



AB KLAIPĖDOS NAFTA

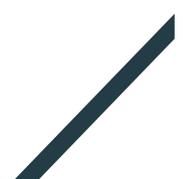
**INTERIM CONDENSED FINANCIAL STATEMENTS,
PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS,
AS ADOPTED BY THE EUROPEAN UNION**

**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019
(UNAUDITED)**



CONTENT

Statement of financial position.....	3-4
Statement of comprehensive income	5
Statement of changes in equity.....	6
Cash flow statement.....	7-8
Explanatory notes to financial statements	9
Confirmation of responsible persons	21



STATEMENT OF FINANCIAL POSITION

	Notes	30-06-2019	31-12-2018
		<i>(unaudited)</i>	<i>(audited)</i>
ASSETS			
Non-current assets			
Intangible assets		634	726
Property, plant and equipment	3	208,690	199,211
Right of use the assets	3, 4	258,086	-
Long-term receivables and accrued rent income	6	1,813	2,684
Investment in subsidiaries		903	203
Investment in associates		165	201
Total non-current assets		470,291	203,025
Current assets			
Inventories	7	1,544	1,747
Prepayments		539	534
Trade receivables	8	12,430	12,452
Contract assets	9	515	374
Prepaid income tax		2,213	1,671
Other receivables	10	44	86
Other financial assets	6	594	-
Cash and cash equivalents	11	59,873	73,238
Total current assets		77,752	90,102
Total assets		548,043	293,127

(cont'd on the next page)

Explanatory notes are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION (CONT'D)

	Notes	30-06-2019 <i>(unaudited)</i>	31-12-2018 <i>(audited)</i>
EQUITY AND LIABILITIES			
Equity			
Share capital	1	110,476	110,376
Share premium		3,913	3,913
Own shares		(267)	-
Legal reserve		11,038	10,750
Reserve for own shares		15,929	15,929
Other reserves		42,057	42,945
Retained earnings		2,542	11,577
Total equity		185,688	195,490
Non-current amounts payable and liabilities			
Deferred income tax liability		367	623
Non-current employee benefits		214	271
Loans	12	71,789	73,474
Financial lease liabilities	4	216,789	-
Grants related to assets	13	4,110	4,287
Total non-current amounts payable and liabilities		293,269	78,655
Current amounts payable and liabilities			
Current employee benefits		31	30
Loans	12	3,141	2,649
Loan interests	12	27	29
Financial lease liabilities	4	43,452	-
Grants related to assets	12	354	355
Trade payables	14	11,098	9,374
Payroll related liabilities	15	2,446	1,996
Contract liabilities		3,202	3,374
Other payables and current liabilities	16	5,335	1,175
Total current amounts payable and liabilities		69,086	18,982
Total equity and liabilities		548,043	293,127

Explanatory notes are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the six months period ended 30 June 2019 <i>(unaudited)</i>	For the six months period ended 30 June 2019* <i>(unaudited)</i>	For the six months period ended 30 June 2018 <i>(unaudited)</i>	For the six months period ended 30 June 2018 <i>(unaudited)</i>
Revenue from contracts with customers	17	51,244	24,920		
Sales	17	-	-	52,739	24,916
Cost of sales	18	(42,561)	(21,210)	(40,052)	(20,132)
Gross profit		8,683	3,710	12,687	4,784
Operating expenses		(3,476)	(1,835)	(2,684)	(1,384)
Other income		5	16	259	1
Profit from operating activities		5,212	1,891	10,262	3,401
Income from financial activities	19	51	14	161	40
Loss from financial activities	19	(2,963)	2,523	(204)	(109)
Profit before income tax		2,300	4,428	10,219	3,332
Income tax income (expense)		242	(544)	(9)	124
Net profit		2,542	3,884	10,210	3,456
Other comprehensive income (expenses)		-	-	-	-
Items that will not be subsequently reclassified to profit or loss		-	-	-	-
Items that may be subsequently reclassified to profit or loss		-	-	-	-
Total comprehensive income		2,542	3,884	10,210	3,456
Basic and diluted earnings (losses) per share, in EUR	20	0.007	0.010	0.027	0.009

Explanatory notes are an integral part of these financial statements.

*The Company has reversed accrued income from LNG services due to foreign currency exchange rate fluctuations according to 16 IFRS "Leases" and related income tax income (expenses) for the three months period ended on 31 March 2019.

	Announced figures for the three months period ended 31 March 2019	Correction amount	Corrected figures for the three months period ended 31 March 2019
Revenue from contracts with customers	31,157	(4,833)	26,324
Income tax income (expense)	61	725	786
Net profit	2,766	(4,108)	(1,342)

STATEMENT OF CHANGES IN EQUITY

Notes	Share capital	Share premium	Own shares (-)	Legal reserve	Reserve for own shares	Other reserves	Retained earnings	Total
Balance as at 31 December 2018 (audited)	110,376	3,913	-	9,899	15,929	43,196	17,031	200,344
Net profit for the six months	-	-	-	-	-	-	10,210	10,210
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	10,210	10,210
Dividends declared	-	-	-	-	-	-	(17,031)	(17,031)
Transfers between reserves	-	-	-	851	-	(851)	-	-
Balance as at 30 June 2019 (unaudited)	110,376	3,913	-	10,750	15,929	42,345	10,210	193,523
Balance as at 31 December 2018 (audited)	110,376	3,913	-	10,750	15,929	42,945	11,577	195,490
Net profit for the six months	-	-	-	-	-	-	2,542	2,542
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	2,542	2,542
Dividends declared	-	-	-	-	-	-	(11,577)	(11,577)
Acquisition of own shares (-)	100	-	-	-	-	-	-	100
Increase in share capital	-	-	(600)	-	-	-	-	(600)
Share-based payments	-	-	333	-	-	-	-	333
Transfer between reserves	-	-	-	288	-	(288)	-	-
Used reserves	-	-	-	-	-	(600)	-	(600)
Balance as at 30 June 2019 (unaudited)	110,476	3,913	(267)	11,038	15,929	42,057	2,542	185,688

Explanatory notes are an integral part of these financial statements.

(all amounts are in EUR thousand unless otherwise stated)

CASH FLOW STATEMENT

	Notes	For the six months period ended 30 June 2019 <i>(unaudited)</i>	For the six months period ended 30 June 2018 <i>(unaudited)</i>
Cash flows from operating activities			
Net profit		2,542	10,210
Adjustments for noncash items:			
Depreciation and amortization	3, 13	28,610	6,908
Impairment and write-off (reversal) of non-current tangible assets		(1)	(8)
Profit (loss) from write-off and sales of non-current assets		(9)	(250)
Change in impairment of investment in subsidiary		100	-
Change in vacation reserve	15	56	68
Change in non-current liabilities for employees		(56)	45
Reversal of share based payment expenses		(600)	-
Change in allowance in inventory	7	19	2
Other non-cash adjustments		2,840	(590)
Contract assets		(141)	-
Accrued income	6,	276	49
Income tax expenses		(242)	9
Change in allowance for doubtful trade and other receivables	8	147	(216)
Interest income	19	(34)	(27)
Interest expenses	19	1,194	102
		34,701	16,302
Changes in working capital			
(Increase) decrease in inventories	7	260	38
Decrease (increase) in prepayments made		(6)	(275)
Decrease (increase) in trade and other accounts receivable	8	(126)	(387)
Decrease (increase) in other accounts receivable	10	43	106
Increase (decrease) in trade and other payables		3,729	(510)
(Decrease) increase in prepayments received		-	108
Increase (decrease) in contract liabilities		(172)	-
Increase (decrease) in other current liabilities and payroll related liabilities		257	293
		38,686	15,675
Income tax (paid)		(730)	(578)
Interest received	19	34	27
Net cash flows from (used in) operating activities		37,990	15,124
Cash flows from investing activities			
(Acquisition) of property, plant, equipment and intangible assets		(14,487)	(7,041)
Proceeds on sale of property, plant and equipment		9	250
Short term deposits (placed)/received		-	15,000
(Acquisition) of other investments		(800)	-
Received grants, subsidies	13	-	892
Dividends received		36	54
Net cash flows from investing activities		(15,242)	9,155

CASH FLOWS STATEMENT (CONT'D)

	Notes	For the six months period ended 30 June 2019 <i>(unaudited)</i>	For the six months period ended 30 June 2019 <i>(unaudited)</i>
Cash flows from financing activities			
(Acquisition) of own shares	1	(600)	-
Loans received (paid)	12	(1,201)	-
Financial lease liabilities (paid)	4	(22,658)	-
Dividends paid		(11,557)	(17,031)
Interest and fee related to loans (paid)	19	(96)	(94)
Net cash flows from (used in) financing activities		(36,112)	(17,125)
Net increase (decrease) in cash flows		(13,364)	7,154
Cash and cash equivalents on 1 January	11	73,238	16,747
Cash and cash equivalents on 30 June	11	59,873	23,901

Explanatory notes are an integral part of these financial statements,

EXPLANATORY NOTES TO FINANCIAL STATEMENTS

1 GENERAL INFORMATION

AB Klaipėdos nafta (hereinafter referred to as “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.

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

National Commission for Energy Control and Prices (hereinafter referred to as “NCC”) issued Natural Gas Regasification License to the Company on 27 November 2014.

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

As of 30 June 2019, all the shares were owned by 2,601 shareholders (as of 30 June 2018 all the shares were owned by 2,205 shareholders).

On 29 March 2019 amended Articles of Association of the Company had been registered in the Register of Legal Entities of the Republic of Lithuania after the increase of authorized capital of the Company. Following the increase of the authorized capital of the Company, such capital is equal to EUR 110,476,193.97 is divided into 380,952,393 units of shares, which grant 380,952,393 votes. Nominal value per share – EUR 0.29. 72.34% of the shares (275,587,444 shares) are owned by the State of Lithuania, represented by the Ministry of Energy.

On 30 June 2018 the Company’s share capital amounting to EUR 110,375,793.36 is fully paid. It is divided into 380,606,184 ordinary shares with a par value of twenty EUR 0.29. 72.32% of the shares (275,241,290 shares) are owned by the State of Lithuania, represented by the Ministry of Energy.

In January 2019 the Company acquired 1,463,414 units of own shares. Total price of the transaction amounts to EUR 599,999.74. The purpose of shares’ acquisition is the provision of shares to the Company’s employees. In May 2019 the Company paid out part of annual bonuses to employees in Company’s shares - 807,606 units of shares have been granted to the employees of the Company. During six months of 2018 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 of 30 June 2019 and 30 June 2018 the shareholders of the Company were:

	30 June 2019		30 June 2018	
	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)	275,587	72.34	275,241	72.32
Concern UAB Achemos grupė (Jonalaukis village, Jonava district, 156673480)	39,650	10.41	38,975	10.24
Other (less than 5 per cent each)	65,715	17.25	66,390	17.44
Total	380,952	100.00	380,606	100.00

The average number of employees on 30 June 2019 was 376 (389 – on 30 June 2018).

2 ACCOUNTING PRINCIPLES

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

2 ACCOUNTING PRINCIPLES (CONT'D)

The Company applies the same accounting policies and the same calculation methods in preparing Interim Financial Statements as they have been used for the Annual Financial Statements of the year 2018. The principles used in preparation of financial statements were presented in more detail in the Notes to the Financial Statements for 2018.

These financial statements have been prepared on a historical cost basis.

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

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

3 NON-CURRENT TANGIBLE ASSETS

During the six months of 2019 the Company continued works in the following projects:

- The second stage investment in the expansion of the light oil products storage tank park. The project started in July 2017. As of 30 June 2019 the value of construction in progress amounted to EUR 27,152 thousand. During the six months of the year 2019 investment amounted to EUR 14,608 thousand).
- Development of the railroad tracks (comprise of the acquired equipment). As of 30 June 2019, the value of construction in progress amounted to EUR 1,941 thousand. (During the six months of the year 2019 investment amounted to EUR 304 thousand).
- Other investment. As of 30 June 2019, the value of constructions in progress amounted to EUR 922 thousand (During the six months of the year 2019 investment amounted to EUR 800 thousand).

Part of the Company's property, plant and equipment with the acquisition cost of EUR 34,472 thousand as on 30 June 2019 was completely depreciated (EUR 34,583 thousand on 31 December 2018), however, it was still in operation.

The depreciation of the Company's non-current tangible assets for the six months of 2019 amounts to EUR 6,802 thousand (EUR 6,787 thousand – in 2018 six months), EUR 6,689 thousand of depreciation charge has been included into cost of sales (EUR 6,689 thousand - in 2018 six months), EUR 178 thousand was reimbursement of the costs according the grant agreement (EUR 4 thousand – in 2018 six months) and the remaining amount EUR 113 thousand (EUR 97 thousand – in 2018 six months) has been included into operating expenses in the Statement of comprehensive income.

During the six months of 2019 the Company additionally calculated depreciation costs, amounting to EUR 21,953 thousand, according to IFRS 16 "Leases".

4 IFRS 16 "LEASES"

New IFRS 16 "Leases" is effective for annual periods beginning on 1 January 2019. The Company apply the new standard using the modified retrospective approach, which means that comparative figures are not restated. IFRS 16 has a significant impact on the Company's Statement of financial position and Statement of comprehensive income.

The impact on the Statement of financial position (increase / (decrease)) as of 30 June 2019:

	30-06-2019
Assets:	
Right of use the assets	258,086
Non-current liabilities:	
Financial lease liabilities	(216,789)
Current liabilities:	
Financial lease liabilities	(43,452)
Impact on Equity	(2,155)

4 IFRS 16 "LEASES" (CONT'D)

The impact on the Statement of comprehensive income (increase / (decrease)) for six months in 2019:

	30-06-2019
Depreciation expenses	21,953
Rent expenses	(22,658)
Profit from operating activities	705
Finance costs:	
Interest	(1,092)
(Losses) from currency exchange	(1,768)
Profit for the period	(2,155)

5 OPERATING SEGMENTS

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

- KNF – oil terminal in Klaipėda supplying oil products, providing transshipment and other related services;
- SGD – LNG terminal in Klaipėda, which receives and stores liquefied natural gas, regasifies it and supplies to Gas Main;
- SNT - Subačius oil terminal in Kupiškis district provides services of long-term storage of oil products and loading of auto-tankers;
- GDP – LNG related business development which includes LNG reloading station activities and development of other LNG projects.

Main indicators of the business segments of the Company included into the statement of comprehensive income for the financial year as of 30 June 2019 and Statement of financial position as of 30 June 2018, are described below:

For the six months period ended 30 June 2019	SGD	SNT	GDP	KNF	Total
Revenues from contracts with customers	35,527	1,162	109	14,446	51,244
Profit before income tax	1,087	146	(2,035)	3,102	2,300
Segment net profit (loss)	1,190	158	(2,001)	3,195	2,542
Interest revenue	33	-	-	1	34
Loan interest expense	87	-	10	5	102
Interest on financial lease liabilities	925	-	13	154	1,092
Depreciation and amortisation	2,111	414	1,064	3,393	6,982
Depreciation according to IFRS 16	21,562	-	55	336	21,953
Write-off of non-current tangible assets	-	-	-	-	-
Impairment of non-current tangible asset (reversal)	-	-	-	1	1
Acquisitions of tangible and intangible assets	13	102	20	16,223	16,358
Segment total assets*	296,514	9,870	30,624	151,162	488,170
Loan and related liabilities	75,017	-	(51)	(9)	74,957
Financial lease liabilities	243,589	-	1,315	15,337	260,241
Segment total liabilities	335,623	1,411	8,623	16,698	362,355

5 OPERATING SEGMENTS (CONT'D)

For the six months period ended 30 June 2018	SGD	SNT	GDP	KNF	Total
Revenues from sales to external customers	32,456	1,325	285	18,673	52,739
Profit before income tax	3,291	369	(557)	7,116	10,219
Segment net profit (loss)	3,287	368	(558)	7,113	10,210
Interest revenue	27	-	-	-	27
Interest expense	87	-	10	5	102
Depreciation and amortisation	2,748	433	5	3,722	6,908
Write-off of non-current tangible assets	-	-	-	-	-
Impairment of non-current tangible asset (reversal)	-	-	-	8	8
Acquisitions of tangible and intangible assets	70,154	2,453	15,829	117,342	205,778
Segment total assets*	80,385	13,049	39,854	86,327	219,615
Loan and related liabilities	76,449	-	(66)	5	76,388
Segment total liabilities	84,615	164	7,771	7,443	99,993

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

6 LONG-TERM RECEIVABLES AND ACCRUED RENT INCOME

	30-06-2019	31-12-2018
Accrued income	1,813	2,090
Long-term receivables	-	594
	<u>1,813</u>	<u>2,684</u>

Long-term receivables and accrued income consist of long term rent revenue accrual arising from Subačius fuel storage reservoirs rent agreement and receivable from Luminor bank.

Subačius fuel storage reservoirs rent agreement signed with the Lithuanian petroleum products Agency in 2012 for the duration of 10 years is treated as operating leasing contract. The rent tariffs are different for the first 5 years and for the remaining period, Therefore, the rent income is recognized on a straight-line basis over the lease term, i.e. the income is calculated on average tariff of the all leasing term (10 years).

The receivable amount from Luminor bank (restricted cash) (EUR 594 thousand) is accounted for based on the Guarantee Agreement. The amount is expected to be recovered on 12 January 2020, if the Company will ensure the implementation of measures provided in the Company's waste reduction plan. As of 30 June 2019 this amount was disclosed under short-term other financial assets.

7 INVENTORIES

	30-06-2019	31-12-2018
Diesel fuel for the LNG Terminal purpose	487	651
Oil products for sale	209	134
Liquefied natural gas	150	357
Fuel for transport and other equipment	53	32
Emission allowances	26	-
Spare parts, construction materials and other inventories	<u>1,701</u>	<u>1,636</u>
Total inventories	<u>2,626</u>	<u>2,810</u>
Write-down of spare parts, construction materials and other inventories	<u>(1,082)</u>	<u>(1,063)</u>
Total inventories	<u>1,544</u>	<u>1,747</u>

As of 30 June 2019, the Company accounted for allowance of inventories in the amount of EUR 1,082 thousand (EUR 1,063 thousand on 31 December 2018), that have been written-down to the net realizable value. The Company accounts for allowance for obsolete and slow-moving inventories that did not move for over 12 months. Inventory allowance has been accounted mostly for construction materials and spare parts, which were not used during the reconstruction (1996 – 2005).

7 INVENTORIES (CONT'D)

The write-off of inventories to the net realizable value of EUR 19 thousand for the six months ended of 30 June 2019 (reversal of write-off of inventories to the net realizable value amounts to EUR 53 thousand as of 31 December 2018) are included under operating expenses in the profit (loss).

Oil products for sale are energy products collected in the Wastewater Treatment Facilities. On 30 June 2019 the Company had 3.3 thousand tons of oil products for sale (2.4 thousand tons of oil products as of 31 December 2018).

As of 30 June 2019, the Company stored 153 thousand tons of oil products delivered for transshipment in its storage tanks (198 thousand tons as on 31 December 2018 (the quantities are unaudited). Such oil products are not recognized in the Company's financial statements. They are accounted for in the off-balance sheet accounts as the Company has no ownership rights into oil products. The oil products belonged to third parties are insured by the Company in order to cover the loss or damages incurred (if any).

As of 30 June 2019, the Company stored 1.4 thousand MWh (as of 31 December 2018 – 1.4 thousand MWh) (the quantities are unaudited) natural gas in the connecting pipeline for the Liquefied natural gas terminal activities. As of 30 June 2019 in the Liquefied natural gas reloading station the Company owned 5.1 thousand MWh natural gas (as of 31 December 2018 – 9.8 thousand MWh), (the quantities are unaudited).

As of 30 June 2019, the Company stored 252 thousand MWh (As of 31 December 2018 – 679 thousand MWh) (the quantities are unaudited) of natural gas products delivered for transshipment in the Liquefied natural gas terminal. Such natural gas products are not recognized in the Company's financial statements. They are accounted for in the off-balance sheet accounts as the Company has no ownership rights for these products. The Company is responsible for the insurance of the products.

As of 30 June 2019, in the Liquefied natural gas reloading station the Company stored 971 MWh natural gas products that, belonged to the third parties (As of 31 December 2018 – 8.5 thousand MWh) (the quantities are unaudited). Such natural gas products are not recognized in the Company's financial statements. They are accounted for in the off-balance sheet accounts as the Company has no ownership rights for these products.

8 TRADE RECEIVABLES

	30-06-2019	31-12-2018
Receivables from LNG terminal activities	10,307	9,805
Receivables for transshipment of oil products and other related services	2,781	3,157
Less: impairment allowance	(658)	(510)
	<u>12,430</u>	<u>12,452</u>

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

On 30 June 2019 and on 31 December 2018 the Company did not have any trade debts denominated in other currency.

The Company has recognized impairment allowance in the amount of EUR 658 thousand on 30 June 2019 (EUR 510 thousand on 31 December 2018). Change in allowance for receivables has been included into operating expenses in the statement of the comprehensive income.

9 CONTRACT ASSETS

Contract assets comprise accrued income for storage of oil products as of 30 June 2019 and 31 December 2018 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.

10 OTHER RECEIVABLES

	30-06-2019	31-12-2018
Receivable grant	27	20
Receivable excise tax	8	-
Receivable VAT	6	-
Real estate tax receivable	-	35
Other receivables	3	31
	<u>44</u>	<u>86</u>

11 CASH AND CASH EQUIVALENTS

	30-06-2019	31-12-2018
Cash at bank	<u>59,873</u>	<u>73,238</u>

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

Currency	30-06-2019	31-12-2018
EUR	55,277	68,656
USD	4,596	4,582
	<u>59,873</u>	<u>73,238</u>

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

	30-06-2019	31-12-2018
A +	13,116	1,828
AA -	38,229	39,616
BBB +	-	31,794
BBB -	8,528	-
	<u>59,873</u>	<u>73,238</u>

The maximum exposure of these investments to credit risk at the reporting date was represented by carrying value of the securities and term deposits, classified as investments held to maturity.

12 FINANCIAL LIABILITIES

	30-06-2019	31-12-2018
European Investment Bank's loan	53,825	54,312
Nordic Investment Bank's loan	21,105	21,811
Payable loan interest	27	29
	<u>74,957</u>	<u>76,152</u>

13 GRANTS RELATED TO ASSETS

	30-06-2019	31-12-2018
Balance at the beginning of the period	4,642	4,006
Received during the year	-	893
Amortisation	(178)	(156)
Compensation of costs	-	(54)
Written-off	-	(47)
Balance at the end of the period	4,464	4,642
Current	354	355
Non-current	4,110	4,287

14 TRADE DEBTS AND OTHER PAYABLES

	30-06-2019	31-12-2018
Payables for FSRU operating leasing	4,460	3,727
Payable to contractors*	4,051	2,316
Other payments related FSRU	662	1,390
Payable for rent of land	235	393
Payable for railway services	140	253
Payable for gas services	14	447
Other trade payables	1,536	848
Total	11,098	9,374

On 30 June 2019 trade payables of EUR 4,484 thousand were denominated in USD (EUR 4,202 thousand – on 31 December 2018).

15 LIABILITIES RELATED TO LABOUR RELATIONS

	30-06-2019	31-12-2018
Accrued vacation reserve	1,105	1,049
Accrual of annual bonuses	570	603
Salaries payable	390	13
Social insurance payable	209	329
Income tax payable	170	1
Other deductions	2	1
Total	2,446	1,996

16 OTHER CURRENT LIABILITIES

	30-06-2019	31-12-2018
Subsidies payable	4,006	-
Accrued tax expenses and liabilities	646	385
Accrued expenses and liabilities	420	526
Shareholders related liabilities	80	180
Other liabilities	183	84
Total	5,335	1,175

Subsidies payable consists of part of subsidies received at the end of June 2019 by the Company, as the coordinator of EU project Blue Baltic. This part of subsidies belongs to one of the project's partner Uranos Vermoögensverwaltungs GMBH & Co. The payment to Uranos Vermoögensverwaltungs GMBH & Co was done at the beginning of July 2019.

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

17 REVENUE FROM CONTRACTS WITH CUSTOMERS (SALES)

	For the six months period ended 30 June 2019	For the six months period ended 30 June 2018
Income from LNGT services regulated by NCC	34,263	31,919
Sales of oil transshipment services	15,119	19,299
Other sales related to LNG terminals activity	1,352	634
Other sales related to transshipment	495	639
Sales of consulting services	15	248
Total	51,244	52,739

18 COST OF SALES

	For the six months period ended 30 June 2019	For the six months period ended 30 June 2018
Depreciation and amortisation*	28,446	6,755
Expenses related to FSRU rent (OPEX element, management fee, crew costs)	4,414	2,598
Wages, salaries and social security	3,684	3,739
Natural gas	1,663	1,779
Railway services	988	1,149
Port charges	764	764
Electricity	723	793
Tax on environmental pollution	601	73
Repair and maintenance of assets	227	269
Insurance	221	290
Tax on real estate	208	152
Transport	139	138
Other FSRU related expenses	119	40
Services for tankers	107	108
Work safety costs	54	52
Cleaning expenses	50	76
Research expenses	49	28
FSRU rent expenses	-	20,671
Rent of land and quays	-	395
Rent of facilities	-	36
Other	104	147
	42,561	40,052

* Depreciation and amortisation expenses for six months of 2019 include depreciation amounting to EUR 21,789 thousand according to IFRS 16 "Leases".

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

	For the six months period ended 30 June 2019	For the six months period ended 30 June 2018
Interest income	34	27
Fines and penalties income	15	134
Profit from currency exchange	2	-
Financial income, total	<u>51</u>	<u>161</u>
(Losses) from currency exchange according to IFRS 16	(1,768)	-
Interest on the financial lease liabilities	(1,092)	-
Loan interest expenses	(102)	(102)
(Losses) from currency exchange	-	(101)
Other financial activity expenses	(1)	(1)
Financial activity expenses, total	<u>(2,963)</u>	<u>(204)</u>

20 EARNINGS PER SHARE, BASIC AND DILUTED

Basic earnings per share are calculated by dividing net profit of the Company by the number of the shares available, Diluted earnings per share equal to basic earnings per share as the Company has no instruments issued that could dilute shares issued.

Basic and diluted earnings per share are as follows:

	For the six months period ended 30 June 2019	For the six months period ended 30 June 2018
Net profit attributable to shareholders	2,542	10,210
Weighted average number of ordinary shares (thousand)	<u>380,786</u>	<u>380,606</u>
Earnings and reduced earnings (in EUR)	<u>0.007</u>	<u>0.027</u>

21 RELATED PARTY TRANSACTIONS

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions. The related parties of the Company and transactions with them during the six months of 2019 and 2018 were as follows:

22 RELATED PARTY TRANSACTIONS (CONT'D)

Transactions with Lithuanian State controlled enterprises and institutions

		Purchases	Sales	Receivables	Payables
VĮ Klaipėdos valstybinio Jūrų uosto direkcija	2019 six months	1,162	-	-	235
	2018 six months	1,159	4	4	394
AB Lietuvos geležinkeliai	2019 six months	1,004	-	-	-
	2018 six months	1,223	-	-	193
VĮ Lietuvos naftos produktų agentūra (<i>liquidated from 01-01-2019</i>)	2019 six months	-	-	111	-
	2018 six months	-	1,428	1,221	-
AB Amber Grid	2019 six months	-	34,263	9,965	-
	2018 six months	-	31,919	9,268	-
Viešoji įstaiga Lietuvos energetikos agentūra	2019 six months	-	1,389	284	-
	2018 six months	-	-	-	-
UAB LITGAS	2019 six months	-	-	-	-
	2018 six months	-	204	51	-
UAB „Lietuvos energijos tiekimas“	2019 six months	1,482	729	63	14
	2018 six months	1,065	99	28	46
AB Energijos skirstymo operatorius	2019 six months	281	-	-	41
	2018 six months	330	-	-	49
LG Cargo, AB	2019 six months	345	-	-	140
	2018 six months	-	-	-	-
UAB Energijos tiekimas	2019 six months	-	-	-	-
	2018 six months	462	-	-	73
Other related parties	2019 six months	34	-	1	3
	2018 six months	37	-	1	6
Transactions with related parties, in total:	2019 six months	4,308	36,381	10,424	513
	2018 six months	4,276	33,654	10,573	761

Remuneration to the Management and other payments

The Company's Management is comprised of Chief Executive Officer, Heads of Divisions and Functional Managers.

	For the six months period ended 30 June 2019	For the six months period ended 30 June 2018
Payroll related costs	1,595	1,433
Number of managers	41	39

During the six months of the years 2019 and 2018 the Management of the Company did not receive any loans, guarantees, or any other payments or property transfers were made or accrued.

23 SUBSEQUENT EVENTS

- Taking into account the 24 April 2019 decision of the Supervisory Council of AB Klaipedos which extended the tenure of the Board members of the Company until the respective separate decision of the Supervisory Council, on 2 July 2019 the Supervisory Council of the Company, decided to extend the tenure of all Board members of the Company for three years from 24 April 2019.
- The Company hereby informs, that upon conclusion of respective agreement, additional capacities of the LNG Terminal were allocated during the current Gas Year (from the 1st of October, 2018 to the 30th of September, 2019) under the conditions indicated below:
 - LNG regasification capacities: LNG regasification capacities 1.184.839.000 kWh (with reference conditions: natural gas upper heating value – 11.90 kWh/nm³, LNG expansion coefficient - 1:578 (m³ LNG/ nm³ natural gas), combustion/measurement temperature - 25/0 °C, pressure – 1.01325 bar).

The Company constantly announces and updates the information regarding available capacities of the LNG terminal at its website, which are available for booking during the Gas Year as well.

- By the resolution of the Board of the Company repeat Extraordinary General Meeting of Shareholders of the Company will be held on 18 July 2019 at 1:00 p.m. The meeting will be held in the Company's office at Burių str. 19, Klaipėda, in the administrative office of the Company (in the hall of the meeting on the 2nd floor).

The agenda of the 27 June 2019 General Meeting of Shareholders which was not held shall be valid at the repeat Extraordinary General Meeting of Shareholders. The quorum requirement is not applicable to the meeting. The draft decisions of the Board on the agenda currently are not changed. Shareholder UAB koncernas Achemos grupė proposed draft decisions are provided.

Agenda of the meeting:

1. Regarding the approval of the decision of AB Klaipedos nafta's Board to transfer liquefied natural gas terminal activities to subsidiary UAB SGD terminalas;
2. Regarding the approval of the decision of AB Klaipedos nafta's Board to provide parent company guarantee for performance of obligations of UAB SGD terminalas under the time charter party agreement;
3. Regarding the amendment of the Articles of Association of AB Klaipedos nafta.

- By decision of Board of the Company, Darius Šilenskis has been elected as acting General Manager of the Company from 27 July 2019 till the separate decision of the Board of the Company.

- By decision of the Board of the Company, the Company, implementing the sole shareholder's rights in subsidiaries UAB SGD logistika and UAB SGD terminalas, adopted the following decision:

- As of 23-07-2019 revoke M. Jusius, from the position of Director of subsidiaries UAB SGD logistika and UAB SGD terminalas and to terminate the employment contract with him from 23-07-2019;

- To elect Jonas Lenkšas from 24-07-2019 as a Director subsidiaries of UAB SGD logistika and UAB SGD terminalas.

- The repeat Extraordinary General Meeting of Shareholders of the Company was convened on 18 July 2019 at 1:00 p.m. The meeting was held in the registered office of the Company at Burių str. 19, Klaipėda.

- Repeat Extraordinary General Meeting of Shareholders of the Company, held on 18 July 2019, adopted the following resolutions:

1. Regarding the approval of the decision of AB Klaipedos Nafta's Board to transfer liquefied natural gas terminal activities to subsidiary UAB SGD terminalas:

„Considering the fact that there is no legal and actual possibility to perform transfer of the liquefied natural gas terminal activities to subsidiary UAB SGD terminalas under the independent property evaluation report by the company Uždaroji akcinė bendrovė korporacija "Matininkai", code 121913439, dated 01-02-2019, because 6 months period has expired from the date of property valuation (31-12-2018), to postpone the consideration of the issue until the required valuation on investment in subsidiary UAB SGD terminalas is received."

2. Regarding the approval of the decision of AB Klaipedos Nafta's Board to provide parent company guarantee for performance of obligations of UAB SGD terminalas under the time charter party agreement:

22 SUBSEQUENT EVENTS

"Taking into account that the decision was taken to postpone the approval of decision on transfer of the liquefied natural gas terminal activities, to postpone consideration of the issue of the provision of parent company guarantee of AB Klaipedos Nafta in favour of UAB Hoegh LNG Klaipeda and HÖEGH LNG LTD for performance of obligations of UAB SGD terminalas until the decision on transfer of the liquefied natural gas terminal activities to subsidiary UAB SGD terminalas will be adopted."

3. Regarding the amendment of the Articles of Association of AB Klaipedos Nafta:

"Considering that the issue of performance of transfer of the liquefied natural gas terminal activities is postponed, to postpone the consideration of amendment Articles of Association of AB Klaipedos Nafta and the approval of the new wording until the decision on transfer of the liquefied natural gas terminal activities to subsidiary UAB SGD terminalas will be adopted."

- The Company hereby informs, that upon conclusion of respective agreement, capacities of the LNG Terminal were allocated during the upcoming Gas Year (from the 1st of October, 2019 to the 30th of September, 2020), under the conditions indicated below:

1. LNG regasification capacities: LNG regasification capacities 2.836.720.000 kWh (with reference conditions: natural gas upper heating value – 11.90 kWh/nm³, LNG expansion coefficient - 1:578 (m³ LNG/ nm³ natural gas), combustion/measurement temperature - 25/0 °C, pressure – 1.01325 bar).

2. LNG regasification period: from 1st of October, 2019 until 31st of December, 2019.

The Company constantly announces and updates the information regarding available capacities of the LNG terminal at its website, which are available for booking during the Gas Year as well.

- The Company together with the consortium partners consisting of Korean companies Samsung C&T and Posco E&C as well as Japanese companies Mitsui O.S.K. Lines and Osaka Gas have submitted a binding bid proposal in the tender for development of the Cyprus LNG terminal. The Company participates in the tender as a contractor and partner of the consortium.

DEFA, the Natural Gas Public Company of Cyprus, announced an international public call for tenders in October 2018. According to the published specifications, LNG terminal will include a floating storage and regasification unit (FSRU), a jetty for mooring the FSRU, a jetty borne gas pipeline to secure supply of natural gas to the largest Vasilikos Power Plant in Cyprus. The project has been granted EU support accounting for over EUR 100 million. The total project budget is estimated at around EUR 500 million.

If case of winning the tender, the Company will team up with Mitsui O.S.K. Lines and Osaka Gas to provide terminal operator services for a period of up to 20 years.

DEFA should select winners of the tender later this year. The terminal in Cyprus is planned to start operations in 2021.

No more significant subsequent events have occurred after the date of financial statements.

CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Tadas Matulionis, Acting Chief Executive Officer of AB Klaipėdos nafta, Jonas Lenkšas, Chief Financial Officer of AB Klaipėdos nafta, and Rasa Tamaliūnaitė, Chief Accountant hereby confirm that to the best of our knowledge the above-presented unaudited Interim condensed Financial Statements of AB Klaipėdos nafta for the six months period ended on 30 June 2019, 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.

Acting Chief Executive Officer

Tadas Matulionis

Chief Financial Officer

Jonas Lenkšas

Chief Accountant

Rasa Tamaliūnaitė



2019

AB KLAIPĖDOS NAFTA INTERIM REPORT

FOR THE SIX MONTHS PERIOD
ENDED 30 JUNE 2019

CONTENT

GENERAL INFORMATION	24
MANAGEMENT COMMENT REGARDING FINANCIAL RESULTS.....	25
FINANCIAL RESULTS OF ACTIVITY.....	27
KEY OPERATING AND FINANCIAL INDICATORS OF AB KLAIPĖDOS NAFTA.....	28
INFORMATION ABOUT THE COMPANY AND ITS ACTIVITIES	29
THE COMPANY'S STRATEGY	34
SIGNIFICANT EVENTS OF THE REPORTING PERIOD.....	35
SIGNIFICANT EVENTS OCCURRED AFTER THE END OF THE REPORTING PERIO	36
BUSINESS ENVIRONMENT AND MARKET	36
INVESTMENTS	46
INFORMATION ABOUT THE SHAREHOLDERS AND SHARES OF THE COMPANY	47
RISK FACTORS AND RISK MANAGEMENT	49
MANAGEMENT OF THE COMPANY	50
INFORMATION ABOUT THE EMPLOYEES OF THE COMPANY.....	52
OTHER INFORMATION.....	54

Abbreviations:

KN – AB Klaipėdos nafta;

KNT – Klaipėda oil terminal;

LNKT – Liquefied Natural Gas Terminal;

LNG – Liquefied Natural Gas;

OP - Oil Products;

HFO – Heavy Oil Products;

LFO - Light Oil Products;

SNT – Subačius oil terminal;

BDP – LNG related business development which includes LNG reloading station activities and development of other LNG projects;

OPP – Oil-Processing Plant (refinery);

NERC - National Energy Regulatory Council.

GENERAL INFORMATION

Details about the Company (Issuer)

Name of the Company:	AB Klaipėdos nafta
Legal status:	Stock Company
Authorized share capital:	110,375,793 Eur
Date and place of registration:	27 September 1994 m., State Enterprise Centre of Registers
Company code:	110648893
Address:	Burių Street 19, 91003 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

Reporting period

AB Klaipėdos nafta Interim Report is prepared for the period from 1 January 2019 until 30 June 2019.

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 Tadas Matulionis, LNG Business Development Director acting Chief Executive Officer of AB Klaipėdos nafta, Jonas Lenkšas, 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 six months of 2019 includes a fair review of the performance of the business and the present state of the Company together with the update on the main risks and uncertainties that are encountered.

Persons responsible for the information submitted in the Interim Report

Job title	Full name	Telephone number
AB Klaipėdos nafta, acting Chief Executive Officer	Tadas Matulionis	+370 52 127 733
AB Klaipėdos nafta, Chief Financial Officer	Jonas Lenkšas	+370 52 502 879
AB Klaipėdos nafta, Chief Accountant	Rasa Tamaliūnaitė	+370 46 391 636

MANAGEMENT COMMENT REGARDING FINANCIAL RESULTS

The first half-year of 2019 presented a number of challenges to KN, which were often caused by circumstances beyond the company's control. Despite these challenges, both KN Klaipėda Oil Terminal and the Liquefied Natural Gas (LNG) Terminal in Klaipėda demonstrated high performance indicators.

The new KN Oil Terminal infrastructure has been successfully employed

The development of infrastructure of Klaipėda Oil Terminal in the last 3.5 years (investments amounting to EUR 45 million) produced the first results in the first half-year of 2019 – the new KN tank farm, operating in trial mode, accepted several oil products in June 2019. Thanks to ongoing investments, Klaipėda Oil Terminal – being one of a few multimodal terminals in the Baltic countries – has been increasing its flexibility and competitiveness.

The contaminated oil incident in the Druzhba pipeline highly affected the first half-year loading results of KN and also those of many other companies of neighbouring countries. This event has also slowed down the operations of our main competitors. KN loading results have been also negatively affected by the decision of AB Orlen Lietuva to refer bigger quantities of production to neighbouring markets by rail. Nevertheless, the loading results of June 2019 show that clients have been returning to their planned operation volumes. It should be noted that despite the challenges and a particularly harsh competitive environment, this year Klaipėda Oil Terminal is the most efficient among all Baltic oil terminals.

LNG Terminal in Klaipėda supplied gas not only in Lithuania

A favourable international gas market situation determined the most efficient operation in the history of the LNG Terminal in the last months of the first half-year of 2019. The capacities of the LNG Terminal have been fully booked until October, which marks the end of the current gas year. The volume of operation of the LNG Terminal hit the record heights in June: about 2.4 TWh of natural gas were regasified and supplied to the natural gas transmission system – approximately the same quantity as consumed in all three Baltic countries in the first summer month. Besides, in June the LNG Terminal regasified 1.5 times more gas than consumed in Lithuania, thus the Terminal supplied gas not only in Lithuania – users of the Terminal directed some gas to Inčukalns storage, as well as to Latvia's and Estonia's consumers. The successful first half-year of LNG Terminal operation in Klaipėda can be also witnessed by an agreement signed with the third user

of Klaipėda LNG Terminal, i.e. UAB Imlitex. This signifies that business has noted KN's focus on the provision of more flexible and more efficient LNG loading and regasification services.

After the Seimas passed a decision at the end of last year with regard to acquisition of the FSRU after 2024, KN plans to ensure long-term LNG import to Lithuania, with optimum distribution of the terminal costs throughout the period from 2019 until the end of 2044. Among other KN goals for 2019, there is a goal to contribute to the reduction of LNG Terminal maintenance costs with respect to all gas consumers as of this year. The best alternative of performance efficiency improvement has been selected – clarification of the LNG Terminal operation by transferring operations regulated by the LNG Terminal to the subsidiary UAB SGD terminalas. Despite the adjusted plan to separate activities as of 1 July, KN's management expects to implement necessary decisions to achieve the said goal in year 2019.

Significant influence on accounting performance

With regard to all indicated circumstances, the main KN's performance indicators of the first half-year of 2019, compared to the first half-year of 2018, were as follows:

- Loading of oil products (2.9 million tons) decreased by 18.6%;
- LNG regasification and reloading (6.4 million MWh) increased by 42%.

KN's financial accounting indicators of the first half-year of 2019, compared to the first half-year of 2018, were negatively affected by IFRS 16 "Leases" amended as of 1 January 2019. This change has significantly affected KN's statement of financial position, statement of comprehensive income, and financial indicators. In 2018, the costs of lease were registered in the statement of comprehensive income and had no impact on the statement of financial position. Upon coming into effect of the amendments to the standard, leases have been recorded as assets and liabilities (right of use the assets and financial lease liabilities). In the statement of comprehensive income the impact of changes in exchange rates additionally formed, because of lease payments denominated in US dollars, however in reality the Company is not affected by this.

Regarding of the reasons mentioned above, in order to represent the real result, the adjusted result without the influence of IFRS 16 is provided next to accounting result with the impact of IFRS 16.

In the first half-year of 2019, compared to the first half-year of 2018, the main KN's financial indicators changed as follows:

Million EUR	H1 2019 accounting result	Change 2019 vs 2018	H1 2019 adjusted result (excl. IFRS 16)	H1 2018 accounting result	Change H1 2019 Adjusted vs H1 2018
Sales revenues	51.2 million EUR	-2.8 %	51.2 million EUR	52.7 million EUR	-2.8 %
Net profit	2.5 million EUR	-75.1 %	4.7 million EUR	10.2 million EUR	-54.0 %
EBITDA	32.3 million EUR	87.2 %	11.4 million EUR	17.2 million EUR	-34.1 %
EBITDA margin	62.9 %	30.2 p.p.	22.2 %	32.7 %	-10.5 p.p.

A responsible community member

While boosting motivation and engagement of KN's team, the package of employee benefits includes an additional health insurance for all company's employees for another year. In May, as many as 357 employees of the company became its shareholders having been paid out up to a half of the annual employee's premium in shares. The company is glad to see that all implemented decisions contribute to its positive evaluation as the employer: KN has been included in the top 20 most desirable employers in Lithuania in the competition of the most desirable employer organized by *Verslo žinios*.

In the first half-year KN was actively engaged in various social initiatives. To celebrate the World Environment Day, KN prepared an overview of environmental protection of oil terminals and presented it to neighbouring communities and responsible institutions. KN also initiated and contributed to civil protection training to local communities which expressed the need for such

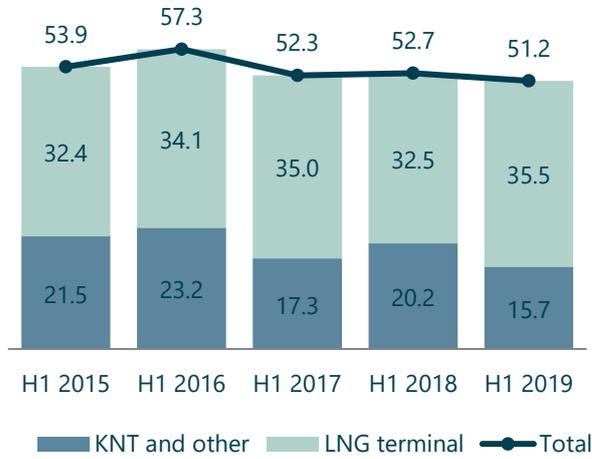
training and invited the members of Melnragė community to become better acquainted with the operations of the oil terminal as well as environmental protection measures applied during the loading of oil products.

The results achieved in the first half-year of 2019 encourage KN to continue to strive for the defined strategic goals: to increase added value both in respect of the company and the main shareholder – the state of Lithuania – and to pursue an even more efficient growth by improving internal processes and implementing the investment projects provided in the company's long-term strategy.

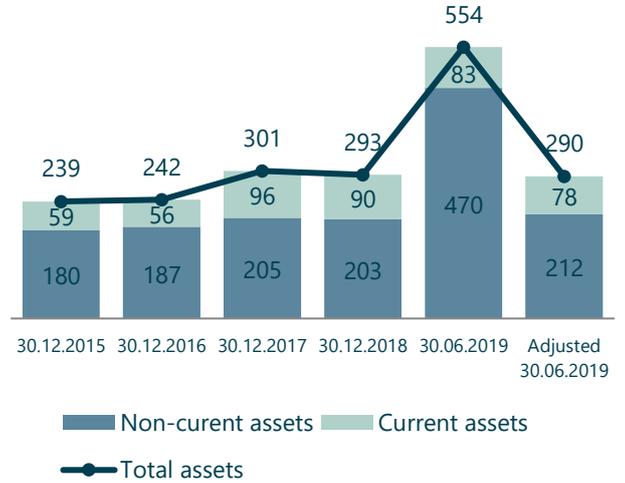
We are proud to have such professional and motivated KN employees who can jointly face and overcome the greatest challenges, and in order to maintain strong motivation we will continue focusing on the strengthening of organizational culture.

FINANCIAL RESULTS OF ACTIVITY

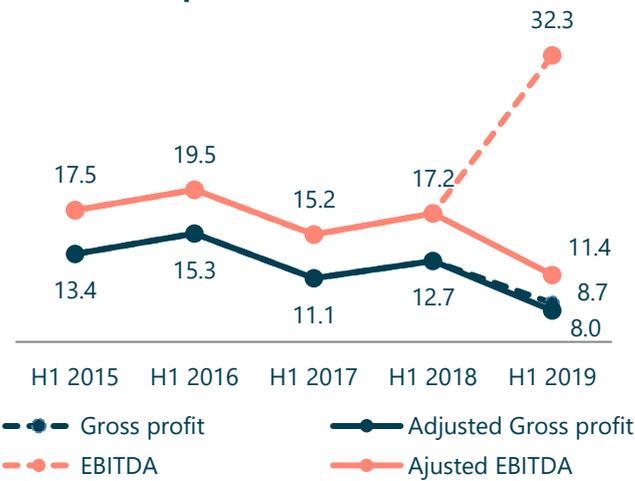
Sales revenue, MEUR



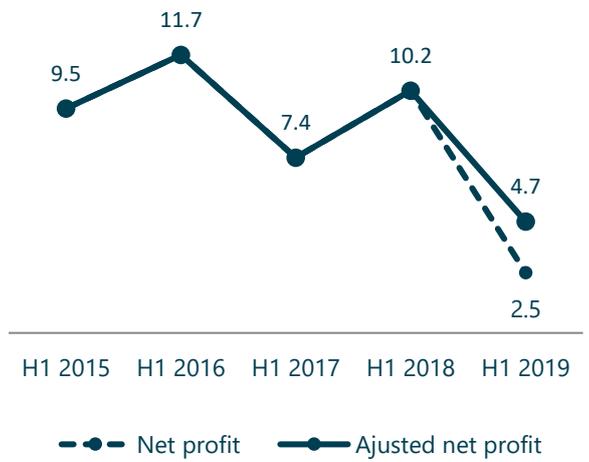
Assets, MEUR



Gross profit and EBITDA, MEUR



Net profit, MEUR



KEY OPERATING AND FINANCIAL INDICATORS OF AB KLAIPĖDOS NAFTA

		H1 2019	Adjusted H1 2019	H1 2018	Change 2019 A vs 2018	
					+/-	%
KEY OPERATING INDICATORS						
Transhipment of oil products	thousand tons	2,926	2,926	3,594	-668	-18.6
LNG regasification and reloading	thousand MWh	6,419	6,419	4,519	1,900	42.0
KEY FINANCIAL INDICATORS						
Sales revenue	EUR`000	51,244	51,244	52,739	-1,495	-2.8
Gross profit	EUR`000	8,683	7,977	12,687	-4,710	-37.1
EBITDA ¹⁾	EUR`000	32,251	11,361	17,229	-5,868	-34.1
Net profit	EUR`000	2,542	4,697	10,210	-5,513	-54.0
EBITDA margin	%	6.9%	22.2%	32.7%	-10.5 p. p.	-
Net profit margin	%	5.0%	9.2%	19.4%	-10.2 p. p.	-
		30-06-2019	Adjusted 30-06-2019	30-06-2018	Change 2019 A vs 2018	
					+/-	%
Total assets	EUR`000	548,043	289,957	293,516	-3,559	-1.2
Shareholders' equity	EUR`000	185,688	187,843	193,523	-5,680	-2.9
Financial debts	EUR`000	74,957	74,957	76,388	-1,431	-1.9
Other debts	EUR`000	287,398	27,157	23,605	3,553	15.1
Return on equity (ROE) ²⁾	%	2.1%	3.2%	10.3%	-7.2 p. p.	-
Return on assets (ROA) ³⁾	%	0.9%	2.1%	7.4%	-5.3 p. p.	-
Debt ratio	coef.	1.95	0.54	0.52	0.02	-
Capital to assets ratio	coef.	0.34	0.65	0.66	-0.01	-
Gross liquidity ratio (current ratio) ⁵⁾	coef.	1.13	3.04	4.62	-1.58	-
Quick ratio ⁶⁾	coef.	1.10	2.98	4.56	-1.58	-

¹ EBITDA = earnings before interest, taxation, depreciation and amortization;

² Return on equity (ROE) = net profit of the last twelve months / (total average equity at the end of the period + total average equity at the beginning of the period) / 2;

³ Return on assets (ROA) = net profit of the last twelve months / (total average assets at the end of the period + total average assets at the beginning of the period) / 2;

⁴ Debt ratio = total current and non-current liabilities at the end of the period / total equity at the end of the period;

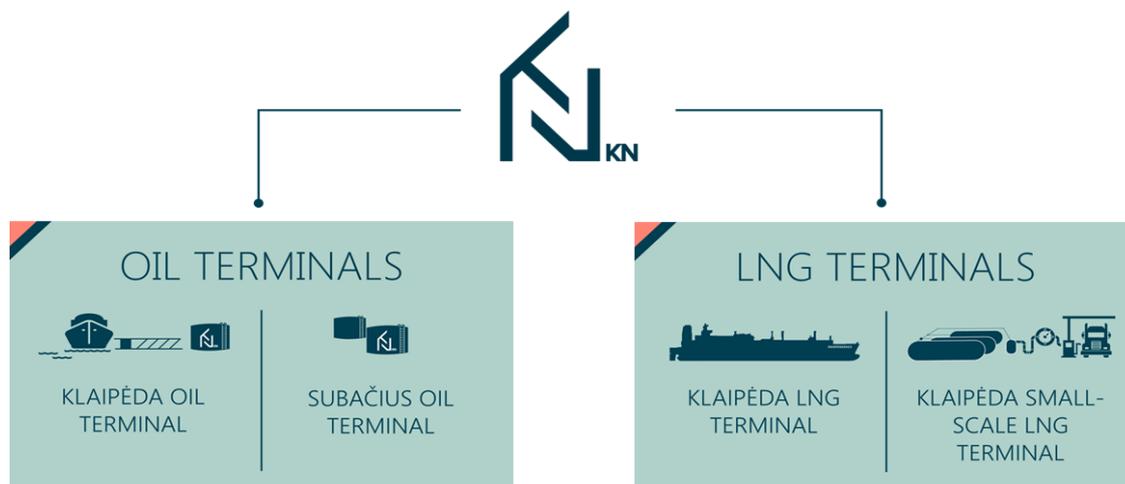
⁵ Gross liquidity ratio = total current assets at the end of the period / total current liabilities at the end of the period.

⁶ Quick ratio = (total current assets at the end of the period - Inventories at the end of the period) / total current liabilities at the end of the period.

INFORMATION ABOUT THE COMPANY AND ITS ACTIVITIES

AB Klaipėdos nafta – strategically important company in terms of energy security for the Lithuania and neighbour regions ensuring import opportunity of the liquefied natural gas into Lithuania and surrounding countries as well as storage of the compulsory oil products reserve of the Republic of Lithuania, also reliably and effectively reloading oil products in Klaipėda port. Besides activities mentioned above, the Company starts small scale LNG activities.

The Company's operations can be divided into 2 lines of activity and four separate activities: oil product transshipment (Klaipėda oil terminal), long term oil product storage (SNT), LNG terminal operation and LNG related activities development (including small scale LNG terminal and participation in other LNG terminal projects). The management assesses financial results of each activity and sets individual strategic goals.



Information about investment into other companies:

The Company has invested into the following companies as of 30 June 2019:

Name of the Company	Address	Ownership part, per cent	Activities
UAB SGD logistika	33-2 Gedimino str., LT-01109 Vilnius	100	Planned LNG transportation activities.
UAB BALTPPOOL	9 A. Juozapavičiaus str., LT-09311, Vilnius	33	Development of activity of energy resources (bio-fuel, 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.
UAB SGD terminalas	Burių Street 19, 91003 Klaipėda	100	Operation (management) and development of the infrastructure of the liquefied natural gas terminal in Klaipėda.

KLAIPĖDA OIL TERMINAL

Klaipėda oil terminal provides the following services:

- Transshipment of crude oil and oil products from rail tank-cars into tankers;
- Transshipment of crude oil and oil products from tankers into rail tank-cars;
- Reloading of crude oil and oil products into road tankers;
- Accumulation and storage of crude oil and oil products;
- Collection of waste water from sea vessels which is contaminated with oil products;
- Mooring of sea vessels;
- Assessment of quality parameters of oil products;
- Provides technology for adding chemical products into oil products;
- Blending of heavy and light oil products;
- Supply of fuel and water to sea vessels.

Klaipėda oil terminal's characteristics

Location	Territory of Klaipėdos nafta oil terminal
Oil product tanks	Total 35 tanks (additional 10 tanks after finishing the second stage of investment during the year 2019)
Volume of the tanks	Almost 461 cub. m thousand total volume (additional 120 thousand m ³ after finishing the second stage of investment during the year 2019)
The capacity of the oil terminal	Up to 800 thousand t / month
Jetties	2
Jetties' length	274 m each
Harbour entrance depth:	14.5 m
Tanker batch	Up to 100.000 t with 12.5 m depth
Railway	Two double-track tank wagon loading racks: <ul style="list-style-type: none"> ▪ 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	Able to detect the main quality parameters of oil products
Biological Waste Water Treatment Facilities waste water collected and treated annually	Up to 400 cub. m, thousand (160 m ³ /h)
Own boiler station of three boilers comprising total capacity	100 MWh

SUBAČIUS OIL TERMINAL

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 (fuel);
- Short-term storage and handling of oil products (petrol and diesel fuel) to both private and business customers;
- Adding bio-additives and marking substances to oil products.

Subačius oil terminal's characteristics

Location	In Kunčiai village, Kupiškis district
Volume of the tanks	Total 66 tanks
Volume of the tanks	Almost 338 cub. m thousand total volume
Railway	The rail trestle which can simultaneously handle 14 rail tanks;
Road tanker loading	Modern loading station of auto tank-cars
Modern laboratory	Able to detect the main quality parameters of oil products

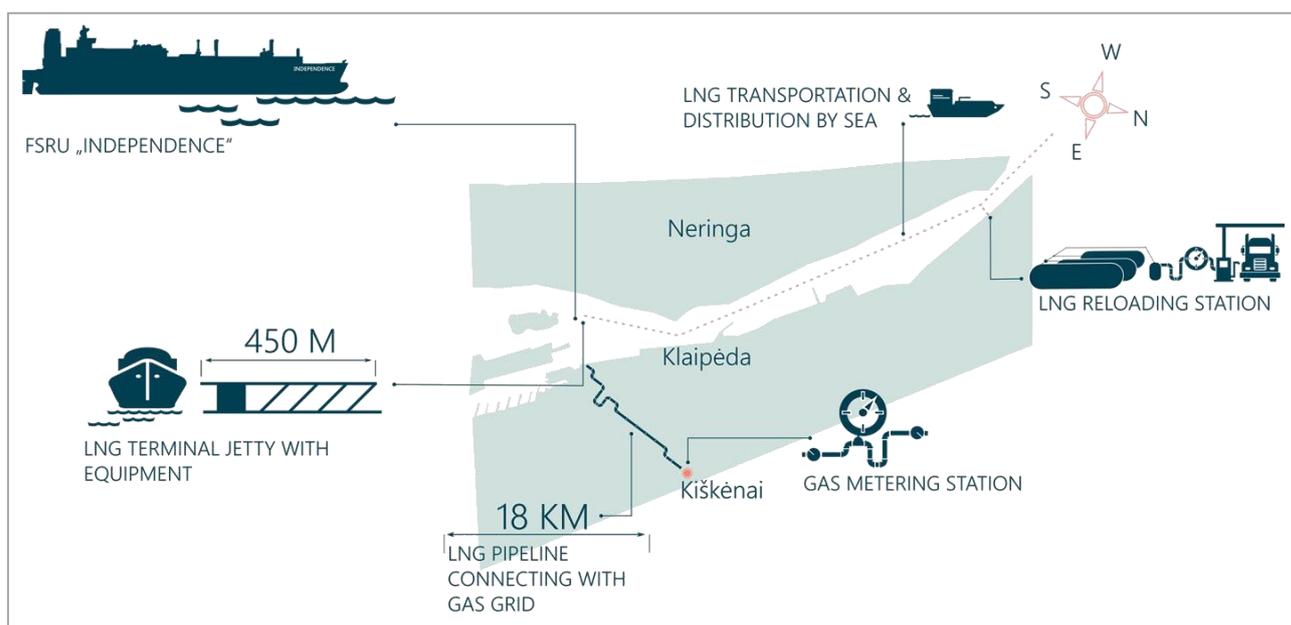
LIQUEFIED NATURAL GAS TERMINAL

Operation of the LNGT was commenced on 27 November 2014 upon the obtainment of natural gas liquefaction license issued by the National Commission for Energy Control and Prices.

The LNG terminal is based on Floating Storage and Regasification Unit technology. The LNG vessel-storage (FSRU) is leased by the Høegh LNG. Jetty of 450 m length

to which the FSRU is permanently moored, has been built in the Curonian Lagoon in the southern part of port of Klaipėda. The LNG terminal is connected to the transmission system operator's – AB Amber Grid – gas grid via 18 km long linking pipeline. The main function of the LNG terminal is to accept and store liquefied natural gas, re-gasify them and supply to the main gas system.

LNG terminal infrastructure



Characteristics of the Floating Storage and Regasification Unit (Independence)*

Technology	Floating Storage and Regasification Unit (FSRU)
Location	southern part of Klaipėda state seaport, near Kiaules Nugara island
FSRU supplier	Norwegian company Høegh LNG
Tank	170,000 m ³
Loading capacities	9,000 m ³ /h of LNG. Loading from vessel to vessel using flexible hoses
FSRU capacities	3.76 billion m ³ of NG per year (10.24 million m ³ per day)
Maximum LNG filling level	98 %, at 70kPag
Minimum operational LNG Heel level	3,500 m ³ of LNG
Gas flow to the gas pipeline	10.24 million m ³ per day
FSRU production date	2014 year
FSRU length	294 m
FSRU width	46 m
FSRU draught	12.6 m

* Technical Characteristics of Terminal are specified at reference conditions: temperature (combustion/measurement) – 25/0 °C, pressure – 1.01325 bar.

The LNG Terminal services

The Terminal provides i) LNG regasification, ii) LNG reloading services.

The LNG regasification service consists of the following related and mutually dependent services:

- LNG loading into FSRU in the terms as determined in the Terminal usage schedule;
- LNG regasification at the regasification rate set in the Terminal user's schedule.

The LNG reloading service consists of the following related and mutually dependent services:

- LNG acceptance – opportunity to deliver LNG cargo by LNG carriers of 65,000 – 160,000 m³ capacity (if not agreed otherwise);
- LNG storage at the Terminal until its reloading, but in any case not more than for 60 calendar days;
- LNG reloading (re-export) – loading of the LNG quantity set by the Terminal user's

schedule into LNG carriers which cannot be smaller than 5,000 m³ and not larger than 65,000 m³ over a period of maximum 48 hours.

Prices set for Terminal services are:

- Fixed part of LNG regasification service price is approved by the resolution of the National Energy Regulatory Council (hereinafter - NERC) every year. 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 paid for the regasified volume by the clients and is approved by the NERC on an annual basis;
- LNG reloading service price set by the NERC on 20 November 2014 by the resolution No O3-896 and is fixed for 5 years.

Terminal service	Price set
LNG regasification service* variable price (applicable for 2016-2018)	0.10 Eur/MWh excluding VAT
LNG regasification service* variable price in 2019	0.13 Eur/MWh excluding VAT
LNG reloading service price (set for year 2015-2019)	1.14 Eur/MWh excluding VAT

* Additional Security to the natural gas transmission price (security supplement) as approved by NERC is applied to LNG Terminal users transporting gas via gas transmission system.

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

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

KLAIPĖDA SMALL-SCALE LNG TERMINAL

The Company has marked the symbolic opening of the LNG Reloading Station in autumn 2017.

The purpose of the LNG Reloading Station is to create a small-scale LNG infrastructure in the Baltic States and Poland. That ensures energy supply for the off-grid locations, as well as brings clean energy benefits to the multiple users. It also enables the use of clean fuel in maritime industry and heavy road transport.

The facility is designed to accept cargo from the small-scale LNG carriers, temporary store LNG, load LNG to LNG

semitrailers and to bunker LNG fuelled ships. It consists of five 1.000 m³ tanks.

LNG Reloading Station allows the third party access.

It is a commercial project implemented by the company, financed by the company and co-funded by EU within HEKLA and Blue Baltics project following CEF-Transport program.



Characteristics of the LNG Reloading Station

Commercial concept	Open access LNG terminal: LNG storage, truck loading, ship bunkering
Location	North of Klaipėda sea port, territory of Klaipėdos nafta oil terminal
Technology	Five bullet type storage tanks situated on the shore
Volume of the tanks	5 x 1,000 m ³
Annual technological capacity	250,000 m ³ a year
LNG receiving rate (from ship)	Up to 1,250 m ³ /hour
Daily truck loading capacity	24 trucks
Truck loading	2 truck loading bays (simultaneous load possible)
LNG truck loading rate	60 – 100 m ³ /hour
Bunkering rate	250 – 500 m ³ /hour
Boil of gas management	Gas pipeline connection with the Company's boiler house
Jetty	Length: 250 meters

Terminal services:

- Reloading of LNG from LNG carriers and temporary storage;
- Loading of LNG semitrailers;
- LNG bunkering directly to vessels.

Liquefied natural gas is the cleanest fossil fuel. LNG is an odourless, colourless, non-explosive, non-toxic and non-corrosive substance. The LNG reloaded to LNG semitrailers at Klaipėda LNG reloading station is the same as the gas used at home or for industry purposes, however, it will be in a liquid state: cooled to -161 degrees and taking up to 600 times less space than in the gaseous state.

Energy

LNG comes into use in the areas that are not located within reach of pipelines. In terms of LNG supply, Klaipėda LNG reloading station is in a geographically

attractive location not only for Lithuanian consumers, but also for those in the North-Eastern Poland, as well as for customers in the Baltic countries. Upon installation of regasification stations, LNG would be used for heat and electricity generation.

Maritime

By implementing global clean fuel directives maritime sector shifts towards usage of cleaner and more efficient fuels. Namely LNG is a perfect substitution fuel to all pollution causing petroleum products. With the growing fleet of LNG powered vessel a demand for clean fuels is rising rapidly around the world.

Transport

Other transport sectors, maritime alike, are in search for alternatives. A number of countries, such as the Netherlands, have already developed LNG filling-station networks. LNG as fuel is most suitable for heavy duty vehicles.

THE COMPANY'S STRATEGY

In 2016 the Board of AB Klaipėdos nafta approved the corporate strategy for period 2016 - 2020 (hereinafter - the Strategy). The strategy analyses the Company environmental factors, establishes common strategic goals for the entire Company and for each individual activity, evaluates the historical financial information of the Company and establishes the strategic period's indicators that have to be reached. The Strategy foresees that the Company will seek to become one of the most efficient companies in Europe, will strive for change, activity diversification, new projects and services, which will form the basis for the Company's sustainable growth. The Company's achievements are expected to be visible and evaluated at the level of the State of Lithuania. The successful implementation of the LNG terminal project and the acquired experience provided the

Company a unique opportunity to use the experience internationally and expand the geographical range of the Company's activities. A small scale LNG project implementation will be important for the whole Baltic Region. By implementing its strategy the Company aims to become attractive to investors, ensuring competitive return on investment by dividends and by the growth of its value when improving the financial results of its commercial activities.

The Strategy foresees that significant attention of the Company's management will be dedicated to social responsibility, employees' development, environmental protection and cooperation with Lithuania's educational institutions.

The general and individual activities' strategic goals for the period 2016 - 2020 are provided below.

General strategic objectives				
Increasing value of the company	Secure, reliable and efficient operation of oil and LNG terminals	Growth and diversification of activities	Improvement of internal processes	Development of competence
Strategic objectives for major activities				
Oil terminal	LNG terminal	LNG small scale activities	Long term fuel storage facilities	
<ul style="list-style-type: none"> Increase awareness and attractiveness to the owners of oil products Improve flexibility and capacity of oil transshipment 	<ul style="list-style-type: none"> Provide an alternative source for the supply of natural gas to Lithuania 	<ul style="list-style-type: none"> Create small scale LNG infrastructure 	<ul style="list-style-type: none"> Proper storage of national reserve of oil products 	
<ul style="list-style-type: none"> Enlarge the scope of activities and services provided 				
<ul style="list-style-type: none"> Ensure safe operations of the oil terminal 	<ul style="list-style-type: none"> Develop services related to the activities of LNG terminal 	<ul style="list-style-type: none"> Develop regional LNG market 	<ul style="list-style-type: none"> Increase long term storage capacity and volume of the activity 	

The Company aims to achieve the following targets within its main activities:

Oil terminal: transship oil products in a safe, reliable and competitive way; increase the terminal's attractiveness, flexibility in order to attract new clients as well as transshipment volumes.

Liquefied natural gas (LNG) terminal: ensure sustainable gas import opportunity into Lithuania and to increase the benefits provided by the LNG terminal for the Lithuania Republic and gas consumers. Targets are to be met by ensuring safe, uninterrupted and effective LNG terminal operation. At the same time the Strategy

foreseen the reduction of LNG terminal costs was paid by the gas consumers.

LNG small scale activities: install an onshore LNG distribution station and commence the small scale LNG activities, actively search for the other LNG distribution station investment projects to the Baltic Sea region.

Long term fuel storage activity (Subačius oil terminal): secure effective storage of national mandatory oil product reserve as well as search for the activity development opportunities.

SIGNIFICANT EVENTS OF THE REPORTING PERIOD

2nd January 2019. Mr. Ian Jonathan Bradshaw was elected as the independent Board Member of the Company to the current vacancy until the end of the acting Board's tenure (27th of April, 2022).

28th January 2019. The Company during the period from 7th January 2019 to 25th January 2019 has acquired its own shares under the following conditions: the total number of shares acquired: 1,463,414; the total price of the transaction: EUR 600 thousand. The purpose of shares' acquisition: the provision of shares to the Company's employees.

8th February 2019. An Extraordinary General Meeting of Shareholders of the Company adopted decisions to determine fixed monthly remuneration for the independent member of the Supervisory Board and the chairman of Supervisory board. Remuneration shall be applicable for the Supervisory board member activity starting at 2019.

8th March 2019. Vilnius Regional Court has rejected the claim of UAB Kroviniu Terminalas regarding the damages from the breach of the competition law and to award the Company full compensation of litigation expenses.

22nd March 2019. With the permission of Ministry of Finance of the Republic of Lithuania on 21st March 2019, came into force Company's board decision to increase the authorised capital of Company's subsidiary UAB "SGD logistika" in the amount of EUR 800 thousand.

29th March 2019. The Company's amended Articles of Association had been registered in the Register of Legal Entities of the Republic of Lithuania after the increase of authorised capital of the Company and the new shares of the Company are registered with the Nasdaq CSD, SE. Following the increase of the authorised capital of the Company, such capital is equal to EUR 110,476 thousand and is divided into 380,952,393 units of shares, which grant 380,952,393 votes. Nominal value per share – EUR 0.29.

15th April 2019. Amended Articles of Association AB Klaipedos nafta subsidiary UAB SGD logistika had been registered in the Register of Legal Entities of the Republic of Lithuania after the increase of authorised capital of the Company.

26th April 2019. An ordinary general meeting of shareholders of the Company have convened and:

- Approved the audited Financial Statements and Annual report of AB Klaipedos nafta for the year 2018.
- Distributed the Company's profit for 2018, allocation of profit to dividends amounted EUR 11,577 thousand or EUR 0.03 per share.

30th April 2019. AB Klaipedos nafta agreed on transferring AB Klaipedos nafta stake in the charter contract of the LNG Bunker Vessel Kairos to Nauticor GmbH & Co. The transfer shall become effective as of 30 September 2019.

27th May 2019. The Company approved the transfer of the regulated activities of the Klaipeda Liquefied Natural Gas Terminal to the subsidiary UAB SGD terminalas.

The Decision will come into force when approved by the Ministry of Finance of the Republic of Lithuania and the General Meeting of Shareholders of the Company.

7th June 2019. On 6th June 2019 the General Manager of AB Klaipedos nafta Mindaugas Jusius presented the Board of the Company with resignation notice, due on July 26th.

12th June 2019. The Company received authorization from the Ministry of Finance of the Republic of Lithuania:

- To transfer (invest) the activity of the liquefied natural gas terminal in Klaipeda as a property complex to the Company's 100% controlled subsidiary UAB SGD terminalas by increasing the authorized capital of the Subsidiary
- As a parent Company, to provide a corporate guarantee to UAB Hoegh LNG Klaipeda and HÖEGH LNG LTD for the performance of liabilities of the Subsidiary under the time charter party (lease agreement), dated 2 March 2012.

20th June 2019. Selection of candidates for the position of General Manager of AB Klaipedos nafta is announced. After the selection procedures are performed, the Board of the Company will adopt a decision regarding election of General Manager.

27th June 2019. Taking into account that, in accordance to the Article 27, Extraordinary General Meeting of shareholders of AB Klaipedos nafta convened on 27 June 2019 has not met the quorum, the Meeting is considered to be invalid.

SIGNIFICANT EVENTS OCCURRED AFTER THE END OF THE REPORTING PERIOD

12th July 2019. By decision of Board Company adopted the following decisions:

- As of 23-07-2019 revoke M. Jusius, from the position of Director of subsidiaries UAB SGD logistika and UAB SGD terminalas;
- To elect Jonas Lenkšas from 24-07-2019 as a Director subsidiaries of UAB SGD logistika and UAB SGD terminalas;
- AB Klaipedos nafta, Darius Šilenskis has been elected as acting General Manager of the Company from 27 July 2019 till the separate decision of the Board of the Company.

18th July 2019. Repeat Extraordinary General Meeting of Shareholders of the Company. Adopted the following resolutions:

- Considering the fact that there is no legal and actual possibility to perform transfer of the liquefied natural gas terminal activities to subsidiary UAB SGD terminalas to postpone the consideration of the issue until the required valuation on investment in subsidiary UAB SGD terminalas is received;
- To postpone consideration of the issue of the provision of parent company guarantee of AB Klaipedos nafta in favour of UAB Hoegh LNG Klaipeda and HÖEGH LNG LTD for performance of obligations of UAB SGD terminalas;

- To postpone the consideration of amendment Articles of Association of AB Klaipedos nafta and the approval of the new wording.

30th July 2019. The Company together with the consortium partners consisting of Korean companies Samsung C&T and Posco E&C as well as Japanese companies Mitsui O.S.K. Lines and Osaka Gas have submitted a binding bid proposal in the tender for development of the Cyprus LNG terminal. The Company participates in the tender as a contractor and partner of the consortium.

DEFA, the Natural Gas Public Company of Cyprus, announced an international public call for tenders in October 2018. According to the published specifications, LNG terminal will include a floating storage and regasification unit (FSRU), a jetty for mooring the FSRU, a jetty borne gas pipeline to secure supply of natural gas to the largest Vasilikos Power Plant in Cyprus. The project has been granted EU support accounting for over EUR 100 million. The total project budget is estimated at around EUR 500 million.

- If case of winning the tender, the Company will team up with Mitsui O.S.K. Lines and Osaka Gas to provide terminal operator services for a period of up to 20 years.
- DEFA should select winners of the tender later this year. The terminal in Cyprus is planned to start operations in 2021.

Information about public information

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 terminal business environment and market

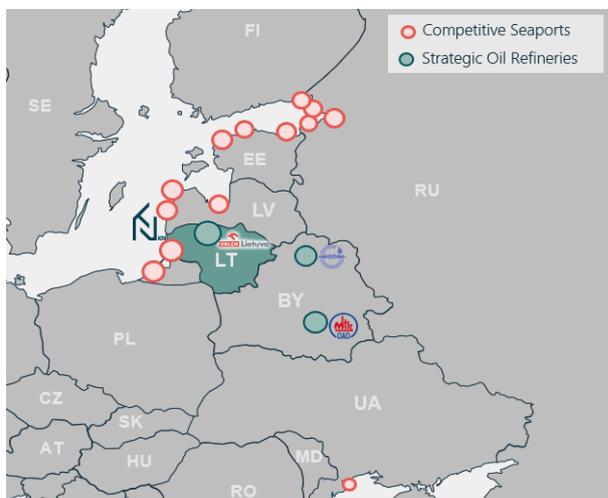
The Company's oil products' transshipment activities are mostly affected by:

- a) Company's superstructure for transshipment and storage of petroleum products (number of tanks, pipelines, trestles, etc.) and infrastructure constraints (number of quays, water depth at quays);
- b) Oil terminals' economic attractiveness in the view of logistics (both transshipment tariffs and costs of the entire logistic chain);

- c) Macroeconomic and geopolitical environment in regional and global oil processing and trade markets.

Strategic oil refineries (hereinafter – Refineries), whose oil products are loaded through the Company's oil terminals, located east and southeast directions. Refineries are: Mažeikiai plant in Lithuania (managed by AB ORLEN Lietuva), Mozyr OJSC Mozyr and Novopolotsk OJSC Naftan Refineries in Belarus, as well as nearest located Refineries in Russia.

Main Company's competitors are oil terminals operating in the eastern coast of the Baltic Sea and Odesa port in Ukraine. Of these, the main competitive ports are: Ust-Luga, Primorsk, St. Petersburg, Ventspils, Riga, Tallinn.



Should be noted that the region's competitive environment in the market of oil products transshipment is getting more aggressive: Russia's aim to tranship Russian origin oil products mainly through its own sea ports located on Finland Coast (St. Petersburg, Primorsk, Ust-Luga), it also sets new targets for the handling of petrochemicals, which are currently being loaded in Finnish and Baltic ports. Inter alia, in the recent years oil products transshipment market is noticing Russian's willingness to reroute not only Russian, but also Belarusian origin oil products towards Russian ports.

Attention should be drawn to the fact that due to the decline of Russian-origin oil products flow to the Baltic States, Estonian and especially Latvian ports are losing more and more major oil product flows. Unloaded with cargo flows Estonian, and Latvian ports in particular, are becoming active and strong competitors for the Company's oil terminal, especially in the case of the transit of Belarusian origin oil products.

According to statistics, in the first half of 2019 the ports of the eastern Baltic Sea coast handled approximately 78.0 million tons of crude oil and oil products i.e. 4.4 million tons or 6 per cent more compared to 2018 during the relevant period. In the first half of 2019, 38.8 million tons of oil products were handled in the ports of the eastern Baltic Sea, which is 2.2 million tons less (-6 per cent) than in the corresponding period of 2018.

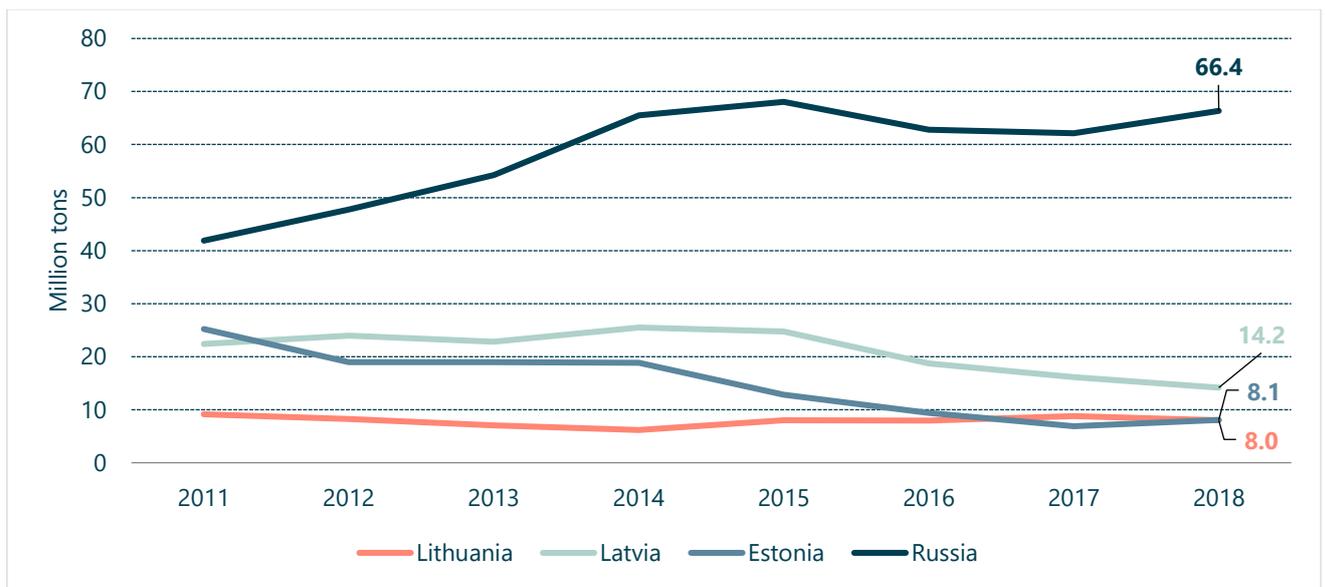
During first half of 2019 Klaipėda's port handled about 3.4 million tons of oil products, i.e. 0.4 million tons or 9.9 per cent less than in the first half of 2018.

As shown in Chart 1 below, the market share of Russian ports for petroleum products (excluding crude oil) is growing steadily. The seven-year average (2011-2018) is about 7 per cent. In the last couple of years, i.e. 2017-2018, the average growth of Russian ports share of the analysed market is about 3 per cent.

The overall oil product market share change for the Baltic ports (Lithuania, Latvia, Estonia), from 2011 to 2018, respectively, -7 per cent, and from 2017 to 2018 – -6 per cent. Such decline in the Baltic market is caused by the loss of oil product flows in Latvian and Estonian ports. Klaipėda Seaport has remained stable over the last couple of years: the change in 2017 - 2018 is +1 per cent (2011 - 2018 change is -1 per cent).

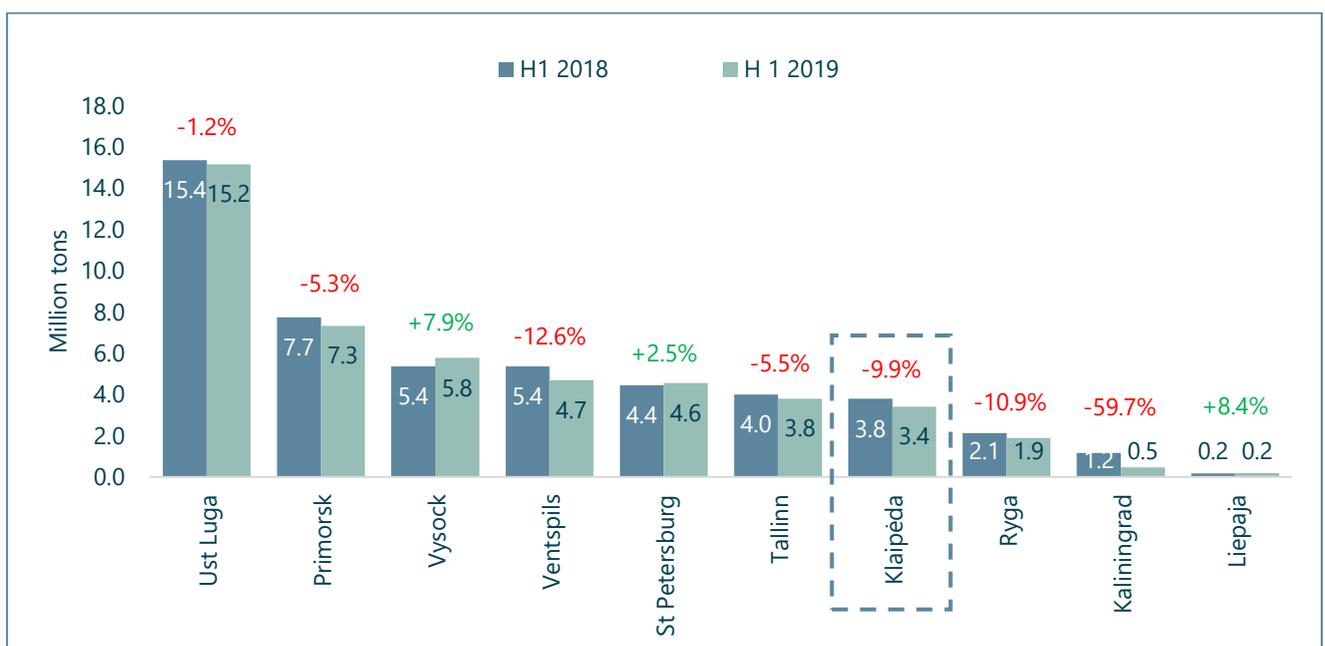
The first half of 2019 was not very successful period for most of the participants in the oil products market on the eastern coast of the Baltic Sea, as shown in Graph 1. Compared to the corresponding period of 2018, the average market segment decline is 9 per cent. The average deviation of Russian ports altogether is -11 percent, Lithuanian -10 per cent, Estonian -6 per cent, and Latvian -5 per cent. The greatest impact on the relevant half-year results had the incident of the Russian oil pipeline "Druzhba". The oil pipeline contaminated with non-conditional oil disrupted the supply of crude oil to Russian Refineries and strategic Belarusian Refineries. Elimination of consequences lasted about 3 months.

Comparison of the oil products' transhipment at the eastern Baltic Sea coast ports 2011 – 2018:



Prepared on the basis of Klaipėda Port Authority statistical data and information by Argus Media Ltd.

Dynamics of oil products transhipment at the eastern Baltic Sea coast port in months January – June of 2018 – 2019:



Prepared on the basis of Klaipėda Port Authority statistical data and information by Argus Media Ltd.

Transhipment of oil products

In the first half of 2019 Company's oil terminals, at Klaipėda and Subačius, in total handled 2,926 thousand t of oil products. Klaipėda oil terminal handled 2,907 thousand t of oil products, meanwhile Subačius oil terminal transhipment amounted to 19 thousand t.

Compared to the first half of 2018, during the same period in 2019 the turnover at Klaipėda Oil Terminal decreased by 18.1 per cent, while in Subačius oil base decreased by 55 percent. The total result of both terminals of the Company in the first half of 2019 decreased by 18.6 percent, taking into account the

results of the previous year. Cargo decrease was influenced by a 26.6 percent decrease in transit cargo flows.

One of the main Company's clients of transit transshipment in the first half of 2019 was BNK (UK) Limited, owned by one of the largest Belarusian oil product exporters – ZAT Belaruskaja Neftenaja Kampanija (BNK). During the six months of the current year BNK delivered over 645 thousand tons of cargo to the Company, which is about 30 percent less than in the same period of 2018. The cargo flow of this customer was directly influenced by the incident in the Russian "Druzhba" oil pipeline in March this year, when the oil pipeline was contaminated with unconditional oil. This incident resulted in the suspension of Mozyr Refinery for some time.

It is noteworthy that in 2019 an additional flow of BNK gasoline was attracted, exceeding the Company's plans and somewhat compensating the flow losses due to the above mentioned reasons. Loading of this product has begun through the Company's newly built storage tanks' park for light oil products.

The Company's goal is not only to maintain the newly attracted BNK petrol flow, but also to increase its and other client's oil products flows through the Company's oil terminals. To this end, intensive negotiations are currently underway with BNK on contract renewal terms for 2020 and 2021 years.

One of the Company's strategic clients AB ORLEN Lietuva (hereinafter - Orlen) handled close to 2 million tons of oil

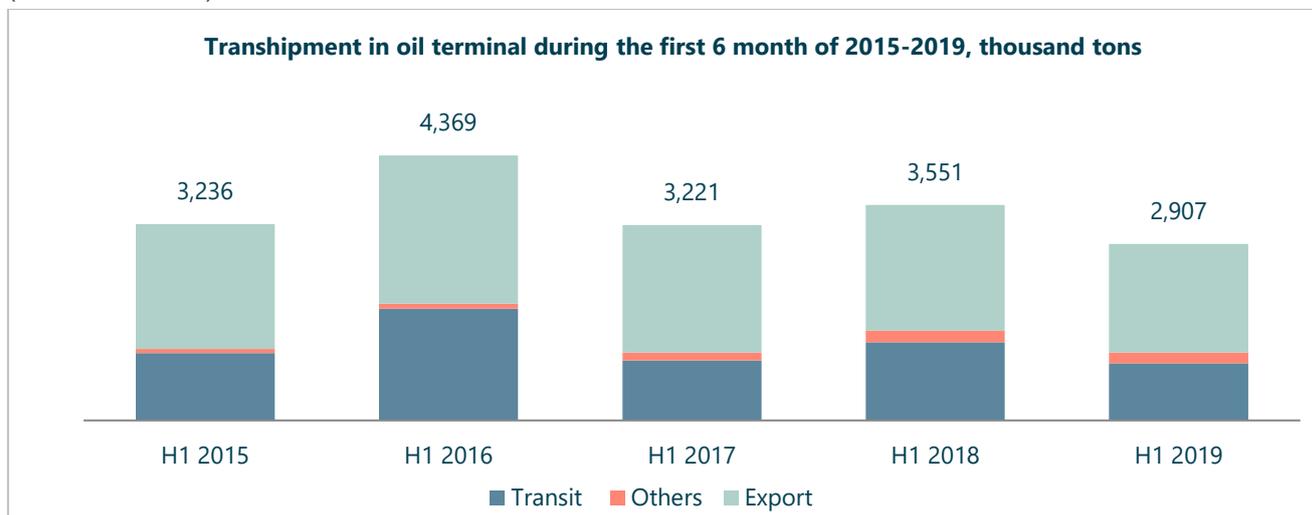
products during the first half of 2019, which is 14.3 percent less compared to the same period of 2018. The main reason for this is the unplanned shutdown of Mazeikiai factory this February. As well as the diversion of Orlen diesel to Poland by rail via Mockava also contributed significantly to the negative results.

It is noteworthy that the loss of Orlen cargo flow is somewhat compensated by the attracted Orlen crude oil flow, the total amount delivered to the Company for transshipment amounts to 100 thousand tons.

In addition, in the first half of 2019, the Company successfully accepted a new oil product - monoethylene glycol. A trial batch of this product was provided by UAB "NEO Group".

Imports of light oil products through the Company's truck loading station in the first half of 2019 decreased by 1.4 percent compared to the same period in 2018. Gasoline and diesel loading is expected to increase during the second half of the current year, with annual results expected to reach 2018 levels.

KN in order to expand oil terminals scope of activities and diversify transshipment portfolio are continuously cooperating and developing business relationships with international and regional oil products trading companies on provision oil products handling services via Company's oil Terminals.



LNG terminal activity environment review

Allocated LNG terminal capacities in a Gas Year 2019:

Allocated capacities	Amount of allocated capacities, kWh*	Period
LNG Regasification capacities**	5,238,105,521	From 1 October 2018 till 30 September 2019***
	1,000,000,000	From 18 October 2018 till 30 November 2018***
	2,280,000,000	From 1 April 2019 till 31 May 2019
	5,222,530,600	From 1 May 2019 till 30 September 2019
	964,000,000	From 1 June 2019 till 30 June 2019

Allocated LNG terminal capacities in a Gas Year 2020:

Allocated capacities	Amount of allocated capacities, kWh*	Period
LNG Regasification capacities**	5,000,838,000	From 1 October 2019 till 30 September 2020***

NOTES:

*temperature (combustion/measurement) - 25/0 °C, pressure - 1.01325 bar. Natural gas upper heating value- 11.90 kWh/nm³, LNG expansion coefficient- 1:578 (m³ LNG/ nm³ natural gas).

** LNG Regasification capacities may be changed to LNG Reloading capacities during the Gas year.

*** From 1st January of 2019 UAB LITGAS after the reorganization procedure was merged with UAB Lietuvos Energijos Tiekimas (former name UAB Lietuvos Dujų Tiekimas), which took over all LITGAS UAB rights and obligations.

During H1 2019 in the LNG terminal:

- 15 LNG carriers (H1 2018 – 5 LNG carriers) have been accepted;
- delivered 402.2 thousand tons of LNG (H1 2018 – 299.7 thousand tons);
- regasified and into gas transmission system supplied 0.506 billion m³ of natural gas (H1 2018 - 0.371 billion m³ of natural gas) ;
- approx 61.4 thousand m³ of LNG were reloaded to small-scale LNG carriers (total 7 LNG carriers) (H1 2018 – 2 LNG carriers, 11.0 thousand m³ of LNG).

- The overall need for gas in the Lithuania and other Baltic countries;
- The pricing and supplied quantity of the competing source of natural gas (gas supplied by a pipeline);
- The restrictions of Lithuania's natural gas infrastructure (capacities of the trunk gas pipelines);
- LNG supply in the World market;
- LNG prices in the region and in the world;
- Terms and period of the Gas supply contracts;
- LNG carriers' supply and freight costs.

LNG terminal revenues in H1 2019 comprise EUR 35,527 thousand (in H1 2018 – EUR 32,457 thousand).

In 2019 there were 3 LNG terminal users – designated natural gas supplier UAB "Lietuvos energijos tiekimas" (From 1st January of 2019 UAB LITGAS after the reorganization procedure was merged with UAB Lietuvos Energijos Tiekimas (former name UAB Lietuvos Dujų Tiekimas), which took over all LITGAS UAB rights and obligations), AB "Achema" and UAB "Imlitex" (during June 2019).

The demand of the LNG terminal's capacities depends on the following principal criteria:

LNG regasification in 2018-2019 volumes stated below in the charts:

LNG regasification and reloading, million MWh



Total LNG regasification and reloading, million MWh



Baltic States natural gas market

In case of need, the LNG terminal is able to supply natural gas to all three Baltic States. The total need for natural gas in Lithuania amounts to approximately 2.1-2.3 billion m³ per year. In 2018 Lithuania consumed approximately 2.318 billion m³ or 0,52 per cent more than in 2017 (2.306 billion m³) of gas. During the first four months of 2019 in Lithuania consumed 0,922 billion m³ of gas. This ratio stayed almost in the same level as in 2018 (about 2,64 per cent less in 2018).

Latvia's and Estonia's gas markets are significantly small and in 2017 they respectively consumed 1.423 and 0,504 billion m³ of gas. By creating the conditions for attractive gas prices, the LNG terminal can become a real alternative to the existing natural gas providers in the Baltic States.

After laying planned gas link between Lithuania and Poland (hereinafter – GIPL), there would be a possibility to supply LNG

to Poland's market. The Polish market demonstrates clear potentials for considerably bigger gas consumption; however, it has to be admitted that the degree of competition between Poland and other states-gas suppliers is also more intense. The date of finalization of the GIPL project in Republic of Lithuania territory is planned at the end of 2021. In 2018 Poland consumed approximately 20.839 billion m³ of gas. Comparing with previous years noticeable trend of consumption growth. In 2018 Poland most gas imported through it LNG terminal – Svinjouscie.

Another gas pipeline project is planned to be executed in the Eastern Baltic region, which will connect Estonia and Finland (hereinafter – Baltic Connector). The project is foreseen to be completed in 2020. The Company LNG terminal will get the possibility to expand the gas supply market to Finland, where the consumption reaches approximately 2.7 billion m³ per year.

The key financial ratios of the Company (in EUR thousand, if not indicated otherwise):

	H1 2019	Adjusted H1 2019	H1 2018	H1 2017	H1 2016	H1 2015
Transshipment of oil products (thousand t)	2,926	2,926	3,594	3,262	4,425	3,329
LNG regasification and reloading, thousand MWh	6,419	6,419	4,519	4,869	9,207	2,640
Investments (acquisitions of non-current assets)	15,622	15,622	6,313	10,208	8,150	2,569
Financial figures						
Sales revenue	51,244	51,244	52,739	52,341	57,348	53,871
Gross profit	8,683	7,977	12,687	11,065	15,313	13,363
EBITDA ¹⁾	32,251	11,361	17,229	15,207	19,478	17,537
EBIT ²⁾	2,402	4,353	10,321	8,311	12,897	11,127
Financial and investment activities result	-2,912	-51	-43	-59	-152	-579
Profit before taxation (EBT)	2,300	4,455	10,219	8,227	12,802	10,888
Net profit	2,542	4,697	10,210	7,389	11,722	9,458
Current assets	77,752	77,752	89,952	52,045	63,033	52,315
Non-current assets	470,291	212,206	203,564	189,957	182,499	185,818
Total assets	548,043	289,957	293,516	242,002	245,532	238,133
Shareholders' equity	185,688	187,843	193,523	190,702	190,897	184,225
Profitability						
Return on assets (ROA) ⁴⁾	0.9%	2.1%	7.4%	3.9%	10.0%	6.9%
Return on equity (ROE) ³⁾	2.1%	3.2%	10.3%	5.0%	13.0%	8.5%
Gross profit margin	16.9%	15.6%	24.1%	21.1%	26.7%	24.8%
EBITDA margin	62.9%	22.2%	32.7%	29.1%	34.0%	32.6%
EBIT margin	4.7%	8.5%	19.6%	15.9%	22.5%	20.7%
EBT margin	4.5%	8.5%	19.4%	15.7%	22.3%	20.2%
Net profit margin	5.0%	9.2%	19.4%	14.1%	20.4%	17.6%
Turnover						
Accounts receivable, days	44	44	44	45	38	89
Accounts payable, days	65	48	41	37	33	34
Financial structure						
Debt to equity ratio	1.95	0.54	0.52	0.27	0.29	0.29
Capital to assets ratio	0.34	0.65	0.66	0.79	0.78	0.77
Gross liquidity ratio (current ratio) ⁵⁾	1.13	3.04	3.97	3.28	2.90	2.30
Quick ratio ⁶⁾	1.10	2.98	3.90	3.20	2.84	2.23
Market value ratios						
Price-Earnings Ratio (P/E)	40.1	25.9	9.9	18.4	8.1	9.6
Earnings per share (EPS)	0.007	0.012	0.027	0.019	0.031	0.025

* Acquisitions of the non-current assets of the LNG terminal are negative because have been adjusted by the insurance compensation (amounting EUR 119 thousand) related with the construction of the LNG terminal constructions.

¹ EBITDA = earnings before interest, taxation, depreciation and amortization;

² EBIT = earnings before interest and taxation;

³ Return on equity (ROE) = net profit of the last twelve months / (total average equity at the end of the period + total average equity at the beginning of the period) / 2;

⁴ Return on assets (ROA) = net profit of the last twelve months / (total average assets at the end of the period + total average assets at the beginning of the period) / 2;

⁵ Gross liquidity ratio = total current assets at the end of the period / total current liabilities at the end of the period.

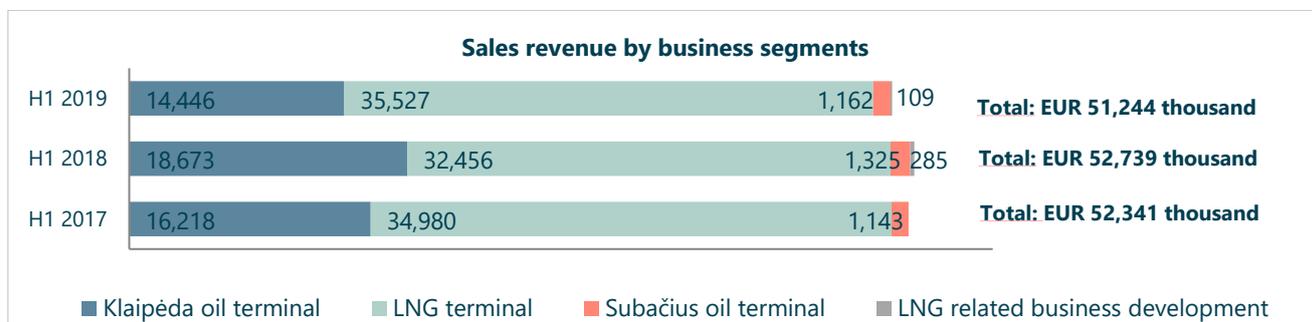
⁶ Quick ratio = (total current assets at the end of the period - Inventories at the end of the period) / total current liabilities at the end of the period.

P/E = The indicator describing the company's share price and earnings per share ratio

Revenues

The **sales revenues** of the Company for the first six months of 2019 comprise EUR 51,244 thousand and comparing with the same period of 2018 (EUR 52,739

thousand) has decreased by EUR 1,495 thousand (i.e. 2.8 per cent). The decrease related due to lower transshipment.



Sales revenues from Klaipėda Oil terminal operations of H1 2019 amounted to EUR 14,446 thousand and comparing to H1 2018 decreased by EUR 4,227 thousand or by 22.6 per cent. Revenues have decreased mainly due to decrease in transshipment of oil products.

Subačius oil terminal sales revenues of H1 2019 decreased by 12.3 per cent (or by EUR 1,162 thousand) due to decrease in the commercial long-term storage volumes.

Expenses

Total **cost of sales** of the Company of H1 2019 comprises EUR 42,561 thousand, comparing to H1 2018 (EUR 40,052 thousand) it has increased by 5.9 per cent or by EUR 2,509 thousand. This increase is mainly explained by the increase in the costs of depreciation and amortization of the vessel Independence.

The total **revenues of the LNG terminal** activity in H1 2019 amounted to EUR 35,527 thousand, and compared to H1 2018, increased by EUR 3,071 thousand or by 9.5 per cent. The activity of LNG terminal is regulated and with a price cap, therefore revenue and profit of LNG activity does not depend on re-gasification volume. For more information, concerning regulated revenues refer to the article below.

The Company's **operating expenses** increased by 22.8 per cent or by EUR 792 thousand and comprised EUR 3,476 for H1 2019. The increase in these expenses was mainly influenced by impairment of assets.

The listing of the major expenses is provided below:

In EUR thousand	H1 2019 (accounting result)					H1 2018 (accounting result)					Change in per cent
	KNT	SGD	SNT	BDP	Total	KNT	SGD	SNT	BDP	Total	
Depreciation and amortization*	3,576	23,776	426	980	28,758	3,644	2,803	439	23	6,909	316.2
FSRU rent expenses	-	-	-	-	-	-	20,671	-	-	20,671	-
Expenses related to FSRU rent (OPEX element, management fee, crew costs)	-	4,414	-	-	4,414	-	2,598	-	-	2,598	69.9
Wages, salaries and social security	3,193	1,224	373	727	5,517	3,221	1,252	392	745	5,610	-1.7
Variable costs (natural gas, electricity, railway services)	3,368	5	19	13	3,405	3,808	6	24	-	3,838	-11.3
Port fees	-	764	-	-	764	291	764	-	22	1,077	-29.1
Other cost of sales and operating expenses	1,103	1,516	204	356	3,179	754	916	104	260	2,034	56.3
Total costs	11,240	31,699	1,022	2,076	46,037	11,718	29,010	959	1,050	42,737	7.7

* Depreciation and amortisation expenses for six months of 2019 include depreciation amounting to EUR 21,789 thousand according to IFRS 16 "Leases".

In H1 2019 the **total amount of LNG terminal's costs** was EUR 31,699 thousand (H1 2018 – EUR 29,010 thousand) and increased by EUR 2,689 thousand or by 9.2 per cent. The major part of which were the costs of depreciation and amortization of the vessel Independence (totally EUR 23,776 thousand). Other LNG costs (FSRU management, staff remuneration, port fees and other costs) in comprised EUR 7,919 thousand and has increased by 43.1 per cent or by EUR 2,387 thousand comparing to H1 2018.

In H1 2019 the total amount of **Klaipėda oil terminal's costs** amounted to EUR 11,240 thousand (H1 2018 – EUR 11,718 thousand) and decreased by EUR 478 thousand. Costs have decreased mainly due to lower by EUR 440 thousand variable costs (natural gas, electricity, railway

services). Oil terminal staff costs decreased by EUR 28 thousand or by 0.9 per cent comparing with H1 2018. Depreciation and amortization costs decreased by EUR 68 thousand. Decrease in depreciation is affected of the investments made for oil terminal flexibility.

In H1 2019 the total amount of costs for **Subačius oil terminal** (EUR 1,022 thousand) increased by 6.6 per cent comparing to H1 2018 (EUR 959 thousand).

Employees related costs decreased by 1.7 per cent that was affected by both: decrease in average salaries and decrease in number of employees. Average salary per employee decreased by 3.4 per cent. Average number of employee decrease by 3.3 per cent.

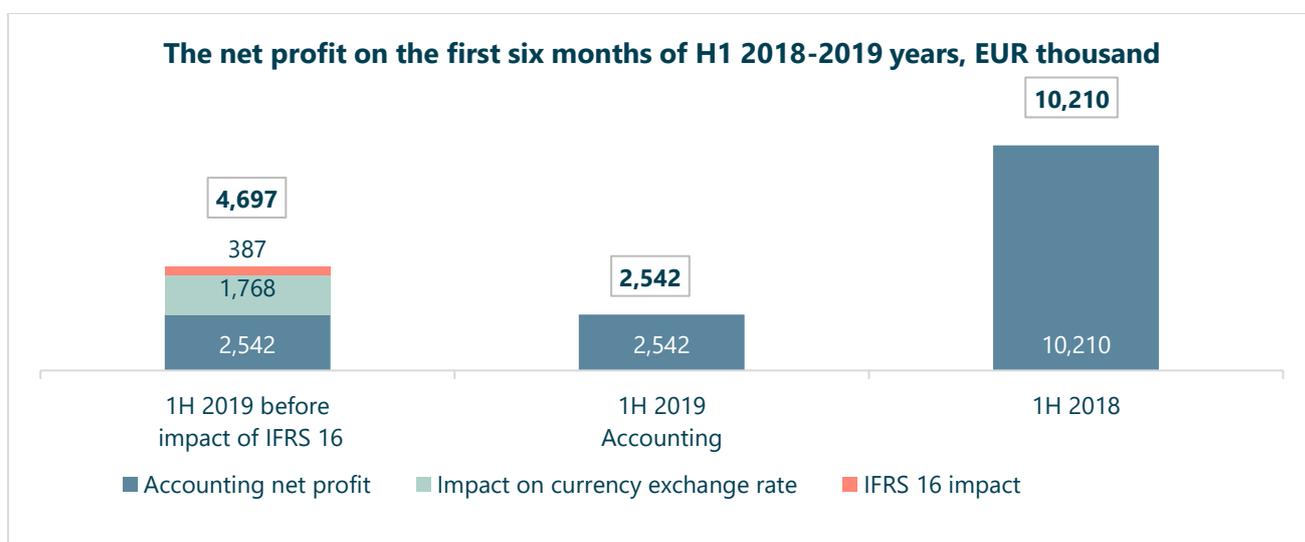
Financial results

KN's financial accounting indicators of the first half-year of 2019, compared to the first half-year of 2018, were negatively affected by IFRS 16 "Leases" amended as of 1 January 2019. This change has significantly affected KN's statement of financial position, statement of comprehensive income, and financial indicators. In 2018, the costs of lease were registered in the statement of comprehensive income and had no impact on the

statement of financial position. Upon coming into effect of the amendments to the standard, leases have been recorded as assets and liabilities (right of use the assets and financial lease liabilities). In the statement of comprehensive income the impact of changes in exchange rates additionally formed, because of lease payments denominated in US dollars, however in reality the Company is not affected by this.

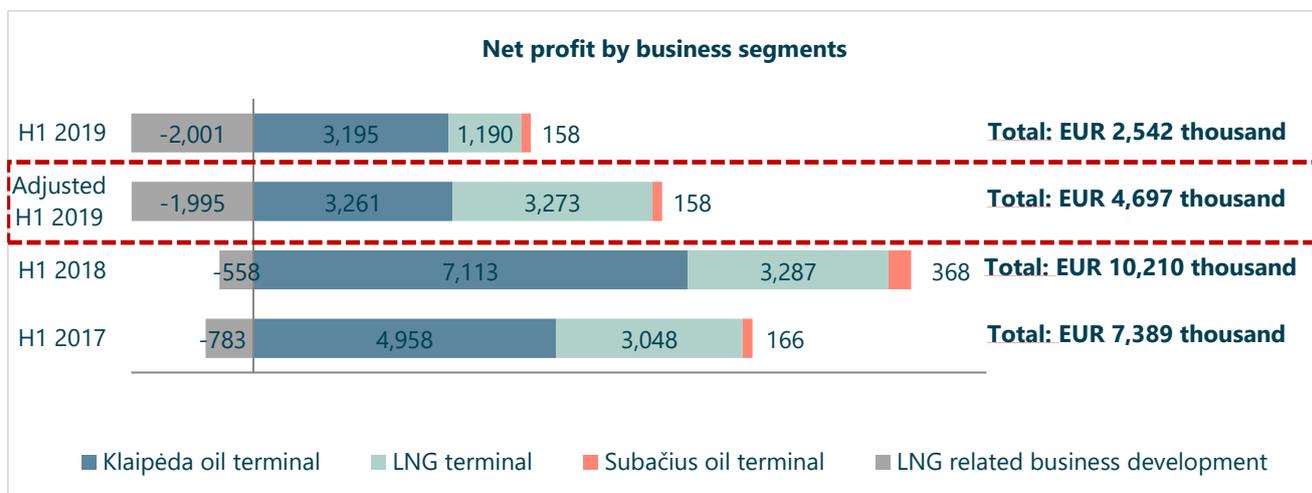
In the first half-year of 2019, compared to the first half-year of 2018, the main KN's financial indicators changed as follows:

Million EUR	H1 2019 accounting result	Change 2019 vs 2018	H1 2019 adjusted result (excl. IFRS 16)	H1 2018 accounting result	Change H1 2019 Adjusted vs H1 2018
Sales revenues	51.2 million EUR	-2.8 %	51.2 million EUR	52.7 million EUR	-2.8 %
Net profit	2.5 million EUR	-75.1 %	4.7 million EUR	10.2 million EUR	-54.0 %
EBITDA	32.3 million EUR	87.2 %	11.4 million EUR	17.2 million EUR	-34.1 %
EBITDA margin	62.9 %	30.2 p.p.	22.2 %	32.7 %	-10.5 p.p.



In H1 2019 the Company's **net profit** was EUR 2,542 thousand compared to H1 2018 (EUR 10,210 thousand), the net profit decreased by 75.1 per cent or by EUR 7,668 thousand. The net profit margin for H1 2019 amounted to 5.0 per cent, the gross profit margin reached 16.9 per cent

(in H1 2018 respectively 19.4 per cent and 24.1 per cent). The profit per one share amounted to EUR 0.007/share (EUR 0.027/share in H1 2018).



Changes in Company's **adjusted** net profit, compared to the H1 2018, are mainly by this reason:

- Oil terminal net profit (EUR 3,261 thousand) has decreased by EUR 3,852 thousand or 54.2 per cent due to lower oil products transshipment quantities.
- LNG terminal net profit (EUR 3,273 thousand) decreased by EUR 14.0 thousand or 0.4 per cent.;
- Subačius oil terminal net profit (EUR 158 thousand) decreased EUR 210 thousand due to lower oil products transshipment quantities;
- LNG related activity results are negative – EUR 1,995 thousand loss, compared to the H1 2018, increased by EUR 1,437 thousand.

In H1 2019 the **adjusted** financial activity loss is EUR 51 thousand (in H1 2018 - EUR 43 thousand loss). Income from financial activities in H1 2019 mainly comprise from: EUR 15 thousand fines and delays income, EUR 34

thousand interests in bank accounts. Costs mainly comprise from EUR 103 thousand interest and EUR 102 thousand currency exchange rate fluctuation costs.

In H1 2019 **adjusted EBITDA** comprised EUR 11,361 thousand compared to H1 2018 (EUR 17,229 thousand) it decreased by 34.1 per cent or by EUR 5,868 thousand. **Adjusted EBITDA** margin was 22.2 per cent, for H1 2018 – 32.7 per cent.

The Company's **adjusted** annual return on equity (**ROE**) amounted to 3.2 per cent (10.3 per cent at 30-06-2018), the **adjusted** return on assets (**ROA**) – 2.1 per cent (7.4 per cent at 30-06-2018). The return on equity (ROE) and return on assets (ROA) are calculated by dividing the **adjusted** net profit (loss) of the last twelve months by the average of equity values at the beginning and the end of the **adjusted** corresponding periods.

INVESTMENTS

The most important investment projects during the first six months of 2019:

No.	Project	Investments in H1 of 2019 (incl. prepayments)	Project description
1.	The 2 nd stage of expansion of LFO Park in Klaipėda oil terminal	EUR 14.6 million	The implementation of second stage investment in the expansion of the LFO storage tank park of the Klaipėda oil terminal was approved in 2016.
1.1	LFO storage tank expansion (construction of new 4x20.000 tanks)	EUR 6.1 million	All storage tanks are mechanically fully erected, majority of electrical and instrument devices are in place, assembly of rest is ongoing. LFO storage tanks are being operated in test mode. Electrical substation mechanically erected, testing works are ongoing. All piping is constructed, pumps are installed and cold tested in manual mode. Partial tests with hydrocarbon medium pending. Control system installation is still in progress, "auto" mode testing is yet to be carried out. Finalization of all project activities expected in the end of 3 rd quarter, 2019.
1.2	LFO storage tank expansion (construction of new 2x10.000 and 4x5.000 tanks)	EUR 6.9 million	
1.3	Pump station and OSBL piping	EUR 1.6 million	
2.	2 nd stage of oil terminal expansion: construction of new railway trestle	EUR 0.3 million	Basic design project for new railway trestle is completed and application for obtaining of construction permit is submitted (pending by municipal Authorities). Development of tendering package for construction and erection works is ongoing, associated procurement to be initiated in 3 rd quarter, 2019.

INFORMATION ABOUT THE SHAREHOLDERS AND SHARES OF THE COMPANY

Shareholders and Shares of the Company

The main data about Company's shares:

ISIN code	LT0000111650
Abbreviation	KNF1L
Share emission	380,606,184

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

Shareholders of the Company

As at 30 June 2019 all the shares of the Company were owned by 2,601 shareholders (on 30 June 2018 – 2,205). All shares of the Company are ordinary registered shares granting their owners (shareholders) equal rights. One ordinary registered share of the Company grants one vote in the General meeting of Shareholders.

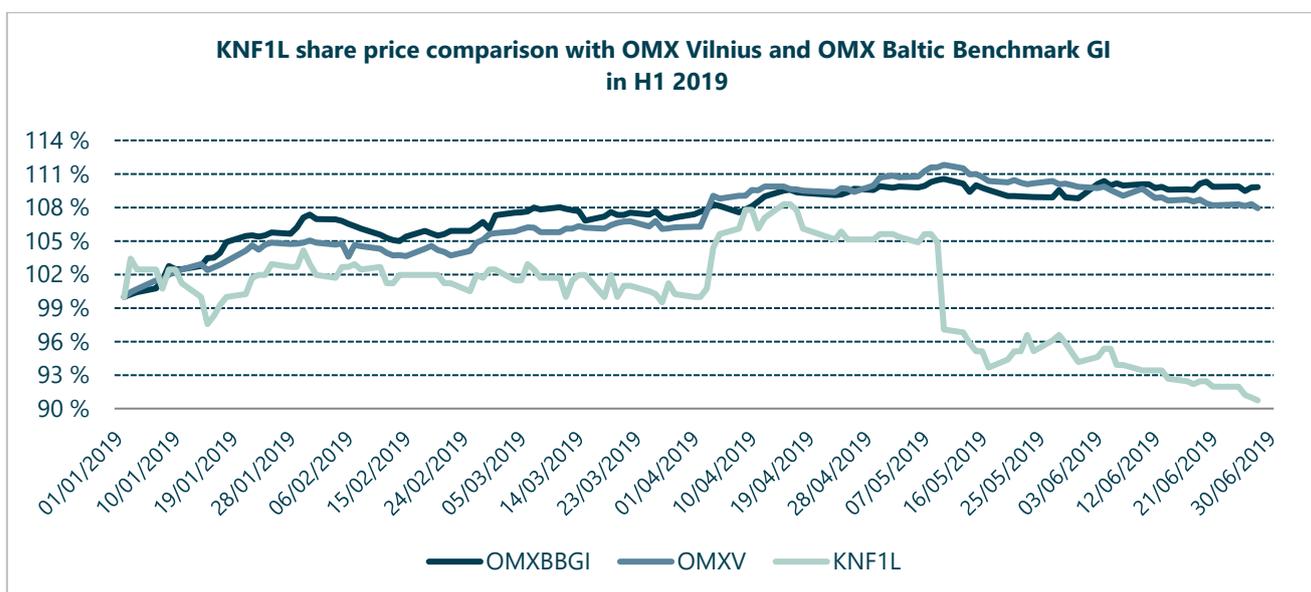
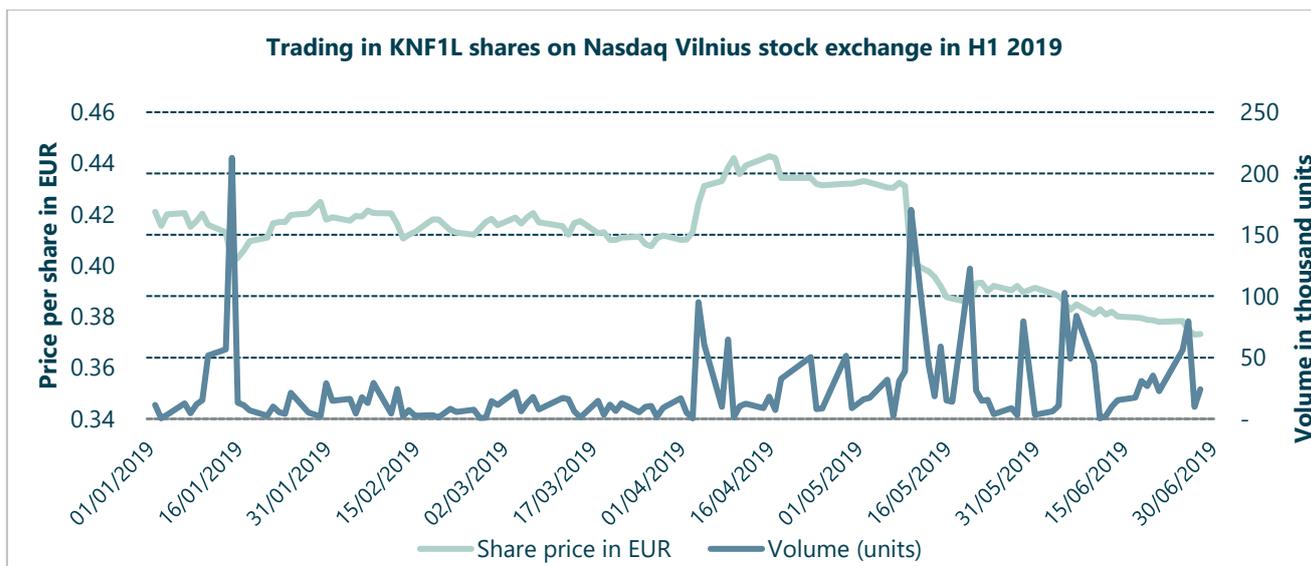
The Company has not been informed about mutual agreements of its shareholders which could limit the transfer of securities and (or) right of vote.

Major shareholders of the Company having more than 5% of shares (each) of the Company as 30 June 2019 and 2018:

Shareholder's name (company's name, address, company code of registration)	30 June 2019		30 June 2018	
	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)	275,587,444	72.34	275,241,290	72.32
Concern AB Achemos grupe (Vykinto st. 14, Vilnius, 156673480)	39,650,338	10.41	39,148,150	10.29
Other (each owning less than 5%)	65,714,611	17.25	66,216,744	17.39
Total	380,952,393	100.00	380,606,184	100.00

Dynamics of KN share price at NASDAQ Vilnius during 2015 – 2018 and H1 2019

	H1 2019	2018	2017	2016	2015
Highest share price in EUR	0.444	0.574	0.572	0.705	0.419
Lowest share price in EUR	0.372	0.386	0.428	0.360	0.315
Price per share at the end of the period in EUR	0.372	0.410	0.508	0.538	0.369
Average share price in EUR	0.410	0.502	0.490	0.505	0.373
Traded volume, pcs.	2,859,756	6,936,769	10,501,664	17,879,294	5,257,607
Turnover in EUR thousand	1,095	3,552	5,081	8,730	1,955
Capitalisation in EUR thousand	141,586	156,049	193,348	204,766	140,444



Dividends

AB "Klaipėdos nafta" **the Dividend Policy document** (approved in 2016) is published on the website of the Company www.kn.lt and in AB NASDAQ Vilnius (www.nasdaqomxbaltic.com) Stock Exchange.

In 2019 General meeting of shareholders adopted a decision to distribute the AB Klaipėdos nafta profit and to allocate 11 million Eur to dividends.

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

	2019	2018	2017
Dividends in EUR thousand	11,577	17,031	9,656
Dividends per one share in EUR	0.0304	0.0447	0.0254
Net profit per 1 share in EUR	0.0304	0.045	0.036
Dividends for net profit (of previous FY), %	100%	100%	70%

Agreements with intermediaries of public securities trading

The Company has an agreement with Financial Markets Department of AB SEB Bank 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

RISK FACTORS AND RISK MANAGEMENT

The Company's Board 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 and COSO 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 top-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.

Primary risk categories that the Company is exposed to while conducting its business:

- Business risk. It is a risk category that is generally related with environment where the Company operates and has an impact on its financial results: Company's competitiveness comparing with other players on the oil products transshipment market, economic viability of the Company's key customers, political and economic environment in Belarus, changes in legal regulation of the LNG related activities and etc.;
- Operational risk is probably the widest risk category. Company is exposed to the operational risks due to the activities it performs, processes, human factor, external event, systems it operates. Following risks are inherent to the company and therefore are being identified and

managed: legal, compliance and regulatory, fraud, HR, IT, resilience, supplier.

- Reputational risk. It is a risk mostly related with the Company's decisions and behavior of its employees.
- Project risk. The Company runs LNG terminal FSRU buy-out project. It is also engaged in a number of large investment projects. Therefore, highlighting the risks of achieving the goals, especially staying within the budget and implementation deadlines, and taking appropriate risk mitigation measures enables the Company achieving strategic objectives.
- Security risks. Company's priority is to ensure physical security compliance, safe work environment and protect its employees, as well as ensure security of information assets of the company.
- Financial risks. Currency risk directly affects company's statement of financial position through its currency volatilities affect coming from rent liabilities. Such sources of risk must be identified, assessed and agreed on the treatment strategy. Klaipėdos nafta obligation to buy out EU emission allowances makes Commodity risk inherent to the company and the need for the treatment must be agreed.

First half of the year 2019 was very important in enhancing integration of Risk management system in the company. The focus was on promotion of risk culture perception, enhancement of procedures and framework base, consistent risk-informed thinking integration into operational and strategic decision making, projects.

More information **on the risk categories of the Company** can be found in AB Klaipėdos nafta Governance report published with Company's annual report and financial statements for the year 2018 that can be found in AB Klaipėdos nafta official website (www.kn.lt) and in AB NASDAQ Vilnius website (www.nasdaqomxbaltic.com/).

MANAGEMENT OF THE COMPANY

Management structure

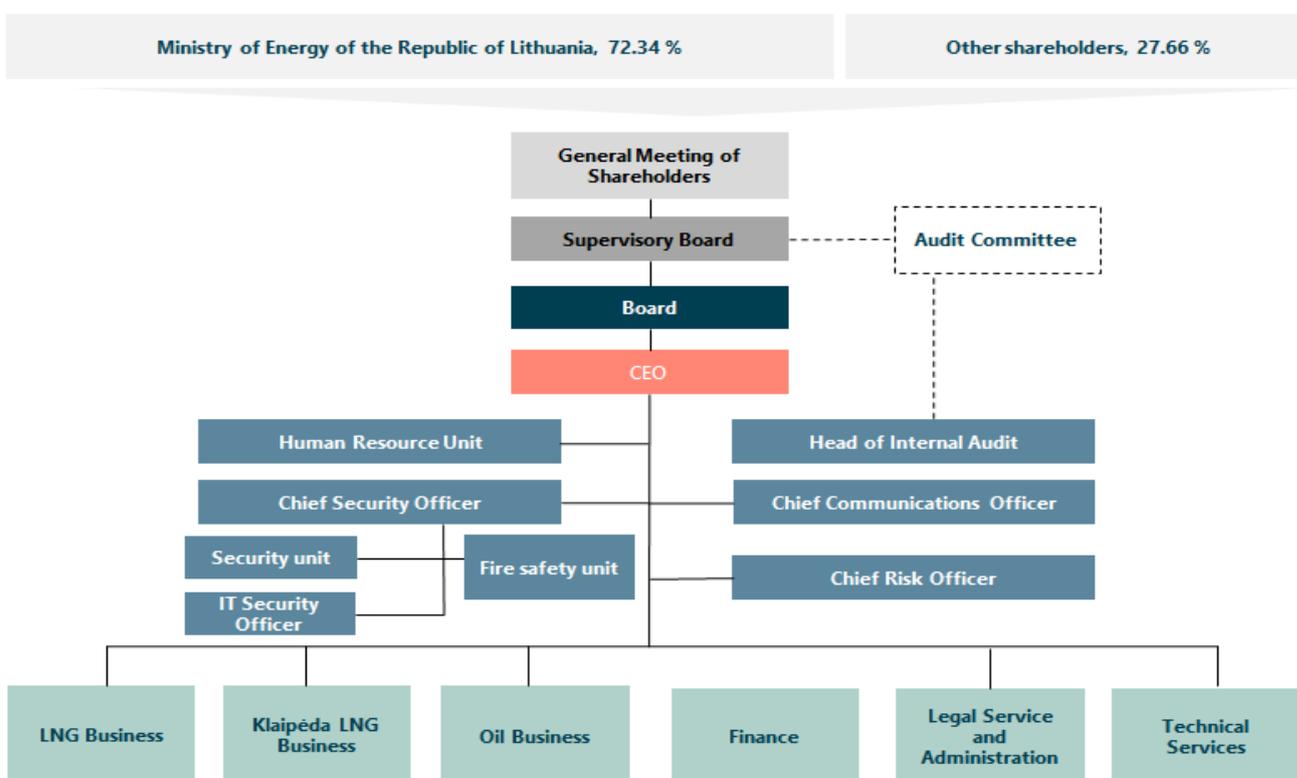
The Company follows the Law on Stock Companies, the Law on Securities, Articles of Association of the Company and other legal acts of the Republic of Lithuania during its operation.

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 Board,
- The Board,
- Chief Executive Officer (CEO).

More information about **Management of the Company** can be found in AB Klaipėdos nafta Governance report published with Company's annual report and financial statements for the year 2018 that can be found in AB Klaipėdos nafta official website (www.kn.lt) and in AB NASDAQ Vilnius website (www.nasdaqomxbaltic.com/).

Organizational and management structure of the Company:



The Supervisory Board as at 30 June 2019

8th February 2019. An Extraordinary General Meeting of Shareholders of the Company adopted decision to determine fixed monthly remuneration for the independent member of the Supervisory Board and the chairman of Supervisory board. Remuneration shall be

applicable for the Supervisory board member activity starting at 2019.

Name	Position	The independence criteria	Cadence dates
Eimantas Kiudulas	Chairman of the Supervisory Board	Independent	From the 27 April 2018 until 27 April 2022
Tomas Lukoševičius	Member of the Supervisory Board	-	From the 27 April 2018 until 27 April 2022
Andrius Varanavičius	Member of the Supervisory Board	Independent	From the 27 April 2018 until 27 April 2022

Members of the Audit Committee as at 30 June 2019

By the decision of the Supervisory Board of the Company the members of Audit Committee were elected until the end of office of the current Supervisory Council: Andrius Varanavičius and Laura Garbenčiūtė – Bakienė were

approved from 21 August 2018 and Žana Kraučenkienė was approved from 3 December 2018.

From 2019 January 7th A. Varanavičius holds the position of Chairman of the Audit Committee.

Name	Position in the Company	The independence criteria	Cadence commencement date
Andrius Varanavičius	Chairman of Audit Committee	Independent	From the 21 August 2018
Laura Garbenčiūtė-Bakienė	Member of Audit Committee	Independent	From the 21 August 2018
Žana Kraučenkienė	Member of Audit Committee	Independent	From the 3 December 2018

Members of the Board as at 30 June 2019

2nd January 2019. Mr. Ian Jonathan Bradshaw was elected as the independent Board Member of the Company to the

current vacancy until the end of the acting Board's tenure (24th of April, 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
Dainius Bražiūnas	Member of the Board	-	From the 25 July 2014
Mantas Bartuška	Member of the Board	-	From the 25 September 2014
Bjarke Pålsson	Member of the Board	Independent	From the 24 January 2017
Ian Bradshaw	Member of the Board	Independent	From the 2 January 2019

The Directors of the Company as at 30 June 2019

On 6th June 2019 the General Manager of AB Klaipėdos nafta Mindaugas Jusius presented the Board of the Company with resignation notice, due on July 26th.

20th June 2019. Selection of candidates for the position of General Manager of AB Klaipėdos nafta is announced. After the selection procedures are performed, the Board of the Company will adopt a decision regarding election of General Manager.

The Directors of the Company	
Mindaugas Jusius	Chief Executive Officer (until the 26 July 2019)
Jonas Lenkšas	Chief Financial Officer (from the 4 June 2018)
Darius Šilenskis	Oil Products Business Director (from the 27 July 2019 acting CEO)
Tadas Matulionis	LNG Business Director
Rytis Valūnas	Legal Service and Administration Director
Genadijus Andrejevas	Technical Director
Arūnas Molis	Klaipėda LNG Director (from 2 January 2019)

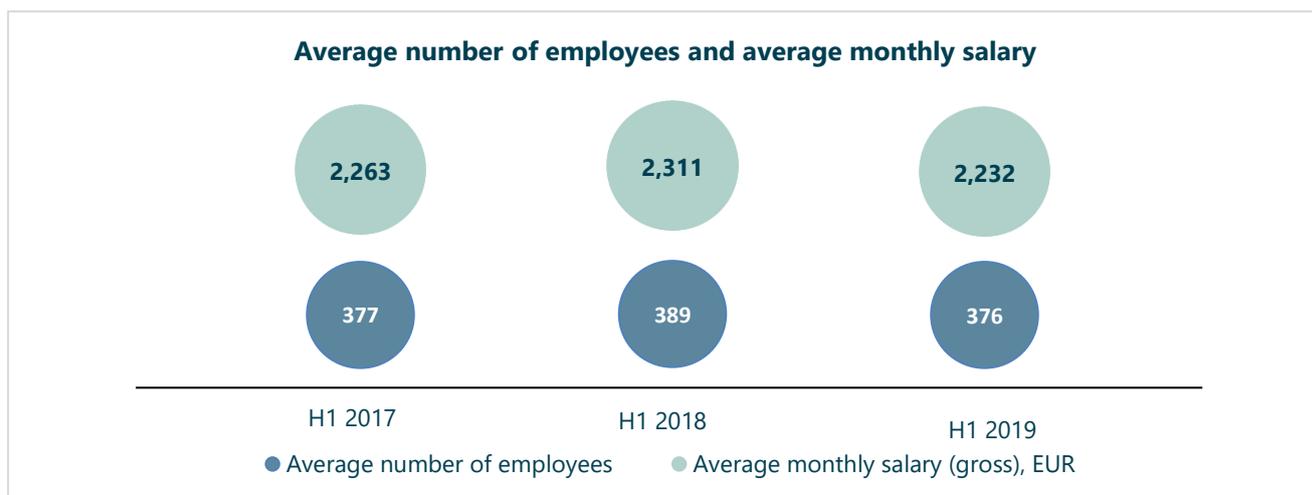
INFORMATION ABOUT THE EMPLOYEES OF THE COMPANY

Personnel

The Company's main asset is its employees who are the most important link to the achievement of Company's goals. Company's personnel policy is focused on the development of teamwork, constant progress in professional and process development, the optimal use of work resources, training of qualified staff, and development of the Company's culture that creates additional value and improving internal communications.

As of 30 June 2019 there were 368 employees working at the Company (30 June 2018 - 390 employees).

The average number of employees in H1 2019 (total number 376) decreased by 13 employees or 3.3 per cent compared with H1 2018 (389).



*NOTE: For comparability of data the average monthly salary of 2017 and 2018 has been increased by 1.289 times.

Employees of the Company according to categories

Employee category	Average number of employees		Change in per cent
	H1 2019	H1 2018	
Managers ¹⁾	42	39	7.7
Specialists	185	195	-5.1
Workers	149	155	-3.9
Total	376	389	-3.3

1) The Company's managers include: Chief Executive Officer (CEO), Heads of Service, Functional Manager and Heads of Divisions

In H1 2019 from the total number of employees, workers comprised 40 per cent (in H1 2018 - 40 per cent), specialists - 49 per cent (in H1 2018 - 50 per cent),

managing personnel - 11 per cent (in H1 2018 - 10 per cent.).

Payroll system and Remuneration Policy

The Company seeks to create motivating, an efficient, and fair, transparent and understood by everyone compensation system which aims to attract, retain and motivate employees whose skills and work results will help the Company to successfully develop implement its mission and achieve strategic business objectives. For that reason, in September 2016 there has been formed and

approved the Remuneration Policy and in September 2017 - The procedure of remuneration system formation. Starting from January 2018, the remuneration structure has been changed to increase employee engagement, linking directly the achievement of their yearly performance objectives with the Company's objectives.

Average monthly salary according to employee groups

Employee category	Average monthly salary (gross), EUR		Change, %.
	H1 2019	H1 2018 ³⁾	
Managers ¹⁾	4,607	5,072	-9.2
Specialists	2,235	2,318	-3.6
Workers	1,592	1,662	-4.2
Average of the Company ²⁾	2,232	2,311	-3.4

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

²⁾ The average monthly salary is calculated in accordance to average monthly wage calculation procedure as stated in the State companies' employees' average monthly salary calculation procedure approved by the Lithuania Government on 23 August 2002, resolution No. 1341 and its subsequent changes.

³⁾ For comparability of data the average monthly salary of 2018 has been increased by 1.289 times.

AB Klaipėdos nafta Remuneration Policy defines the principles of the setting and payment of remuneration and the incentive of employees. The Remuneration Policy shall apply to all employees of the Company.

The purposes of the Remuneration Policy are to:

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

An employee's pay 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 the Hay Group Methodology which measures jobs by relative size, nature and importance (in order to ensure that each job within the Company is fairly rewarded). The monthly salary/wage is set for a job upon evaluation of the level of knowledge and work experience required for the job, the complexity of functions, the degree of responsibility and management, the importance of the job for the Company's results and related risks, and working conditions. In order to ensure competitiveness of the

employees' pay and to incentivize the staff to improve their performance, the setting of pay (both fixed and variable components) relies on the 50th and 75th percentiles' interval of Lithuanian companies with foreign capital. 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.

Each employee's pay is reviewed in relation to current trends on Lithuania's labour market once a year taking into consideration: the Company's performance results; the results of evaluation of the employees' performance; and the market supply and demand for the relevant jobs at the Company.

At the end of calendar year, the Board, based on the rules for granting shares of AB Klaipėdos nafta, made a decision regarding payment of annual bonuses for employees in Company's shares. Employees of the Company received up to 50 per cent of annual bonuses for the results of the year. This motivation system encourages the employees to achieve set goals and seek business sustainability.

Details of the Company's **Management system of remuneration** are provided in chapter "System of remuneration to the Company's management" in AB Klaipėdos nafta Governance report published with Company's annual report and financial statements for the year 2018 that can be found in AB Klaipėdos nafta official website (www.kn.lt) and in AB NASDAQ Vilnius website (www.nasdaqomxbaltic.com/).

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.

Information on transactions with related parties

No transactions with related parties as provided for in art. 37(2) of the Law on Companies of the Republic of Lithuania were concluded from 1 January 2019 until 30 June 2019. The Company also did not have any transactions or agreements with the members of its Supervisory Board and the Board except those related with remuneration. More information regarding transactions with related Parties is presented in the Explanatory note to the Company's financial statements for the six months of 2019. All transactions with the related parties have been performed under market conditions (following the arm's length principle).

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.

Information of amendments to the Company's Articles of Association

The Company's amended Articles of Association had been registered in the Register of Legal Entities of the Republic of Lithuania on 29th March of 2019 after the increase of authorised capital of the Company and the new shares of the Company are registered with the Nasdaq CSD, SE. Following the increase of the authorised capital of the Company, such capital is equal to EUR 110,476 thousand and is divided into 380,952,393 units of shares, which grant 380,952,393 votes. Nominal value per share – EUR 0.29.

Information on all agreements between shareholders

The Company does not have any information on agreements between shareholders.

Participation in Associations

The Company has been acting as a member of the following associations as 30 June 2019:

- Klaipėda Chamber of Commerce, Industry and Crafts, <http://www.kcci.lt>;
- Association of Lithuanian Stevedoring Companies, <http://www.ljka.lt>;
- Lithuanian Confederation of Industrialists, <http://www.lpk.lt>;
- Gas Infrastructure Europe (GIE) association Gas LNG Europe (GLE) group, <http://www.gie.eu.com>;
- Lithuanian LNG cluster, <http://www.lngcluster.eu>.