



AB KLAIPĖDOS NAFTA

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

**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020
(UNAUDITED)**



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STATEMENT OF FINANCIAL POSITION

	Notes	Group		Company	
		30-06-2020 <i>(unaudited)</i>	31-12-2019 <i>(audited)</i>	30-06-2020 <i>(unaudited)</i>	31-12-2019 <i>(audited)</i>
ASSETS					
Non-current assets					
Intangible assets		429	534	392	534
Property, plant and equipment	4	204,718	207,824	204,547	207,824
Right-of-use assets	4	363,535	370,872	363,535	370,872
Non-current contract assets and long-term receivables	6	972	974	972	974
Investment in subsidiaries		-	-	4,553	4,553
Investment in associates		143	197	143	197
Deferred tax asset		-	950	-	950
Total non-current assets		569,797	581,351	574,142	585,904
Current assets					
Inventories	7	2,636	2,400	2,636	2,400
Trade receivables and other receivables	8	12,832	13,171	12,141	13,161
Contract assets	6, 9	911	1,156	911	1,156
Prepaid income tax		1,080	1,080	1,080	1,080
Short term deposits	10	16,000	21,000	16,000	21,000
Other financial assets		1,464	1,274	1,464	1,274
Cash and cash equivalents	11	54,450	41,865	51,067	37,846
Total current assets		89,373	81,946	85,299	77,917
Total assets		659,170	663,297	659,441	663,821

(cont'd on the next page)

Explanatory notes are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION (CONT'D)

	Notes	Group		Company	
		30-06-2020 <i>(unaudited)</i>	31-12-2019 <i>(audited)</i>	30-06-2020 <i>(unaudited)</i>	31-12-2019 <i>(audited)</i>
EQUITY AND LIABILITIES					
Equity					
Share capital	1	110,476	110,476	110,476	110,476
Share premium		3,993	3,993	3,993	3,993
Own shares		(267)	(267)	(267)	(267)
Legal reserve		11,048	11,038	11,048	11,038
Reserve for own shares		15,929	15,929	15,929	15,929
Other reserves		41,970	42,057	41,970	42,057
Foreign currency translation reserve		(44)	-	-	-
Retained earnings		8,965	7,423	9,397	7,947
Total equity		192,070	190,649	192,546	191,173
Non-current amounts payable and liabilities					
Deferred income tax liability		1,796	-	1,796	-
Non-current employee benefits		279	240	279	240
Loans	12	86,813	69,537	86,813	69,537
Deferred government grants	13	5,712	5,988	5,712	5,988
Lease liabilities	12	308,648	332,589	308,648	332,589
Total non-current amounts payable and liabilities		403,248	408,354	403,248	408,354
Current amounts payable and liabilities					
Current employee benefits		40	41	40	41
Loans	12	4,689	3,836	4,689	3,836
Lease liabilities	12	43,627	44,288	43,627	44,288
Trade payables and other liabilities	14	7,749	9,910	7,609	9,910
Payroll related liabilities	15	2,519	2,726	2,454	2,726
Provisions		73	72	73	72
Contract liabilities		5,155	3,421	5,155	3,421
Total current amounts payable and liabilities		63,852	64,294	63,647	64,294
Total equity and liabilities		659,170	663,297	659,441	663,821

Explanatory notes are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Group		Group	
		For the six months period ended 30 June 2020 <i>(unaudited)</i>	For the three months period ended 30 June 2020 <i>(unaudited)</i>	For the six months period ended 30 June 2019 <i>(unaudited)</i>	For the three months period ended 30 June 2019 <i>(unaudited)</i>
Revenue from contracts with customers	16	40,737	20,728	51,244	24,920
Cost of sales	17	(25,094)	(12,460)	(42,561)	(21,210)
Gross profit		15,643	8,268	8,683	3,710
Operating expenses	18	(4,714)	(2,725)	(3,476)	(1,835)
Other income and (expenses)	15	5	5	5	16
Profit from operating activities		10,944	5,548	5,212	1,891
Income from financial activities	19	2,655	2,583	51	14
Expenses from financial activities	19	(1,440)	4,222	(2,963)	2,523
Profit before tax		12,159	12,353	2,300	4,428
Income tax (expenses)		(2,747)	(2,564)	242	(544)
Profit for the year		9,412	9,789	2,542	3,884
Other comprehensive income					
Items that will not be subsequently reclassified to profit or loss		-	-	-	-
Items that may be subsequently reclassified to profit or loss		-	-	-	-
Exchange differences on translation of foreign operations		(44)	(28)	-	-
Total comprehensive income, net of tax		9,368	9,761	2,542	3,884
Profit attributable to:					
The shareholders of the Company		9,412	9,789	2,542	3,884
Non-controlling interests		-	-	-	-
Total comprehensive income attributable to:					
The shareholders of the Company		9,368	9,761	2,542	3,884
Non-controlling interests		-	-	-	-
Basic and diluted earnings (losses) per share, in EUR	20	0.025	0.026	0.007	0.010

Explanatory notes are an integral part of these financial statements,

STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	Notes	Company		Company	
		For the six months period ended 30 June 2020 <i>(unaudited)</i>	For the three months period ended 30 June 2020 <i>(unaudited)</i>	For the six months period ended 30 June 2019 <i>(unaudited)</i>	For the three months period ended 30 June 2019 <i>(unaudited)</i>
Revenue from contracts with customers	16	39,654	19,881	51,244	24,920
Cost of sales	17	(24,803)	(12,287)	(42,561)	(21,210)
Gross profit		14,851	7,594	8,683	3,710
Operating expenses	18	(4,067)	(2,283)	(3,476)	(1,835)
Other income and (expenses)		15	5	5	16
Profit from operating activities		10,799	5,316	5,212	1,891
Income from financial activities	19	2,649	2,577	51	14
Expenses from financial activities	19	(1,382)	4,280	(2,963)	2,523
Profit before tax		12,066	12,173	2,300	4,428
Income tax (expenses)		(2,746)	(2,563)	242	(544)
Profit for the year		9,320	9,610	2,542	3,884
Other comprehensive income					
Items that will not be subsequently reclassified to profit or loss		-	-	-	-
Items that may be subsequently reclassified to profit or loss		-	-	-	-
Total comprehensive income, net of tax		9,320	9,610	2,542	3,884
Basic and diluted earnings (losses) per share, in EUR		-	-	-	-

Explanatory notes are an integral part of these financial statements,

STATEMENT OF CHANGES IN EQUITY

Group

	Notes	Share	Share	Own	Legal	Reserve	Other	Foreign	Retained	Total	
		capital	premium	shares (-)	reserve	for own	reserves	currency	earnings		
						shares		translation			
								reserve			
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)	
Increase in share capital	1	100	-	-	-	-	-	-	-	100	
Acquisition of own shares (-)	1	-	-	(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)	10,750		15,929	42,945	-	2,542	185,688
Balance as at 31 December 2019 (audited)		110,476	3,993	(267)	11,038		15,929	42,057	-	7,423	190,649
Net profit for the six months		-	-	-	-	-	-	-	9,412	9,412	
Other comprehensive income		-	-	-	-	-	-	(44)	-	(44)	
Total comprehensive income		-	-	-	-	-	-	(44)	9,412	9,368	
Dividends declared		-	-	-	-	-	-	-	(7,947)	(7,947)	
Transfer between reserves		-	-	-	10	-	(87)	-	77	-	
Balance as at 30 June 2020 (unaudited)		110,476	3,993	(267)	11,048		15,929	41,970	(44)	8,965	192,070

Explanatory notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (CONT'D)

Company

	Notes	Share capital	Share premium	Own shares (-)	Legal reserve	Reserve for own shares	Other reserves	Retained earnings	Total
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)
Increase in share capital	1	100	-	-	-	-	-	-	100
Acquisition of own shares (-)	1	-	-	(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
Balance as at 31 December 2019 (audited)		110,476	3,993	(267)	11,038	15,929	42,057	7,947	191,173
Net profit for the six months		-	-	-	-	-	-	9,320	9,320
Other comprehensive income		-	-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	-	-	9,320	9,320
Dividends declared		-	-	-	-	-	-	(7,947)	(7,947)
Transfer between reserves		-	-	-	10	-	(87)	77	-
Balance as at 30 June 2020 (unaudited)		110,476	3,993	(267)	11,048	15,929	41,970	9,397	192,546

Explanatory notes are an integral part of these financial statements.

CASH FLOW STATEMENT

	Notes	Group		Company	
		For the six months period ended 30 June 2020 <i>(unaudited)</i>	For the six months period ended 30 June 2019 <i>(unaudited)</i>	For the six months period ended 30 June 2020 <i>(unaudited)</i>	For the six months period ended 30 June 2019 <i>(unaudited)</i>
Cash flows from operating activities					
Net profit		9,412	2,542	9,320	2,542
Adjustments for non-cash items:					
Depreciation and amortization	4	13,222	28,610	13,219	28,610
Change in vacation reserve	15	255	56	227	56
Impairment and write-off (reversal) of property, plant and equipment	4	(1)	(1)	(1)	(1)
Profit (loss) from write-off and sales of non-current tangible assets	4	-	(9)	-	(9)
Change in provisions		1	-	1	-
Change in impairment of investment in subsidiary		-	(100)	-	(100)
Change in non-current liabilities for employees		38	(56)	38	(56)
Reversal of share-based payment expenses		-	(600)	-	(600)
Change in allowance in inventory	7	(6)	19	(6)	19
Contract assets	6, 9	245	(141)	245	(141)
Accrued income	6	-	276	-	276
Income tax expenses		2,746	(242)	2,746	(242)
Change in allowance for doubtful trade and other receivables	8	915	147	915	147
Interest income	19	(33)	(34)	(33)	(34)
Interest expenses	19	1,242	1,194	1,242	1,194
Currency impact from lease liabilities	19	(2,542)	-	(2,542)	-
Other non-cash adjustments		615	2,840	638	2,840
		26,109	34,701	26,009	34,701
Changes in working capital					
(Increase) decrease in inventories	7	(61)	260	(61)	260
(Increase) decrease in prepayments made		-	(6)	-	(6)
Decrease (increase) in trade and other accounts receivable	8	(754)	(126)	(74)	(126)
Decrease in other receivables		-	43	-	43
Increase (decrease) in trade and other payables	14	(5,780)	3,729	(5,920)	3,729
Increase (decrease) in contract liabilities		1,735	(172)	1,735	(172)
Increase (decrease) in payroll related liabilities	15	(807)	257	(822)	257
		20,442	38,686	20,867	38,686
Income tax (paid)		-	(730)	-	(730)
Interest received	19	33	34	33	34
Net cash flows from (used in) operating activities		20,475	37,990	20,900	37,990
Cash flows from investing activities					
(Acquisition) of property, plant, equipment and intangible assets	4	(3,472)	(14,487)	(3,261)	(14,487)
Income from sales of non-current assets		1	9	1	9
Short term deposits (placed)/received	10	5,000	-	5,000	-
(Acquisition) of other investments		-	(800)	-	(800)
Dividends received		54	36	54	36
Net cash flows from (used in) investing activities		1,583	(15,242)	1,794	(15,242)

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Explanatory notes are an integral part of these financial statements.

CASH FLOW STATEMENT (CONT'D)

	Notes	Group		Company	
		For the six months period ended 30 June 2020 <i>(unaudited)</i>	For the six months period ended 30 June 2019 <i>(unaudited)</i>	For the six months period ended 30 June 2020 <i>(unaudited)</i>	For the six months period ended 30 June 2019 <i>(unaudited)</i>
Cash flows from financing activities					
Purchase of own share	1	-	(600)	-	(600)
Loans received (paid)	12	18,428	(1,201)	18,428	(1,201)
Interest and fee related to loans (paid)	12	(443)	(96)	(443)	(96)
Dividends paid		(7,947)	(11,557)	(7,947)	(11,557)
Lease liabilities (paid)	12	(18,602)	(22,658)	(18,602)	(22,658)
Interest on lease liabilities paid		(909)	-	(909)	-
Net cash flows from (used in) financing activities		(9,473)	(36,112)	(9,473)	(36,112)
Net increase (decrease) in cash flows		12,585	(13,364)	13,221	(13,364)
Cash and cash equivalents on 1 January	11	41,865	73,238	37,846	73,238
Cash and cash equivalents on 30 June	11	54,450	59,873	51,067	59,873

Explanatory notes are an integral part of these financial statements.

EXPLANATORY NOTES TO FINANCIAL STATEMENTS

1 GENERAL INFORMATION

AB Klaipėdos nafta (hereinafter “the Parent Company” or “the Company”) is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is as follows: Burių str. 19, 91003 Klaipėda, Lithuania. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as “the Group”).

The subsidiaries are these:

- UAB SGD logistika, a subsidiary (hereinafter “the subsidiary UAB SGD logistika”).
- UAB SGD terminalas, a subsidiary (hereinafter “the subsidiary UAB SGD terminalas”).
- UAB SGD SPB, a subsidiary of UAB SGD logistika (hereinafter “the subsidiary UAB SGD SPB”).
- KN Acu Servicos de Terminal de GNL LTDA (hereinafter “the subsidiary KN Acu Servicos de Terminal de GNL LTDA”).

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

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

As at 30 June 2020, all the shares were owned by 2,967 shareholders (as of 30 June 2019 all the shares were owned by 2,601 shareholders).

As at 30 June 2020 the authorized capital of the Company equal to EUR 110,476 thousand is divided into 380,952,393 units of shares. Nominal value per share – EUR 0.29. All shares are paid. 72.34% of the shares (275,587,444 shares) are owned by the State of Lithuania, represented by the Ministry of Energy.

During the six months of 2020 the Company has not acquired any own shares.

In January 2019 the Company acquired 1,463,414 units of own shares. Total price of the transaction amounts to EUR 600 thousand. 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.

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

As at 30 June 2020 and 30 June 2019 the shareholders of the Company were:

	30 June 2020		30 June 2019	
	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	275,587	72.34
Concern UAB Achemos grupė (Jonalaukis village, Jonava district, 156673480)	39,663	10.41	39,650	10.41
Other (less than 5 per cent each)	65,702	17.25	65,715	17.25
Total	380,952	100.00	380,952	100.00

1 GENERAL INFORMATION (CONT'D)

The Parent Company controls subsidiary UAB SGD logistika, which main objective until the end of 2019 was is to perform activities of operating and managing a liquefied natural gas bunkering carrier. This subsidiary also may carry out expansion of operation activities of international LNG terminals by investing and establishing other companies in Lithuania and abroad. The Company owns 100% of voting rights of this subsidiary.

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

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

On 13 December 2019 the subsidiary of UAB SGD logistika (90%) and UAB SGD SPB (10%) – limited liability company – KN Açu Servicos de Terminal de GNL LTDA was established in Federal Republic of Brazil. The purpose of KN Açu Servicos de Terminal de GNL LTDA is to provide operations and maintenance services for liquefied natural gas terminal at the port of Açu. KN Açu Servicos de Terminal de GNL LTDA did not perform any activities during year 2019.

The average number of employees of the Group on 30 June 2020 was 389 (380 – on 30 June 2019).
The average number of employees of the Company on 30 June 2020 was 366 (376 – on 30 June 2019).

2 ACCOUNTING PRINCIPLES

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

The 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 2019. The principles used in preparation of financial statements were presented in more detail in the Notes to the Financial Statements for 2019.

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

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

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

3 COVID-19 IMPACT

Coronavirus COVID-19 for the first time has been officially reported on 31 December 2019 in China and during Q1 2020 has rapidly spread around the world. On 16 March 2020 the Government of Lithuania has announced quarantine in the country. It has continued till 16 June 2020. The decisions taken to stop COVID-19 have complicated the normal operations of industries and created a great deal of uncertainty around the world.

The wider economic impacts of these events include:

- Disruption to business operations and economic activity in Lithuania, with a cascading impact on both upstream and downstream supply chains;
- Significant disruption to businesses in certain sectors, both within Lithuania and in markets with high dependence on a foreign supply chain as well as export-oriented businesses with high reliance on foreign markets. The affected sectors include trade and transportation, travel and tourism, entertainment, manufacturing, construction, retail, insurance, education and the financial sector;
- Significant decrease in demand for non-essential goods and services;
- An increase in economic uncertainty, reflected in more volatile asset prices and currency exchange rates.

The Company anticipates that COVID-19 will cause downturn in global economic growth which will lead to decrease of demand on global and regional scale and it could result in a lower transshipment volume through the Company's terminals in 2020 and correspondingly in 2021. Reacting to the changed environment, the management of the Company has activated business continuity and risk mitigation plan of the Group and the Company, the risk management team has been set up to monitor the situation of the Group and the Company and main partners on a daily basis.

3 COVID-19 IMPACT (CONT'D)

One of the main risks - as a result of COVID-19, the Company may be unable to operate the infrastructure in case of the infection of critical number of its employees. Considering this risk, during the quarantine the Group and the Company have switched to work in remote mode and only employees that are essential and physically needed to operate the terminals have been working on-site. All safety measures are being reviewed and updated on a daily basis during all the quarantine period till now and respective actions taken accordingly if needed.

Another source of risk for the Group and the Company lies in the disruption of a supply chain – starting from IT/telecommunications services that are necessary to ensure proper functioning of IT systems and remote work mode and ending to goods and services that are necessary to finalize investment programs on time. The management of the Company is constantly communicating with its suppliers in order to follow their situation and possibilities to fulfill their obligations on time. To mitigate this risk of supply of the future periods, the Group and the Company creates and updates the list of alternative suppliers for critical procurements and puts its best efforts to ensure timely implementation of all Group and Company goals. As at the financial statements issue date, there have been no indications from current suppliers that could have impact to the interim financial statements of the Group and the Company as at 30 June 2020.

Even in the given extraordinary circumstances the Group and the Company have continued their operations as usually. The service provision for the clients of the Group and the Company takes place according to the agreed schedules and plans and as at the interim financial statements issue date, there have been no concerns regarding the clients ability to fulfill their contractual obligations. The Group and the Company is monitoring the situation and maintains close communication with major clients, suppliers and partners on regular basis concerning their plans and fulfilment of contractual obligations.

Although the Group and the Company has not been instantly impacted economically by the quarantine inflicted repercussions, the management of the Company is carefully monitoring global economic development and possible long-term financial impact for the Group and the Company. As at 30 June 2020, the Group's and the Company's working capital amounts to EUR 25,521 thousand and EUR 21,652 thousand, the available the Nordic Investment Bank credit facilities amount to EUR 295,500 thousand.

Taking into account the high liquidity of the Group and the Company, preventive measures taken, activated business continuity and risks mitigation plans, from a cash flows point of view the Group and the Company are in a secure position to continue their business operations in front of unfavorable situation.

The Company's top management has concluded that the range of possible outcomes considered at arriving at this judgment do not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern.

4 NON-CURRENT TANGIBLE ASSETS

During the six months of 2020 the Group and 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 at 30 June 2020 the value of construction in progress amounted to EUR 31,481 thousand. During the six months of the year 2020 the investment amounted to EUR 897 thousand).
- Development of the railroad tracks (comprise of the acquired equipment). As at 30 June 2020 the value of construction in progress amounted to EUR 1,863 thousand. (During the six months of the year 2020 the investment amounted to EUR 3 thousand).
- Reconstruction of Klaipėda state seaport quay No. 1 and No. 2. As of 30 June 2020, the value of construction in progress amounted to EUR 1,953 thousand. (During the six months of the year 2020 the investment amounted to EUR 729 thousand).
- Other investment. As at 30 June 2020 the value of constructions in progress amounted to EUR 1,344 thousand (During the six months of the year 2020 the investment amounted to EUR 518 thousand).

Part of the Group and the Company's property, plant and equipment with the acquisition cost of EUR 38,542 thousand as on 30 June 2020 was completely depreciated (EUR 38,355 thousand on 31 December 2019), however, it was still in operation.

The depreciation of the Group's non-current tangible assets for the six months of 2020 amounts to EUR 5,908 thousand (EUR 6,802 thousand – in 2019 six months), EUR 5,774 thousand of depreciation charge has been included into cost of sales (EUR 6,689 thousand - in 2019 six months), EUR 276 thousand was reimbursement of the costs according to the grant agreement (EUR 178 thousand – in 2019 six months) and the remaining amount EUR 134 thousand (EUR 113 thousand – in 2019 six months) has been included into operating expenses in the Statement of comprehensive income.

The depreciation of the Company's non-current tangible assets for the six months of 2020 amounts to EUR 5,905 thousand (EUR 6,802 thousand – in 2019 six months), EUR 5,771 thousand of depreciation charge has been included into cost of sales (EUR 6,689 thousand - in

4 NON-CURRENT TANGIBLE ASSETS (CONT'D)

2019 six months), EUR 276 thousand was reimbursement of the costs according the grant agreement (EUR 178 thousand – in 2019 six months) and the remaining amount EUR 134 thousand (EUR 113 thousand – in 2019 six months) has been included into operating expenses in the Statement of comprehensive income.

During the six months of 2020 the Group and the Company additionally calculated depreciation costs, amounting to EUR 7,447 thousand, according to IFRS 16 “Leases” (EUR 21,953 thousand – in 2019 six months).

5 OPERATING SEGMENTS

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

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

The Group and the Company updated the business segments. From the year of 2020 the oil terminal in Klaipėda and oil terminal in Subačius presented together as oil terminals in the financial statements.

The comparative figures restated.

Main indicators of the business segments of the Group and the Company included into the statement of comprehensive income for the financial year as of 30 June 2020 and statement of financial position as of 30 June 2019, are described below:

Group

For the six months period ended 30 June 2020

	LNGT	OT	comLNG	Total
Revenues from contracts with customers	22,134	16,117	2,486	40,737
Profit before income tax	8,182	4,381	(404)	12,159
Segment net profit (loss)	5,662	4,155	(405)	9,412
Interest revenue	9	24	-	33
Loan interest expense	161	-	-	161
Interest on financial lease liabilities	919	156	5	1,080
Depreciation and amortisation	1,619	3,482	950	6,051
Depreciation of right-of-use-assets	7,052	350	45	7,447
Write-off of non-current assets	-	1	-	1
Impairment of non-current asset (reversal)	-	(1)	-	(1)
Acquisitions of tangible and intangible assets	2,551	105	378	3,034
Segment total assets*	396,971	163,195	28,554	588,720
Loan and related liabilities	91,564	(20)	(42)	91,502
Lease liabilities	336,294	15,548	433	352,275
Segment total liabilities	448,276	15,376	3,448	467,100

5 OPERATING SEGMENTS (CONT'D)

Group

For the six months period ended 30 June 2019

	LNGT	OT	comLNG	Total
Revenues from contracts with customers	35,527	15,608	109	51,244
Profit before income tax	1,087	3,248	(2,035)	2,300
Segment net profit (loss)	1,190	3,353	(2,001)	2,542
Interest revenue	33	1	-	34
Loan interest expense	87	5	10	102
Interest on financial lease liabilities	925	154	13	1,092
Depreciation and amortisation	2,111	3,807	1,064	6,982
Depreciation of right-of-use-assets	21,562	336	55	21,953
Write-off of non-current assets	-	-	-	-
Impairment of non-current asset (reversal)	-	1	-	1
Acquisitions of tangible and intangible assets	13	16,325	20	16,358
Segment total assets*	296,513	161,070	30,587	488,170
Loan and related liabilities	75,017	(9)	(51)	74,957
Lease liabilities	243,589	15,337	1,315	260,241
Segment total liabilities	335,623	18,044	8,688	362,355

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

6 LONG-TERM RECEIVABLES AND ACCRUED RENT INCOME

Long-term receivable and long-term contract assets income consists of long-term rent revenue accrual arising from Subačius fuel storage reservoirs rent agreement.

Subačius fuel storage reservoirs rent agreement signed with the Lithuanian petroleum products Agency in 2012 for the duration of 10 years is treated. The rent tariffs are different for the first 5 years and for the remaining period. Therefore, the income is recognized on a straight-line basis over the term of an agreement, i.e. the incomes are calculated on average tariff of the all agreement term (10 years). The balances as of 30 June 2020 and 31 December 2019 respectively amounted to EUR 1,254 thousand and EUR 1,538 thousand, part of the accrued income is presented under short-term contract assets (EUR 282 thousand as of 30 June 2020 and EUR 564 thousand as of 31 December 2019).

7 INVENTORIES

The Group and the Company

	30-06-2020	31-12-2019
Diesel fuel for the LNG Terminal purpose	332	409
Oil products for sale	524	213
Non-current intangible assets for sale	169	-
Liquefied natural gas	47	335
Fuel for transport and other equipment	45	41
Spare parts, construction materials and other inventories	1,519	1,408
Total inventories	2,636	2,406
Write-down of spare parts, construction materials and other inventories	-	(6)
Total inventories	2,636	2,400

As at 30 June 2020 the Group and the Company didn't have any inventories items needed impairment allowance of inventories (as of 31 December 2019 the allowance of inventories amounted EUR 6 thousand).

As at 31 December 2019 the Group and the Company reviewed the accounting policy for slow-moving and obsolete stock. The Group and the Company identified reserve stock, part of which, has been classified as property, plant and equipment due to the fact that they meet

7 INVENTORIES (CONT'D)

the definition, including the requirement to be used over more than one period. The impairment accounted only for old, obsolete stock, that the Group and the Company are not going to use any more. The reversal of write-off of inventories to the net realizable value of EUR 6 thousand for the six months ended of 30 June 2020 (reversal of write-off of inventories to the net realizable value amounts to EUR 1,057 thousand as of 31 December 2019) are included under cost of sales in the statement of comprehensive income.

Oil products for sale are energy products collected in the Wastewater Treatment Facilities. On 30 June 2020 the Group and the Company had 1.1 thousand tons of oil products for sale (1.1 thousand tons of oil products as of 31 December 2019). On 30 June 2020 the Group and the Company also had 2.4 thousand tons of heavy oil products for sale (2.4 thousand tons of heavy oil products as of 31 December 2019).

As of 30 June 2020, the Group and the Company stored 219 thousand tons of oil products delivered for transshipment in its storage tanks (172 thousand tons as on 31 December 2019 (the quantities are unaudited)). Such oil products are not recognized in the Group's and the Company's financial statements. They are accounted for in the off-balance sheet accounts as the Group and 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 2020, the Group and the Company stored 1.4 thousand MWh (as of 31 December 2019 – 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 2020, the Group and Company stored 152 thousand MWh (as of 31 December 2019 – 661 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 Group's and the Company's financial statements. They are accounted for in the off-balance sheet accounts as the Group and the Company has no ownership rights for these products. The Company is responsible for the insurance of the products.

As of 30 June 2020, in the Liquefied natural gas reloading station the Group and the Company stored 26.3 MWh natural gas products that, belonged to the third parties (As of 31 December 2019 – 6.3 thousand MWh) (the quantities are unaudited). Such natural gas products are not recognized in the Group's and the Company's financial statements. They are accounted for in the off-balance sheet accounts as the Group and the Company has no ownership rights for these products.

8 TRADE RECEIVABLES

	Group		Company	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019
Trade receivable	11,064	12,559	10,597	12,559
Prepayments	613	568	576	558
Other receivable	1,155	44	968	44
Total	12,832	13,171	12,141	13,161

Trade receivable disclosed below:

	Group		Company	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019
Receivables from LNG terminal activities	7,906	10,546	7,941	10,546
Receivables for transshipment of oil products and other related services	4,299	2,741	4,299	2,741
Receivable for operating and management services	502	-	-	-
Less: impairment allowance	(1,643)	(728)	(1,643)	(728)
Total	11,064	12,559	10,597	12,559

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

The Group and the Company has recognized impairment allowance in the amount of EUR 1,643 thousand on 30 June 2020 (EUR 728 thousand on 31 December 2019).

Change in allowance for trade receivables for six months of 2020, amounting to EUR 915 thousand (for 2019 – EUR 221 thousand) has been included into operating expenses in the statement of the comprehensive income.

9 CONTRACT ASSETS

The Group and the Company

	30-06-2020	31-12-2019
Accrued income (1)	629	564
Short-term of accrued income (Note 6)	282	592
	911	1,156

(1) Contract assets comprise accrued income for storage of oil products as of 30 June 2020 and 31 December 2019 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 recognised as contract assets are reclassified as trade receivables.

10 SHORT TERM DEPOSITS

The Group and the Company

	30-06-2020	31-12-2019
Short-term bank deposits at the commercial banks	16,000	21,000

As of 30 June 2020, the Group and the Company had 5 term deposits at banks, amounted to EUR 16,000 thousand, with maturity of more than 3 months. Annual interest rate ranges from 0,15 to 0,28 per cent.

As of 31 December 2019, the Group and the Company had 2 term deposits at banks, amounted to EUR 21,000 thousand, with maturity of more than 3 months. Annual interest rate ranges from 0,16 to 0,25 per cent.

11 CASH AND CASH EQUIVALENTS

	Group		Company	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019
Cash at bank	54,450	41,865	51,067	37,846

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

Currency	Group		Company	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019
EUR	49,759	36,583	46,540	32,564
USD	4,527	5,282	4,527	5,282
BRL	164	-	-	-
	54,450	41,865	51,067	37,846

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

	Group		Company	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019
A	164	-	-	-
A +	11,856	25,104	8,637	21,085
AA -	33,532	8,282	33,532	8,282
BBB+	8,898	8,479	8,898	8,479
	54,450	41,865	51,067	37,846

12 FINANCIAL LIABILITIES

Loans

Group and Company

	30-06-2020	31-12-2019
European Investment Bank's loan	52,112	53,091
Nordic Investment Bank's loan	39,510	20,398
Guarantee payment to the Ministry of Finance to the Republic of Lithuania	(134)	(134)
Payable loan interest	14	18
	<u>91,502</u>	<u>73,373</u>

On 30 June 2020 due to the mistake the Nordic Investment Bank (NIB) made the payment of EUR 6.707 thousand to the Company from the loan for restructuring of the lease payments of the FSRU. The amount was repaid to the bank on 2 July 2020.

Lease liabilities

Group and Company

	30-06-2020	31-12-2019
Lease liabilities	<u>352,275</u>	<u>376,877</u>

Lease liabilities as at 30 June 2020 can be specified as follows:

	Land rent	Jetty rent	FSRU lease	Other*	Total
Long-term lease liabilities	15,328	4,810	288,426	84	308,648
Short-term lease liabilities	317	69	42,989	252	43,627
	<u>15,645</u>	<u>4,879</u>	<u>331,415</u>	<u>336</u>	<u>352,275</u>

Lease liabilities as at 31 December 2019 can be specified as follows:

	Land rent	Jetty rent	FSRU lease	Other*	Total
Long-term lease liabilities	15,439	4,845	312,126	179	332,589
Short-term lease liabilities	314	68	43,641	265	44,288
	<u>15,753</u>	<u>4,913</u>	<u>355,767</u>	<u>444</u>	<u>376,877</u>

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

13 GRANTS RELATED TO ASSETS

The Group and the Company

	30-06-2020	31-12-2019
Balance at the beginning of the period	5,988	4,642
Received during the year	-	1,763
Reclassified	-	1
Amortisation	(276)	(400)
Compensation of costs	-	(18)
Balance at the end of the period	5,712	5,988
Non-current	5,712	5,988

14 TRADE DEBTS AND OTHER PAYABLES

	Group		Company	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019
Trade payables	6,571	8,322	6,515	8,322
Other payables and current liabilities	1,178	1,588	1,094	1,588
	<u>7,749</u>	<u>9,910</u>	<u>7,609</u>	<u>9,910</u>

Trade payables disclosed below:

	Group		Company	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019
Payables for FSRU rent	4,500	4,620	4,500	4,620
Payable to contractors	728	1,191	728	1,191
Other payments related FSRU	492	899	492	899
Payable for rent of land	234	393	234	393
Payable for railway services	48	129	48	129
Payable for gas services	-	368	-	368
Other trade payables	569	722	513	722
	<u>6,571</u>	<u>8,322</u>	<u>6,515</u>	<u>8,322</u>

On 30 June 2020 trade payables of EUR 4,678 thousand were denominated in USD (on 31 December 2019 - EUR 5,232 thousand).

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

15 LIABILITIES RELATED TO LABOUR RELATIONS

	Group		Company	
	30-06-2020	31-12-2019	30-06-2020	31-12-2019
Accrued vacation reserve	1,305	1,050	1,277	1,050
Salaries payable	449	422	448	422
Accrual of annual bonuses	344	873	323	873
Social insurance payable	226	225	222	225
Income tax payable	193	153	183	153
Other deductions	2	3	1	3
	<u>2,519</u>	<u>2,726</u>	<u>2,454</u>	<u>2,726</u>

16 REVENUE FROM CONTRACTS WITH CUSTOMERS

	Group		Company	
	For the six months period ended 30 June 2020	For the six months period ended 30 June 2019	For the six months period ended 30 June 2020	For the six months period ended 30 June 2019
Income from LNGT services regulated by NERC	18,268	34,263	18,268	34,263
Sales of oil transshipment services	14,306	15,119	14,306	15,119
Other sales related to LNG terminals activity	5,486	1,352	4,403	1,352
Other sales related to transshipment	1,646	495	1,646	495
Sales of consulting services	861	15	861	15
Sales of inventories	170	-	170	-
	<u>40,737</u>	<u>51,244</u>	<u>39,654</u>	<u>51,244</u>

17 COST OF SALES

	Group		Company	
	For the six months period ended 30 June 2020	For the six months period ended 30 June 2019	For the six months period ended 30 June 2020	For the six months period ended 30 June 2019
Depreciation of right-of-use asset	7,279	21,789	7,279	21,789
Depreciation and amortisation (incl. amortisation of grants)	5,621	6,657	5,618	6,657
Wages, salaries and social security	4,100	3,684	3,950	3,684
Expenses related to FSRU rent (OPEX element, management, crew cost)	2,844	4,414	2,844	4,414
Port charges	780	764	780	764
Natural gas	777	1,663	777	1,663
Railway services	766	988	766	988
Contribution for National Energy Regulatory Council (NERC)	486	-	486	-
Tax on environmental pollution	441	601	441	601
Electricity	390	723	390	723
Repair and maintenance of assets	315	227	314	227
Insurance	201	221	200	221
Tax on real estate	182	208	182	208
Work safety costs	174	54	174	54
Cleaning expenses	139	50	139	50
Transport	137	139	128	139
Services for tankers	97	107	97	107
Other expenses related to FSRU	76	119	76	119
Research costs	19	49	19	49
Impairment of inventories (reversal)*	(6)	-	(6)	-
Other	276	104	149	104
	<u>25,094</u>	<u>42,561</u>	<u>24,803</u>	<u>42,561</u>

* The reversal of impairment of inventories accounted under cost of sales for six months of 2020. The impairment of inventories, amounting to EUR 19 thousand, for six months of 2019 accounted under operating expenses, item *Other*.

18 OPERATING EXPENSES

	Group		Company	
	For the six months period ended 30 June 2020	For the six months period ended 30 June 2019	For the six months period ended 30 June 2020	For the six months period ended 30 June 2019
Wages, salaries and social security	2,231	1,890	1,979	1,890
Impairment of doubtful receivables (reversal)	915	147	915	147
Expenses for operating taxes	313	111	26	111
Consulting and legal costs	276	310	199	310
Depreciation of right-of-use asset	168	164	168	164
Depreciation and amortization	154	147	154	147
Telecommunication and IT expenses	120	94	119	94
Salaries and other related expenses to governing bodies	81	85	81	85
Administration of bank accounts	71	66	70	66
Expenses for business trips	53	46	53	46
Expenses for utilities	45	49	45	49
Expenses for refresher courses	28	37	28	37
Donations	18	60	18	60
Expenses related to the management of securities	18	20	18	20
Advertising and external communication	17	21	16	21
Other	206	229	178	229
	<u>4,714</u>	<u>3,476</u>	<u>4,067</u>	<u>3,476</u>

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

	Group		Company	
	For the six months period ended 30 June 2020	For the six months period ended 30 June 2019	For the six months period ended 30 June 2020	For the six months period ended 30 June 2019
Income from currency exchange on the lease liabilities	2,542	-	2,542	-
Fines income	43	15	43	15
Interest income	33	34	33	34
Income from financial derivatives	29	-	29	-
Income from currency exchange	6	2	-	2
Other financial income	2	-	2	-
Financial activity income, total	2,655	51	2,649	51
Interest on the lease liabilities	(1,080)	(1,092)	(1,080)	(1,092)
Losses from currency exchange	(198)	-	(140)	-
Interest expenses	(161)	(102)	(161)	(102)
Losses from currency exchange on the lease liabilities	-	(1,768)	-	(1,768)
Other financial activity expenses	(1)	(1)	(1)	(1)
Financial activity expenses, total	(1,440)	(2,963)	(1,382)	(2,963)

20 EARNINGS PER SHARE, BASIC AND DILUTED

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

Basic and diluted earnings per share are as follows:

	For the six months period ended 30 June 2020	For the six months period ended 30 June 2019
Group		
Net profit attributable to shareholders	9,412	2,542
Weighted average number of ordinary shares (thousand)	380,952	380,786
Earnings and reduced earnings (in EUR)	0.025	0.007

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 Group and the Company and transactions with them during the six months of 2020 and 2019 were as follows:

21 RELATED PARTY TRANSACTIONS (CONT'D)

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

Group

		Purchases	Sales	Receivables	Payables
State Enterprise Klaipeda State Seaport Authority	2020 six months	1,171	-	-	229
	2019 six months	1,162	-	-	235
AB Amber Grid	2020 six months	-	18,268	7,049	-
	2019 six months	-	34,263	9,965	-
UAB Ignitis	2020 six months	293	1,329	426	-
	2019 six months	1,482	729	63	14
Public Institution Lithuanian Energy Agency	2020 six months	-	1,504	328	-
	2019 six months	-	1,389	284	-
State Enterprise Lithuanian Oil Products Agency <i>liquidated from 01-01-2019</i>	2020 six months	-	-	-	-
	2019 six months	-	-	111	-
AB Energijos skirstymo operatorius	2020 six months	224	-	-	32
	2019 six months	281	-	-	41
AB LG Cargo	2020 six months	807	-	-	48
	2019 six months	345	-	-	140
AB Lietuvos geležinkeliai	2020 six months	-	-	-	-
	2019 six months	1,004	-	-	-
Ministry of Energy of the Republic of Lithuania	2020 six months	-	-	-	38
	2019 six months	-	-	-	80
Baltpool, UAB (<i>dividends received</i>)	2020 six months	-	54	-	-
	2019 six months	-	36	-	-
Toksika, UAB	2020 six months	4	-	-	-
	2019 six months	4	-	-	2
VĮ Registrų centras	2020 six months	3	-	1	-
	2019 six months	2	-	-	-
Vilniaus metrologijos centras, AB	2020 six months	7	-	-	1
	2019 six months	5	-	-	1
UAB GET Baltic	2020 six months	1	-	-	-
	2019 six months	1	-	-	-
Ministry of the Economy and Innovation of the Republic of Lithuania	2020 six months	-	5	1	-
	2019 six months	-	6	1	-
Lietuvos paštas, AB	2020 six months	1	-	-	-
	2019 six months	1	-	-	-
Klaipėda Chamber of Commerce, Industry and Crafts	2020 six months	1	-	-	-
	2019 six months	1	-	-	-
UAB Tetas	2020 six months	-	-	-	-
	2019 six months	-	(16)	-	-
Transactions with related parties, in total:	2020 six months	2,512	21,160	7,805	348
	2019 six months	4,288	36,407	10,424	513

21 RELATED PARTY TRANSACTIONS (CONT'D)

Company

		Purchases	Sales	Receivables	Payables
State Enterprise Klaipeda State Seaport Authority	2020 six months	1,171	-	-	229
	2019 six months	1,162	-	-	235
AB Amber Grid	2020 six months	-	18,268	7,049	-
	2019 six months	-	34,263	9,965	-
UAB Ignitis	2020 six months	293	1,329	426	-
	2019 six months	1,482	729	63	14
Public Institution Lithuanian Energy Agency	2020 six months	-	1,504	328	-
	2019 six months	-	1,389	284	-
State Enterprise Lithuanian Oil Products Agency <i>liquidated from 01-01-2019)</i>	2020 six months	-	-	-	-
	2019 six months	-	-	111	-
KN Acu Servicos de Terminal de GNL Ltda	2020 six months	-	334	35	-
	2019 six months	-	-	-	-
AB Energijos skirstymo operatorius	2020 six months	224	-	-	32
	2019 six months	281	-	-	41
AB LG Cargo	2020 six months	807	-	-	48
	2019 six months	345	-	-	140
AB Lietuvos geležinkeliai	2020 six months	-	-	-	-
	2019 six months	1,004	-	-	-
Ministry of Energy of the Republic of Lithuania	2020 six months	-	-	-	38
	2019 six months	-	-	-	80
Baltpool, UAB (<i>dividends received</i>)	2020 six months	-	54	-	-
	2019 six months	-	36	-	-
Toksika, UAB	2020 six months	4	-	-	-
	2019 six months	4	-	-	2
VĮ Registrų centras	2020 six months	3	-	1	-
	2019 six months	2	-	-	-
Vilniaus metrologijos centras, AB	2020 six months	7	-	-	1
	2019 six months	5	-	-	1
UAB GET Baltic	2020 six months	1	-	-	-
	2019 six months	1	-	-	-
Ministry of the Economy and Innovation of the Republic of Lithuania	2020 six months	-	5	1	-
	2019 six months	-	6	1	-
Lietuvos paštas, AB	2020 six months	1	-	-	-
	2019 six months	1	-	-	-
Klaipėda Chamber of Commerce, Industry and Crafts	2020 six months	1	-	-	-
	2019 six months	1	-	-	-
UAB Tetas	2020 six months	-	-	-	-
	2019 six months	-	(16)	-	-
Transactions with related parties, in total:	2020 six months	2,512	21,494	7,840	348
	2019 six months	4,288	36,407	10,424	513

21 RELATED PARTY TRANSACTIONS (CONT'D)

Management salaries and other payments

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

	Group		Company	
	For the six months period ended 30 June 2020	For the six months period ended 30 June 2019	For the six months period ended 30 June 2020	For the six months period ended 30 June 2019
Payroll related costs	359	303	316	302
Number of management	11	9	7	7

During the six months of 2020 and the six months of 2019 the Management of the Group and the Company did not receive any loans, guarantees, or any other payments or property transfers were made or accrued.

22 SUBSEQUENT EVENTS

- The Supreme Court of Lithuania did not accept the appeal submitted by UAB Kroviniu terminalas in the case regarding the alleged damages from the breach of the competition law (hereinafter – the Case). The deadline for re-appealing has expired on 1 July 2020. Therefore, the decision taken by the Vilnius Regional Court on 7 March 2019 remains unchanged and valid. The Case is deemed to be closed.
- On 9 July 2020 amended Articles of Association AB Klaipedos nafta had been registered in the Register of Legal Entities of the Republic of Lithuania after the increase of authorised capital of the Company. Following the increase of the authorised capital of the Company, such capital is equal to EUR 110,505,193.97 and is divided into 381,052,393 units of shares, which grant 381,052,393 votes. Nominal value per share – EUR 0.29.

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, Darius Šilenskis, 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 consolidated and separate Financial Statements of AB Klaipėdos nafta for the six months period ended on 30 June 2020, prepared in accordance with the International Financial Reporting Standards as adopted to be used in the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss and cash flows of AB Klaipėdos nafta.

Chief Executive Officer

Darius Šilenskis

Chief Financial Officer

Jonas Lenkšas

Chief Accountant

Rasa Tamaliūnaitė



2020

AB KLAIPĖDOS NAFTA CONSOLIDATED INTERIM REPORT

FOR THE SIX MONTHS PERIOD ENDING ON 30 JUNE 2020

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Abbreviations:

KN – AB Klaipėdos nafta;

OT – Klaipėda Oil Terminal and Subačius Oil terminal;

LNGT – Klaipėda LNG terminal;

comLNG – small-scale LNG reloading station in Klaipėda; operation of LNG terminal in Açu port in Brazil and Business development projects.;

OP - Oil Products;

HFO – Heavy Oil Products;

LFO - Light Oil Products;

NERC - National Energy Regulatory Council.

GENERAL INFORMATION ABOUT THE GROUP AND THE COMPANY

1. Reporting Period

AB Klaipėdos nafta Interim Report for the year 2020 is prepared for the period from 1 January 2020 until 30 June 2020.

2. Issuer Information and Contact Details

Name of the Company:	AB Klaipėdos nafta (hereinafter – the Company, KN or Issuer)
Legal status:	Stock Company
Authorized share capital:	110,476,194 Eur
Date and place of registration:	27 September 1994, 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

3. Information on Subsidiaries and Contact Details:

Name of the Company:	UAB SGD terminalas
Legal status:	Private Limited Liability Company
Authorized share capital:	12,500 Eur
Date and place of registration:	27 December 2018, State Enterprise Centre of Registers
Company code:	304139242
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

Name of the Company:	UAB SGD logistika
Legal status:	Private Limited Liability Company
Authorized share capital:	4,540,000 Eur
Date and place of registration:	20 November 2015, State Enterprise Centre of Registers
Company code:	304139242
Address:	Burių Street 19, 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

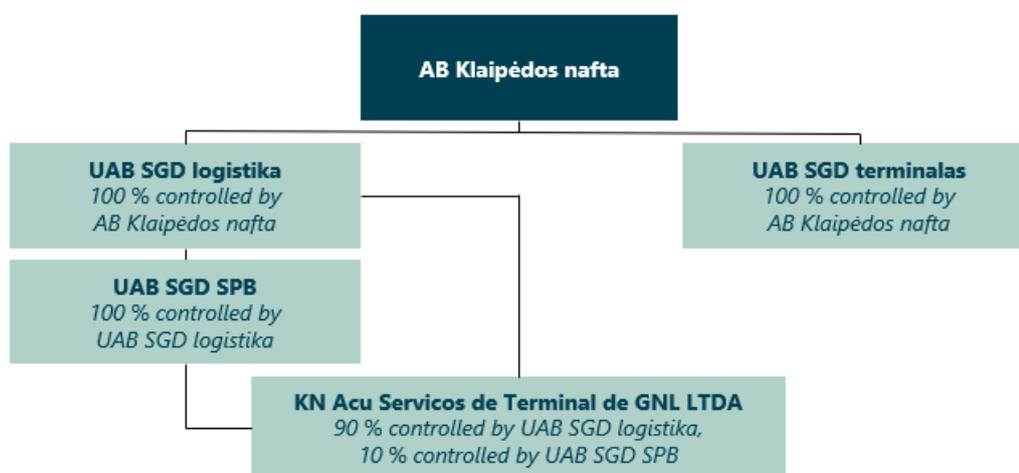
4. Information on Subsidiaries of UAB SGD logistika and Contact Details:

Name of the Company:	UAB SGD SPB
Legal status:	Private Limited Liability Company
Authorized share capital:	25,000 Eur
Date and place of registration:	9 October 2019, State Enterprise Centre of Registers
Company code:	305278800
Address:	Burių Street 19, 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

Name of the Company:	KN Acu Servicos de Terminal de GNL LTDA
Legal status:	Limited Liability Company
Authorized share capital:	642,600 BRL (Brazilian reais)
Date and place of registration:	13 December 2019, State Register of Legal Entities of Rio de Janeiro
Company code:	NIRE 33.210.894.765; CPNJ 35.785.170/0001-03
Address:	F66 Fazenda Saco Dantas s/n, Distrito Industrial, Area 1 and Area 2, 28200-000 São João da Barra, State of Rio de Janeiro
Register of the Company:	State Register of Legal Entities of Rio de Janeiro
Telephone numbers:	+370 46 391772
Fax numbers:	+370 46 311399
E-mail address:	info@kn.lt
Internet site:	www.kn.lt

5. Group Structure and Main Types of Activity

Structure of the AB Klaipėdos nafta Group (hereinafter – Group) on 30 June 2020:



The Group's Capital on 30 June 2020:

Name of the Company	Type of share		Number of shares (unit)	Share face value	Total face value
AB Klaipėdos nafta	Common shares	registered	380,952,393	0.29 EUR	110,476,194 EUR
UAB SGD terminalas	Common shares	registered	12,500	1.00 EUR	12,500 EUR
UAB SGD logistika	Common shares	registered	4,540,000	1.00 EUR	4,540,000 EUR
UAB SGD SPB	Common shares	registered	25,000	1,00 EUR	25,000 EUR
KN Acu Servicos de Terminal de GNL LTDA	Common shares	registered	642,600	1.00 BRL ¹⁾	642,600 BRL ¹⁾

¹⁾ BRL - Brazilian real.

The Group's activity highlights:

Name of the Company	Address	Ownership part, per cent	Activities
AB Klaipėdos nafta	Burių Street 19, 92276 Klaipėda	100	The business activity of AB Klaipėdos nafta can be divided into two lines of activity: oil terminals and LNG terminals, and into four separate activities: oil product transshipment (Klaipėda oil terminal), long term oil product storage (Subačius oil terminal), LNG terminal operation and LNG related activities development.
UAB SGD terminalas	Burių Street 19, 92276 Klaipėda	100	Operation (management) and development of the infrastructure of the liquefied natural gas terminal in Klaipėda, other economic activities.
UAB SGD logistika	Burių Street 19, 92276 Klaipėda	100	Expansion of operation of international LNG terminal activities, LNG transportation activities, other economic activities.
UAB SGD SPB	Burių Street 19, 92276 Klaipėda	100 owned by UAB SGD logistika	Expansion of operation of international LNG terminal activities by investing and establishing project companies in Lithuania and foreign countries (holding activities).
KN Acu Servicos de Terminal de GNL LTDA (KN Acu)	F66 Fazenda Saco Dantas s/n, Distrito Industrial, Area 1 and Area 2, 28200-000 São João da Barra, State of Rio de Janeiro	90 owned by UAB SGD logistika and 10 owned by UAB SGD SPB	LNG terminal operation services in Acu port, Brazil.

6. Agreements with Intermediaries of Public Securities Trading

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

AB SEB bank Financial Markets Department:

Company code	112021238
Address	J.Balčikonis Street 7, LT-08247 Vilnius, Lithuania
Telephone	1528
E-mail	info@seb.lt
Website	www.seb.lt

7. Agreements with Brokerages for Public Issue

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

The main data about Company's shares:

ISIN code	LT0000111650
Abbreviation	KNF1L
Share emission	380,952,393

The Company's shares have been listed on the Nasdaq Vilnius Secondary List since 16th January of 1996 and since 4th April of 2016 The Company's shares are listed on the Nasdaq Vilnius Main List.

The securities of the subsidiaries are not publicly traded. Details about the shares and shareholders are provided in the 2019 annual report chapter "Information about the shareholders and shares" of the Company".

8. Confirmation of Responsible Persons

Referring to the Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuanian, Responsible Persons Darius Šilenskis, Chief Executive Officer of AB Klaipėdos nafta, 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 Interim Report of AB Klaipėdos nafta for 2020 includes a fair review of the development and performance of the business and the present state of the Company together with the description of the main risks and uncertainties that are encountered.

9. Persons Responsible for the Information Submitted in the Interim Report

Job title	Full name	Telephone number
AB Klaipėdos nafta, Chief Executive Officer	Darius Šilenskis	+370 52 127 733
AB Klaipėdos nafta, Chief Financial Officer	Jonas Lenkšas	+370 52 127 733
AB Klaipėdos nafta, Chief Accountant	Rasa Tamaliūnaitė	+370 46 391 636

A FOREWORD OF THE CEO

The first half of 2020 had many challenges that were beyond the control of the Company - the ongoing impact of COVID-19 on the economies also affected KN's performance.

Customers continue to strive to maintain their profitability, which is leading to higher demand for oil product storage services but has a negative impact on oil product transshipment volumes.

Nevertheless, during the first half of the year, the Company focused on operational efficiency and cost management. During the first half of 2020, compared to the same period in 2019, the main performance indicators of the Group are as follows:

- Handling of oil products (2.7 million tons) is lower by 7.0%.

- LNG regasification and reloading (11.1 million MWh) is higher by 73%.
- The Group's sales revenue is (40.7 million EUR) is lower by 20.5%.
- The Group's adjusted net profit (8.2 million EUR) is higher by 73.7%.
- The Group's adjusted EBITDA (14.2 million EUR) is higher by 24.6%.
- The Group's adjusted EBITDA margin during H1 of 2020 is 26.3% while during H1 of 2019 – 22.2%.

The results achieved in the first half of 2020 encourage us to continue to consistently pursue the set strategic goals: to increase the added value for both the Company and the main shareholder - the State of Lithuania, to strive for even more efficient growth of activities by improving internal processes and implementing the company's strategy for 2020-2030.

BUSINESS CONTINUITY – IMPACT OF COVID – 19

Coronavirus COVID-19 for the first time has been officially reported on 31 December 2019 in China and during Q1 of 2020 has rapidly spread around the world. On 16 March 2020, the Government of Lithuania has announced the quarantine in the country. It has continued until 16 June 2020. The decisions that were taken to stop COVID-19 have complicated the normal operations of industries and created a great deal of uncertainty around the world.

Reacting to the changed environment, the management of the Company has activated the business continuity and risk mitigation plan of the Group and the Company, the risk management team has been set up to monitor the situation of the Group and the Company and main partners on a daily basis.

One of the main risks identified is that if a significant number of the Company's employees became infected with COVID-19, it would be impossible to continue managing the Company's infrastructure. Considering this risk, during the quarantine the Group and the Company have switched to work in remote mode and only employees who are essential and physically needed to operate the terminals have been working on-site. All safety measures are being reviewed and updated daily during the entire quarantine period until now and respective actions taken accordingly if needed.

Another source of risk for the Group and the Company lies in the disruption of a supply chain – starting with IT/telecommunications services that are necessary to ensure proper functioning of IT systems and remote work mode and ending with goods and services that are necessary to finalize investment programs on time. The management of the Company is constantly communicating with its suppliers in order to monitor their situation and

possibilities to fulfill their obligations on time. To mitigate this risk of supply in the future periods, the Group and the Company create and update the list of alternative suppliers for critical procurements and put their best efforts to ensure timely implementation of all strategic goals. As at the financial statements issue date, there have been no indications from current suppliers that could have an impact on the interim financial statements of the Group and the Company as at 30 June 2020.

Even in the given extraordinary circumstances the Group and the Company are continuing their operations as usually. The service provision for the clients of the Group and the Company takes place according to the agreed schedules and as at the interim financial statements issue date, there are no concerns regarding the ability of the clients to fulfill their contractual obligations. The Group and the Company are monitoring the situation and maintain close communication with major clients, suppliers, and partners on regular basis concerning their plans and fulfilment of contractual obligations.

Oil business

Based on the projections of the Company's operations, oil business is considered to be the most sensitive to the market changes but also generates major share of the total financial results of the Group and the Company. The Company analyzed various scenarios, i.e. optimistic, realistic, and pessimistic, impacting transshipment. The outcome of the analysis is that even if a negative trend is observed, the Company will be able to cover the shortfall of profits with the retained earnings accumulated until 30 June 2020. The management of the Company considers

that in the current circumstances with a lot of uncertainty regarding sensitivity analysis, a conservative approach should be used. Therefore, for optimistic, realistic, and pessimistic scenarios respective decrease in revenue of 15%, 30%, and 45% is used for the simulation. If the transshipment of oil products is 15%, 30%, and 45% lower than expected, the following impact to the net profit of the Group and the Company under different scenarios for 2020-2021 will be faced:

Change in transshipment of oil products	Scenario probability	Impact to net profit, tEUR	
		2020	2021
-15% oil products transshipment	Optimistic	-3,752	-4,339
-30% oil products transshipment	Realistic	-7,712	-9,149
-45% oil products transshipment	Pessimistic	-11,672	-13,704

Klaipėda LNG business

Klaipėda LNG business consists of: 1) LNG terminal, which is a state regulated infrastructure, operating under a transparent and open third-party access regime, earning a regulated return margin on the regulated asset base, and 2) LNG reloading terminal in Klaipėda, which carries out small-scale commercial operations. The operating costs of the LNG terminal are included in the gas transmission tariff rate as an additional security supplement and are allocated to natural gas users according to their natural gas consumption capacities.

According to the Republic of Lithuania Law on the Liquefied Natural Gas Terminal, the Government approves the minimum annual natural gas quantity for regasification required for securing the basic operations of the terminal (the quantity necessary for the LNG terminal). Compliance with the said provision is ensured by the designated supplier in accordance with the law. Designated supplier is currently appointed to use the terminal by the end of 2024. Security supplement rate is approved for the year 2020.

There have been no changes since quarantine; therefore, the Company does not foresee any possible causes that could make a significant impact on regulated income of LNG terminal, on the Company's financial results for the end of the year, and on the upcoming periods. LNG reloading station capacities are 100% booked by a strategic partner for the 5 years period under valid agreement. The agreement is based on a fixed annual fee which is set for the 5 years period. As at the interim financial statements issue date, there have been no indications from the client that the contractual obligations could not be fulfilled. In the worst-case, that is not considered under any of the scenarios mentioned before, the only risk related to the LNG reloading station that was identified by the Company would be a termination of the contract. In case of the termination of the agreement, the Company would continue to develop the operation of small-scale LNG reloading station independently. In such case, the results of the LNG reloading station would be dependent on a small-scale LNG market development but, in any case, is not expected to be worse than in 2019.

International LNG business development

By becoming the operator of the LNG terminal at Port of Açu, Brazil, which is a part of the largest LNG-to-power complex in Latin America, the Company has secured a long-term additional source of revenues. KN is responsible for the smooth operation of the LNG Terminal, which is currently being built to meet the demand of natural gas-fired thermolectric power plants developed by Gas Natural Açu (GNA). The agreement for operations and maintenance services was signed for a period of 13 years.

As COVID-19 has a global impact, the management of the Company has introduced strict safety procedures and preventive policies both in the established subsidiary in Brazil as well as in the Company and is taking all reasonable measures to ensure a good health status of the employees. From a current standpoint, the management of the Group and the Company do not foresee any definite changes in the project implementation due to COVID-19. As of the interim financial statements issue date, there have been no concerns regarding the client's ability to fulfil its contractual obligations.

The Company has a long-term strategy to increase the share of revenues from international LNG projects; therefore, the management has considered the possible negative COVID-19 impact on implementation of this goal. As the process of the project development is long-term

Conclusion

Considering the assumptions provided, the Company does not foresee any scenarios that could significantly affect international LNG business development continuity and impact the financial results of 2020-2021.

Although the consequences of quarantine did not have an immediate significant economic impact on the Group and the Company, the Company's management closely monitors the development and changes in the global economy and assesses the potential long-term financial impact on the Group's and the Company's results. As at 30 June 2020, the Group's and the Company's working capital

rather than short-term and usually takes up to 24 months to start the project, from the current perspective the Company's management does not see any potential threats to the achievement of the long-term business objectives.

amounts to respectively EUR 25,521 thousand and EUR 21,652 thousand, available agreements allow borrowing from the Nordic Investment Bank (NIB) in the amount of EUR 295,500 thousand.

Given the high level of liquidity of the Group and the Company, the implementation of preventive measures and activated business continuity and risk management plans, from the cash flow perspective the Group and the Company are in a safe position and can ensure business continuity in an unfavorable situation.

INFORMATION ABOUT THE COMPANY AND ITS ACTIVITIES

AB Klaipėdos nafta is the company of strategic importance for the energy security of Lithuania and the surrounding region. It ensures the import of liquefied natural gas into Lithuania and neighboring countries, the storage of the obligatory oil product reserve of the Republic of Lithuania, as well as reliable and efficient transshipment of oil products in Klaipėda port. In addition to the above-mentioned activities, the Company carries out small-scale LNG activities, participates in international investment projects related to the development of liquefied natural gas terminals.

Currently the Company's activities can be divided into two main areas (oil terminals and LNG terminals – see picture below) and four separate directions: oil product transshipment (Klaipėda oil terminal), long term oil product storage, LNG terminal operation and development of LNG-related activities. The Management of the Company assesses the financial results of each activity and sets individual strategic goals for each of them.

Main terminals:



Information about investment into associates

The Company has investments into the following associate companies as of 30 June 2020:

Name of the Company	Address	Ownership part, per cent	Activities
UAB BALTPOOL	9 A. Juozapavičiaus str., LT-09311, Vilnius	33	Development of activity of energy resources (biofuel, gas) exchange, administration of Public Interest Services (PIS) funds.
Sarmatia Sp. z o.o.	ul. Nowogrodzka 68, Prima court, 02-014 Warsaw, Poland	1	Analysis and engineering of possibilities to construct oil pipeline between Asian states and the Baltic Sea.

KLAIPĖDA OIL TERMINAL

Klaipėda Oil Terminal owned by the Company is one of the largest terminals providing oil handling services in the Baltic market. Various oil products arrive to Klaipėda from refineries by railway. The infrastructure of the Company's oil terminal is designed to reload these products from railway tanks to ships.



The following oil products are reloaded at the Company's Oil Terminal:

- Light Oil Products (hereinafter – LFO):
 - Different types of diesel fuel;
 - Different types of gasoline;
 - Jet fuel.
- Heavy Oil Products (hereinafter – HFO):
 - Different types of fuel oil;
 - Technological fuel;
 - Vacuum gas oil (VGO);
 - Crude oil.
- Other products of the chemical industry:
 - Ethanol;
 - Monoethylene glycol;
 - Fatty acid methyl ester.

Characteristics of Klaipėda Oil Terminal

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

The main operations of the Company's Klaipėda Oil Terminal oil product handling services: i) reloading of oil products from the rail tanks, ii) temporary storage of oil products in the terminal's storage tanks' park and iii) loading of oil products into tankers.

The Company can also supply Lithuania with imported oil products, which are delivered to Klaipėda port by tankers. The terminal is equipped with a tank truck loading station for the export of imported light oil products.

Klaipėda oil terminal provides the following services:

- Transshipment of crude oil and oil products from rail tanks into tankers;
- Transshipment of crude oil and oil products from tankers into rail tanks;
- Reloading of crude oil and oil products into tank trucks;
- Accumulation and storage of crude oil and oil products;
- Collection of oil-contaminated water from ships;
- Mooring services;
- Inspection of quality parameters of oil products;
- Provides equipment for the introduction of chemical additives into petroleum products;
- Blending of heavy and light oil products;
- Supplies ships with fuel and water.

SUBAČIUS OIL TERMINAL

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



Characteristics of Subačius oil terminal

Location	In Kunčiai village, Kupiškis district
Quantity of the storage tanks	Total 66 storage tanks
Volume of the storage tanks	Almost 338 thousand m ³
Railway	The rail trestle which can simultaneously handle 14 rail tanks;
Road trucks loading	Modern loading station of tank trucks
Modern laboratory	Able to detect the main quality parameters of oil products

Subačius oil terminal provides the following services:

- Storage of oil product (fuel) stocks of the State of Lithuanian to ensure the national energy security under the relevant legal acts;
- Long-term storage of oil products (gasoline, diesel fuel);
- Short-term storage and handling services for petroleum products (petrol and diesel) for private customers and companies.;
- Addition of biological additives and tracers to petroleum products.

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

KLAIPĖDA LNG TERMINAL

After KN and state authorities took necessary decisions in 2019, starting 2020 the LNG security supplement for natural gas end customers was reduced. Thus, the implementation of the first phase of the LNG long-term supply solution project has moved on to the second, which is planned to be completed in 2024, i.e. after the acquisition of the FSRU. At the beginning of this year, loan agreement for FSRU acquisition was signed with the Nordic Investment Bank (NIB) under favourable terms. Subsequently, the coordination of the state aid related to this loan was started with the aim of completing the process by the end of this year. In the first half of this year, the Regulator (NERC) was also provided with suggestions on how to improve the regulatory environment, governing the operation of the LNG terminal, which is also a very important component of the whole project. Other important preparations for the FSRU acquisition have also started this semester, for example, the process of selecting

external international experts to help select the most economically viable FSRU was initiated.

It should be noted that in the first half of 2020 the LNG terminal has been used by 4 Terminal users: Lithuanian companies "Achema" SC, "Ignitis" JSC, and "Imlitex" JSC as well as Estonian company „Eesti Energia AS“. 35 LNG carriers have arrived at the LNG Terminal and 11,043 TWh of LNG have been regasified in the first half of 2020.

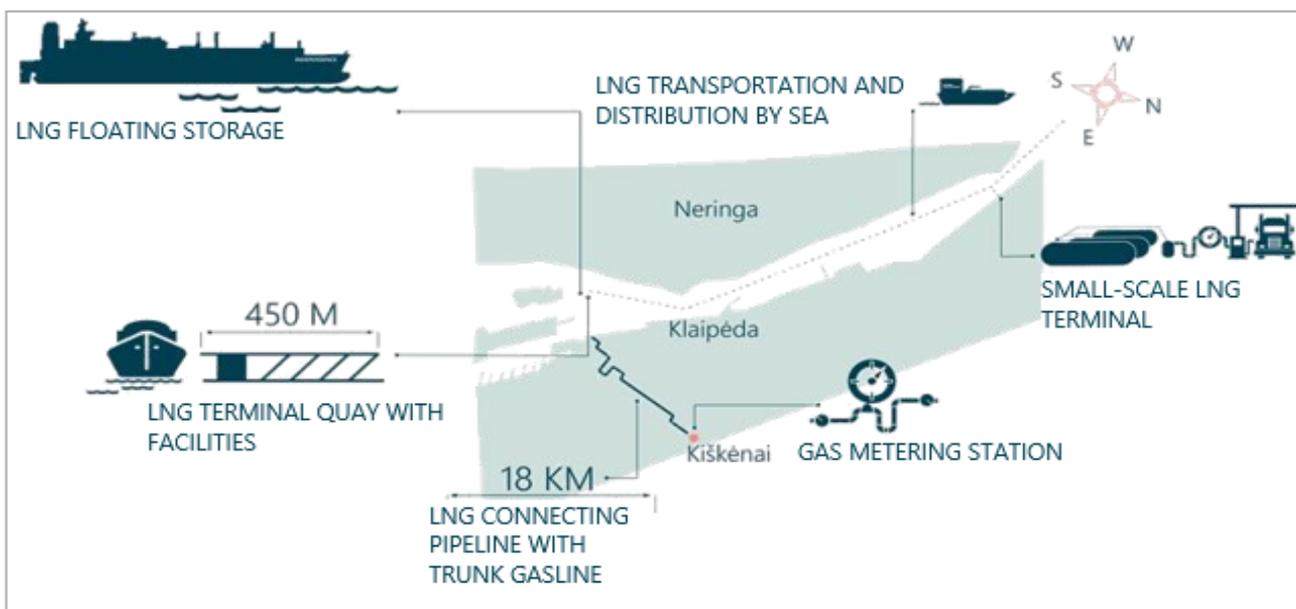
The LNG Terminal complements and extends the existing natural gas supply infrastructure of the country, creates opportunities for supply diversification, eliminates dependency on the only external natural gas supplier, ensures the security of natural gas supply and fulfils the EU Directive N-1 Infrastructure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

Infrastructure of the Liquefied Natural Gas Terminal

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

The functions of LNG Terminal: to receive liquefied natural gas from LNG carriers, store them, regasify and supply liquefied natural gas to the transmission network or reload into other LNG carriers.

LNG terminal infrastructure



LNG Floating Storage with Regasification Unit

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

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

Technical characteristics of the FSRU Independence*

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

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

Jetty and its facilities

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



Connecting pipeline of the LNG terminal

The terminal is connected to the gas transmission network which belongs to the natural gas transmission system

operator AB Amber Grid by an 18-kilometre-long and 700 mm diameter gas pipeline. A gas metering station is built at the point of connection to the transmission network.

Services of the LNG terminal

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

- Acceptance of LNG cargo from the LNG carrier that arrived, physical and virtual storage of the cargo, LNG regasification in the rate specified in the Terminal user schedule.

The LNG reloading service consists of the following related services:

- Acceptance of LNG cargo from the LNG carrier that arrived, physical and virtual storage of the cargo, reloading (re-export) of LNG to an LNG carrier of not less than 5,000 m³ and not more than 65,000 m³ (unless agreed otherwise).

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

- The fixed part of the price of the LNG regasification service is approved annually by the National Energy Regulatory Council (hereinafter – NERC). This part of the price is included in the additional component of the natural gas security supplement to the transmission price;
- The variable part of the price of the LNG regasification service is paid by the users of the terminal for the regasified gas volume and is approved annually by the NERC.



Services of the Terminal	Service price	NERC decree
LNG regasification service price* (set in 2020)	0.35 EUR/MWh excluding VAT	11 November 2019 No. O3E-724
LNG reloading service price (set in 2020)	1.11 EUR/MWh excluding VAT	11 November 2019 No. O3E- 725

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

The LNG terminal fully ensures the third-party access requirements in accordance with the EU laws. Activities of the Terminal are organized in accordance with the Rules for Use of the Liquefied Natural Gas Terminal (hereinafter - Terminal rules), adopted after the public consultations with the market parties and agreed by NERC. Capacities of the

Terminal are provided to the potential users on equal terms during the annual capacity allocation procedure or during the on-going period if there are any free capacities left.

KLAIPĖDA SMALL SCALE LNG TERMINAL

During the first six months of 2020, Klaipėda LNG reloading station received 5 small scale LNG cargos. Most of LNG cargo was loaded to LNG trucks and distributed to consumers in Lithuania and Poland. The rest of the cargo was used for supplying LNG as a fuel for LNG fuelled vessels in the Seaport of Klaipėda and for internal needs of the Company. With a purpose to promote LNG as a fuel in maritime transport, the LNG bunkering of an LNG fuelled vessels started on 8 March this year in the Seaport of Klaipėda and is now becoming a regular case here. A total of 160 LNG trucks were loaded at the LNG reloading station in the first half of 2020.

The following services are provided at the LNG reloading station:

- LNG unloading from carriers to the LNG reloading station.
- LNG loading to LNG trucks/ISO containers.
- Bunkering of LNG powered vessels.
- LNG loading to LNG carriers.
- LNG storage in the tanks of the reloading station up to 60 calendar days.

At the end of 2019, AB Klaipėdos nafta has signed a five-year agreement with the Polish state gas company PGNiG for the reservation of the capacity of the LNG reloading station. PGNiG started utilising the capacity of the LNG reloading station in April 2020.

The LNG reloading station is a commercial project of the Company financed by the Company and partly by the European Union support funds under the CEF-Transport program for the implementation of the HEKLA¹⁾ and Blue Baltics²⁾ projects.

¹⁾ Completion of the project - 30 June 2018.

²⁾ Completion of the project - 16 April 2020.



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

Planned activities:

Liquefied natural gas is the cleanest fossil fuel. LNG is odorless, colorless, non-explosive, non-toxic, and non-corrosive. At Klaipeda LNG reloading station, the same natural gas that we use for domestic or industrial purposes, but in liquid form, cooled to -162 °C and taking up to 600 times less space than in gaseous form, are loaded into LNG trucks.

Energy

LNG is used in the areas that are not connected to the central pipeline. Klaipėda LNG reloading station is in a geographically advantageous location, from which it is possible to supply LNG consumers not only in Lithuania, but also in North-East Poland and consumers in the Baltic States. By installing appropriate regasification stations, LNG could be used to generate heat and electricity.

For shipping

With the implementation of the Clean Fuel Directives, global shipping is shifting towards cleaner and more efficient fuels. In shipping LNG is a great alternative to the

polluting petroleum products. With the rapidly growing global fleet of LNG-powered vessels, the demand for clean fuel is also growing significantly.

For transport

As in shipping, other fields of transportation are looking for alternatives to the polluting fuels. Many countries, such as the Netherlands, Germany, France already have well-developed networks of LNG filling stations. LNG is the only clean fuel alternative in the heavy road transport sector (especially in long distances).

For the purposes of clean transport development in Lithuania, The Environmental Projects Management Agency under the Ministry of Environment of the Republic of Lithuania has announced the call for proposals under the program of Climate Change on 1st July 2020. The subsidies under the program are foreseen for the development of clean transport sector while purchasing vehicles powered by LNG and other alternative fuels, as well as creating and developing the necessary infrastructure (i.e. filling stations) in Lithuania.

THE COMPANY'S STRATEGY

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

The mission of the Company is to ensure safe, reliable, and efficient access to the global energy markets by sustainable development, investment, and operation of multi-functional liquid energy terminals worldwide. The Company aims to assist customers with transition to cleaner energy while maintaining their competitiveness.

The ongoing changes in the energy markets and the redistribution of the main energy sources helped the Company to acquire new competencies of the LNG floating technology terminal in Klaipėda and mainly determined the fundamental changes in the Company's vision and mission. From being local and regional player, providing one type of service, the Company during the period of 2020 - 2030 is aiming to diversify its activities, to expand the list of provided services and be less dependent on one source of income. As a result, the Company will continue to develop four business lines: international LNG projects, handling services of oil and refined products, management of Klaipėda LNG floating terminal, and small-scale LNG reloading services.

The Company sees the biggest potential for growth and profitability in LNG business development and investments into LNG import terminals internationally. AB Klaipėdos nafta believes that LNG terminals based on floating technology will account for almost half of all new

gasification capacities in the next decade and sees this as an opportunity to achieve by 2030 that the profit from oil product handling services is identical to that from LNG business development projects.

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

The strategy of state-regulated Klaipėda LNG terminal activity is to maintain operations after 2024 ensuring long-term access to LNG import for the country and constantly increase flexibility of the usage of the terminal in order to increase the net value for LNG consumers.

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

The Strategy foresees that significant attention of the Company's management will also be dedicated to the key asset of the Company – people, focus on direct and indirect business impact on the society - social responsibility as well as digitization and innovation measures implemented by the company.

The general strategic directions and strategic goals for individual activities for the period 2020 - 2030 are provided below.

General strategic directions				
Efficient and effective Company activities	To ensure long-term security of natural gas supply for Lithuania and Baltic Region market needs by providing cost-efficient operations	The leading floating LNG import terminal company globally	The main small-scale LNG import terminal in Baltic States and Poland	Region's leading and most efficient oil throughput and storage hub

Strategic objectives for major activities			
Oil terminal	Klaipėda LNGT business	LNG reloading station related business	LNG business development projects
<ul style="list-style-type: none"> • Sustain and increase volumes and profitability of oil terminals under consideration of changes to the market structure. • Enter market for transshipment of petrochemicals and other new products. • Ensure environmentally sustainable activities of KN oil infrastructure. • Ensure secure, reliable, and efficient operation of oil terminal. 	<ul style="list-style-type: none"> • To ensure security of supply and create value for consumers and shareholders. 	<ul style="list-style-type: none"> • Profitable small-scale terminal with a proven value in the growing regional ssLNG market. 	<ul style="list-style-type: none"> • Operator of at least 5 LNG terminals by 2030. • Shareholder in at least 4 LNG terminals by 2030.

The Company aims to achieve the targets within its main activities by accomplishing the following objectives or taking the following actions:

Oil terminal:

- Sustainable implementation of infrastructure investment projects with a purpose to maintain competitiveness in a changing market.
- Gaining competitive advantage from extra services after the modernization and expansion of the infrastructure.
- Reducing customers bargaining power by providing more attractive and complex services in one hub (extra value generation for customers within terminal).
- Increase process effectiveness by implementing process management systems (LEAN or alternative).
- Reducing bargaining power of main suppliers that influence major variable costs.
- Implementing automatization and digital measures to reduce number of personnel and related costs.

Klaipėda LNGT business:

- Ensure safe and efficient operation of the terminal which meets current and projected regional LNG demand.
- Purchase FSRU at the lowest possible price by securing financing from institutional banks.

LNG reloading station related business:

- Increase the revenue share of the small-scale LNG terminal from long-term contracts with partners until 2030.
- Reliable and effective regional LNG terminal services provider by ensuring terminal availability of 98%/year and truck loading capacity of 48 trucks/day until 2025.
- Advocacy and promotion of positive business environment in terms of legislation, port regulations, and market awareness.

LNG business development projects:

- Engage in early development to capture new projects.
- Monitor and respond to public and private tenders for LNG import terminal development and O&M services.
- Develop and strengthen partner network of FSRU owners, LNG traders, suppliers, and other relevant counterparties.
- Develop market facing innovative solutions and concepts.
- Actively seek and evaluate acquisition opportunities.

By acting in line with the set strategic directions and achieving strategic objectives the Company believes in a possibility to become one of the top LNG terminal operators worldwide and most competitive oil and refined products handling hub in the Baltic region in the long-term.

SIGNIFICANT EVENTS OF THE REPORTING PERIOD

3rd February 2020. AB Klaipėdos nafta Group's company - KN Açu Serviços de Terminal de GNL Ltda. (hereinafter – the Brazilian SPV) and UTE GNA I Geração de Energia S.A. (hereinafter – GNA) signed an Operation and Maintenance Services Agreement (hereinafter – the Agreement) for the provision of operations and maintenance services in connection with GNA's liquefied natural gas terminal, located at the Port of Açu in the state of Rio de Janeiro (hereinafter – the LNG Terminal), one of the main port complexes in Brazil, which offers a series of logistics solutions for the Brazilian oil and gas market. The Company has been appointed as an operator of the LNG Terminal, which will provide safe, reliable and efficient operations, including maintenance of the jetty and its installations, gas pipeline and gas metering stations as well as supporting the commissioning of the LNG Terminal.

6th February 2020. Amended Articles of Association of Company 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. Following the increase of the authorised capital of UAB SGD logistika, such capital is equal to EUR 4,540 thousand and is divided into 4,540,000 units of shares, which grant 4,540,000 votes. Nominal value per share – EUR 1.00;

13th February 2020 The Supervisory Board of the Company approved corporate strategy of the KN until 2030. The main directions of the strategy are international LNG projects, strengthening the competitiveness of oil terminals and developing Klaipėda as an LNG service centre in the Baltic region. The Strategy of the Company could be found on: 2030.kn.lt.

9th March 2020 The Company has concluded the Loan Agreement with the Nordic Investment Bank regarding a loan of up to EUR 160 mln. with the purpose to finance an acquisition of the floating liquefied gas storage unit. The term of the Loan – up to 25 years. Upon approval of the state aid by the European Commission, 100% of the Company's financial obligations under the Loan Agreement will be secured by a state guarantee.

17th March 2020 As GNA has adopted remaining corporate decisions and received lenders approvals, the Operation and Maintenance Services Agreement, signed between AB Klaipėdos nafta, Brazilian SPV and GNA, regarding the provision of operations and maintenance services for GNA's liquefied natural gas terminal, located at the Port of Açu in the state of Rio de Janeiro, has become effective.

31st March 2020 The Court of Appeal of Lithuania has adopted a judgement in the case regarding the damages from the breach of the competition law, by which ruled to leave unchanged 7 March 2019 Vilnius Regional Court decision and to award AB Klaipėdos nafta compensation of litigation expenses incurred at the Court of Appeal.

1st April 2020 The Polish oil and gas company PGNiG commences commercial operations at the KN-operated Klaipėda liquefied natural gas (LNG) reloading station. The capacities of the station, which will allow more efficient entry into the small-scale regional LNG market, is reserved for a strategic partner for five years

10th April 2020 Extraordinary General Meeting of Shareholders of the Company adopted decision to elect Karolis Švaikauskas as a member of the Supervisory Board of Klaipėdos nafta AB until the end of the term of office of the existing Supervisory Board of AB Klaipėdos nafta.

28th April 2020 Annual General Meeting of Shareholders of the Company decided to distribute Company's profit received in 2019 and allocate dividends to the amount of EUR 0.02 per share.

5th June 2020 The tanker NS Captain moored at the quay of Klaipėda Oil Terminal managed by KN (AB Klaipėdos nafta), bringing 77,000 tons of crude oil cargo from the USA which is to be used by Belarusian oil refineries.

15th June 2020 A. Varanavičius, a member of the Supervisory Board and the Audit Committee of AB Klaipėdos nafta, submitted a notice of resignation from the Supervisory Board and the Audit Committee of the Company as of 31 July 2020 (this day is the last day of the mandate).

SIGNIFICANT EVENTS OCCURRED AFTER THE END OF THE REPORTING PERIOD

3th July 2020 The Supreme Court of Lithuania did not accept the appeal submitted by UAB Kroviniu terminalas in the case regarding the alleged damages from the breach of the competition law. The deadline for re-appealing has expired on 1 July 2020. Therefore, the decision taken by the Vilnius Regional Court on 7 March 2019 remains unchanged and valid.

9th July 2020 Amended Articles of Association AB Klaipėdos nafta had been registered in the Register of

Legal Entities of the Republic of Lithuania after the increase of authorised capital of the Company. Following the increase of the authorised capital of the Company, such capital is equal to EUR 110,505,193.97 and is divided into 381,052,393 units of shares, which grant 381,052,393 votes. Nominal value per share – EUR 0.29.

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:

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

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

The company's competitors are all oil product handling terminals operating in the ports on the eastern coast of the Baltic Sea and in the port of Odessa (Ukraine). Among them, the main competing ports are: Ust-Luga, Primorsk, St. Petersburg, Ventspils, Riga, Tallinn.

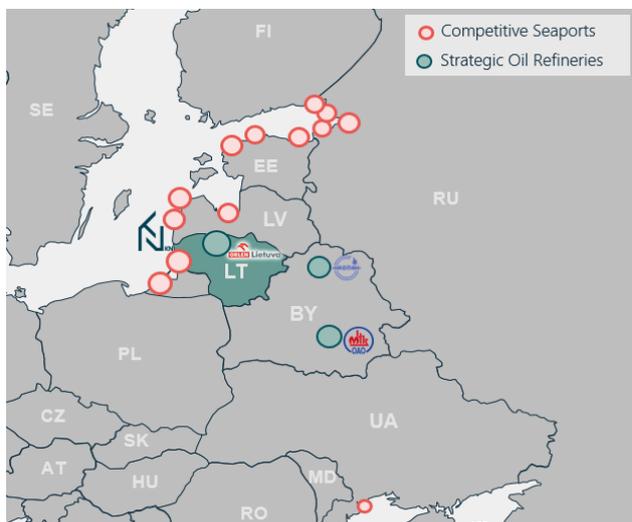
It should be noted that the competitive environment in the oil transshipment market is becoming more aggressive: Russia seeks to tranship as much Russian oil as possible only through its ports in the Gulf of Finland (St. Petersburg, Primorsk, Ust-Luga), and petrochemicals, which are currently being loaded in Finnish and Baltic ports. At the same time, over the last few years, Russia's interest in directing to its ports not only the oil products of Russian origin, but Belarusian ones as well, has been observed.

It is pointed out that due to the decrease in the flow of oil products of Russian origin to the Baltic States, Estonian and especially Latvian ports are losing more and more of the main oil product flows. Consequently, due to the shortage of the cargo flows, Estonian, and especially Latvian ports, are becoming more active and strong competitors for the Company's oil terminal, especially in the field of Belarusian oil products transshipment.

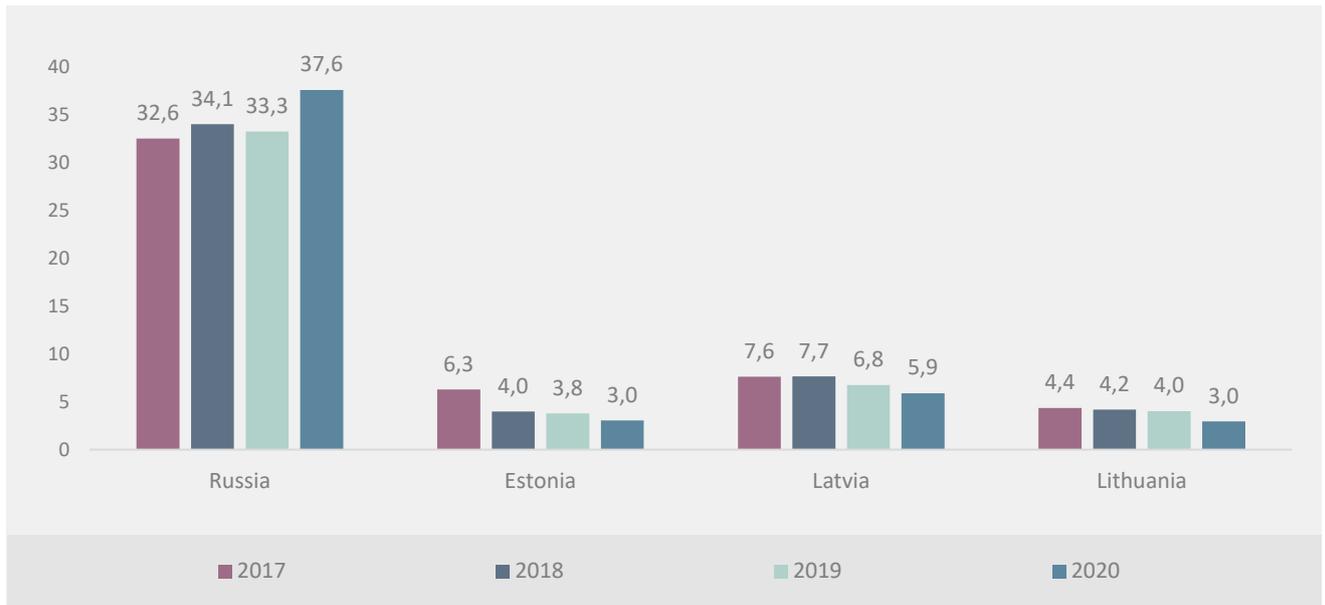
According to statistical data, during the first half of 2020 ports of the eastern Baltic Sea coast transshipped approximately 49.51 million tons of oil products, i.e. 1.64 million tons or 3.4% higher compared to the first half of 2019.

During first half of 2020 port of Klaipėda handled about 2.95 million tons of oil products, i.e. 1.07 million tons or 26.7% less than during the same period of 2019.

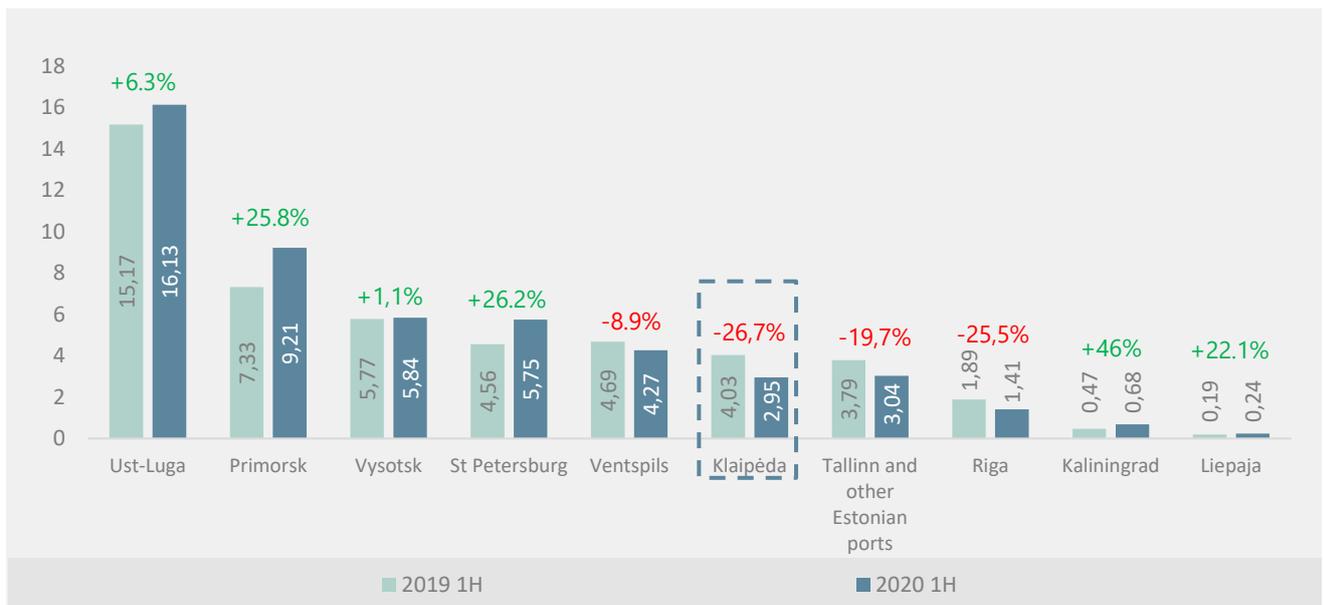
As shown in the chart "Dynamics of oil products transshipment in the Baltic states and Russia (ports in Gulf of Finland) in 1H of Y2017 – 2020" below, the share of Russian ports in eastern Baltic Sea coast oil products transshipment market is growing steadily. During the first half of 2020 transshipment is higher by 15.8% compared to the same period in 2019.



Dynamics of oil products transshipment in the Baltic states and Russia (ports in Gulf of Finland) in 1H of 2017 – 2020, million tons:



Dynamics of oil products transshipment in the ports of the Baltic states and Russian ports in Gulf of Finland in 1H of 2019 – 2020, million tons:



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

Transshipment of oil products

During the first 6 months of 2020 2,592 kt of oil products in total were transshipped in Company's Klaipėda and Subačius oil terminals. In Klaipėda's oil terminal 2,525 kt of oil products were transshipped, while in Subačius oil terminal total quantity transshipped was 67 kt.

During the first 6 months of 2020, the transshipment volumes at Klaipėda Oil Terminal were lower by 9.6% compared to the same period in 2019, while the performance of Subačius oil terminal increased 3 times. The total result for both terminals for the first 6 months of 2020 is 8.0% lower than for the same

period in 2019. Lower cargo handling volume was influenced by a 28.7% lower cargo flows of AB ORLEN Lietuva. The flow of transit cargo was higher by 25.6%.

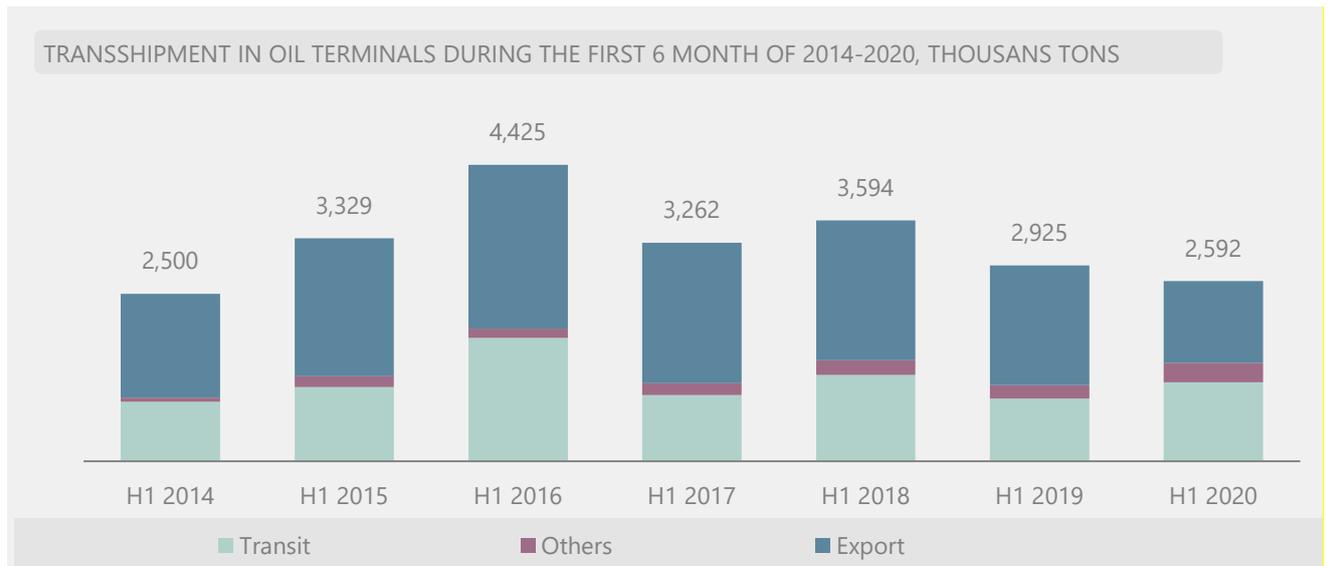
In 2020, one of the Company's main clients in transit oil products transshipment was BNK (UK) Limited, owned by one of the largest Belarusian oil product exporters – ZAT Belaruskaja Neftenaja Kampanija (hereinafter - BNK). During the first 6 months of 2020, BNK delivered over 1.0 kt of cargo to the Company, which is about 38.5% higher volume than during the same period in 2019.

The Company's goal is not only to maintain BNK's newly attracted gasoline flow, but also to increase the flow of this as well as their other oil products flows through the oil terminal of KN. In September of 2019 the Company has reached an agreement on the extension of the contract with BNK until the end of 2021.

In 2020, one of the Company's main customers, AB ORLEN Lietuva (hereinafter - Orlen), delivered about 1.3 million tons of oil products to the Company's terminal for further transshipment, or 31.1% less compared to 6 months of 2019.

During the first 6 months of 2020, the import of light oil products into the Company's tanks dedicated for the tank trucks was higher by 20.1% (223.3 thousand tons) compared to the same period in 2019.

In order to increase the volume of oil terminal activities and diversify cargo flows at Klaipėda and Subačius terminals, the company is constantly developing business relations with various international and regional companies which are trading oil products.



Overview of LNG Terminal operating environment

During H1 2020, NERC has adopted the following decrees related to the LNG operating environment:

- By Decision No. O3E-87 of 6th of February 2020 NERC approved AB "Klaipėdos nafta" investment project "Renovation and optimization of operation of LNG Terminal". Main purpose of the project is to renew and connect the existing equipment into one easy-access system which allows to remotely operate the gas metering station (GMS) of the LNG terminal.
- NERC resolved the dispute between two natural gas sector business entities. One of the disputed questions was related to the obligation to pay the security supplement charge calculated according to the law of LNG Terminal. The application was rejected by NERC decision:

The security supplement charge shall be paid and is not dependant on whether the assurance of uninterrupted transmission system services was granted to the gas system user or not. Also, the capacity restrictions cannot dismiss the obligation to pay the security supplement, considering applicants' declared amount of natural gas consumption.

- *The maximum demand of natural gas consumption capacities is not changed due to restrictions of transmission capacities. Consequently, the applicant shall pay the security supplement charge of LNG terminal calculated in accordance with the Law on LNG terminal of the Republic of Lithuania.*

LNG terminal capacity allocated for the gas year 2020 (period from 1 October 2019 to 30 September 2020):

Allocated capacity	Amount of allocated capacity, kWh*	Period
LNG regasification capacity**	5,000,838,000	From 1 October 2019 to 30 September 2020
	3,882,720,000	From 1 October 2019 to 31 December 2019
	1,066,121,000	From 1 December 2019 to 1 February 2020
	944,000,000	From 1 October 2019 to 31 October 2019
	8,152,000,000	From 1 January 2020 to 30 September 2020
	248,750,000	From 1 November 2019 to 31 December 2019
	61,500,000	From 20 January 2020 to 9 March 2020
	430,500,000	From 1 May 2020 to 31 August 2020
	103,173,000	From 11 February 2020 to 31 March 2020
	59,140,000	From 14 February 2020 to 31 March 2020
	999,970,000	From 13 May 2020 to 31 May 2020
	62,000,000	From 13 April 2020 to 11 May 2020
	60,000,000	From 13 April 2020 to 11 May 2020
	949,191,600	From 7 June 2020 to 4 July 2020
949,161,600	From 5 July 2020 to 31 July 2020	

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

Allocated capacity	Amount of allocated capacity, kWh*	Period
LNG regasification capacity**	8,373,500,000	From 1 October 2020 to 30 September 2021

*Combustion / measurement temperature 25/0 °C, pressure 1.01325 bar, natural gas gross calorific value 11.90 kWh/nm³, expansion factor 1: 578 m³ LNG / nm³ of gas).

**During Gas Year LNG regasification capacity may be changed to LNG reloading capacity.

During the first 6 months of 2020 the LNG terminal:

- Performed 35 ship-to-ship operations and all of those were cargo deliveries (15 LNG carriers were received during the first 6 months of 2019)
- 708.7 thousand tonnes of LNG were received (402.2 thousand tonnes during the first 6 months of 2019);
- 949 billion nm³ of natural gas were regasified and supplied to the natural gas transmission system (506 billion nm³ during the first 6 months of 2019);
- No reloading operations into small scale LNG carriers were carried out (comparing to 7 LNG carriers, 61.4 thousand m³ of LNG during the first 6 months of 2019).

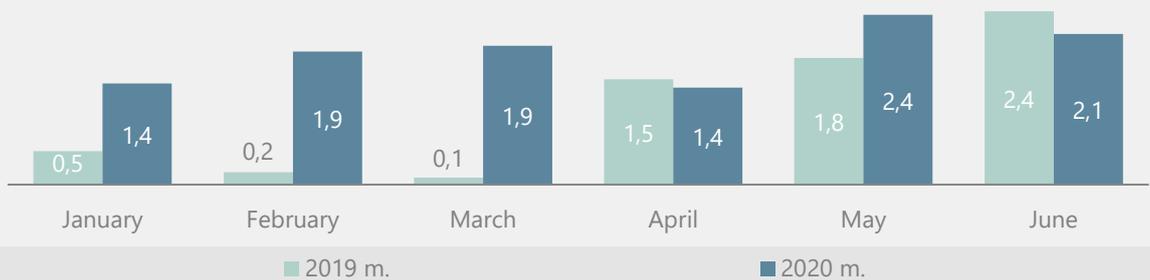
In 2020 the LNG terminal was used by 4 users - designated

and commercial natural gas supplier Ignitis JSC, Imlitex JSC, Achema SCm, and Eesti Energia AS.

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

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

LNG REGASIFICATION AND RELOADING, MILLION MWh



TOTAL LNG REGASIFICATION AND RELOADING, MILLION MWh



Gas pipelines projects in the Baltic States

Energy projects implemented in the Baltic region will enable the development of the LNG market and more efficient use of the available capacity of the LNG terminal. The following energy projects related to gas supply, which are of strategic importance to the Company, can be identified:

- Gas pipeline connection between Poland and Lithuania GIPL.
- Increasing the capacity of the gas pipeline connection between Latvia and Lithuania.
- Increasing the capacity of the gas pipeline connection between Latvia and Estonia.
- Expansion and modernization of the Inčukalnis Underground Gas Storage Facility.

On 1 January 2020 Baltic Connector, natural gas connection between Estonia and Finland became operational. It will open the possibility to supply the natural gas, regasified at the LNG terminal, to the Finnish natural gas market. Finland natural gas consumption volume is approximately 2.314 billion m³ per year.

According to the transmission system operator (AB „AmberGrid“), construction of gas pipeline connection between Poland and Lithuania (GIPL) is planned to be finished by the end of 2021 (final date 31st of December). The actual start of operation is planned from the same

date, i. e. natural gas will be flowing to Lithuania or backwards. Accordingly, the possibilities of further integration of the Lithuanian and Polish gas markets are being analyzed in Lithuania, which, after the completion of the Lithuanian-Polish gas interconnection (GIPL) project, would allow to realize the full potential of the pipeline.

On 20th of April 2020 the **Roadmap** on regional gas market integration between Estonia, Finland, Latvia, and Lithuania was approved. The Roadmap was jointly initiated and approved by Ministries, transmission system operators (TSOs), and national regulatory authorities (NRAs) of all four countries. The Roadmap includes integration actions and plan for the period from 2020 to 2022 (https://ec.europa.eu/info/sites/info/files/energy_climate_change_environment/news/documents/roadmap_on_regional_gas_market_integration.pdf). The preparation of study which identifies the main questions and shares the conclusions was initiated at the first stage. The confirmed study analyzes the impacts on removal of entry and exit tariffs on the Latvia-Lithuania border and on the wholesale market (wholesale gas prices, trading efficiency and market participants). Furthermore, study includes analysis of harmonization of entry points tariffs and effects of possible discounts at entry points from EU members (LNG, GIPL).

FINANCIAL RESULTS OF GROUP'S ACTIVITY

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

*"adjusted" - indicators/data are displayed without the purchase option and capitalization effect of the FSRU leasing, adjusted sales revenue for 6 months of 2020 includes the amount of the reduction of the LNG security supplement by Eur 6.7 million/quarter.

	H1 2020	H1 2020 adjusted*	H1 2019	H1 2019 adjusted*	H1 2018	H1 2017	H1 2016
Transshipment of oil products, thousand t	2,592	2,592	2,926	2,926	3,594	3,262	4,425
LNG regasification and reloading, thousand MWh	11,046	11,046	6,419	6,419	4,519	4,869	9,207
Financial figures							
Sales	40,737	54,152	51,244	51,244	52,739	52,341	57,348
Gross profit	15,643	13,261	8,683	7,977	12,687	11,065	15,313
EBITDA ¹⁾	26,601	14,223	32,251	11,361	17,229	15,207	19,478
EBIT ²⁾	13,401	8,469	2,402	4,353	10,321	8,311	12,897
Financial and investment activities	1,215	(247)	(2,912)	(51)	(43)	(59)	(152)
Profit before income tax (EBT)	12,159	8,308	2,300	4,455	10,219	8,227	12,802
Financial net profit	9,412	8,156	2,542	4,697	10,210	7,389	11,722
Current assets	89,373	89,373	77,752	77,752	89,952	52,045	63,033
Non-current assets	569,797	216,266	470,291	212,206	203,564	189,957	182,499
Total assets	659,170	305,639	548,043	289,957	293,516	242,002	245,532
Equity (not adjusted)	192,070	192,070	185,688	185,688	193,523	190,702	190,897
Profitability							
Return on assets (ROA) ³⁾	2.4%	4.4%	0.9%	2.1%	7.4%	3.9%	10.0%
Return on equity (ROE) ⁴⁾	7.6%	7.0%	2.1%	3.2%	10.3%	5.0%	13.0%
Return on Capital Employed (ROCE) ⁵⁾	2.3%	3.0%	0.7%	1.7%	3.8%	3.7%	5.8%
Gross profit margin	38.4%	24.5%	16.9%	15.6%	24.1%	21.1%	26.7%
EBITDA margin	65.3%	26.3%	62.9%	22.2%	32.7%	29.1%	34.0%
EBIT margin	32.9%	15.6%	4.7%	8.5%	19.6%	15.9%	22.5%
EBT margin	29.8%	15.3%	4.5%	8.5%	19.4%	15.7%	22.3%
Net profit margin	23.1%	15.1%	5.0%	9.2%	19.4%	14.1%	20.4%
Turnover							
Accounts receivable, days	57	43	44	44	44	45	38
Accounts payable, days	44	29	49	48	48	37	33
Financial structure							
Debt ratio ⁶⁾	2.43	0.60	1.95	0.54	0.52	0.27	0.29
Capital to assets ratio	0.29	0.62	0.34	0.65	0.66	0.79	0.78
Gross liquidity ratio (current ratio) ⁷⁾	1.40	4.42	1.13	3.04	4.62	3.28	2.90
Quick ratio ⁸⁾	1.36	4.29	1.10	2.98	4.56	3.20	2.84
Market value ratios							
Price-Earnings Ratio (P/E) ⁹⁾	9.7	10.7	40.4	25.9	9.9	18.4	8.1
Earnings per share (EPS)	0.025	0.021	0.007	0.012	0.027	0.019	0.031

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

²⁾ EBIT = earnings before interest and taxation;

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⁾ 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;

⁵⁾ Return on Capital Employed (ROCE) = EBIT / (Total assets at the end of the period - Total current amounts payable and liabilities at the end of the period);

⁶⁾ Debt ratio = total current and non-current liabilities at the end of the period / total equity at the end of the period;

⁷⁾ Gross liquidity ratio = total current assets at the end of the period / total current liabilities at the end of the period.

⁸⁾ 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,

⁹⁾ P/E = The indicator describing the company's share price and earnings per share ratio.

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

**"adjusted" - indicators/data are displayed without the purchase option and capitalization effect of the FSRU leasing, adjusted sales revenue for 6 months of 2020 includes the amount of the reduction of the LNG security supplement by Eur 6.7 million/quarter.*

	H1 2020	H1 2020 adjusted	H1 2019	H1 2019 adjusted	H1 2018	H1 2017	H1 2016
Transshipment of oil products, thousand t	2,592	2,592	2,926	2,926	3,594	3,262	4,425
LNG regasification and reloading, thousand MWh	11,046	11,046	6,419	6,419	4,519	4,869	9,207
Financial figures							
Sales	39,654	53,068	51,244	51,244	52,739	52,341	57,348
Gross profit	14,851	12,469	8,683	7,977	12,687	11,065	15,313
EBITDA ¹⁾	26,527	14,148	32,251	11,361	17,229	15,207	19,478
EBIT ²⁾	13,308	8,377	2,402	4,353	10,321	8,311	12,897
Financial and investment activities	1,266	(194)	(2,912)	(51)	(43)	(59)	(152)
Profit before income tax (EBT)	12,066	8,216	2,300	4,455	10,219	8,227	12,802
Financial net profit	9,320	8,064	2,542	4,697	10,210	7,389	11,722
Current assets	85,299	85,299	77,752	77,752	89,952	52,045	63,033
Non-current assets	574,142	220,612	470,291	212,206	203,564	189,957	182,499
Total assets	659,441	305,911	548,043	289,957	293,516	242,002	245,532
Equity (not adjusted)	192,546	192,546	185,688	185,688	193,523	190,702	190,897
Profitability							
Return on assets (ROA) ³⁾	2.4%	4.5%	0.9%	2.1%	7.4%	3.9%	10.0%
Return on equity (ROE) ⁴⁾	7.8%	7.1%	2.1%	3.2%	10.3%	5.0%	13.0%
Return on Capital Employed (ROCE) ⁵⁾	2.3%	3.0%	0.7%	1.7%	3.8%	3.7%	5.8%
Gross profit margin	37.5%	23.5%	16.9%	15.6%	24.1%	21.1%	26.7%
EBITDA margin	66.9%	26.7%	62.9%	22.2%	32.7%	29.1%	34.0%
EBIT margin	33.6%	15.8%	4.7%	8.5%	19.6%	15.9%	22.5%
EBT margin	30.4%	15.5%	4.5%	8.5%	19.4%	15.7%	22.3%
Net profit margin	23.5%	15.2%	5.0%	9.2%	19.4%	14.1%	20.4%
Turnover							
Accounts receivables, days	56	42	44	44	44	45	38
Accounts payable, days	44	29	49	48	48	37	33
Financial structure							
Debt ratio ⁶⁾	2.42	0.60	1.95	0.54	0.52	0.27	0.29
Capital to assets ratio	0.29	0.63	0.34	0.65	0.66	0.79	0.78
Gross liquidity ratio (current ratio) ⁷⁾	1.34	4.26	1.13	3.03	4.62	3.28	2.90
Quick ratio ⁸⁾	1.30	4.13	1.10	2.97	4.56	3.20	2.84
Market value ratios							
Price-Earnings Ratio (P/E) ⁹⁾	9.5	10.4	40.4	25.9	9.9	18.4	8.1
Earnings per share (EPS)	0.024	0.021	0.007	0.012	0.027	0.019	0.031

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

² EBIT = earnings before interest and taxation;

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 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;

⁵ Return on Capital Employed (ROCE) = EBIT / (Total assets at the end of the period - Total current amounts payable and liabilities at the end of the period);

⁶ Debt ratio = total current and non-current liabilities at the end of the period / total equity at the end of the period;

⁷ Gross liquidity ratio = total current assets at the end of the period / total current liabilities at the end of the period.

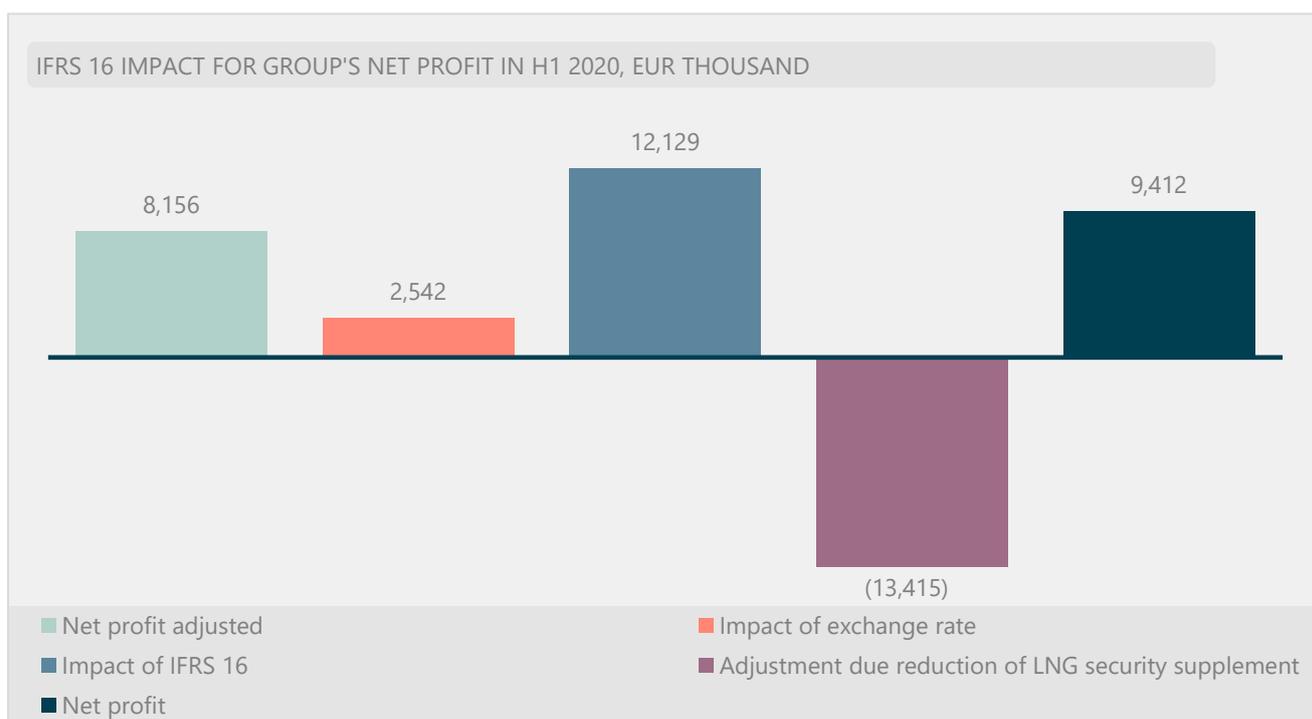
⁸ Quick ratio = (total current assets at the end of the period - Inventories at the end of the period) / total current liabilities at the end of the period,

⁹ P/E = The indicator describing the company's share price and earnings per share ratio.

Financial results

KN's financial results of 2020 have been affected by IFRS 16 "Leases" amended as of 1 January 2019 and by reduction of LNG security supplement from 1 January 2020 by EUR 6.7 million/quarter. These changes have significantly affected KN's statement of financial position, statement of comprehensive income, and financial indicators. When the amendments to the standard have become effective, the lease is recognized in the statement of financial position as an asset and a liability (right-of-use

assets and a lease liability). As most lease payments are denominated in USD, the positive impact of exchange rates in amount of EUR 2,542 thousand has been recognized in the statement of comprehensive income in H1 2020, however in reality the Company is not affected by this. The reduction of the LNG security supplement is financed by NIB loans; therefore, the Group's and the Company's cash flows are not affected.



Due to above mentioned circumstances the Company also calculated adjusted net profit for 2020 where the impact of IFRS 16, respective impact of exchange rates, and reduction of LNG security supplement are eliminated. Assets and liabilities that meet the requirements of IFRS 16 are

recognised in the Company's financial statements for 2020 and 2019. As a result, adjusted assets and liabilities are also used in the calculation of financial ratios, eliminating assets and liabilities recognized in accordance with IFRS 16.

The impact of IFRS 16 "Leases" on the Statement of comprehensive for the first half of 2020:

Income/(decrease) in EUR thousand	30-06-2020	30-06-2020
	The Group	The Company
Financial Net profit	9,412	9,320
<i>Depreciation expenses</i>	7,447	7,447
<i>Rent expenses</i>	(23,251)	(23,251)
<i>Adjustment due to the reduction of LNG security supplement</i>	13,415	13,415
<u>Loss from financial activities:</u>		
<i>Rent interest</i>	1,080	1,080
<i>(Losses) from currency exchange</i>	(2,542)	(2,542)
<u>Profit tax:</u>		
<i>Change in deferred income tax</i>	2,595	2,595
Net profit adjusted	8,156	8,064

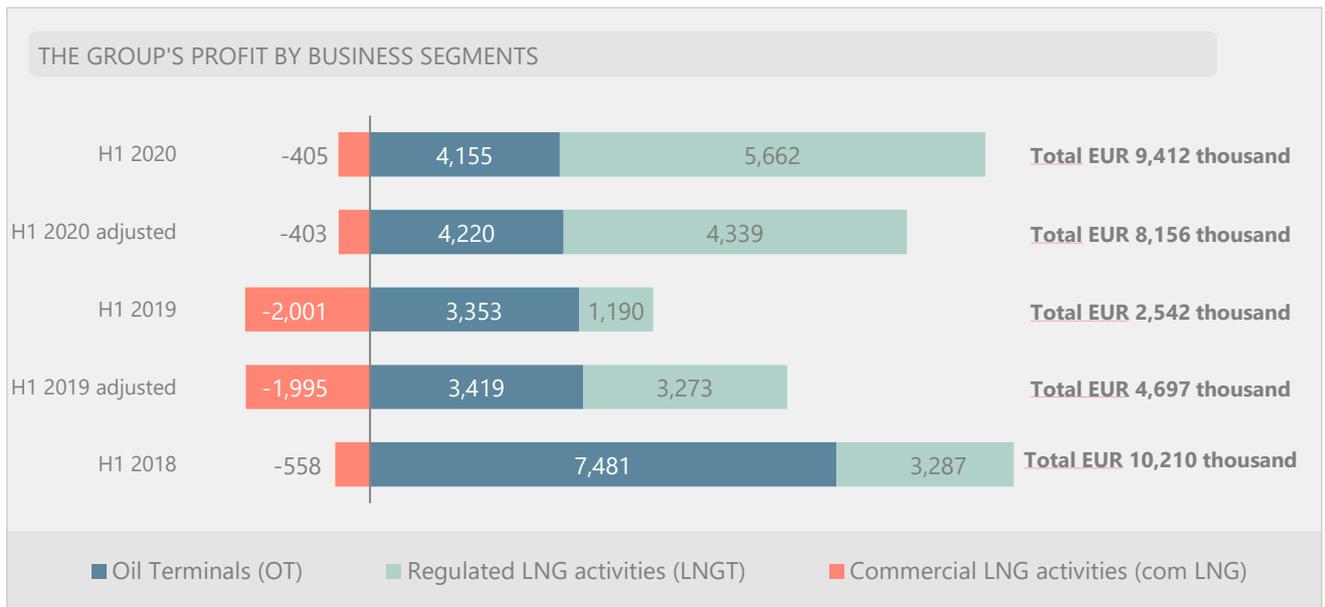
In year 2020 the main KN financial indicators have changed compared to 2019 as follows:

	H1 2020	H1 2020 adjusted	H1 2019	H1 2019 adjusted	Change, 2020A vs 2019A	
					+/-	%
GROUP						
Gross profit	15,643	13,261	8,683	7,977	5,284	66.2%
Net profit	9,412	8,156	2,542	4,697	3,459	73.6%
EBITDA	26,601	14,223	32,251	11,361	2,862	25.2%
Gross profit margin	38.4%	24.5%	16.9%	15.6%	8.9%	57.0%
Net profit margin	23.1%	15.1%	5.0%	9.2%	5.9%	63.7%
EBITDA margin	65.3%	26.3%	62.9%	22.2%	4.1%	18.5%
Earnings per share (EPS)	0.025	0.021	0.007	0.012	0.009	75.0%
Financial activity result	1,215	(247)	(2,912)	(51)	(195)	382.0%
Return on equity (ROE)	7.6%	7.0%	2.1%	3.2%	3.8%	117.7%
Return on assets (ROA)	2.4%	4.4%	0.9%	2.1%	2.3%	110.7%
COMPANY						
Gross profit	14,851	12,469	8,683	7,977	4,491	56.3%
Net profit	9,320	8,064	2,542	4,697	3,367	71.7%
EBITDA	26,527	14,148	32,251	11,361	2,787	24.5%
Gross profit margin	37.5%	23.5%	16.9%	15.6%	7.9%	50.6%
Net profit margin	23.5%	15.2%	5.0%	9.2%	6.0%	65.2%
EBITDA margin	66.9%	26.7%	62.9%	22.2%	4.5%	20.3%
Earnings per share (EPS)	0.024	0.021	0.007	0.012	0.009	75.0%
Financial activity result	1,267	(194)	(2,912)	(51)	(143)	280.1%
Return on equity (ROE)	7.8%	7.1%	2.1%	3.2%	3.9%	122.2%
Return on assets (ROA)	2.4%	4.5%	0.9%	2.1%	2.4%	115.3%

In H1 2020 **the Group's adjusted net profit** is EUR 8,156 thousand and is higher by 73.6 per cent or by EUR 3,459 thousand comparing to the same period in 2019 (EUR 4,697 thousand).

The Group's adjusted net profit margin for the first 6 months of 2020 is 15.1 per cent, the adjusted gross profit margin reached 24.5 per cent (in H1 2019 respectively 9.2 per cent and 15.6 per cent). The profit per one share amounts to EUR 0.025/share in H1 2020 (EUR 0.007/share in H1 2019).

In H1 2020 **the Company's adjusted net profit** is EUR 8,064 thousand and is higher by 71.7 per cent or by EUR 3,367 thousand comparing to H1 2019 (EUR 4,697 thousand). The Company's adjusted net profit margin for H1 2020 is 15.2 per cent, the adjusted gross profit margin reached 23.5 per cent (in H1 2019 respectively 9.2 per cent and 15.6 per cent). The profit per one share amounts to EUR 0.024/share in H1 2020 (EUR 0.007 /share in H1 2019).



The main impacts to the increase in Group's adjusted net profit by EUR 3,459 thousand is - EUR 1,066 thousand higher adjusted net profit of LNG terminal, by EUR 801 thousand higher adjusted net profit from Oil terminals, and LNG related business development loss was lower by EUR 1,592 thousand. For detailed explanations see below:

- The adjusted net profit of the LNG terminal (EUR 4,339 thousand) is higher by EUR 1,066 thousand Eur due to higher LNG regasification volume – by 73 per cent more LNG was regasified during the first 6 months of 2020 (11.1 million MWh) compared to the same period in 2019 (6.4 million MWh);
- Adjusted net profit of Klaipėda and Subačius Oil terminals is EUR 801 thousand higher due to lower cost of sales and lower operating expenses (for more details, please see section "Expenses");
- The adjusted loss of LNG related business development activities is lower by EUR 1,592 thousand because in 2020 the Company became the operator of a liquefied natural gas (LNG) terminal in the Brazilian port of Açu as well as a long-term contract with the Polish state gas

company PGNiG was signed for reserving capacity of Klaipėda LNG distribution station for the next 5 years.

In H1 2020 **Group's adjusted EBITDA** is EUR 14,223 thousand and is higher by 25.2 per cent or by EUR 2,862 thousand compared to H1 2019 (EUR 11,361 thousand). Adjusted EBITDA margin is 26.3 per cent, for H1 2019 – 22.2 per cent.

In H1 2020 **Company's adjusted EBITDA** is EUR 14,148 thousand and is higher by 24.5 per cent or by EUR 2,787 thousand compared to H1 2019 (EUR 11,361 thousand). Adjusted EBITDA margin is 26.7 per cent, for H1 2019 – 22.2 per cent.

In H1 2020 the **Group's adjusted annual return on equity (ROE)** is 7.0 per cent, the **Company's adjusted annual return on equity (ROE)** is 7.1 per cent (3.2 per cent in H1 2019).

The **adjusted Group's return on assets (ROA)** is 4.4 per cent in H1 2020, the **Company's adjusted return on assets (ROA)** is 4.5 per cent (2.1 per cent in H1 2019).

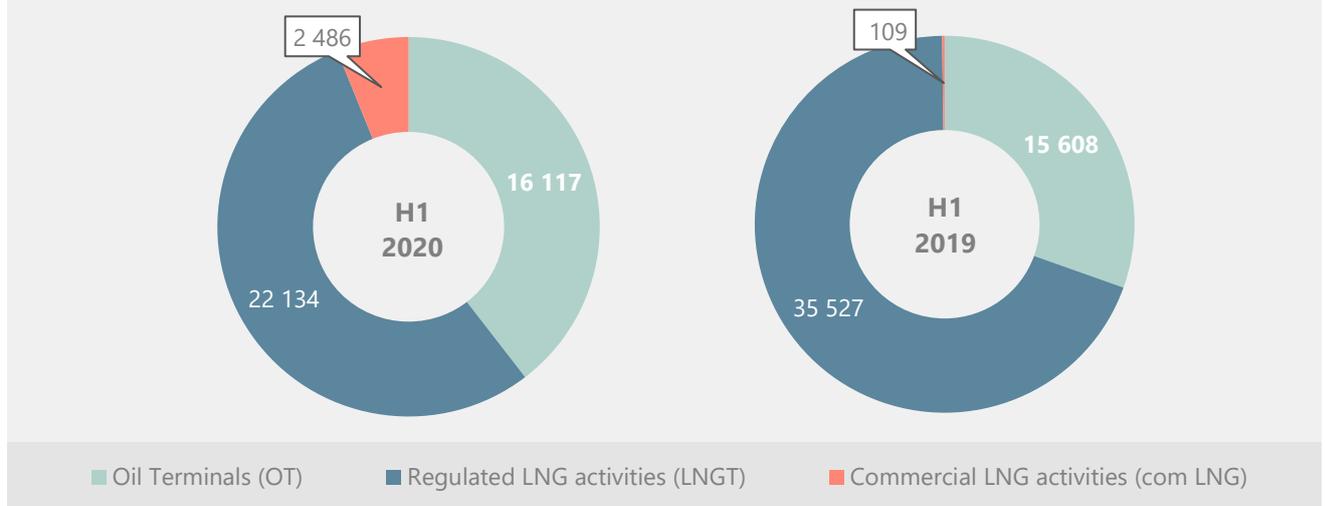
Sales revenue

In the first 6 months of 2020 the **Group's sales revenue** is EUR 40,737 thousand and is lower by EUR 10,507 thousand or by 20.5 per cent compared to the same period in 2018 (EUR 51,244 thousand). The **Company's sales revenue** is EUR 39,654 thousand.

In the first 6 months of 2020 the **Company's sales revenue** is EUR 39,654 thousand and is lower by EUR 11,590 thousand or by 22.6 per cent compared to the same period

in 2019 (EUR 51,244 thousand). The decrease in sales revenue is mainly related to the decrease in LNG terminal revenue by EUR 13,393 thousand due to reduced security supplement of Klaipėda LNG terminal from 1 January 2020. The decision was made in order to reduce the security component for Lithuanian gas consumers from 2020 onwards.

THE GROUP'S SALES REVENUE



LNG terminal revenue in the first 6 months of 2020 is EUR 22,134 thousand and is lower by EUR 13,393 or by 37.7 per cent compared to the same period in 2019 due to reduced security supplement of Klaipėda LNG terminal from 1 January 2020. The decision was made in order to reduce the security supplement for Lithuanian gas consumers from 2020.

The operation of the LNG terminal is regulated by setting a price cap; therefore, its revenue and profit do not depend on the volumes of regasification. The revenue from the regulated activities of the LNG terminal consists of the preliminary fixed part of the LNG regasification price (for annual consumption capacity), the variable part for regasified gas volume and the revenue from LNG reloading. The level of revenue of the Klaipėda LNG Terminal received for the annual consumption capacity does not depend on the volumes of regasification. Revenues are approved by the State Energy Regulatory Council (VERT) based on the established methodology for setting state regulated prices in the natural gas sector and calculating them for the entire period of the upcoming year.

Sales revenue of Klaipėda and Subačius oil terminals (oil product handling) in the first 6 months of 2020 is EUR 16,117 thousand and is higher by EUR 509 thousand or by 3.3 per cent compared to the same period in 2019. Despite the unfavourable circumstances in the first half of the year - the impact of COVID-19 on the global economy, the Company during the first 6 months of 2020 managed to secure a preliminary higher operating income from oil terminals than in the corresponding period a year ago. The handling of crude oil at the Klaipėda Oil Terminal (668 thousand tons were handled in 6 months of 2020) had a positive impact on the revenue of oil terminals.

Consolidated sales revenue from commercial LNG activities in the first 6 months of 2020 is EUR 2,486 thousand and is higher by EUR 2,377 thousand compared to the same period in 2019. The revenue increased due to the development of LNG activities in international projects and due to the conclusion of a long-term contract with the Polish state gas company PGNiG for the reservation of capacity of the Klaipėda LNG distribution station.

Expenses

The IFRS 16 "Leases" impact for the costs of H1 2020 is as follows:

in EUR thousand	30-06-2020 Group	30-06-2019 Group	30-06-2020 Company	30-06-2019 Company
Cost of sales and operating expenses	29,808	46,037	28,870	46,037
Depreciation expenses	(7,447)	(21,953)	(7,447)	(21,953)
Rent expenses	23,251	22,659	23,251	22,659
Adjusted cost of sales and operating expenses	45,612	46,743	44,674	46,743

In the first 6 months of 2020 the **adjusted cost of sales of the Group** is EUR 40,890 thousand and compared to the same period in 2019 (EUR 43,278 thousand) is lower by 5.5 per cent or EUR 2,387 thousand. In the first 6 months of 2020 the **Company's adjusted cost of sales** (EUR 40,599 thousand) compared to the same period in 2020 (EUR 43,278 thousand) are lower by 6.2 per cent or EUR 2,678 thousand. The decrease in costs was mainly due to EUR 1,021 thousand lower floating storage with regasification unit "Independence" (hereinafter – FSRU) lease and vessel operating costs, and EUR 1,374 thousand lower variable operating costs (see below for a more detailed explanation).

In the first 6 months of 2020 the **Group's adjusted operating expenses** are EUR 4,721 thousand and, compared to the same period in 2019 (EUR 3,465 thousand), are by 36.2 per cent or by EUR 1,256 thousand higher. The increase in the Group's operating expenses was mainly due to EUR 643 thousand higher operating expenses of the subsidiary KN Acu. In the first 6 months of 2020 the **Company's adjusted operating expenses** are 17.5 per cent or EUR 608 thousand higher and at the end of the period are EUR 4,073 thousand. The increase in these expenses was mainly influenced by EUR 768 thousand higher impairment of doubtful trade receivables.

	H1 2020	H1 2020 adjusted	H1 2019	H1 2019 adjusted	Change, 2020A vs 2019A	
GROUP						
Cost of sales	25,094	40,890	42,561	43,278	(2,387)	-5.5%
Operating expenses	4,714	4,721	3,476	3,465	1,256	36.2%
Total costs	29,808	45,612	46,037	46,743	(1,132)	-2.4%
COMPANY						
Cost of sales	24,803	40,599	42,561	43,278	(2,678)	-6.2%
Operating expenses	4,067	4,073	3,476	3,465	608	17.5%
Total costs	28,870	44,673	46,037	46,743	(2,070)	-4.4%

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

In EUR thousand	H1 2020				H1 2019				Change, 2020A vs 2019A	
	OT	LNGT	com LNG	Total	OT	LNGT	com LNG	Total	+/-	%
Depreciation and amortization	3,413	1,675	687	5,775	3,734	2,162	908	6,804	(1,029)	-15.1%
Rental costs of other assets	373	137	60	570	353	136	79	568	1	0.2%
Expenses related to FSRU rent (OPEX element, management fee, crew costs)	-	25,601	-	25,601	-	26,623	-	26,623	(1,021)	-3.8%
Wages, salaries and social security	3,822	1,394	1,219	6,435	3,565	1,224	728	5,517	918	16.6%
Variable costs (natural gas, electricity, railway services)	1,972	44	16	2,032	3,387	5	14	3,406	(1,374)	-40.3%
Port fees	3	776	1	780	-	764	-	764	16	2.1%
Impairment of doubtful accounts receivables	915	-	-	915	147	-	-	147	768	522.4%
Other cost of sales and operating expenses	1,243	1,449	812	3,504	1,162	1,397	355	2,914	589	20.2%
Total costs	11,741	31,076	2,795	45,612	12,348	32,311	2,084	46,743	(1,132)	-2.4%

In the first 6 months of 2020 **the amount of adjusted costs attributable to the LNG terminal** is EUR 31,076 thousand (in the first months of 2019 - EUR 32,311 thousand) and is lower by EUR 1,235 thousand or by 3.8 per cent. The major part of the costs consists of the FSRU lease and operating costs (total EUR 25,601 thousand), which are lower by EUR 1,021 thousand. Remaining costs (depreciation, wages, port dues and other operating costs) in the first 6 months of 2020 are EUR 5,475 thousand - lower by 3.7 per cent or EUR 213 thousand compared to the same period in 2019.

In the first 6 months of 2020 **the amount of adjusted costs attributable to Klaipėda and Subačius oil terminals** is EUR 11,741 thousand (in the first 6 months of 2019 - EUR 12,348 thousand) and is lower by 4.9 per cent

or EUR 607 thousand. The decrease in costs was mainly due to EUR 1,415 thousand lower variable costs (gas, electricity, railways), EUR 321 thousand lower depreciation and amortization costs (change related to investments in the oil terminal). The following costs of oil terminals increased the most: EUR 768 thousand higher provision for doubtful trade receivables and EUR 257 thousand (7.2%) higher wages and related costs.

In the first 6 months of 2020 **adjusted costs attributed to LNG commercial activities** (EUR 2,795 thousand) compared to the same period in 2019 (EUR 2,084 thousand) are higher by EUR 711 thousand. Their growth is mainly related to the development of international projects.

INVESTMENTS

The most important investment, projects in 2020:

No.	Project	Investments in 2020 (incl. prepayments)	Project description
1.	The 2nd stage of expansion of LFO Park in Klaipėda oil terminal (construction of new 6x20,000 tanks; 2x10,000 and 4x5,000 tanks)	EUR 0.9 million	Implemented the second investment stage of the development of the LFO storage tanks park which was approved in 2016. During 2020, the planned works have been fully completed mechanically, and minor deficiencies are being eliminated. One part of the project was officially handed over to the state commission. The final completion and delivery of the project is planned for the third quarter of the year.
2.	Construction of new railway trestle	EUR 0.0 million	During 2020, the project was coordinated with the related parties, the material of the tender for the purchase of construction works required for the implementation of the project was prepared, and other preparatory works were performed.
3.	Modernization of jetty No. 1 and No. 2	EUR 0.7 million	During 2020, reconstruction works of the jetty were carried out at the construction site. On the part of the Company, the projects of the infrastructure part were completed and coordinated, and the processes of purchasing works and equipment were initiated.

INFORMATION ABOUT THE SHAREHOLDERS AND SHARES OF THE COMPANY

Shareholders and Shares of the Company

The main data about the shares of the Company:

ISIN code	LT0000111650
Abbreviation	KNF1L
Share emission	380,952,393

Shareholders of the Company

As at 30 June 2020 all the shares of the Company were owned by 2,967 shareholders (on 30 June 2019 – 2,601). All shares of the Company are of one class ordinary registered shares granting their owners (shareholders) equal rights. One ordinary registered share of the Company grants one vote in the General meeting of Shareholders.

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

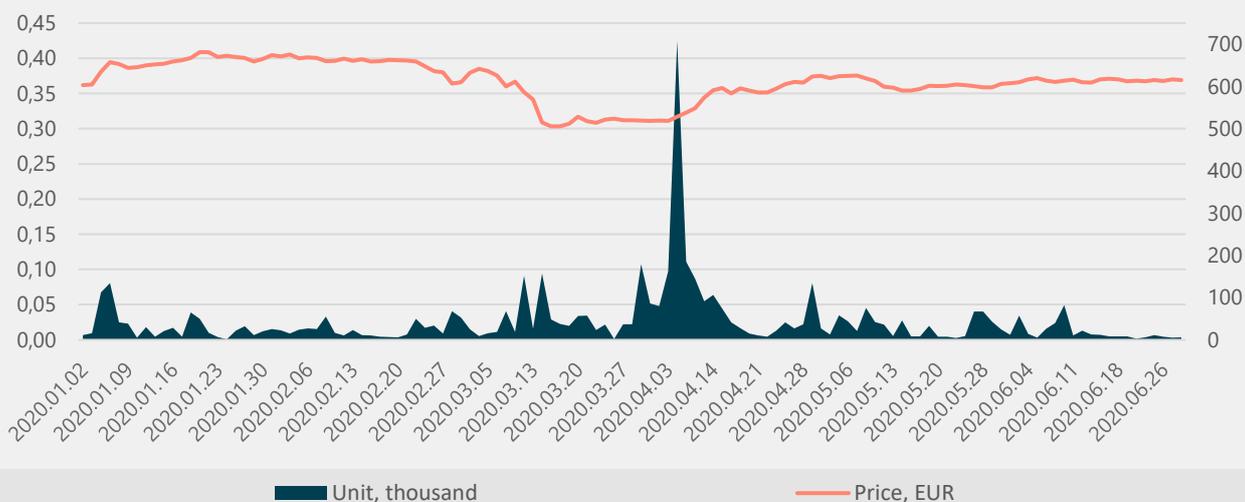
Major shareholders of the Company having more than 5% of shares (each) of the Company as at 30 June 2020 and 2019:

Shareholder's name (company's name, address, company code of registration)	30 June 2020		30 June 2019	
	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%	275,587,444	72.34%
Concern AB Achemos grupe (Vykinto st. 14, Vilnius, 156673480)	39,662,838	10.41%	39,650,338	10.41%
Other (each owning less than 5%)	65,702,111	17.25%	65,714,611	17.25%
Total	380,952,393	100.00%	380,952,393	100.00%

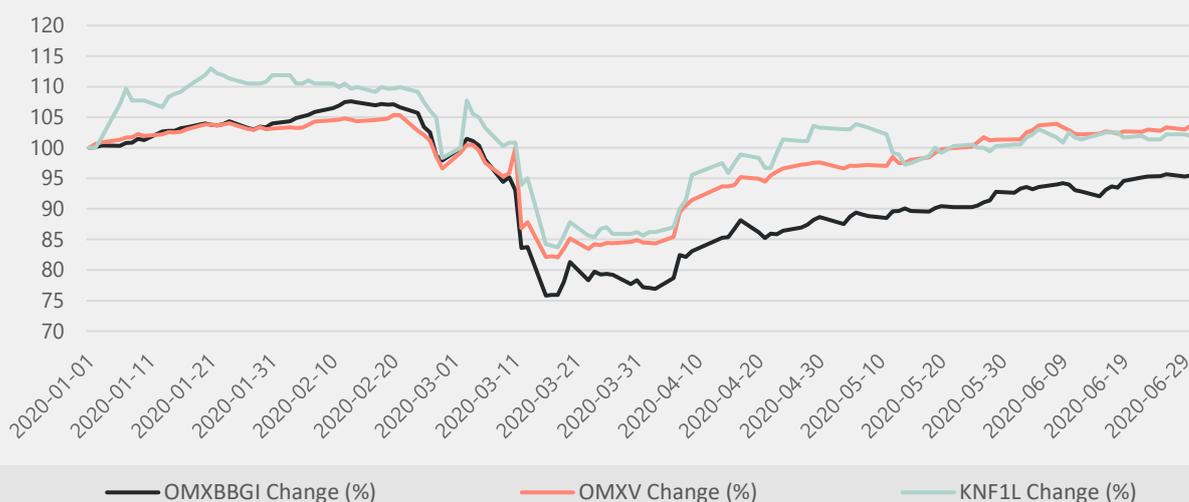
Dynamics of KNF1L share price at NASDAQ Vilnius during 2016 – 2020 and H1 2020.

	H1 2020	2019	2018	2017	2016
Highest share price in EUR	0.414	0.444	0.574	0.572	0.705
Lowest share price in EUR	0.301	0.357	0.386	0.428	0.360
Price per share at the end of the period in EUR	0.369	0.362	0.410	0.508	0.538
Average share price in EUR	0.367	0.393	0.502	0.490	0.505
Traded volume, pcs.	5,264,846	5,908,666	6,936,769	10,501,664	17,879,294
Turnover in EUR thousand	1,846	2,296	3,552	5,083	8,730
Capitalisation in EUR thousand	140,571	139,905	156,049	193,348	204,766

TRADING IN KNF1L SHARES ON NASDAQ VILNIUS STOCK EXCHANGE IN H1 OF 2020



KNF1L SHARE PRICE, NASDAQ VILNIUS AND BALTIC BENCHMARK GI INDEXES COMPARISON IN H1 OF 2020



Dividends

On 28th April 2020, the ordinary General Meeting of Shareholders has been held which approved the audited financial statements for 2019 as well as 2019 profit distribution. The Company has paid dividends in amount

of EUR 7,947 thousand or EUR 0.0209 for one share from the 2019 profit (in 2018 the Company paid EUR 11,577 thousand dividends or EUR 0.0304 for one share) in 2019.

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

	2020	2019	2018	2017	2016
Dividends paid in EUR thousand	7,947	11,577	17,031	9,656	17,629
Dividends per one share in EUR	0.0209	0.0304	0.0447	0.0254	0.0463
Net profit per 1 share in EUR	0.02	0.03	0.04	0.04	0.06
Dividends for net profit (of previous FY), %	100%	100%	100%	70%	80%

Agreements with intermediaries of public securities trading

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

AB SEB bank Financial Markets Department:

Company code	112021238
Address	J.Balčikonis Street 7, LT-08247 Vilnius, Lithuania
Telephone	1528
E-mail	info@seb.lt
Website	www.seb.lt

RISK FACTORS AND RISK MANAGEMENT

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

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

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

- Business risk. It is a risk category that is generally related to the 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 covering potential loss resulting from inadequate or failed procedures, systems or policies, employee errors, systems failures, fraud or other criminal activity as well as any event that disrupts business processes.
- Reputation risk. It is a risk mostly related with the Company's decisions and behaviour of its employees.
- Project risk. The Company is engaged in several large investment projects; therefore, effective risk management throughout the whole lifecycle is critical when achieving goals.

Some wider comments on the risk categories of the Company are provided below:

- Business risk

The Company works with several large customers in the business of handling oil products. The main client of the Company is AB ORLEN Lietuva whose transshipment volumes comprise more than half of the total Company's terminal transshipment volume. The Company has signed a long-term transshipment agreement with ORLEN Lietuva which is valid until 2024 and guarantees stable flows of oil products from ORLEN Lietuva. Nevertheless, the Company continuously looks for other potential clients, flows of shipments and alternative activities. Also, the Company reviews existing expenses and constantly searches for costs optimization possibilities.

Annual transshipment volume of oil products from Belarus and Russia make up the second largest group of the total transshipment volumes of the Company. Since Belarus has no direct access to the sea it must use transit services of neighbouring countries and their ports in order to export oil products to the Western countries. Therefore, the cooperation with Belarusian companies and institutions is highly important to divert their transit of oil products through the port of Klaipėda. Due to the significant share of Belarusian transit of oil products in Company's activities there is a risk (including, but not limited to, political, economic, etc.) that the Belarusian oil refineries may decide to export oil products using ports of other countries (Latvia, Estonia or Ukraine). On the other hand, Belarusian companies are highly dependent on oil import from Russia and any disruption in supply chain may lead to decreased quantities of refined oil products, thus decreasing transshipment volume of the Company. The flexibility of Company's oil terminal allows to accept and transship crude oil from Belarusian oil refineries. Company has successfully accepted 668 thousand tons of crude oil and is continuously negotiating for transshipment opportunities.

Main Company's competitors are other oil terminals located in Klaipėda as well as other terminals located along the Baltic sea and Black Sea that transship dark and light oil products: Kroviniu terminalas (Klaipėda), Ventspils Nafta Terminals (Latvia), Ventbunkers (Latvia), BLB (Latvia), Naftimpex (Latvia), Alexela (Estonia), Vopak EOS (Estonia), Vesta (Estonia), terminals in Odessa, Sevastopol, Feodosia (Ukraine), Peterburg Oil Terminal (Russia) as well as Ust-Luga terminal (Russia). The most important factors determining the Company's competitiveness in the market: technical characteristics of the port and terminal (depth and number of jetties, maximum allowable draft, terminal storage capacities, loading equipment capacity, etc.) and terminal infrastructure (road lines, railway networks, etc.).

The company's load, as well as revenue and profitability, largely depend on the situation in the oil products market. At low refining margins, refiners reduce refining, i.e. produce fewer petroleum products that can be exported through the Company or its competitors. Therefore, in the case of low-profit oil refining and a relative decrease in the flows of exported oil products, the competitive struggle for the handling of these flows intensifies, which affects the handling volumes of the Company and handling tariffs. The global COVID-19 pandemic in the first half of 2020 affects the consumption of oil products and the activities of oil refiners. For more information on the impact and risk management related to COVID-19 in the Company's operations, see the 2019 Annual Report - "Business Continuity - Impact of Covid-19".

With high refining margins, reverse processes take place; therefore, the Company seeks to enter into long-term stevedoring agreements that would guarantee a stable income, expand the park of storage tanks, which not only allows to increase the volume of stevedoring, but also enables handling of a wider range of oil products and to provide more complex services to our clients (storage, mixing).

It is probable that the Company's reputation, technological advantages (especially related to the transshipment of dark oil products in winter conditions), investments in the park of oil storage tanks, market share, long-term agreements with cargo owners and the fact that Klaipėda port is an ice-free port will allow the Company to maintain stable cargo flows.

In order to properly manage business risks, the Company strives to diversify its revenue sources as much as possible by expanding the range of services provided: LNG terminal operations, special attention and efforts dedicated to participating in international investment projects related to the development of LNG terminals. The first achievement of KN's international development was that the Company became the operator of a liquefied natural gas (LNG) terminal in the Brazilian port of Açu for a period of 13 years with the possibility of extending its service period. It is planned that the LNG terminal in the port of Açu will start operating in 2020, when the first power plant will start operating.

Technologically, the Açu LNG terminal, as well as the Klaipėda LNG and Cartagena LNG terminals are implemented using the same FSRU technology. The Company in Brazil uses its experience gained in the implementation and operation of the terminal in Lithuania as well as when providing commissioning services in Colombia.

The Law on the Liquefied Natural Gas Terminal adopted by the Seimas of the Republic of Lithuania on June 12, 2012 established the installation of LNG terminal in the territory of the Republic of Lithuania, the general principles and requirements of its operation and maintenance, as well as

created legal, financial and organizational conditions for LNG terminal operation.

On 1st March 2019 amendments to the Law on the Liquefied Natural Gas Terminal entered into force, which obliged the Company to acquire the ownership of floating storage with regasification unit by the end of 2024 (by 31 December 2024).

On 19th September 2019 the European Commission adopted a decision on the harmonization of state aid for the reduction of the LNG security supplement.

On 24th October 2019 the Board of the Company made a decision to acquire the currently leased LNG FSRU "Independence" or another FSRU by the end of 2024 with the following conditions: 1) financing of the purchase of the floating storage with regasification unit must be ensured, 2) the Parliament will coordinate state aid for the loan.

On 19th December 2019, a binding offer from NIB to finance the 100 % purchase price of FSRU (up to 160 MEUR) has been received.

On 19th December 2019, the Parliament has approved granting of the State guarantees for NIB loans for LNG security supplement reduction and purchase of FSRU.

On 20th December 2019, a loan agreement with NIB has been signed for the LNG security supplement reduction.

Improper amendment of the above-mentioned laws and legal acts regulating LNG operation (regulatory environment) could cause significant losses due to already made financial and / or legal commitments; therefore, the specialists of the Company actively participate in various meetings of the governing bodies and seek to evaluate consequences of possible changes in legal acts.

- Operational risk

Operational risks are the risks of potential losses (direct and indirect) due to external factors (natural disasters, criminal acts of third parties, etc.), internal factors (inefficient operations and management, improper and inefficient use of funds, lack of internal control, inefficient procedures, errors of the employees, failures of information systems, improper allocation of functions or responsibilities, cyber security deficiencies, etc.).

To manage operational risks, the Company implements appropriate organizational measures, implements supporting procedures of information systems, standards and business processes, which altogether must ensure the functioning of an appropriate internal control system and appropriate cooperation with related third parties. The Company applies the following key elements of internal control: separation of business decision-making and controlling functions, procedures for control of operations and accounting, limits of decision-making power and their control, collegial decision-making in essential business processes, etc.

The Company seeks to minimize the risk of legal compliance and ensure that its activities comply with applicable legal requirements and standards. For this purpose, the Company's legal department takes part in the decision-making processes of the Company's management, preparation of internal legal acts and agreements.

Representatives of potential customers who visited the company performed independent audits and positively assessed the existing infrastructure, the organization of key operational and safety processes, cooperation with interested third parties and the established control system.

- Reputational risk

The Company values its reputation and goodwill and takes reputational risk mitigation measures. The Company's values remain the foundation for business and behaviour in 2020. The culture in the Company is based on respect, cooperation, professionalism, and progress. The company continued to reach the highest possible level of employee involvement in 2020. The company organized an interactive one-day learning session - Values Dialogue, in which all employees engaged in discussions on how to behave in various situations according to our values. These initiatives have shown that employee behaviour is in line with values and the Company's Code of Ethics. The Company also pays a lot of attention to minimize the risk of corruption and implements appropriate internal processes.

To establish values among all employees, the company applies the same value implementation tools to the KN Açu: at the beginning of 2020, a dialogue of values for employees was held here, involving all employees in discussions based on the application of the Company's values in practical situations.

The company pays a lot of attention to minimizing the risk of corruption. Starting 2020 all employees of the company who are participating in KN procurement must have declared their private interests through the system of the Chief Official Ethics Commission (COEC). The aim is to prevent potential conflicts of interest. Also, all persons participating in the Company's procurements as well as

those who may directly or indirectly influence them, have signed declarations of impartiality, and promises of confidentiality. The Company also periodically includes topics related to the declaration of private interests in internal training.

The security of customer data and the quality of service is an important part of reputation. Thus, even working in unusual conditions dictated by the quarantine announced in the country, special attention was paid to ensure the continuity of obligations and services to customers. The Company also periodically organizes trainings on information and cyber security, management and protection of confidential information.

- Project risk

The company has approved long-term strategy until 2030, an important part of which is investment projects. The company invests in the development of the light oil product storage tank park, installation of appropriate connecting pipelines and pumping stations, construction of hydrated fuel oil tanks, and reconstruction of jetties. It is also looking for opportunities to participate in international liquefied natural gas investment projects. To assure financial return from the investments made, it is important to ensure that the relevant projects are implemented within the set budget and timeframe. The Board of the Company has set a tolerance limit of 10%, therefore the Company's management constantly monitors the opportunities for participation in projects and the implementation of significant projects for the Company and the status of related risks and mitigation measures.

More detailed comments **on the main risk groups of the Company** are provided in the Management Report of AB Klaipėdos Nafta, which together with the 2019 Annual Report and financial statements is published on the Company's website www.kn.lt and on the stock exchange NASDAQ Vilnius AB (www.nasdaqomxbaltic.com). Also, for more detailed information on the impact and risk management related to COVID-19 in the Company's operations, see 2019 Annual Report section "Business Continuity - Impact of Covid-19".

MANAGEMENT OF THE COMPANY

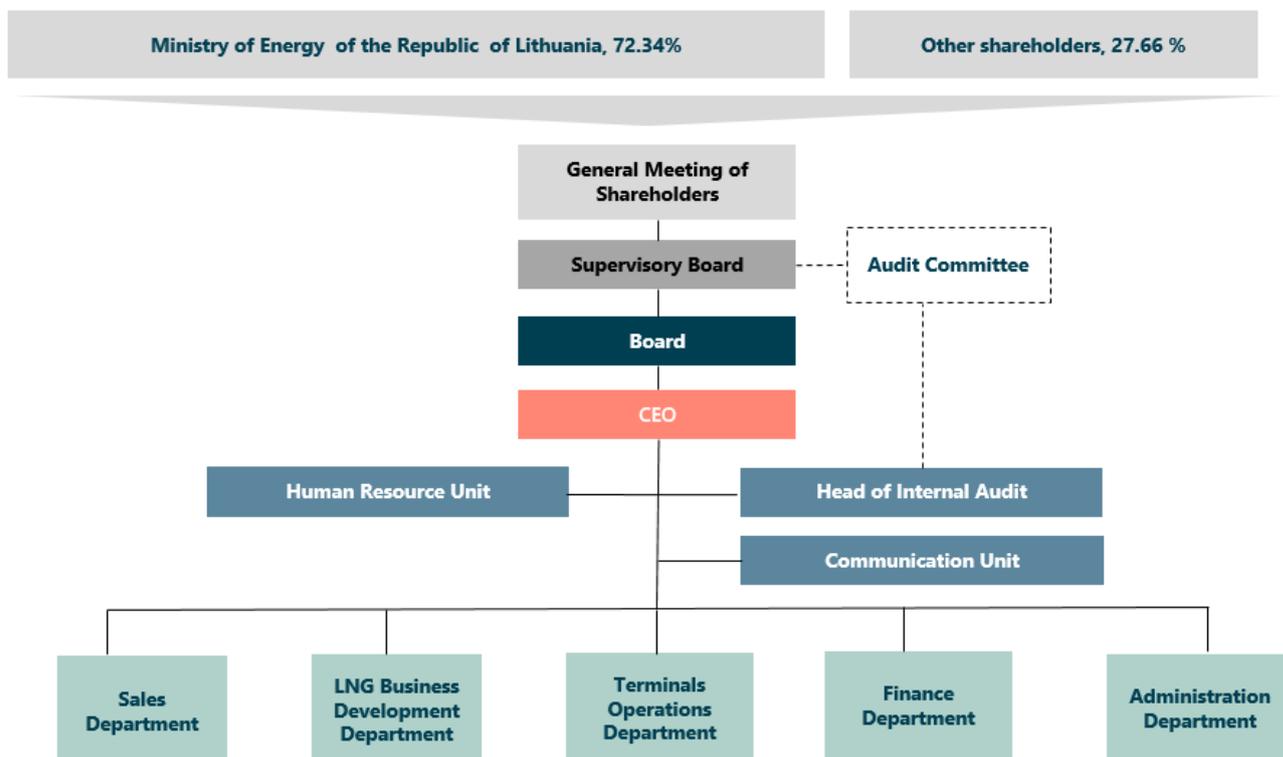
Management structure

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, General Manager).

Organizational and management structure of the Company:



The Supervisory Board is a collegial supervisory body which consists of 3 (three) members (at least 2 (two) being independent), elected for the period of four years in the General Meeting of Shareholders according to the procedure established by the Law on Stock Companies. The number of the terms of office a member may serve on the Supervisory Board is not limited. The CEO of the Company, a member of the Board of the Company and a person, who under the legal acts is not entitled to serve in this office, shall not serve on the Supervisory Board. The Supervisory Board is a collegial body supervising the activities of the Company, its status, competence, and functions have been defined by the Law on Stock Companies and the Articles of Association of the Company. Functions, rights, and duties of the Supervisory Board are detailed in the Working Regulations of the Supervisory Board. Upon convention of the Company's General Meeting of Shareholders on 27 April 2018, the members of the Company's Supervisory Board have been elected for the period of four years: Eimantas Kiudulas and Andrius Varanavičius (until 31 July

2020), Karolis Švaikauskas elected as a member of the Supervisory Board on 10 April 2020.

The Supervisory Board by its decision has established an **Audit Committee** as an advisory body.

The Audit Committee consists of 3 (three) members elected for the office term of the Supervisory Board. The Rules of formation and conduct of the Audit Committee of AB Klaipėdos nafta, approved by the Company's Supervisory Board, regulate functions, rights, and duties of the Audit Committee. The key functions of this committee are to observe preparation process of the Company's Financial Statements, the process of audit performance, analyse efficiency of the systems of internal audit and risk management.

By the decision of the Supervisory Board of the Company, the members of Audit committee have been elected until the end of office of the current Supervisory Board: Andrius

Varanavičius (until 31 July 2020) and Laura Garbenčiūtė – Bakienė (independent member) have been appointed from 21 August 2018 and Žana Kraučenkienė (independent member) has been appointed from 3 December 2018.

The Board is a collegial management body of the Company consisting of 5 (five) members, who are elected by the Supervisory Board for the period of 4 (four) years. Board members: Dainius Bražiūnas, Mantas Bartuška, Giedrius Dusevičius, Bjarke Pålsson ir Ian Bradshaw.

The Board members elect the Chairman of the Board. On 28 May 2018 Board member Giedrius Dusevičius has been elected as a chairman of the Board. The number of the terms of office a member may serve on the Board is not

limited. A person who is a member of the Supervisory Board of the Company or who under the legal acts may have no right to be elected, cannot serve as a member of the Board. The mandate of the Board members and scope of activity of the CEO have been determined by the Law of Stock Companies and the Articles of Association of the Company.

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

Supervisory Board

Name	Position in the Company	The independence criteria	Cadence commencement date
Eimantas Kiudulas	Chairman of the Supervisory Board	Independent	From the 27 April 2018 until 27 April 2022
Andrius Varanavičius	Member of the Supervisory Board	Independent	From the 27 April 2018 until 31 July 2020
Karolis Švaikauskas	Member of the Supervisory Board	-	From the 10 April 2020 until 27 April 2022

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 until 31 July 2020
Laura Garbenčiūtė-Bakienė	Member of Audit Committee	Independent	From the 21 August 2018 until 27 April 2022
Žana Kraučenkienė	Member of Audit Committee	Independent	From the 3 December 2018 until 27 April 2022

Board of the Company

Name	Position in the Company	The independence criteria	Board member from the date
Giedrius Dusevičius	Chairman of the Board	Independent	From the 30 December 2016
Dainius Bražiūnas	Member of the Board	-	From the 25 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

Management of the Company on 30 June 2020

Due to changes in the organizational structure of the Company which came into force on 1 June 2020, the ongoing selections for the positions of Chief Operations

Officer, Chief Sales Officer, and LNG Business Development Director were announced. Decisions on the selected candidates will be made by the Board of the Company.

Management of the Company

Darius Šilenskis	Chief Executive Officer
Jonas Lenkšas	Chief Financial Officer
Rimas Rusinas	Acting Chief Operations Officer
Rytis Valūnas	Chief Administrative and General Counsel
Jurgita Šilinskaitė-Vensloviėnė	Acting Chief Sales Officer
Dainius Sivickis	Acting LNG Business Development Director

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.

Number of AB Klaipėdos nafta Group employees at the end of the period:

	30-06-2020	30-06-2019	Change, %
AB Klaipėdos nafta	370	367	0.8%
UAB SGD terminalas	2	2	-
UAB SGD logistika	2	2	-
UAB SGD SPB	2	-	100%
KN Acu Servicos de Terminal de GNL LTDA	23	-	100%
Total	399	371	7.5%

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

The breakdown of the number of the AB Klaipėdos nafta Group and Company employees by gender as at 30 June 2020:

	Females	%	Males	%
AB Klaipėdos nafta	91	24.6%	279	75.4%
UAB SGD terminalas	1	50.0%	1	50.0%
UAB SGD logistika	1	50.0%	1	50.0%
UAB SGD SPB	1	50.0%	1	50.0%
KN Acu Servicos de Terminal de GNL LTDA	3	13.0%	20	87.0%
Total	97	24.3%	302	75.7%

Payroll system and Remuneration Policy

The Company seeks to create motivating, efficient, fair, transparent and easy to understand compensation system which aims to attract, retain, and motivate employees whose skills and work results help the Company to successfully develop and implement its mission and achieve strategic business objectives. Therefore, in September of 2016 the Employee Remuneration Policy has been formed and approved, on September of 2017 The Procedure of Remuneration System Formation has been approved. Starting, from January of 2018, the remuneration structure has been changed and in November of 2018 Rules for Granting Shares have been approved, in March of 2019 Procedure of the Program for Employee's pension saving in Pension Funds has been approved.

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

The goals of the Remuneration Policy are to:

- Establish clearly understandable, fair, and transparent procedures for the determination and payment of remuneration as well as the incentives of employees, aiming 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.

The remuneration of the employee may consist of the following components: a fixed component, i. e. a monthly salary (or a wage) and a variable component payable for either short-term performance results or the annual results of the Company's/the employee's performance.

The Company's remuneration system is based on the Hay Group Methodology, determining the weight of each position (to ensure fair remuneration for work within the Company). The amount of the monthly remuneration for the position is determined by assessing the level of knowledge and work experience required to perform the functions of each position, the complexity of the functions, the degree of responsibility and management level, the impact / risk on the Company's performance, working conditions. In order to ensure the competitiveness of the remuneration of the Company's employees and to promote the achievement of results, the remuneration

(fixed and variable remuneration components) focuses on the range of the 50th and 75th per centiles of the remuneration market of foreign capital companies operating in Lithuania. Employees in the same position can receive different monthly pay depending on qualifications, experience, capabilities, and functions and responsibilities assigned to the employee. The variable component is set according to the procedure laid down in the Remuneration Policy.

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

Detailed information on the remuneration system of the Company's management is provided in 2019 AB Klaipėdos nafta Governance Report.

The breakdown of AB Klaipėdos nafta Group employee related expenses (EUR thousand) by the companies:

	H1 2020	H1 2019	Change, %
AB Klaipėdos nafta	5,929	5,573	6.4%
UAB SGD terminalas	1	2	-50.0%
UAB SGD logistika	1	1	-
UAB SGD SPB	2	-	100%
KN Acu Servicos de Terminal de GNL LTDA	242	-	100%
Total	6,175	5,576	10.7%

Information about employees of the Company:

Employees according to the categories

Employee category	Average number of employees					
	Group H1 2020	Group H1 2019	Change, %	Company H1 2020	Company H1 2019	Change, %
Managers ¹⁾	45	44	2.3%	41	42	-2.4%
Specialists	203	187	8.6%	184	185	-0.5%
Workers	141	149	-5.4%	141	149	-5.4%
Total	389	380	2.4%	366	376	-2.7%

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

Average monthly salary according to the categories

Employee category	Average monthly salary (gross), EUR					
	Group H1 2020	Group H1 2019	Change, %	Company H1 2020	Company H1 2019	Change, %
Managers ¹⁾	5,538	4,570	21.2%	5,556	4,607	20.6%
Specialists	2,386	2,232	6.9%	2,490	2,235	11.4%
Workers	1,708	1,592	7.3%	1,708	1,592	7.3%
Average of the Company ²⁾	2,441	2,230	9.5%	2,501	2,232	12.1%

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.

The procedures for employee performance evaluation and annual bonus allocation

The Company has implemented the procedures for annual employee performance evaluation and annual bonus allocation. These bonuses depend on the achievement of the goals set directly for the person or for the Company. Annual employee performance review together with periodic one to one meeting throughout the year is one of the most effective management and leadership techniques that increase employee engagement and help to achieve the organizational goals. Such practice creates collaborative and positive relationships between managers and their subordinates that allow to make it clear with employees while planning their careers, increasing their motivation, and promoting continuous improvement in their professional field. Annual performance review at the Company is a tool for employee performance management and development that ensures that employees' personal goals are set in accordance with the Company's goals and values. The annual performance review helps to assess the employee's achievement of goals as well as set the new goals and form the feedback culture, strengthen

collaboration and unity between a supervisor and a subordinate. During the review opportunities for competence development, learning, and career are being discussed.

For the last five years the Company conducts personnel surveys in order to determine the level of employee satisfaction with the work environment and the Company and the level of engagement as well as to improve relevant areas and working conditions of employees. The personnel surveys in 2019 revealed that 62 per cent of employees are satisfied with their work environment, the Company, and its culture. Engaged Company's personnel in 2019 amounted 69 per cent.

The Company is measuring the level of engagement because it believes that colleagues who are engaged and like their job are more likely to do their job easier, feel happier, and accordingly generate greater returns to shareholders by effectively implementing Company's strategy and achieving the goals. In 2020, the Company plans to continue the survey of employee satisfaction with the work environment and the Company.

OTHER INFORMATION

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

Association can be made by the General Meeting of Shareholders.

Transactions with related parties

The Company did not have any transactions or agreements with the members of its Supervisory Board and the Board. More information regarding transactions with related Parties is presented in the Explanatory note to the Company's financial statements for H1 2020. There were no

changes in related party transactions that could affect the Company's financial performance during the first 6 months of 2020. All related party transactions were executed on market terms (arm's length).

Participation in Associations

The Company has been acting as a member of the following associations as at 30 June 2020:

- Klaipėda Chamber of Commerce, Industry and Crafts, <http://www.kcci.lt/> ;
- Association of Lithuanian Stevedoring Companies, www.ljkk.lt ;

- Lithuanian Confederation of Industrialists, www.lpk.lt ;
- Gas Infrastructure Europe (GIE) association Gas LNG Europe (GLE) group, www.gie.eu.com ;
- Lithuanian LNG cluster, www.lngcluster.eu

Information about the audit

On 30 August 2019, the Extraordinary General Meeting of Shareholders of the Company adopted a decision: UAB KPMG Baltics has been appointed as the audit company. It has already performed the audit of the Company's financial statements for 2019 and will perform audit of financial statements as well as audit of regulated activity for 2020. The shareholders authorized the Chief Executive Officer of the Company to enter into a contract for the provision of two-year audit services (financial audit and audit of regulatory activities) for Eur 94 thousand before VAT.

Proposals to the Board regarding the approval of the audit company are submitted by the Company's management after the completion of public procurement procedures. The 4 largest international audit companies (UAB Ernst & Young Baltic, UAB PricewaterhouseCoopers, UAB KPMG Baltics, and UAB Deloitte Lietuva) are invited to participate in the procurement, and the winner is selected according to the lowest price criterion.