bitumen from storage tanks to a tanker. Arranging the transhipment of bulk bitumen from storage tanks to a tanker is a novelty in the Port of Klaipėda. Tanker BITHAV, moored at the Company's berth, was loaded with almost 5,000 t of bitumen used in construction and road paving.

11th February 2022. Laura Garbenčiūtė-Bakienė has submitted a notice of resignation from the Audit Committee of the Company as of 25 February 2022.

25th February 2022. Extraordinary General Meeting of Shareholders of the Company approved the decision by KN to acquire the floating storage regasification unit (FSRU) Independence. The price for the FSRU Independence shall be 153.5 million USD, excluding VAT. The agreement of FSRU Independence purchase shall be accomplished no later than 6th December 2024.

3rd March 2022. KN informed that acceptance of Novatek cargoes at the LNG terminal is suspended from the end of March.

17th March 2022. Customers have fully booked the LNG terminal's regasification capacity for the current gas year, i.e., until 30 September 2022. According to the latest customer requests, a total of 23.9 TWh of Klaipėda LNG terminal capacity has been allocated for the current gas year.

31th March 2022. National Energy Regulatory Council set prices for fixed and variable components of liquefied natural gas regasification services effective from the 1st of May 2022: 1.19 EUR/MWh for the variable tariff component and 0 EUR/(MWh/day/year) for the fixed tariff component.

4th April 2022. Lithuania renounces Russian gas imports meaning that all Lithuanian gas demand will be satisfied through the Klaipeda LNG terminal.

7th April 2022. KN published the Social Responsibility Report of 2021. Report is prepared following the international Global Reporting Standards (GRI).

8th April 2022. Šiauliai Regional Court dismissed a civil claim of the prosecutor of the Klaipėda Regional Prosecutor's Office in a civil case regarding the shares of AB Klaipėdos nafta granted to employees. On 11 May, an appeal in a civil case has been lodged by the prosecutor.

25th April 2022. Newly elected independent Board members of AB Klaipėdos nafta started a four-year term of office.

6th May 2022. The first delivery of liquefied natural gas for PGNiG (part of the ORLEN Group from November 2nd 2022), which is the leader of the Polish gas market, via Klaipėda LNG terminal. Delivery of almost 150,000 m^3 of LNG is a step forward to strengthen national energy security and build partnerships.

11th May 2022. Karolis Švaikauskas is elected as a Board Member of the Company. Karolis Švaikauskas also serves as the Head of the Energy Competitiveness Group of the Lithuanian Ministry of Energy of the Republic and is a Board member of Amber Grid.

12th May 2022. National Energy Regulatory Council set the upper limit for the revenue of liquefied natural gas for 2023. The upper limit is EUR 45.3 million and is 44.3% higher than the upper limit of year 2022 (EUR 31.4 million).

13th May 2022. National Energy Regulatory Council approved amendments to the Regulations of use of LNG Terminal applicable from 2023.

13th May 2022. Edvinas Katilius becomes the Chairman of the Board.

25th May 2022. KN has completed the annual LNG terminal capacity allocation for the last quarter of 2022. During the period from 1 October to 31 December 2022, five customers will use the booked 9.66 TWh of LNG terminal regasification capacity.

31st May 2022. National Energy Regulatory Council set the price of 1.41 EUR/MWh for the variable component of liquefied natural gas regasification service for 2023.

8th July 2022. KN and the companies of the largest Polish oil group ORLEN, ORLEN Neptun I and Energa Wytwarzanie, signed a letter of intent on the possibility of cooperation in the provision of operation and maintenance (O&M) services for wind farms in the Baltic Sea.

1st August 2022. National Energy Regulatory Council (NERC) has published updated data for the natural gas sector for calculation of weighted average cost of capital, i. e. rate of return on investments of regulated activities (WACC). According to NERC data, the WACC calculated for the Company in 2023 will be 4.16% (4.14% in 2022).

5th October 2022 In accordance with the Time Charter Party and upon the set deadline AB Klaipėdos nafta has notified HÖEGH group companies that the Company exercises an option right to acquire the floating storage regasification unit (FSRU) Independence. After fulfilling all the option conditions specified in the Time Charter Party, the Company will acquire the FSRU no later than 6

December 2024. Until then the Company will continue to lease the FSRU under the same conditions.

20th October 2022 An Extraordinary General Meeting of Shareholders of the Company was convened. Extraordinary General Meeting of Shareholders has adopted the following resolutions: 1) to approve the amendment of Remuneration Policy, 2) for the 4 years cadence of Supervisory Council members of AB Klaipėdos nafta to elect: Mantas Šukevičius, Robertas Vyšniauskas, and Dovilė Kavaliauskienė, 3) to determine fixed monthly remuneration for the members of Supervisory Council of AB Klaipėdos nafta, 4) to approve standard contract form, regarding the activity of the member of Supervisory Council of AB Klaipėdos nafta.

8th November 2022 The newly elected Supervisory Council of AB Klaipėdos nafta on its first meeting elected independent Supervisory Council member Robertas Vyšniauskas as a Chairman of Supervisory Council.

25th November 2022. By the decision of Supervisory Council of AB Klaipėdos nafta, as of 1st of December 2022 the independent member of the Audit Committee Žana Kraučenkienė was revoked.

25th November 2022. By the decision of Supervisory Council of AB Klaipėdos nafta, as of 24th of November 2022 until the end of term of office of Company's acting Supervisory Council Robertas Vyšniauskas and Mantas Šukevičius are elected as independent Company's Audit Committee members. It was also decided to form the Remuneration and Nomination Committee and as of 24th of November 2022 until the end of term of office of Company's acting Supervisory Council to elect Dovilė Kavaliauskienė and Robertas Vyšniauskas as Company's Remuneration and Nomination Committee members.

2nd December 2022. The Court of Appeal of Lithuania satisfied the claim of the prosecutor of the Klaipėda Regional Prosecutor's Office in a civil case regarding the shares of AB Klaipėdos nafta granted to employees. The Court of Appeal of Lithuania issued a decision which annulled a decision of 8 April 2022 of Šiauliai Regional Court and adopted a new decision, i. e. satisfied the claim of the Klaipėda Regional Prosecutor's Office defending the public interest and:

- annulled the shares granting rules approved by the minutes of the extraordinary general meeting of shareholders of the Company of 8 November 2018;
- annulled the respective decisions of the minutes of the Board of the Company of 9 October 2018 that approved the program of granting shares to employees in accordance with the set rules;
- annulled the share granting agreements of 26 April 2019 from the moment of their conclusion.

More information about the decision of the Court of Appeal of Lithuania can be found on www.kn.lt.

30th December 2022. AB Klaipėdos nafta and public institution Lithuanian Energy Agency has signed a contract on storage, accumulation, and administration services of Lithuanian state-owned light oil products (diesel fuel and petrol) in Company's Subačius oil terminal. This contract came into force on 1st of January 2023 and is valid for the period of 10 (ten) years.

SIGNIFICANT EVENTS OCCURRED AFTER THE END OF THE REPORTING PERIOD

22th February 2023. By the decision of Supervisory Council of AB Klaipėdos nafta, as of 22 February 2023, until the end of term of office of Company's acting Supervisory Council, Šarūnas Radavičius was elected as an independent member of the Audit Committee of the Company. In addition, Supervisory Council decided, to elect Živilė Valeišienė as an independent member of Remuneration and Nomination Committee of the Company until the end of term of office of Company's acting Supervisory Council.

9th March 2023. The Company received the Letter of expectations of the shareholder of the Ministry of Energy of the Republic of Lithuania, which owns 72.47% of the Company's shares.

More information about the Letter of expectations can be found on www.kn.lt.

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 and in AB NASDAQ Vilnius (www.nasdaqomxbaltic.com) Stock Exchange.

BUSINESS ENVIRONMENT AND MARKET

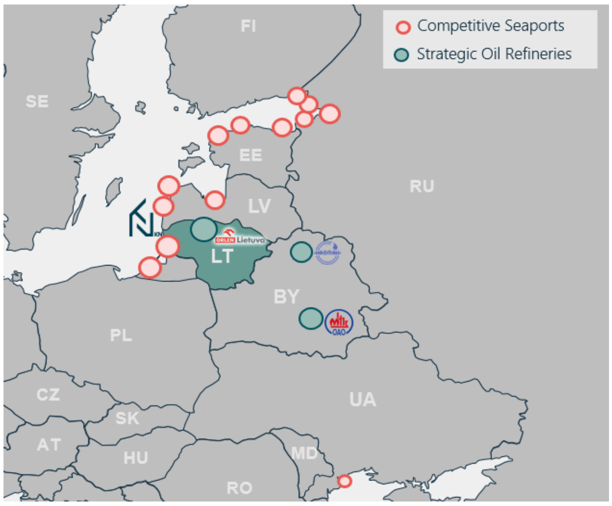
OIL TERMINALS' BUSINESS ENVIRONMENT AND MARKET

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

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

Main KN Oil business clients – crude oil refineries, traders, and producers operating in the regional and global oil and petroleum product markets. Strategic oil refinery (hereinafter – Refinery) in the region, part of which oil products are transhipped through Company's oil terminals are in southeast direction – it is Mažeikiai plant in Lithuania (managed by AB ORLEN Lietuva).

Main Company's competitors are oil terminals operating along the eastern coast of the Baltic Sea.



Company's oil terminals activity results in 2022 were mainly affected by geopolitical, demand/supply factors and costs of energy resources issues.

Global fuel consumption grew in 2022 and exceeded the volumes of 2021. However,

- global refining capacities reduced during the pandemic,
- geopolitical situation began to change rapidly at the beginning of the year triggering restrictions on the delivery of oil products to the EU from Russia, due to the starting war in Ukraine,

which,

- led to tightening supply of oil products,
- increased the need for production of European oil refineries (esp. diesel) – a significant part of them worked at full capacity in the second quarter of this year, with refining margins growing to new post-pandemic highs,
- created the demand of new routes for fuel delivery to Ukraine from Western partners.

These circumstances pushed up the demand for the services of KN Oil terminals:

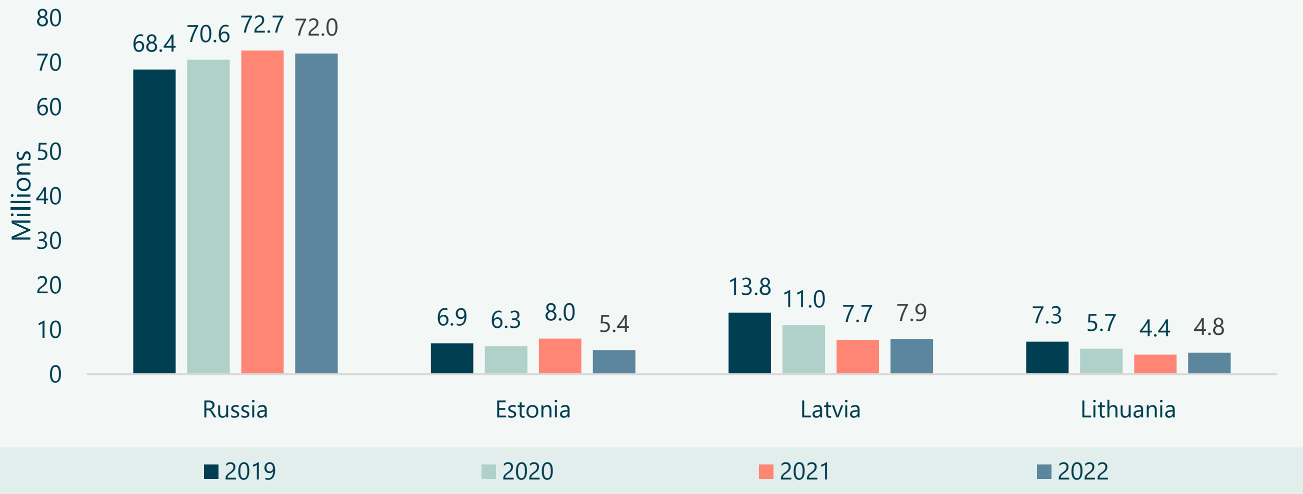
- 2022 Oil Terminals segment revenues exceeded 2021 by 29.8% – and were primarily influenced by increased transhipment volumes, as the demand for oil products storage services was limited by prevailing backwardation trends (especially diesel and gasoline),
- encouraged initiatives to explore new transhipment routes and become a part of the logistics chain of fuel supply to new customers in southwest directions – Company started transhipment of diesel delivered by ship to the port of Klaipėda into tank containers for further transportation by railway,
- in 2022 KN terminal was in high demand as oil products import hub, notably for fuel oil, which – in response to all-time highs of gas prices – was used as alternative heating generation source in city infrastructure at the start of the winter season of 2022.

According to the statistical data, during 2022 ports of the eastern Baltic Sea coast transhipped approximately 90.1 million tons of oil products, i.e., 2.7 million tons or 2.8% less compared to 2021.

During 2022, port of Klaipėda handled about 4.8 million tons of oil products, i.e., 0.4 million tons or 9.6% more than in 2021.

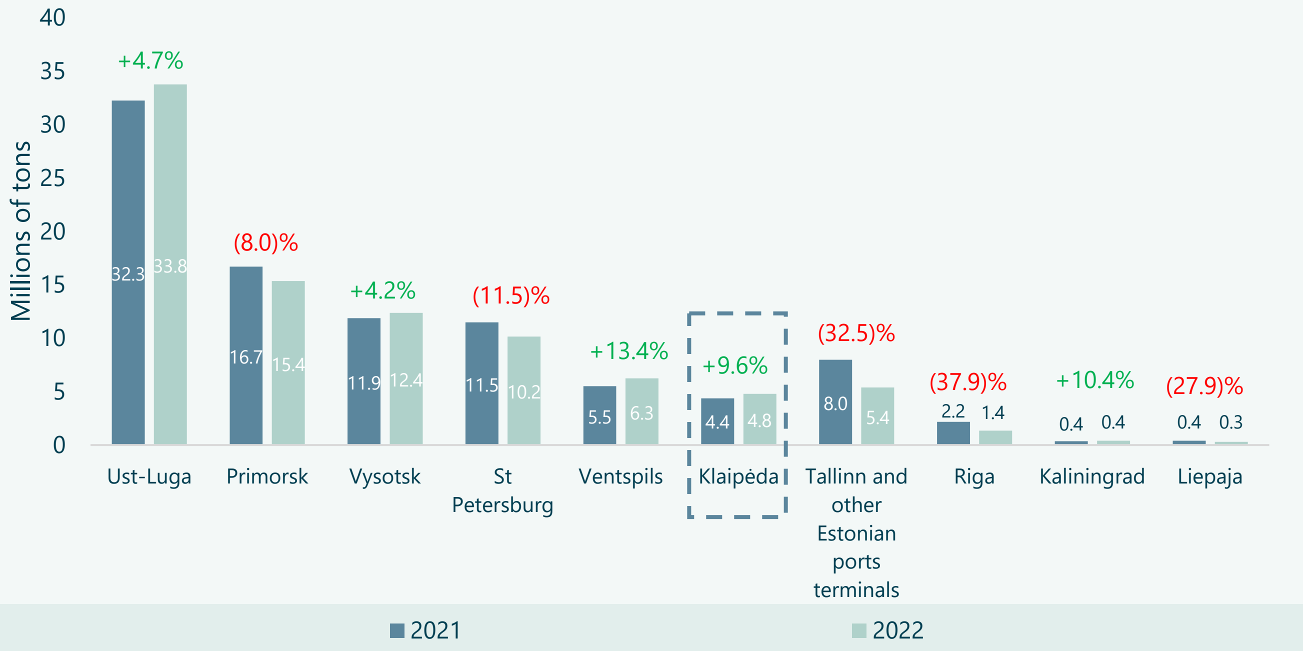
Russian's ports share in total eastern Baltic Sea coast oil product transhipment market increased from 78% to 80%, the share of Klaipėda port increased from 4.7% to 5.3%.

DYNAMICS OF OIL PRODUCTS TRANSHIPMENT AT THE EASTERN BALTIC SEA COAST PORTS, 2019 – 2022



** Figures are based on Klaipėda Port Authority data*

DYNAMICS OF OIL PRODUCTS TRANSHIPMENT AT THE EASTERN BALTIC SEA COAST PORTS IN 2021 – 2022



** Figures based on Klaipėda Port Authority data*

TRANSHIPMENT OF OIL PRODUCTS

During 2022 the Company's Klaipėda and Subačius Oil terminals transhipped 4,267 kt of oil products compared to 3,651 kt during 2021. The transhipment of both terminals for 2022 is 16.9% higher than during 2021. The increase was a result of the global and regional factors mentioned in the section "Oil Terminals' Business Environment and Market".

In 2022, bitumen transhipment was started using tanks that were reconstructed from 2021 (a total of 8.4 thousand m^3). As a result, in the end of 2022 Klaipėda oil terminal took about 22% of the bitumen transhipment market in the terminals of the Baltic countries and the Gulf of Finland (Russia).

The diversification of oil products transhipped via Klaipėda oil terminal also increased by the start of the loading of Lithuanian crude oil in the first half of 2022.

Biofuels transhipment in KOT continued to grow: in 2022 4% more biofuels were transhipped than in 2021, where ethanol was the main driver due to its restored delivery from Ukraine by tank trucks.

Loading of petrochemical products intensified and in 2022 was about 3.0 times higher than in 2022, due to new clients attracted.

Transhipment of oil products (diesel and gasoline) to tank trucks in 2022 was 20% higher compared to 2021.

Intensified transhipment activity also contributed to increased demand for the storage services of handled oil products – revenue from the rent of shore tanks in 2022 increased 45% compared to 2021.

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

** Figures based on KN data*

OVERVIEW OF KLAIPĖDA LNG TERMINAL OPERATING ENVIRONMENT

During 2022 NERC adopted the following resolutions related to the operating environment of Klaipėda LNGT:

- On 25 November 2022, decree no. O3E-1621 NERC approved fixed component of the LNG regasification price to be included in the security component payable by natural gas consumers is set at 0 EUR (MWh/day/year)
- On 31 May 2022, decree no. Q3E-799 – NERC approved LNG regasification variable part to 1.41 EUR / MWh
- On 25 November 2022, decree no. O3E-1620 – NERC has set prices for liquefied natural gas reloading services, effective from 1 January 2023. This resolution established differentiated LNG reloading prices based on the methodology for setting state regulated prices in the natural gas sector.
- NERC adopted several decisions regarding approval of updated editions of Regulations for use of Liquefied Natural Gas Terminal. Latest edition of the Regulations for use of Liquefied Natural Gas Terminal was approved by National Energy Regulatory Council on 1st of December 2022 by decree No. O3E-1649 (latest and amended editions of the Regulations could be found on www.kn.lt.

Other relevant 2022 events related to the operation of the LNGT:

- KN informed LNGT users that from 3rd of March acceptance of Russian cargoes at the LNGT is suspended. Accordingly, Government of the Republic of Lithuania adopted resolution which came into force on 17th of March 2022 stating that in order to ensure safe and reliable operations of LNGT, operator cannot reserve or use capacity for natural gas supply from countries which pose a threat to national security of the Republic of Lithuania in accordance with the National Security Strategy.
- As of 12th of July 2022 amendment to the Law on Natural Gas of the Republic of Lithuania came into force which included prohibition to reserve or use capacity of LNGT for natural gas supply from countries which in accordance with the National Security Strategy of Lithuania pose a threat to national security and to ensuring the national security interests.

LNGT capacity allocated for the gas year 2022 and 2022 Q4 (period from 1 October 2021 to 31 December 2022):

ALLOCATED CAPACITY	AMOUNT OF ALLOCATED CAPACITY, GWh*	PERIOD
LNG regasification capacity**	8,892	1 October 2021 – 30 September 2022
	62	1 October 2021 – 31 October 2021
	62	1 October 2021 – 30 November 2021
	62	1 October 2021 – 31 October 2021
	122	1 November 2021 – 31 December 2021
	31	1 November 2021 – 31 December 2021
	80	1 November 2021 – 30 November 2021
	113	5 January 2022 – 28 February 2022
	63	15 February 2022 – 31 March 2022
	10	9 January 2022 – 28 January 2022
	309	1 February 2022 – 31 March 2022
	949	15 February 2022 – 12 April 2022
	105	15 April 2022 – 2 May 2022
	20	20 February 2022
	21	1 April 2022
	1,000	7 March 2022 – 30 April 2022
	4,000	1 April 2022 – 30 September 2022
	998	1 May 2022 – 31 May 2022
	2,000	1 July 2022 – 31 August 2022
	4,968	1 June 2022 – 24 September 2022
	300	5 August 2022 – 15 September 2022
	9,596	1 October 2022 – 31 December 2022

*Combustion / measurement temperature 25/0 °C, pressure 1.01325 bar, natural gas gross calorific value 11.90 kWh/nm3, expansion factor 1: 578 m3 LNG / nm3 of gas).
**During Gas Year LNG regasification capacity may be changed to LNG reloading capacity.

Total 24,167 GWh LNG regasification capacities of LNGT were allocated for the Gas Year 2022 (period from 1 October 2021 to 30 September 2022) and 9,596 GWh for 2022 Q4. In 2022 KN has allocated long-term capacity until the end of 2032. LNGT users from Lithuania, Latvia and Poland have been granted 4 LNGT capacity packages of 6 TWh/year (24 TWh) each for a period of ten years starting from 1st January 2023. Following the renewal of the LNGT capacity allocation mechanism this year, in ten years approximately 60% of the LNGT total capacity per year is allocated to terminal users with long-term contracts. During the Annual Capacity allocation procedure, the LNGT regasification capacity of 9 TWh has been allocated to five Terminal users for the 2023 gas year.

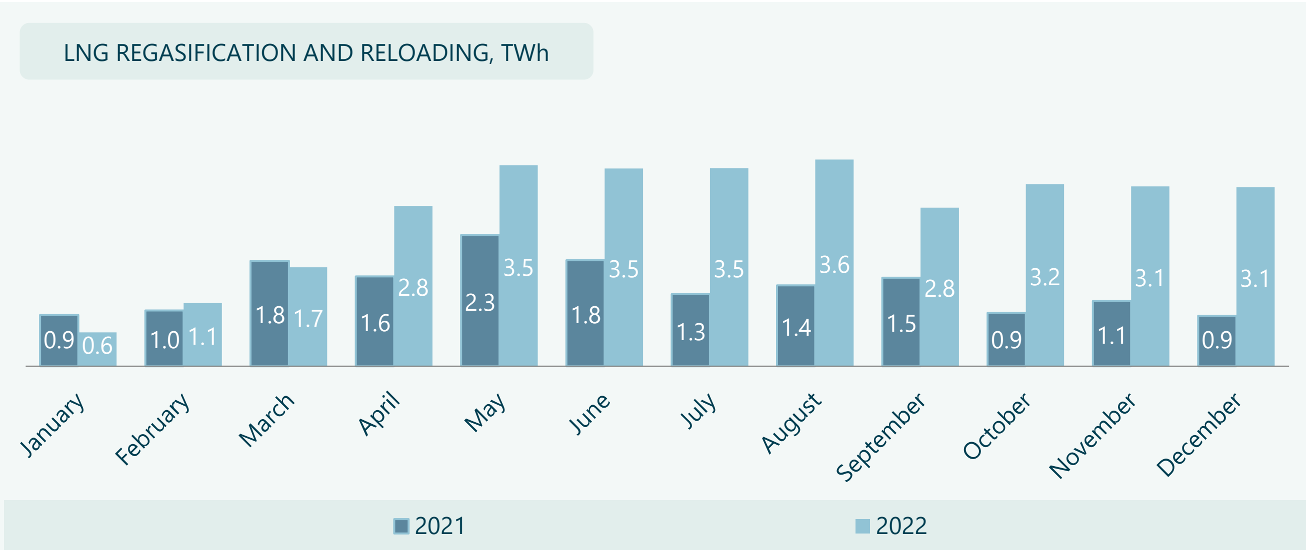
32,095 GWh of LNG have been regasified and transmitted to AB "Amber Grid" transmission system in 2022. It should be noted that in 2022, six users from Estonia, Poland, Norway, and Lithuania have been using LNGT in Klaipeda. Starting from the Terminal Gas Year 2023 new terminal user from Latvia will start to use services of the Terminal.

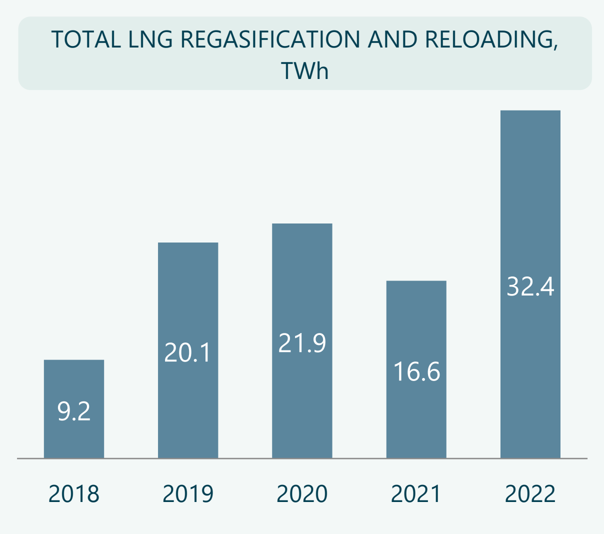
During 2022 the Klaipeda LNGT:

- Performed 54 ship-to-ship operations (71 ship-to-ship operations in 2021).
- 2,173.2 thousand tonnes of LNG were received (1,122.4 thousand tonnes in 2021).
- 2.796 billion nm^3 of natural gas were regasified and supplied to the natural gas transmission system (1.436 billion nm^3 in 2021).
- 11.4 thousand tonnes LNG were reloaded into small scale LNG carriers (5.6 thousand tonnes were reloaded in 2021).
- Accepted LNG origin was 65% from USA, 30% from Norway, 3% from Egypt and 2% from Russia (no more Russia related cargo accepted from March 2022).

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 or other LNG terminals in the region) 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 carriers.
- In 2022 one of the highest impacts for increasing the usage of LNGT capacities was halted Russian natural gas imports to Lithuania.





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. On 1st May 2022, the GIPL gas transmission pipeline between Lithuania and Poland started commercial operations.

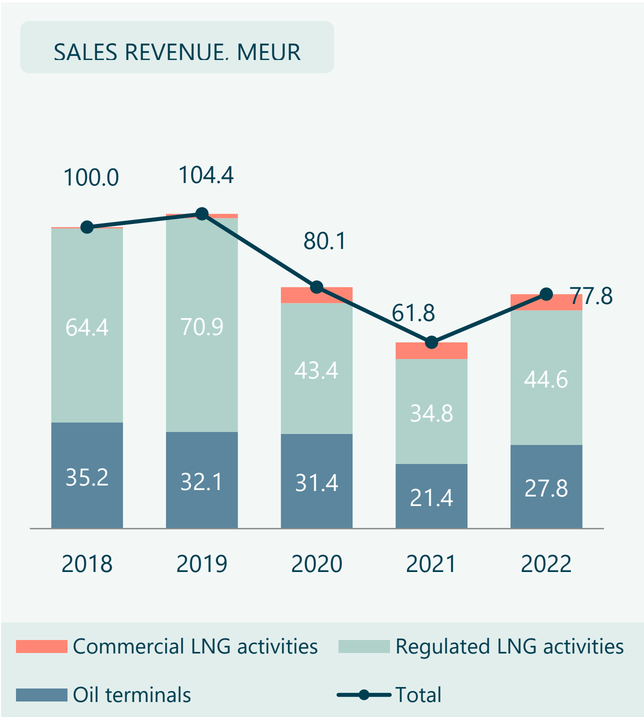
KLAIPEDA LNG TERMINAL CAPACITY EXPANSION

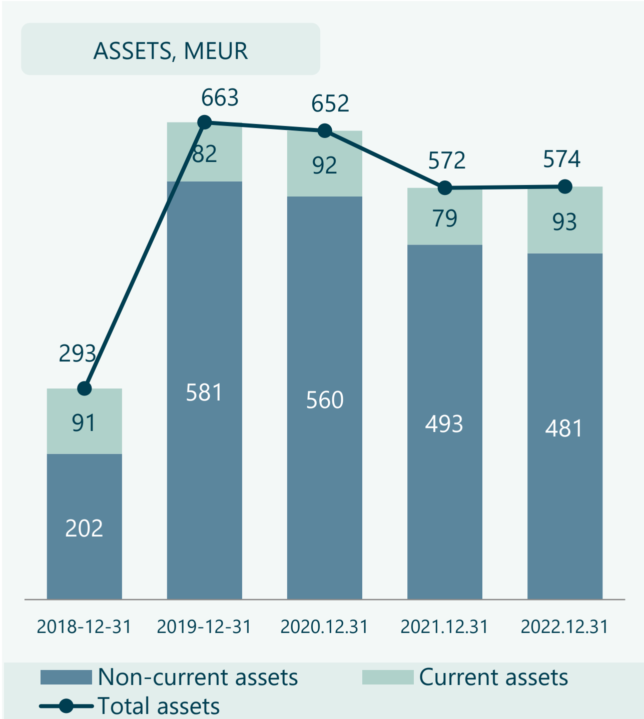
KN as the operator of Klaipeda LNGT together with gas transmission system operator AB "Amber Grid" seek to evaluate possibilities to expand current Klaipeda LNGT regasification capacity as well capacity of gas transmission system in relevant entry and exit points and create possibility to book additional LNG import capacity in the future. The implementation of the project should create additional LNG import capacity of up to 2.5 bcm/year preliminary starting from 2nd half of 2026.

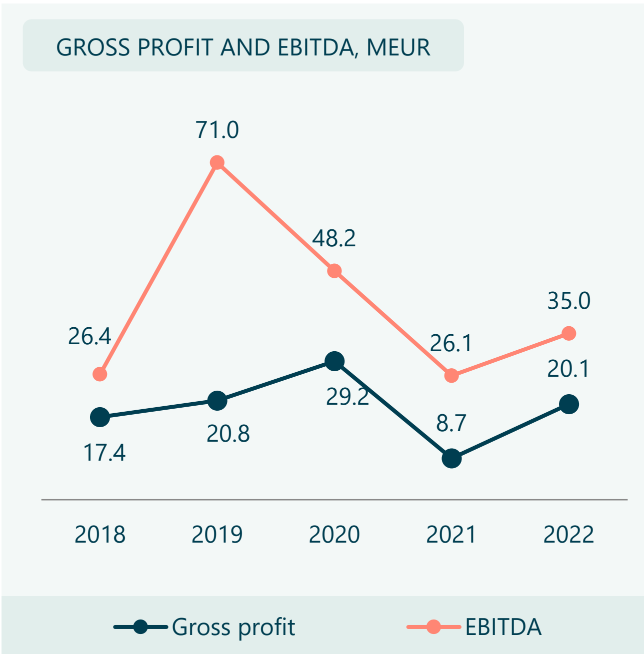
As the first step of the project, KN and AB "Amber Grid" seek to assess the market participants' demand of Expanded Capacity. Therefore, the Operators announced joint process of Open Season procedure at Klaipeda LNGT and Lithuanian gas transmission system. Procedure started with non-binding phase and afterwards will continue with the binding phase (if sufficient demand for additional capacity would be identified during the non-binding phase).

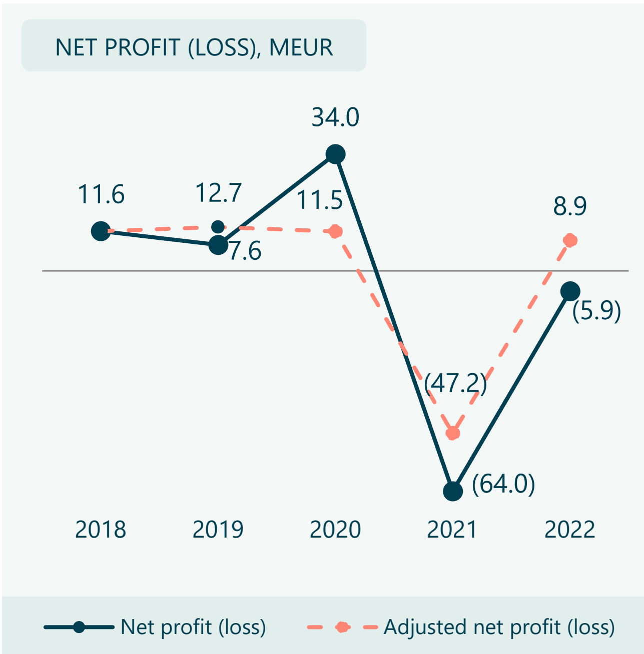
Non-binding phase of Open Season Procedure started on 19th of December 2022 and will last until 1st of February 2023. Publication on Non-binding phase of Open Season Procedure could be found on www.kn.lt. Announcement of the decision to conduct the binding phase of the Open Season Procedure will follow afterwards and be published by 1st of March 2023.

FINANCIAL RESULTS OF GROUP'S ACTIVITY









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, %
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 Acu)	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 “General Information About the Group and the Company”.

FINANCIAL RESULTS OF THE GROUP'S AND THE COMPANY'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 (loss) 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	2022	2022 adj.*	2021	2021 adj.*	2020	2020 adj.*	2019	2019 adj.*	2018
Transhipment of oil products, thousand t	4,267	4,267	3,651	3,651	5,149	5,149	5,749	5,749	6,694
LNG regasification and reloading, GWh	32,446	32,446	16,569	16,569	21,987	21,987	20,237	20,237	9,213
Investments of non-current assets	4,559	4,559	9,080	9,080	7,163	7,163	22,051	22,051	13,156
FINANCIAL FIGURES									
Sales	77,818	77,818	61,811	61,811	80,114	80,114	104,363	104,363	99,998
EBITDA (APM)	34,987	34,987	26,108	26,108	48,168	48,168	70,979	70,979	26,406
EBIT (APM)	12,193	12,193	(53,165)	(53,165)	19,379	19,379	14,316	14,316	11,865
Net profit (loss)	(5,904)	8,869	(64,011)	(47,178)	33,958	11,454	7,561	12,731	11,577
PROFITABILITY									
Return on assets (ROA) (APM)	(1.0)%	1.5%	(10.5)%	(7.7)%	5.2%	1.7%	1.6%	2.7%	3.9%
Return on equity (ROE) (APM)	(4.2)%	6.0%	(35.5)%	(27.5)%	16.7%	5.8%	3.9%	6.5%	5.9%
Return on Capital Employed (ROCE) (APM)	4.4%	4.2%	0.2%	0.2%	6.9%	7.3%	5.1%	5.0%	4.2%
EBITDA margin (APM)	45.0%	45.0%	42.2%	42.2%	60.1%	60.1%	68.0%	68.0%	26.4%
EBIT margin (APM)	15.7%	15.7%	(86.0)%	(86.0)%	24.2%	24.2%	13.7%	13.7%	11.9%
Net profit margin (APM)	(7.6)%	11.4%	(103.6)%	(76.3)%	42.4%	14.3%	7.2%	12.2%	11.6%
FINANCIAL STRUCTURE									
Debt ratio (D/E) (APM)	313%	284%	295%	296%	201%	219%	248%	241%	50%
Debt ratio (D/E) – excluding IFRS 16 liabilities (APM)	121%	110%	97%	97%	60%	65%	50%	49%	50%
Debt to EBITDA (APM)	12	12	16	16	9	9	7	7	4
Debt (excluding IFRS 16) to EBITDA (APM)	5	5	5	5	3	3	1	1	4
Debt service coverage ratio (DSCR) (APM)	4	4	4	4	8	8	12	12	9
Gross liquidity ratio (current ratio) (APM)	1.30	1.30	1.28	1.28	1.47	1.47	1.27	1.27	4.87
MARKET VALUE RATIOS									
Price-Earnings Ratio (P/E)	(15.4)	10.3	(1.8)	(2.5)	3.6	10.7	18.3	10.9	13.4
Earnings per share (EPS)	(0.016)	0.023	(0.168)	(0.124)	0.089	0.030	0.020	0.033	0.030

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 (loss) 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	2022	2022 adj.*	2021	2021 adj.*	2020	2020 adj.*	2019	2019 adj.*	2018
Transhipment of oil products, thousand t	4,267	4,267	3,651	3,651	5,149	5,149	5,749	5,749	6,694
LNG regasification and reloading, GWh	32,446	32,446	16,569	16,569	21,987	21,987	20,237	20,237	9,213
Investments of non-current assets	4,559	4,559	9,080	9,080	7,163	7,163	22,051	22,051	13,156
FINANCIAL FIGURES									
Sales	74,722	74,722	58,633	58,633	77,474	77,474	104,138	104,138	99,998
EBITDA (APM)	33,696	33,696	24,582	24,582	47,291	47,291	71,396	71,396	26,406
EBIT (APM)	11,000	11,000	(54,610)	(54,610)	18,532	18,532	14,733	14,733	11,865
Net profit (APM)	(6,732)	8,041	(64,917)	(48,084)	33,495	10,991	7,947	13,117	11,577
PROFITABILITY									
Return on assets (ROA) (APM)	(1.2)%	1.4%	(10.6)%	(7.9)%	5.1%	1.7%	1.7%	2.7%	3.9%
Return on equity (ROE) (APM)	(4.8)%	5.5%	(36.0)%	(28.1)%	16.4%	5.6%	4.1%	6.7%	5.8%
Return on Capital Employed (ROCE) (APM)	4.0%	3.8%	(0.4)%	(0.4)%	6.6%	7.0%	5.2%	5.1%	4.2%
EBITDA margin (APM)	45.1%	45.1%	41.9%	41.9%	61.0%	61.0%	68.6%	68.6%	26.4%
EBIT margin (APM)	14.7%	14.7%	(93.1)%	(93.1)%	23.9%	23.9%	14.1%	14.1%	11.9%
Net profit margin (APM)	(9.0)%	10.8%	(110.7)%	(82.0)%	43.2%	14.2%	7.6%	12.6%	11.6%
FINANCIAL STRUCTURE									
Debt ratio (D/E) (APM)	316%	287%	297%	298%	201%	218%	247%	241%	50%
Debt ratio (D/E) – excluding IFRS 16 liabilities (APM)	123%	111%	97%	98%	60%	65%	50%	49%	50%
Debt to EBITDA (APM)	13	13	17	17	9	9	7	7	4
Debt (excluding IFRS 16) to EBITDA (APM)	5	5	6	6	3	3	1	1	4
Debt service coverage ratio (DSCR) (APM)	4	4	4	4	8	8	12	12	9
Gross liquidity ratio (current ratio) (APM)	1.22	1.22	1.20	1.20	1.41	1.41	1.21	1.21	4.87
MARKET VALUE RATIOS									
Price-Earnings Ratio (P/E)	(13.5)	11.3	(1.8)	(2.4)	3.6	11.1	17.4	10.5	13.4
Earnings per share (EPS)	(0.018)	0.021	(0.171)	(0.126)	0.088	0.029	0.021	0.034	0.030

ALTERNATIVE PERFORMANCE MEASURES

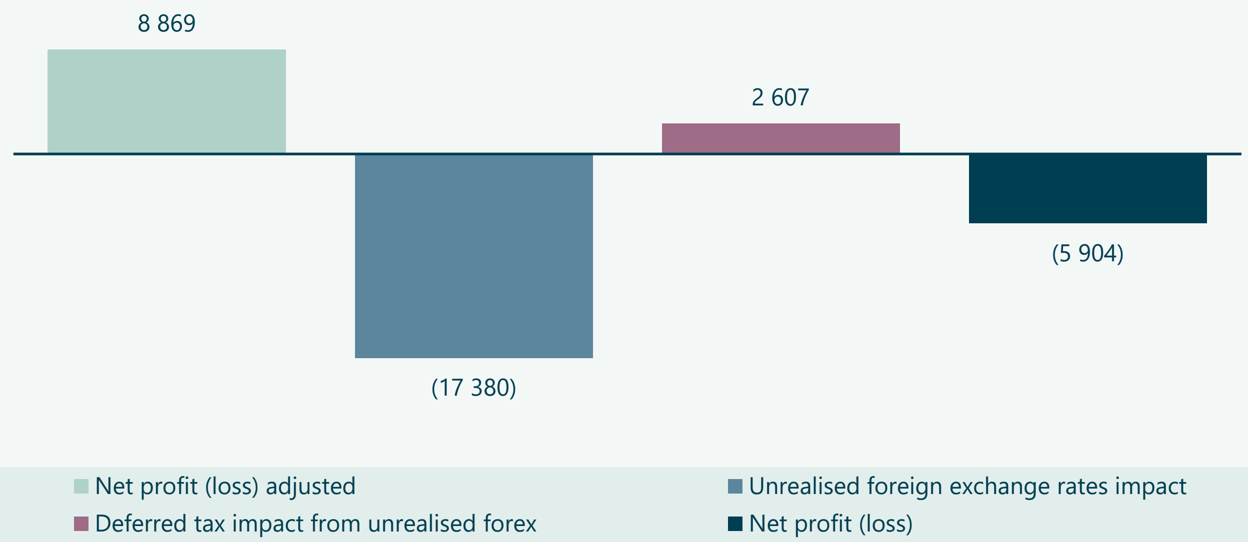
MEASURE	CALCULATION
Debt (excluding IFRS 16) to EBITDA	(total current and non-current liabilities at the end of the period – current and non-current IFRS lease liabilities) / EBITDA
Debt ratio (D/E)	total current and non-current liabilities at the end of the period / total equity at the end of the period
Adjusted debt ratio (D/E)	(total current and non-current liabilities) / total adjusted 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
Adjusted 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 adjusted equity at the end of the period
Debt service coverage ratio (DSCR)	EBITDA / (total current loan obligations at the end of the period + interest expenses of the period)
Debt to EBITDA	total current and non-current liabilities at the end of the period / EBITDA
EBIT	earnings before taxes – financial activity income + financial activity expenses
Adjusted EBIT	earnings before interest and taxes – unrealised foreign exchange rates impact – impact of financial derivatives
EBIT margin	EBIT / revenue
Adjusted EBIT margin	adjusted EBIT / revenue
EBITDA	earnings before taxes – financial activity income + financial activity expenses + depreciation and amortization expenses + impairment expenses and reversals
EBITDA margin	EBITDA / revenue
Gross liquidity ratio (current ratio)	total current assets at the end of the period / total current liabilities at the end of the period.
Net profit margin	net profit (loss) for the period / revenue
Adjusted net profit margin	adjusted net profit (loss) for the period / revenue
Return on assets (ROA)	net profit (loss) of the last twelve months / (assets at the end of the period + assets at the beginning of the period) / 2
Adjusted return on assets	adjusted net profit (loss) of the last twelve months / (assets at the end of the period + assets at the beginning of the period) / 2
Return on Capital Employed (ROCE)	(EBITDA – depreciation and amortization expenses) / (total equity + total long-term loans and deferred government grants at the end of the period)
Return on equity (ROE)	net profit (loss) of the last twelve months / (equity at the end of the period + equity at the beginning of the period) / 2
Adjusted return on equity	adjusted net profit (loss) of the last twelve months / (adjusted equity at the end of the period + adjusted equity at the beginning of the period) / 2

FINANCIAL RESULTS

KN uses alternative performance measures (APM) to provide better understanding of the Group and the Company business operations. Currently, net profit (loss) 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 (loss) 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.

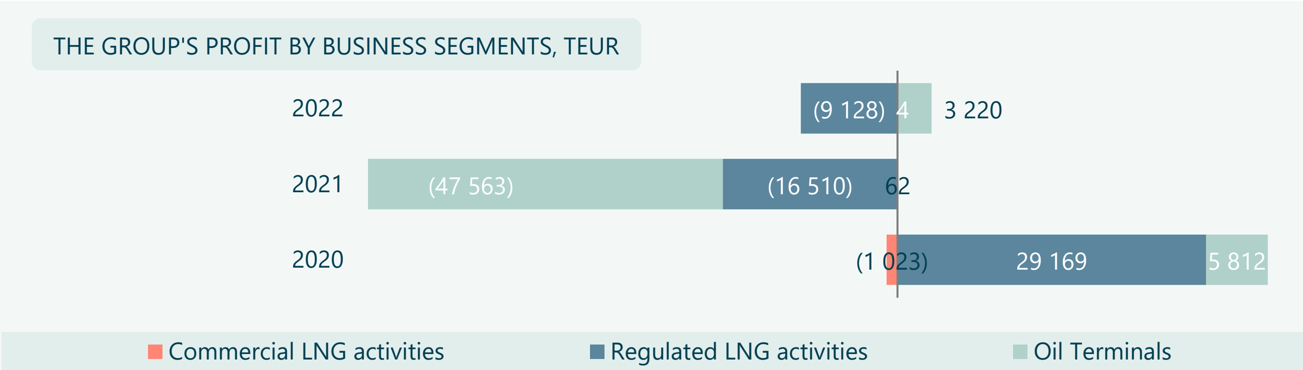
Since 2019, KN's financial results have been affected by IFRS 16 "Leases" – a new standard which came into effect on 1 January 2019 and by the reduction of LNG security supplement from 1 January 2020 by EUR 26.8 million per annum. These changes have significantly affected KN's statement of financial 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 unrealized USD/EUR exchange rate in amount of EUR 17,380 thousand has been recognized in the statement of comprehensive income in 2022 (in 2021 – a negative impact of EUR 22,073 thousand). 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 reduced revenue of the Group and the Company for 2020-2022 in amount of EUR 26.8 million per annum. The LNG security supplement reduction is financed by NIB loans; therefore, the cash flows of the Group and the Company are not affected. The reduced revenue will be returned to the Company over the period of operation of the LNG terminal.

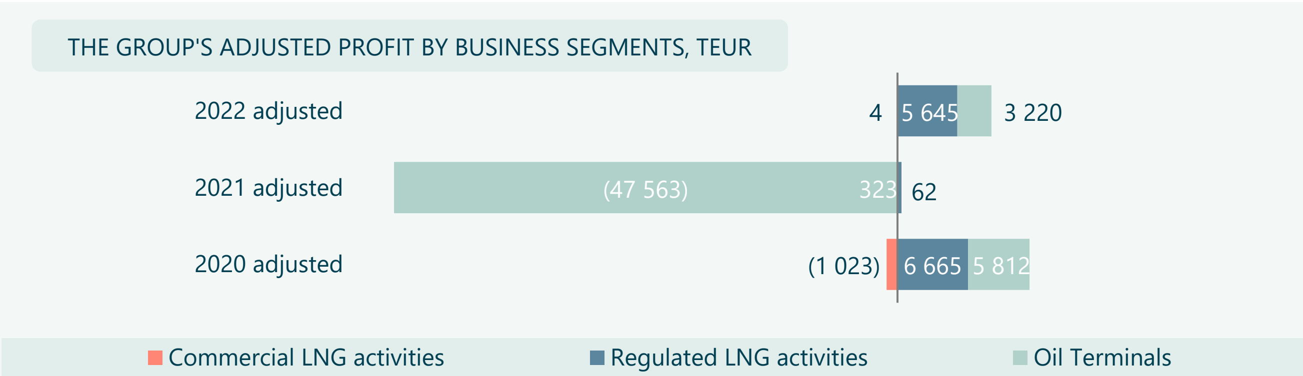
IMPACT OF IFRS 16 ON GROUP'S NET PROFIT (LOSS) IN 2022, EUR THOUSAND



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

INCREASE/(DECREASE) IN EUR THOUSAND	31-12-2022 THE GROUP	31-12-2022 THE COMPANY
Net profit (loss)	**(5,904)**	**(6,732)**
Unrealised foreign exchange rates impact	17,380	17,380
Deferred tax impact from unrealised forex	(2,607)	(2,607)
Net profit (loss) adjusted	**8,869**	**8,041**

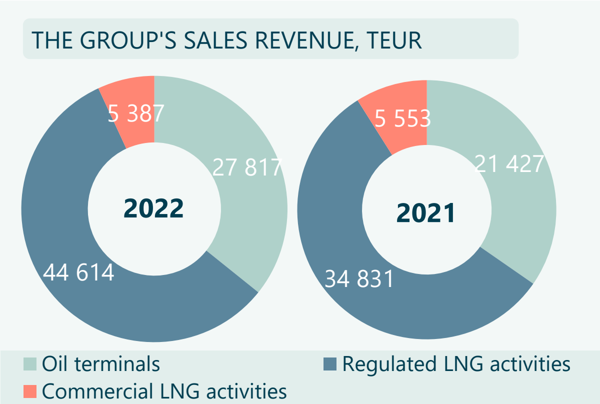




The main reasons for the increase of the **Group's adjusted net profit** by EUR 56,047 thousand compared to 2021 are – EUR 50,783 thousand higher adjusted net profit from Oil terminals, EUR 5,322 thousand higher adjusted net profit from regulated LNG activities and commercial LNG activities net profit is EUR 58 thousand lower. For detailed explanations see below:

- Adjusted net profit from Oil terminals is higher by EUR 50,783 thousand mainly due to (1) in 2021 an impairment of Klaipėda Oil terminal was recognized in amount of EUR 54.3 million and a respective deferred income tax asset impact of EUR 8.1 million; (2) EUR 6.4 million higher sales revenue from oil product transhipment and storage services compensated EUR 2.6 million higher variable costs (natural gas, electricity, railway services).
- Adjusted net profit from regulated LNG activities (EUR 5,645 thousand) is EUR 5,322 thousand higher due to higher revenue – main reasons: (1) higher regasification revenue by EUR 26.7 million due to increased demand and regasification tariff from 0.41 EUR/MWh to 1.19 EUR/MWh; (2) received revenue related to the natural gas consumer's liability for previous periods after the court decision in amount of EUR 1.1 million; (3) higher revenue from AB Amber Grid by EUR 0.5 million due to recalculated actual consumption capacities of previous period (2022 – EUR 1.1 million, 2021 – EUR 0.6 million); (4) lower revenue from the fixed part of LNG regasification service fee by EUR 18.5 million due to implemented LNG terminal capacity allocation and tariffication model when KN part in security supplement from May 2022 was decreased to 0 EUR/MWh/day/year; (i) higher expenses of tax on environmental pollution expenses by EUR 1.6 million; (ii) EUR 1.8 million higher expenses of FSRU costs due to negative impact of USD/EUR exchange rate and unplanned heat exchangers repair and EUR 0.1 million higher other expenses; (iii) positive impact by EUR 0.9 million from financial activities mainly due to FSRU lease payment discount booked in 2022; (iv) changes in deferred income tax balance have a EUR 1.9 million negative impact on adjusted net profit (loss) of LNGT comparing to 2021.
- The adjusted net profit from commercial LNG activities is EUR 58 thousand lower due to 3.5% or EUR 84 thousand lower sales revenue from commercial LNG activities in 2022.

SALES REVENUE



The **Group's sales revenue** in 2022 (EUR 77,818 thousand) is 25.9% or EUR 16,007 thousand higher compared to 2021 (EUR 61,811 thousand).

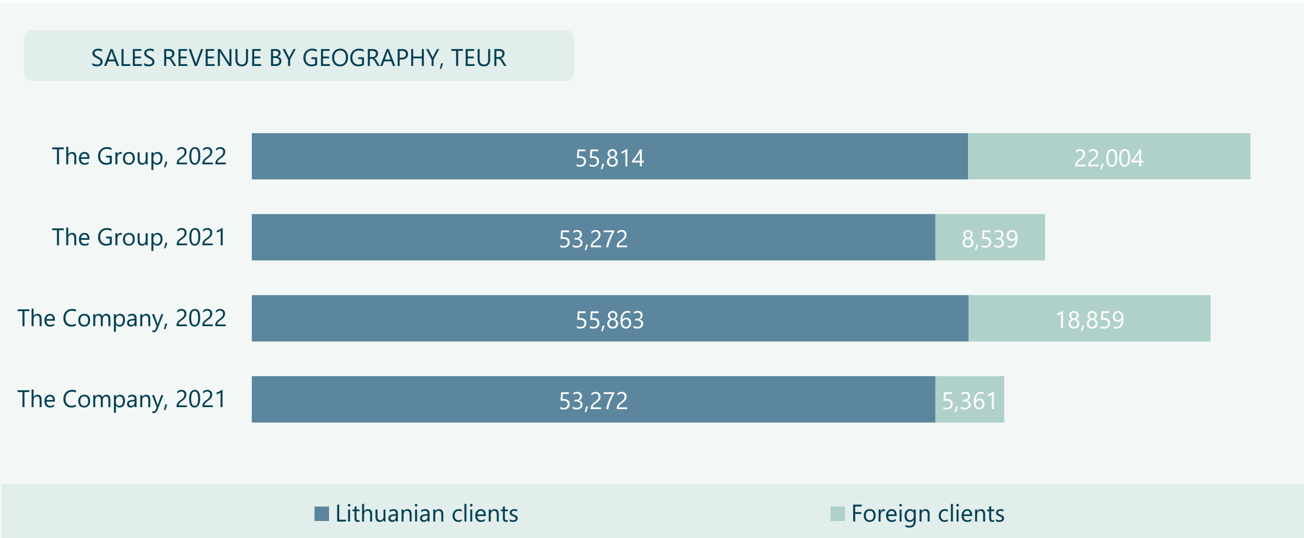
The Company's sales revenue in 2022 (EUR 74,722 thousand) is 27.4% or EUR 16,089 thousand higher compared to 2021 (EUR 58,633 thousand). The main reason is 28.1% or EUR 9,783 thousand higher revenue from regulated LNG activities and 29.8% or EUR 6,390 thousand higher sales from oil terminals operations.

The total **revenue of the regulated LNG activities** in 2022 amounts to EUR 44,614 thousand and is EUR 9,783 thousand or 28.1% higher compared to 2021. 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 in 2022 amounts to EUR 27,817 thousand and is EUR 6,390 thousand or 29.8% higher compared to 2021 (EUR 21,427 thousand). The increase of revenue was due to 16.9% or 616 kt higher transhipment of oil products.

Sales revenue from **commercial LNG activities** in 2022 (EUR 5,387 thousand) is 3.0% or EUR 166 thousand lower than in 2021 (EUR 5,553 thousand).

Sales revenue by geography is provided bellow. Sales revenue from foreign clients is revenue from the clients not registered in Lithuania.



EXPENSES

2022 and 2021 cost of sales and operating expenses for the Group and the Company:

	2022 GROUP	2021 GROUP	CHANGE 2022 VS 2021 +/-	CHANGE 2022 VS 2021 %	2022 COMPANY	2021 COMPANY	CHANGE 2022 VS 2021 +/-	CHANGE 2022 VS 2021 %
Cost of sales	57,703	53,109	4,594	8.7%	56,706	52,144	4,562	8.7%
Operating expenses	8,432	61,928	(53,496)	(86.4)%	7,526	61,160	(53,634)	(87.7)%
Total costs	**66,135**	**115,037**	**(48,902)**	**(42.5)%**	**64,232**	**113,304**	**(49,072)**	**(43.3)%**

Total **cost of sales of the Group** of 2022 comprises EUR 57,703 thousand and is higher by 8.7% or by EUR 4,594 thousand comparing to 2021 (EUR 53,109 thousand), due to EUR 2,581 thousand higher variable costs (natural gas, electricity, railway services), due to EUR 1,830 thousand higher expenses related to FSRU rent

(OPEX element, management, crew cost) and due to EUR 1,412 thousand higher emission allowances and tax on environmental pollution. Total depreciation and amortisation expenses attributable to cost of sales are lower by EUR 2,878 thousand. Total **cost of sales of the Company** of 2022 comprises EUR 56,706 thousand and is higher by 8.7% or by EUR 4,562 thousand compared to 2021 (EUR 52,144 thousand). The main reasons and the figures are the same as per above explanation for the Group's cost of sales. Depreciation and amortisation expenses attributable to cost of sales are lower by EUR 2,894 thousand.

The **Group's operating expenses** of 2022 comprise EUR 8,432 thousand and are 7.3 times or by EUR 53,496 thousand lower compared to 2021 (EUR 61,928 thousand). The main reason for the decrease in Group's operating expenses is impairment of assets recognised in 2021 in amount of EUR 54,338 thousand. Impairment of doubtful receivables reversal amounts to EUR 711 thousand for 2021 giving negative effect of changes in Group's operating expenses of 2022 by EUR 723 thousand. **The Company's operating expenses** of 2022 comprise EUR 7,526 thousand and are 8.1 times or EUR 53,634 thousand lower compared to 2021 (EUR 61,160 thousand). The main reasons and the figures are the same as per above explanation for the Group's operating expenses.

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

	2022				2021				CHANGE 2022 VS 2021	
	OT	LNGT	comLNG	**TOTAL**	OT	LNGT	comLNG	**TOTAL**	+/-	%
Depreciation of right-of-use asset	436	13,740	149	**14,325**	464	13,745	120	**14,329**	(4)	(0.0)%
Wages, salaries, and social security	8,059	3,202	2,254	**13,515**	7,608	2,845	2,230	**12,683**	832	6.6%
Depreciation and amortization	4,647	2,486	1,206	**8,339**	6,737	3,172	1,408	**11,317**	(2,978)	(26.3)%
Expenses related to FSRU rent (OPEX element, management, crew cost)	-	7,471	-	**7,471**	-	5,641	-	**5,641**	1,830	32.4%
Variable costs (natural gas, electricity, railway services)	6,950	25	38	**7,013**	4,384	17	31	**4,432**	2,581	58.2%
Emission allowances and tax on environmental pollution	174	5,512	-	**5,686**	439	3,835	-	**4,274**	1,412	33.0%
Port charges	-	1,536	-	**1,536**	-	1,541	-	**1,541**	(5)	(0.3)%
Repair and exploitation expenses	609	317	102	**1,028**	558	159	101	**818**	210	25.7%
Cost of oil products sold	1,019	-	-	**1,019**	599	-	-	**599**	420	70.1%
Contribution for National Energy Regulatory Council (NERC)	-	477	-	**477**	-	595	-	**595**	(118)	(19.8)%
Work safety costs	154	31	9	**194**	209	19	7	**235**	(41)	(17.4)%
Impairment of assets	12	-	15	**27**	54,338	-	-	**54,338**	(54,311)	(100.0)%
Reversal of trade debtors impairment	12	-	-	**12**	(711)	-	-	**(711)**	723	(101.7)%
Other cost of sales and operating expenses	2,478	1,843	1,172	**5,493**	2,244	1,658	1,044	**4,946**	547	11.1%
Total costs	**24,550**	**36,640**	**4,945**	**66,135**	**76,869**	**33,227**	**4,941**	**115,037**	**(48,902)**	**(42.5)%**

In 2022 **regulated LNG activity expenses** amount to EUR 36,640 thousand and are higher by EUR 3,413 thousand or by 10.3% compared to 2021 (EUR 33,227 thousand). Major part of regulated LNG activity expenses is depreciation of right-of-use asset expenses, which amount to EUR 13,740 thousand and are lower by EUR 5 thousand comparing to 2021. Expenses related to FSRU rent (OPEX element, management, crew cost) amount to EUR 7,471 thousand that are higher by 32.4% or by EUR 1,830 thousand comparing to 2021, emission allowances and tax on environmental pollution amount to EUR 5,512 thousand and are higher by 43.7% or by EUR 1,677 thousand. Contribution for National Energy Regulatory Council expenses decreased by EUR 118 thousand. Other LNG terminal's expenses amount to EUR 9,440 thousand and are higher by 0.3% or by EUR 29 thousand comparing to 2021 (EUR 9,411 thousand).

In 2022 the total amount of **Oil terminal's** expenses amount to EUR 24,550 thousand (2021 – EUR 76,869 thousand) and are 3.1 times or EUR 52,319 thousand lower due to EUR 54,326 thousand lower impairment of assets expenses. The Oil terminals variable costs (gas, electricity, railroad costs) are higher by 58.5% or by EUR 2,566 thousand. OT's depreciation and amortization expenses are lower by EUR 2,090 thousand due to (1) the impact of fully depreciated assets and the impact of oil terminal's impairment recognised in 2021, resulting lower depreciation expenses, giving lower depreciation and amortisation expenses by EUR 1,819 thousand compared to 2021, and (2) depreciation and amortization expenses were lower by EUR 271 thousand due to decrease in acquisitions of assets and revision of assets' useful life. Impairment of doubtful receivables reversal amounts to EUR 711 thousand for 2021 giving negative effect of changes in Oil terminals expenses of 2022 by EUR 723 thousand. The cost of oil products sold increased Oil terminal's expenses by EUR 420 thousand. Other Oil terminal's expenses amount to EUR 11,911 thousand and are higher by 3.4% or by EUR 389 thousand comparing to 2021 (EUR 11,522 thousand).

In 2022 the total amount of **commercial LNG activity expenses** amounted to EUR 4,945 thousand and are higher by EUR 4 thousand (2021 – EUR 4,941 thousand). Subsidiary's KN Acu Servicos de Terminal activity expenses are higher by EUR 50 thousand or by 2.6%. The main reasons of increased expenses are higher staff costs and personal expenses.

REGULATED PROFIT OF LNG TERMINAL

LNG terminal, its infrastructure and connection implementation as well as exploitation costs fully or partially are included into the natural gas transmission service price in accordance with the rules and guidance's set by NERC based on the regulations set in the Energy Law, Natural Gas Law and other laws of the Republic of Lithuania related with energy prices regulation.

The total level of LNG terminal revenue is confirmed by NERC based on the approved methodology of Government regulated prices in the natural gas sector (hereinafter – Methodology). According to the Methodology, the level of LNG terminal revenue is calculated for upcoming year by summing 2 components: 1) Estimated necessarily costs for the LNG terminal exploitation and operational assurance; 2) Estimated return on investment of LNG terminal infrastructure.

The revenue of the LNG terminal activity comprises of 3 components:

Fixed part of LNG regasification service price is approved annually by NERC. This part of the price is included into the additional Security Supplement added to the gas transmission price.

Variable part of LNG regasification service price is received for the regasified volume directly from LNG terminal users. The regasification tariff is approved annually by NERC.

LNG reloading service revenue for reloaded LNG quantity. The tariff of the LNG reloading service is also approved annually by NERC.

Revenue from LNG regasification (variable part) and LNG reloading service revenue is recognized at the moment during which the services were provided according to the tariffs approved by NERC.

The tariff of LNG Security Supplement is set annually by NERC based on the amount required to be collected (estimated LNG terminal revenue) and proportionally allocated for the forecasted gas consumption capacities. LNG security supplement is paid by the users of natural gas transmission system, including the end users, together with the other payments for the natural gas transmissions services. The payments are collected by the transmission service operator (hereinafter – TSO) either directly from users or from suppliers of natural gas in case the user has no direct contractual obligations with the TSO.

Actual LNG Security Supplement contributions and payments may differ from planned ones (calculated at the approval of Security Supplement) due to the variation of consumption capacities or other differences.

The differences between the net profit of LNG terminal segment (non-regulated) and the profit of the regulated activity are determined by different calculation principles. Financial accounting is in accordance with IFRS, while the result of regulated activities is calculated in accordance with the methodology approved by NERC.

LNG operating expenses are recognized in the relevant period when they are incurred.

The regulated profit of LNG terminal is calculated by adjusting the determined return on investment by income and expenses not attributable for the regulated activity in terms of regulation (which influence financial results).

During the 1st regulatory period (2014-2019) a surplus has been calculated by NERC after the third and the fifth regulatory years. The surplus after third full regulatory year (2014-2017) has reduced the level of LNG terminal revenue for 2019 and surplus after fifth regulatory year (2014-2019) reduces the level of LNG terminal revenue for 2021. The identified surplus has reduced LNG terminal revenue for 2019 by EUR 787 thousand and revenue for 2021 by EUR 2,589 thousand.

For the 2nd regulatory period (2020-2024) NERC has calculated the surplus of regulated profit after two periods (2020-2021) and has reduced the level of LNG terminal revenue for 2023 by EUR 568 thousand. Moreover, due to significant net excess income earned in 2020, the Company's LNG terminal revenue for 2022 has already been reduced by EUR 7,105 thousand.

According to the changes of Methodology, Company accumulates collected additional income from variable and fixed parts of LNG regasification price to reduce the security supplement in the future periods when costs of LNG terminal will not be collected directly by LNG terminal users and accordingly KN part of the security supplement will be positive.

Assess the impact of regulated activities, the Company in management accounting calculates normalized profit. Normalized profit is adjusted for temporary regulatory differences.

LNG REGULATED ACTIVITY TEMPORARY REGULATORY DIFFERENCES	2014-2019 surplus*	2020*	2021*	2022**
Regulated Asset Base (RAB)		47,047	44,176	41,304
Weighted Average Cost of Capital (WACC)		2.90%	3.46%	4.14%
Return on Investments (ROI) (RAB x WACC)		**1,364**	**1,528**	**1,710**
Total temporary regulatory adjustment		**(7,366)**	**2,646**	**812**
1) adjustment related to prior years: payback of excess net income / (compensation of excess net cost)		(130)	2,254	7,105
2) adjustment related to the current year: (excess net income) / excess net cost	(2,954)	(7,235)	392	(6,293)
Payback / (compensation) in:				
Year 2020	365			
Year 2021	2,589			
Year 2022		7,105		
Year 2023		625	(57)	
Year 2024				(6,491)
Year 2025				(13)
Surplus of income to the current year				12,797
Total amount to be compensated / (paid back) in future periods as at the end of the year	**(2,954)**	**(10,319)**	**(7,674)**	**(6,861)**

* Adjusted after NERC revision
** Inspection of the regulated activity has not been completed yet

IMPACT OF IFRS 16 AND CAPITALISATION OF PURCHASE OPTION

As at 31 December 2019 the Group and the Company has capitalized purchase option under the lease agreement. According to IFRS 16 requirements, lessee should remeasure lease liability of each agreement upon the occurrence of either a significant event or a significant change in circumstances at each financial statements' date. It is the duty of the management to re-evaluate the probability to realise the purchase option at each financial statements' date in the upcoming reporting periods and in circumstances if any changes occur, it must be reflected in the financial statements respectively. During the year 2022 no significant events and circumstances have occurred that would have the impact and respectively no changes in finance lease accounting under IFRS 16 requirements have been made as at 31 December 2022.

During the year of 2019 the following significant events have happened that determined the need to reassess the probability of realizing the purchase option:

- On 1st March 2019 amendments of the Republic of Lithuania Law on Liquefied Natural Gas Terminal No XI-2053 Article 5 and 9 (further – the Law) entered into force stipulating obligation to the Company as a Liquefied Natural Gas terminal operator to acquire ownership of FSRU (by selecting the most economic option) not later than by 31st December 2024;
- On 19th September 2019 European Commission has approved state aid consent regarding LNG security supplement reduction;
- On 24th October 2019 the Board of the Company has adopted a decision to acquire FSRU no later than by 31 December 2024 with the conditions that 1) loan to finance the purchase is arranged and 2) Parliament approves the State guarantee for the loan;
- On 19th December 2019 a binding offer from NIB to finance the 100% purchase price of FSRU (up to 160 MMEUR) has been received;
- On 19th December 2019 Parliament has approved granting State guarantees for NIB loans for LNG security supplement reduction and purchase of FSRU;
- On 20th December 2019 a loan agreement with NIB has been signed for the LNG security supplement reduction.

While evaluating the probability to realize the purchase option the management of the Company has considered a number of economic, size and FSRU technological circumstances, which has shown that:

- Currently used FSRU is economically most favourable when compared to the 1) availability; 2) price factors of the same size and functionality of new and used

FSRUs and conversions of LNG carriers and 3) possible additional investments needed for any other FSRU;

- In terms of size the industry is currently being equipped by modern 170-180 tm3 FSRUs and LNG carriers, enabling to unload to FSRU full cargo of conventional size LNG carriers (140-180 tm3) and not limiting LNG suppliers' interest in using the terminal;
- Current terminal size and parameters are needed in order to meet N-1 criteria for energy security, i.e. to ensure gas supply in the event of failure of the largest supply infrastructure during highest daily demand;
- Technologically currently used FSRU has the technology that is still regarded as advanced/not obsolete in comparison with other developments and can easily accept "green gases" and remain functional in the context of the EU "green policy" decisions in a long term;
- In 2020 implemented dry-dock has confirmed that currently used FSRU is in good condition and is designed to be operative for at least 25 more years.
- On 20th November 2020 European Commission has approved state aid consent regarding acquisition of LNG floating and storage unit. The decision of the European Commission secures Company's ability to make a withdrawal of funds under the Loan agreement concluded between the Company and Nordic Investment Bank on 9 March 2020.
- During 2021, KN, as part of a project of long-term LNG import infrastructure solution, organised intensive discussions with market participants, a market consultation on the procurement documents and launched a public international tender for the acquisition of the FSRU in mid-year.

As at 31 December 2022 the mentioned conditions are still applicable and have not changed. Furthermore:

- In February 2022 the Board of KN has taken a decision on the acquisition of the FSRU Independence at the end of its lease agreement.
- On 25th of February 2022 Extraordinary General Meeting of Shareholders has adopted the resolution and approved the decision of the AB Klaipėdos nafta Board to acquire the floating storage regasification unit (FSRU) Independence.
- Company has notified Höegh group companies that KN exercises an option right to acquire Independence. After fulfilling all the option conditions specified in the Time Charter Party, the Company will acquire the FSRU no later than 6 December 2024. Until then the Company will continue to lease the FSRU under the same conditions.

Therefore, from the current point of view, the management of the Company is reasonably certain that the purchase option of lease contract will be realized. As a result, no changes in purchase option accounting as at 31 December 2022 have been made.

INVESTMENTS

The most important investment projects of 2022:

NO.	PROJECT	INVESTMENTS IN 2022 (INCL. PREPAYMENTS)	PROJECT DESCRIPTION
1.	Modernization of jetty No. 1 and No. 2	1.7 MEUR	Reconstruction of berth No. 1 phase I construction works have been completed.
2.	Extreme situation management plan related investments	0.4 MEUR	Investments intended to ensure Company's operational continuity during extreme situations. During 2022, diesel generators were purchased to provide the electricity needed for operational processes, boiler burner adaption to combined operation implemented and the emergency lighting equipment installed.
3.	Tanker truck loading bay reliability and safety improvement	0.3 MEUR	Project for the improvement of Klaipėda oil terminal tanker truck loading bays' safety requirements and loading processes. During 2022, construction, pipeline installation and other works were carried out.
4.	Solar power plant installation in Subačius oil terminal	0.2 MEUR	Installation of 300 kW photovoltaic solar power plant at the Subačius oil terminal, which will help reduce some of the Company's electricity costs.
5.	Automated sampling and analysis system installation	0.1 MEUR	Project for the installation of an automated system for sampling and analysis of process water, steam and condensate used in the Klaipėda oil terminal boiler house. The project has been finished during the year 2022.
6.	Bitumen storage and handling reconstruction project	0.1 MEUR	Reconstruction and adaptation of two existing storage tanks for bitumen loading. Project has been finished during the year 2022, infrastructure up and running.

ACTIVITY PLANS AND FORECASTS

On 13th February 2020 the Supervisory Council of the Company has approved corporate strategy of KN until 2030. The main directions of the strategy are international LNG projects, strengthening the competitiveness of oil terminals and developing Klaipėda as an LNG service centre in the Baltic region. KN corporate strategy until 2030 is available at: 2030.kn.lt/en.

For the Group and the Company subsequent years after the approval of the corporate strategy presented many challenges:

- the COVID pandemic, resulting in global oil product demand decrease which led directly to decrease in oil terminals' operation extent;
- sanctions to Belarus introduced by Council Regulations (EU) 2021/1030 on June 24th, 2021, no more transit of oil product flows from Belarus were possible. As a result projections of future cash flows of Klaipėda Oil Terminal were revised and impairment of KOT was recognised in 2021;
- global energy crisis and rapid inflation growth mostly due to Russia's initiated full-scale war against Ukraine had an impact on profitability of the Group and the Company in 2022;

The management of the Group and the Company anticipates a continuity of demand for the lease/ reservation of oil terminal storage volumes for medium and long-term storage/ reloading of products. Contracts for such services, including contracts for the lease of petrol tanks, which allowed the Group and the Company to employ infrastructure used for transhipment of oil products from Belarus, are already concluded. The management of the Group and the Company see this as a stable alternative to the handling of oil products.

Reacting to the decrease in transhipment of oil products, energy price shock and inflation the Company has reviewed its investment plans for 2022 and 2023, deferring investments that are not related to business continuity or efficiency.

Furthermore, the Group's management in 2021 started and throughout 2022 continued to review the strategy. The renewed strategy will have to cover current main activities of KN – the current oil terminal services, the LNG terminal business in Klaipėda port and in the region, the global LNG business development through operation and maintenance services and investments in LNG terminal projects as well as KN's direction to the new business lines such as hydrogen and alternative energy carriers, carbon-dioxide capture, and storage, etc.

The revision and articulation of the new KN strategy is expected in the first half of 2023.

It has been clear that the Company will have to transform its activities faster than it has been expected in the initial strategy assumptions (for more details on the strategic goals please see the section "the corporate strategy" of the 2022 annual report).

Without being tied to the outcome of the long-term strategy review, the Company is already taking actions to the transformation of its activities by undertaking projects related to cost reduction and operational efficiency as well as continuing to focus on diversifying the portfolio of services and products in oil terminals activities and activities in international LNG projects or other business lines.

The Group and the Company aims at having several equivalent activities that contribute to the return for the shareholders, thus reducing the potential short-term negative impacts on one or another business segments. Therefore, innovations and exploring new business opportunities, diversification of business activities are high on the agenda for 2023, as well as environmental, social and governance aspects of business management.

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 31 December 2022 all the shares of the Company were owned by 5,388 shareholders (on 31 December 2021 – 4,926)[1]. 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.

An ordinary registered share of the Company shall grant the following economic rights to its owners (shareholders):

1. To receive a part of the Company's profit (dividends);
2. To receive funds of the Company in the event the Authorized Capital of the Company is being reduced in order to pay funds of the Company to the shareholders;
3. To receive a part of the assets of the Company in case of liquidation;
4. To receive shares free of charge if the Authorized Capital is increased out of the funds of the Company (except in the cases specified by the imperative norms of the valid laws);
5. To have the preferential right in acquiring shares or convertible bonds issued by the Company except in cases when the General Shareholders' Meeting by a qualified majority of votes that shall not be less than 3/4 of the participating and voting shares for solution of this matter, resolves to withdraw the preferential right in acquiring the Company's newly issued shares or convertible bonds for all the shareholders;
6. To lend to the Company in the manner provided by law, however, when borrowing from its shareholders the Company has no right to pledge its assets to the shareholders. When the Company borrows from its shareholder, the interest rate may not be higher than the average interest rate offered by commercial banks of the location where the Lender has his place of residence or business, which was in effect on the day of conclusion of the Loan Agreement. In such a case the Company and its shareholders shall be prohibited from negotiating a higher interest rate;
7. Other economic rights established by the laws.

An ordinary registered share of the Company shall grant the following non-economic rights to its owner (shareholder):

1. To attend the General Shareholders' Meetings and to vote according to voting rights carried by their shares (unless otherwise provided for by the laws);
2. To receive information on the Company to the extent allowed by the imperative norms of the valid laws;
3. To file a claim with the court for reparation of damage resulting from misconduct by the Manager of the Company and Board members or noncompliance with their obligations prescribed by the laws and the Articles of Association of the Company as well as in other cases laid down by laws.
4. The right to vote at General Shareholders' Meetings may be withdrawn or restricted in cases established by laws, also in case share ownership is contested;
5. Other non-economic rights established by the laws and the Articles of Association of the Company.

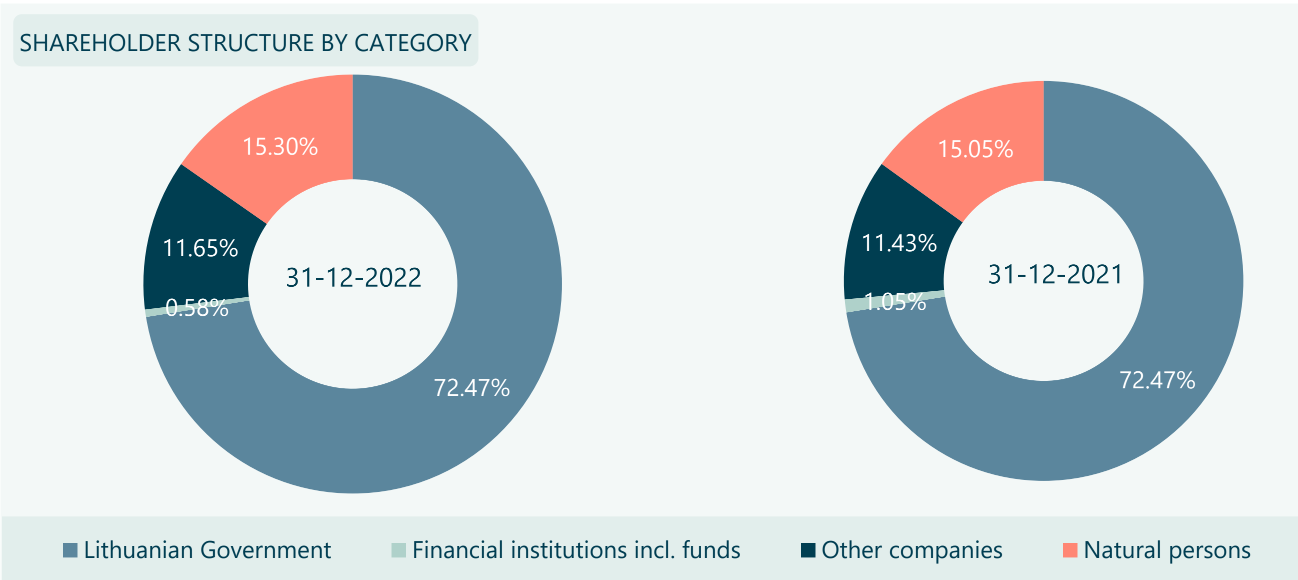
The Company has not been informed about mutual agreements of its shareholders which could limit the transfer of securities and (or) right of vote.

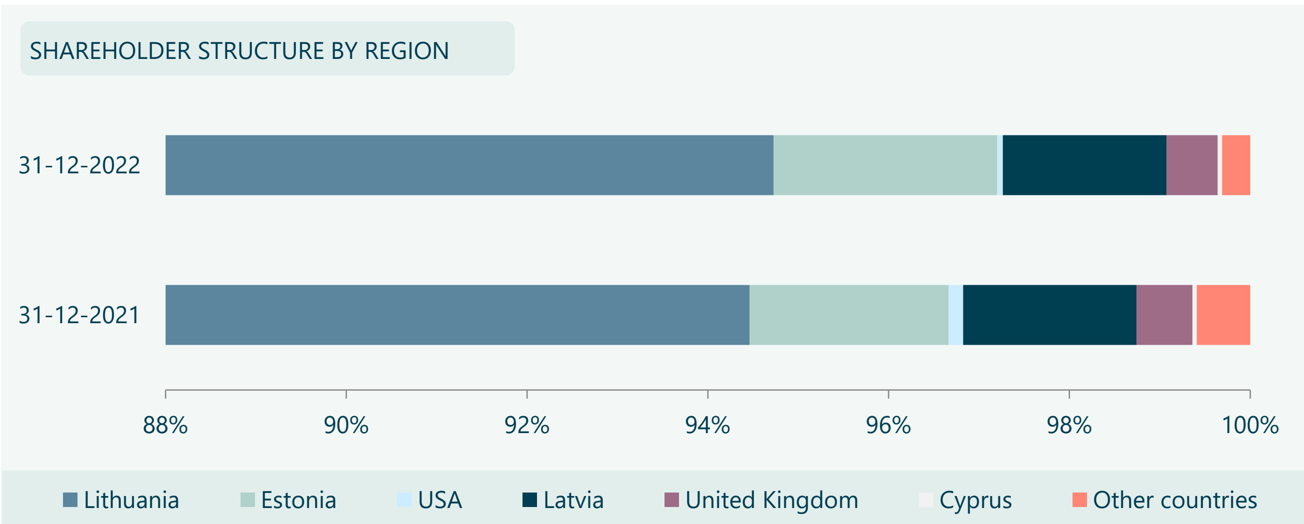
[1] According to AB SEB bankas data.

Major shareholders of the Company having more than 5% of shares (each) of the Company as at 31 December 2022 and 2021:

SHAREHOLDER'S NAME (COMPANY'S NAME, ADDRESS, COMPANY CODE OF REGISTRATION)	31 DECEMBER 2022		31 DECEMBER 2021	
	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	72.47%
UAB koncernas "ACHEMOS GRUPĖ" (Vykinto st. 14, Vilnius, 156673480)	39,662,838	10.43%	39,662,838	10.43%
Other (each owning less than 5%)	65,046,303	17.10%	65,046,303	17.10%
Total	**380,396,585**	**100.00%**	**380,396,585**	**100.00%**

SHAREHOLDERS STRUCTURE BY CATEGORIES AND BY THE REGIONS:

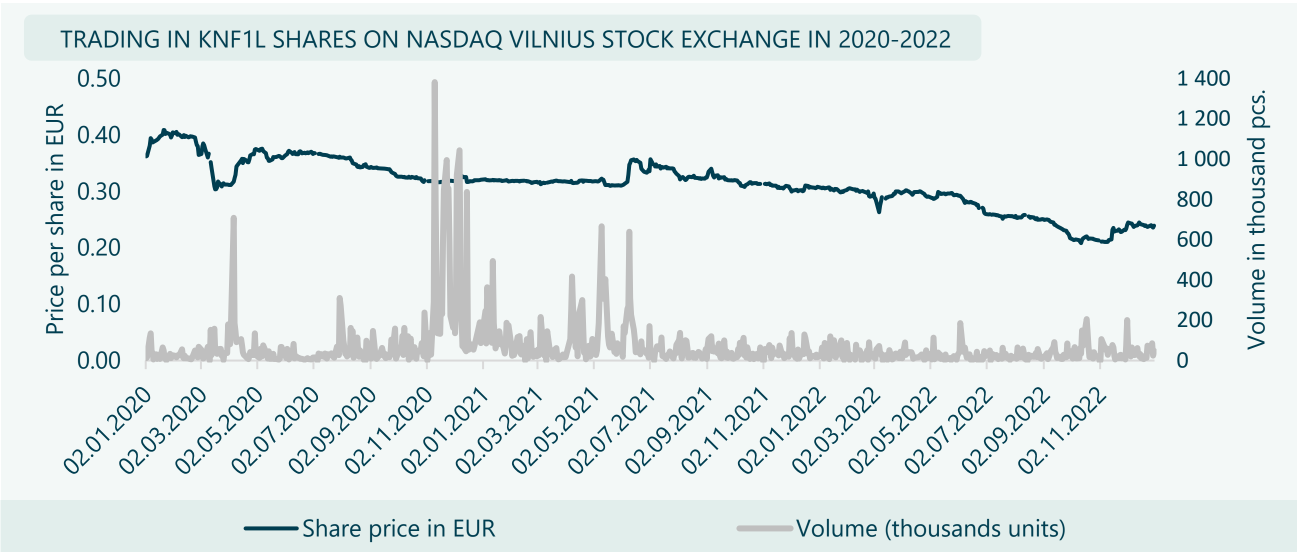


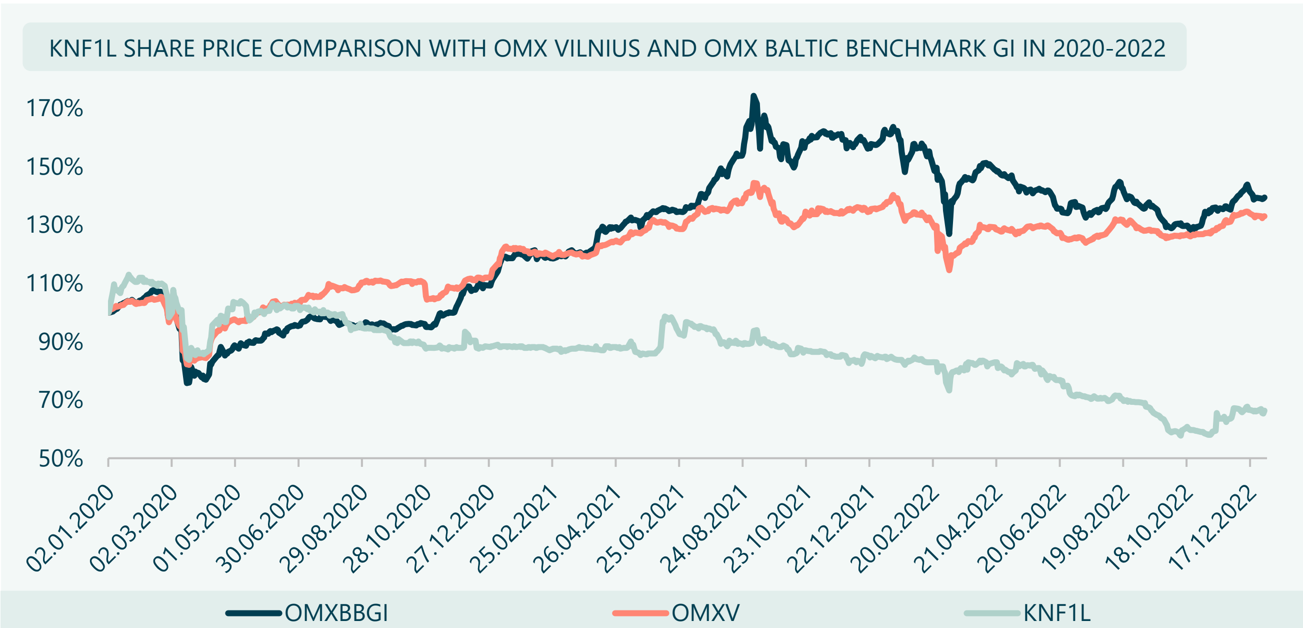


Dynamics of KNF1L share price at NASDAQ Vilnius during 2018 – 2022:

	2022	2021	2020	2019	2018
Highest share price in EUR	0.308	0.359	0.414	0.444	0.574
Lowest share price in EUR	0.203	0.298	0.301	0.357	0.386
Price per share at the beginning of the period in EUR	0.308	0.322	0.361	0.410	0.510
Price per share at the end of the period in EUR	0,240	0.307	0.320	0.362	0.410
Average share price in EUR	0.265	0.320	0.351	0.393	0.502
Traded volume, pcs.	8,541,326	19,004,133	23,934,244	5,908,666	6,936,769
Turnover in EUR thousand	2,220	6,110	7,928	2,296	3,552
Capitalisation in EUR thousand	91,295	116,782	121,920	137,875	156,049
Earnings per share (EPS)*	0.021	(0.126)	0.029	0.034	0.030

* Calculated using adjusted net profit (loss).





AUTHORIZED SHARE CAPITAL OF THE COMPANY

The Company's authorized share capital did not change during 2022 and amounted to EUR 110,315 thousand as at 31 December 2022. All the shares of the Company are fully paid. The authorized capital is divided into 380,396,585 ordinary shares with a nominal value of 0.29 Eur. During 2022 the Company did not acquire any of its own shares.

DIVIDENDS

On 22nd April 2022, the ordinary General Meeting of Shareholders was held which approved the audited financial statements and profit (loss) appropriation for the year 2021. In 2022 the Company has not paid any dividends (in 2021 the Company paid EUR 7,538 thousand dividends or EUR 0.0198 for one share).

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

	2022	2021	2020	2019	2018
Dividends paid in EUR thousand	-	7,538	7,947	11,577	17,031
Dividends per one share in EUR	-	0.0198	0.0209	0.0304	0.0447
Net profit (loss) per 1 share in EUR	(0.12)	0.03	0.02	0.03	0.04
Dividends for net profit (of previous FY), %	-	70%	100%	100%	100%

DIVIDEND POLICY

On 28th 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 (regulation effective starting since 28th December 2021 (Lithuanian Government Resolution of 6th June, 2012 No. 655 on approval of the description of the procedure for the exercise of the state property and non-property rights in state-owned entities (hereinafter – the Resolution) – the regulation has replaced the Lithuanian Government Resolution of 14th January, 1997 No. 20 on the dividends for the state-owned shares, however all the principles and regulations on dividends allocation are valid and have been placed into 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 (loss) 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 of 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% from the Company's distributable profit if ROE of the financial reporting year is not higher than 1 per cent.
- Not lower than 80% from the Company's distributable profit if ROE of the financial reporting year is higher than 1% but not higher than 3% .
- Not lower than 75% from the Company's distributable profit if ROE of the financial reporting year is higher than 3% but not higher than 5%.
- Not lower than 70% from the Company's distributable profit if ROE of the financial reporting year is higher than 5% but not higher than 10%.
- Not lower than 65% from the Company's distributable profit if ROE of the financial reporting year is higher than 10% but not higher than 15%.
- Not lower than 60% from the Company's distributable profit if ROE of the financial reporting year is higher than 15%.

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 on Company's website.

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 development and process efficiency, the optimal use of work resources, training of qualified staff, and development of the Company's culture that empowers personal growth, cooperation, succession planning, and creates additional value for the company and its stakeholders.

Number of the Group employees at the end of the year:

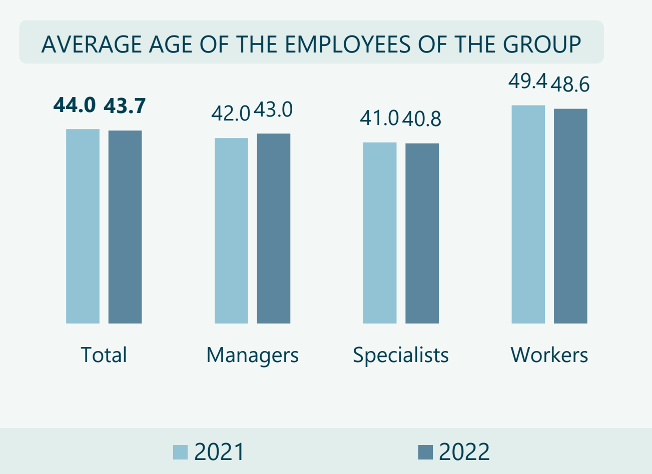
	31-12-2022	31-12-2021	CHANGE, %
AB Klaipėdos nafta	326	342	(4.7)
UAB SGD terminalas	2	2	-
UAB SGD logistika	2	2	-
UAB SGD SPB	2	2	-
KN Acu Servicos de Terminal de GNL LTDA	26	27	(3.7)
Total	**358**	**375**	**(4.5)**

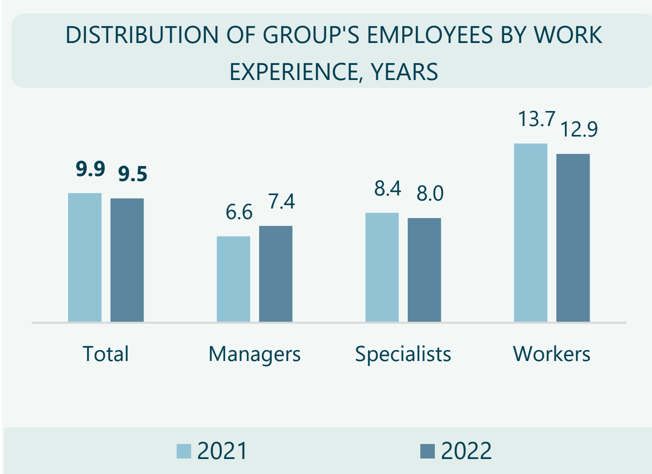
Remarks:
- The number of employees does not include employees on maternity/paternity leave.

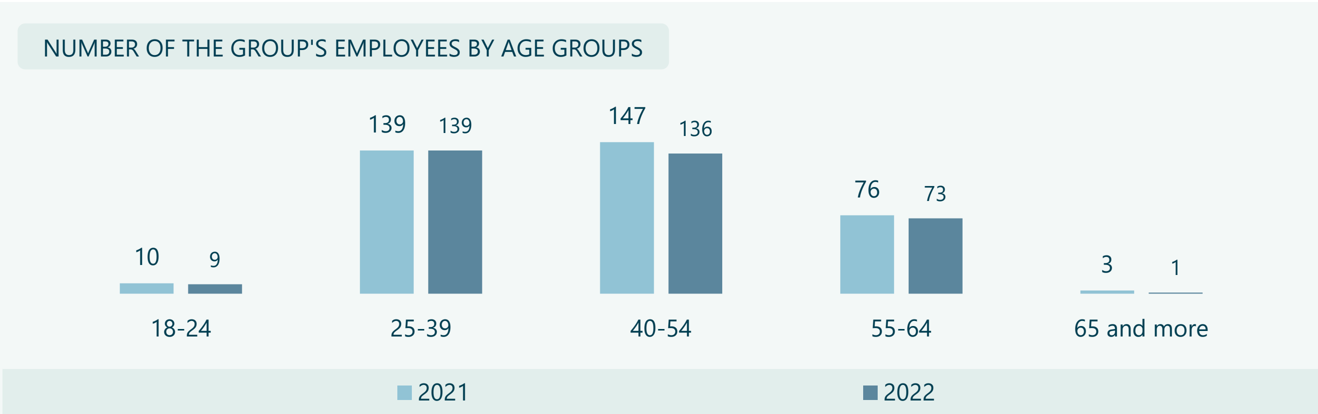
The breakdown of the number of the Group and the Company employees by gender as at 31 December 2022:

	FEMALES	%	MALES	%
AB Klaipėdos nafta	83	25.5%	243	74.5%
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 Acu Servicos de Terminal de GNL LTDA	6	23.1%	20	76.9%
Total	**92**	**25.7%**	**266**	**74.3%**

The average age of the Group's employees – 43.7 years. Detailed information about employees' age, work experience, and education is provided in figures bellow in years.







Education of the Group's employees by categories:

EMPLOYEE CATEGORY	EMPLOYEES ON 31-12-2022	UNIVERSITY	VOCATIONAL	SECONDARY AND OTHER	EMPLOYEES ON 31-12-2021	UNIVERSITY	VOCATIONAL	SECONDARY AND OTHER
Managers [1)]	52	50	2	-	58	56	2	-
Specialists	188	165	16	7	192	169	15	8
Workers	118	11	45	62	125	10	43	72
Total	**358**	**226**	**63**	**69**	**375**	**235**	**60**	**80**

1) The managers of the Company include: Chief Executive Officer (CEO), Directors 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. Therefore, in September of 2016 the Employee Remuneration Policy has been formed and approved. In September of 2017 The Procedure of Remuneration System Formation has been approved.

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 to ensure 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 a wage) and a variable component payable for either short-term performance results or the annual results of the Company’s/the employee’s performance.

The Company’s remuneration system is based on job structure framework, created using the Hay Methodology by 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 per centiles 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.

Employee’s base salaries are usually 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.

In fourth quarter of 2022 a new Collegial advisory body to Supervisory Council has been established – the Remuneration and Nomination Committee.

Detailed information on the remuneration system of the Company's management is provided in 2022 AB Klaipėdos nafta Report on Remuneration.

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

	2022	2021	CHANGE, %
AB Klaipėdos nafta	12,520	11,845	5.7
UAB SGD terminalas	4	3	33.3
UAB SGD logistika	4	3	33.3
UAB SGD SPB	4	3	33.3
KN Acu Servicos de Terminal de GNL LTDA	983	829	18.6
Total	**13,515**	**12,683**	**6.6**

Employees according to categories:

EMPLOYEE CATEGORY	AVERAGE NUMBER OF EMPLOYEES					
	GROUP 2022	GROUP 2021	CHANGE, %	COMPANY 2022	COMPANY 2021	CHANGE, %
Managers [1)]	54	58	(6.9)	46	47	(2.1)
Specialists	183	201	(9.0)	159	179	(11.2)
Workers	123	129	(4.7)	123	129	(4.7)
Total	**360**	**388**	**(7.2)**	**328**	**355**	**(7.6)**

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

The Company's 2022 average monthly salary of all employees is 7.6% higher compared to 2021 (2022 – 2,765 EUR/month, 2021 – 2,570 EUR/month).

EMPLOYEE CATEGORY	AVERAGE MONTHLY SALARY (GROSS), EUR					
	GROUP 2022	GROUP 2021	CHANGE, %	COMPANY 2022	COMPANY 2021	CHANGE, %
Managers [1)]	5,501	5,061	8.7	5,621	5,459	3.0
Specialists	2,646	2,445	8.2	2,745	2,553	7.5
Workers	1,794	1,614	11.2	1,794	1,614	11.2
Total	**2,728**	**2,506**	**8.9**	**2,765**	**2,570**	**7.6**

1) The Company's managers include: Chief Executive Officer (CEO), Directors and Heads of Divisions. The following sums were calculated for the remuneration to the Group's managers in 2022: EUR 3,651 thousand, in that amount taxes paid by the employer included EUR 186 thousand (when in 2021 were EUR 3,684 thousand from which EUR 177 thousand of taxes paid by the employer). The average annual salary of manager of the Group amounted to EUR 67.6 thousand in 2022 (in 2021 – EUR 63.5 thousand).
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.

2022 average monthly salary (gross) of employees by gender, EUR:

EMPLOYEE CATEGORY	GROUP 2022			COMPANY 2022		
	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE
Managers [1)]	5,501	5,523	5,431	5,621	5,690	5,431
Specialists	2,646	2,753	2,477	2,745	2,888	2,531
Workers	1,794	1,824	1,233	1,794	1,824	1,233
Total	**2,728**	**2,706**	**2,795**	**2,765**	**2,734**	**2,860**

1) The Company's managers include: Chief Executive Officer (CEO), Directors 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 are 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.

Employees of all categories – workers, specialists, and managers – are assessed and rewarded annual bonus for achieving pre-set annual goals (WHAT) and evaluation on their compliance to Company's values (HOW). 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 daily.

Annual performance review meetings, on the other hand, allow to reflect on the entire year through the lens of competence development, safety-minded behaviour, learning opportunities, career-advancement, and aspirations.

EMPLOYEE SELECTION AND RECRUITMENT

The Teamtailor platform (Applicant tracking system) was implemented to ensure a more efficient recruitment of employees as well as more convenient tool for hirings managers. Since April 2020 the Company implemented 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 is 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 positions (due to organizational changes or legal requirements), staff mobility (transition from one staff position 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.

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.

In 2022 no less than 15% of annual learning and development budget was 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. In 2022 KN leadership standard training was conducted for new managers. Also, in 2022 the Company focused on development of sales and negotiation, project management competencies and cooperation between departments in order to improve the focus on the client.

GROUP'S SOCIAL RESPONSIBILITY

From the perspective of KN, to be a successful and responsible member of the society in the long-term perspective, the principles of business sustainability shall go hand in hand with the way we operate. Every organisation can create both positive and negative impacts through its activities, and we aim to be a model of a business that creates a positive impact. Based on KN vision, mission, corporate values and corporate strategy, KN is focusing its efforts on economic, social and environmental sustainability.

In 2022 Sustainability policy, which will guide Company's development in future, has been adopted in the Group. In accordance with the policy, KN is guided by the following sustainability principles:

- Driving profit responsibly.
- Aiming for enhanced operational efficiency and productivity through thoughtful natural resource utilization, emissions, and waste reduction.
- Pursue circular economy principles in the KN's activities.
- Creating healthy, safe, collaborative, and diverse work environment.
- Fostering a culture of engagement in sustainability through employee education and engagement, and
- Assisting our customers on cleaner energy transition, considering Lithuania's and EU, as well as other markets where the KN is present, goals for the climate neutral economy.

Stakeholder dialogue is one of our principles of open and responsible operation, which enables us to identify the key issues that matter to the stakeholders. KN is guided by the Stakeholder Policy adopted by the Company in 2021, which is published transparently on KN's website. The Company's activities, including stakeholder relations, are guided by the highest standards of good governance practices. Our main stakeholders are: employees, shareholders, business partners, customers, communities and society in general, decision-makers at national and regional level. Topics relevant to our target groups include the safety of our operations, economic impact, environmental performance improvement and good corporate governance practices.

As a Company, which is important not only for Klaipėda and Kupiškis districts, but also nationally in terms of its activities and size, we can use our influence to contribute to different aspects of social responsibility – not only by promoting dialogue with communities in Klaipėda, but also by contributing to the promotion of the use of liquefied natural gas (LNG) as a cleaner fossil-fuel alternative, and by sharing our know-how inside and outside the organisation.

The areas of impact of KN have so far been determined by the nature of the Company's activities and long-term strategy, business risks and opportunities. In addition, in 2022 KN has finalized a materiality assessment, which will contribute to the further development of its sustainability practices.

ECONOMIC RESPONSIBILITY

KN is a company of strategic importance for the energy security of Lithuania and the surrounding region, ensuring the ability to import oil products and liquefied natural gas to Lithuania and neighbouring countries, keeping the storage of the mandatory reserve of petroleum products of the Republic of Lithuania, and the reliable and efficient transhipment of petroleum products at the port of Klaipėda. The Company is also responsible for the operation and maintenance of the LNG terminal at the Port of Açu in Brazil, which supplies natural gas and electricity to the Brazilian market, and in 2022 was appointed as commercial operator of the LNG terminal in Wilhelmshaven, Germany. We understand the direct and indirect role of our activities through taxation, employment policies, educational initiatives, business innovation and other contributions to sustainable economic growth in the regions where we operate.

Given the strategic function of the Company, KN has the objective to enhance shareholder value and represent best business practices. The Company continuously strengthens its corporate governance competencies and implements the highest governance standards and principles to create tangible benefits for the country and its people. The Company is consistently listed among major taxpayers according to the Lithuanian State Tax Inspectorate.

KN supports free and fair competition in the market, while striving to provide the highest quality commercial solutions to its clients.

The Company does not tolerate corruption of any kind or its manifestations and is committed to open competition, ethical business conditions and adequate transparency and publicity in its operations. The Group is guided by a principle of zero corruption tolerance. It explicitly and publicly declares its rejection of bribery, fraud, extortion, the creation of unofficial accounts, the execution of unofficial and improperly documented transactions, the recording of fictitious expenses, the use of false documents and other forms of corruption as referred to in the United Nations Convention Against Corruption. In 2022 the Company updated and enhanced its anti-bribery and anti-corruption policy.

The Company has control mechanisms in place that are designed to identify, assess, and monitor potential corruption risk factors. In assessing corruption risks, KN analyses the activities and processes of each business segment, compiling a list of corruption risks.

Once a year, KN carries out an assessment of the likelihood of corruption occurrence. In 2022 the process of control of third parties in the acceptance of ordered works and services was analysed to assess the probability of the occurrence of corruption.

Corruption risk is also assessed in the development of international projects, looking at both external and internal factors, as well as the level of corruption risk in the country. Additional control measures include due diligence procedures for business partners, anti-corruption clauses in contracts, application of KN's anti-bribery and anti-corruption policy and Code of Conduct in subsidiaries and in relations with business partners.

In 2021-2022 KN participated in the Transparency Academy, an exchange project on good anti-corruption practices, initiated by the Special Investigation Service. The project was concluded at the end of 2022 with a certificate of the Transparency Academy handed to KN. As a result of this project, KN corruption resilience level was found to be as high as 88% in 2022. This is 22% higher than in 2021, when the corruption resilience level was 66%.

Part of the rating is influenced by the risk management system within the Company, and KN achieved the maximum rating by assessing all corporate functions, establishing a prioritised list of risks, and reporting regularly to the Board, thereby managing and mitigating the risks identified. Other measures implemented in the Company, such as the risk register in the document management system, the streamlining of the stakeholder verification process, and the periodic audits of the various Company's functions, have also contributed to the improved rating.

In 2022, KN provided anti-corruption training to KN employees on the regulation of the declaration of private interests, potential conflicts of private interests and their management, the concept and manifestations of corruption in Lithuania. External anti-corruption training on the topic of reporting violations (Speak-Up) was also conducted. In 2022, there were no cases of corruption in the Company.

In 2022 a separate section "Corruption prevention" has been created on the Company's internal website, which provides employees with relevant information related to the process of declaring private interests in the PINREG system, as well as relevant links to internal documents and procedures related to corruption prevention, implemented anti-corruption measures, links to anti-corruption training on the Special Investigation Service e-learning platform and training conducted by the Transparency Academy.

RESPONSIBILITY TOWARDS EMPLOYEES

The main asset of KN is its employees, who are the most important link in achieving the Company's objectives. They are at the heart of our technology activities. The Company's Personnel policy is focused on fostering teamwork and unity, continuous learning and progress, optimal use of human resources, strengthening employee competencies and developing an engaged culture that creates greater added value and enables personal and Company growth.

We promote employee diversity and an inclusive working environment. Achieving long-term success requires diverse ideas, perspectives, and talents, and we support diversity as an important asset and a key resource for innovation and competitiveness, enabling each of us to fully participate and contribute to the success of KN and to help ensure that the business operates efficiently and takes advantage of the right growth opportunities. The Company evaluates, promotes, and compensates based on qualifications, experience, competencies, and performance, not on bias or personal preference. We reject all forms of discrimination. Besides KN Code of Conduct is in place for number of years. In 2022 KN established Violence and harassment prevention policy that defines measures and cases decisions ensuring that employees do not experience hostile, unethical, humiliating, aggressive, insulting, offensive actions by which the honor and dignity, physical or psychological integrity of the employees are attacked or aimed at to intimidate, humiliate or put employees in a helpless and powerless position

We are guided by the values of KN and adhere to the principles of respect, cooperation, professionalism, and progress. Our values guide how we operate anywhere in the world and what we expect from ourselves, our colleagues, our customers, our management, and other key stakeholders. Each quarter employees nominate and select Values Hero of the quarter. Also, for a number of years each October the Company celebrates World Values Day by arranging activities on this day emphasizing KN values.

We foster an environment where every employee is treated equally, respected, and empowered to reach their potential.

The Company's remuneration system is based on a work structure developed using the Hay methodology and by comparing salary values with foreign-capital companies in the Lithuanian market, to ensure that every KN employee is rewarded fairly and competitively. The Company's objective is to ensure the competitiveness of the employees' remuneration in the market, internal fairness of remuneration and to eliminate the possibility of discrimination on any grounds (age, gender, etc.). In the end of 2022 additional advisory body to the Board was established. The Remuneration and Nomination Committee acts as an advisory body to the Company's Supervisory Council, making recommendations on the Company's remuneration policy, proposing to the Company the criteria for assessing the performance of its executives, and making other recommendations relating to remuneration. The Remuneration and Nomination Committee is composed of 3 members, of which 1 is independent and 2 are delegated members of the Supervisory Council. The members are appointed until the end of the term of office of the current Supervisory Council.

The Company provides a working environment that meets strict standards of safety and well-being. As a terminal operator, KN provides and maintains a health and safety management system aimed at ensuring safety performance based on legislation and industry best practice, with clear commitments, targets, and responsibilities. The Company's objective is to create an environment in which occupational health and safety risks are controlled to prevent injuries, accidents, and occupational diseases, and to identify, assess and control risks arising from unsafe conditions, occupational injuries and illnesses related to work processes or the working environment. It also focuses on educating workers so that they better understand their role in reducing negative environmental impacts and so that the health and safety of themselves and others is the highest value of every worker.

In 2022 DNV performed an annual audit as a formal part of the ISO certification process with the aim to maintain certification of the management system. The key objective of the audit was to determine the conformity of the management system with the standards – ISO 9001:2015; ISO 14001:2015; ISO 45001:2018. Nonconformities haven't been identified during this audit.

One of the Company's key strategic objectives is the continuous improvement of the safety and health system by ensuring compliance and enhancing the safety culture to achieve a rate of 0 (zero) significant safety incidents and accidents. In 2021 KN has established clearly measurable indicators to monitor safety and health, which are process safety incident, LTIR – frequency of workplace accidents, and IR – frequency of near misses or potential safety incidents. The above indicators are relative indicators of occupational safety and health (OSH) performance and by using these indicators the Company can benchmark its OSH performance against other companies both in Lithuania and worldwide.

Further strengthening organizational Safety culture safety perception survey has been performed by DuPont sustainable solutions, founder of Bradley curve, which is a part of KN safety strategy. The survey has defined safety level in the Company and identified areas for improvement.

Accordingly, in 2022, a strong focus was placed on the importance of a safe and healthy working environment, fostering a culture of occupational safety and health, and enhancing employees' awareness of the need to protect themselves and to comply with safe working requirements. The Company has placed great emphasis on the recording of near misses, which is a widely used accident prevention system in the global practice. In 2022, the Company succeeded in achieving the target set for the frequency of near misses and near misses. In 2022 there were no critical incidents in the Company.

Another area of focus for KN in 2022 was promoting the well-being and wellness of its employees:

- From 16 September 2022 to 16 October 2022, the Company ran an activity called "KN Moves Again!", which encouraged employees to collect kilometres by walking or running. 55 colleagues took part in the challenge and together they walked over 12.5 million steps.
- Celebrating the European Mobility Week, KN organised a hike along the Baltic Sea coast. More than 50 colleagues took part in it.
- For several years, the Company has organised periodic meetings with various interesting people. In 2022, the meetings have focused on physical and mental health, psychological resilience and healthy lifestyles. Stress management training was organised for all KN staff. On 9 September, the virtual meeting "Strong immunity and overcoming fatigue through nutrition and lifestyle" was led by the therapeutic nutritionist Ingrida Kuprevičiūtė. In autumn two lectures were given by physiotherapists Viktorija Tarasenko and Loreta Skardžiuvienė. They talked about the damage that sedentary work can do to the body and shared tips on how to exercise easily at work. Employees were also given the opportunity to attend free therapeutic exercise sessions once a week.
- On 30 September, first medical aid training session was held to teach first aid for various injuries, external cardiac massage, artificial respiration, how to stop bleeding, and how to help a choking person. A lot of attention was paid to psychological preparedness for various emergencies. After the training, Dainius Judžentis, an instructor at the Lithuanian Military Academy, gave a lecture on psychological resilience, which consists of physical, emotional, mental, and spiritual resilience.

SOCIAL RESPONSIBILITY

As part of our international operations, we strive for sustainability and take social and environmental responsibility. We work to maintain strong and long-lasting relationships with the local communities where KN operates and strive to be a good business partner through our business initiatives. KN has been engaging in a dialogue with neighbouring communities for a few years. In 2022 KN's social activities focused on further fostering relations with them. During the year, KN implemented several meaningful initiatives with communities:

- The tradition of regular meetings was maintained, and several regular meetings were held to discuss topics of interest to the communities and to answer questions from community representatives.
- On May 11, KN organised a civil protection training for neighbouring communities. The training provided an overview of possible emergencies, guidance on actions taken in the event of an accident at the terminal, and detailed information on communication channels with public during such incidents.
- At the end of May KN team, together with local community, have planted 15 black pine trees in the residential area of Vitė in Klaipeda.
- In May, on the occasion of the International Neighbours' Day, KN contributed to the local Vitė community Festival. The Company provided a children's area where the little ones could play various games, jump on trampolines and participate in other fun activities.
- For Christmas, the Company decorated a Christmas tree in one of the Melnragė community's main squares.

KN has not been indifferent to the war in Ukraine. The Company set up a Ukraine Support Steering Group to organise fundraising campaigns, inviting all KN employees to join.

Employees donated various hygiene products, utensils and stationery to Ukrainian families fleeing the war in Klaipėda. The collected items were handed over to the Ukrainian Support Centre in Melnrage and to the organisation "Save the Children". Also, KN joined the initiative to help children from Ukraine in Klaipėda to prepare for the new school year, additionally some stationary was also donated by KN employees.

To help her not to lose the source of income, this year the KN Christmas card was entrusted to the Ukrainian artist based in Klaipėda.

ENVIRONMENTAL RESPONSIBILITY

The Company's objective is to avoid, mitigate and manage the environmental and social impacts of our activities. We strive to be a good neighbour and member of society and to look after the interests of the communities directly or indirectly affected by the Company's activities. We feel responsible for our ecological footprint, and we strive to minimise the Company's potential negative environmental impacts.

Environmental protection is one of the priority areas of KN's corporate social responsibility. Both in the routine operations of existing oil and LNG terminals and in the planning of new activities, KN complies with the principles of environmental protection set out in the National Environmental Strategy, the conditions set out in the environmental permits, and the norms set out in the environmental regulations and standards.

The Company aims to be socially responsible in a result-oriented rather than a declarative manner. In view of the global concern about climate change, the Company feels responsible for its ecological footprint and therefore aims to balance the Company's impact on the environment through clearly defined indicators. In 2021, KN has clearly defined environmental targets to reduce volatile organic compound (VOC) emissions by 35% by 2024 and 45% by 2030 compared to the current period. We have also set ourselves clear targets to reduce the direct CO_2 emissions from Klaipėda Oil Terminal's operations by increasing energy efficiency through rational use of energy resources. The aim is to reduce these emissions by 20% by 2024 and by 50% by 2030. We are doing our utmost to ensure that the environmental impact is measured and controlled.

One of KN's strategic objectives is to ensure that KN terminals operate in an environmentally sustainable manner and are fully compliant with environmental requirements. The company has clearly identified the significant environmental aspects, their impact on the environment, control, and management measures. KN strives to improve its environmental performance by continuously monitoring the environmental impact of its activities and by aiming at pollution prevention, waste minimisation, water and energy efficiency, and efficient use of raw materials.

We are proactive in monitoring our impact on environmental quality, assessing our impact on the environment, and not just seeking to meet norms or requirements. KN regularly monitors air pollution from stationary sources and the quality of wastewater discharged into the natural environment. The data collected is available on the Company's website.

The public can obtain real-time information on loading operations in real time by calling a dedicated line, available on Company’s website.

The Company is constantly looking for new technical solutions to reduce waste emissions, introducing them and carrying out regular testing and maintenance.

As of 2018 KN is implementing an Environmental Action Plan, which sets out measures and a commitment to continue to operate sustainably and ensure the highest environmental standards. Once fully implemented, the action plan will contribute to the reduction of volatile organic compound (VOC) emissions, ensuring minimal emissions to the environment and more efficient neutralisation of VOCs.

In order to optimise its operations, in the last quarter of 2022 KN has set energy savings as its main focus, planning to save at least 47.5 GWh of energy on a cumulative basis by 31 December 2030. This would be equivalent to the electricity consumed by about 24,500 average households per year or 68 tankers of oil.

KN signed the Energy Savings Agreement with the Ministry of Energy of Lithuania, setting out specific measures and deadlines to improve Company's energy efficiency.

Among other foreseen measures, a solar power plant is being completed and will be operational later in 2023 at the Subačiaus oil terminal. It is planned that the generated solar energy will meet the entire electricity demand of the Subačius terminal. Furthermore, a feasibility study is currently being carried out for an electricity interconnection with the LNG terminal to reduce CO2 emissions from the Klaipėda LNG terminal.

KN has been focusing on employee engagement in the environmental activities and their education:

- For several years, the Company has been aligning its internal initiative to such environmental initiatives as Spring Clean-Up Campaign *Darom 2022*. The main goal of this campaign is to remove self-generated landfills, collect hazardous waste and clean green areas. KN employees are invited to team up and to clean the premises close to its territory in Klaipėda.
- The Company also celebrates the World Environment Day. In 2022 all employees were invited to attend a lecture on sustainability on World Environment Day.
- In October an internal Sustainability Day was organized at the Company, where employees among other topics were presented with KN Environmental policy, goals and action plan in this area, also were invited to discuss climate change with Dr. Justinas Kilpys, climate scientist.

In 2020, KN's environmental management system got certified for ISO 14001:2015 standard, which was confirmed by an audit in 2022.

DEVELOPMENT FOR THE SUSTAINABLE FUTURE

KN is actively involved in the debate on the future of fossil fuels and the transition to a more climate neutral economy. KN actively participates in various conferences and seminars to share its know-how in the area of LNG terminals and discuss the future of energy.

In view of the changes in the energy sector globally, KN is making every effort to find both additional opportunities to exploit its infrastructure and know-how, as well as alternatives for the new activities.

Among them, new areas of development and potential to create value in the wind energy sector by providing O&M services are further explored.

Also, in November 2022, the international project "CarbonNeutralLNG" was launched in Nuremberg, Germany, where KN is also participating. The three-year project will aim for its participants to collaborate on the development of a hybrid process chain involving the production of hydrogen from biomass and its conversion to synthetic methane using a variety of chemical and biological processes. By taking part in this project, KN expects to gain a lot of useful experience in working with the new generation of gas mixtures, to develop and expand competences in the application of hydrogen technologies, the transportation and geological storage of CO2 in Europe and the production of synthetic methane. During the course of the project, research in the laboratories should be applied to carry out small demonstration projects, where their economic usefulness is also assessed.

Furthermore, KN together with "Akmenės cementas" and AB ORLEN Lietuva have signed letters of intent for a joint feasibility study to assess the potential and feasibility of liquefied carbon dioxide (CO2) capture and storage technology for industrial companies in the country. The feasibility study will analyse the potential to reduce atmospheric emissions through the whole carbon dioxide management value chain concept in Lithuania and the applicability of this solution to companies with unavoidably high greenhouse gas (GHG) emissions from their business processes. The feasibility study will contribute to the analysis launched by KN, "Larvik shipping" (LS) and "Mitsui O.S.K." Lines Ltd. (MOL) in 2021.

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KN Group's full Corporate Social Responsibility Report for 2022, prepared in accordance with the Global Reporting Initiative (GRI) guidelines, will be published on www.kn.lt and on the Nasdaq Vilnius platforms on the date scheduled in the Investor Calendar.

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 Audit Committee reviews financial reporting process as well as audit execution process and oversees internal control environment, risk management and internal audit framework.

In 2022 the Company developed risk methodology defining risk process in organization. For internal ranking purposes the Company has extensive risk ranking methodology, for communication purposes below we provide simplified version.

Risk probability:

Low – there should be several events for risk to materialize.

Medium – there is 50% chance of risk to materialize.

High – almost certain that risk will materialize in 3-year period.

Risk impact:

Low – risk could have impact to operations without impact to yearly plans.

Medium – risk could have impact to company's short-term plans implementation.

High – risk could have major impact to company's strategy implementation.

Risk level:

Low – risk managed if cost of management do not outweigh possible impact.

Medium – in most cases risk managed or monitored, but there could be decision to monitor risk.

High – risk actively manged with possible exception made by the Board (In some cases strategy review process could be initiated to reduce level of risk).

Risk matrix

Impact

Medium	High	High
Low	Medium	High
Low	Low	Medium

Probability

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

Risk No 1. Business risk – client concentration risk

Risk impact: High

Risk probability: Low

Risk level: Medium

The Company works with several big clients in the area of oil products transhipment. One of the clients contributes significant portion of oil product transhipment via operated oil terminals and income flows.

The Company continuously looks for other potential clients, flows of shipments and alternative activities. Also, the Company reviews existing expenses and constantly searches for costs optimization possibilities.

The Company is striving to manage its business risks by diversifying its income sources and widening the range of services, communicating and cooperating with potential clients, who are interested in blending services, storage and transhipment of petrochemical products such as monoethylene glycol, ethanol, methanol and loading of new product bitumen. The Company also operates liquefied natural gas (LNG) terminal, consults and participates in international investment projects related with the development of LNG terminals, provides small-scale LNG services.

During 2020 political risk materialized, and one of the largest clients BNK (UK) Limited, which belongs to the largest exporters of Belarusian oil products – ZAT Belaruskaja neftenaja kampanija, announced a temporary suspension of transhipment. Moreover, starting from 24th June 2021, sanctions to Belarus were introduced by Council Regulation (EU) 2021/1030 – no more transit of oil product flows from Belarus are possible and are not expected in the future. Due to these external operational risks, KN will have to implement long-term strategic decisions to adapt to new geopolitical circumstances. Consequently, a revision of long-term corporate strategy has been initiated and will be completed during 2023.

Risk No 2. Operational risk – major incidents causing environmental and infrastructure damage.

Risk impact: Medium

Risk probability: Medium

Risk level: Medium

Operational risk is considered as risk directly related to the increase of losses, caused by the external factors (for example, natural disasters, illegal acts of the third parties, etc.) or internal factors (for example, ineffective activity 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.).

Due to nature of high-risk activities risk could not be considered low impact.

To manage internal operational risk, the Company implemented required organizational measures and procedures as well as information systems to be used for support of business processes that collectively ensure proper functioning of internal control system and duly cooperation with the third parties concerned. The Company applies the following means of internal control: separation of decision making and controlling functions, control of transactions and accountancy, limitation of decision-making powers and control of their execution, collegial decision making in crucial issues, etc.

In addition KN constantly updates and reviews it's insurance program in order to ensure loss minimization in case of accident.

Internal operational risk management is significantly influenced by the standards, which are 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 and management system audits, which ensure that the described controls and processes operate in practice.

The Company strives to minimize legal compliance risk and assure that its operations are compliant with the applicable legal requirements and standards. Infrastructure, as well as management and safety processes, cooperation with the third parties and control system has been positively evaluated by the representatives of potential clients of the terminals.

In order to manage better operational risks, KN has established a compliance function and periodically updates it's compliance status. In 2022 the Company actively implemented tool's for compliance

Risk No 3. Reputational damage to Company's name

Risk impact: Medium

Risk probability: Medium

Risk level: Medium

KN values and considers it's reputation in various areas: external public perception, stakeholder and internal reputation as employer. The Company pays special attention to the stakeholders. It openly provides information to the institutions, public organizations and the general society, and has been focusing on strengthening relations with communities for years.

The Company is also involved in educational initiatives, such as hosting company tours at KN Oil terminal for students and pupils, presenting its operations and providing knowledge related to petroleum products, logistics, laboratory work, etc.

KN reputation is highly depended on public's perception of LNG terminal economical value to Lithuania. Therefore, the Company constantly performs public perception analyses and in 2022 noticed major improvement in positive public opinion influenced by geopolitical events. Regarding general perception of the Company there are no major events that could influence reputation in long term.

Risk No 4. Cyber risk

Risk impact: High

Risk probability: Medium

Risk level: High

Cyber risk refers to the potential for unauthorized access, use, disclosure, disruption, modification, or destruction of information and systems by cyber criminals or malicious actors. Due to geopolitical situation company initiated additional measures to strengthen detection and recovery capabilities.

Company's regular activities include vulnerability management, conducting regular security assessments and penetration testing, and providing employee training on the best practices of cybersecurity.

Risk No 5. Fraud prevention

Risk impact: Medium

Risk probability: Low

Risk level: Low

The Company pays substantial attention to minimizing corruption risk and implements relevant internal processes. During 2022, KN was involved in the project "Skaidrumo Akademija", which was initiated by the President of the Republic of Lithuania (organiser – Special Investigation Service of the Republic of Lithuania). The aim of participating in this project is to introduce additional and improved existing measures to prevent corruption in KN. In further periods KN will no longer participate as KN made sufficient improvement according to methodology.

One of the instruments for the prevention of infringements is the Whistleblowing channel, which is open for all natural persons and legal entities: both existing and former KN employees, former and potential KN clients, contractors, suppliers, and community. It provides possibility to directly inform the collegial managing bodies of KN.

Risk No 6. Environmental risk

Risk impact: Medium

Risk probability: Low

Risk level: Low

In 2022, the Company continued to engage actively with representatives of neighbouring communities, holding meetings to present the progress of the ongoing Environmental Action Plan and to respond to relevant questions of concern to communities. KN also openly shares environmental data with the public – KN website provides environmental monitoring data of Klaipeda Oil Terminal, information on the progress of the environmental action plan. With a consistent focus on the environment and open dialogue with communities, KN has achieved a steady annual decline in requests from communities and institutions on environmental issues, with 4 requests received in 2022, compared to 18 in 2020 and 12 in 2021.

Risk No 7. Project risk

Risk impact: Medium

Risk probability: Low

Risk level: Low

Investment project management is an important part of the Company's business. In order to effectively manage projects, the implementation of the project management methodology and project monitoring was initiated according to the PRINCE2 standard. In addition in 2022 Project management officer position was initiated.

The Company is looking for opportunities in international LNG investment projects. Also, Company is involved in the analysis and search of carbon capture and storage technologies and is actively participating 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 Company's Board has set 10% tolerance limit for deviations; therefore, the Company's management constantly monitors implementation statuses of the important projects, related risks, and their mitigation measures.

Risk No 8. Foreign Exchange Rate Risks

Risk impact: Low

Risk probability: Medium

Risk level: Low

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 to the risk of EUR/BRL foreign exchange rate due to activity of subsidiary KN Acu in Brazil. Whereas FSRU lease payments are compensated by NERC as to regulated activity principles, therefore, the impact is considered low. KN Acu exposure to currency risk is also considered low due to insignificant related transaction amounts.

In 2021, the Group and the Company used futures contracts to hedge against changes in EUR/USD exchange rates. In 2022 no such financial instruments were used. When derivatives are realized, the result is recorded in the profit (loss) statement of each calendar month. For 2022 no income or loss on the fair value change of derivatives was recorded (in 2021 the Group and the Company accounted EUR 1,898 thousand income on the fair value change of derivatives).

Risk No 9. Credit Risks

Risk impact: Medium

Risk probability: Low

Risk level: Medium

A possible credit risk of the Group's and the Company's customers is managed by a continuous monitoring of outstanding balances. The Group's and the Company's procedures are in force to ensure on a permanent basis that services are provided to reliable customers and do not exceed an acceptable credit exposure limit. The Company trades only with reputable third parties, so there is no requirement for collateral. More information about the exposure to credit risk for trade receivables from the customers can be found in the Note 24 of the Explanatory Notes in the financial statements.

Risk No 10. Interest Risks

Risk impact: Medium

Risk probability: Low

Risk level: Medium

The Group's and the Company's income and operating cash flows are influenced by changes in market interest rates, which are linked to EURIBOR base. Overall, 44% of loan portfolio is exposed to floating interest rate risk; no hedging derivative instruments were used. Thus, such standing has implications on financial results.

EIB facility with 3 tranches is exposed to 3 months EURIBOR with zero-floor applicable on EURIBOR base. In contrast, NIB facilities are exposed to 6 months EURIBOR with no zero-floor applicable on EURIBOR base.

The Group and the Company is constantly assessing its possibilities to hedge interest rate risks on its loans. Thus, the loans related to long-term LNG terminal solution with high probability in future are expected to be with partially or fully fixed interests.

The Group's and the Company's excess liquidity in forms of money and time deposits are distributed across the accounts of major Lithuanian banks, which are granted with Standard Poor's or equivalent long-term term borrowing BBB- or better external rating according to the foreign rating agencies. Partner bank's rating is assessed either on a stand-alone or applying a bank group logic into which exposure is present. Also, the Group and the Company is monitoring recommendation of the Central Bank of Lithuania.

More information about the interest risk can be found in the Note 24 of the Explanatory Notes in the financial statements.

Risk No 11. Liquidity Risks

Risk impact: Medium

Risk probability: Low

Risk level: Medium

The Company's and the Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans.

The Group's gross liquidity (APM) and quick ratios (APM) as at 31 December 2022 were 1.30 and 1.27, respectively (1.28 and 1.25 as at 31 December 2021).

The Company's gross liquidity (APM) and quick ratios (APM) as at 31 December 2022 were 1.22 and 1.19, respectively (1.20 and 1.17 as at 31 December 2021).

The Group's and Company's objective is to maintain a balance between continuity of funding and flexibility. The Group's and the Company's activities generate sufficient amount of cash; therefore, the Management's main responsibility is to monitor that the liquidity ratio of the Company is close to or higher than 1.

More information about the management of liquidity risk can be found in the Note 24 of the Explanatory Notes in the financial statements.

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 2022. In 2022 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
- Lithuanian Confederation of Industrialists, www.lpk.lt
- Gas Infrastructure Europe (GIE) association Gas LNG Europe (GLE) group, www.gie.eu.com
- Lithuanian LNG cluster, www.lngcluster.eu
- Lithuanian Shipowners Association, www.llsa.lt
- Lithuanian Hydrogen Platform
- LNG platform, www.sgdplatforma.lt
- Baltic Innovation Hub, https://baltictechpark.com
- The American Chamber of Commerce in Lithuania, www.amcham.lt
- Klaipėda Association of Industrialists, www.kpa.lt

INFORMATION ABOUT THE AUDIT

30th 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 of both the Company and the subsidiary KN Acu Servicos de Terminal de GNL LTDA, and the regulated natural gas activity report) for total amount of EUR 164 thousand (excl. VAT). UAB Ernst & Young Baltic performed the audit for the years 2014-2018. UAB KPMG Baltics performed the audit for the years 2008-2013, 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.

2022

AB KLAIPĖDOS NAFTA REPORT ON REMUNERATION

REPORT ON REMUNERATION

Remuneration principles of the Company's governing and supervisory bodies are determined by the Remuneration policy approved in General shareholders meeting in October 2022. Full remuneration policy can be found on Company's website.

Remuneration for activities in the collegial bodies of the Company may be paid to the members of the collegial body of the Company who are independent or not.

The personal data of the members of the Company's governing and supervisory bodies is included in the report on remuneration for the following purposes:

- to increase the transparency of the Company;
- to improve the accountability of the members of the governing bodies;
- to supervise the remuneration of the governing bodies.

Members of collegial governing and supervisory bodies of the Company are only eligible for receiving fixed monthly compensation.

The remuneration to be paid must:

- promote the creation of long-term and sustainable value of the Company, to be fair and understandable.
- comply with the workload of the individual organs of the Company and their members.
- be competitive with the salary levels in the labour market of the respective field.
- ensure the indemnification of the liability assumed by the individual members of the Company bodies.
- promote the attraction of high-level professionals in their field to the management of the Company.

REMUNERATION OF THE SUPERVISORY COUNCIL IN 2022

TITLE	MONTHLY SALARY FOR 2022, EUR	TOTAL FOR 2022, EUR	MONTHLY SALARY FOR 2021, EUR	TOTAL FOR 2021, EUR
Member 1	1,140.59	4,448.30	1,140.59	13,687.08
Member 2	856.92	3,341.99	856.92	10,283.04
Member 3	0.00	0.00	0.00	0.00
Member 4 [1)]	3,318.67	7,904.72	-	-
Member 5 [1)]	2,110.00	5,023.81	-	-
Member 6 [1)]	2,637.00	6,278.57	-	-
TOTAL	-	**26,997.39**	-	**23,970.12**

[1)] 20th October 2022 extraordinary General Meeting of Shareholders has adopted the following resolutions: 1) to approve the amendment of Remuneration Policy, 2) for the 4 years cadence of Supervisory Council members of AB Klaipėdos nafta to elect: Mantas Šukevičius, Robertas Vyšniauskas, and Dovilė Kavaliauskienė, 3) to determine fixed monthly remuneration for the members of Supervisory Council of AB Klaipėdos nafta, 4) to approve standard contract form, regarding the activity of the member of Supervisory Council of AB Klaipėdos nafta.

In 2022 the total remuneration for the members of the Supervisory Council amounted to EUR 27.0 thousand (2021 – EUR 24.0 thousand). Members of the Supervisory Council were not granted with any loans, guarantees, assets, premiums, tantiemes, shares or salary for service at any other company of the Group for the year 2022. They are not eligible for any variable part of remuneration or for recovery of it.

REMUNERATION OF THE BOARD OF THE COMPANY IN 2022

TITLE	MONTHLY SALARY FOR 2022, EUR	TOTAL FOR 2022, EUR	MONTHLY SALARY FOR 2021, EUR	TOTAL FOR 2021, EUR
Member 1	2,400.00	9,000.00	2,400.00	28,800.00
Member 2	2,095.00	2,205.26	2,095.00	25,140.00
Member 3	2,095.00	7,856.25	2,095.00	25,140.00
Member 4	-	-	2,095.00	18,855.00
Member 5	2,202.82	26,430.47	2,095.00	2,095.00
Member 6	0.00	0.00	0.00	0.00
Member 7 [1)]	2,548.27	27,907.11	-	-
Member 8 [1)]	2,252.51	18,574.22	-	-
Member 9 [1)]	2,252.51	18,574.22	-	-
Member 10 [1)]	1,811.55	9,108.60	-	-
TOTAL	**-**	**119,656.13**	**-**	**100,030.00**

[1)] The newly elected Board of AB "Klaipėdos nafta" took office in 2022 April. Board members, Edvinas Katilius and Guy Mason were appointed at the end of the previous term, and from April 2022 they are elected to serve alongside other Board members until April 2026.

In 2022 the total remuneration for the members of the Board amounted to EUR 119.7 thousand (2021 – EUR 100.0 thousand). In 2022 members of the Board were not granted any shares, did not receive any loans, guarantees, assets, premiums, tantiemes or any other benefits for work as members of the Bord or salary for service at any other company of the Group. They are not eligible for any variable part of remuneration or for recovery of it.

REMUNERATION OF THE AUDIT COMMITTEE IN 2022

TITLE	MONTHLY SALARY FOR 2022, EUR	TOTAL FOR 2022, EUR	MONTHLY SALARY FOR 2021, EUR	TOTAL FOR 2021, EUR
Member 1	1,140.59	4,448.30	1,140.59	13,587.79
Member 2	856,92	1,668.74	856.92	10,382.33
Member 3	856,92	9,426.12	856.92	10,283.04
Member 4 [1)]	1,319.00	1,648.75		
Member 5 [1)]	1,319.00	1,648.75		
TOTAL	**-**	**18,840.66**	**-**	**34,253.16**

[1)] On 24th of November 2022, until the end of term of office of Company's acting Supervisory Council, Robertas Vyšniauskas and Mantas Šukevičius were elected as Company's Audit Committee members.
In 2022 the total remuneration for the independent members of the Audit Committee amounted to EUR 18.8 thousand (in 2021 – EUR 34.3 thousand). In 2022 members of the Audit Committee have not received any loans, guarantees or assets, unpaid bonuses, tantiemes and other benefits or salary for service at any other company of the Group, were not granted any shares of the Company. They are not eligible for any variable part of remuneration or for recovery of it.

REMUNERATION OF THE REMUNERATION AND NOMINATION COMMITTEE IN 2022

TITLE	MONTHLY SALARY FOR 2022, EUR	TOTAL FOR 2022, EUR	MONTHLY SALARY FOR 2021, EUR	TOTAL FOR 2021, EUR
Member 1	660.00	825.00	-	-
Member 2	-	-	-	-
TOTAL	**660.00**	**825.00**	**-**	**-**

On 24th of November 2022, until the end of term of office of Company's acting Supervisory Council, Dovilė Kavaliauskienė and Robertas Vyšniauskas were elected as Company's Remuneration and Nomination Committee members.

In 2022 the total remuneration for the independent members of the Remuneration and Nomination Committee amounted to EUR 0.8 thousand. According to Remuneration Policy Member 2 has not received any compensation since the same person is already receiving compensation as a member in Audit Committee. In 2022 members of the Remuneration and Nomination Committee have not received any loans, guarantees or assets, unpaid bonuses, tantiemes and other benefits or salary for service at any other company of the Group, were not granted any shares of the Company. They are not eligible for any variable part of remuneration or for recovery of it.

REMUNERATION OF THE CEO OF THE COMPANY IN 2022

The CEO of the Company is rewarded according to provisions set in the Remuneration policy approved by the Board of the Company and the Company's Procedure for rewarding bonuses to AB Klaipėdos nafta top management employees.

The monthly salary of the CEO of the Company was set to EUR 9,600 in August of 2022 (the monthly salary until July of 2022 was EUR 9,200). Following the Remuneration policy, the CEO is also eligible for receiving annual bonus depending on the results of the Company and achievement of the annual goals. The maximum bonus in case all goals are achieved consists of 4 monthly salaries. In 2022 variable pay for the CEO, was EUR 767 (monthly equivalent of yearly bonus) (2021 – EUR 1,227 (monthly equivalent of yearly bonus).

CHANGES IN THE COMPANY RESULTS AND AVERAGE MONTHLY SALARY OF ALL EMPLOYEES

	2022	2022 adj.**	2021	2021 adj.**	2020	2020 adj.**	2019	2019 adj.**
Sales	74,722	74,722	58,633	58,633	77,474	77,474	104,138	104,138
Net profit (loss)	(6,732)	8,041	(64,917)	(48,084)	33,495	10,991	7,947	13,117
Average monthly salary (gross), EUR	2,765	-	2,570	-	2,574	-	2,282	-

* Remuneration of Members of governing and supervisory bodies are not included.
** adj. – adjusted financial indicators/data are recalculated and presented by eliminating from net profit (loss) 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's 2022 average monthly salary of all employees is 7.6% higher compared to 2021 (2022 – 2,765 EUR/month, 2021 – 2,570 EUR/month).

Average monthly salary of all employees of the Company has been gradually growing for the last few years. Average monthly salaries per employee category for 2021-2022 are provided below.

AVERAGE MONTHLY SALARIES OF THE EMPLOYEES OF THE GROUP AND THE COMPANY

EMPLOYEE CATEGORY	AVERAGE MONTHLY SALARY (GROSS), EUR					
	GROUP 2022	GROUP 2021	CHANGE, %	COMPANY 2022	COMPANY 2021	CHANGE, %
Managers [1)]	5,501	5,061	8.7	5,621	5,459	3.0
Specialists	2,646	2,445	8.2	2,745	2,553	7.5
Workers	1,794	1,614	11.2	1,794	1,614	11.2
Total	**2,728**	**2,506**	**8.9**	**2,765**	**2,570**	**7.6**

1) The Company's managers include: Chief Executive Officer (CEO), Directors and Heads of Divisions. The following sums were calculated for the remuneration to the Group's managers in 2022: EUR 3,651 thousand, in that amount taxes paid by the employer included EUR 186 thousand (when in 2021 were EUR 3,684 thousand from which EUR 177 thousand of taxes paid by the employer). The average annual salary of manager of the Group amounted to EUR 67.6 thousand in 2022 (in 2021 – EUR 63.5 thousand).
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.

2022

AB KLAIPĖDOS NAFTA GOVERNANCE REPORT

CONTENT

AB KLAIPĖDOS NAFTA GOVERNANCE REPORT INFORMATION

AB Klaipėdos nafta aims to make its corporate management and internal processes in a way to ensure transparent, effective, and profitable activities and its activities retain the trust of our stakeholders. The internal control processes and management practices implemented within the Company are in line with the best management practice principles. This report provides main information and principles regarding management and related processes.

The Company's management structure and managing and supervisory bodies are described in detail in article "Management of the Company of the annual report". This paragraph also contains information regarding corporate management and organizational scheme, connection with the other bodies and short description of the functions of the each managing body.

In order for the management and supervision bodies of the Company to exactly and clearly understand the targets, directions and objectives the corporate strategy is being prepared with purpose to foreseen long term strategic goals and tasks. The Supervisory Council of the Company is responsible for the approval of the strategy. AB Klaipėdos nafta strategic goals are described in the paragraph "The Corporate Strategy". KN corporate strategy until 2030 is available at: 2030.kn.lt.

The Company, acting in compliance with Article 21(3) of the Law of the Republic of Lithuania on Securities and paragraph 24.5 of the Listing Rules of AB NASDAQ Vilnius, discloses how it complies with the Corporate Governance Code for the Companies listed on NASDAQ Vilnius as well as its specific provisions or recommendations in the paragraph "AB Klaipėdos nafta Compliance with the Corporate Governance Code".

Company's annual report of the year 2022 along with Company's governance report and explanatory notes of the year 2022 financial statements are published in AB Klaipėdos nafta official website (http://www.kn.lt) and in AB NASDAQ Vilnius (www.nasdaqomxbaltic.com) Stock Exchange.

MANAGEMENT OF THE COMPANY

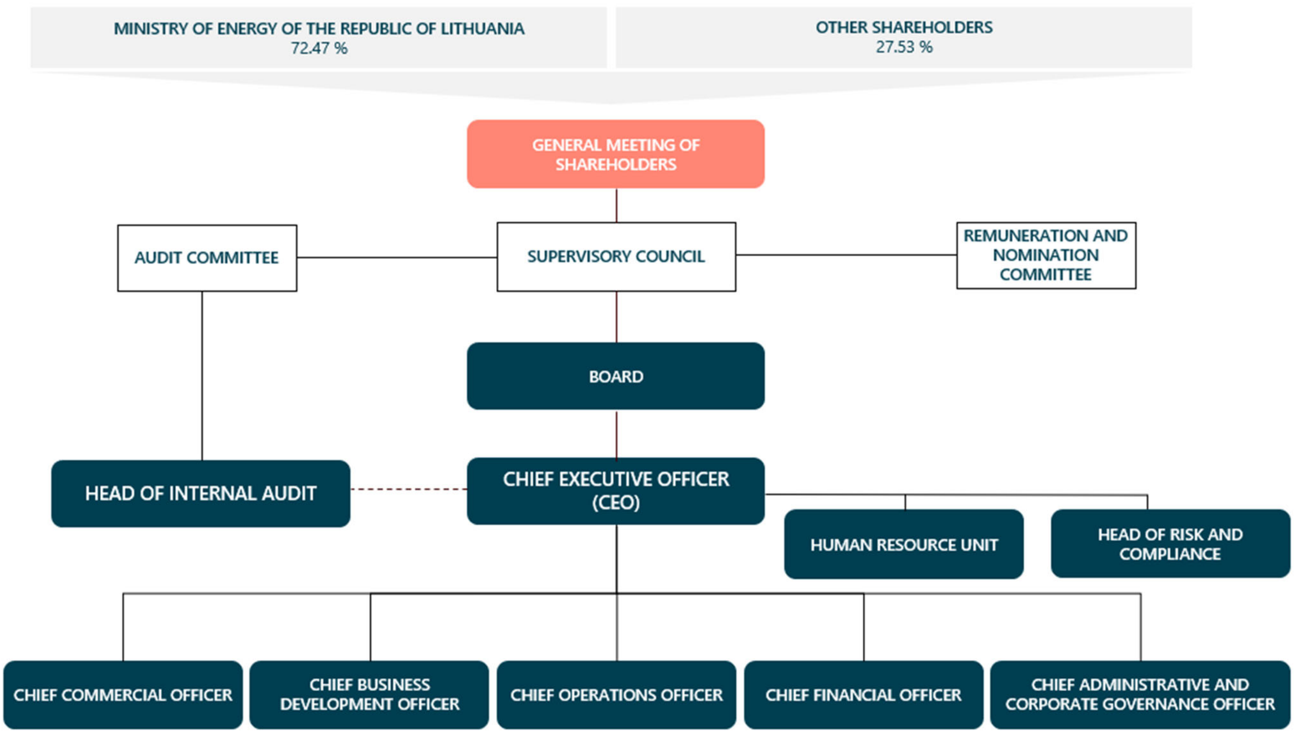
MANAGEMENT STRUCTURE

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, Chairman of the Supervisory Council, Chairman of the Board, Chief Administrative and Corporate Governance Officer, Head of the Legal Unit, Chief Financial Officer.

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 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 Regulation 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. The Company's head of internal audit is functionally subordinate to the Audit Committee and administratively subordinated to the CEO. 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 Audit Committee is composed of 3 members, of which 1 is independent and 2 are delegated members of the Supervisory Council. The members are appointed until the end of the term of office of the current Supervisory Council.

The Supervisory Council by its decision has formed Remuneration and Nomination **Committee, which consists of 3 (three) members,** elected for the office term of the Supervisory Council. The Regulation of the Remuneration and Nomination Committee of AB Klaipėdos nafta, approved by the Company's Supervisory Council, regulate functions, rights, and duties of the Remuneration and Nomination Committee. The Remuneration and Nomination Committee acts as an advisory body to the Company's Supervisory Council, making recommendations on the Company's remuneration policy, proposing to the Company the criteria for assessing the performance of its executives, and making other recommendations relating to remuneration. The Remuneration and Nomination Committee is composed of 3 members, of which 1 is independent and 2 are delegated members of the Supervisory Council. The members are appointed until the end of the term 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. . The mandate of the Board members has been determined by the Law on Companies and the Articles of Association of the Company.

The Chief Executive Officer (CEO) 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.

MEMBERS OF THE SUPERVISORY COUNCIL AS AT 31 DECEMBER 2022

Robertas Vyšniauskas (independent member)

Chairman of the company's Supervisory Council. Elected to the Supervisory Council on the 20th October 2022 by the Extraordinary General Meeting of Shareholders for a four-year term.

Education: Mykolas Romeris University, Faculty of Law, Master of Law (2010); Mykolas Romeris University, Faculty of Law, Bachelor of Law (2004).

Participation in activities of other companies and organisations: since 2020, independent member of the board of directors (until 09.11.2020) and general manager of UAB "Valstybės investicinis kapitalas"; since 2020, independent member of the board of UAB "Vilniaus vystymo kompanija"; since 2019, independent member of the board and member of the audit committee of UAB "EPSO-G"; since 2019, lecturer at VŠĮ "Vilniaus universitetas".

Robertas Vyšniauskas does not hold shares of AB "Klaipėdos nafta".

Dovilė Kavaliauskienė (member)

Member of the Supervisory Council of the Company. Elected to the Supervisory Council on the 20th October 2022 by the Extraordinary General Meeting of Shareholders for a four-year term.

Education: Vilnius University, Faculty of Law, Master of Law (2016); Baltic Institute of Corporate Governance, Corporate Governance Training for Public Sector (2022).

Participation in activities of other companies and organisations: since 2021, adviser to the Law and Personnel Group of the Ministry of Energy of the Republic of Lithuania; from 2020 to 2021, adviser to the Law and Personnel Division of the Ministry of Energy; from 2018 to 2020, adviser to the Law Division of the Ministry of Energy; 2018, deputy head of the Law Division of the Ministry of Energy; from 2016 to 2018 chief specialist, Electricity Energy Division, Ministry of Energy; 2014, Legal Consultant, VšĮ „Vilniaus universiteto teisės klinika.

Dovilė Kavaliauskienė does not hold shares of AB "Klaipėdos nafta".

Mantas Šukevičius (independent member)

Member of the Supervisory Council of the Company. Elected to the Supervisory Council on the 20th October 2022 by the Extraordinary General Meeting of Shareholders for a four-year term.

Education: Vilnius University, Faculty of Economics, Bachelor of Economics (Banking) (1997); Vilnius University, Institute of International Relations and Political Science, Bachelor of Political Science (1998); Vilnius University, Institute of International Relations and Political Science, Master of European Union Studies (2000).

Participation in activities of other companies and organisations: Since 2022, independent member of the board of VĮ "Oro navigacija"; since 2022, independent member of the supervisory board of JSCB "Qishloq Qurilish Bank"; since 2021, member of the board of UAB "Victory Funds"; since 2020, director of MB "Buteo Invest"; since 2018, chairman of the management board of AB "Detonas".

There were 10 meetings of Supervisory Council in 2022, which were attended by all Supervisory Council members. 8 of the meetings were held by the previous Supervisory Council and 2 by the newly elected Supervisory Council.

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

SUPERVISORY COUNCIL ACTIVITY IN 2022

On 27 April 2022 the term of office of the previous Supervisory Council with the members Eimantas Kiudulas, Karolis Švaikauskas and Žaneta Kovaliova ended. The Supervisory Council of the new term of office has been elected and started its activities on 20 October 2022. Newly elected Supervisory Council of the Company on its first meeting elected independent Supervisory Council member Robertas Vyšniauskas as a Chairman of Supervisory Council.

During 2022 the Supervisory Council supervised the activities of the Board and the CEO of the Company, supervised implementation of annual internal audit plan. Supervisory Council formed Audit Committee and Remuneration and Nomination Committee, also announced the selection of candidates for independent Audit Committee member and Remuneration and Nomination Committee and addressed other matters assigned within its powers.

In addition to its regular tasks, the Supervisory Council in 2022 was also actively involved in the discussions about the Company's corporate governance and internal control system functioning as well as risk management improvement.

During 2022, the Supervisory Council carried out a supervision on the preparation of the Company's strategy for 2023-2050, as well as in accordance with its competence provided suggestions and recommendations in the process of preparation of quarterly financial statements.

MEMBERS OF THE AUDIT COMMITTEE AS AT 31 DECEMBER 2022

Robertas Vyšniauskas (independent member)

Member of the Company's Audit Committee, elected by decision of the Supervisory Council from 24 November 2022 until the end of the term of office of the Company's current Supervisory Council.

Education: Mykolas Romeris University, Faculty of Law, Master of Law (2010); Mykolas Romeris University, Faculty of Law, Bachelor of Law (2004).

Participation in activities of other companies and organisations: since 2020, independent member of the board of directors (until 09.11.2020) and general manager of UAB "Valstybės investicinis kapitalas"; since 2020, independent member of the board of UAB "Vilniaus vystymo kompanija"; since 2019, independent member of the board and member of the audit committee of UAB "EPSO-G"; since 2019, lecturer at VŠĮ "Vilniaus universitetas"

Robertas Vyšniauskas does not hold shares of AB "Klaipėdos nafta".

Mantas Šukevičius (independent member)

Member of the Company's Audit Committee, elected by decision of the Supervisory Council from 24 November 2022 until the end of the term of office of the Company's current Supervisory Council.

Education: Vilnius University, Faculty of Economics, Bachelor of Economics (Banking) (1997); Vilnius University, Institute of International Relations and Political Science, Bachelor of Political Science (1998); Vilnius University, Institute of International Relations and Political Science, Master of European Union Studies (2000).

Participation in activities of other companies and organisations: Since 2022, independent member of the board of VĮ "Oro navigacija"; since 2022, independent member of the supervisory board of JSCB "Qishloq Qurilish Bank"; since 2021, member of the board of UAB "Victory Funds"; since 2020, director of MB "Buteo Invest"; since 2018, chairman of the management board of AB "Detonas".

On 24th of November 2022 until the end of term of office of Company's acting Supervisory Council, Robertas Vyšniauskas and Mantas Šukevičius were elected as Company's Audit Committee members. The Company also announced the selection of one independent member to the Audit Committee.

During the year 2022, 8 Audit Committee meetings have been arranged where all Audit Committee members have participated. 7 of the meeting were held by the previous Audit Committee and 1 by the newly elected Audit Committee.

NAME	POSITION IN THE COMPANY	THE INDEPENDENCE CRITERIA	CADENCE COMMENCEMENT DATE
Žaneta Kovaliova	Chairperson of the Audit Committee	Independent	From 8 December until 27 April 2022
Laura Garbenčiūtė-Bakienė	Member of the Audit Committee	Independent	From 21 August 2018 until 25 February 2022
Žana Kraučenkienė	Member of the Audit Committee	Independent	From 3 December 2018 until 1 December 2022
Robertas Vyšniauskas	Member of Audit Committee	Independent	From the 24 November 2022
Mantas Šukevičius	Member of Audit Committee	Independent	From the 24 November 2022

AUDIT COMMITTEE ACTIVITY IN 2022

During the year 2022, the Committee closely monitored the financial reporting process and audit of consolidated financial statements of the Group. The Committee assessed whether appropriate accounting policies have been adopted throughout the accounting period, assessed the effectiveness of the financial statement audit process.

The Committee also monitored internal control and risk management system, reviewed and assessed the effectiveness of the group's risk assessment and management system, discussed significant changes in the internal control system.

The Audit Committee also considered the external and internal audit plans of 2022, their results, and the assessments of the Group's internal control, including the control of financial statements, Committee also monitored the independence of the auditors.

MEMBERS OF THE REMUNERATION AND NOMINATION COMMITTEE AS AT 31 DECEMBER 2022

Robertas Vyšniauskas (independent member)

Member of the Company's Audit Committee, elected by decision of the Supervisory Council from 24 November 2022 until the end of the term of office of the Company's current Supervisory Council.

Education: Mykolas Romeris University, Faculty of Law, Master of Law (2010); Mykolas Romeris University, Faculty of Law, Bachelor of Law (2004).

Participation in activities of other companies and organisations: since 2020, independent member of the board of directors (until 09.11.2020) and general manager of UAB "Valstybės investicinis kapitalas"; since 2020, independent member of the board of UAB "Vilniaus vystymo kompanija"; since 2019, independent member of the board and member of the audit committee of UAB "EPSO-G"; since 2019, lecturer at VšĮ "Vilniaus universitetas"

Robertas Vyšniauskas does not hold shares of AB "Klaipėdos nafta".

Dovilė Kavaliauskienė (member)

Member of the Supervisory Council of the Company. Elected to the Supervisory Council on the 20th October 2022 by the Extraordinary General Meeting of Shareholders for a four-year term.

Education: Vilnius University, Faculty of Law, Master of Law (2016); Baltic Institute of Corporate Governance, Corporate Governance Training for Public Sector (2022).

Participation in activities of other companies and organisations: since 2021, adviser to the Law and Personnel Group of the Ministry of Energy of the Republic of Lithuania; from 2020 to 2021, adviser to the Law and Personnel Division of the Ministry of Energy; from 2018 to 2020, adviser to the Law Division of the Ministry of Energy; 2018, deputy head of the Law Division of the Ministry of Energy; from 2016 to 2018 chief specialist, Electricity Energy Division, Ministry of Energy; 2014, Legal Consultant, VšĮ „Vilniaus universiteto teisės klinika.

Dovilė Kavaliauskienė does not hold shares of AB "Klaipėdos nafta".

REMUNERATION AND NOMINATION COMMITTEE ACTIVITY IN 2022

On 24th of November 2022 until the end of term of office of Company's acting Supervisory Council, Robertas Vyšniauskas and Dovilė Kavaliauskienė were elected as Company's Remuneration and Nomination Committee members. The Company also announced the selection of one independent member to the Remuneration and Nomination Committee.

During the year 2022, there were no meetings of the Committee arranged.

MEMBERS OF THE BOARD AS AT 31 DECEMBER 2022

Edvinas Katilius (chairman, independent member)

Independent member, Chairman of the Board of the Company, appointed to the Board by the Supervisory Council as of 25 April 2022.

Education: IMD Business School, Switzerland, MBA (2002); Aalborg University, Denmark, International business MBA course (1994); Vilnius University, Lithuania, diploma in Econometrics (1993).

Current professional activity: PMI (Philip Morris International) Global Duty Free, Vice president (2017 – now)

Edvinas Katilius does not hold shares of AB "Klaipėdos nafta".

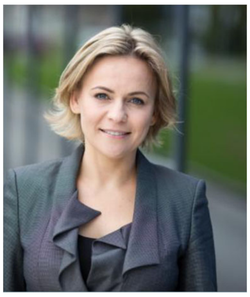
Alfonso Morriello (independent member)

Independent member of the Board of the Company, appointed to the Board by the Supervisory Council as of 25 April 2022.

Education: INSEAD, MBA (2001); University La Sapienza, Rome, MSc Electronics Engineering (1996).

Current professional activity: AXEGAZ Trading & Technologies S.A.S. Chief Executive Officer (2020 – now)

Alfonso Morriello does not hold shares of AB "Klaipėdos nafta".



Jūratė Lingienė (independent member)

Independent member of the Board of the Company, appointed to the Board by the Supervisory Council as of 25 April 2022.

Education: ACCA (The Association of Chartered Certified Accountants) (1999 – 2004), UK ACCA Member – Certified Accountant (FCCA); Vilnius University, Master's degree in Finance (1997 – 1999); Vilnius University, Bachelor degree in Audit and Accounting (1993 – 1997).

Current professional activity: SEB (Sweden) CFO for Technology and Staff functions (2015 –now)

Jūratė Lingienė does not hold shares of AB "Klaipėdos nafta".

Karolis Švaikauskas (member)

Member of the Board of the Company, appointed to the Board by the Supervisory Council as of 12 May 2022.

Education: Vytautas Magnus University, Faculty of Political Science and Diplomacy, Master's Degree in Political Science, Baltic Region Studies (2011); Humboldt University of Berlin (Germany), Scandinavian and Northern European Studies (2010); Vytautas Magnus University, Faculty of Humanities, Bachelor's degree in Historical Sciences (2009).

Current professional activity: member of the management board of AB „Amber Grid" (2022 – now);

Head of the Energy Competitiveness Group of the Ministry of Energy of the Republic of Lithuania (2019 – now); Karolis Švaikauskas does not hold shares of AB "Klaipėdos nafta".

Guy Mason (independent member)

Independent member of the Board of the Company, appointed to the Board by the Supervisory Council as of 25 April 2022.

Education: Engineering science and technology, Loughborough University (1986)

Current professional activity: non-executive director and Chair of remuneration committee, Windward Limited (2021 - now). Trustee and Chair of the Board for International Foundation for Aids to Navigation (2022-now).

Guy Mason does not hold shares of AB "Klaipėdos nafta".

The newly elected Board of AB "Klaipėdos nafta" took office in 2022 April. Board members, Edvinas Katilius and Guy Mason were appointed at the end of the previous term, and from April 2022 they are elected to serve alongside other Board members until April 2026.

BOARD ACTIVITY

The newly elected Board reviewed the strategic, operational, financial, reputational, and safety issues throughout the year on a regular basis. In addition, The Board monitored the Company's financial and strategic goals against the annual plan for 2022 quarterly and approved the yearly plan for 2023 after taking into account management's assumptions.

The Board held 16 meetings in 2022, 4 of which were held in writing. 6 of the meetings were held by the previous Board and 10 by the newly elected Board. The Board adopted 43 decisions in 2022.

During 2022 the Board started to prepare the long-term strategy of the Company and participated in numerous discussions with the management.

The Board oversaw the Company's risks and reviewed management judgments about specific ones. During the year, 4 Risk reports were approved.

The Board discussed issues related with global LNG projects.

The Board made significant decision regarding long-term LNG supply project and approved the main terms and conditions of FSRU Independence purchase agreement (22 February 2022)

The Board was also involved in transactions of the Company. The Board engaged by approving the main terms and conditions or by supporting the management with the strategic advice, such as:

- Approval of an engagement of AB Klaipėdos nafta into a new business activity and conclusion of new services agreement with LLC Okko Business-partner (13 July 2022)

Main terms and conditions of Regulations for use of the liquefied natural gas terminal of the Company were amended several times in 2022.

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 until 24 April 2022
Dainius Bražiūnas	Member of the Board	-	From the 25 July 2014 until 24 April 2022
Mantas Bartuška	Member of the Board	-	From the 25 September 2014 until 24 April 2022
Bjarke Pålsson	Member of the Board	Independent	From the 24 January 2017 until 1 February 2022
Guy Mason	Member of the Board	Independent	From the 1 December 2021
Edvinas Katilius	Chairman of the Board	Independent	From 2 February 2022
Alfonso Morriello	Member of the Board	Independent	From 25 April 2022
Jūratė Lingienė	Member of the Board	Independent	From 25 April 2022
Karolis Švaikauskas	Member of the Board	-	From 12 May 2022

The Board members attended the meetings in 2022:

No	Date of the meeting	Edvinas Katilius	Guy Mason	Jūratė Lingienė	Alfonso Moriello	Karolis Švaikauskas
1.	January 5 (in writing)	-	✓	-	-	-
2.	January 12	-	✓	-	-	-
3.	February 02	✓	✓	-	-	-
4.	March 04	✓	✓	-	-	-
5.	March 24	✓	✓	-	-	-
6.	April 20	✓	✓	✓	✓	-
7.	May 13	✓	✓	✓	✓	✓
8.	July 13 (in writing)	✓	✓	✓	✓	×
9.	July 27	✓	✓	✓	✓	✓
10.	September 05	✓	✓	✓	✓	✓
11.	September 29 (in writing)	✓	✓	✓	✓	✓
12.	October 10 (in writing)	✓	✓	✓	✓	×
13.	October 21	✓	✓	✓	✓	✓
14.	November 21	✓	✓	✓	✓	✓
15.	December 9	✓	✓	✓	✓	✓
16.	December 20	✓	✓	×	✓	✓

✓ Attended

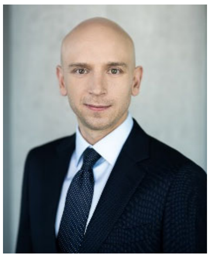
× Not attended

\- Was not a member of the Board

THE DIRECTORS OF THE COMPANY AS AT 31 DECEMBER 2022

Darius Šilenskis

(born 1981) – Chief Executive Officer. Works at the Company since 28 September 2015. Education: Baltic Management Institute, Master of executives international business management (EMBA), (2013), Vytautas Magnus University, Master of business administration (2013), Mykolas Riomeris university, Master of law (2006, Law and management studies), Bachelor of law (2004, International law if the Sea studies). Participation in activities of other companies and organisations: member of the board of directors of the Association of Lithuanian Stevedoring Companies, member of the board of Lithuanian Maritime Cluster, chairman of the Lithuanian LNG Platform, VšĮ "Vilniaus teisės institutas" founder and venturer (owns 50% rights of venture), UAB "Afinta" shareholder (owns 50% of the shares). The share of AB Klaipėdos nafta held by Darius Šilenskis is less than 5%; no in the related companies of AB Klaipėdos nafta.



Mindaugas Kvekšas

(born 1986) – Chief Financial Officer. Works at the Company since 16 August 2021. Education: The Stockholm School of Economics in Riga (Latvia), BSc in Economics and Business (2007). Baltic Institute of Corporate Governance, Professional Board Member Certificate (2020). Participation in activities of other companies and organisations: Independent Member of the Board of Municipal enterprise Vilnius Waste System Administrator (VASA SĮ). Mindaugas Kvekšas does not own shares in AB Klaipėdos nafta or other companies when the number of shares held exceeds 5% of all shares in the company.

Linas Kilda

(born 1972) – LNG Business Development Director. Appointed as LNG Business Development Director from 3 August 2020. Education: Institute of Geology and Geography, PhD (Physical Sciences) (2002); University of Aberdeen, Master of Petroleum Geology (1998); Vilnius University, Engineering geologist and hydrogeologist (1995). No participation in other companies' management. The share of AB Klaipėdos nafta held by Linas Kilda is less than 5%; no in the related companies of AB Klaipėdos nafta.

Dainius Čiuta

(born 1975) – Chief Operations Officer. Appointed as Chief Operations Officer from 5 November 2020. Education: Baltic Management Institute (BMI), International Executive Master of Business Administration (EMBA) (2013); Kaunas University of Technology, Master of Chemical Technology Engineering (1999); Klaipeda University, Bachelor of Chemical Technology (1997). Participation in the activities of other companies, institutions and organizations: member of the board of children's football club "FK Atmosfera"; member of the Energy Committee of Lithuanian Confederation of Industrialists. Dainius Čiuta does not own shares in AB Klaipėdos nafta or other companies when the number of shares held exceeds 5% of all shares in the company.

Mindaugas Navikas

(born 1979) – Chief Sales Officer. Appointed as a Chief Sales Officer from 8 September 2020. Education: Stockholm School of Economics in Riga (SSE), Master of Business Management (EMBA) (2018); Vilnius University, International Business School, Master of International Business Management (2006); Vilnius University, Bachelor of Business Management (2002). No participation in other companies' management. The share of AB Klaipėdos nafta held by Mindaugas Navikas is less than 5%; no in the related companies of AB Klaipėdos nafta.

Rytis Valūnas

(born 1985) – Chief Administrative and Corporate Governance Officer. Works at the Company since 15 September 2012. Education: Baltic Institute of Corporate Governance, Professional Board Member Certificate (2015); The Fletcher School of Law and Diplomacy/Harvard Law School, LL.M. (2011); Mykolas Romeris University/Ghent University, MA in International Law (2009); Mykolas Romeris University, BA in Law (2007). The share of AB Klaipėdos nafta held by Rytis Valūnas is less than 5%; no in the related companies of AB Klaipėdos nafta.

No members of the Company's management have been convicted of crimes against property, business or finances. Information about managers' salary for the year 2022 is stated in chapter "Information about the employees of the Group" in the Annual Report.

OTHER GOVERNANCE INFORMATION

INFORMATION ON MAJOR SHARE PACKAGES CONTROLLED EITHER DIRECTLY OR INDIRECTLY.

Details of the shares are provided in chapter "Information about investment into other companies in the Annual Report.

INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

No transaction with related parties as provided for in art. 37(2) of the Law on Companies of the Republic of Lithuania was concluded in 2022.

INFORMATION ON SHAREHOLDERS HAVING SPECIAL CONTROL RIGHTS.

All shares of the Company are of one class ordinary registered shares granting their owners (shareholders) equal rights. Details of the shares are provided in chapter "Shareholders and Shares of the Company" in the Annual Report.

INFORMATION OF AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

During 2022, no amendments to the Articles of Association AB Klaipėdos nafta were registered in the Register of Legal Entities.

INFORMATION ON ALL AGREEMENTS BETWEEN SHAREHOLDERS

The Company does not have any information on agreements between shareholders.

INFORMATION ON THE VARIED POLICY APPLICABLE TO THE ELECTION OF THE COMPANY'S CHIEF MANAGER, THE MEMBERS OF GOVERNING AND SUPERVISORY COUNCILS

The Company does not have the variety policy applicable to the election of the chief manager and the members of governing and supervisory bodies. During the procedure of selection of candidates to the Company's board of directors, governing and Supervisory Councils, the candidates shall be subject to requirements that do not discriminate a candidate on grounds of age, sex, education, or professional experience. During the selection of a candidate, the Company does not set any restrictions for nomination of a candidature on grounds of sex or age.

Considering the specificity of the Company's business activity and the status of a state-owned company, unbiased requirements which are only related to the functions and competences of the members of a governing or Supervisory Councils and the professional experience and education proportionate to these functions and competences are set.

General and independence requirements to candidates to the Company's Supervisory Council are set by the Description of Selection of Candidates to the Boards of State or Municipal Companies and Candidates to the Collegial Supervisory or Governing Board of a Company That Is under Control of a State or Municipal Company Elected by the General Meeting as adopted by Decision No 631 of 17 June 2015 of the Government of the Republic of Lithuania.

INFORMATION ON COMPLIANCE WITH TRANSPARENCY GUIDELINES

AB Klaipėdos nafta complies with the 2010 July 14 Government Resolution No. 1052 "On the Approval of the Description of the Guidelines for Ensuring the Transparency of the Activities of State-Owned Enterprises" (hereinafter – the Transparency Guidelines). The Transparency Guidelines are mandatory for the Company, as the Company is a state-owned enterprise (hereinafter – SOE).

The implementation of the transparency guidelines in the Company is mainly ensured through the information disclosed in the annual report and the disclosure of information on the Company's websites by disclosing and providing information in a format that is accessible and understandable to stakeholders.

Article 3 of the Transparency Guidelines states that SOEs which are listed on AB Nasdaq Vilnius comply with the provisions of the Corporate Governance Code related to public disclosure of information. Information on the Company's compliance with the provisions of this Code is disclosed in the Company's management report.

BELOW IS THE STRUCTURED INFORMATION ON THE IMPLEMENTATION OF THE TRANSPARENCY GUIDELINES:

INFORMATION / OTHER REQUIREMENTS MUST BE PUBLISHED ON THE COMPANY'S WEBSITE (WWW.KN.LT): ✔ COMPLYING ✔ PARTIALLY COMPLYING ✔ NOT COMPLYING	
✔ Name, code and register of the Company, where data about the Company is collected and stored, registered office (address)	✔ Legal status, if the Company is reorganized (the method of reorganization is indicated), liquidated, is about to go bankrupt, or already bankrupt
✔ Information about the institution representing the state	✔ Activity plans, vision, and mission
✔ Organizational structure	✔ Details about the manager of the company *
✔ Details about the chairman of the Board and its members *	✔ Details about the chairman of the Supervisory Council and its members *
✔ Names of the committees, details about their chairs and members *	
✔ Amount of nominal values of state-owned shares (in euros to the nearest euro cent) and share (in percent) in the authorized capital of the Company	✔ Information on social responsibility initiatives and measures, important ongoing or planned investment projects
✔ Special obligations are fulfilled, which are determined in accordance with the recommendations approved by the Ministry of Economy and Innovation of the Republic of Lithuania: the purpose of special obligations, state budget appropriations and legal acts allocating them to the special obligation and regulated pricing	✔ If the Company is a participant in other legal entities (does not apply to subsidiaries) name, code and register of such legal entities, where the data on the Company is collected and stored, registered office (address), website addresses
✔ The set of the Company's annual financial statements, the Company's annual report, as well as the report of the auditor of the Company's annual reports must be published on the Company's website within 10 working days from the approval of the set of annual financial statements.	✔ Sets of the Company's interim financial statements, the Company's interim reports must be published on the website no later than within 2 months after the end of the reporting period

* The following data is published: name, surname, date of commencement of current positions, other current management positions in other legal entities, education, qualification, professional experience; it shall be indicated whether a member of the collegial body has been elected or appointed as an independent member.

TAKING INTO ACCOUNT THAT THE COMPANY IS THE PARENT COMPANY, THE FOLLOWING INFORMATION MUST BE PUBLISHED ON THE COMPANY'S WEBSITE (WWW.KN.LT):

✔ The structure of the Group of companies	
Subsidiaries and subsequent subsidiaries of the Company:	
✔ Name, code and register of the Company, where data about the Company are collected and stored, registered office (address)	✔ Share held by the Company (percentage) in the authorized capital of subsidiary companies
✔ Website addresses	✔ Annual consolidated financial statements and consolidated annual reports

THE FOLLOWING DOCUMENTS / OTHER REQUIREMENTS MUST BE PUBLISHED ON THE COMPANY'S WEBSITE (WWW.KN.LT):

✔ Articles of Association	✔ Letter from the Ministry of Energy on the establishment of the Company's goals and expectations for the Company
✔ Business strategy or a summary thereof in cases where the business strategy contains confidential information or information which is considered a commercial (industrial) secret	✔ Remuneration policy, which includes the determination of the remuneration of the head of the Company and the remuneration of the members of the collegial bodies and committees formed by the Company
✔ Company's annual and interim reports	✔ Sets of annual and interim financial statements for a period of at least 5 years and the auditor's report of the annual financial statements
✔ The above documents are published in PDF format and it is technically possible to print them	

OTHER REQUIREMENTS MUST BE PUBLISHED / FULFILLED IN THE SETS OF FINANCIAL STATEMENTS AND NOTICES:

✔ The Company maintains its accounting records in a manner that ensures that financial statements are prepared in accordance with International Accounting Standards	✔ The Company prepares a set of 6-month interim financial statements
✔ In addition to the annual report, the Company prepares an additional 6-month interim report	

IN ADDITION TO THE CONTENT REQUIREMENTS ESTABLISHED IN THE LAW ON FINANCIAL REPORTING OF COMPANIES OF THE REPUBLIC OF LITHUANIA, THE COMPANY'S ANNUAL REPORT MUST ADDITIONALLY PROVIDE:

✔ Brief description of the Company's business model	✔ Results of the implementation of the objectives set in the operational strategy
✔ Information on significant events that occurred during and after the financial year (prior to the preparation of the annual report) and that were material to the Company's operations	✔ For state-owned enterprises that are not required to prepare a CSR report, it is recommended that information on environmental, social and personnel, human rights, anti-corruption, and anti-bribery issues be provided in the annual report or annual activity report, as appropriate.
✔ Profitability, liquidity, asset turnover, debt ratios	✔ Implementation of the company's risk management policy
✔ Implementation of investment policy, ongoing and planned investment projects, and investments during the reporting year	✔ Total annual salary fund, average monthly salary by current position and / or division
✔ Implementation of dividend policy	✔ Implementation of remuneration policy
✔ The consolidated annual report contains the structure of the group of companies, as well as the name, code and register of each subsidiary, which collects and stores data about the Company, registered office (address), shares (percentage) in the subsidiary's share capital, financial and non-financial results for the financial year.	✔ The Company's interim report provides a brief description of the Company's business model, analysis of financial results for the reporting period, information on significant events during the reporting period, as well as profitability, liquidity, asset turnover, debt ratios and their changes compared to the corresponding period last year.

AB KLAIPĖDOS NAFTA COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The public limited liability company AB Klaipėdos nafta (hereinafter referred to as the "Company"), acting in compliance with Article 22(3) of the Law of the Republic of Lithuania on Securities and paragraph 24.5 of the Listing Rules of AB NASDAQ Vilnius, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on NASDAQ Vilnius as well as its specific provisions or recommendations. In case of non-compliance with this Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied with must be indicated and the reasons for such non-compliance must be specified. In addition, other explanatory information indicated in this form must be provided.

FORM OF THE GOVERNANCE REPORT OF THE COMPANY:

PRINCIPLES / RECOMMENDATIONS	YES AND NO NOT APPLICABLE	COMMENTARY
Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights **The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.**		
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	Yes	All information that must be made public in accordance with legal acts is published through the information system of the Vilnius Stock Exchange and / or on the Company's website. The place, date and time of the General Meeting of Shareholders convened by the Company shall be determined in order to enable the shareholders to participate in making decisions important to the Company. The procedure for submitting documents and other information to shareholders is established in Article 5 of the Company's Articles of Association.
1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.	Yes	All shares of the Company are ordinary registered shares with a nominal value of EUR 0.29 (EUR 29 cents) per share.
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company's Articles of Association, which are publicly available on the Company's website, specify the rights granted by the shares.
1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	Yes	Article 16.4 of the Company's Articles of Association indicate the cases when the approval of the General Meeting of Shareholders is required.

PRINCIPLES / RECOMMENDATIONS	YES AND NO NOT APPLICABLE	COMMENTARY
1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	Yes	The Company convenes the General Meeting of Shareholders and implements other procedures of the Meeting in accordance with the Law on Companies of the Republic of Lithuania and provides all shareholders with equal opportunities to participate in the meeting, get acquainted with draft resolutions and material required for decision-making.
1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company’s commercial secrets are not revealed.	Yes	All documents and information related to the General Meeting of Shareholders, including notices of meetings to be convened, draft resolutions, resolutions of the Meetings, are publicly available in Lithuanian and English through Nasdaq Vilnius and the Company's website.
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	All shareholders may exercise their right to participate in the General Meeting of Shareholders in accordance with the procedure established by legal acts and this right is unlimited. The Company provides information on the implementation of this right in the notice on convening the General Meeting of Shareholders.
1.8. With a view to increasing the shareholders’ opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured, and it must be possible to identify the participating and voting person.	No	Taking into account the structure of the shareholders (controlling interest is owned by the Government of the Republic of Lithuania) and the valid regulations for organisation of the meeting of shareholders ensuring full advance publication of the material of the General Meeting of Shareholders and publicity of the decisions adopted by the shareholders (publishing all this information on the website of SC Nasdaq Vilnius Stock Exchange) and the opportunity to vote in advance, there is no necessity to additionally install costly system of IT, which would give the opportunity for the shareholders to vote during the meeting of the shareholders using

PRINCIPLES / RECOMMENDATIONS	YES AND NO NOT APPLICABLE	COMMENTARY
		telecommunication terminal equipment. Currently, there are no measures in place to ensure proper identification of voters.
1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.	Yes	Information about the candidates to the Company's collegial bodies is provided in accordance with the procedure established by legal acts. In accordance with the established procedure, the suitability of candidates is assessed by the selection board. The name of the proposed audit firm and the remuneration for the audit services shall be provided to the General Meeting of the Shareholders in advance as a draft resolution.
1.10. Members of the company's collegial management body, heads of the administration[2] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	Yes	The last General Meeting of Shareholders was attended by the Chairman of the Board of the Company, Chief Executive Officer of the Company, Chief Administrative and Corporate Governance Officer and Head of the Legal Department.
Principle 2: Supervisory board **2.1. Functions and liability of the supervisory board** **The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.** **The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.**		
2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	Yes	The obligations specified in the recommendation are embedded in the agreement on the activities of an independent member of the Supervisory Board. The form of the agreement is approved by the Company's General Meeting of Shareholders.

[2] For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.

PRINCIPLES / RECOMMENDATIONS	YES AND NO NOT APPLICABLE	COMMENTARY
2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	Yes	The agreements with the members of the Supervisory Board stipulates that each independent member of the Supervisory Board has a duty to act in the interests of the Company and all its shareholders.
2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.	Yes	The Supervisory Board of the Company acts independently in accordance with the requirements of legal acts when making decisions that are significant to the Company's activities and strategy.
2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent[3] members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.	Yes	The members of the Supervisory Board have the right to express their opinion on all the agenda of the meeting in accordance with the Rules of Procedure of the Company's Supervisory Board, which must be duly reflected in the minutes of the meeting. The obligations specified in the recommendation are embedded in the agreement on the activities of an independent member of the Supervisory Board.

[3] For the purposes of this Code, the criteria of independence of members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.

PRINCIPLES / RECOMMENDATIONS	YES AND NO NOT APPLICABLE	COMMENTARY
2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	Yes	The Supervisory Board of the Company in the exercise of its competence to supervise the activities of the Company's management bodies, also performs the duties specified in the recommendation.
2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.	Yes	The Company ensures the provision of the Supervisory Board with the resources necessary for its activities (provides technical support during the meetings of the Supervisory Board, provides all the necessary information). The Articles of Association of the Company stipulate that the Board must submit to the Supervisory Board the documents related to the activities of the Company requested by it. The right to information is also detailed in the contract for the activities of a member of the Supervisory Board.
2.2. Formation of the supervisory board **The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.**		
2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	Yes	According to the Law on Companies of the Republic of Lithuania, the Supervisory Board is elected, and the qualifications of its members are assessed at the General Meeting of Shareholders.
2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	Yes	The members of the Company's Supervisory Board are elected for a maximum term of 4 years specified in the Law on Companies of the Republic of Lithuania. The Articles of Association of the Company provide for the possibility to recall the entire Supervisory Board or its individual members before the end of the term of office of the Supervisory Board.
2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.	Yes	The chairman of the Supervisory Board of the Company and the Chief Executive Officer of the Company is not the same person.

PRINCIPLES / RECOMMENDATIONS	YES AND NO NOT APPLICABLE	COMMENTARY
2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.	Yes	Each member of the Supervisory Board participates in the meetings of the collegial body and devote sufficient time to perform their duties as a member of the collegial body. In 2022, 10 meetings of the Company's Supervisory Board were held, which were attended by all members of the Supervisory Board. 8 meetings were held by the previous Supervisory Council, 2 – by the newly elected one.
2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.	Yes	Information on candidates for members of the Company's Supervisory Board (as well as information on the candidate's compliance with the independence requirements) is submitted to the General Meeting of Shareholders in accordance with the procedure established by the Law on Companies of the Republic of Lithuania.
2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	Yes	An independent member of the Supervisory Board shall be remunerated for his / her activities in the Supervisory Board in accordance with the procedure and conditions established in the agreement signed with him / her regarding the activities of the independent member of the Supervisory Board. The terms and conditions of the agreement with the independent member of the Supervisory Board shall be approved by the General Meeting of Shareholders.
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.	Yes	The Supervisory Board evaluates its activities every year. The Supervisory Board evaluates the organization of meetings, efficiency, need for competencies, mutual cooperation, cooperation with management, etc.

Principle 3: Management Board

3.1. Functions and liability of the management board

The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.

PRINCIPLES / RECOMMENDATIONS	YES AND NO NOT APPLICABLE	COMMENTARY
3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	Yes	The Board of the Company implements the strategy of the parent company, which is approved by the Supervisory Board of the Company.
3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	Yes	Because the Supervisory Board is formed in the Company, the Board performs the functions of the Company's collegial management body. The obligation to take into account the Company, shareholders, employees and other interest groups is embedded in the agreement signed with each of the members of the Board regarding the activities of the member of the Board.
3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	Yes	The Company's Articles of Association stipulate which Company's documents (guidelines, policies, etc.) are approved by the Board. In cases where the documents are approved by the Supervisory Board, the Board shall submit comments and suggestions. In accordance with the Company's Articles of Association, the Board considers and approves the Company's list of risks and the plan of measures to reduce them, the risk report, and the risk management policy.
3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance[4] on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	Yes	The Company has various documents in place to ensure internal control, ethics, and compliance management measures, for example: the Head of Internal Audit is an independent position, reports to the Audit Committee and is administratively subordinate to the CEO; The Company has a Code of Conduct (Code of Ethics) that applies to all employees of the Company, including members of the Board and the Supervisory Board.
3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence	Yes	When appointing the CEO, the Board of the Company shall take into account his/her qualifications, experience and competence.

PRINCIPLES / RECOMMENDATIONS	YES AND NO NOT APPLICABLE	COMMENTARY
3.2. Formation of the management board		
3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	Yes	The Board of the Company ensures the balance of qualifications of its members. The members of the Board of the Company are elected by the Supervisory Board of the Company (Selection Committee), which evaluates the qualifications of the candidates, experience in the management position, suitability to hold the position of a member of the Board of the Company and other necessary aspects. The aim is for the members of the Board to have competencies considering the responsibilities and functions of the Board. Every year, the members of the Board conduct a self-assessment of their activities.

[4] Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: https://www.oecd.org/daf/anti-bribery/44884389.pdf

PRINCIPLES / RECOMMENDATIONS	YES AND NO NOT APPLICABLE	COMMENTARY
3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.	Yes	Information on candidates and their suitability to hold the position of a member of the Company's collegial body is provided in accordance with the procedure established by legal acts, the suitability of candidates is assessed by the Selection Committee. Information about the candidates for the members of the Board of the Company, including their curriculum vitae and declaration of interests, and other documents specified in legal acts shall be submitted at the meeting of the Supervisory Board of the Company at which the Board or its individual members are elected. Information on the positions held by the members of the Board or their participation in the activities of other companies is regularly collected, stored, and presented in the Company's Annual Report and on the Company's website.
3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company.	Yes	After their election, the members of the Board are acquainted with the Company's activities, organizational and management structure, strategy, operational and financial plans.
3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	Yes	The Board members are appointed for a fixed term, i.e., Board members are elected for a period of 4 (four) years. The Company's Articles of Association provide for the possibility to remove both individual members of the Board and the entire Board before the end of its term. The right to recall members of the Board (individual or all) belongs to the Company's Supervisory Board.
3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	Yes	The current or former position of the Chairman of the Board of the Company does not create preconditions for the possible emergence of impartiality. The Chairman of the Board of the Company has not held the position of the CEO of the Company.

PRINCIPLES / RECOMMENDATIONS	YES AND NO NOT APPLICABLE	COMMENTARY
3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the management board. Should a member of the management board attend less than a half of the meetings of the management board throughout the financial year of the company, the supervisory board of the company or, if the supervisory board is not formed at the company, the general meeting of shareholders should be notified thereof.	Yes	The members of the Board of the Company actively participate in the meetings of the Board and devote sufficient time to the performance of their duties as a member of the collegial body. In 2022, 16 meetings of the Company's Board were held.
3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent, it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.	Yes	The Supervisory Board is formed in the Company.
3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	Yes	Independent members of the Board are paid based on the Remuneration Policy of the Company approved by the General Meeting of Shareholders and agreement concluded with the Company that is approved by the Supervisory Council.
3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	Yes	These duties of the members of the Board are provided for in the activity agreement of the member of the Board signed with the Company, as well as in the Rules of Procedure of the Board.
3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	Yes	Every year, the members of the Board of the Company evaluate their activities by filling in questionnaires, which include an evaluation of the work organization of the Board, cooperation with the management, etc., the results of the evaluation of activities are discussed at the Board meeting. Information on the internal structure and work procedure of the Board is published in the Company's Annual Report.
Principle 4: Rules of procedure of the supervisory board and the management board of the company **The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.**		

PRINCIPLES / RECOMMENDATIONS	YES AND NO NOT APPLICABLE	COMMENTARY
4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform he supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	Yes	The legal acts regulating the activities of the Company's Supervisory Board and the Board, the Articles of Association, the Company's corporate governance policy and the Rules of Procedure of collegial bodies establish the principles and procedure of cooperation between the Company's Supervisory Board and the Board and ensure that management and supervisory bodies function properly.
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.	Yes	Meetings of collegial bodies are held according to the annual meeting schedules approved in advance by the collegial bodies (in coordination with the management).
4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.	Yes	The members of the collegial body know about the agenda of the meeting in advance. Preliminary agendas for meetings for the whole year are drawn up at the beginning of the year. The agendas are then adjusted and completed before each meeting (usually at least 10 days before the meeting). The members of the collegial bodies receive the material necessary for making decisions on the issues of the agenda in advance (5-7 days in advance) and have the opportunity to get acquainted with it and ask questions, and for clarification. All members of the collegial body shall be informed about any comments or clarifications received.
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.	Yes	The dates and agendas of the meetings are coordinated so that all members of the collegial bodies can participate in them. The Chairman of the Board regularly presents to the Supervisory Board the most important decisions made by the Board.
Principle 5: Nomination, remuneration and audit committees		

PRINCIPLES / RECOMMENDATIONS	YES AND NO NOT APPLICABLE	COMMENTARY
5.1. Purpose and formation of committees **The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.** **Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.**		

PRINCIPLES / RECOMMENDATIONS	YES AND NO NOT APPLICABLE	COMMENTARY
5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees[5].	Partly	The Audit Committee, elected by the Supervisory Body is formed within the Company. The Supervisory Body determined its functions, rights, obligations and remuneration procedure. The Company's Audit Committee has been assigned with advisory functions related to the audit control and assessment and covering supervision of financial reports preparation and audit execution process, examination of its effectiveness and implementation of recommendations, analysis of need of internal audit functions and other functions, as provided by the Resolution No. 03-14 of the Board of the Bank of Lithuania on 24 January 2017, observes the integrity of the financial information provided by the Company, paying special attention to the relevance and transparency of the accounting methods used by the Company and its group. Other specialized committees are not established within the Company. However, the Board formed a working group for revision of Human Resources items with composition of two Board members and one Company's representatives –Head of HR and CEO.
5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.	Yes	Refer to the comment submitted regarding the item 5.1.1. above.
5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.	Yes	Refer to the comment submitted regarding the item 5.1.1. above.
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.	Yes	The Audit Committee, formed by the Supervisory Council, comprises of three members. All of the acting members of the Audit Committee were independent.

[5] The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other

PRINCIPLES / RECOMMENDATIONS	YES AND NO NOT APPLICABLE	COMMENTARY
5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.	Yes	The committees are formed by the decision of the Supervisory Board. The rules of procedure of the committees, the rights, and obligations of the members of the committees, as well as the measures to ensure the activities of the members of the committees shall be established by the rules for the establishment and operation of the relevant committees approved by the Supervisory Board. Information on the composition of committees, number of meetings, participation and main activities is disclosed in the Company's Annual Report.
5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.	Yes	The rules of formation and operation of the Audit Committee of the Company provide for the right of the Audit Committee to invite the responsible persons of the Company to its meetings and to receive the necessary explanations from them in accordance with their competence.

Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).

PRINCIPLES / RECOMMENDATIONS	YES AND NO NOT APPLICABLE	COMMENTARY
5.2. Nomination committee		
5.2.1. The key functions of the nomination committee should be the following: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 3) devote the attention necessary to ensure succession planning.	No	The Nomination Committee in the Company currently is not formed.
5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.	No	The Nomination Committee in the Company currently is not formed.
5.3. Remuneration committee		
5.3.1. The main functions of the remuneration committee should be as follows: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) review, on a regular basis, the remuneration policy and its implementation.	No	Refer to the comment submitted regarding the item 5.1.2. above.
5.4. Audit committee		

PRINCIPLES / RECOMMENDATIONS	YES AND NO NOT APPLICABLE	COMMENTARY
5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee[6].	Yes	The functions of the Audit Committee are also defined in the rules of formation and operation of the Company's Audit Committee.
5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.	Yes	The members of the Audit Committee of the Company, while performing their duties, have the right to receive from the Company the required documents and / or copies thereof and the information required to perform the functions of the Audit Committee.
5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.	Yes	The Head of Internal Audit participates in the meetings of the Audit Committee, and other staff, if necessary, when discussing specific issues. Representatives of the Company performing the independent audit of the financial statements participate in the meeting of the Audit Committee, if necessary.
5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.	Yes	The Audit Committee shall receive the information referred to in this paragraph and approve the annual plans of the internal audit. The Head of Internal Audit informs the Audit Committee about the implementation of the internal audit plans and provides reports. Representatives of the company performing the independent audit of the financial statements shall participate in the meeting of the Audit Committee, if necessary.
5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	Yes	Possible violations can be reported to the e-mail address SpeakUp@kn.lt (information is available to the Head of Internal Audit). The notification channel is open to all natural or legal persons: both current or former KN employees and former or potential KN customers, contractors, suppliers, the community. Possible violations can also be reported directly to the collegial supervisory bodies of KN by e-mail: SupervisoryBodies@kn.lt

[6] Issues related to the activities of audit committees are regulated by Regulation No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.

PRINCIPLES / RECOMMENDATIONS	YES AND NO NOT APPLICABLE	COMMENTARY
5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	Yes	The Audit Committee informs the Supervisory Board of its activities at least once a quarter and submits a written report on its activities to the Supervisory Board quarterly. The Audit Committee also informs the Board about its activities at least once a year.
Principle 6: Prevention and disclosure of conflicts of interest **The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.**		

PRINCIPLES / RECOMMENDATIONS	YES AND NO NOT APPLICABLE	COMMENTARY
When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence. 6.1. Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.	Yes	The members of the Company's supervisory and management bodies oblige to act in such a manner so as to avoid conflict of interests with the Company. This is determined in the Articles of Association of the Company and in other documents of operation of the Company. For this purpose, the member of the Company's supervisory and management bodies submit to the Company's body that elected them and the Company the declarations about the absence of the conflict of interests and oblige to immediately inform about any change of the circumstances revealed in these declarations. In case of a conflict of interests between a member of the Company's supervisory and management bodies and the Company during discussion of issues, such a member of the supervisory or management bodies shall immediately notify Company's body that elected them and not participate in voting regarding specific items in view of which such conflict arose. A member of the supervisory and management bodies shall not be entitled to vote when the meeting of the supervisory and management bodies discusses the issue related to his work on the supervisory and management bodies or the issue of his responsibility.
Principle 7: Remuneration policy of the company **The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.**		

PRINCIPLES / RECOMMENDATIONS	YES AND NO NOT APPLICABLE	COMMENTARY
7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	Yes	On 2022 October 20, the Annual General Meeting of Shareholders approved the updated Company's Remuneration Policy, which applies to the CEO of the Company, members of the Board, the Supervisory Board, and other committees. This remuneration policy defines the principles and procedures for determining, paying, and promoting the remuneration of members of the Supervisory Board, members of the Board, and Committees and the head of the Company who are independent and not independent but not employees of the state representative body. Published on the Company's website https://www.kn.lt/en/about-us/operational-documentation/remuneration-policy/3456
7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	Yes	The Company's Remuneration Policy determines the components of remuneration, their maximum amounts, and the principles of awarding and paying.
7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	Yes	The remuneration of the members of the collegial bodies that perform supervisory functions does not depend on the performance of the Company.
7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	Not applicable	Termination payments are not foreseen in the Remuneration Policy of the Company (https://www.kn.lt/apie-mus/darbo-uzmokestis/1975).

PRINCIPLES / RECOMMENDATIONS	YES AND NO NOT APPLICABLE	COMMENTARY
7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	Not applicable	During the year under review the Company has not applied any schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements. This has not been provided for neither by the existing Management personnel remuneration procedure nor employment contracts with directors and other employees of the Company.
7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.	Yes	The Company's Remuneration Report for 2022 will be published on the website www.kn.lt.
7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.	Yes	The Remuneration Policy stipulates that the policy is submitted for approval to the General Meeting of Shareholders at least every 4 (four) years, as well as if there are significant changes in the policy. In the event of a change in the Remuneration Policy, all policy statements approved after the last General Meeting of Shareholders vote on the Remuneration Policy shall be submitted to the Meeting.
Principle 8: Role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.**		

PRINCIPLES / RECOMMENDATIONS	YES AND NO NOT APPLICABLE	COMMENTARY
8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	Yes	The execution of this recommendation is ensured by the accurate supervision and control of the state institutions and organisations regulating and controlling the Company's activities. The management bodies consult with the employees on corporate governance and other important issues, (employee) participation in the Company's share capital is not limited. Publicity of the essential information about the Company's activity creates the conditions for the holders of interests to participate in the management of the Company according to the procedure established by the law and the Article of Association, as well as for the Company's employees also according to the Collective Agreement of the Company.
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.	Yes	
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	Yes	
Principle 9: Disclosure of information **The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.**		

PRINCIPLES / RECOMMENDATIONS	YES AND NO NOT APPLICABLE	COMMENTARY
9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:	Yes	Performance and corporate governance is regularly disclosed by distributing press posts about publicly undisclosed information, related to the Company on SC Nasdaq Vilnius Stock Exchange website, as well as in the Company's annual reports and financial statements, press releases published in the exchange and in other public presentations of the Company activity. The Company is not limited only by disclosure of minimum necessary public information and also publishes other important information about the Company's activity. The documents that contain certain information are published in Lithuanian and English on the publicly accessible website of the SC Nasdaq Vilnius Stock Exchange.
9.1.1. operating and financial results of the company;	Yes	They are made public on a monthly basis, as well as in the Company's Interim and Annual Reports.
9.1.2. objectives and non-financial information of the company;	Yes	Published in the Company's Interim and Annual Reports, in the Company's Corporate Strategy.
9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	Yes	They are made public in the Company's Interim and Annual Reports, on the Company's website.
9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	Yes	They are made public in the Company's Interim and Annual Reports.
9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	Yes	They are made public in the Company's Interim and Annual Reports.
9.1.6. potential key risk factors, the company's risk management and supervision policy;	Yes	They are made public in the Company's Annual Reports.
9.1.7. the company's transactions with related parties;	Yes	The information is published on the Company's website.
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	Yes	They are made public in the Company's Interim and Annual Reports, on the Company's website.
9.1.9. structure and strategy of corporate governance;	Yes	They are made public in the Company's Interim and Annual Reports, on the Company's website.

PRINCIPLES / RECOMMENDATIONS	YES AND NO NOT APPLICABLE	COMMENTARY
9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list is deemed minimum, and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts.	Yes	They are made public in the Company's Interim and Annual Reports, on the Company's website.
9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	Yes	Refer to the comment submitted regarding the item 9.1. above.
9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.	Yes	Refer to the comment submitted regarding the item 9.1. above.
9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	Yes	Refer to the comment submitted regarding the item 9.1. above.
Principle 10: Selection of the company's audit firm **The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.**		

PRINCIPLES / RECOMMENDATIONS	YES AND NO NOT APPLICABLE	COMMENTARY
10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	Yes	The Company observes this recommendation, annually, an independent firm of auditors conducts an audit of the Company's annual financial statements and report according to the International Accounting Standards and submits an independent auditor's report concerning financial statements.
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.	No	The Company's management Board (a collegial body) proposes a candidate firm of auditors to the General Meeting of Shareholders taking into account the Audit Committee recommendation.
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	Yes	The information about the payments to the audit company is disclosed in the annual financial statements and also presented to the Company's Audit committee and Supervisory Council when considering which audit firm should be proposed to the general meeting of shareholders.