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AN OFFICIAL ANNUAL REPORT IN .ZIP FORMAT WITH XBRL TAG YOU CAN FIND ON THE WEBSITE OF THE COMPANY IN THE FINANCIAL REPORTS SECTION AND AS ANNEX TO THE NASDAQ NOTIFICATION ON THE AUDITED ANNUAL INFORMATION.

# AB KN ENERGIES

## CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION AND CONSOLIDATED ANNUAL REPORT

## FOR THE FINANCIAL YEAR ENDING ON 31 DECEMBER 2023

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# AB KN ENERGIES
# FINANCIAL STATEMENTS
# 2023

## AB KN ENERGIES FINANCIAL STATEMENTS

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# Independent Auditor's Report

**To the Shareholders of AB KN Energies**

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

### Opinion

We have audited the separate financial statements of AB KN Energies ("the Company") and the consolidated financial statements of AB KN Energies and its subsidiaries ("the Group") contained in the file abknenergies-2023-12-31-en.zip (ParsePort generated hashcode: /l9EEIa/CIxv/2w=). The Company's separate and the Group's consolidated financial statements comprise:

- the separate and the consolidated statement of financial position as at 31 December 2023,
- the separate and the consolidated statement of profit or loss and other comprehensive income for the year then ended,
- the separate and the consolidated statement of changes in equity for the year then ended,
- the separate and the consolidated statement of cash flows for the year then ended, and
- the notes to the separate and the consolidated financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the non-consolidated financial position of the Company and the consolidated financial position of the Group as at 31 December 2023, and of their non-consolidated and consolidated financial performance and their non-consolidated and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards, as adopted by the European Union.

### Basis for Opinion

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





Company code: 111616158
VAT code: LT114949716

## Key Audit Matters

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

### Revenue recognition

Revenue recognized in the consolidated statement of comprehensive income in 2023 amounts to EUR 83,525 thousand. Revenue recognized in the separate statement of comprehensive income in 2023 amounts to EUR 80,356 thousand.

We refer to the financial statements:

*Significant accounting policies – "2.22. Revenue recognition" ; note "17 Revenue from contracts with customers"*

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| The Group and the Company have following main revenues streams: revenue from Liquefied natural gas terminal (LNGT) services, revenue from liquid energy products transhipment services, revenue from LNG reloading station and revenue from operations of LNG terminal in Açu port in Brazil.<br><br>Application of revenue recognition principles of the relevant financial reporting standards is complex and requires making significant assumptions and judgments. Particular complexity is associated with the following factors:<br><br>- the Group applies significant judgment, among other things, in determining which services are distinct and therefore constitute separate performance obligations;<br>- each performance obligation requires evaluation of whether it is satisfied over time or at a point in time. The determination requires a thorough consideration of contractual provisions to understand when control of the services is transferred to customers. Note 2.22 of the financial statements provides details of the timing and pattern of recognition of revenue for key revenue streams;<br>- significant judgement is required in allocating the transaction price to the performance obligations. The transaction price, which is the consideration the Group expects to receive for the transfer services to the customer, is allocated to the performance obligations based on its relative standalone selling price. | Our audit procedures included, among others:<br><br>• Updating our understanding of and evaluating the Group's revenue recognition process;<br>• Assessing whether the revenue recognition accounting policy applied to all revenue streams complies with the requirements of the relevant financial reporting framework;<br>• Evaluating the design and implementation of key controls over the revenues recognition processes;<br>• Assessing whether management identified appropriately separate performance obligations and determined correctly transaction prices by reference to a sample of contracts with customers and our knowledge of the business;<br>• For the sample of customers determining the total annual contract consideration by obtaining external confirmations from the customers;<br>• Assessing whether revenue recognition reflects the timing of satisfaction of identified performance obligations by reference to sales invoices and other documents as appropriate and using our knowledge of the business;<br>• Assessing the adequacy of revenue recognition – related disclosures in the consolidated and separate financial statements in relation to requirements of the applicable financial reporting framework. |

| | |
|---|---|
| Furthermore, revenue from LNG terminal services is subject to regulations of NERC and consists of LNG variable and fixed parts of consideration for regasification services and reloading service. The fixed part of consideration is collected from gas consumers through additional security supplement charged on top of the price of LNG transhipment.<br><br>Due to the materiality of the recognized revenue, judgements of the management involved in revenue recognition, the area required our increased attention in the audit and as such was determined to be a key audit matter. | |

## Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## Report on Other Legal and Regulatory Requirements

Under decision of the general shareholders‘ meeting we were appointed on 30 Augustl 2019 for the first time to audit the Company‘s and the Group's separate and consolidated financial statements. Our appointment to audit the Company‘s and the Group's separate and consolidated financial statements is renewed each year under decision of the general shareholders‘ meeting, and the total uninterrupted period of engagement is 5 years.

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

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

In addition to services provided to the Company and the Group in the course of audit and disclosed in the annual separate and consolidated management report or separate and consolidated financial statements, we have provided provided translation of consolidated and separate financial statements and performed procedures on the regulated activity report for the year ended 31 December 2023.

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

We have been engaged based our agreement by the management of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the European single electronic reporting format of the separate and consolidated financial statements, including consolidated annual report, contained in the file abknenergies-2023-12-31-en.zip (ParsePort generated hashcode: :  /l9EEIa/CIxv/2w=), for the year ended 31 December 2023 (the "Single Electronic Reporting Format of the separate and consolidated financial statements").

*Description of a subject and applicable criteria*

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

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

*Responsibilities of management and those charged with governance*

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

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

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

*Our responsibility*

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

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

*Summary of the work performed*

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

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

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

*Conclusion*

In our opinion, the Single Electronic Reporting Format of the separate and consolidated financial statements for the year ended 31 December 2023 complies, in all material respects, with the ESEF Regulation.

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

On behalf of KPMG Baltics, UAB

Rokas Kasperavičius
Partner
Certified Auditor

Klaipėda, the Republic of Lithuania
18 March 2024

*Disclaimer*

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

Accordingly, the independent auditor's report on Annual report 2023 filed in ESEF, is presented.

# STATEMENT OF FINANCIAL POSITION

| | Notes | Group | | Company | |
|---|---|---|---|---|---|
| | | 31-12-2023 | 31-12-2022 | 31-12-2023 | 31-12-2022 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Intangible assets | | 643 | 793 | 545 | 645 |
| Property, plant and equipment | 3 | 140,709 | 145,800 | 140,623 | 145,683 |
| Right-of-use assets | 3 | 314,927 | 328,515 | 314,908 | 328,495 |
| Other financial assets | | - | 575 | - | 465 |
| Investment in subsidiaries | 5 | - | - | 4,578 | 4,578 |
| Investment in associates | | 207 | 261 | 207 | 261 |
| Deferred tax asset | 21 | 2,832 | 5,106 | 2,832 | 5,106 |
| **Total non-current assets** | | **459,318** | **481,050** | **463,693** | **485,233** |
| | | | | | |
| **Current assets** | | | | | |
| Inventories | 6 | 1,608 | 2,120 | 1,608 | 2,120 |
| Trade receivables and other receivables | 7 | 13,807 | 14,741 | 12,862 | 13,972 |
| Contract assets | 8 | 556 | 328 | 556 | 328 |
| Other financial assets | 9 | 61,286 | 3,271 | 56,786 | 3,271 |
| Cash and cash equivalents | 10 | 19,535 | 72,423 | 17,405 | 66,848 |
| **Total current assets** | | **96,792** | **92,883** | **89,217** | **86,539** |
| | | | | | |
| **Total assets** | | **556,110** | **573,933** | **552,910** | **571,772** |

(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 | |
|---|---|---|---|---|---|
| | | 31-12-2023 | 31-12-2022 | 31-12-2023 | 31-12-2022 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Share capital | 11 | 110,315 | 110,315 | 110,315 | 110,315 |
| Share premium | | 4,002 | 4,002 | 4,002 | 4,002 |
| Reserves | | 22,979 | 29,633 | 22,979 | 29,633 |
| Foreign currency translation reserve | | 194 | 131 | - | - |
| Retained earnings | | 14,721 | (4,981) | 12,192 | (6,654) |
| **Total equity** | | **152,211** | **139,100** | **149,488** | **137,296** |
| **Non-current amounts payable and liabilities** | | | | | |
| Non-current employee benefits | 12 | 694 | 569 | 694 | 569 |
| Loans | 13 | 158,827 | 137,451 | 158,827 | 137,451 |
| Deferred government grants | 2.21 | 5,115 | 5,468 | 5,115 | 5,468 |
| Lease liabilities | 13 | 24,459 | 220,122 | 24,450 | 220,108 |
| **Total non-current amounts payable and liabilities** | | **189,095** | **363,610** | **189,086** | **363,596** |
| **Current amounts payable and liabilities** | | | | | |
| Current employee benefits | 12 | 122 | 62 | 122 | 62 |
| Loans | 13 | 5,556 | 5,689 | 5,556 | 5,689 |
| Lease liabilities | 13 | 188,707 | 46,126 | 188,697 | 46,118 |
| Trade payables and other liabilities | 14 | 5,435 | 5,871 | 5,144 | 5,721 |
| Payroll related liabilities | 15 | 3,568 | 3,437 | 3,401 | 3,252 |
| Provisions | 16 | 7,363 | 5,663 | 7,363 | 5,663 |
| Contract liabilities | 25 | 4,053 | 4,375 | 4,053 | 4,375 |
| **Total current amounts payable and liabilities** | | **214,804** | **71,223** | **214,336** | **70,880** |
| **Total equity and liabilities** | | **556,110** | **573,933** | **552,910** | **571,772** |

Explanatory notes are an integral part of these financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

| | Notes | Group | | Company | |
|---|---|---|---|---|---|
| | | 2023 | 2022 | 2023 | 2022 |
| Revenue from contracts with customers | 17 | 83,525 | 77,818 | 80,356 | 74,722 |
| Cost of sales | 18 | (60,024) | (57,703) | (58,949) | (56,706) |
| **Gross profit (loss)** | | **23,501** | **20,115** | **21,407** | **18,016** |
| Operating expenses | 19 | (10,963) | (8,432) | (10,057) | (7,526) |
| Other income and (expenses) | | 164 | 510 | 164 | 510 |
| **Profit (loss) from operating activities** | | **12,702** | **12,193** | **11,514** | **11,000** |
| Income from financial activities | 20 | 9,141 | 1,221 | 8,959 | 1,058 |
| Expenses from financial activities | 20 | (5,964) | (20,347) | (5,890) | (20,327) |
| Share of the associate’s profit or (loss) | | 93 | 33 | 93 | 33 |
| **Profit (loss) before tax** | | **15,972** | **(6,900)** | **14,676** | **(8,236)** |
| Income tax (expenses) | 21 | (2,746) | 996 | (2,306) | 1,504 |
| **Profit (loss) for the year** | | **13,226** | **(5,904)** | **12,370** | **(6,732)** |
| **Other comprehensive income** | | | | | |
| Actuarial gain (loss) | | (210) | 92 | (210) | 92 |
| Exchange differences on translation of foreign operations | | 63 | 213 | - | - |
| Related taxes | | 32 | (14) | 32 | (14) |
| **Total other comprehensive income** | | **(115)** | **291** | **(178)** | **78** |
| **Total comprehensive income (loss), net of tax** | | **13,111** | **(5,613)** | **12,192** | **(6,654)** |
| **Profit attributable to:** | | | | | |
| The shareholders of the Company | | 13,226 | (5,904) | 12,370 | (6,732) |
| Non-controlling interests | | - | - | - | - |
| **Total comprehensive income (loss) attributable to:** | | | | | |
| The shareholders of the Company | | 13,111 | (5,613) | 12,192 | (6,654) |
| Non-controlling interests | | - | - | - | - |
| Basic and diluted earnings (losses), in EUR | 22 | 0.04 | (0.02) | - | - |

Explanatory notes are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

## GROUP

| | Share capital | Share premium | Legal reserve | Reserve for own shares | Other reserves | Foreign currency translation reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 31 December 2021** | **110,315** | **4,002** | **11,051** | **15,929** | **67,624** | **(82)** | **(64,126)** | **144,713** |
| Net profit (loss) for the year | - | - | - | - | - | - | (5,904) | (5,904) |
| Other comprehensive income (loss) | - | - | - | - | - | 213 | 78 | 291 |
| Total comprehensive income (loss) | - | - | - | - | - | 213 | (5,826) | (5,613) |
| Transfer between reserves | - | - | - | - | (64,971) | - | 64,971 | - |
| **Balance as at 31 December 2022** | **110,315** | **4,002** | **11,051** | **15,929** | **2,653** | **131** | **(4,981)** | **139,100** |
| Net profit (loss) for the year | - | - | - | - | - | - | 13,226 | 13,226 |
| Other comprehensive income (loss) | - | - | - | - | - | 63 | (178) | (115) |
| Total comprehensive income (loss) | - | - | - | - | - | 63 | 13,048 | 13,111 |
| Transfer between reserves | - | - | - | (4,001) | (2,653) | - | 6,654 | - |
| **Balance as at 31 December 2023** | **110,315** | **4,002** | **11,051** | **11,928** | **-** | **194** | **14,721** | **152,211** |

## COMPANY

| | Share capital | Share premium | Legal reserve | Reserve for own shares | Other reserves | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| **Balance as at 31 December 2021** | **110,315** | **4,002** | **11,051** | **15,929** | **67,624** | **(64,971)** | **143,950** |
| Net profit (loss) for the year | - | - | - | - | - | (6,732) | (6,732) |
| Other comprehensive income (loss) | - | - | - | - | - | 78 | 78 |
| Total comprehensive income (loss) | - | - | - | - | - | (6,654) | (6,654) |
| Transfer between reserves | - | - | - | - | (64,971) | 64,971 | - |
| **Balance as at 31 December 2022** | **110,315** | **4,002** | **11,051** | **15,929** | **2,653** | **(6,654)** | **137,296** |
| Net profit (loss) for the year | - | - | - | - | - | 12,370 | 12,370 |
| Other comprehensive income (loss) | - | - | - | - | - | (178) | (178) |
| Total comprehensive income (loss) | - | - | - | - | - | 12,192 | 12,192 |
| Transfer between reserves | - | - | - | (4,001) | (2,653) | 6,654 | - |
| **Balance as at 31 December 2023** | **110,315** | **4,002** | **11,051** | **11,928** | **-** | **12,192** | **149,488** |

Explanatory notes are an integral part of these financial statements.

# CASH FLOW STATEMENT

| | Notes | Group | | Company | |
|---|---|---|---|---|---|
| | | 31-12-2023 | 31-12-2022 | 31-12-2023 | 31-12-2022 |
| **Cash flows from operating activities** | | | | | |
| Net profit (loss) | | 13,226 | (5,904) | 12,370 | (6,732) |
| Adjustments for non-cash items: | | | | | |
| Depreciation and amortization | 3 | 23,041 | 22,664 | 22,937 | 22,566 |
| Change in vacation reserve | 15 | 107 | (49) | 114 | (44) |
| Change in provisions | 16 | 1,700 | 2,067 | 1,700 | 2,067 |
| Contract assets | 8 | (119) | 175 | (229) | 285 |
| Income tax expenses | 21 | 2,746 | (996) | 2,306 | (1,504) |
| Share of (profit) or loss of equity-accounted investees | | (93) | (33) | (93) | (33) |
| Interest income | 20 | (1,514) | (31) | (1,344) | (31) |
| Interest expenses | 20 | 5,784 | 2,796 | 5,781 | 2,796 |
| Currency impact from lease liabilities | 20 | (7,368) | 17,380 | (7,368) | 17,380 |
| Other non-cash adjustments | | 1,662 | 1,415 | 1,541 | 1,145 |
| | | **39,172** | **39,484** | **37,715** | **37,895** |
| **Changes in working capital** | | | | | |
| (Increase) decrease in inventories | 6 | 420 | 101 | 420 | 100 |
| Decrease (increase) in trade and other accounts receivable | 7 | 2,006 | (2,607) | 1,925 | (3,127) |
| Increase (decrease) in trade and other payables | 14 | (657) | 7,130 | (407) | 7,590 |
| Increase (decrease) in contract liabilities | 25 | (322) | 537 | (322) | 537 |
| Increase (decrease) in payroll related liabilities | 15 | (1,551) | (797) | (1,482) | (781) |
| | | **39,068** | **43,848** | **37,849** | **42,214** |
| Cash collateral recovery | 9 | 2,500 | - | 2,500 | - |
| Cash collateral (payment) | 9 | (2,550) | - | (2,550) | - |
| Income tax (paid) | | (236) | (359) | - | - |
| Interest received | | 412 | 31 | 313 | 31 |
| Net cash flows from (used in) operating activities | | **39,194** | **43,520** | **38,112** | **42,245** |
| **Cash flows from investing activities** | | | | | |
| (Acquisition) of property, plant, equipment and intangible assets | 3 | (3,974) | (4,823) | (3,952) | (4,761) |
| Income from sales of non-current assets | | 67 | 186 | 67 | 186 |
| Short term deposits (placed)/received | 9 | (57,500) | - | (53,000) | - |
| (Acquisition) of other investments | | (2) | (2) | (2) | (2) |
| Dividends received | | 150 | - | 150 | - |
| Grants, subsidies received | 2.21 | - | 89 | - | 89 |
| Net cash flows from (used in) investing activities | | **(61,259)** | **(4,550)** | **(56,737)** | **(4,488)** |
| **Cash flows from financing activities** | | | | | |
| Loans received | 13 | 26,829 | 26,829 | 26,829 | 26,829 |
| Loans paid | 13 | (5,445) | (3,901) | (5,445) | (3,901) |
| Interest and fee related to loans (paid) | 13 | (3,990) | (759) | (3,990) | (759) |
| Guarantee fees (paid) | 13 | (144) | (606) | (144) | (606) |
| Lease liabilities (paid) | 13 | (46,487) | (47,901) | (46,482) | (47,895) |
| Interest on leasing liabilities paid | 13 | (1,586) | (1,726) | (1,586) | (1,725) |
| Net cash flows from (used in) financing activities | | **(30,823)** | **(28,064)** | **(30,818)** | **(28,057)** |
| **Net increase (decrease) in cash flows** | | **(52,888)** | **10,906** | **(49,443)** | **9,700** |
| Cash and cash equivalents on 1 January | 10 | 72,423 | 61,517 | 66,848 | 57,148 |
| Cash and cash equivalents on 31 December | 10 | 19,535 | 72,423 | 17,405 | 66,848 |

# EXPLANATORY NOTES TO FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

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

The subsidiaries are these:

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

The associates are these:

- Sarmatia Sp. z o.o. – as at 31 December 2023 and 2022 the Group and the Company owns 1% of the authorised capital of the international pipeline company. As a result of associate financial performance 100% impairment for investment to Sarmatia Sp. z o.o was accounted for as at 31 December 2023 and 2022. The Group and the Company is entitled to appoint one of five board members to the management of Sarmatia Sp. z o.o., thus it can have significant influence. Therefore, this investment was classified as an associate and measured using the equity method. The unaudited equity of the associate as at 31 December 2023 amounts to EUR 43 thousand (EUR (5) thousand as at 31 December 2022).
- BALTPOOL UAB – as at 31 December 2023 and 2022 the Group and the Company owns 33% of BALTPOOL UAB shares and their voting rights at the General Meeting of the Shareholders of BALTPOOL UAB. The unaudited equity of the associate as at 31 December 2023 is EUR 614 thousand (EUR 784 thousand as at 31 December 2022).

The main activities of the Group and the Company include operation of liquid energy products terminal, transshipment services and other related services, as well as operation of the liquefied natural gas terminal (hereinafter referred to as "LNGT") primarily dedicated to accept and store liquefied natural gas. Activity also includes regassification of LNG for gas supply into Gas Grid.

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

As at 31 December 2023 and 31 December 2022 authorised capital was equal to EUR 110,315,009.65, divided into 380,396,585 units of shares, each carrying one vote.

During the years 2023 and 2022, the Company did not acquire any of its own shares.

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

As at 31 December 2023 and 31 December 2022 the shareholders of the Company were:

| | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|
| | 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 (Gedimino av. 38/2, Vilnius, 302308327) | 275,687 | 72.47 | 275,687 | 72.47 |
| UAB koncernas Achemos grupė (Vykinto st. 14, Vilnius, 156673480) | 39,663 | 10.43 | 39,663 | 10.43 |
| Other (less than 5% each) | 65,047 | 17.10 | 65,047 | 17.10 |
| Total | 380,397 | 100.00 | 380,397 | 100.00 |

The average number of employees of the Group in 2023 was 358 (360 in 2022).

The average number of employees of the Company in 2023 was 329 (328 in 2022).

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

# 2 ACCOUNTING PRINCIPLES

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

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

The numbers in tables may not coincide due to rounding of specific amounts to EUR thousand. However, these rounding differences are not material to the financial statements.

## 2.1. Basis for preparation of the financial statements

**Statement of compliance**

Annual financial statements of the Group and the Company have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (hereinafter the EU). They were authorized for issuance by the management on 15 March 2024 and are subject to the approval of the shareholders. The shareholders of the Company have the power to reject these financial statements and request for the new ones to be prepared.

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

A number of new standards (or interpretations) are effective as of 1 January 2023; however, the effect of these standards or interpretations on the Group's and Company's financial statements is not significant.

**Standards and Interpretations in issue not yet adopted**

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

- Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7.

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

## 2.2. Foreign currency

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

The Group and the Company have opted to use the Euro (EUR) as their functional currency, taking into account the composition of revenue, costs, equity, and debt instruments. Although lease liabilities are denominated in US dollars, a significant portion of revenues and costs are in EUR. The pricing and costs of most of the Group's and the Company's products and services are influenced by competitive factors within Lithuania and other Eurozone countries. Furthermore, the equity of the Company is denominated in EUR.

**Transactions and balances**
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains or losses arising from the settlement of these transactions and from the conversion of monetary assets and liabilities denominated in foreign currencies, utilizing the exchange rate available at the reporting date, are recognized in the statement of profit or loss and comprehensive income as finance income or expenses.

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

**Group companies**
Upon consolidation, the assets and liabilities of foreign operations are translated into euros using the exchange rate prevailing at the reporting date, while their statements of profit or loss and comprehensive income are translated at average exchange rates observed during the reporting period. Any exchange differences arising from translation for consolidation are recognized in other comprehensive income. When a foreign operation is disposed of, the portion of other comprehensive income related to that specific foreign operation is reclassified to profit or loss and comprehensive income.

# 2 ACCOUNTING PRINCIPLES (CONT'D)

## 2.3. Going concern

Group's current liabilities exceeded current assets by EUR 118,012 thousand as at 31 December 2023 (Company's: EUR 125,119 thousand). The management of the Group and the Company reevaluated the going concern assumptions during the preparation of the Group's and the Company's Consolidated financial statements for the current reporting period. The increase in short-term liabilities was primarily driven by the obligation to acquire the FSRU by the end of 2024. The loan agreement for up to 160 million EUR dedicated to FSRU acquisition was signed with NIB in 2020 (used amount EUR 0). The guarantee for the loan has been granted by the State of Lithuania.

Additionally, a detailed analysis of liquidity and capital, including current credit facilities available and their contractual and expected maturities, was conducted. It was concluded that the management has sufficient basis to believe in the Company's and Group's ability to continue operating in the next reporting period, especially with the anticipated resolution of the liquidity issue following the acquisition of the FSRU and the support from the Government of the Republic of Lithuania as a guarantor of the loan.

## 2.4. Basis for consolidation

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

Total comprehensive income within a subsidiary is attributed to the non-controlling interest, even if doing so results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

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

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

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

## 2.5. Operating segments

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

The management of the Group has identified the following segments in accordance with the new Group strategy (Note 4):

- LET – Liquid energy terminals in Klaipėda and Subačius providing liquid energy products transshipment, long-term storage for such products and other related services;
- LNG business that includes LNGT and comLNG segments:
    - LNGT – LNG terminal in Klaipėda which receives, and stores liquefied natural gas, regasifies and supplies it to Gas Main pipeline;
    - comLNG – LNG commercial activities – includes LNG reloading station and execution of other global LNG projects;

# 2 ACCOUNTING PRINCIPLES (CONT'D)

## 2.6. Investment in subsidiaries and associates

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

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

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

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

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

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

## 2.7. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. The Group and the Company did not have assets with indefinite useful lives (as at 31 December 2023 and 31 December 2022). Intangible assets with finite lives are amortized over the useful economic lives of 3-15 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end. Calculation of amortization is discontinued as at the first day of the next month after the disposal of asset or when the whole acquisition cost is expensed or reclassified as a part of another asset.

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

## 2.8. Property, plant and equipment

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

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

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

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

When property, plant and equipment are retired or otherwise disposed, the cost and related depreciation are removed from the financial statements and any related gains or losses are included in the statement of comprehensive income. Gains and losses on

# 2 ACCOUNTING PRINCIPLES (CONT'D)

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

disposal of property, plant and equipment are determined as a difference between proceeds and the carrying amount of the property, plant and equipment disposed and recorded in profit (loss).

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

**Group and Company**

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

## 2.9. Financial instruments

**Financial instruments – initial recognition and subsequent measurement**

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

**i) financial assets**

**Initial recognition and measurement**

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

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

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

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

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

**Subsequent measurement**

After initial recognition, the Group and the Company measures a financial asset at:
- Amortised cost;
- Fair value through OCI with recycling of cumulative gains and losses upon derecognition (debt instruments). The Company did not have such items as at 31 December 2023 and 2022;
- Fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments). The Company did not have such items as at 31 December 2023 and 2022;
- Fair value through profit or loss. The Company did not have such items as at 31 December 2023 and 2022.

**Financial assets at amortised cost (debt instruments)**

This category is the most relevant to the Group and the Company. The Group's and the Company's financial assets at amortised cost includes trade, other current and non-current receivables and contract assets. The Group and the Company measures financial assets at amortised cost if both of the following conditions are met and is not designated as of FVTPL:
- The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# 2 ACCOUNTING PRINCIPLES (CONT'D)

## 2.9. Financial instruments (cont'd)

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

**Impairment of financial assets**

Further disclosures relating to impairment of financial assets are also provided in the following notes:
Trade receivables and contract assets (Note 7 and Note 8).

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

**ii) financial liabilities**

**Initial recognition and measurement**

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

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

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

**iii) Offsetting of financial instruments**

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

**iv) Derivative financial instruments and hedge accounting**

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

## 2.10. Derecognition of financial instruments

**Derecognition of financial assets**

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

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

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

When the Group and the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company

continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

# 2 ACCOUNTING PRINCIPLES (CONT'D)

## 2.10. Derecognition of financial instruments (cont'd)

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

**Derecognition of financial liabilities**

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

## 2.11. Employee benefits

**Social security contributions**

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

**Non-current employee benefits**

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

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

## 2.12. Inventories

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

## 2.13. Cash and cash equivalents

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

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

## 2.14. Short term deposits

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

## 2.15. Borrowing costs

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

The borrowing costs, which represent a part of the cost price of a qualifying asset, the Group and the Company begins to capitalize from the start of construction. Capitalization start is considered to be the day when the company meets the following conditions for

# 2 ACCOUNTING PRINCIPLES (CONT'D)

## 2.15. Borrowing costs (cont'd)

the first time: incurs costs in respect of the asset, incurs borrowing costs, carries out activities required to prepare the asset for its intended use or sale.

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

During the year 2023 and 2022 the Group and the Company did not capitalize borrowing costs due to the reason that all outstanding borrowings were related to assets which were not qualifying for borrowing costs capitalization in accordance with IAS 23.

## 2.16. Lease

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

**The Group and the Company as a lessee**

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

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

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

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

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

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the Group's and the Company's estimate of

the amount expected to be payable under a residual value guarantee, if the Group and the Company's changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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

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

***Short-term leases and leases of low-value assets***

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

# 2 ACCOUNTING PRINCIPLES (CONT'D)

## 2.16. Lease (cont'd)

**The Group and the Company as a lessor**

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

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

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

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

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

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

## 2.17. Income tax

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

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

The standard corporate income tax rate in the Republic of Lithuania is 15% as at 31 December 2023 and 31 December 2022. The Group's subsidiary KN Açu Serviços de Terminal de GNL Ltda applies Brazilian Tax System and subsidiary´s administration has elected the Real Profit Regime that is calculated on quarterly basis. The official rates are 25% for Income tax and 9% Social Contribution on Net Profit.

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

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

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

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

## 2.17. Income tax (cont'd)

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

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

## 2.18. Dividends

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

# 2 ACCOUNTING PRINCIPLES (CONT'D)

## 2.19. Basic and diluted earnings per share

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

## 2.20. Provisions

**General**

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

**Greenhouse gas (GHG) emissions**

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

## 2.21. Deferred government grants

**Asset-related grants**

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

**The Group and the Company**

| | 2023 | 2022 |
|---|---|---|
| **Balance as at 1 January** | **5,468** | **5,771** |
| Received during the year | - | 89 |
| Reclassification | - | (4) |
| Amortisation | (344) | (388) |
| Compensation of costs | (9) | - |
| **Balance as at 31 December** | **5,115** | **5,468** |

Amortisation of grants related to assets of EUR 344 thousand for 2023 (EUR 388 thousand for 2022) has been included into cost of sales in the statement of comprehensive income.

The Group and the Company has no unfulfilled conditions or contingencies attached to these grants as at 31 December 2023 and as at 31 December 2022.

**Income-related grants**

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

## 2.22. Revenue recognition

**Revenue from Contracts with Customers**

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

**Step 1 – Identification of the contract with the customer.**

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

## 2 ACCOUNTING PRINCIPLES (CONT'D)

### 2.22. Revenue recognition (cont'd)

A contract that is subject to IFRS 15 is recognized only if the following criteria are met:

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

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

**Step 2 – Identification of operational commitments in the contract.**

The contract establishes a commitment to deliver goods and / or services to the customer. When goods and / or services can be distinguished, liabilities are recognized separately. Each commitment is identified in one of two ways:

- the product and / or service is separate, or
- a set of individual goods and / or services that are essentially the same and passed on to the customer in a uniform model.

**Step 3 – Determination of a transaction price.**

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

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

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

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

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

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

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

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

The Group and Company has following main revenue streams:

**- Income from LNGT services (55% from total consolidated sales revenue in 2023, 57% in 2022)**

One performance obligation exists – to ensure the compensation of for all fixed operating costs of LNGT infrastructure. The Group and the Company acts as a principal in service provision. Revenues are recognized at the over the point of time when the services were rendered based on amount collected from the users of LNG terminal due to the following reasons:

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

**- Liquid energy products transshipment services (33% from total consolidated sales revenue in 2023, 34% in 2022)**

One performance obligation exists – to provide liquid energy product loading service for which the loading rate is specified. The Company acts as a principal in service provision. Revenues are recognized over time due to the following reasons:

- ✓ By providing the services of loading of liquid energy products, the Group and the Company does not create an alternative use of the assets, which it could sell as goods.
- ✓ The Group and the Company shall have the unconditional refund right for the performed share of production. In the event the client does not perform or is behind the schedule in performing his obligations, the Company, having notified the client, has the right to suspend the provision of services and/or to detain the liquid energy products within the terminal until the client's obligations are fulfilled. All the consequences and losses arising from the detention of liquid energy products and/or suspension of the provision of services shall be borne by the client.

## 2 ACCOUNTING PRINCIPLES (CONT'D)

### 2.22. Revenue recognition (cont'd)

- ✓ With the client's delay in dispatching the liquid energy products from the terminal, additional storage fees shall be applied. This way the Group and the Company shall not only compensate the expenses of storage of liquid energy products, but also obtain income.

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

**- Income from other LNG terminal activities (10% from total consolidated sales revenue in 2023, 7% in 2022). Main source of other LNG terminal activities income:**

Small-scale LNG reloading station in Klaipėda:

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

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

Operation of LNG terminal in Açu port in Brazil:

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

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

**- Other activities**

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

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

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

<u>Contract assets – accrued income</u>
Contract assets mean the right to the remuneration for goods or services, which were delivered or provided to the client, but not invoiced yet.

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

<u>Contract liabilities – prepayments received</u>
Contract liabilities include advances received from customers for services to be delivered in the future. Contract liabilities also include interest and fees paid by AB Amber Grid on behalf of AB Achema (as disclosed in Note 25).

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

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

The revenue of the LNG terminal activity comprises from:

i) LNG regasification service fixed part which is collected through additional Security Supplement;
ii) LNG regasification service variable part;
iii) LNG reloading service.

Regasification and reloading revenue are collected directly from the clients after services are provided based on quantities. For the actual tariffs see the LNGT services in the annual report. The LNG Security Supplement is collected by the transmission service

# 2 ACCOUNTING PRINCIPLES (CONT'D)

## 2.22. Revenue recognition (cont'd)

operator (hereinafter referred to as "TSO") either directly from the user or from suppliers of natural gas in case the user has no direct contractual obligations with the TSO. The additional Security Supplement is calculated by NERC on an annual basis in proportion to the planned natural gas consumption capacities as set out in National legislation in relation to gas market.

Prices set for the LNGT services for the year 2023 and 2022:

- LNG regasification service price fixed part is approved by NERC based on the LNG revenue cap. LNG revenue cap is set by NERC and adjusted annually according to the necessary costs of the LNG terminal and determined return on investment. The fixed part of the price is included into the additional Security Supplement to the natural gas transmission price, whether the Company is not able to cover the set revenue level from LNG regasification service price variable part directly from LNG terminal users.

- LNG regasification service price variable part is calculated based on the upper limit of LNG revenue divided by LNG terminal capacity per unit:
  - price of variable part for the year 2023 set by resolution No. O3E-799 on 31 May 2022, was 1.41 EUR/MWh.
  - price of variable part for May-December 2022 set by the resolution No. O3E-437 on 31 March 2022, was 1.19 EUR/MWh;
  - price of variable part for January-April 2022 set by the resolution No. O3E-1496 on 16 November 2021, was 0.41 EUR/MWh;

- NERC on 25 November 2022 adopted decision on reloading service prices for the year 2023. Differentiated LNG reloading tariff was set based on size of LNG cargos to be reloaded:
  - Small scale cargos up to 15,000 $m^3$ LNG – 0.62 EUR/MWh (0.56 EUR/MWh in 2022);
  - Medium scale cargos from 15,000 up to 50,000 $m^3$ LNG – 0.48 EUR/MWh (0.44 EUR/MWh in 2022);
  - Large scale cargos from 50,000 $m^3$ LNG – 0.35 EUR/MWh (0.31 EUR/MWh in 2022).

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

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

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

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

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

## 2.23. Expenses recognition

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

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

## 2.24. Impairment of non-financial assets

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

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

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

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

# 2 ACCOUNTING PRINCIPLES (CONT'D)

## 2.24. Impairment of non-financial assets (cont'd)

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

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

## 2.25. Use of estimates and judgements

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

**Significant accounting judgements**

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

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

**Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties as at 31 December 2023 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

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

## 2.26. Contingencies

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

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

## 2.27. Financial guarantee contracts

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

# 2 ACCOUNTING PRINCIPLES (CONT'D)

## 2.28. Subsequent events

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

## 2.29. Offsetting

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

## 2.30. Fair value

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

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

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

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

- the specific assets or liability, the fair value of which is determined (together with the appropriate unit of account);
- when non-financial asset is valuated, the valuation assumption, which is fit for the purpose of determining the fair value (along with the corresponding highest and best use of the non-financial asset);
- the principal (or most advantageous) market for the assets or liability;
- the valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorised.

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

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

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

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

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

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

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

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

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

## 3 PROPERTY, PLANT AND EQUIPMENT

### GROUP

| | Land | Buildings and structures | Machinery, plant and equipment | Other non-current assets | Construction in progress | Total |
|---|---|---|---|---|---|---|
| **Acquisition cost** | | | | | | |
| Balance as at 31 December 2021 | 38 | 182,072 | 189,092 | 26,056 | 13,249 | 410,507 |
| Acquisitions | - | 82 | 355 | 689 | 3,002 | 4,128 |
| Advance payments | - | - | - | 4 | - | 4 |
| Retirements and disposals | - | (8) | (77) | (837) | - | (922) |
| Transfer from construction in progress | - | 164 | 3,804 | 489 | (4,457) | - |
| Reclassification | - | 10 | (10) | - | (524) | (524) |
| Effect of foreign currency translation | - | - | 5 | 15 | - | 20 |
| Balance as at 31 December 2022 | 38 | 182,320 | 193,169 | 26,416 | 11,270 | 413,213 |
| Acquisitions | - | 213 | 838 | 652 | 1,823 | 3,526 |
| Advance payments | - | - | 4 | 3 | - | 7 |
| Retirements and disposals | - | - | (100) | (287) | - | (387) |
| Transfer from construction in progress | - | 3,616 | 6,951 | 714 | (11,307) | (26) |
| Reclassification | - | - | 182 | (145) | - | 37 |
| Effect of foreign currency translation | - | - | 3 | 7 | - | 10 |
| Balance as at 31 December 2023 | 38 | 186,149 | 201,047 | 27,360 | 1,786 | 416,380 |
| **Accumulated depreciation and impairment:** | | | | | | |
| Balance as at 31 December 2021 | - | 115,179 | 123,053 | 17,520 | 4,069 | 259,821 |
| Depreciation for the year | - | 2,977 | 4,180 | 1,325 | - | 8,482 |
| Retirements and disposals | - | (8) | (77) | (630) | - | (715) |
| Impairment for the year (reversal) | - | - | - | - | 27 | 27 |
| Reclassifications | | 39 | 881 | 112 | (1,204) | (172) |
| Effect of foreign currency translation | - | - | (8) | (22) | - | (30) |
| Balance as at 31 December 2022 | - | 118,187 | 128,029 | 18,305 | 2,892 | 267,413 |
| Depreciation for the year | - | 3,125 | 4,284 | 1,191 | - | 8,600 |
| Retirements and disposals | - | - | (100) | (244) | - | (344) |
| Reclassifications | - | 702 | 1,296 | 48 | (2,048) | (2) |
| Effect of foreign currency translation | - | - | 1 | 3 | - | 4 |
| Balance as at 31 December 2023 | - | 122,014 | 133,510 | 19,303 | 844 | 275,671 |
| Net book value as at 31 December 2021 | 38 | 66,893 | 66,039 | 8,536 | 9,180 | 150,686 |
| Net book value as at 31 December 2022 | 38 | 64,133 | 65,140 | 8,111 | 8,378 | 145,800 |
| Net book value as at 31 December 2023 | 38 | 64,135 | 67,537 | 8,057 | 942 | 140,709 |

## 3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

### COMPANY

| | Land | Buildings and structures | Machinery, plant and equipment | Other non-current assets | Construction in progress | Total |
|---|---|---|---|---|---|---|
| **Acquisition cost** | | | | | | |
| Balance as at 31 December 2021 | 38 | 182,072 | 189,045 | 25,937 | 13,249 | 410,341 |
| Acquisitions | - | 82 | 340 | 686 | 3,002 | 4,110 |
| Advance payments | - | - | - | 4 | - | 4 |
| Retirements and disposals | - | (8) | (77) | (837) | - | (922) |
| Transfer from construction in progress | - | 164 | 3,804 | 489 | (4,457) | - |
| Reclassification | - | 10 | (10) | - | (524) | (524) |
| Balance as at 31 December 2022 | 38 | 182,320 | 193,102 | 26,279 | 11,270 | 413,009 |
| Acquisitions | - | 213 | 835 | 652 | 1,823 | 3,523 |
| Advance payments | - | - | 4 | 3 | - | 7 |
| Retirements and disposals | - | - | (100) | (287) | - | (387) |
| Transfer from construction in progress | - | 3,616 | 6,951 | 714 | (11,307) | (26) |
| Reclassification | - | - | 182 | (145) | - | 37 |
| Balance as at 31 December 2023 | 38 | 186,149 | 200,974 | 27,216 | 1,786 | 416,163 |
| **Accumulated depreciation and impairment:** | | | | | | |
| Balance as at 31 December 2021 | - | 115,179 | 123,041 | 17,487 | 4,069 | 259,776 |
| Depreciation for the year | - | 2,977 | 4,159 | 1,274 | - | 8,410 |
| Retirements and disposals | - | (8) | (77) | (630) | - | (715) |
| Impairment for the year (reversal) | - | - | - | - | 27 | 27 |
| Reclassifications | - | 39 | 881 | 112 | (1,204) | (172) |
| Balance as at 31 December 2022 | - | 118,187 | 128,004 | 18,243 | 2,892 | 267,326 |
| Depreciation for the year | - | 3,125 | 4,273 | 1,162 | - | 8,560 |
| Retirements and disposals | - | - | (100) | (244) | - | (344) |
| Reclassifications | - | 702 | 1,296 | 48 | (2,048) | (2) |
| Balance as at 31 December 2023 | - | 122,014 | 133,473 | 19,209 | 844 | 275,540 |
| Net book value as at 31 December 2021 | 38 | 66,893 | 66,004 | 8,450 | 9,180 | 150,565 |
| Net book value as at 31 December 2022 | 38 | 64,133 | 65,098 | 8,036 | 8,378 | 145,683 |
| Net book value as at 31 December 2023 | 38 | 64,135 | 67,501 | 8,007 | 942 | 140,623 |

The Group's and the Company's depreciation of property, plant and equipment amounts to EUR 8,600 thousand and EUR 8,560 thousand for the year 2023, respectively (EUR 8,482 thousand and EUR 8,410 thousand – in 2022). In 2023 the depreciation EUR 344 thousand was reduced by amortisation of related grant (EUR 388 thousand – in 2022). EUR 8,532 thousand and EUR 8,492 thousand of depreciation charge has been included into cost of sales of the Group and the Company, respectively (EUR 8,376 thousand and EUR 8,303 thousand – in 2022). The remaining amount EUR 68 thousand (EUR 107 thousand – in 2022) has been included into operating expenses in the Statement of comprehensive income of both, the Group and the Company.

Part of the Group's and the Company's property, plant and equipment with the acquisition cost of EUR 43,150 thousand as at 31 December 2023 was completely depreciated (EUR 42,529 thousand on 31 December 2022), however, it was still in operation.

The Group's and the Company's property, plant and equipment attributed to Liquefied natural gas terminal (net book value amounted to EUR 36,212 thousand) was pledged to the Ministry of Finance of Republic of Lithuania for the state guarantee, given to European Investment Bank (hereinafter – EIB) and Nordic Investment Bank (hereinafter – NIB) as at 31 December 2023 (net book value amounted to EUR 38,132 thousand as at 31 December 2022).

The Group's and the Company's property, plant and equipment attributed to Subačius liquid energy terminal, with net book value amounting to EUR 4,089 thousand, was pledged to the Ministry of Finance of the Republic of Lithuania for the state guarantee, given to NIB as at 31 December 2023 (net book value of pledged property, plant and equipment amounted to EUR 4,277 thousand as at 31 December 2022).

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

The management of the Group and the Company has assessed the internal and external indications of impairment for property, plant and equipment attributed to LNG reloading station as at 31 December 2023.

During 2023, significant changes in the economic environment and financial markets did not take place on both regional and global scales. As of 31 December 2023, the management of the Group and the Company did not identify any other negative significant events or changes in circumstances that would indicate potential impairment of assets attributed to the LNG reloading station. The Cash Generating Units (CGUs) future cash flows have been reviewed considering current market conditions and management's expectations for future performance, along with a reassessment of the Weighted Average Cost of Capital (WACC) used for discounting future pre-tax cash flows.

## 3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

As at the end of the year 2023 the management of the Group and the Company performed an impairment test of property, plant and equipment attributed to LNG reloading station project by comparing discounted future cash flows forecasted for period till year 2048 (end of estimated useful life of assets) to carrying amounts of this cash generating unit (CGU).

Long-term results, such as those after the end of the rental period, were based on management judgment, strategic partner assumptions, available LNG market development studies, and other publicly available data sources.

Based on the impairment test results, no impairment was recognized for property, plant, and equipment and right-of-use assets attributed to the LNG reloading station as of 31 December 2023. The net book value of property, plant, and equipment and right-of-use assets attributed to the LNG reloading station amounted to EUR 22,273 thousand as of 31 December 2023 (EUR 23,635 thousand as of 31 December 2022).

*Impairment of property, plant and equipment and right of use asset attributed to Klaipėda liquid energy terminal assets*

During 2023, significant changes in the economic environment and financial markets did not occur at both regional and global scales. As of 31 December 2023, the management of the Group and the Company did not identify any other negative significant events or changes in circumstances that would indicate potential impairment to assets attributed to the Klaipėda liquid energy terminal. The CGU future cash flows have been reviewed in light of current market conditions and management's expectations for future performance, along with a reassessment of the WACC used for discounting future pre-tax cash flows.

The CGU's cash flows were projected for the period of 2024-2048 based on the estimated remaining useful life of key assets. Additionally, the segment operates in an asset-heavy and stable industry, relying on long-term contracts, allowing for the execution of long-term cash flow projections.

Restorative and maintenance investments into Klaipėda liquid energy terminal assets were assumed to reach EUR 54,664 thousand during the forecasted period.

Operating assumptions used in cash flow calculations are projected based on global oil market forecasts from the year 2030, while income and expense assumptions for the remaining periods are projected based on a long-term 2% growth rate, aiming for inflation target maintenance.

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

The discount rate was calculated as the weighted average cost of capital using data based on listed oil/gas distribution sector company performance during 2023, as well as other commonly used indicators such as the risk-free rate of Lithuanian government bonds, country risk premium, corporate credit spread, and effective tax rate reflecting the market that the CGU is generally based in. To reflect risks and uncertainties arising from the Group's and the Company's business environment, an additional risk premium of 1.08% was estimated and added directly to the pre-tax WACC estimate. Accordingly, the pre-tax discount rate was estimated at 9.71% and used for determining the value in use of the CGU as of December 31, 2023 (compared to 10.27% as of December 31, 2022).

Considering the changes in impairment testing assumptions, the result of the impairment testing of Klaipėda liquid energy terminal's assets did not indicate any potential impairment as of 31 December 2023.

**Sensitivity analysis of Klaipėda oil terminal assets value in use within an impairment test carried out as of 31 December 2023**

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

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

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

| | | Change in discount rate | | | | |
|---|---|---|---|---|---|---|
| | | *(1.0) p.p.* | *(0.5) p.p.* | *0.0 p.p.* | *+0.5 p.p.* | *+1.0 p.p.* |
| **Change in income projection** | *(10.0)%* | (6,664) | (10,483) | (14,035) | (17,342) | (20,424) |
| | *(5.0)%* | 8,075 | 3,654 | (0,460) | (4,292) | (7,866) |
| | *0.0%* | 22,813 | 17,791 | 13,115 | 8,758 | 4,692 |
| | *5.0%* | 37,552 | 31,927 | 26,690 | 21807 | 17,250 |
| | *10.0%* | 52,291 | 46,065 | 40,265 | 34,857 | 29,808 |

The Group and the Company have additionally assessed annual investments and income levels from key clients as major elements impacting the value in use of Klaipėda liquid energy terminal assets. Under the base scenario, EUR 54,664 thousand of capital investments are assumed during the valuation period. It is estimated that a 10% proportional increase in annual capital expenditure would reduce the recoverable amount of the Cash Generating Unit (CGU) by EUR 2,963 thousand, while a 10% decrease would result in an increase by EUR 2,963 thousand.

The net book value of property, plant, and equipment and right-of-use assets attributed to the Klaipėda liquid energy terminal amounted to EUR 81,923 thousand as of 31 December 2023 (compared to EUR 88,933 thousand as of 31 December 2022).

## 3 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

*Right-of-use assets*

### GROUP

| | Land | Buildings and structures | Machinery, plant and equipment | Other non-current assets | Total |
|---|---|---|---|---|---|
| **Acquisition cost** | | | | | |
| Balance as at 31 December 2021 | 22,592 | 1,065 | 393,035 | 45 | 416,737 |
| Acquisitions / disposals | 3,789 | 792 | - | - | 4,581 |
| Effect of foreign currency translation | - | 4 | - | - | 4 |
| Balance as at 31 December 2022 | 26,381 | 1,861 | 393,035 | 45 | 421,322 |
| Acquisitions / disposals | 74 | 345 | - | 385 | 804 |
| Balance as at 31 December 2023 | 26,455 | 2,206 | 393,035 | 430 | 422,126 |
| **Accumulated depreciation and impairment:** | | | | | |
| Balance as at 31 December 2021 | 7,379 | 957 | 70,100 | 45 | 78,481 |
| Depreciation for the year | 538 | 237 | 13,550 | - | 14,325 |
| Effect of foreign currency translation | - | - | 1 | - | 1 |
| Balance as at 31 December 2022 | 7,917 | 1,194 | 83,651 | 45 | 92,807 |
| Depreciation for the year | 540 | 257 | 13,550 | 43 | 14,390 |
| Effect of foreign currency translation | - | 2 | - | - | 2 |
| Balance as at 31 December 2023 | 8,457 | 1,453 | 97,201 | 88 | 107,199 |
| Net book value as at 31 December 2021 | 15,213 | 108 | 322,935 | - | 338,256 |
| Net book value as at 31 December 2022 | 18,464 | 667 | 309,384 | - | 328,515 |
| Net book value as at 31 December 2023 | 17,998 | 753 | 295,834 | 342 | 314,927 |

### COMPANY

| | Land | Buildings and structures | Machinery, plant and equipment | Other non-current assets | Total |
|---|---|---|---|---|---|
| **Acquisition cost** | | | | | |
| Balance as at 31 December 2021 | 22,592 | 1,036 | 393,035 | 45 | 416,708 |
| Acquisitions / disposals | 3,789 | 792 | - | - | 4,581 |
| Balance as at 31 December 2022 | 26,381 | 1,828 | 393,035 | 45 | 421,289 |
| Acquisitions / disposals | 74 | 337 | - | 385 | 796 |
| Balance as at 31 December 2023 | 26,455 | 2,165 | 393,035 | 430 | 422,085 |
| **Accumulated depreciation and impairment:** | | | | | |
| Balance as at 31 December 2021 | 7,379 | 952 | 70,100 | 45 | 78,476 |
| Depreciation for the year | 538 | 230 | 13,550 | - | 14,318 |
| Balance as at 31 December 2022 | 7,917 | 1,182 | 83,650 | 45 | 92,794 |
| Depreciation for the year | 540 | 250 | 13,550 | 43 | 14,383 |
| Balance as at 31 December 2023 | 8,457 | 1,432 | 97,200 | 88 | 107,177 |
| Net book value as at 31 December 2021 | 15,213 | 84 | 322,935 | - | 338,232 |
| Net book value as at 31 December 2022 | 18,464 | 646 | 309,385 | - | 328,495 |
| Net book value as at 31 December 2023 | 17,998 | 733 | 295,835 | 342 | 314,908 |

The Group's and the Company's depreciation of right-of-use asset amounts to EUR 14,390 thousand and EUR 14,383 thousand for the year 2023, respectively (EUR 14,325 thousand and EUR 14,318 thousand in 2022). EUR 14,098 thousand of depreciation charge has been included into cost of sales of both, the Group and the Company (EUR 14,088 thousand in 2022) and the remaining amount of EUR 292 thousand and EUR 285 thousand has been included into operating expenses in the Statement of comprehensive income of the Group and the Company, respectively (EUR 237 thousand and EUR 230 thousand in 2022).

Since right of use assets do not generate separate cash flow, the management of the Group and the Company has assessed the internal and external indications of impairment of right-of-use assets along with other tangible assets as common CGU as at 31 December 2023 and 31 December 2022. The management did not identify additional impairment of the right-of-use assets as at 31 December 2023.

## 4 INFORMATION ABOUT SEGMENTS

The management of the Group and the Company has identified the following segments in accordance with the new Group's strategy, where the names of segments were changed; however, these changes did not have an impact on the grouping:

LET – Liquid energy terminals in Klaipėda and Subačius, offering transshipment services for liquid energy products, long-term storage solutions for such products, and other related services;
LNG business that includes LNGT and comLNG segments:
LNGT – LNG terminal in Klaipėda which receives, and stores liquefied natural gas, regasifies and supplies it to Gas Main pipeline;
comLNG – LNG commercial activities – includes LNG reloading station and execution of other global LNG projects;

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

As at 31 December 2023, there were three customers each of which generated revenues exceeding 10% of total Company's revenues and in total amounted to EUR 38,220 thousand:

Customer A – EUR 15,388 thousand (LET);
Customer B – EUR 11,795 thousand (LNGT);
Customer C – EUR 11,037 thousand (LNGT);

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

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

Main indicators of the segments of the Group included in the statement of comprehensive income and statement of financial position for the financial year 2023 and 2022 are described below:

| | LET | LNG | | Total |
|---|---|---|---|---|
| **For the year ended 31 December 2023** | | *LNGT* | *comLNG* | |
| Revenues from contracts with customers | 27,919 | 48,743 | 6,863 | 83,525 |
| Profit (loss) before income tax | 4,896 | 9,717 | 1,359 | 15,972 |
| Segment net profit (loss) | 4,407 | 7,902 | 917 | 13,226 |
| Interest revenue | 1,262 | 82 | 170 | 1,514 |
| Loan interest expense | - | 4,220 | 1 | 4,221 |
| Interest on financial lease liabilities | 366 | 1,155 | 43 | 1,564 |
| Depreciation and amortisation | 5,262 | 2,189 | 1,200 | 8,651 |
| Depreciation of right-of-use-assets | 481 | 13,762 | 147 | 14,390 |
| Acquisitions of tangible and intangible assets | 3,233 | 413 | 93 | 3,739 |
| Segment total assets* | 108,697 | 346,163 | 24,215 | 479,075 |
| Loan and related liabilities | (20) | 164,445 | (42) | 164,383 |
| Lease liabilities | 18,604 | 192,513 | 2,049 | 213,166 |
| Segment total liabilities | 24,731 | 371,321 | 7,847 | 403,899 |

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

## 4 INFORMATION ABOUT SEGMENTS (CONT'D)

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

| *I. Revenues* | 2023 | 2022 |
|---|---|---|
| Total revenues for reportable segments | 83,525 | 77,818 |
| **Consolidated revenue** | **83,525** | **77,818** |

| *II. Profit (loss) before tax* | 2023 | 2022 |
|---|---|---|
| Total profit (loss) before tax for reportable segments | 15,972 | (6,900) |
| **Consolidated profit (loss) before tax from continuing operations** | **15,792** | **(6,900)** |

| *III. Net profit (loss)* | 2023 | 2022 |
|---|---|---|
| Total net profit (loss) for reportable segments | 13,226 | (5,904) |
| **Consolidated net profit (loss)** | **13,226** | **(5,904)** |

| *IV. Interest on financial lease liabilities* | 2023 | 2022 |
|---|---|---|
| Total interest on financial lease liabilities for reportable segments | 1,564 | 1,831 |
| **Consolidated interest on financial lease liabilities** | **1,564** | **1,831** |

| *V. Depreciation and amortization* | 2023 | 2022 |
|---|---|---|
| Total depreciation and amortization for reportable segments | 8,651 | 8,339 |
| **Consolidated depreciation and amortization** | **8,651** | **8,339** |

| *VI. Depreciation of ROU assets* | 2023 | 2022 |
|---|---|---|
| Total depreciation of ROU assets for reportable segments | 14,390 | 14,325 |
| **Consolidated depreciation of ROU assets** | **14,390** | **14,325** |

| *VII. Acquisitions of tangible and intangible assets* | 2023 | 2022 |
|---|---|---|
| Total acquisitions of tangible and intangible assets for reportable segments | 3,739 | 4,363 |
| **Consolidated acquisitions of tangible and intangible assets** | **3,739** | **4,363** |

| *VIII. Assets** | 2023 | 2022 |
|---|---|---|
| Total assets for reportable segments | 479,075 | 501,510 |
| **Consolidated total assets** | **479,075** | **501,510** |

| *IX. Loan and related liabilities* | 2023 | 2022 |
|---|---|---|
| Total loan and related liabilities for reportable segments | 164,383 | 143,140 |
| **Consolidated loan and related liabilities** | **164,383** | **143,140** |

| *X. Lease liabilities* | 2023 | 2022 |
|---|---|---|
| Total lease liabilities for reportable segments | 213,166 | 266,248 |
| **Consolidated financial lease liabilities** | **213,166** | **266,248** |

| *XI. Liabilities* | 2023 | 2022 |
|---|---|---|
| Total liabilities for reportable segments | 403,899 | 434,833 |
| **Consolidated total liabilities** | **403,899** | **434,833** |

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

## 4 INFORMATION ABOUT SEGMENTS (CONT'D)

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Lithuanian clients | 49,033 | 55,814 | 49,033 | 55,863 |
| Foreign clients | 34,492 | 22,004 | 31,323 | 18,859 |
| | 83,525 | 77,818 | 80,356 | 74,722 |

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

## 5 INVESTMENT IN SUBSIDIARIES

**The Company**

| | 31-12-2023 | 31-12-2022 |
|---|---|---|
| Cost of shares of UAB KN Global Terminals | 4,540 | 4,540 |
| Cost of shares of UAB SGD terminalas | 38 | 38 |
| | 4,578 | 4,578 |

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

**UAB KN Global Terminals**

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

The authorized capital of UAB KN Global Terminals is EUR 4,540,000, divided into 4,540,000 shares, each with a nominal value of EUR 1.00, granting 4,540,000 votes.

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

The management of the Company has reassessed indications of impairment of its investment in the subsidiary and found no indications as of 31 December 2023.

Unaudited financial position of UAB KN Global Terminals is as follows:

| | UAB KN Global Terminals | |
|---|---|---|
| | 2023 | 2022 |
| Non-current assets | 151 | 151 |
| Current assets | 5,808 | 4,665 |
| Current liabilities | 55 | 1 |
| Equity | 5,904 | 4,815 |

Unaudited comprehensive income of UAB KN Global Terminals is, as follows:

| | UAB KN Global Terminals | |
|---|---|---|
| | 2023 | 2022 |
| Income | 1,156 | 721 |
| (Expenses) | (68) | (68) |
| Profit (loss) | 1,088 | 653 |

**UAB SGD terminalas**

The subsidiary UAB SGD terminalas (Burių str. 19, 92276 Klaipėda, 304139242) was established and registered on 27 December 2018. UAB SGD terminalas objective is to perform activities of operating and managing a whole structure of LNG terminal in Klaipėda. The subsidiary is currently inactive.

Unaudited financial position of UAB SGD terminalas is as follows:

| | UAB SGD terminalas | |
|---|---|---|
| | 2023 | 2022 |
| Current assets | 20 | 24 |
| Current liabilities | 1 | 1 |
| Equity | 19 | 23 |

## 5 INVESTMENT IN SUBSIDIARIES (CONT'D)

Unaudited comprehensive income of UAB SGD terminalas is as follows:

| | UAB SGD terminalas | |
|---|---|---|
| | 2023 | 2022 |
| Income | - | - |
| (Expenses) | (4) | (4) |
| Profit (loss) | (4) | (4) |

## 6 INVENTORIES

| | Group | | Company | |
|---|---|---|---|---|
| | 31-12-2023 | 31-12-2022 | 31-12-2023 | 31-12-2022 |
| Spare parts, construction materials and other inventories | 1,082 | 1,374 | 1,082 | 1,374 |
| Diesel fuel for the LNG Terminal purpose | 359 | 257 | 359 | 257 |
| Fuel for transport and other equipment | 113 | 47 | 113 | 47 |
| Liquefied natural gas | 46 | 46 | 46 | 46 |
| Emission allowances | 8 | 133 | 8 | 133 |
| Liquid energy products for sale | - | 263 | - | 263 |
| | 1,608 | 2,120 | 1,608 | 2,120 |

No write down of inventories to net realisable value accounted as at 31 December 2023. As of 31 December 2022, the Group and the Company accounted the write-off of inventories in the amount of EUR 92 thousand that have been written down to the net realizable value.

In 2023 the Group and the Company recognised inventories for EUR 3,068 thousand (in 2022: EUR 5,549 thousand) in cost of sales and EUR 114 thousand in operating expenses (in 2022: EUR 37 thousand). Inventories recognised as costs during the year were included into following captions under costs of sales and operating expenses:

| | 2023 | 2022 |
|---|---|---|
| **Inventories recognised under cost of sales:** | | |
| Natural gas | 1,941 | 3,942 |
| Repair and maintenance of assets | 380 | 223 |
| Liquid energy products | 355 | 1,019 |
| Emission allowances | 216 | 168 |
| Services for tankers | 111 | 125 |
| Transport | 41 | 52 |
| Work safety costs | 23 | 19 |
| Other | 1 | 1 |
| | 3,068 | 5,549 |
| **Inventories recognised under operating expenses:** | | |
| Expenses for transport | 33 | 36 |
| Other | 81 | 1 |
| | 114 | 37 |

## 7 TRADE RECEIVABLES AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 31-12-2023 | 31-12-2022 | 31-12-2023 | 31-12-2022 |
| Trade receivable | 10,556 | 11,879 | 9,830 | 11,336 |
| Prepayments | 810 | 796 | 810 | 765 |
| Other receivables | 2,441 | 2,066 | 2,222 | 1,871 |
| | 13,807 | 14,741 | 12,862 | 13,972 |

Trade and other receivables are non-interest bearing and are generally settled on 2 - 20 days payment terms.

Trade receivable disclosed below:

| | Group | | Company | |
|---|---|---|---|---|
| | 31-12-2023 | 31-12-2022 | 31-12-2023 | 31-12-2022 |
| Receivables from LNG terminal activities | 7,854 | 8,521 | 7,855 | 8,521 |
| Receivables for transshipment of liquid energy products and other related services | 3,410 | 4,261 | 3,410 | 4,261 |
| Receivable for operating and management services | 804 | 620 | 77 | 77 |
| Less: impairment allowance | (1,512) | (1,523) | (1,512) | (1,523) |
| | 10,556 | 11,879 | 9,830 | 11,336 |

| | Group | | Company | |
|---|---|---|---|---|
| | 31-12-2023 | 31-12-2022 | 31-12-2023 | 31-12-2022 |
| Receivables from third-party customers | 5,583 | 6,801 | 4,839 | 6,221 |
| Receivables from related parties (Note 26) | 4,973 | 5,078 | 4,991 | 5,115 |
| | 10,556 | 11,879 | 9,830 | 11,336 |

The Group and the Company has recognized impairment allowance in the amount of EUR 1,512 thousand on 31 December 2023 (EUR 1,523 thousand on 31 December 2022).

Change in allowance (reverse) for trade receivables for 2023, amounting to EUR 11 thousand (for 2022 – allowance, amounting to EUR 12 thousand) has been included into operating expenses in the statement of the comprehensive income.

**Movements in the allowance for impairment in respect of trade receivables**

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

**Group and Company**

| | 31-12-2023 | 31-12-2022 |
|---|---|---|
| Balance at 1 January | 1,523 | 1,511 |
| Impairment of the year | - | 12 |
| Reversal of impairment | (11) | - |
| Balance at 31 December | 1,512 | 1,523 |

The age analysis of trade receivables of the Group and the Company as at 31 December 2023 and 2022 is as follows:

**Group**

| | Trade neither past due nor impaired | Trade receivables past due but not impaired: Less than 30 days | 30 – 59 days | 60 – 89 days | 90 – 179 days | 180 – 279 days | 280 – 359 days | More than 360 days | Total |
|---|---|---|---|---|---|---|---|---|---|
| 2023 | 4,946 | 1,575 | 49 | - | - | - | - | 3,986 | 10,556 |
| 2022 | 6,999 | 896 | 6 | 3 | - | 3,975 | - | - | 11,879 |

**Company**

| | Trade neither past due nor impaired | Trade receivables past due but not impaired: Less than 30 days | 30 – 59 days | 60 – 89 days | 90 – 179 days | 180 – 279 days | 280 – 359 days | More than 360 days | Total |
|---|---|---|---|---|---|---|---|---|---|
| 2023 | 4,220 | 1,575 | 49 | - | - | - | - | 3,986 | 9,830 |
| 2022 | 6,456 | 896 | 6 | 3 | - | 3,975 | - | - | 11,336 |

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

## 7 TRADE RECEIVABLES AND OTHER RECEIVABLES (CONT'D)

Other receivables disclosed below:

| | Group | | Company | |
|---|---|---|---|---|
| | 31-12-2023 | 31-12-2022 | 31-12-2023 | 31-12-2022 |
| Receivable interests from short-term deposits | 1,037 | - | 1,029 | - |
| VAT receivable | 979 | 860 | 979 | 860 |
| Excise duty receivable | 214 | 983 | 214 | 983 |
| Other receivable taxes (1) | 211 | 195 | - | - |
| Other receivables | - | 28 | - | 28 |
| Total | 2,441 | 2,066 | 2,222 | 1,871 |

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

## 8 CONTRACT ASSETS

**The Group and the Company**

| | 31-12-2023 | 31-12-2022 |
|---|---|---|
| **Current contract assets:** | | |
| Accrued income | 556 | 328 |
| | 556 | 328 |

Accrued income for storage of liquid energy products as of 31 December 2023 and 31 December 2022 calculated as percentage of completion based on expenses incurred from the total estimated cost of contracted services. Upon completion of transshipment of liquid energy products and acceptance by the customer, the amounts initially recognized as contract assets are reclassified as trade receivables.

## 9 OTHER FINANCIAL ASSETS

**The Group and the Company**

| | Group | | Company | |
|---|---|---|---|---|
| | 31-12-2023 | 31-12-2022 | 31-12-2023 | 31-12-2022 |
| Short-term deposits (1) | 57,500 | - | 53,000 | - |
| Deposit for tax obligations (2) | 3,321 | 3,271 | 3,321 | 3,271 |
| Other guarantees | 465 | - | 465 | - |
| Total | 61,296 | 3,271 | 56,786 | 3,271 |

(1) As at 31 December 2023, the Group had 6 short-term deposits at banks, amounted to EUR 57,500 thousand, with maturity of more than 3 months, the Company had had 4 short-term deposits at banks, amounted to EUR 53,000 thousand, with maturity of more than 3 months. Annual interest rate was from 2.30% to 4.00% for agreements signed.

In 2020-2021 the Group and the Company made a deposit to the State tax inspection for tax which may arise from the movement of excise goods under suspension of excise duty. The additional excise duty cash collateral in 2023 for EUR 2,550 thousand, from which EUR 2,500 thousand was recovered in May 2023. The use of the deposit is indefinite (returned within 5 working days from the submission of the request).

## 10 CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 31-12-2023 | 31-12-2022 | 31-12-2023 | 31-12-2022 |
| Cash at banks | 19,535 | 72,423 | 17,405 | 66,848 |

Cash and cash equivalents are not pledged as at 31 December 2023 and 31 December 2022. The Group and the Company didn't have restricted cash as at 31 December 2023 and 31 December 2022.

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

| | Group | | Company | |
|---|---|---|---|---|
| Currency | 31-12-2023 | 31-12-2022 | 31-12-2023 | 31-12-2022 |
| EUR | 14,049 | 66,687 | 12,628 | 61,909 |
| USD | 4,777 | 4,939 | 4,777 | 4,939 |
| BRL | 709 | 797 | - | - |
| | 19,535 | 72,423 | 17,405 | 66,848 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 31-12-2023 | 31-12-2022 | 31-12-2023 | 31-12-2022 |
| A+ | 7,276 | 26,784 | 5,855 | 22,006 |
| A- | 5,962 | 17,000 | 5,962 | 17,000 |
| AA- | 5,588 | 27,842 | 5,588 | 27,842 |
| BB- | 709 | 797 | - | - |
| | 19,535 | 72,423 | 17,405 | 66,848 |

Based on management's assessment performed and best estimate cash and its equivalents are presented at fair value and no indications of cash impairment exist as at 31 December 2023 and 31 December 2022.

## 11 ISSUED CAPITAL AND RESERVES

The Company's authorised capital is EUR 110,315,009.65, divided into 380,396,585 shares, each with one voting right. All shares are paid. 72.47% of the shares (275,687,444 shares) are owned by the State of Lithuania, represented by the Ministry of Energy.

The Company has not acquired any own shares and has arranged no deals regarding acquisition or transfer of its own shares during the year 2023 and 2022.

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit, calculated in accordance with International Financial Reporting Standards, are compulsory until the reserve reaches 10% of the share capital. The legal reserve is fully formed as at 31 December 2023 and 31 December 2022.

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

## 12 Non-current employee benefits

Provisions for non-current employee benefits represent payable amounts calculated in accordance with the Lithuanian laws. Each employee at retirement age is entitled to receive a payment of 2 monthly salaries upon retirement. As at 31 December 2023 and 31 December 2022 the Company and the Group has recognised employee benefits related to the length of service of employees, which is described in collective agreement. Depending on time spent in the Company, the employer is entitled to a higher benefit payment than the one prescribed by the law.

As at 31 December 2023 and 31 December 2022, the Company and the Group reclassified a portion of non-current employee benefits under short term liabilities.

On 31 December 2023 the liabilities related to the defined benefit obligations to the employees terminating the employment on the normal retirement date were EUR 816 thousand (EUR 631 thousand – in 2022) as follows:

## 12 NON-CURRENT EMPLOYEE BENEFITS (CONT'D)

**Group and Company**

| | 2023 | 2022 |
|---|---|---|
| Start of period | 631 | 756 |
| Calculated per year | 210 | (93) |
| Paid per year | (25) | (32) |
| End of period | 816 | 631 |
| | | |
| Current | 122 | 62 |
| Non-current | 694 | 569 |

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

**Group and Company**

| | 31-12-2023 | 31-12-2022 |
|---|---|---|
| Discount rate | 3.91% | 1.94% |
| Staff turnover rate | 7.94% | 8.46% |
| Future salary increases | 7.90% | 4.90% |

## 13 LOANS AND LEASE LIABILITIES

**Loans**

**The Group and the Company**

| | 31-12-2023 | 31-12-2022 |
|---|---|---|
| Nordic Investment Bank's loan (b, c) | 121,525 | 96,102 |
| European Investment Bank's loan (a) | 42,853 | 46,703 |
| Guarantee payment to the Ministry of Finance to the Republic of Lithuania | (126) | (130) |
| Payable loan interest | 131 | 465 |
| | 164,383 | 143,140 |

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

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

Above credit was facilitated in several tranches:

i. **First tranche.** On 20 December 2013, the 1st tranche amounting to EUR 15,000 thousand was received with full principal amortization till 20 December 2033. The principal repaid by EUR 966 thousand as of 31 December 2023. First tranche loan balance as at 31 December 2023 – EUR 9,859 thousand (as at 31 December 2022 – EUR 10,766 thousand).
ii. **Second tranche.** On 28 November 2014, the 2nd tranche amounting to EUR 15,000 thousand was received with full principal amortization till 28 November 2034. The principal repaid by EUR 967 thousand as of 31 December 2023. Second tranche loan balance as at 31 December 2023 – EUR 10,843 thousand (as at 31 December 2022 – EUR 11,751 thousand).
iii. **Third tranche**. On 15 December 2017, the 3rd tranche amounting to EUR 24,700 thousand was received with full principal amortization till 20 September 2034. The principal repaid by EUR 2,093 thousand as of 31 December 2023. Third tranche loan balance as at 31 December 2023 – EUR 22,151 thousand (as at 31 December 2022 – EUR 24,186 thousand).

The Company complied with covenants prescribed in the loan agreement as at 31 December 2023 and as at 31 December 2022.

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

## 13 LOANS AND LEASE LIABILITIES (CONT'D)

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

On 31 August 2017, the Company withdrew the amount of EUR 22,000 thousand. Resulting in requirement of full principal amortization till 19 June 2034. The principal repaid by EUR 1,419 thousand as of 31 December 2023. NIB loan balance as at 31 December 2023 – EUR 14,187 thousand (as at 31 December 2022 – EUR 16,615 thousand).

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

(c) On 19 November 2019, the Company concluded the Credit Agreement with the Nordic Investment Bank (NIB) regarding granting a credit of up to EUR 134,145 thousand for restructuring of the lease payments of the FSRU. According to the Loan contract, the term of the credit was up to 25 years (5 years grace period, 20 years linear repayment scheme), interest: floating (a fixed margin + 6 months EURIBOR). The Loan contract also provides that the minimal payable amount of credit is EUR 5,000 thousand with the annual tranche cap EUR 26,829 thousand (making total 5 annual tranches). Loan balance as at 31 December 2023 – EUR 107,338 thousand (as at 31 December 2022 – EUR 79,487 thousand).

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

On 31 March 2023, the Company withdrew the amount of EUR 6,707 thousand, followed by three consecutive tranches on 30 June 2023, 30 September 2023 and 31 December 2023 respectively, each amounting to EUR 6,707 thousand. The withdrawal schedule in 2022 was the same as in 2023: on 31 March 2022, the Company withdrew the amount of EUR 6,707 thousand, followed by three consecutive tranches on 30 June 2022, 30 September 2022 and 31 December 2022 respectively, each amounting to EUR 6,707 thousand.

**LEASE LIABILITIES**

| | Group | | Company | |
|---|---|---|---|---|
| | 31-12-2023 | 31-12-2022 | 31-12-2023 | 31-12-2022 |
| Lease liabilities | 213,166 | 266,248 | 213,147 | 266,226 |

Lease liabilities as at 31 December 2023 can be specified as follows:

**Group**

| | FSRU lease | Land rent | Jetty rent | Other* | Total |
|---|---|---|---|---|---|
| Long term lease liabilities | - | 18,851 | 4,856 | 752 | 24,459 |
| Short term lease liabilities | 187,510 | 661 | 122 | 414 | 188,707 |
| | 187,510 | 19,512 | 4,978 | 1,166 | 213,166 |

**Company**

| | FSRU lease | Land rent | Jetty rent | Other* | Total |
|---|---|---|---|---|---|
| Long term lease liabilities | - | 18,851 | 4,856 | 743 | 24,450 |
| Short term lease liabilities | 187,510 | 661 | 122 | 404 | 188,697 |
| | 187,510 | 19,512 | 4,978 | 1,147 | 213,147 |

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

**Group**

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

**Company**

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

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

## 13 LOANS AND LEASE LIABILITIES (CONT'D)

The interest rate for lease liabilities varies from 0.5% to 2% as at 31 December 2023 and as at 31 December 2022. The main characteristics of rent agreements by asset group, as well as the movement of the lease liability can be presented as follows:

**GROUP**, denominated in euros

| | Currency | Year of maturity | Carrying amount as at 31-12-2022 | Interests | Interest payments | Payments | Re-assessment | Additional disbursement | Exchange rate effect | Carrying amount as at 31-12-2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| FSRU lease | USD | 2024 | 240,374 | 1,056 | (1,079) | (45,473) | - | - | (7,368) | 187,510 |
| Land rent | EUR | 2055 | 19,674 | 388 | (390) | (234) | 74 | - | - | 19,512 |
| Jetty rent | EUR | 2065 | 5,469 | 99 | (99) | (491) | - | - | - | 4,978 |
| Other | EUR | 2023 | 731 | 21 | (18) | (289) | 339 | 382 | - | 1,166 |
| | | | **266,248** | **1,564** | **(1,586)** | **(46,487)** | **413** | **382** | **(7,368)** | **213,166** |

**COMPANY**, denominated in euros

| | Currency | Year of maturity | Carrying amount as at 31-12-2022 | Interests | Interest payments | Payments | Re-assessment | Additional disbursement | Exchange rate effect | Carrying amount as at 31-12-2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| FSRU lease | USD | 2024 | 240,374 | 1,056 | (1,079) | (45,473) | - | - | (7,368) | 187,510 |
| Land rent | EUR | 2055 | 19,674 | 388 | (390) | (234) | 74 | - | - | 19,512 |
| Jetty rent | EUR | 2065 | 5,469 | 99 | (99) | (491) | - | - | - | 4,978 |
| Other | EUR | 2023 | 709 | 19 | (18) | (284) | 339 | 382 | - | 1,147 |
| | | | **266,226** | **1,562** | **(1,586)** | **(46,482)** | **413** | **382** | **(7,368)** | **213,147** |

As at 31 December 2023 and 31 December 2022 the Group and the Company did not have residual value guarantees related to lease agreements or leases not yet commenced to which the Group and the Company is committed. Only one agreement, FSRU lease, contains purchase option, which is described below.

**Floating Storage and Regasification Unit (FSRU) lease**

On 2nd March 2012 the Company has signed the 10 years Build, Operate and Transfer (BOT) lease contract with Hoegh LNG Ltd. regarding LNG Floating Storage and Regasification Unit (FSRU) with a purchase option. FSRU has arrived at the Seaport of Klaipėda at 27th October 2014 and has been taken over by the Company on 27th November 2014. There have been no changes in the BOT lease contract with Hoegh LNG Ltd. regarding LNG Floating Storage and Regasification Unit (FSRU) in the year 2023 and 2022. The terms and condition of the BOT lease contract do not provide any restrictions on the Company's activities, associated with dividends, additional borrowings or additional rent.

FSRU operating lease payments include such elements:

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

At the lease period end the Group and the Company has an option to purchase FSRU Independence. On 25 February 2021 the General Shareholders' Meeting approved the decision to acquire the floating storage regasification unit "Independence". The acquisition is expected to be settled in December 2024.

## 13 LOANS AND LEASE LIABILITIES (CONT'D)

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

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

| | Group | | Company | |
|---|---|---|---|---|
| | Loans | Lease liabilities | Loans | Lease liabilities |
| **Non-current interest-bearing loans and borrowings, including interest payable as at 1 January 2022** | **119,923** | **287,105** | **119,923** | **287,080** |
| Additional loan disbursements (Cash flows) | 26,829 | 4,580 | 26,829 | 4,580 |
| Loan repayments (Cash flows) | (3,901) | - | (3,901) | - |
| Repayment of lease liabilities (Cash flows) | - | (47,901) | - | (47,895) |
| Interest and loan administration fee charged | 973 | 1,831 | 964 | 1,829 |
| Interest and loan administration fee paid (Cash flows) | (759) | (1,726) | (759) | (1,725) |
| Guarantee payments (Cash flows) | (606) | - | (606) | - |
| The effect of changes in foreign exchange rates | - | 17,380 | - | 17,380 |
| Other payments / reclassifications | 681 | 4,979 | 690 | 4,977 |
| **Non-current interest-bearing loans and borrowings, including interest payable as at 1 January 2023** | **143,140** | **266,248** | **143,140** | **266,226** |
| Additional loan disbursements (Cash flows) | 26,829 | 382 | 26,829 | 382 |
| Loan repayments (Cash flows) | (5,445) | - | (5,445) | - |
| Repayment of lease liabilities (Cash flows) | - | (46,487) | - | (46,482) |
| Interest and loan administration fee charged | 3,993 | 1,564 | 3,993 | 1,562 |
| Interest and loan administration fee paid (Cash flows) | (3,990) | (1,586) | (3,990) | (1,586) |
| Guarantee payments (Cash flows) | (144) | - | (144) | - |
| The effect of changes in foreign exchange rates | - | (7,368) | - | (7,368) |
| Reassessment | - | 413 | - | 413 |
| **Non-current interest-bearing loans and borrowings, including interest payable as at 31 December 2023** | **164,383** | **213,166** | **164,383** | **213,147** |

## 14 TRADE PAYABLES AND OTHER LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| | 31-12-2023 | 31-12-2022 | 31-12-2023 | 31-12-2022 |
| Trade payables | 4,779 | 3,596 | 4,521 | 3,564 |
| Other payables and current liabilities | 656 | 2,275 | 623 | 2,157 |
| | 5,435 | 5,871 | 5,144 | 5,721 |

Trade payables disclosed below:

| | Group | | Company | |
|---|---|---|---|---|
| | 31-12-2023 | 31-12-2022 | 31-12-2023 | 31-12-2022 |
| Other payments related FSRU | 2,030 | 1,640 | 2,030 | 1,640 |
| Payable to contractors | 274 | 184 | 274 | 184 |
| Payable for gas services | 255 | - | 255 | - |
| Payable for railway services | 79 | 99 | 79 | 99 |
| Other trade payables | 2,141 | 1,673 | 1,883 | 1,641 |
| Total | 4,779 | 3,596 | 4,521 | 3,564 |

On 31 December 2023 trade payables of EUR 2,030 thousand were denominated in USD (on 31 December 2022 – EUR 912 thousand).

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

## 14 TRADE PAYABLES AND OTHER LIABILITIES (CONT'D)

Other payables and current liabilities disclosed below:

| | Group | | Company | |
|---|---|---|---|---|
| | 31-12-2023 | 31-12-2022 | 31-12-2023 | 31-12-2022 |
| Accrued expenses and liabilities | 411 | 909 | 411 | 909 |
| Real estate tax payable | 126 | 126 | 126 | 126 |
| Payable for insurance | 35 | - | 35 | - |
| Received guarantee payment (1) | - | 880 | - | 880 |
| Other taxes payable | 10 | 120 | - | - |
| Other liabilities | 74 | 240 | 51 | 242 |
| | 656 | 2,275 | 623 | 2,157 |

(1) Received guarantee payment related to particular client's fulfilment of payment obligations. Guarantee payment was returned on 2 October 2023 after the execution of the contract. Total amount of EUR 880 thousand was paid.

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

## 15 PAYROLL RELATED LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| | 31-12-2023 | 31-12-2022 | 31-12-2023 | 31-12-2022 |
| Accrual of annual bonuses | 1,577 | 1,711 | 1,517 | 1,631 |
| Accrued vacation reserve | 881 | 769 | 829 | 715 |
| Salaries payable | 589 | 500 | 589 | 500 |
| Social insurance payable | 268 | 265 | 258 | 228 |
| Income tax payable | 251 | 190 | 206 | 176 |
| Other deductions | 2 | 2 | 2 | 2 |
| Total | 3,568 | 3,437 | 3,401 | 3,252 |

## 16 PROVISIONS

**The Group and the Company**

| | 31-12-2023 | 31-12-2022 |
|---|---|---|
| Emission allowances provision (1) | 6,419 | 5,663 |
| Legal provision (2) | 944 | - |
| | 7,363 | 5,663 |

(1) Greenhouse gas emission allowances in advance is distributed for the periods covering the next few years. The first period started from 2005 and ended in 2007, the second period started from 2008 and ended in 2012, the third period started from 2013 and ended in 2022, and the current period started from 2023 and will end in 2025. Companies that participate in the project from 2005 are obliged to report about real extent of pollution of each calendar year. When available allowances are not sufficient to cover actual pollution, then a penalty should be paid for each ton of excess carbon dioxide.
Emission rights are accounted for when evaluating the deficit between the emission allowances allocated under the national allocation plan for emission allowances and the actual pollution for the particular year. The quantity of used emission allowances is audited by external auditors each year.
As at 31 December 2023, the Group and the Company has accounted for a provision of EUR 6,419 thousand regarding the emission made which exceed available emission rights (as at 31 December 2022 – EUR 5,663 thousand).

Movement of provision in 2023:

| | |
|---|---|
| **Balance as at 31 December 2022** | (5,663) |
| Purchase of emission allowances | 91 |
| Emission allowances used | 6,526 |
| Additional provision made | (7,373) |
| **Balance as at 31 December 2023** | (6,419) |

(2) In January 2023 PGNiG Supply & Trading GmbH, users of the LNG terminal, submitted claims to the Company for a compensation, because during loading operations in December 2022, the LNG carrier ordered by PGNiG Supply & Trading GmbH experienced demurrage while loading liquefied natural gas to the Floating Storage Regasification Unit (FSRU). The demurrage of LNG carrier ordered by PGNiG Supply & Trading GmbH arose due to a technical malfunction of the equipment of the FSRU as of November 25, 2022, where the capacity of LNG regasification was partially limited, which in turn led to the fact that the mentioned LNG carrier exceeded the laytime while loading the LNG cargo. PGNiG Supply & Trading GmbH provided claim for compensation for demurrages and boil off in the amount of EUR 944 thousand. After evaluation of claims and legal/regulatory measures, the

## 16 PROVISIONS (CONT'D)

Company evaluated requested compensation claims as reasonable and agreed on its compensation through negotiations and settlement agreement.

Movement of provision in 2023:

| | |
|---|---|
| **Balance as at 31 December 2022** | - |
| Additional provision made | (944) |
| **Balance as at 31 December 2023** | (944) |

## 17 REVENUE FROM CONTRACTS WITH CUSTOMERS

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Income from LNGT regasification services collected directly from LNGT users (1) | 46,077 | 33,586 | 46,077 | 33,586 |
| Sales of liquid energy products transshipment services | 25,885 | 25,137 | 25,885 | 25,137 |
| Other sales related to LNG terminals activity | 8,072 | 5,407 | 4,666 | 2,262 |
| Other sales related to transshipment | 1,697 | 1,023 | 1,697 | 1,023 |
| Sales of consulting services | 1,437 | 267 | 1,674 | 316 |
| Sales of inventories | 357 | 1,669 | 357 | 1,669 |
| Income from LNGT services included in security supplement (2) | - | 10,729 | - | 10,729 |
| | 83,525 | 77,818 | 80,356 | 74,722 |

(1) The significant factor, which has influenced the increase in Group's and Company's revenue in 2023, is higher regasification volumes compared to the previous year.
Income from LNGT services contains income from LNG regasification service and LNG reloading service. The tariffs of this services are adjusted annually and regulated by NERC. Regasification and reloading income are collected directly from the clients after services are provided based on quantities.
In 2023 the Company has implemented regasification model in order to reduce the additional security supplement price for the natural gas consumers. Regasification tariff which is actual just for the LNG terminal users from May, 2023 was increased according to the upper limit of the Company's LNG revenue. After these changes it was possible to decrease the security supplement and to collect all revenue directly from LNG terminal users.

(2) Security supplement – security of supply fee applied to natural gas transmission price paid by Lithuanian natural gas consumers. LNG terminal additional security supplement tariff is applied to Terminal users, who regasify gas via LNG terminal and use gas transmission system. LNG terminal additional security supplement tariff is set by NERC by the resolutions annually and is dedicated to cover operating costs of LNG terminal, its infrastructure and tie-in, independently from gas volumes regasified and submitted to gas transmission system.
Security supplement income was not recognized in 2023 due to implemented regasification model when regasification tariff was increased and security supplement from May 2022 was 0 EUR.

## 18 COST OF SALES

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Depreciation of right-of-use asset | (14,098) | (14,088) | (14,098) | (14,088) |
| Expenses related to FSRU rent (OPEX element, management, crew cost) | (8,605) | (7,471) | (8,605) | (7,471) |
| Wages, salaries and social security | (8,563) | (8,217) | (8,119) | (7,587) |
| Depreciation and amortisation (incl. amortisation of grants) | (8,438) | (8,198) | (8,341) | (8,107) |
| Tax on environmental pollution and Emission allowances | (7,446) | (5,686) | (7,446) | (5,686) |
| Natural gas | (1,890) | (3,942) | (1,890) | (3,942) |
| Port charges | (1,533) | (1,536) | (1,533) | (1,536) |
| Repair and maintenance of assets | (1,458) | (1,020) | (1,355) | (967) |
| Insurance | (1,187) | (445) | (1,187) | (704) |
| Railway services | (1,180) | (1,240) | (1,180) | (1,240) |
| Electricity | (1,067) | (1,831) | (1,067) | (1,831) |
| Cost of liquid energy products sold | (355) | (1,019) | (355) | (1,019) |
| Other | (4,204) | (3,010) | (3,773) | (2,528) |
| Total | (60,024) | (57,703) | (58,949) | (56,706) |

## 19 OPERATING EXPENSES

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Wages, salaries and social security | (6,053) | (5,298) | (5,866) | (4,933) |
| Consulting and legal costs (1) | (1,409) | (598) | (1,234) | (501) |
| Telecommunication and IT expenses | (521) | (395) | (496) | (330) |
| Salaries and other related expenses to governing bodies | (348) | (185) | (348) | (185) |
| Operating tax expense | (299) | (179) | (84) | (85) |
| Depreciation of right-of-use asset | (292) | (237) | (285) | (230) |
| Expenses for business trips | (282) | (100) | (226) | (100) |
| Depreciation and amortization | (213) | (141) | (213) | (141) |
| Advertising and external communication | (208) | (110) | (208) | (97) |
| Training costs | (166) | (134) | (165) | (134) |
| Administration of bank accounts | (71) | (209) | (69) | (201) |
| Other | (1,101) | (846) | (863) | (589) |
| | (10,963) | (8,432) | (10,057) | (7,526) |

**(1) Remuneration to auditors.** Consulting and legal costs contain EUR 93 thousand and EUR 65 thousand expenses incurred for financial statutory audit performed by external auditor of the Group and the Company for the year ended 31 December 2023, respectively (EUR 70 thousand and EUR 55 thousand – for the year ended 31 December 2022, respectively). Remuneration to the independent audit firms for regulated activity review services amounts to EUR 13 thousand for both, the Group and the Company, (EUR 13 thousand – for the year ended 31 December 2022).

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Income from currency exchange on the lease liabilities | 7,368 | - | 7,368 | - |
| Interest income | 1,514 | 103 | 1,344 | 31 |
| Fines income | 43 | 56 | 43 | 56 |
| Gain from lease liabilities | - | 949 | - | 949 |
| Other financial income | 216 | 113 | 204 | 22 |
| Financial activity income, total | 9,141 | 1,221 | 8,959 | 1,058 |
| | | | | |
| Interest expenses | (4,221) | (973) | (4,219) | (965) |
| Interest on the lease liabilities | (1,564) | (1,831) | (1,562) | (1,829) |
| Losses from currency exchange | (114) | (88) | (103) | (81) |
| Loss from financial derivatives | - | (72) | - | (72) |
| Losses from currency exchange on the lease liabilities | - | (17,380) | - | (17,380) |
| Other financial activity expenses | (65) | (3) | (6) | - |
| Financial activity expenses, total | (5,964) | (20,347) | (5,890) | (20,327) |

## 21 INCOME TAX

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Current income tax expense | (440) | (508) | - | - |
| Deferred tax (expenses) income | (2,306) | 1,504 | (2,306) | 1,504 |
| Income tax (expense) income recorded in the profit (loss) | (2,746) | 996 | (2,306) | 1,504 |

## 21 INCOME TAX (CONT'D)

Reconciliation between income tax expense of the Group and Company and the result of taxable income of the Group and the Company multiplied by income tax rate for the years 2023 and 2022 is as follows:

| **Group** | 2023 | 2023 | 2022 | 2022 |
|---|---|---|---|---|
| Accounting profit (loss) before tax | | 15,972 | | (6,900) |
| Applying 15% profit tax | 15.00% | 2,396 | 15.00% | (1,035) |
| Effect of tax rates in foreign jurisdictions | 1.10% | 176 | (3.88)% | 268 |
| Tax effect of: | | | | |
| Tax-exempt income | (0.15)% | (24) | 0.16% | (11) |
| Non-deductible expenses of income tax | 1.65% | 263 | (1.41)% | 97 |
| Income tax recognised in other comprehensive income | 0.20% | 32 | 0.20% | (14) |
| Adjustments in respect of prior years | (1.20)% | (191) | 4.90% | (338) |
| Other | 0.59% | 94 | (0.54)% | 37 |
| | 17.19% | 2,746 | 14.43% | (996) |

| **Company** | 2023 | 2023 | 2022 | 2022 |
|---|---|---|---|---|
| Accounting profit (loss) before tax | | 14,676 | | (8,236) |
| Applying 15% profit tax | 15.00% | 2,201 | 15.00% | (1,235) |
| Tax effect of: | | | | |
| Tax-exempt income | (0.16)% | (24) | 0.13% | (11) |
| Non-deductible expenses of income tax | 1.78% | 262 | (0.91)% | 75 |
| Income tax recognised in other comprehensive income | 0.22% | 32 | 0.17% | (14) |
| Adjustments in respect of prior years | (1.30)% | (191) | 4.10% | (338) |
| Other | 0.17% | 26 | (0.23)% | 19 |
| | 15.71% | 2,306 | 18.26% | (1,504) |

Movements of deferred tax balances:

**Group and Company** **Balance as at 31 December 2023**

| 2023 | Net balance at 1 January | Recognised in profit or loss | Recognised in OCI | Recognised directly in equity | Other | Net | Deferred tax assets | Deferred tax liabilities |
|---|---|---|---|---|---|---|---|---|
| Right-of-use asset | (50,105) | 2,064 | - | - | - | (48,041) | - | (48,041) |
| Lease liability | 39,255 | (7,283) | - | - | - | 31,972 | 31,972 | - |
| Accelerated depreciation for tax purposes | 187 | (10) | - | - | - | 177 | 177 | - |
| Vacation reserve | 107 | 17 | - | - | - | 124 | 124 | - |
| Accrued annual bonuses | 244 | (17) | - | - | - | 227 | 227 | - |
| Emission allowances | 849 | 113 | - | - | - | 962 | 962 | - |
| Other temporary differences | 77 | (74) | - | - | - | 3 | 3 | - |
| Impairment of non-current assets | 8,038 | (826) | - | - | - | 7,212 | 7,212 | - |
| Long-term employee benefit liability | 93 | (2) | 32 | - | - | 123 | 123 | - |
| Associates' equity method | - | 8 | - | - | - | 8 | 8 | - |
| Different depreciation rates of non-current assets | (1,417) | 243 | - | - | - | (1,174) | - | (1,174) |
| Accrued income | (1) | 1 | - | - | - | - | - | - |
| Accrued taxable losses | 9,561 | 3,351 | - | - | - | 12,912 | 12,912 | - |
| Investment incentive of non-current assets under the law previously in force | (1,782) | 109 | - | - | - | (1,673) | - | (1,673) |
| **Tax assets (liabilities) before set-off** | **5,106** | **(2,306)** | **32** | **-** | **-** | **2,832** | **53,720** | **(50,888)** |
| Set-off of tax | - | - | - | - | - | - | **(50,888)** | **50,888** |
| **Net tax assets (liabilities)** | **5,106** | **(2,306)** | **32** | **-** | **-** | **2,832** | **2,832** | **-** |

## 21 INCOME TAX (CONT'D)

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

As at 31 December 2023 the Group and the Company did not recognise as deferred tax asset in total amounting to EUR 306 thousand: EUR 227 thousand from allowance of trade accounts receivable and EUR 79 thousand from Group companies' tax losses carried forward (UAB KN Global Terminals, UAB SGD SPB, UAB SGD terminalas). As at 31 December 2022 the Group and the Company did not recognise as deferred tax asset in total amounting to EUR 319 thousand: EUR 229 thousand from allowance of trade accounts receivable and EUR 96 thousand from Group companies' tax losses carried forward (UAB KN Global Terminals, UAB SGD SPB, UAB SGD terminalas).

As at 31 December 2023 and 31 December 2022 the Company's management's judgement was not to recognize as deferred tax asset from the investment incentive as the management does not expect to use the investment incentive to set off against taxable profit in the future.

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

While assessing deferred income tax asset and liability components as at 31 December 2023 and 2022 the Company has used the domestic Lithuanian income tax rate of 15%. The Group's subsidiary KN Açu Serviços de Terminal de GNL Ltda applies Brazilian Tax System and subsidiary´s administration has elected the Real Profit Regime that is calculated on quarterly basis. The official rates for Income tax rate is 25% and Social Contribution on Net Profit is 9%.

## 22 BASIC AND DILUTED EARNINGS (LOSSES) PER SHARE

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

Basic and diluted earnings per share are as follows:

| | Group | |
|---|---|---|
| | 2023 | 2022 |
| Net profit (loss) attributable to shareholders | 13,226 | (5,904) |
| Weighted average number of outstanding ordinary shares (thousand) | 380,397 | 380,397 |
| Earnings and reduced earnings (in EUR) | 0.04 | (0.02) |

## 23 DIVIDENDS

| | 2023 | 2022 |
|---|---|---|
| Dividends declared | - | - |
| Weighted average number of shares (thousand) | 380,397 | 380,397 |
| Dividends declared per share (expressed in EUR per share) | - | - |

## 24 FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT

**Credit risk**

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

- Client A accounted for approximately 35% as at 31 December 2023 (about 31% as at 31 December 2022) of total Group trade receivables;
- Client B – as at 31 December 2023 accounted for approximately 19% (0% as at 31 December 2022) of the total Group's and Company's receivables from all its customers;
- Client C – as at 31 December 2023 accounted for approximately 13% (about 11% as at 31 December 2022) of the total Group's and Company's receivables from all its customers.
- Client D – as at 31 December 2023 accounted for approximately 9% (about 9% as at 31 December 2022) of the total Group's and Company's receivables from all its customers.

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

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

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

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

**Group**

| 31-12-2023 | Gross carrying amount | Loss allowance | Credit impaired |
|---|---|---|---|
| Current (not past due) | 4,946 | - | No |
| 1-30 days past due | 1,575 | - | No |
| 31-59 days past due | 49 | - | No |
| 60-89 days past due | - | - | No |
| 90-179 days past due | - | - | No |
| 180-279 days past due | - | - | No |
| More than 280 days past due | 5,498 | (1,512) | Yes |
| | 12,068 | (1,512) | |

**Company**

| 31-12-2023 | Gross carrying amount | Loss allowance | Credit impaired |
|---|---|---|---|
| Current (not past due) | 4,220 | - | No |
| 1-30 days past due | 1,575 | - | No |
| 31-60 days past due | 49 | - | No |
| 60-89 days past due | - | - | No |
| 90-179 days past due | - | - | No |
| 180-279 days past due | - | - | No |
| More than 280 days past due | 5,498 | (1,512) | Yes |
| | 11,342 | (1,512) | |

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

**Group**

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

**Company**

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

**Interest rate risk**

The Group's and the Company's income and operating cash flows are influenced by changes in market interest rates, which are linked to EURIBOR base. Overall, 35% of loan portfolio is exposed to floating interest rate risk no hedging derivative instruments were used. Thus, such standing has implications on financial results.

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

| | Maturity date | Carrying amount as at 31-12-2023 | Carrying amount as at 31-12-2022 | Interest rate | Floating interest rate exposure |
|---|---|---|---|---|---|
| **EIB loan:** | | | | | |
| 1st tranche | 20-12-2023 | 9,739 | 10,766 | fixed margin + 3 months EURIBOR | Negative total interest rate is set at zero |
| 2nd tranche | 28-11-2034 | 10,820 | 11,751 | fixed margin + 3 months EURIBOR | Negative total interest rate is set at zero |
| 3rd tranche | 20-09-2034 | 22,127 | 24,186 | fixed margin + 3 months EURIBOR | Negative total interest rate is set at zero |
| **NIB loan:** | | | | | |
| Reloading station | 19-06-2034 | 14,376 | 16,615 | fixed margin + 6 months EURIBOR | Negative interest is accrued and offset on the repayment date as part of the loan |
| FSRU loan | 31-12-2044 | 107,316 | 79,487 | Fixed margin | No exposure to floating interest rate |
| | | 164,378 | 142,805 | | |

Fixed margin varies from 0,066% to 0,78% as at 31 December 2023.

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

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

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

As at 31 December 2023 increase/decrease in EURIBOR interest rate by 10 basis points would increase/decrease yearly interest expenses amount by EUR 43 thousand (as at 31 December 2022 – EUR 28 thousand).

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

**Exchange rate risk**

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

Because the highest part of lease payments is denominated in US dollars, as a result changes in exchange rates occur in the statement of comprehensive income, the Group and the Company incurred the currency exchange gain amounting to EUR 7,368 thousand for 2023 arising from IFRS 16 "Leases" and loss amounting to EUR 17,380 thousand for 2022.

Summary of exchange rates as at 31 December 2023 and 31 December 2022 to EUR:

| | Exchange rate as at 31-12-2023 | Average exchange rate in 2023 | Exchange rate as at 31-12-2022 | Average exchange rate in 2022 |
|---|---|---|---|---|
| USD | 1.1050 | 1.0814 | 1.0666 | 1.0538 |
| BRL | 5.3618 | 5.4026 | 5.6386 | 5.4424 |

**Group** (denominated in euro)

| 31-12-2023 | EUR | USD | BRL | Total |
|---|---|---|---|---|
| Cash and cash equivalents | 14,049 | 4,777 | 709 | 19,535 |
| Trade receivables | 9,830 | - | 726 | 10,556 |
| Lease liabilities | (25,637) | (187,510) | (19) | (213,166) |
| Trade payables | (2,490) | (2,031) | (258) | (4,779) |
| Total | (4,248) | (184,764) | 1,158 | (187,854) |

**Company** (denominated in euro)

| 31-12-2023 | EUR | USD | BRL | Total |
|---|---|---|---|---|
| Cash and cash equivalents | 12,628 | 4,777 | - | 17,405 |
| Trade receivables | 9,830 | - | - | 9,830 |
| Lease liabilities | (25,637) | (187,510) | - | (213,147) |
| Trade payables | (2,490) | (2,031) | - | (4,521) |
| Total | (5,669) | (184,764) | - | (190,433) |

**Group** (denominated in euro)

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

**Company** (denominated in euro)

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

As at 31 December 2023 increase in USD currency rate by 10 basis points would decrease yearly loss from currency exchange amount by EUR 185 thousand (as at 31 December 2022 – EUR 237 thousand).

As at 31 December 2023 increase in BRL currency rate by 10 basis points would increase yearly income from currency exchange amount by EUR 6 thousand (as at 31 December 2022 – EUR 7 thousand).

**Liquidity risk**

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

The Group's liquidity (total current assets / total current liabilities) and quick ratios ((total current assets - inventories) / total current liabilities) as at 31 December 2023 were 0.45 and 0.42, respectively (1.30 and 1.28 as at 31 December 2022).

The Company's liquidity (total current assets / total current liabilities) and quick ratios ((total current assets - inventories) / total current liabilities) as at 31 December 2023 were 0.44 and 0.41, respectively (1.27 and 1.20 as at 31 December 2022).

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

The decrease in the liquidity ratios at the end of the year formed due to the change (increase) in short-term liabilities. The Company has the obligation to acquire the FSRU by the end of 2024. For the acquisition, the Company has secured a loan from NIB. The maximum amount of the loan is up to 160 mEUR. The Government of the Republic of Lithuania is a guarantor of the loan. After acquiring the FSRU, the liquidity ratios should return to the sufficient level above 1.

The table below summarizes the maturity profile of the Group's and Company's financial liabilities as at 31 December 2023 assessed on contractual undiscounted payments:

**Group**

| | Carrying amount | On demand | Less than 3 months | 3 to 12 Months | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|---|
| Trade and other payables | 5,435 | - | 5,381 | 159 | - | - | 5,540 |
| Lease liabilities | 213,166 | - | 14,031 | 166,273 | 2,238 | 35,362 | 217,904 |
| Loan and interest | 164,383 | - | 2,310 | 9,306 | 70,269 | 198,851 | 280,736 |
| Balance as at 31 December 2023 | 382,984 | - | 21,722 | 175,738 | 72,507 | 234,213 | 504,180 |

**Company**

| | Carrying amount | On demand | Less than 3 months | 3 to 12 Months | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|---|
| Trade and other payables | 5,144 | - | 4,985 | 159 | - | - | 5,144 |
| Lease liabilities | 213,147 | - | 13,996 | 166,267 | 2,232 | 35,395 | 217,890 |
| Loan and interest | 164,383 | - | 2,310 | 9,306 | 70,269 | 198,851 | 280,736 |
| Balance as at 31 December 2023 | 382,674 | - | 21,291 | 175,732 | 72,501 | 234,246 | 503,770 |

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

**Group**

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

**Company**

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

EUR 78 thousand of the EUR 5,330 thousand of Group's trade and other payables as at 31 December 2023 (EUR 184 thousand of the EUR 10,356 thousand amount as at 31 December 2022) are the retention amounts under contracts, which are paid for when all work under a contract has been completed. There is no possibility to forecast these payment terms.

**Fair value of financial assets and liabilities**

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

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

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

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

The following methods and assumptions are used to estimation the fair value of each class of financial assets and liabilities as at 31 December 2023:

| **Group** | Carrying amount | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|
| | Fair value - hedging instruments | Financial assets at amortised cost | Financial liabilities at amortised cost | Total | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets not measured at fair value** | | | | | | | | |
| Trade receivables | - | 10,556 | - | 10,556 | | | | |
| Cash | - | 19,535 | - | 19,535 | | | | |
| Short term deposits | - | 57,500 | - | 57,500 | | | | |
| Contract assets | - | 556 | - | 556 | | | | |
| | **-** | **88,147** | **-** | **88,147** | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | |
| Loan and interest | - | - | (164,383) | (164,383) | - | (164,383) | - | (164,383) |
| Financial lease liabilities | - | - | (213,166) | (213,166) | | | | |
| Trade payables | - | - | (4,779) | (4,779) | | | | |
| | **-** | - | **(382,328)** | **(382,328)** | | | | |

| **Company** | Carrying amount | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|
| | Fair value - hedging instruments | Financial assets at amortised cost | Financial liabilities at amortised cost | Total | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets not measured at fair value** | | | | | | | | |
| Trade receivables | - | 9,830 | - | 9,830 | | | | |
| Cash | - | 17,405 | - | 17,405 | | | | |
| Short term deposits | - | 53,000 | - | 53,000 | | | | |
| Contract assets | - | 556 | - | 556 | | | | |
| | **-** | **80,791** | **-** | **80,791** | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | |
| Loan and interest | - | - | (164,383) | (164,383) | - | (164,383) | - | (164,383) |
| Financial lease liabilities | | | (213,147) | (213,147) | | | | |
| Trade payables | - | - | (4,521) | (4,521) | | | | |
| | **-** | **-** | **(382,051)** | **(382,051)** | | | | |

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

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

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

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

No transfers occurred between levels in the hierarchy by re-assessing categorization as at 31 December 2023 compared to 31 December 2022.

**Capital management**

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

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

The Company must keep its equity at least up to 50% of its share capital, as imposed by the Law on Companies of Republic of Lithuania as at 31 December 2023 and as at 31 December 2022.

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

## 25 COMMITMENTS AND CONTINGENCIES

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

The Customs of the Republic of Lithuania and the Tax Authorities have granted to the Company the exemption from the obligation to provide guarantees for possible tax liabilities. The total amount of exemptions amounts to EUR 420,321 thousand as at 31 December 2023 (EUR 371,000 thousand as at 31 December 2022).

## 25 COMMITMENTS AND CONTINGENCIES (CONT'D)

Material contractual liabilities (acquisition of property, plant and equipment) amounted to EUR 1,864 thousand as at 31 December 2023 (EUR 791 thousand as at 31 December 2022).

The Company has an agreement on assignment of claim rights and a maximum pledge agreement with UAB Hoegh LNG Klaipėda which maximum amount of USD 50,000 thousand per one year as at 31 December 2023 and as at 31 December 2022. The said agreements are intended to secure obligations of the Company to Hoegh LNG Klaipėda under the Time Charter Party (Lease of a Floating Storage and Regasification Unit in conjunction with maintenance and operation services) agreement concluded on 2 March 2012.

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

**Legal disputes**

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

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

  Based on judgement of legal advisors, the management of the Company believes that the defence against the action will be successful, no provisions for this ongoing case have been formed in the preparation of the financial statements of 31 December 2023.

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

  In 2017 the court of the first instance issued a verdict to award the payment of EUR 20.9 million and 5% annual interest in favour of the Company and, additionally, to cover the court representation costs. However, all accused persons appealed against the first instance court decision and the case was transferred to the appellate instance, Court of Appeal of Lithuania. Currently, the case is still on-going. Court session dates for the year 2024 have been scheduled.

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

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

  As a result of this disputes, AB Amber Grid calculates fine and interest for AB Achema for overdue payments for security component. As at 31 December 2023 the amount of the fine and interest calculated by AB Amber Grid and paid to the Company amounts to EUR 4,002 thousand (as at 31 December 2022 – EUR 4,002 thousand). The Company does not recognise the received payments for fines and interest as income until a court decision is rendered. Payments received are presented under Contract liabilities caption in the statement of financial position.

  In the opinion of the Company's management, the Company will not incur any significant additional costs related to this case, therefore no provisions for those ongoing cases have been formed in the preparation of the financial statements of 31 December 2023.

- Vilnius Commercial Arbitration Court resolved the case based on the claim filed by the Company regarding the judgment of a debt of EUR 1,529 thousand and EUR 44 thousand interest from the VERUM PLUS AG. The claim has been satisfied. Bankruptcy proceedings to the VERUM PLUS AG has been initiated, however, the process has been suspended, because the defendant appealed the bankruptcy case.

  In the opinion of the Company's management, the proceedings from this case are not probable, therefore no assets for this ongoing case have been formed in the preparation of the financial statements of 31 December 2023.

## 26 RELATED PARTY TRANSACTIONS

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

1) A person or a close member of that person's family is related to the Company and the Group:
   - has control or joint control over the Company;
   - has significant influence over the Company; or
   - is a member of the key management personnel of the Company and the Group.

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

## 26 RELATED PARTY TRANSACTIONS (CONT'D)

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

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

| **Group:** | | Purchases | Sales | | Receivables | Payables |
|---|---|---|---|---|---|---|
| Klaipeda State Seaport Authority | 2023 | 2,544 | - | 31-12-2023 | - | 460 |
| | 2022 | 2,503 | - | 31-12-2022 | - | 458 |
| AB "Amber Grid" | 2023 | - | (789) | 31-12-2023 | 3,975 | - |
| | 2022 | - | 10,729 | 31-12-2022 | 3,975 | - |
| UAB „Ignitis" | 2023 | - | 11,039 | 31-12-2023 | 998 | - |
| | 2022 | - | 10,530 | 31-12-2022 | 1,103 | - |
| Public Institution Lithuanian Energy Agency | 2023 | - | 3,359 | 31-12-2023 | - | - |
| | 2022 | - | 3,365 | 31-12-2022 | - | - |
| Energijos skirstymo operatorius, AB | 2023 | 675 | - | 31-12-2023 | - | 19 |
| | 2022 | 287 | - | 31-12-2022 | - | 35 |
| AB LTG CARGO | 2023 | 1,307 | - | 31-12-2023 | - | 79 |
| | 2022 | 1,430 | - | 31-12-2022 | - | 99 |
| Other related parties | 2023 | 96 | 1 | 31-12-2023 | - | 7 |
| | 2022 | 59 | - | 31-12-2022 | - | 3 |
| Transactions with related parties, in total: | 2023 | 4,622 | 13,610 | 31-12-2023 | 4,973 | 565 |
| | 2022 | 4,279 | 24,624 | 31-12-2022 | 5,078 | 595 |

| **Company:** | | Purchases | Sales | | Receivables | Payables |
|---|---|---|---|---|---|---|
| Klaipeda State Seaport Authority | 2023 | 2,544 | - | 31-12-2023 | - | 460 |
| | 2022 | 2,503 | - | 31-12-2022 | - | 458 |
| AB "Amber Grid" | 2023 | - | (789) | 31-12-2023 | 3,975 | - |
| | 2022 | - | 10,729 | 31-12-2022 | 3,975 | - |
| UAB „Ignitis" | 2023 | - | 11,039 | 31-12-2023 | 998 | - |
| | 2022 | - | 10,530 | 31-12-2022 | 1,103 | - |
| Public Institution Lithuanian Energy Agency | 2023 | - | 3,359 | 31-12-2023 | - | - |
| | 2022 | - | 3,365 | 31-12-2022 | - | - |
| Energijos skirstymo operatorius, AB | 2023 | 675 | - | 31-12-2023 | - | 19 |
| | 2022 | 287 | - | 31-12-2022 | - | 35 |
| AB LTG CARGO | 2023 | 1,307 | - | 31-12-2023 | - | 79 |
| | 2022 | 1,430 | - | 31-12-2022 | - | 99 |
| KN Acu Servicos de Terminal de GNL Ltda | 2023 | 6 | 325 | 31-12-2023 | 18 | - |
| | 2022 | - | 151 | 31-12-2022 | 37 | - |
| Other related parties | 2023 | 96 | 1 | 31-12-2023 | - | 7 |
| | 2022 | 59 | - | 31-12-2022 | - | 3 |
| Transactions with related parties, in total: | 2023 | 4,628 | 13,935 | 31-12-2023 | 4,991 | 565 |
| | 2022 | 4,279 | 24,775 | 31-12-2022 | 5,115 | 595 |

Other related parties are following: Toksika, UAB, VĮ Registrų centras, Nordic Metrology Science, UAB, UAB GET Baltic, VĮ Regitra, Lietuvos jūrų krovos kompanijų asociacija, Lietuvos pastas, AB, Lietuvos jūrinis klasteris, Lietuvos parodų ir kongresų centras Litexpo, UAB, Association Baltic Institute of Corporate Governance, Windward Ltd.

- Purchases from State Klaipėda State Seaport Authority include land rent, jetty usage and FSRU port fee.
- Sales to AB Amber Grid include credit invoice as to legal decision – creditable debt for LNG installation. Receivables from AB Amber Grid include amount of security supplement for two invoices issued as of 31 December 2022. Interest and fines for AB Achema for delayed payments of the security component to the upper ceiling of the natural gas transmission price are recognized and accounted for as contract liabilities (Note 25).
- Sales to UAB Ignitis include income from LNG regasification and reloading services as well as income from customs brokerage services.

## 26 RELATED PARTY TRANSACTIONS (CONT'D)

- In 2023 and 2022 sales to Public Institution Lithuanian Energy Agency include income from rent of tanks.
- Purchases from AB LG Cargo comprise purchase of railway services.
- Purchases from AB Energijos skirstymo operatorius include acquisition of electricity power.
- Purchases from KN Acu for business trip expenses. Sales to KN Acu include consulting services and bank guarantees.

**Management salaries and other payments**

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

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Payroll related costs | 1,073 | 813 | 945 | 697 |
| Number of management | 10 | 10 | 6 | 6 |

During 2023 and 2022 the management of the Group and the Company did not receive any loans, guarantees, and no other payments or property transfers occurred. In 2023, management decided to adjust the disclosure of remuneration-related information by including bonuses paid to the management of both the Group and the Company executives. Consequently, the indicators for the prior period of 2022 were also corrected.

## 27 SUBSEQUENT EVENTS

On 10 January 2024 the new wording of the Articles of Association of the Company were registered within the Register of Legal Entities of the Republic of Lithuania following the amendment of the Company's name – AB KN Energies. Also the Group Company's name was changed from SGD Logistika, UAB to KN Global Terminals, UAB.

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

# CONFIRMATION OF RESPONSIBLE PERSONS

**15 March 2024**

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 KN Energies, Tomas Tumėnas, Chief Financial Officer of AB KN Energies, and Rasa Tamaliūnaitė, Chief Accountant of AB KN Energies, hereby confirm that to the best of our knowledge the Consolidated Interim Report of AB KN Energies for 2023 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.

| | |
|---|---|
| Chief Executive Officer | Darius Šilenskis |
| Chief Financial Officer | Tomas Tumėnas |
| Chief Accountant | Rasa Tamaliūnaitė |

# AB KN ENERGIES CONSOLIDATED ANNUAL REPORT 2023

## AB KN ENERGIES CONSOLIDATED ANNUAL REPORT

# GENERAL INFORMATION ABOUT THE GROUP AND THE COMPANY

## 1. REPORTING PERIOD

AB KN Energies Consolidated Interim Report for the year 2023 is prepared for the period from 1 January 2023 until 31 December 2023.

## 2. CONFIRMATION OF RESPONSIBLE PERSONS

Referring to the Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuanian, Responsible Persons Darius Šilenskis, Chief Executive Officer of AB KN Energies, Tomas Tumėnas, Chief Financial Officer of AB KN Energies, and Rasa Tamaliūnaitė, Accounting Manager of AB KN Energies, hereby confirm that to the best of our knowledge the Consolidated Interim Report of AB KN Energies for 2023 includes a fair review of the development and performance of the business and the present state of the Company together with the description of the main risks and uncertainties that are encountered.

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

| JOB TITLE | FULL NAME | TEL. NUMBERD |
|---|---|---|
| AB KN Energies, Chief Executive Officer | Darius Šilenskis | +370 52 127 733 |
| AB KN Energies, Chief Financial Officer | Tomas Tumėnas | +370 68 236 616 |
| AB KN Energies, Chief Accountant | Rasa Tamaliūnaitė | +370 61 888 260 |

## 4. ISSUER INFORMATION AND CONTACT DETAILS

| | |
|---|---|
| Name of the Company: | AB KN Energies (hereinafter – the Company, KN or Issuer) |
| Legal status: | Stock Company |
| Authorized share capital: | 110,315,009 EUR |
| Date and place of registration: | 27 September 1994, State Enterprise Centre of Registers |
| Company code: | 110648893 |
| Address: | Burių street 19, 92276 Klaipėda |
| Register of the Company: | State Enterprise Centre of Registers |
| Telephone numbers: | +370 46 391772 |
| Fax numbers: | +370 46 311399 |
| E-mail address: | info@kn.lt |
| Internet site: | www.kn.lt |

## 5. INFORMATION ON SUBSIDIARIES AND CONTACT DETAILS

| | |
|---|---|
| Name of the Company: | UAB SGD terminalas |
| Legal status: | Private Limited Liability Company |
| Authorized share capital: | 37,500 EUR |
| Date and place of registration: | 27 December 2018, State Enterprise Centre of Registers |
| Company code: | 304977459 |
| Address: | Burių street 19, 92276 Klaipėda |
| Register of the Company: | State Enterprise Centre of Registers |
| Telephone numbers: | +370 46 391772 |
| Fax numbers: | +370 46 311399 |
| E-mail address: | info@kn.lt |
| Internet site: | www.kn.lt |

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

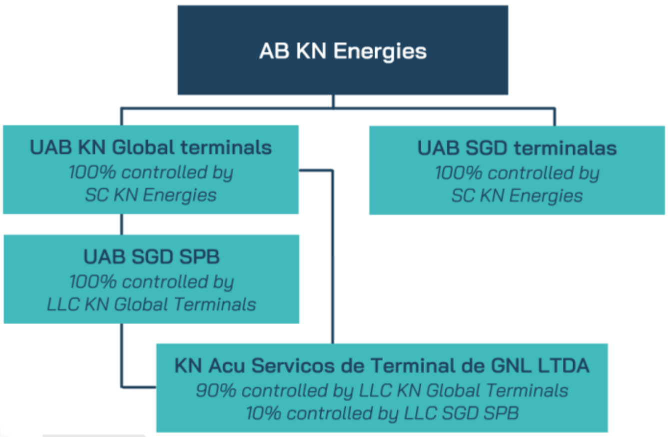
## 6. INFORMATION ON SUBSIDIARIES OF UAB KN GLOBAL TERMINALS AND CONTACT DETAILS

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

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

## 7. GROUP STRUCTURE AND MAIN TYPES OF ACTIVITY

Structure of AB KN Energies Group (hereinafter – Group) on 31 December 2023:



The Group's Capital on 31 December 2023:

| NAME OF THE COMPANY | TYPE OF SHARE | NUMBER OF SHARES (UNIT) | SHARE FACE VALUE | TOTAL FACE VALUE |
|---|---|---|---|---|
| AB KN Energies | Common registered shares | 380,396,585 | 0.29 EUR | 110,315,009 EUR |
| UAB SGD terminalas | Common registered shares | 37,500 | 1.00 EUR | 37,500 EUR |
| UAB KN Global Terminals | Common registered shares | 4,540,000 | 1.00 EUR | 4,540,000 EUR |
| UAB SGD SPB | Common registered shares | 25,000 | 1.00 EUR | 25,000 EUR |
| KN Açu Serviços de Terminal de GNL LTDA | Common registered shares | 642,600 | 1.00 BRL[1)] | 642,600 BRL[1)] |

[1)] BRL – Brazilian real.

The companies of the Group and their main activities:

| NAME OF THE COMPANY | ADDRESS | OWNERSHIP PART,% | ACTIVITIES |
|---|---|---|---|
| AB KN Energies | Burių street 19, 92276 Klaipėda | 100 | The business activity of AB KN Energies can be divided into three segments: Liquid energy terminals, LNG, and New energies. Liquid energy terminals include activities of Klaipėda liquid energy terminal and Subačius liquid energy terminal. LNG activities stand for Klaipėda LNG terminal, small-scale LNG station in Klaipėda, and Global LNG activities. New energies segment includes investments in new energy sources like synthetic fuels, hydrogen and hydrogen carriers, other alternative energy carriers, and carbon capture and storage (CCS). |
| UAB SGD terminalas | Burių street 19, 92276 Klaipėda | 100 | Operation (management) and development of LNG terminal infrastructure in Klaipėda. The company is currently inactive. |
| UAB KN Global Terminals | Burių street 19, 92276 Klaipėda | 100 | Participation in the international LNG and energy projects, providing project development or terminal operation services or investing into them, and all other related activities and provision of any other relevant services |
| UAB SGD SPB | Burių street 19, 92276 Klaipėda | 100 owned by UAB KN Global Terminals | International development of LNG terminal operating services by investing and establishing other project companies in Lithuania and abroad. |
| KN Açu Serviços de Terminal de GNL LTDA | 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 KN Global Terminals and 10 owned by UAB SGD SPB | LNG terminal operation and maintenance services in the port of Açu, Brazil, including the technical and commercial operation of the installation of the quay and its facilities, gas pipeline and gas metering stations. |

## 8. AGREEMENTS WITH INTERMEDIARIES OF PUBLIC SECURITIES TRADING

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

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

## 9. AGREEMENTS WITH BROKERAGES FOR PUBLIC ISSUE

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

| THE MAIN DATA ABOUT THE SHARES OF THE COMPANY: | |
|---|---|
| ISIN code | LT0000111650 |
| Abbreviation | KNE1L |
| Share emission | 380,396,585 |

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

The securities of the subsidiary companies are not publicly traded.

Details of the shares and shareholders are provided in the 2023 Annual Report's chapter "Information about the shareholders and shares" of the Company".

# A FOREWORD OF THE CEO

Dears,

Last year marked a significant milestone in the history of our company. In June, after approving the long-term strategy for 2023–2050, we embarked on a new stage in the life of our company, which has been successfully operating for over 60 years – the journey of energy transformation. We committed ourselves not only to continue and invest in our usual activities but also to develop and invest in the new energy segment, assisting Lithuania and the entire region in transitioning to more sustainable energy sources and climate-neutral activities, while continuing to ensure energy security for Lithuania.

At the beginning of this year, we marked this new phase of our activity by changing the official name of the company. Our new name, KN Energies, represents the meaning behind our new strategy, which provides for the three most important directions of activity: liquid energy products, liquefied natural gas terminals and new energy types, such as synthetic fuels, hydrogen and its compounds and other alternative energy carriers, as well as carbon dioxide capture and storage, energy storage and balancing solutions.

It is important to note that at this stage, we are not seeking quick and drastic decisions; we are experiencing evolution, not revolution. We keep pace with innovations and strive for ensuring cleaner energy – with the goal of becoming a climate-neutral company by the year 2050. We will focus our efforts on the transition from fossil to cleaner resource energy and future technologies. For current and future customers, we intend to be the partners who will create opportunities to provide customers with the most relevant key and new types of energy in every period of time. To achieve this goal, we plan to gradually diversify our activities, consistently creating the essential new infrastructure, and adapt existing infrastructure as needed.

Our efforts in transforming the company are also reflected in the business results of the previous year. In 2023, we made significant achievements in almost all our activities segments.

Diversification of activities has created additional opportunities to generate income from services provided by liquid energy terminals, high utilization levels of LNG infrastructure, breakthroughs in international LNG projects, ensured control over energy costs and emissions, decision-making, and continuous efforts to increase operational efficiency and expertise have enabled profitable operations and improved cash flows.

The net profit of the KN Group in 2023 was EUR 13.2 million, while a loss of EUR 5.9 million was recorded a year ago.

Our consistent focus on the development of the international LNG business over the past few years has led to a significant breakthrough in this area. In 2023, we became the commercial operator of the second LNG terminal in Germany, which this year opened the door to a new partnership for the commercial operation of two more LNG terminals. Currently, we provide commercial operation services for four floating LNG terminals in Germany.

Last year, we also assisted customers in Italy in the implementation of the greenfield Piombino LNG terminal project, providing assistance with storage vessel installation, start-up, commissioning and equipment testing.

Another important international achievement is the framework agreement signed last year by KN and the company SK E&S on cooperation opportunities in the field of international LNG business development. SK E&S, belonging to one of the largest conglomerates in the Republic of Korea, is responsible for energy sectors such as LNG, renewable energy resources, and hydrogen.

An important accomplishment last year was also achieved in our planned liquefied carbon dioxide capture and transportation project in Lithuania and Latvia with our partners. The European Commission granted it the status of a Project of Common Interest (PCI). This means that the project is recognized as a cross-border project of great importance, which will significantly contribute to the implementation of the energy policy and climate goals of the European Union.

All these achievements demonstrate that KN's systematic efforts have earned the reputation of a professional and reliable LNG terminal operator and project developer not only in Europe, but also worldwide.

Record activity volumes were maintained last year at the Klaipėda LNG terminal, where a record amount of natural gas was regasified and reloaded in 2023, reaching 34 TWh (compared to 32.4 TWh in 2022). This strategically important national asset was not only the main source of natural gas supply for Lithuania but also regional infrastructure ensuring gas supply to other countries. This year, the main priorities in Klaipėda LNG terminal operations will remain ensuring reliable regasification operations and infrastructure accessibility for customers.

The year 2024 will be special not only because it will commemorate the 10th year of operation of the FSRU Independence, but also because Lithuania will become owner of it. By the end of this year, Independence will be registered in the Lithuanian Register of Seagoing Ships, the Lithuanian flag will be hoisted on it and it will be bound by the legal acts in force here, and taxes from seamen's salaries will go to the country's budget. Last year, we also successfully selected the technical operator of the vessel – for the next 5 years, the Norwegian capital company Hoegh LNG Klaipėda will operate the vessel.

As the strategic operator of energy terminal infrastructure, KN ensures energy security not only in LNG but also in the field of liquid energy products – by offering strategic reserve storage of oil products and uninterrupted import and export opportunities.

Due to the change in the geopolitical situation, Klaipėda has become an important import point for oil products in the region and Central Europe, including Ukraine over the last few years. We continue our cooperation with customers in that region and we are ready at any time, whenever required, to help them maintain the smooth supply of energy resources to Ukraine, along with the option of exporting other liquid energy products produced in their factories.

In 2023, we also focused our attention on the sustainability agenda. We actively continued the projects of supplying our terminals with self-produced green energy. One of the most significant investments related to energy consumption was implemented at the Subačius liquid energy products terminal. A 300 kW solar power plant and a modern, environmentally friendly heating system have been installed here, replacing the liquid fuel boilers used for space heating until now. We estimate that these implemented solutions will reduce the annual emissions of greenhouse gases by half. In 2024, we will continue to implement processes and technological improvements to further reduce volatile organic compound (VOC) and CO2 emissions.

One of the most important and sustainable projects in the Klaipėda LNG terminal segment in 2024 will remain the project of the connection of the power line with the terminal, which will enable us to meet electricity needs from the shore using renewable energy sources. This project will help significantly reduce the amount of CO2 emissions caused by the operation of the terminal and, accordingly, reduce the costs of environmental pollution permits.

In 2023, the company did not experience critical safety incidents, but this is one of the areas where improvement knows no bounds. Therefore, our goal is to continue strengthening a culture of safety behaviour within the KN group, creating necessary conditions, and promoting safe behaviour among our employees.

Looking forward to 2024, the geopolitical landscape is likely to remain unchanged, and we will continue to focus on improving the safety and security of our infrastructure and ensuring its resilience to physical and cyber threats. Environmental, social and risk management aspects will be high on our agenda this year, as well as innovation, digitization, energy efficiency improvements and the continuous search for new business opportunities.

In summary, I see 2024 as the year when KN will lay the foundation for a new, long-term period of existence in the future energy world. Despite prevailing geopolitical tensions and threats, we will enhance our resilience, competitiveness, and do what we do best – by operating terminal infrastructure, we will serve as a bridge for the most important liquid energy streams in the region, ensuring energy security, assisting clients worldwide in operating and developing LNG projects.

We will continue to play a responsible role in investing our competences and resources in sustainability, both in developing infrastructure for sustainable energy products and in the responsible use of natural resources, reducing waste and emissions and the climate impact of our activities. I believe that our new strategic approach will contribute to a sustainable balance between people, planet, and profit, adding value for all our stakeholders, including our employees, communities and all those affected by the KN's activities.

Darius Šilenskis,

CEO of KN Energies

# INFORMATION ABOUT THE GROUP AND THE COMPANY AND ITS ACTIVITIES

AB KN Energies is a state-owned public company established in Lithuania, operating liquid energy terminals in Klaipėda (KLET) and Subačius (SLET), Lithuania, and liquefied natural gas LNG terminals (big scale, "Independence", and small scale, Klaipėda LNG reloading station) in Klaipėda, Lithuania, and Açu, Brazil, as well as providing commercial operator's services to four LNG terminals in Germany, and consultations in LNG terminal projects to clients in such countries as Italy. KN is a strategically important company in terms of energy security for Lithuania and neighbour regions. The Company ensures the import access of LNG into Lithuania and surrounding countries, storage of state fuel reserve of the Republic of Lithuania, as well as reliable and effective transshipment, storage and blending of liquid energy products, petrochemicals, biofuels and synthetics fuels and other liquid energy products in the port of Klaipėda, Lithuania.

KN is becoming a player in global LNG market by investing accumulated operational and development know-how as well as bridging energy markets by enabling customers to supply and trade energy resources worldwide. KN is transforming from a company initially dedicated for region's energy independence into a leading safety-driven, regional liquid energy and LNG hub operator and valued partner for global FSRU based LNG solutions.

In a longer run, KN will not only continue its' current activities and projects and maintain the status of strategic importance entity but will further expand its footprint in FSRU based LNG projects development worldwide, invest into new energy and renewable business streams, such as hydrogen related products (hydrogen carriers), CCS, energy balancing (flow batteries). In June 2023, KN has adopted a long-term strategy KN 2050 with a clearly expressed commitment to become net-zero by 2050.

To embody a new strategic shift and net-zero transformation, the Board of the Company (Board) has proposed shareholders to change Company's name from AB Klaipėdos nafta to AB KN Energies from the beginning of 2024. The Extraordinary General Meeting of Shareholders convened on November 30th, approved respective amendments to the Company's Articles of Association. AB Klaipėdos nafta has formally changed its legal name to AB KN Energies from January 10th, 2024. In line with this change KN Board acting as Shareholders of KN subsidiary, UAB SGD logistika, approved new Articles of Association and new entity name aligned with the mother company name – UAB KN Global Terminals, effective at the same date as for AB KN Energies.

## INFORMATION ABOUT INVESTMENT INTO ASSOCIATES

The Company has investments into the following associate companies as at 31 December 2023:

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

# LIQUID ENERGY TERMINALS

Liquid energy terminals segment includes activities of Liquid energy Terminal in Klaipėda and Liquid energy Terminal in Subačius which are providing services of liquid energy products transshipment, long-term storage of liquid energy products, and other services related to liquid energy products transshipment.

## KLAIPĖDA LIQUID ENERGY TERMINAL

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

The Company's Liquid energy terminal handles these liquid energy and chemical industry products:

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

| CHARACTERISTICS OF KLAIPĖDA LIQUID ENERGY TERMINAL: | |
|---|---|
| Location | Territory of AB KN Energies Klaipėda terminal, address: Burių street 19, Klaipėda |
| Liquid energy product tanks | 51 tanks |
| Volume of the tanks | 571 thousand $m^3$ total volume |
| The capacity of the terminal | 8 - 10 million t / year |
| Jetty berths | 3 |
| Harbour entrance depth: | 14.5 m |
| Max. draught at the jetty | 13.5 m |
| Max. length of serviced tankers | Up to 275.0 m |
| Railway | Two double-track rail tank loading racks:<br>▪ Two tracks for liquid energy products that do not require maintaining of specific temperature conditions (up to 2 x 30 tank wagons are services simultaneously);<br>▪ Two tracks for liquid energy products that require maintaining of specific temperature conditions (up to 2 x 32 tank wagons are services simultaneously);<br>▪ One of the tracks is adapted to liquid energy products of all types;<br>▪ 124 tank wagons can be loaded at the same time. |
| Road tanker loading | 4 loading points at the same time |
| Modern laboratory | Equipped to inspect main quality parameters of liquid energy products |
| Total capacity of three boilers of own boiler station | 100 MWh |

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

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

Klaipėda liquid energy terminal provides the following services:

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

## SUBAČIUS LIQUID ENERGY TERMINAL

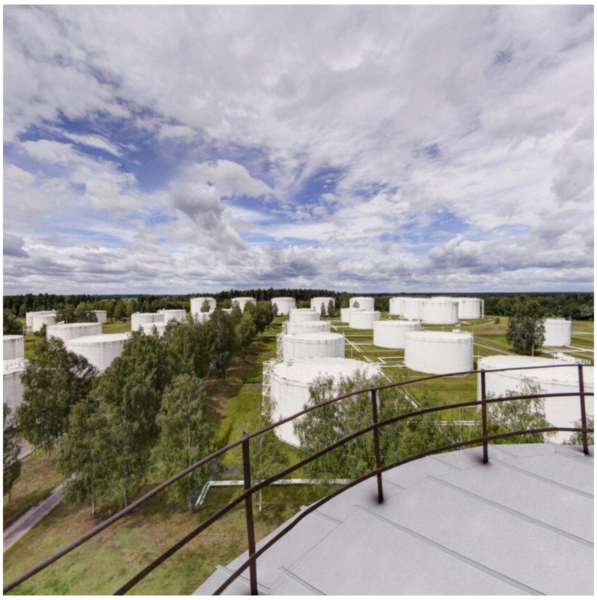
After the approval of the share emission agreement with the Republic of Lithuania on 11 June 2012, the Company has started to manage Subačius liquid energy terminal. After the takeover of Subačius liquid energy terminal infrastructure the Company's activity and services have been diversified and expanded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

| CHARACTERISTICS OF SUBAČIUS LIQUID ENERGY TERMINAL: | |
|---|---|
| Location | In Kunčiai village, Kupiškis district |
| Volume of the tanks | Total 66 tanks |
| Volume of the tanks | Almost 338 $m^3$ thousand total volume |
| Railway | The rail trestle which can simultaneously handle 14 rail tanks |
| Road trucks loading | Modern loading station of auto trucks |
| Modern laboratory | Able to detect the main quality parameters of liquid energy products |

Subačius liquid energy terminal provides the following services:

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

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



# LNG

## REGULATED LNG. KLAIPĖDA LNG TERMINAL

Regulated LNG activities (LNGT includes activity of LNG terminal in Klaipėda which receives, and stores liquefied natural gas, regasifies, and supplies it to main gas pipeline.

### ASSURANCE OF LONG-TERM OPERATION OF KLAIPĖDA LNG TERMINAL

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

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

Following the Law on LNG Terminal, LNG activities must be carried out until at least 2044-12-31 and the LNG terminal operator acquires FSRU and becomes an operator no later than 2024-12-31. In 2021, following an extensive market investigation and an open tender for the acquisition of FSRU, the existing purchase option to acquire FSRU “Independence” has proven to be the most economically advantageous solution for KN. In October 2022, KN has informed the Norwegian company Höegh LNG of its decision to execute the right of FSRU Independence buy-out option. As the following step KN decided to hire experienced technical manager for the FSRU’s operation and maintenance (O&M) service provision. Hoegh LNG Klaipėda UAB is appointed as technical manager of the FSRU as a result of an open tender procedure for the acquisition of the O&M service. Hoegh LNG Klaipėda UAB will be a technical manager for 5 years with possibility to extend period for another 5 years.

It was decided that FSRU “Independence” will fly the Lithuanian flag and be administrated by Lithuanian flag authority. For this purpose, the legislation was reviewed and amended in 2023.

### DELIVERIES TO KLAIPĖDA LNG TERMINAL

In 2023, six users from Estonia, Latvia, Norway, Poland and Lithuania have been using services of LNGT in Klaipėda. 36 LNG carriers have arrived at the LNGT and 31.89 TWh of LNG have been regasified and reloaded during 2023. In 2023, Lithuania's natural gas consumption was about 149 TWh, 85% from all imported natural gas in Lithuania’s transmission system operator AB “Amber Grid” system were from Klaipėda LNGT.

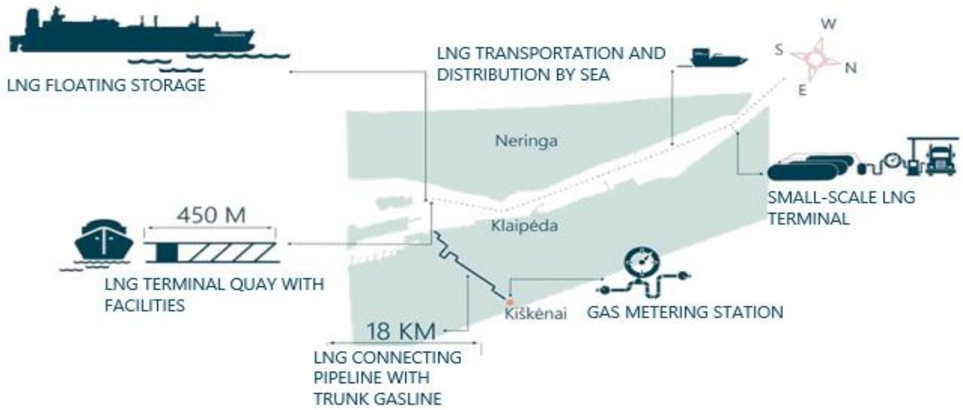
In 2023, the average utilization of Klaipėda’s LNGT was 71% (vs 72% in 2022). In comparison, based on data from GIE ALSI, the average European utilization of LNG terminals in 2023 was 59%.

The LNGT complements and extends the existing natural gas supply infrastructure of the country, creates opportunities for supply diversification, allowed to cut imports from Russia, ensures the security of natural gas supply and fulfils the EU Directive N-1 Infrastructure Standard, i.e., creates preconditions for Lithuania to independently supply itself with the natural gas needed to meet the demand of the first necessity.

### INFRASTRUCTURE OF THE LIQUEFIED NATURAL GAS TERMINAL

LNG Terminal of AB KN Energies is based on a FSRU technology. The terminal is connected to the gas transmission network of the natural gas transmission system operator AB Amber Grid by an 18-kilometre connecting gas pipeline. LNG Terminal functions – receive liquefied natural gas from LNG carriers, store them, regasify, and supply liquefied natural gas to transmission network or reload into other LNG carriers.

### LNG TERMINAL INFRASTRUCTURE




### LNG FLOATING STORAGE WITH REGASIFICATION UNIT

The LNG floating storage with regasification unit is an LNG tanker (Independence), which at the Klaipėda Seaport receives liquefied natural gas from the LNG vessels – LNG carriers, which are moored at the FSRU. According to the schedules of the Terminal users, LNG is passed through special equipment to return the LNG to a gaseous state and supply it to the gas transmission system. In 2012 10-year lease (with purchase option) (starting from December 2014) of LNG floating storage with regasification unit has been signed with Norwegian company Höegh LNG Ltd. The builder of this ship is South Korean shipyard Hyundai Heavy Industries Co. Ltd.

| TECHNICAL CHARACTERISTICS OF THE FSRU INDEPENDENCE*: | |
|---|---|
| Klaipėda seaport jetty | 157 |
| The volume of the tanks | 170,000 m³ |
| Maximum LNG filling level | 98% at 70 kPag |
| Maximum LNG loading capacity | 9,000 m³/h LNG |
| Maximum LNG reloading capacity | 5,000 m³/h LNG when LNG regasification is performed during LNG reloading |
| FSRU capabilities | 3.75 billion m³ of natural gas per year (10.24 million m³ per day) |
| Minimum operative LNG heel | 3,500 m³ LNG |
| Maximum gas flow into the gas pipeline | 10.24 million m³ per day |

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

### JETTY AND ITS FACILITIES

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

### CONNECTING PIPELINE OF THE LNG TERMINAL

The terminal is connected to the gas transmission network of the natural gas transmission system operator AB "Amber Grid" by an 18-kilometre-long and 700 mm diameter connecting 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 LNG loading from an LNG carrier to the Terminal, physical and virtual temporary storage of the cargo in the Terminal and LNG regasification.

The LNG reloading service consists of the following related services:

- Acceptance of LNG cargo from the LNG carrier that arrived, physical and virtual storage of the cargo and reload (re-export) of LNG to an LNG carrier of not less than 5,000 m$^3$.

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

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

| SERVICES OF THE TERMINAL | SERVICE PRICE | NERC DECREE |
|---|---|---|
| LNG regasification service price (2023) | 1.41 EUR/MWh | 31 May 2022 No. O3E-799 |
| LNG regasification service price (2024) | 1.83 EUR/MWh | 29 May 2023 No. O3E-715 |
| LNG reloading service price (2023):<br>- Small scale LNG cargo, up to 15,000 m$^3$<br>- Medium scale LNG cargo, from 15,000 m3 to 50,000 m$^3$ inclusive<br>- Large scale LNG cargo, from 50,000 m3 | 0.62 EUR/MWh excluding VAT<br>0.48 EUR/MWh excluding VAT<br>0.35 EUR/MWh excluding VAT | 25 November 2022 No. O3E-1620 |
| LNG reloading service price (2024):<br>- Small scale LNG cargo, up to 15,000 m$^3$<br>- Medium scale LNG cargo, from 15,000 m$^3$ to 50,000 m$^3$ inclusive<br>- Large scale LNG cargo, from 50,000 m$^3$ | 0.72 EUR/MWh excluding VAT<br>0.56 EUR/MWh excluding VAT<br>0.40 EUR/MWh excluding VAT | 17 November 2023 No. O3E-1688 |

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

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

## KLAIPĖDA SMALL SCALE LNG TERMINAL (RELOADING STATION)

During 2023, 13 cargoes were delivered to Klaipėda small scale LNG terminal (hereinafter – LNG reloading station or ssLNG). The LNG was loaded to LNG Trucks and distributed to consumers in Lithuania, Poland, Latvia and Estonia. In total 1,037 LNG trucks were loaded at the LNG reloading station in 2023.

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

On April 1st, 2020, Orlen S.A. commenced commercial operations at KN-operated LNG reloading station. The capacities of the LNG reloading station are allocated to Orlen S.A. for a five-year period until March 31, 2025.

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

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

| TECHNICAL CHARACTERISTICS OF THE LNG RELOADING STATION: | |
|---|---|
| Klaipėda seaport jetty | 2 |
| Technology | Five pressure tanks |
| Volume of the tanks | 5 x 1,000 $m^3$ |
| Fill level | 86% |
| LNG receiving speed (from ship) | up to 1,250 $m^3$/h |
| Daily loading capacity for LNG Trucks | 32 |
| Loading of LNG Trucks | 2 LNG Truck loading bays (possible simultaneous loading) |
| LNG Truck loading speed | up to 100 $m^3$/h |
| Bunkering speed | up to 500 $m^3$/h |
| Utilization of boil of gas | Gas pipeline connection to the Company’s boiler house |

## GLOBAL LNG PROJECTS

KN draws on the development and advisory experience of more than ten new LNG import projects in Europe, Latin America and Asia since 2015. KN is among the very few companies worldwide with experience of successfully commissioning floating LNG import terminals on two continents (completed: KN-owned Klaipėda terminal in Lithuania; advisory support service for commissioning and start-up of Piombino LNG terminal in Italy; advisory service to Cartagena terminal in Colombia; operation and maintenance of Port of Açu LNG terminal in Brazil as part of long term O&M engagement) also achieving several worlds "firsts" and commercial innovation in the industry, including multi-user mode, virtual LNG swaps, continuous small-scale reloads and FSRU integration with on-shore truck loading infrastructure. KN retained experienced LNG business development team and relatively lean corporate and organizational overhead allow for streamlined decision making and commercial agility, while retaining the financial strength to drive and compete for new LNG projects.

### LNG TERMINAL IN AÇU PORT IN BRAZIL

In 2020 KN became the operator of LNG terminal at Açu Port, Brazil. Under the contract concluded with UTE GNA I GERAÇÃO DE ENERGIA S.A., and UTE GNA II GERAÇÃO DE ENERGIA S.A. , KN as the operator of the LNG Terminal is responsible for the smooth operation of the LNG Terminal, including the technical and commercial operation of the installation of the quay and its facilities, gas pipeline and gas metering stations. KN has gathered a team of local professionals and established a company KN Açu Serviços de Terminal de GNL Ltda., which is responsible for the execution of this project in Brazil, ,. The contract is concluded for a period of 13 years operational period following the completion of the terminal which occurred in September 2021 and can be extended with a mutual agreement.

FSRU AT THE PORT OF AÇU. COURTESY BY GNA

In July 2023 AB KN Energies and bp Gas & Power Investments Limited (hereinafter - bp) signed a cooperation agreement on the development of a new LNG project in the Port of Açu. KN is invited to contribute to the development of the Açu trucked LNG station project.

The project involves the planned construction of an LNG truck loading station at the port, allowing gas to be delivered to consumers that are not connected to the gas pipeline network in the southeast region of Brazil. This could create new demand centres and support industrial customers' decarbonisation agendas.

Under the cooperation agreement, bp and KN will collaborate by evaluating the project's commercial viability, as well as executing various development phase tasks.

## COMMERCIAL OPERATIONS SERVICES FOR DET LNG TERMINALS IN GERMANY

In January 2024 KN executed a contract with Deutsche Energy Terminal GmbH (DET), the German state-owned company that operates state-controlled LNG terminals on the provision of commercial management services of four German LNG terminals on the North Sea coast.

On behalf of the German Federal Ministry for Economics Affairs and Climate Action, the DET operates Germany's first LNG terminals on the North Sea coast, the Wilhelmshaven 1 LNG Terminal and the Brunsbüttel LNG Terminal. Additionally, DET will operate two upcoming terminals: the second LNG terminal in Wilhelmshaven and the LNG terminal in Stade on the Lower Elbe River.

In recent years Germany is rapidly embarking on the development of the construction of floating LNG terminals in order to provide new sources of natural gas supply following the failure of gas supplies via pipelines from Russia. The German Government is using the state-owned LNG terminals to secure reliable energy supplies to the federal market. Germany is expected to have a total of five FSRU-based LNG import terminals within this year, four of which will be operated by DET.

According to the contract signed by KN and DET, commercial management services for the four LNG terminals will include services related to commercial and logistics operations, gas dispatching processes, accounting and reporting of the commercial activities to the DET, development and provision of IT systems and tools and other terminal operational services adapted to the customer's needs.

The contract also includes a commitment to capacity building and knowledge transfer of KN expertise to DET staff. During the term of the contract, the objective is to train the local team to be able to ensure the commercial operation of the terminals themselves.

Wilhelmshaven LNG terminal is the first LNG import facility in Germany, located in Port of Wilhelmshaven on the North Sea coast. The LNG terminal has been successfully completed in extremely short terms and started commercial operations in January 2023.

The solution for the terminal is based on the FSRU technology, which is supplied and operated by the Norwegian company Hoegh LNG. The annual design capacity of the terminal is 7.5 billion cubic meter of natural gas, which corresponds to over 8% of Germany's 2021 gas demand.

The Brunsbüttel LNG terminal, situated in the port city of Brunsbüttel at the Elbe River's mouth, The facility is based on the FSRU technology. The terminal receives gas from LNG carriers via the FSRU Höegh Gannet, operated by the Norwegian company Hoegh LNG and which was built in 2018 and has a storage capacity of 170,000 cubic meters. After expansion of the natural gas grid network the terminal will have a designed annual capacity of 7.5 billion cubic meters of natural gas.

Both Stade and Wilhelmshaven-2 LNG terminals will start commercial operations in 2024.

# NEW ENERGIES

In June 2023, KN adopted a long-term strategy KN 2050 with a clearly expressed commitment to become net-zero by 2050. According to KN2050 strategy, KN will not only continue its' current activities and projects and maintain the status of strategic importance entity but will further expand its participation in FSRU based LNG projects development worldwide, invest into new energy and renewable business streams, such as hydrogen related products (hydrogen carriers), CCS, energy balancing (flow batteries).

## HYDROGEN CARRIERS

The European Union aims to become climate-neutral by 2050. The development of a hydrogen economy is one of the EU's pillars in transitioning to a low-carbon society. A specific goal set by the European Commission related to the hydrogen economy is to produce 10 million tons of renewable hydrogen by 2030 and import 10 million tons of renewable hydrogen by 2030. In addition, it is expected that hydrogen and, to some extent, biomethane will replace natural gas in the energy value chain in Lithuania.

It is expected that Northern Europe will become a hydrogen export region, while Central Europe will become a hydrogen import region. The main method of hydrogen transportation in Europe is seen to be pipeline transportation. It is still unclear which hydrogen carrier will be given priority. In order to take advantage of the opportunities offered by the hydrogen economy, KN will closely monitor the market and develop its capabilities in the field of hydrogen carriers, where it still lacks experience: pure hydrogen and ammonia, other LOHC raw materials used.

## CCS (CARBON CAPTURE AND STORAGE)

The carbon capture and storage market is still in its early stages. The carbon capture and storage market is still emerging - the world's first commercial project will be implemented in Norway in 2025, and its initial capacity will be up to 1.5 million tons per year. CCS technology is still immature and still requires significant capital expenditures, making it difficult to commercialize. Many of the projects that will soon be operational are largely funded by governments, such as Norway's "Longship" project, which is about 80% funded by the Norwegian government.

However, financing opportunities are improving mainly due to EU programs and the number of CCS projects. The increasing number of projects are also due to the fact that in some, so called, "hard-to-abate" industries, such as fertilizers, cement, or oil refining, carbon dioxide capture is currently the only way to reduce CO2 emissions and achieve ambitious EU goals.

In November 2022 KN, Mitsui O.S.K. Lines Ltd, Larvik Shipping AS, Akmenės cementas, AB and SCHWENK Latvija SIA signed consortium agreement on establishment of CCS Baltic Consortium that is primarily aimed at significantly decreasing CO2 emissions originating from two EU Member States – Lithuania and Latvia, through CCS technology. The Baltic States currently do not have CO2 transport and sequestration infrastructure and are one of the last coastal territories in Europe where such system has not yet been developed or planned. Therefore, the consortium project intends to fill this gap by developing a robust and sustainable CO2 value chain that may be utilised by all emitters in the Baltics, thus having significant decarbonisation potential for the region. The project aims to create a carbon capture and storage value chain in Lithuania and Latvia with initial annual quantities of about 1.6 Mt of $CO_2$ could be captured in the factories of "Akmenės cementas" and "SCHWENK Latvija". This gas would be transported by land transport to KN's energy products terminal in Klaipėda and transshipped to special ships to permanent storage sites in Europe, potentially in the North Sea.

In November 2023 the European Commission has included CCS Baltic Consortium in the final 6th list of Project of Common Interest. This means that the project is recognized as a cross-border project of great importance, which will significantly contribute to the implementation of the energy policy and climate goals of the European Union. After the project receives PCI status, detailed studies will continue and applications for EU funding will be submitted. It is expected that the project will attract large-scale EU investments to Lithuania and Latvia. It is estimated that the total value chain capital investments can reach around 1.1-1.2 billion Euros. The final investment decision is planned to be taken in Q1 of 2027, and the $CO_2$ capture and export operations will start in 2030.

### ENERGY STORAGE (FLOW BATTERIES)

The global network battery storage market is still in its early stages of development. However, it is rapidly expanding, and as the share of renewable energy resources (RER) in the energy balance increases, so will the need for energy storage in the grid. To effectively exploit RER and increase their use, it is necessary to create energy storage devices, especially battery storage devices that can be easily expanded, unlike the currently widely used electricity storage using hydroelectric power plants.

KN prioritizes flow batteries due to some similarities of the technology infrastructure with KN's terminals' current infrastructure, but in the coming years, KN will not limit its goals to this technology alone. Flow batteries are not only the most promising solution for the future but can also give the Company the opportunity to leverage its competitive advantage in the field of liquid product storage, as they are based on liquid electrolyte tanks.

## THE CORPORATE STRATEGY

In June 2023, the Supervisory Council of AB KN Energies has approved KN's corporate strategy for the period 2023-2050. The strategy took effect on June 14, 2023, and is centred around efficiency of current activities, preparation for the energy transformation and transitioning towards activities in the new energy field. It aims to achieve complete climate neutrality for KN's operations by 2050, with a target of reducing emissions by over 30% by 2030 and approximately 70% by 2040.

KN aspires to become a significant contributor to the future energy supply and value chains, generating further value in the energy sector, ensuring energy security and competitiveness of energy resources in the region, and delivering financial returns to shareholders.

In the light of these goals, the KN's strategy emphasizes improving current businesses and efficiency to retain competitive advantage and enhance profitability. It outlines the aim of achieving profitable growth by developing existing core business areas while investing a share of profit into the infrastructure and competence of the new energies.

The KN strategy is based on medium-term growth and long-term portfolio diversification, divided into three phases until 2050:

- 2023-2030: Increasing profitability in existing activities and securing financing for investments in new and more sustainable energy sources.
- 2031-2040: Focusing on the development of the LNG business and diversifying transshipment of liquid energy products.
- 2041-2050: Expanding activities in the market of new energies, including investments in new energy sources like synthetic fuels, hydrogen and hydrogen carriers, other alternative energy carriers, and CCS.

KN envisions a world where sustainable liquid energy as well as chemicals and feedstock solutions empower industries and communities, creating a cleaner, safer, and more prosperous future for all. KN strives to be at the forefront of this transformation, continuously innovating and expanding portfolio of services to support the global energy transition and achieve climate neutrality by 2050.

The new strategy sets a long-term target for a return on capital employed (ROCE) of approximately 8% (compared to 4.4% in 2022). It also aims to achieve an average revenue of EUR 172 million for the KN group of companies from 2041 to 2050, with revenue increasing by 122% in 2050 compared to 2022.

The target for the KN group of companies is to achieve an average EBITDA of EUR 85 million from 2041 to 2050. It aims for 172% higher EBITDA in 2050 compared to 2022. Additionally, the EBITDA margin is expected to increase from 45% in 2022 to 55% in 2050.

Starting in 2026, KN aims to pay annual dividends of at least EUR 5 million, targeting a dividend yield of approximately 5%. The total dividend payments are expected to reach at least EUR 240 million for the period of 2031-2050.

Key Highlights in the short-term (2030): by 2030, KN aims to establish a strong foundation for the new and more sustainable energy activities and plans to achieve a 50% revenue growth.

**OPERATIONAL TARGETS IN KEY SEGMENTS:**

- **Liquids Energy Terminals**: The strategy involves a heightened emphasis on product and customer portfolio diversification. This includes expanding the handling of biofuels and entering the storage and handling market for chemical products such as methanol. Emphasis will continue to be placed on operational excellence, commercial and operational efficiency, and delivering enhanced value to customers.
- **LNG**: The focus will be on continued value creation in the regional and global LNG market. By 2030, decisions will be made regarding the expansion of the capacities of the Klaipėda LNG terminal, taking market demand in consideration. Additionally, decisions regarding the strategy of the LNG reloading station will be determined. KN also plans to expand LNG business development activities globally in growth markets gradually.
- **New Energies**: By 2030, KN aims to develop business opportunities in the hydrogen carrier handling and storage market. It also seeks to establish a CO2 storage and handling business to contribute to controlling and reducing carbon emissions. Additionally, a pilot battery project and a sustainable business model for participating in the energy storage/balancing market will be developed. The exploration of new energy sources will facilitate KN's transition towards a greener economy.

KN plans to invest approximately EUR 300 million by 2030, with over 45% of capital investments dedicated to building new infrastructure and competences for the handling and storage of new energies, as well as to enhancing the sustainability and reducing emissions across all KN activities.

The updated strategy also corresponds with the Letter of Expectations from the Ministry of Energy of the Republic of Lithuania, received by KN on 8 March 2023. As the majority shareholder holding 72.47% of KN's shares, the Ministry outlines the company's objectives and financial expectations concerning Lithuania's energy independence, transformation, and international development.

For more detailed information about the KN strategy, please refer to the strategy summary following this link: KN Strategy 2050.

**VISION**

KN envisions a world where sustainable liquid energy as well as chemicals and feedstock solutions empower industries and communities, creating a cleaner, safer, and more prosperous future for all.

We strive to be at the forefront of this transformation, continuously innovating and expanding our portfolio of services to support the global energy transition and achieve climate neutrality by 2050.

**MISSION**

Enabling safe and reliable liquid energy as well as chemicals and feedstock flows for customers in the Baltic Sea region by:

- Offering storage and transshipment solutions for a variety of liquid energy products, chemicals, and feedstocks for consumption in the region and export into the global market.
- Enabling the decarbonization of the region by focusing on sustainable solutions and energy carriers.
- Providing national energy security to the Lithuanian state for both liquid energy and electricity.

Supporting customers globally with knowledge and capabilities in the development and operations of LNG or other sustainable energy infrastructure projects.

## KN IS ABOUT TO EMBARK ON A TRANSFORMATIVE JOURNEY SPANNING UNTIL 2050

2023 — 2030 → 2031 — 2040 → 2041 — 2050

### SETTING THE FOUNDATION

- **Improve value proposition** to strengthen cashflows and expand market for liquid products transshipment towards Southwest.
- **Scale up global LNG terminals business** activities.
- Set the **foundations for new energy businesses** by acquiring the right capabilities and develop pilot projects.
- **Consider ssLNG terminal strategy** to generate additional cash for investments in new energy business.

### COMMERCIALIZING NEW ENERGY

- Shift focus on **commercialization** of pilot projects in **carbon transshipment and energy storage**.
- **Turn global LNG terminals business into a larger revenue and margin contributor**.
- **Maintain business and improve operations** for LNG and liquids terminal, both for oil products and renewables handled at the terminal.
- **Capitalize on hydrogen carriers** opportunities that become more pronounced in this period and investigate further opportunities in wind energy generation.

### EXPANDING THE FOOTPRINT

- Take decision on **future of FSRU in Klaipėda**.
- **Expand footprint of renewables** further into the wider region.
- **Shift focus** of liquid energy terminal further towards renewables.
- **Evolve global LNG terminals** business activities in accordance with market shift.

## DRIVING SUCCESS: PROFITABLE GROWTH THROUGH CORE BUSINESSES – KEY TO OUR NEW STRATEGY

Based on its 2050 vision, KN's 2030 strategy would aim for improving operations and laying the foundation for new energy businesses.

**LIQUID ENERGY TERMINAL**
Diversify and improve volume & profitability

**LNG**
Develop green solutions and focus on global business

**NEW ENERGIES**
Lay the ground for a green transition in the region

**AIM TO INCREASE REVENUES >50% BY 2030 AND LAY FOUNDATIONS FOR NEW ENERGY BUSINESSES**

Prepare organizational setup for transition of traditional business to new energies

Step-change in ESG activities

Invest in knowledge on new energy fields

Digitalize business processes to be ready for the future

**BUSINESS & SOCIAL EXCELLENCE**
Reduce emissions while setting the right platform to accelerate growth in new energy businesses

## LIQUIDS ENERGY TERMINALS: DIVERSIFICATION AND IMPROVED PROFITABILITY

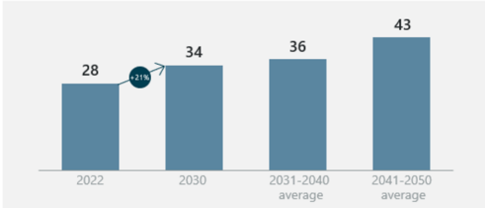
Transform conventional oil terminal to liquid energy and chemical terminal.

Grow revenues and strengthen EBITDA margin by diversifying product and client portfolio, operational excellence and improving generated value for customers.

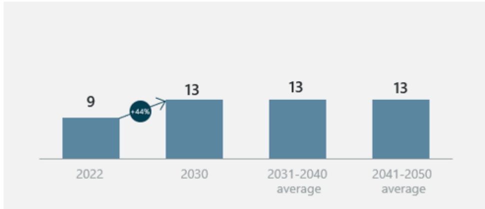
**By 2030:**

- Increase biofuels transshipment and enter market for chemicals storage and transshipment (methanol and others).
- Ensure vertical diversification of liquid energy and chemicals transshipment business.
- Enhance customer value proposition and operational excellence.

LIQUIDS TERMINAL REVENUE (€m)




LIQUIDS TERMINAL EBITDA (€m)



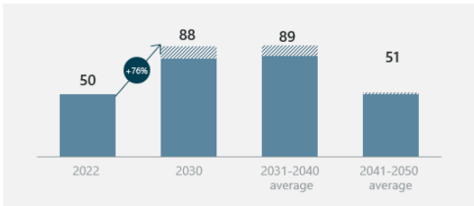

## LNG: CAPITALIZING ON THE MOMENTUM AND EXPANDING GLOBAL FOOTPRINT

Focus on value creation in regional LNG business while capturing short-term growth in global LNG market.

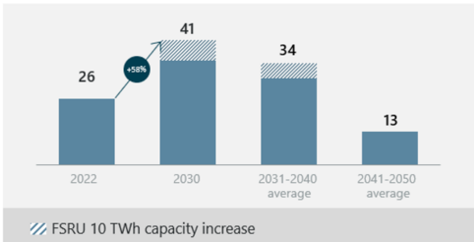
**By 2030:**

- Review Klaipėda LNG terminal regasification capacity based on market demand.
- Offer additional services and enhance value proposition of Klaipėda LNG hub.
- Assess ssLNG terminal strategy.
- Expand floating LNG footprint in growth markets (1-2 new investments; 3 additional O&M contracts).

LNG REVENUE (€m)




LNG EBITDA (€m)




## NEW ENERGIES: ENTER THE NEW ENERGIES MARKETS

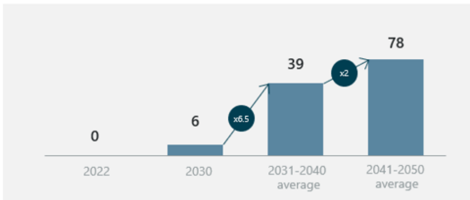
Capturing opportunities in the new energies will contribute to the green transition of the economy.

Investments into new energies are substantial for KN to develop new capabilities in this business segment.

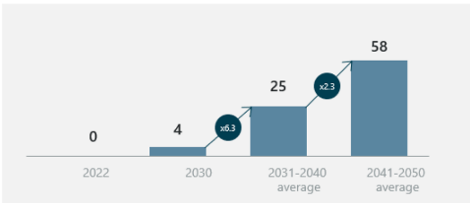
**By 2030:**

- Develop at least 3 mature business cases to enter transshipment and storage market of hydrogen carriers.
- Build a CO2 storage and transshipment business to manage and reduce carbon emissions.
- Establish a battery pilot project in the region and develop a sustainable business model for KN to enter the energy storage/balancing market.

NEW ENERGIES REVENUE (€m)




NEW ENERGIES EBITDA (€m)



# SIGNIFICANT EVENTS OF THE REPORTING PERIOD

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

**8th March 2023**. The Company received the Letter of expectations of the shareholder from the Ministry of Energy of the Republic of Lithuania, which owns 72.47% of the Company's shares. More information about the Letter of expectations can be found on www.kn.lt.

**10th March 2023**. The Company has been chosen by Italian energy company Snam FSRU Italia to cooperate in the start-up of a greenfield FSRU based LNG terminal project in the port of Piombino.

**27th March 2023**. A 300 kW solar power plant has been commissioned at the Subačius liquid energy terminal. The electricity produced by the plant will meet 100% of the electricity demand of the terminal operating in the Kupiškis District.

**20th April 2023**. Šarūnas Radavičius was elected as a Chairman of the Audit Committee.

**25th April 2023**. KN published the Social Sustainability Report of 2022. Report is prepared following the international Global Reporting Initiative Standards (GRI).

**28th April 2023**. An Annual General Meeting of Shareholders of the Company was convened. Annual General Meeting of Shareholders has adopted the following resolutions: 1) to approve the audited Financial Statements of the Company for the year 2022, 2) to allocate profit of the Company, 3) to approve the Report on remuneration of the Company.

**11th May 2023**. The Company and SK E&S, which is responsible for energy sectors such as LNG, renewable and hydrogen within the SK Group, signed a Framework Agreement on cooperation opportunities in the field of international LNG business development.

**5th June 2023**. The Company and AB ORLEN Lietuva have entered into a collaborative agreement for diesel loading operations at KN's leased Marijampolė Terminal.

**14th June 2023**. The Supervisory Council of the Company has approved KN's corporate strategy for the period 2023-2050. The strategy takes effect on June 14, 2023, and is centred around efficiency of current activities, preparation for the energy transformation and transitioning towards activities in the new energy field. It aims to achieve complete climate neutrality for KN's operations by 2050, with a target of reducing emissions by over 30% by 2030 and approximately 70% by 2040.

**15th June 2023**. Živilė Valeišienė was elected as a Chairman of the Remuneration and Nomination Committee.

**30th June 2023**. The Company is starting its commercial operation of the Brunsbüttel LNG terminal in Brunsbüttel, northern Germany.

**4th July 2023**. KN and BP Gas & Power Investments Limited signed a cooperation agreement on the development of a new LNG project in Latin America.

**17th August 2023**. According to National Energy Regulatory Council (NERC) data, the WACC calculated for the Company in 2024 will be 5.06% (4.16% in 2023). NERC, in determining the upper limit for LNG regasification revenues for the Company for 2024, applied the forecasted regulated asset base (RAB) of EUR 38.2 million.

**22nd September 2023**. KN was entrusted with the organization of international LNG terminal market event "European LNG Terminal Managers Meeting 2023".

**6th October 2023**. An Annual General Meeting of Shareholders of the Company was convened. Annual General Meeting of Shareholders has adopted the following resolutions: 1) to approve the main terms and conditions of the FSRU INDEPENDENCE technical and operational management (O&M) service procurement agreement where Norwegian capital company Hoegh LNG Klaipėda will serve as its technical operator for a minimum of 5 years, 2) To elect "KPMG Baltics", UAB as the Company's audit firm to perform the audit of the statutory separate and consolidated Financial Statements, to verify Regulated Activities report of the Company, to assess its Annual Report for the years 2023 and to issue the Audit highlights memorandum.

**28th November 2023**. The European Commission has included CCS Baltic Consortium to the final list of Project of Common Interest (PCI) to the planned liquefied carbon dioxide ($CO_2$) capture and transportation project in Lithuania and Latvia, planned by KN and its partners. This means that the project is recognized as a cross-border project of great importance, which will significantly contribute to the implementation of the energy policy and climate goals of the European Union.

**30th November 2023**. At an Extraordinary General Meeting of Shareholders, shareholders of KN approved: 1) an update to the company's Articles of Association. This update included a new legal entity name for the company. 2) The amended Remuneration Policy of the Company. 3) The amended Corporate Governance Policy of the Company.

**1st December 2023**. A record-breaking 90,000 tonnes of petrol were loaded onto the tanker SKS DARENT, marking the largest petrol batch handled to date in the Klaipėda liquid energy terminal.

**7th December 2023**. KN resumes the supply of diesel to Ukraine in ISO containers. At the company's liquid energy products terminal in Klaipėda, 30,000 tonnes of diesel was loaded into ISO containers and transported by rail to Ukraine via Poland.

# SIGNIFICANT EVENTS OCCURRED AFTER THE END OF THE REPORTING PERIOD

**8th January 2024**. KN secured the public tender for the commercial services of four German LNG terminals on the North Sea coast. The company has signed contract with Deutsche Energy Terminal GmbH (DET), the German state-owned company that operates state-controlled LNG terminals.

**10th January 2024**. AB Klaipėdos nafta is turning a new page in history by continuing its operations under the new legal name AB KN Energies. This name change reflects the company's strategic changes and new long-term strategy to follow the path of sustainable energy by switching from fossil fuels to new types of energy.

The new wording of the Articles of Association of AB KN Energies were registered within the Register of Legal Entities of the Republic of Lithuania following the amendment of the Company's name.

With the change of the Company name, on January 10th, 2024, the ticker of AB „KN Energies" securities on the Nasdaq Vilnius Stock Exchange changed from KNF1L to KNE1L. The securities ISIN code remains unchanged and is LT0000111650.

Legal entity name of Company's subsidiary UAB SGD logistika is changed to UAB KN Global Terminals, with no further changes to its obligations or commitments.

**15th January 2024**. Tomas Tumėnas was appointed Chief Financial Officer (CFO) of KN Energies.

### INFORMATION ABOUT PUBLIC ANNOUNCEMENTS

Following the requirements of the Law of the Republic of Lithuania, all main events concerning the Company and information about the time and venue of the General Meeting of Shareholders are published on the website of the Company www.kn.lt and in AB NASDAQ Vilnius (www.nasdaqomxbaltic.com) Stock Exchange.

# BUSINESS ENVIRONMENT AND MARKET

## LIQUID ENERGY TERMINALS' BUSINESS ENVIRONMENT AND MARKET

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

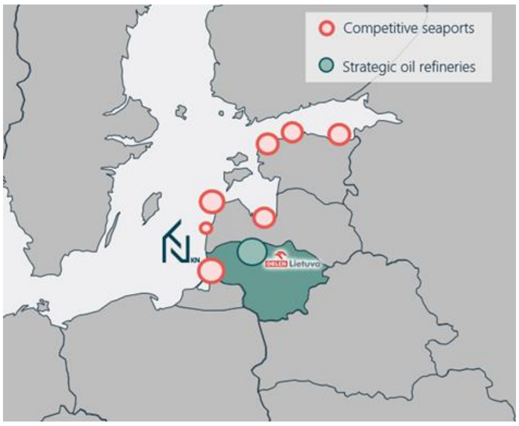
- Company's infrastructure (number of jetties, water depth at jetties) and suprastructure for transshipment and storage of liquid energy products (number of tanks, pipelines, trestles, etc.).
- Liquid energy terminals' economic attractiveness from logistical point of view (both transshipment tariffs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

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

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

Company's liquid energy terminals Y2023 activity results were mainly affected by mixed geopolitical and demand/supply factors:

- Global fuel consumption continued to grow in 2023, exceeded 2022 and nearly reached the pre-pandemic volumes,
- Sanctions applied to Russian oil products (diesel, gasoline and other) import to EU from Feb 2023, raised concerns about possible shortages of diesel in EU, however,
- During 2023 the region was still receiving diesel and gasoil cargoes flow from east of Suez enough to cover the volumes that it could no longer receive from Russia.




European refineries' crude runs and products output in 2023 was slightly lower in comparison with 2022 - additional pressure to European oil products market demand/supply balance and therefore – refining margins of the region's refineries was exerted by:

- Disruptions to Europe's oil products supply due to industrial action in France (~60% of France refining capacities were offline in spring), and other unplanned refineries outages in the region,
- Economic headwinds in some of Europe's largest countries that has constrained diesel demand,
- Fluctuating volumes of diesel import arrivals to Europe from Middle East, India and China.

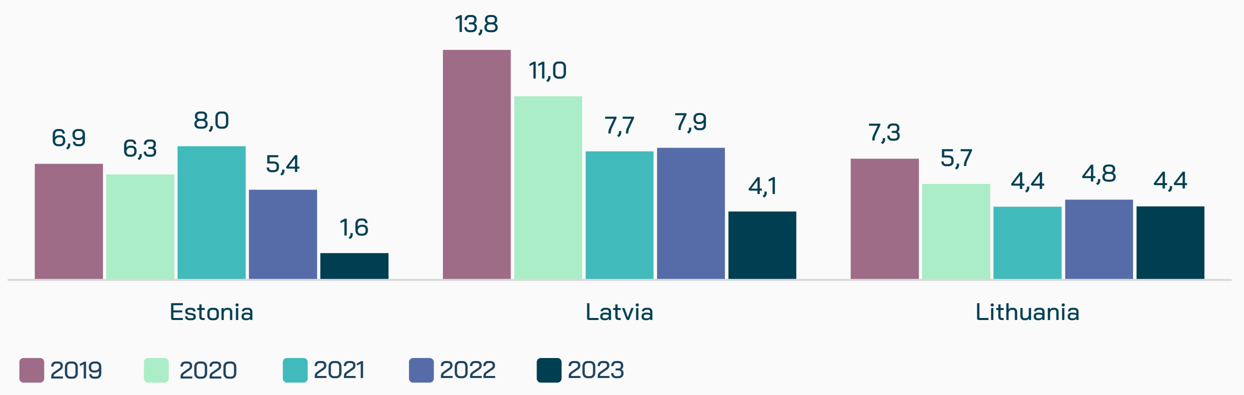
Despite all this turbulence in the market, Company's 2023 Liquid energy terminals segment revenues remained stable and close to the levels of 2022 and were primarily driven by:

- Increased transshipment and storage volumes of biofuels and light oil products, which continued to increase its share vs dark oil products in Company's total transshipment turnover in 2023,
- Further expansion of its footprint in logistics chain of fuel supply to existing and new customers in southwest directions.

According to the statistical data, during 2023 ports of the eastern Baltic Sea coast transshipped approximately 64.8 million tons of oil products, i.e., 25.4 million tons or 28% less compared to 2022. Transshipment volumes of liquid fuels in Baltic states dropped from 18.1 to 10.1 million tonnes where total decrease in Estonian and Latvian ports was ~ 7.6 million tons and 0.4 million tons - in Klaipėda port.

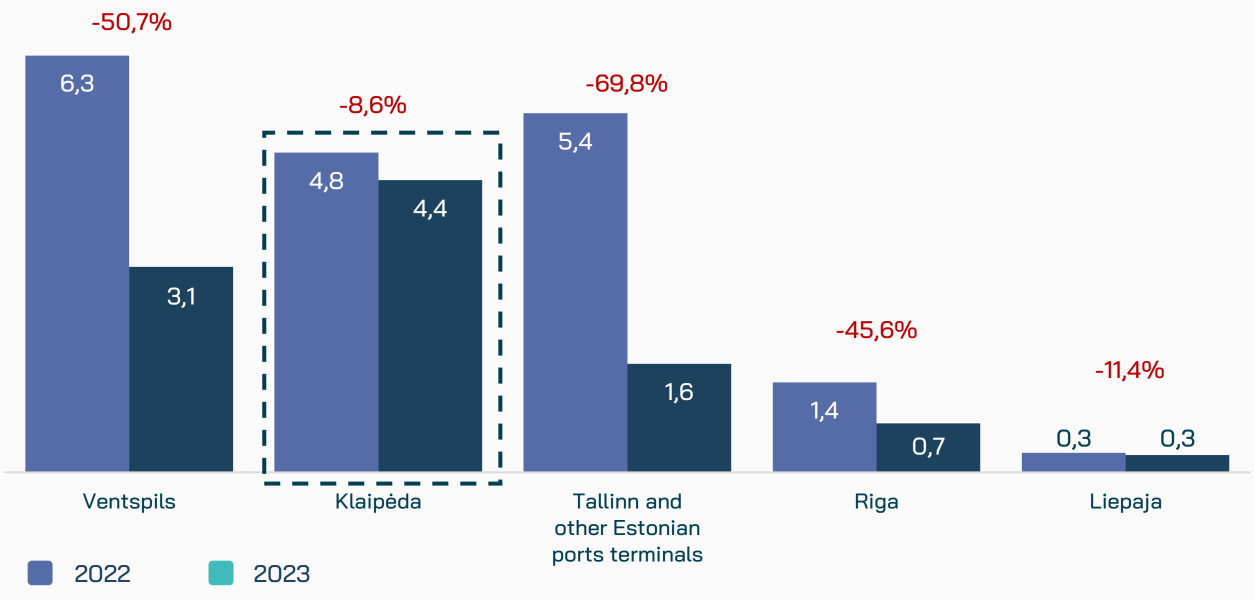
During 2023, port of Klaipėda handled about 4.4 million tons of oil products, i.e., 8.6% less than in 2022. Due to decreased transshipment volumes in Latvia and Estonia ports, Klaipėda port increased its share in total Baltic states liquid energy products transshipment market up to 43%.

Dynamics of oil products transshipment in the ports of the eastern coast of the Baltic Sea (Millions of tons)




* Figures are based on Klaipėda Port Authority data

Dynamics of oil product transshipment in the ports of the eastern coast of the Baltic Sea (Millions of tons)




* Figures are based on Klaipėda Port Authority data

## TRANSSHIPMENT OF LIQUID ENERGY PRODUCTS

During 2023 the Company's Klaipėda and Subačius Liquid energy terminals transshipped 4,119 kt of liquid energy products compared to 4,267 kt during 2022, i.e. 3.5% or 148 kt less. Stable transshipment of liquid energy products is influenced by the global and regional factors mentioned in the section "Liquid energy Terminals' Business Environment and Market".

Transshipment of bitumen in KLET continued to grow. During the 12 months of 2023, KN loaded about 82.5 kt of bitumen or 18% more compared to 2022.

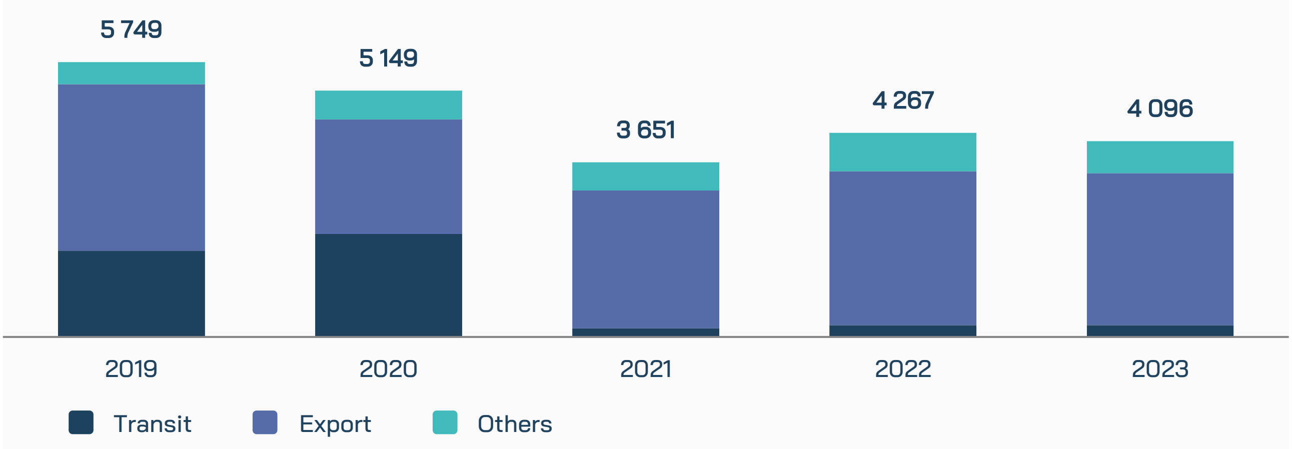
During 2023 biofuels transshipment in KLET intensified and exceeded 2022 result +21%, the increase was driven mainly by services of ethanol handling.

Transshipment of liquid energy products (diesel and gasoline) to tank trucks in 2023 was ~7% higher compared to 2022.

Intensified activity of the clients involved in transshipment of biofuels and diesel in 2023 significantly contributed to increased demand for the storage services for these products – revenue from the rent of shore tanks during 2023 increased 27% compared to 2022.

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

Transshipment in liquid energy terminals (thousand tones)




* Figures based on KN data

## OVERVIEW OF KLAIPĖDA LNG TERMINAL OPERATING ENVIRONMENT

During 2023 NERC adopted the following resolutions related to the operating environment of Klaipėda LNGT:

- On 11 May 2023, decree No. O3E-638 NERC determined LNG regasification revenue cap of 59.2 MEUR for Y2024;
- On 29 May 2023, decree No. O3E-715 NERC approved variable component of the LNG regasification price (LNG regasification tariff) for the Y2024. LNG regasification tariff is set at 1.83 EUR/MWh;
- On 6 June 2023, decree No. O3E-757 NERC approved KN investments for Y2024. Total value of investments reaches 3.219 MEUR;
- On 17 November 2023, by decree No. O3E-1688 NERC approved LNG reload service price for Y2024 (approx. 15% increase in comparison to price of Y2023).
- On 22 November 2023, by decree No. O3E-1694 NERC approved security of supply fee applied to natural gas transmission price equal to 205,93 EUR/(MWh/day/year). LNG Terminal costs included in the security of supply fee is equal to 0 EUR/(MWh/day/year).

Other relevant events related to the operation of the LNGT:

- On 26 June 2023, KN announced public consultation regarding the amendment to the Regulations for the Use of the LNG Terminal. Public consultation lasted until 7 July 2023. Main amendments related to upcoming Long-term LNG regasification capacity allocation procedures for period until Y2044. On 27 July 2023, NERC approved updated Regulations for the Use of the LNG Terminal which came into force after one month from the approval.

LNGT capacity allocated for the Terminal Gas Year 2023 (period from 1 January 2023 to 31 December 2023):

| ALLOCATED CAPACITY | AMOUNT OF ALLOCATED CAPACITY, GWh* | PERIOD |
|---|---|---|
| LNG regasification capacity** | 33,000 | 1 January 2023 – 31 December 2023 |
| | 940 | 15 February 2023 – 30 March 2023 |
| | 393 | 1 May 2023 – 30 June 2023 |
| | 491 | 1 June 2023 – 31 July 2023 |
| | 940 | 1 July 2023 – 31 August 2023 |
| | 936 | 1 August 2023 – 25 September 2023 |

* Combustion / measurement temperature 25/0 °C, pressure 1.01325 bar, natural gas gross calorific value 11.35 kWh/nm$^3$, expansion factor 1: 578 m3 LNG / nm$^3$ of gas).
**During Gas Year LNG regasification capacity may be changed to LNG reloading capacity.

Total 36,700 GWh LNG regasification capacities of LNGT were allocated for the Terminal Gas Year 2023 (period from 1 January 2023 to 31 December 2023). In 2022 KN has allocated long-term capacity until the end of 2032. LNGT users from Lithuania, Latvia and Poland have been granted 4 LNGT capacity packages of 6 TWh/year (24 TWh) each for a period of ten years starting from 1st January 2023. Following the renewal of the LNGT capacity allocation mechanism this year, in ten years approximately 60% of the LNGT total capacity per year is allocated to terminal users with long-term contracts. During the Annual Capacity allocation procedure, the LNGT regasification capacity of 9 TWh has been allocated to five Terminal users for the 2023 Terminal gas year.

On September 2023 based on procedure set in the updated Regulations for use of LNG Terminal, the Company has started Long-term capacity allocation and has successfully allocated:

- Long-term capacity of 9 TWh (in 3 packages of 3 TWh) for the period starting from 2025 up until end of 2032;
- Long-term capacity of 4 TWh (1 package of 4 TWh) for the period starting from 2033 up until end of 2044.

The procedure resulted in full allocation of Nominal Terminal LNG regasification capacity until 2032. Starting from Y2025, the Company does not expect to organize Annual capacity allocation. The Company plans to allocate LNG regasification capacity for Spot cargoes during the Terminal Gas Year or in case of unused LNG regasification capacity, there might be available capacity on the Secondary market.

31,894 GWh of LNG have been regasified and transmitted to AB "Amber Grid" transmission system during 2023. It should be noted that in 2023, six users from Estonia, Latvia, Poland, Norway, and Lithuania have been using LNGT in Klaipėda. Starting from the Terminal Gas Year 2023 new terminal user from Latvia has started to use services of the Terminal.

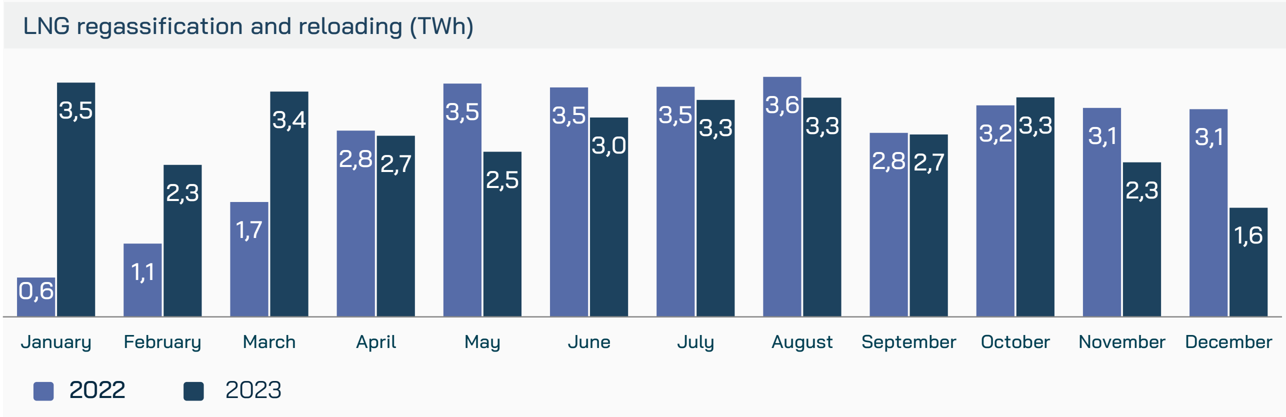
During 2023 the Klaipėda LNGT:

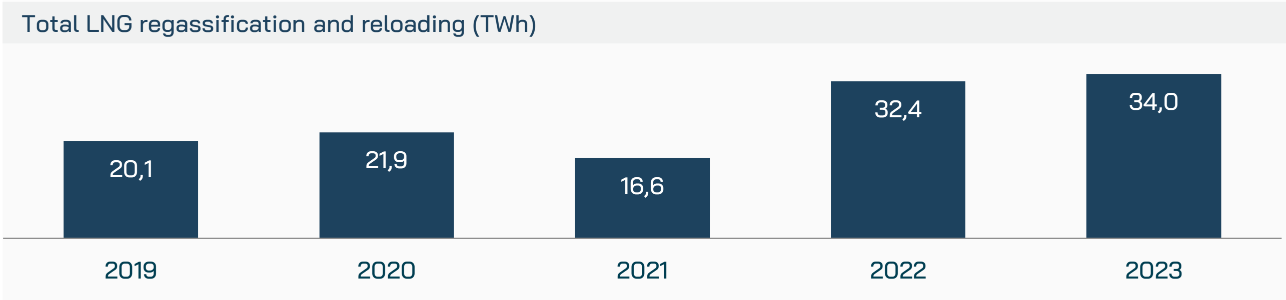
- Performed 67 ship-to-ship operations (54 ship-to-ship operations in 2022).
- 2,243 thousand tonnes of LNG were received (2,175 thousand tonnes in 2022).
- 2.752 billion nm$^3$ of natural gas were regasified and supplied to the natural gas transmission system (2.796 billion nm$^3$ in 2022).
- 116,432 tonnes LNG were reloaded into small scale LNG carriers (114,438 tonnes were reloaded in 2022).
- Accepted LNG origin was 49% from USA, 40% from Norway, 5.6% from Trinidad and Tobago, 2.9% from Nigeria and 2.8% from Algeria.

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

- Joint gas demand of Lithuania and other neighbouring countries.
- Pricing offered by competing natural gas supply sources (gas supplied by pipeline or other LNG terminals in the region) and quantity of gas supplied.
- Limitations of the Lithuanian natural gas infrastructure (transmission system capacity) and interconnections.
- Supply of LNG in the global market.

- LNG prices in the region and worldwide.
- Duration and terms of gas supply contracts.
- Availability and freight costs of LNG carriers.
- In 2023 one of the highest impacts for increasing the utilisation of LNGT capacities was as of 2022 halted Russian natural gas imports to Lithuania.



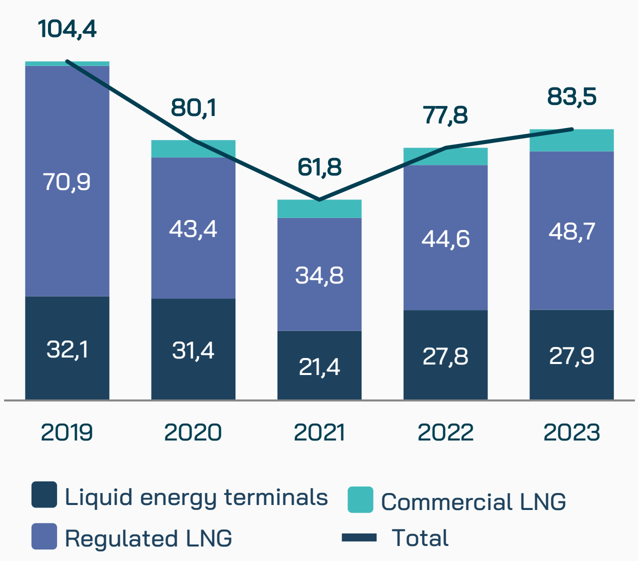




**KLAIPĖDA LNG TERMINAL CAPACITY EXPANSION**

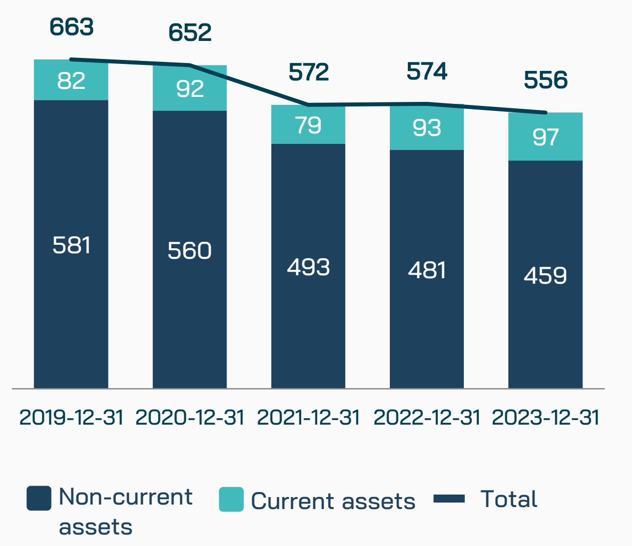
KN as the operator of Klaipėda LNGT together with gas transmission system operator AB "Amber Grid" suspended actions towards expansion of current Klaipėda LNG terminal regasification capacity and expansion of gas transmission system capacity in relevant entry and exit points. Decision was made based on results of Klaipėda LNG Terminal Long-term capacity allocation procedure which was launched in September 2023. During the Procedure KN offered 9 TWh for the period 2025-2032 and 28 TWh for the period 2033-2044. Market interest for the period 2033-2044 were low. After assessing the low interest in long-term capacity after 2033 and the potential growth of LNG supply in the region and other risks, KN decided to postpone the Klaipėda LNG terminal capacity expansion project for the future and will offer LNG terminal capacity to the market at a later stage.

# FINANCIAL RESULTS OF GROUP'S ACTIVITY

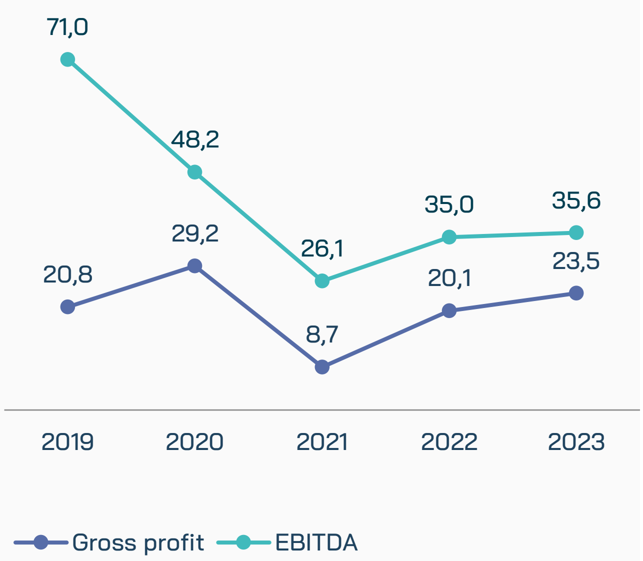
Sales revenue (EUR million)




Assets (EUR million)




Gross profit and EBITDA (EUR million)




Net profit (loss) (EUR million)

# CONSOLIDATION

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

The financial statements of subsidiaries have been prepared using uniform accounting policies and for the same reporting period as that covered by the financial statements of the Group. On consolidation, all inter-company transactions, balances, and unrealized gains and/or losses on transactions among the Group companies are eliminated.

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

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

| NAME OF THE COMPANY | ADDRESS | OWNERSHIP PART,% |
|---|---|---|
| AB KN Energies | Burių street 19, 92276 Klaipėda | 100 |
| UAB SGD terminalas | Burių street 19, 92276 Klaipėda | 100 |
| UAB KN Global Terminals | Burių street 19, 92276 Klaipėda | 100 |
| UAB SGD SPB | Burių street 19, 92276 Klaipėda | 100 owned by UAB KN Global Terminals |
| KN Açu Serviços de Terminal de GNL LTDA | 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 KN Global Terminals and 10 owned by UAB SGD SPB |

More information about the structure of the Group and its subsidiaries can be found in the Annual Report section "General Information About the Group and the Company".

# FINANCIAL RESULTS OF THE GROUP'S AND THE COMPANY'S ACTIVITY

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

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

| THE GROUP | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Transshipment of liquid energy products, thousand t | 4,119 | 4,267 | 3,651 | 5,149 | 5,749 |
| LNG regasification and reloading, GWh | 33,958 | 32,446 | 16,569 | 21,987 | 20,237 |
| Investments of non-current assets | 4,547 | 4,559 | 9,080 | 7,163 | 22,051 |
| FINANCIAL FIGURES | | | | | |
| Sales | 83,525 | 77,818 | 61,811 | 80,114 | 104,363 |
| EBITDA (AVR) | 35,638 | 34,987 | 26,108 | 48,168 | 70,979 |
| EBIT (AVR) | 12,702 | 12,193 | (53,165) | 19,379 | 14,316 |
| Net profit (loss) | 13,226 | (5,904) | (64,011) | 33,958 | 7,561 |
| Adj. Net profit (loss) | 6,963 | 8,869 | (47,178) | 11,454 | 12,731 |
| PROFITABILITY | | | | | |
| Return on assets (ROA) (AVR) | 2.3% | (1.0%) | (10.5%) | 5.2% | 1.6% |
| Adj. Return on assets (ROA) (AVR) | 1.2% | 1.5% | (7.7%) | 1.7% | 2.7% |
| Return on equity (ROE) (AVR) | 9.1% | (4.2%) | (35.5%) | 16.7% | 3.9% |
| Adj. Return on equity (ROE) (AVR) | 4.4% | 6.0% | (27.5%) | 5.8% | 6.5% |
| Return on Capital Employed (ROCE) (AVR) | 4.0% | 4.4% | 0.2% | 6.9% | 5.1% |
| Adj. Return on Capital Employed (ROCE) (AVR) | 3.9% | 4.2% | 0.2% | 7.3% | 5.0% |
| EBITDA margin (AVR) | 42.7% | 45.0% | 42.2% | 60.1% | 68.0% |
| EBIT margin (AVR) | 15.2% | 15.7% | (86.0%) | 24.2% | 13.7% |
| Net profit margin (AVR) | 15.8% | (7.6%) | (103.6%) | 42.4% | 7.2% |
| Adj. Net profit margin (AVR) | 8.3% | 11.4% | (76.3%) | 14.3% | 12.2% |
| FINANCIAL STRUCTURE | | | | | |
| Debt ratio (D/E) (AVR) | 265% | 313% | 295% | 201% | 248% |
| Adj. Debt ratio (D/E) (AVR) | 252% | 284% | 296% | 219% | 241% |
| Debt ratio (D/E) - excluding IFRS 16 liabilities (AVR) | 125% | 121% | 97% | 60% | 50% |
| Adj. Debt ratio (D/E) - excluding IFRS 16 liabilities (AVR) | 119% | 110% | 97% | 65% | 49% |
| Debt to EBITDA (AVR) | 11 | 12 | 16 | 9 | 7 |
| Debt (excluding IFRS 16) to EBITDA (AVR) | 5 | 5 | 5 | 3 | 1 |
| Debt service coverage ratio (DSCR) (AVR) | 3 | 4 | 4 | 8 | 12 |
| Gross liquidity ratio (AVR) | 0.45 | 1.30 | 1.28 | 1.47 | 1.27 |
| RINKOS VERTĖS RODIKLIAI | | | | | |
| Price-Earnings Ratio (P/E) | 5.8 | (15.4) | (1.8) | 3.6 | 18.3 |
| Adj. Price-Earnings Ratio (P/E) | 11.0 | 10.3 | (2.5) | 10.7 | 10.9 |
| Earnings per share (EPS) | 0.035 | (0.016) | (0.168) | 0.089 | 0.020 |
| Adj. Earnings per share (EPS) | 0.018 | 0.023 | (0.124) | 0.030 | 0.033 |

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

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

| THE COMPANY | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Transshipment of liquid energy products, thousand t | 4,119 | 4,267 | 3,651 | 5,149 | 5,749 |
| LNG regasification and reloading, GWh | 33,958 | 32,446 | 16,569 | 21,987 | 20,237 |
| Investments of non-current assets | 4,547 | 4,559 | 9,080 | 7,163 | 22,051 |
| FINANCIAL FIGURES | | | | | |
| Sales | 80,356 | 74,722 | 58,633 | 77,474 | 104,138 |
| EBITDA (AVR) | 34,346 | 33,696 | 24,582 | 47,291 | 71,396 |
| EBIT (AVR) | 11,514 | 11,000 | (54,610) | 18,532 | 14,733 |
| Net profit (loss) | 12,370 | (6,732) | (64,917) | 33,495 | 7,947 |
| Adj. Net profit (loss) | 6,107 | 8,041 | (48,084) | 10,991 | 13,117 |
| PROFITABILITY | | | | | |
| Return on assets (ROA) (AVR) | 2.2% | (1.2%) | (10.6%) | 5.1% | 1.7% |
| Adj. Return on assets (ROA) (AVR) | 1.1% | 1.4% | (7.9%) | 1.7% | 2.7% |
| Return on equity (ROE) (AVR) | 8.6% | (4.8%) | (36.0%) | 16.4% | 4.1% |
| Adj. Return on equity (ROE) (AVR) | 4.0% | 5.5% | (28.1%) | 5.6% | 6.7% |
| Return on Capital Employed (ROCE) (AVR) | 3.6% | 4.0% | (0.4%) | 6.6% | 5.2% |
| Adj. Return on Capital Employed (ROCE) (AVR) | 3.5% | 3.8% | (0.4%) | 7.0% | 5.1% |
| EBITDA margin (AVR) | 42.7% | 45.1% | 41.9% | 61.0% | 68.6% |
| EBIT margin (AVR) | 14.3% | 14.7% | (93.1%) | 23.9% | 14.1% |
| Net profit margin (AVR) | 15.4% | (9.0%) | (110.7%) | 43.2% | 7.6% |
| Adj. Net profit margin (AVR) | 7.6% | 10.8% | (82.0%) | 14.2% | 12.6% |
| FINANCIAL STRUCTURE | | | | | |
| Debt ratio (D/E) (AVR) | 270% | 316% | 297% | 201% | 247% |
| Adj. Debt ratio (D/E) (AVR) | 256% | 287% | 298% | 218% | 241% |
| Debt ratio (D/E) - excluding IFRS 16 liabilities (AVR) | 127% | 123% | 97% | 60% | 50% |
| Adj. Debt ratio (D/E) - excluding IFRS 16 liabilities (AVR) | 121% | 111% | 98% | 65% | 49% |
| Debt to EBITDA (AVR) | 12 | 13 | 17 | 9 | 7 |
| Debt (excluding IFRS 16) to EBITDA (AVR) | 6 | 5 | 6 | 3 | 1 |
| Debt service coverage ratio (DSCR) (AVR) | 3 | 4 | 4 | 8 | 12 |
| Gross liquidity ratio (AVR) | 0.42 | 1.22 | 1.20 | 1.41 | 1.21 |
| RINKOS VERTĖS RODIKLIAI | | | | | |
| Price-Earnings Ratio (P/E) | 6.2 | (13.5) | (1.8) | 3.6 | 17.4 |
| Adj. Price-Earnings Ratio (P/E) | 12.6 | 11.3 | (2.4) | 11.1 | 10.5 |
| Earnings per share (EPS) | 0.033 | (0.018) | (0.171) | 0.088 | 0.021 |
| Adj. Earnings per share (EPS) | 0.016 | 0.021 | (0.126) | 0.029 | 0.034 |

## ALTERNATIVE PERFORMANCE MEASURES (APM)

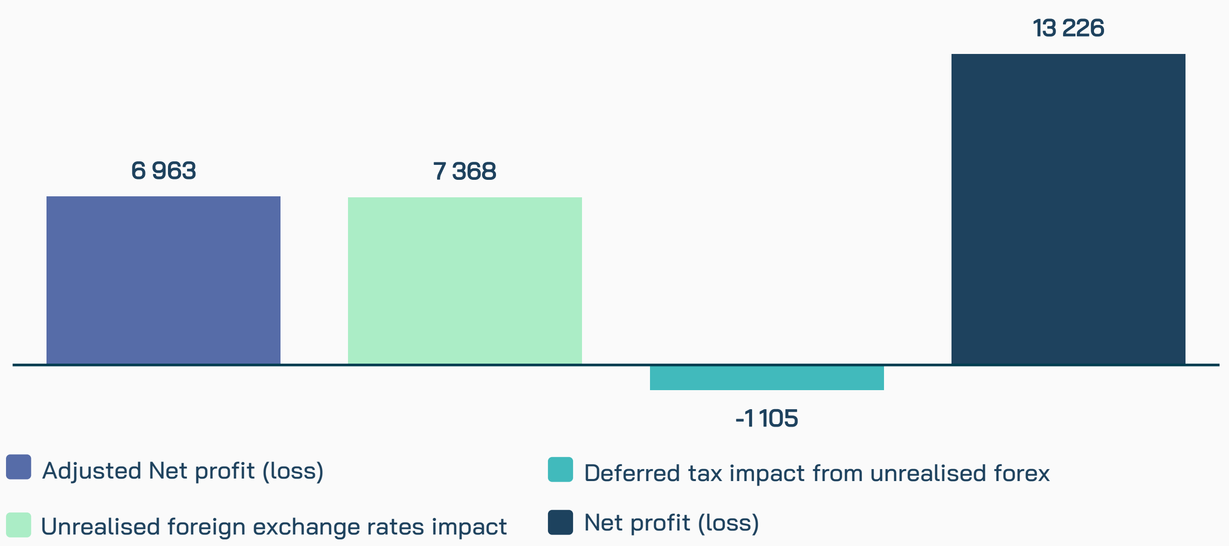
| MEASURE | CALCULATION |
|---|---|
| Debt (excluding IFRS 16) to EBITDA | (total current and non-current liabilities at the end of the period – current and non-current IFRS lease liabilities) / EBITDA of the last twelve months |
| Debt ratio (D/E) | total current and non-current liabilities at the end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

## FINANCIAL RESULTS

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

Since 2019, KN's financial results have been affected by IFRS 16 "Leases" – a new standard which came into effect on 1 January 2019 and by the reduction of LNG security supplement from 1 January 2020 by EUR 26.8 million per annum. These changes have significantly affected KN's statement of financial position, statement of comprehensive income, and financial indicators. When the standard has become effective, the lease obligations are recognized in the statement of financial position as an asset and a liability (right-of-use assets and a lease liability). As most lease payments are denominated in USD, the positive impact of unrealized USD/EUR exchange rate in amount of EUR 7,368 thousand has been recognized in the statement of comprehensive income in 2023 (in 2022 – a negative impact of EUR 17,380 thousand). However, it is a non-cash item, which has no impact to the Group's and the Company's actual earnings. The reduction of the LNG security supplement reduced revenue of the Group and the Company for 2020-2023 in amount of EUR 26.8 million per annum. The LNG security supplement reduction is financed by NIB loans; therefore, the cash flows of the Group and the Company are not affected. The reduced revenue will be returned to the Company over the period of operation of the LNG terminal.

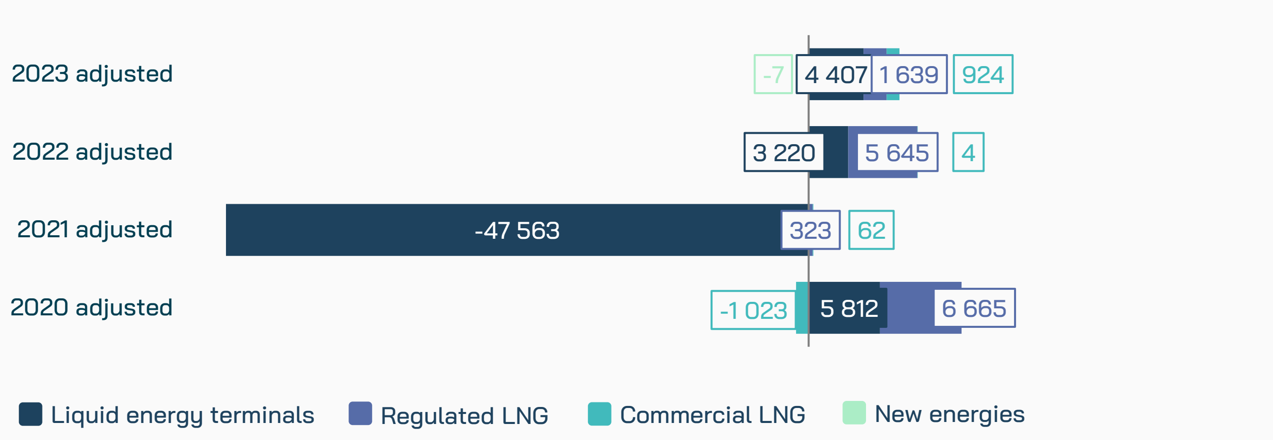
Impact of IFRS 16 on Group's Net profit (loss) in 2023 (EUR thousand)



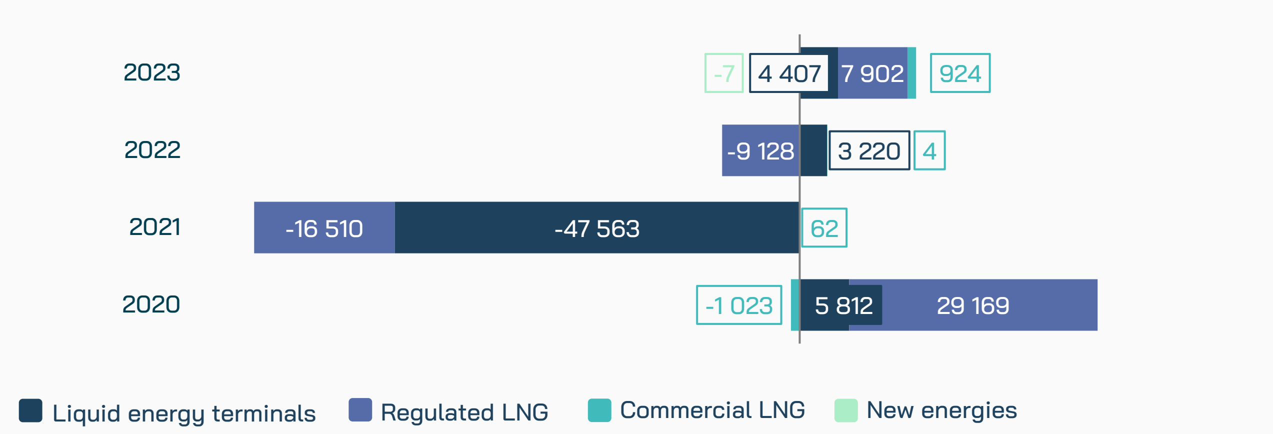

The calculation of adjusted net profit (loss) of the Group and the Company is presented below:

| INCREASE/(DECREASE) IN EUR THOUSAND | 31-12-2023 THE GROUP | 31-12-2023 THE COMPANY |
|---|---|---|
| **Net profit (loss)** | **13,226** | **12,370** |
| Unrealised foreign exchange rates impact | (7,368) | (7,368) |
| Deferred tax impact from unrealised forex | 1,105 | 1,105 |
| **Net profit (loss) adjusted** | **6,963** | **6,107** |

THE GROUP'S ADJUSTED NET PROFIT (LOSS) BY BUSINESS SEGMENTS (EUR thousand)



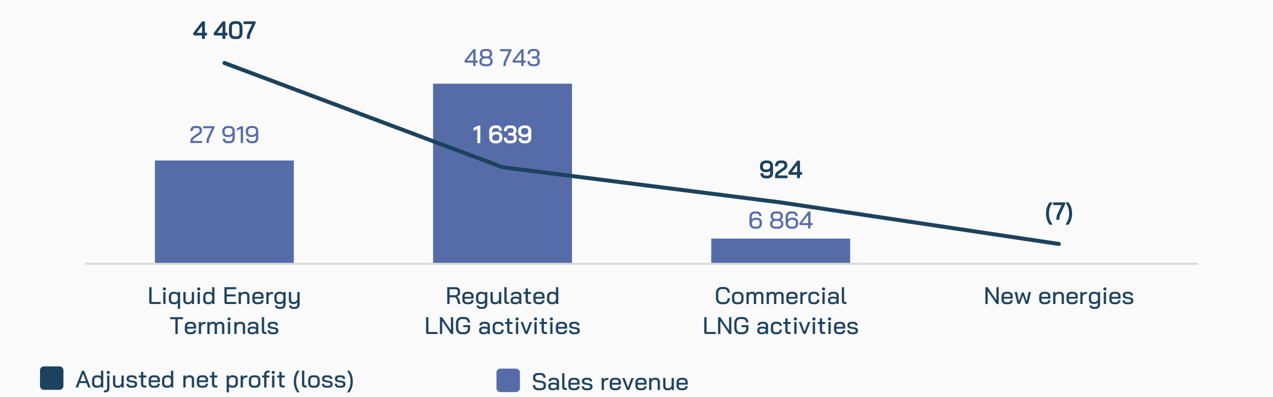

THE GROUP'S NET PROFIT (LOSS) BY BUSINESS SEGMENTS (EUR thousand)




The main reasons for the increase of the **Group's net profit** by EUR 19,130 thousand compared to 2022 are – EUR 1,187 thousand higher net profit from Liquid energy products terminals, EUR 17,030 thousand higher net profit from regulated LNG activities and EUR 920 thousand higher net profit from commercial LNG activities.

**Group's adjusted net profit** decrease by EUR 1,906 thousand, compared to 2022, is due to EUR 4,006 thousand lower adjusted net profit from regulated LNG activities. For detailed explanations see below.

THE GROUP'S ADJUSTED NET PROFIT (LOSS) AND SALES REVENUE BY BUSINESS SEGMENTS (EUR thousand)



**Result of Liquid energy terminals:**

Adjusted net profit from Liquid energy terminals is higher by EUR 1,187 thousand. Main reasons: (1) although Liquid energy products transshipment was slightly lower in 2023 (4,119 thousand t in 2023, 4,267 thousand t in 2022) the segment's sales revenue was EUR 102 thousand higher mainly due to increase in storage services. (2) The segment's variable costs in 2023 were EUR 2.9 million lower compared to 2022, mainly due to lower gas and electricity prices, as well as the Company's internal initiatives to reduce heat and electricity consumption.

**Result of regulated LNG activities:**

Adjusted net profit from regulated LNG activities is lower by EUR 4,006 thousand due to:

**(i)** higher expenses by EUR 5,287 thousand – main reasons: (1) higher emission allowances' expenses by EUR 1.7 million; (2) FSRU expenses higher by EUR 1.1 million due to inflation and higher opex maintenance; (3) customers' compensation expenses of EUR 0.9 million in 2023; (4) higher insurance expenses by EUR 0.5 million, consultation costs by EUR 0.4 million, and other expenses by EUR 0.7 million caused lower adjusted net profit (loss); therefore,

**(ii)** revenue is higher by EUR 4,129 thousand – main reasons: (1) higher regasification revenue by EUR 11.5 million due to increased demand and regasification tariff from 0.41 EUR/MWh (from May 2022 – 1.19 EUR/MWh) in 2022 to 1.41 EUR/MWh in 2023; (2) higher LNG reloading revenue by EUR 0.9 million; (3) other LNGT revenue is higher by EUR 2.4 million mainly due to payments from the clients for the unused allocated capacity; (4) lower revenue from the fixed part of LNG regasification service fee by EUR 10.7 million due to implemented LNG terminal capacity allocation and tariffication model when KN part in security supplement from May 2022 was decreased to 0 EUR/(MWh/day/year).

**Result of commercial LNG activities:**

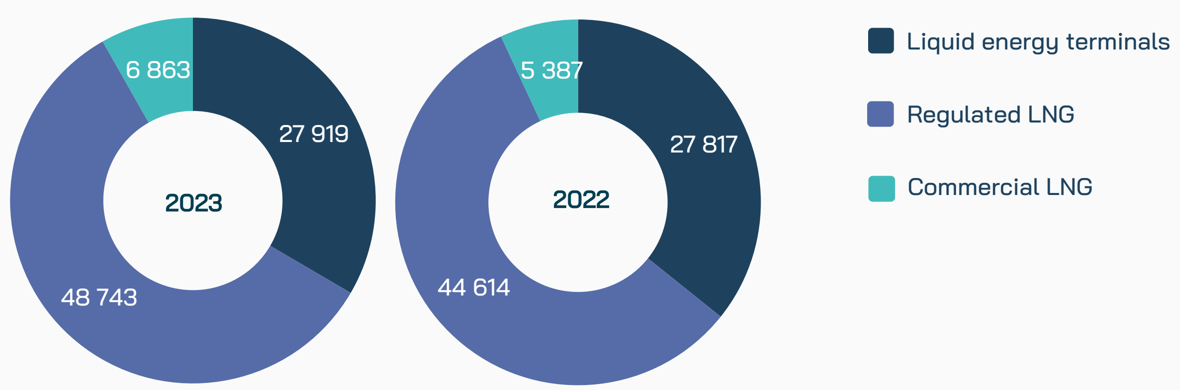
Adjusted net profit from commercial LNG activities is higher by EUR 920 thousand due to EUR 1.4 million higher revenue from global LNG projects in 2023, compared to 2022. Expenses from commercial LNG activities are EUR 653 thousand or 13.2% higher compared to 2022. Main reasons: EUR 78 thousand higher wages, salaries and social security, EUR 90 thousand higher repair and exploitation expenses, EUR 74 thousand higher consulting and legal costs and EUR 461 thousand higher other cost of sales and operating expenses.

**Result of New energies segment:**

The Company had a loss of EUR 7 thousand from New energies segment. In 2023, the Company has invested resources in the field of CCS in order to enter new markets. During 2023 business trips were made to events organised by the European Commission, also KN participated in the regional CO2 Baltic Carbon Forum conference in Latvia, the CCUS Forum conference in Denmark, a review of the most advanced Norwegian CO2 project and similar events. The Company has not generated any revenues from new energies segment in 2023.

## SALES REVENUE

THE GROUP'S SALES REVENUE (EUR thousand)

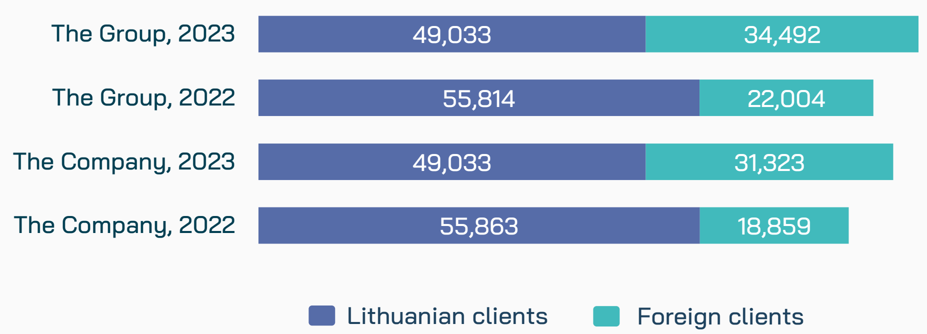


The **Group's sales revenue** in 2023 (EUR 83,525 thousand) is 7.3% or EUR 5,707 thousand higher compared to 2022 (EUR 77,818 thousand). Sales revenue from Liquid energy terminals is 0.4% or EUR 102 thousand higher, 27.4% or EUR 1.476 thousand higher revenue from commercial LNG activities and 9.3% or EUR 4.129 thousand higher revenue from regulated LNG activities. The activity of LNG terminal is regulated and has a price cap thus activity does not depend on regasification volume. For more information, concerning regulated revenues refer to the article "Regulated profit of LNG terminal". More information about result of each business segment is provided in article "Financial results".

The **Company's sales revenue** in 2023 (EUR 80,356 thousand) is 7.5% or EUR 5,634 thousand higher compared to 2022 (EUR 74,722 thousand).

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

SALES REVENUE BY GEOGRAPHY (EUR thousand)




## EXPENSES

2023 and 2022 cost of sales and operating expenses for the Group and the Company:

| | 2023 GROUP | 2022 GROUP | Change 2023vs2022 +/- | % | 2023 COMPANY | 2022 COMPANY | Change 2023vs2022 +/- | % |
|---|---|---|---|---|---|---|---|---|
| Cost of sales | 60,024 | 57,703 | 2,321 | 4.0% | 58,949 | 56,706 | 2,243 | 4.0% |
| Operating expenses | 10,963 | 8,432 | 2,531 | 30.0% | 10,057 | 7,526 | 2,531 | 33.6% |
| **Total costs** | **70,987** | **66,135** | **4,852** | **7.3%** | **69,006** | **64,232** | **4,774** | **7.4%** |

Total **cost of the Group** of 2023 comprises EUR 70,987 thousand and is higher by 7.3% or by EUR 4,852 thousand comparing to 2022 (EUR 66,135 thousand). Main reasons: (1) EUR 1,134 thousand higher expenses related to FSRU rent (OPEX element, management, crew cost) and decreased performance of steam heaters and replacement of them (2) EUR 1,761 thousand higher emission allowances (EA) and tax on environmental pollution due to higher EA prices and quantities (3) wages, salaries and social security costs are higher by EUR 1.101 thousand or by 11.7% (4) EUR 951 thousand higher claims received from customers, mainly due to unexpected LNGT related downtime claims.

Total **cost of the Company** of 2023 comprises EUR 69,006 thousand and is higher by 7.4% or by EUR 4,774 thousand compared to 2022 (EUR 64,232 thousand). The main reasons and the figures are the same as per above explanation for the Group's cost.

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

| | 2023 | 2022 | Change 2023vs2022 | |
|---|---|---|---|---|
| | | | +/- | % |
| Depreciation of right-of-use asset | 14,390 | 14,325 | 65 | 0.5% |
| Wages, salaries and social security | 14,616 | 13,515 | 1,101 | 8.1% |
| Depreciation and amortization | 8,651 | 8,339 | 312 | 3.7% |
| Expenses related to FSRU rent (OPEX element, management, crew cost) | 8,605 | 7,471 | 1,134 | 15.2% |
| Emission allowances and tax on environmental pollution | 7,447 | 5,686 | 1,761 | 31.0% |
| Variable costs (natural gas, electricity, railway services) | 4,137 | 7,013 | -2,876 | -41.0% |
| Port charges | 1,533 | 1,536 | -3 | -0.2% |
| Repair and exploitation expenses | 1,458 | 1,028 | 430 | 41.8% |
| Consulting and legal costs | 1,409 | 598 | 811 | 135.6% |
| Insurance expenses | 1,187 | 757 | 430 | 56.8% |
| Claims received from customers | 1,021 | 70 | 951 | 1,358.6% |
| Contribution for National Energy Regulatory Council (NERC) | 611 | 477 | 134 | 28.1% |
| Tax on real estate | 504 | 504 | 0 | - |
| Cost of liquid energy products sold | 355 | 1,019 | -664 | -65.2% |
| Work safety costs | 251 | 194 | 57 | 29.4% |
| Other cost of sales and operating expenses | 4,812 | 3,603 | 1,209 | 33.6% |
| **Total costs** | **70,987** | **66,135** | **4,852** | **7.3%** |

The Group's major expenses by segments in 2023 is presented below:

| 2023 | LET | LNG | | New energies | Total |
|---|---|---|---|---|---|
| | | LNGT | comLNG | | |
| Depreciation of right-of-use asset | 481 | 13,762 | 147 | - | **14,390** |
| Wages, salaries and social security | 8,627 | 3,657 | 2,332 | - | **14,616** |
| Depreciation and amortization | 5,262 | 2,189 | 1,200 | - | **8,651** |
| Expenses related to FSRU rent (OPEX element, management, crew cost) | - | 8,605 | - | - | **8,605** |
| Emission allowances and tax on environmental pollution | 281 | 7,166 | - | - | **7,447** |
| Variable costs (natural gas, electricity, railway services) | 4,089 | 18 | 30 | - | **4,137** |
| Port charges | 1 | 1,532 | - | - | **1,533** |
| Repair and exploitation expenses | 928 | 338 | 192 | - | **1,458** |
| Consulting and legal costs | 447 | 690 | 266 | 6 | **1,409** |
| Insurance expenses | 270 | 905 | 12 | - | **1,187** |
| Claims received from customers | 86 | 935 | - | - | **1,021** |
| Contribution for National Energy Regulatory Council (NERC) | - | 611 | - | - | **611** |
| Tax on real estate | 420 | 73 | 11 | - | **504** |
| Cost of liquid energy products sold | 355 | - | - | - | **355** |
| Work safety costs | 206 | 15 | 30 | - | **251** |
| Other cost of sales and operating expenses | 2,002 | 1,431 | 1,378 | 1 | **4,812** |
| **Total costs** | **23,455** | **41,927** | **5,598** | **7** | **70,987** |

The Group's major expenses by segments in 2022 is presented below:

| 2022 | LET | LNG | | New energies | Total |
|---|---|---|---|---|---|
| | | LNGT | comLNG | | |
| Depreciation of right-of-use asset | 436 | 13,740 | 149 | - | **14,325** |
| Wages, salaries and social security | 8,059 | 3,202 | 2,254 | - | **13,515** |
| Depreciation and amortization | 4,647 | 2,486 | 1,206 | - | **8,339** |
| Expenses related to FSRU rent (OPEX element, management, crew cost) | - | 7,471 | - | - | **7,471** |
| Emission allowances and tax on environmental pollution | 174 | 5,512 | - | - | **5,686** |
| Variable costs (natural gas, electricity, railway services) | 6,950 | 25 | 38 | - | **7,013** |
| Port charges | - | 1,536 | - | - | **1,536** |
| Repair and exploitation expenses | 609 | 317 | 102 | - | **1,028** |
| Consulting and legal costs | 142 | 264 | 192 | - | **598** |
| Insurance expenses | 254 | 436 | 67 | - | **757** |
| Claims received from customers | 70 | - | - | - | **70** |
| Contribution for National Energy Regulatory Council (NERC) | - | 477 | - | - | **477** |
| Tax on real estate | 420 | 73 | 11 | - | **504** |
| Cost of liquid energy products sold | 1,019 | - | - | - | **1,019** |
| Work safety costs | 154 | 31 | 9 | - | **194** |
| Other cost of sales and operating expenses | 1,616 | 1,070 | 917 | - | **3,603** |
| **Total costs** | **24,550** | **36,640** | **4,945** | **-** | **66,135** |

In 2023, the total amount of Liquid Energy terminal's expenses amounts to EUR 23,455 thousand (2022 – EUR 24,550 thousand) and are 4.5% or EUR 1,095 thousand lower versus 2022. In 2023 regulated LNG activity expenses amounted to EUR 41,927 thousand and are higher by EUR 5,287 thousand or by 14.4% compared to 2022 (EUR 36,640 thousand). Expenses from commercial LNG activities amounts to EUR 5,598 thousand and are 13.2% or EUR 653 thousand higher than 2022 (EUR 4,945 thousand). A detailed explanation of each segment is provided in article "Financial results".

**REGULATED PROFIT OF LNG TERMINAL**

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

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

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

- Fixed part of LNG regasification service price is approved annually by NERC. This part of the price is included into the additional Security Supplement added to the gas transmission price.
- Variable part of LNG regasification service price is received for the regasified volume directly from LNG terminal users. The regasification tariff is approved annually by NERC.
- LNG reloading service revenue for reloaded LNG quantity. The tariff of the LNG reloading service is also approved annually by NERC.

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

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

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

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

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

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

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

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

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

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

### LNG REGULATED ACTIVITY TEMPORARY REGULATORY DIFFERENCES

| | 2014-2019 surplus | 2020 | 2021 | 2022 | 2023* |
|---|---|---|---|---|---|
| Regulated Asset Base (RAB) | | 47,047 | 44,176 | 41,304 | 37,282 |
| Weighted Average Cost of Capital (WACC) | | 2.90% | 3.46% | 4.14% | 4.16% |
| **Return on Investments (ROI) (RAB x WACC)** | | **1,364** | **1,528** | **1,710** | **1,551** |
| **Total temporary regulatory adjustment** | | **(7,526)** | **2,646** | **812** | **1,748** |
| 1) adjustment related to prior years: payback of excess net income / (compensation of excess net cost) | | (130) | 2,254 | 7,105 | 568 |
| 2) adjustment related to the current year: (excess net income) / excess net cost | (2,459) | (7,395) | 392 | (6,293) | 3,834 |
| 3) adjustment related to the upcoming year: (excess net income) / excess net cost | | | | | (2,654) |
| **Payback / (compensation) in:** | | | | | |
| Year 2020 | (130) | | | | |
| Year 2021 | 2,589 | (335) | | | |
| Year 2022 | | 7,105 | | | |
| Year 2023 | | 625 | (392) | | |
| Year 2024 | | | | (6,855) | |
| Year 2025 | | | | 351 | (6,249) |
| Year not specified | | | 12,797 | | 2,415 |
| Settlement of advances received in year 2024 | | | | | 2,654 |
| **Contingent asset / (liability) from other temporary regulatory differences as at the end of the period** | **(2,459)** | **(9,984)** | **(7,339)** | **(6,527)** | **(4,778)** |
| **Contingent asset from security supplement reduction as at the end of the period** | **26,829** | **53,658** | **80,487** | **80,487** | **107,316** |

* Inspection of the regulated activity has not been completed yet

### IMPACT OF IFRS 16 AND CAPITALISATION OF PURCHASE OPTION

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

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

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

- On 19th December 2019 a binding offer from NIB to finance the 100% purchase price of FSRU (up to 160 MMEUR) has been received;
- On 19th December 2019 Parliament has approved granting State guarantees for NIB loans for LNG security supplement reduction and purchase of FSRU;
- On 20th December 2019 a loan agreement with NIB has been signed for the LNG security supplement reduction.

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

- Currently used FSRU is economically most favourable when compared to the 1) availability; 2) price factors of the same size and functionality of new and used FSRUs and conversions of LNG carriers and 3) possible additional investments needed for any other FSRU;
- In terms of size the industry is currently being equipped by modern 170-180 $tm^3$ FSRUs and LNG carriers, enabling to unload to FSRU full cargo of conventional size LNG carriers (140-180 $tm^3$) and not limiting LNG suppliers' interest in using the terminal;
- Current terminal size and parameters are needed in order to meet N-1 criteria for energy security, i.e. to ensure gas supply in the event of failure of the largest supply infrastructure during highest daily demand;
- Technologically currently used FSRU has the technology that is still regarded as advanced/not obsolete in comparison with other developments and can easily accept "green gases" and remain functional in the context of the EU "green policy" decisions in a long term;
- In 2020 implemented dry-dock has confirmed that currently used FSRU is in good condition and is designed to be operative for at least 25 more years.
- On 20th November 2020 European Commission has approved state aid consent regarding acquisition of LNG floating and storage unit. The decision of the European Commission secures Company's ability to make a withdrawal of funds under the Loan agreement concluded between the Company and Nordic Investment Bank on 9 March 2020.
- During 2021, KN, as part of a project of long-term LNG import infrastructure solution, organised intensive discussions with market participants, a market consultation on the procurement documents and launched a public international tender for the acquisition of the FSRU in mid-year.
- In February 2022 the Board of KN has taken a decision on the acquisition of the FSRU Independence at the end of its lease agreement.
- On 25th of February 2022 Extraordinary General Meeting of Shareholders has adopted the resolution and approved the decision of the AB KN Energies Board to acquire the FSRU Independence.
- Company has notified Höegh group companies that KN exercises an option right to acquire Independence. After fulfilling all the option conditions specified in the Time Charter Party, the Company will acquire the FSRU no later than 6 December 2024. Until then the Company will continue to lease the FSRU under the same conditions.

Therefore, , the management of the Company is reasonably certain that the purchase option of lease contract will be realized. As a result, no changes in purchase option accounting as at 31 December 2023 have been made.

# INVESTMENTS

Major investment projects in 2023:

| NO. | PROJECT | AMOUNT OF INVESTMENT | DESCRIPTION |
|---|---|---|---|
| 1. | Investments in pipelines and tanks | 560 TEUR | Investments have been made to ensure safety and expand infrastructure for loading. |
| 2. | Implementation of cyber security requirements | 450 TEUR | Implemented cyber security requirements in Operational Technology (OT) management systems belonging to the Critical Information Infrastructure (CI) in accordance with internal and external audit recommendations and the requirements of the National Cyber Security Centre (NCSC). |
| 3. | Installation of solar power plants at the Subačius Liquid Energy Products Terminal | 210 TEUR | A 300-kW solar power plant is installed at the Subačius Liquid Energy Products Terminal. The electricity it generates meets 100% of the electricity demand of the terminal in the Kupiškis district. |
| 4. | Reconstruction of the heating system at the Subačius Liquid Energy Products Terminal | 153 TEUR | The heating system at the Subačius liquid energy terminal has been replaced by an air-to-water system. The investment helps to reduce the use of fossil fuels, greenhouse gas (GHG) emissions and heating costs. |
| 5. | Investing in ISO container infrastructure | 473 TEUR | Infrastructure is in place for the handling of ISO containers on the railway overpass. The investment allows to increase the range of services offered by the Company. |
| 6. | Other investments | 2,701 TEUR | Other investments related to maintenance, business continuity, compliance, cyber-security, and workplace safety. |
| | **Total** | **4,547 TEUR** | |

# ACTIVITY PLANS AND FORECASTS

In June 2023, the Supervisory Council of AB KN Energies has approved KN's corporate strategy for the period 2023-2050. The strategy takes effect on June 14, 2023, and is centred around efficiency of current activities, preparation for the energy transformation and transitioning towards activities in the new energy field. For more detailed information about the KN strategy, please refer to the strategy summary following this link: KN Strategy 2050.

The long-term KN corporate strategy has three main lines of action – liquid energy products, LNG terminals, and work on new forms of energy such as synthetic fuels, hydrogen and its compounds, other alternative energy carriers, carbon capture and storage, etc.

By 2030, KN aims to lay a solid foundation for the future business of new energies. The company will do this gradually by diversifying its activities, building new and adapting existing infrastructure. By 2030, KN will aim to develop at least three business opportunities to enter the hydrogen carrier handling and storage market, to create a CO2 storage and handling business to help control and reduce carbon emissions, and to create a pilot battery project in the region and a sustainable business model for the company to become a part of the energy storage/balancing market. Harnessing the potential of new energy sources will gradually help the company move towards a green economy.

In the face of future changes, the company will continue to focus on its current activities, which will help it to secure the steady income needed to invest in new forms of energy. KN is planning a 50% revenue growth by 2030, driven by local, regional, and global market activities.

KN currently operates three liquid energy product terminals in Klaipėda, Subačius, and Marijampolė, and is the operator of LNG terminals in Lithuania, Germany and Brazil.

The development of liquid energy terminals is expected to diversify the product and customer portfolio further. There are plans to increase the handling of biofuels and to enter the storage and handling market for chemical products (methanol, etc.). The LNG business will strive to expand the business development activities of the floating LNG terminals in growth markets. Additionally, KN will continue to focus on operational excellence, commercial and operational efficiency, and creating more value for customers.

# INFORMATION ABOUT THE SHAREHOLDERS AND SHARES OF THE COMPANY

### SHAREHOLDERS AND SHARES OF THE COMPANY

| THE MAIN DATA ABOUT SHARES OF THE COMPANY: | |
|---|---|
| ISIN code | LT0000111650 |
| Abbreviation | KNE1L |
| Share emission | 380,396,585 |

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

## SHAREHOLDERS OF THE COMPANY

As at 31 December 2023 all the shares of the Company were owned by 5,327 shareholders (on 31 December 2022 – 5,388)[1]. All shares of the Company are of one class ordinary registered shares granting their owners (shareholders) equal rights. One ordinary registered share of the Company grants one vote in the General meeting of Shareholders.

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

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

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

1. To attend the General Shareholders' Meetings and to vote according to voting rights carried by their shares (unless otherwise provided for by the laws);
2. To receive information on the Company to the extent allowed by the imperative norms of the valid laws;

[1] According to AB SEB bankas data.

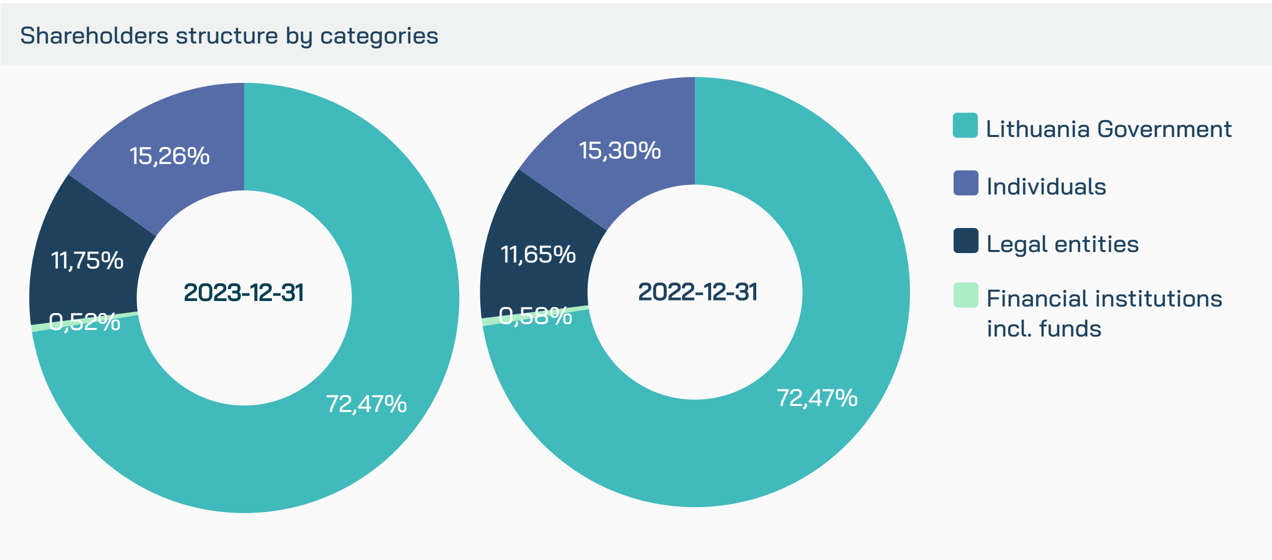
3. To file a claim with the court for reparation of damage resulting from misconduct by the Manager of the Company and Board members or noncompliance with their obligations prescribed by the laws and the Articles of Association of the Company as well as in other cases laid down by laws.
4. The right to vote at General Shareholders' Meetings may be withdrawn or restricted in cases established by laws, also in case share ownership is contested;
5. Other non-economic rights established by the laws and the Articles of Association of the Company.

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

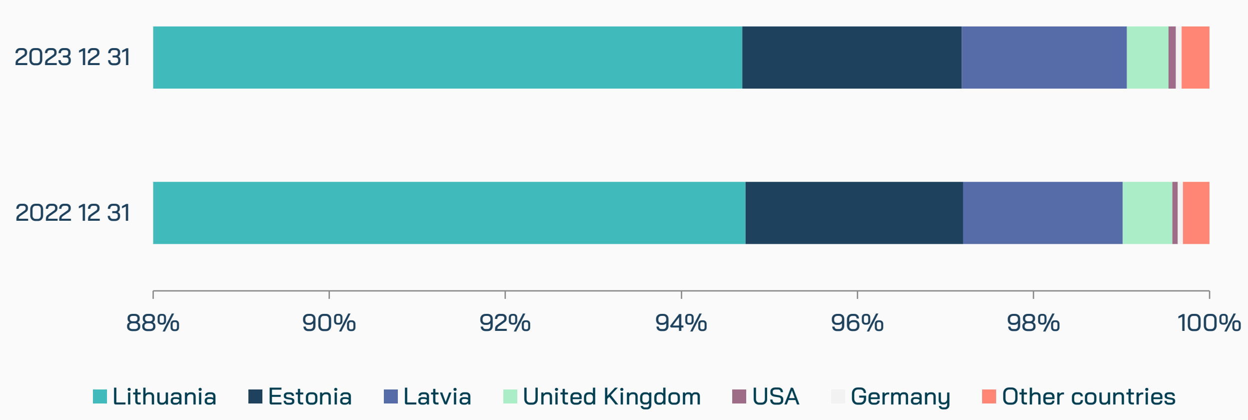
### MAJOR SHAREHOLDERS OF THE COMPANY HAVING MORE THAN 5% OF SHARES (EACH) OF THE COMPANY AS AT 31 DECEMBER 2023 AND 2022:

| SHAREHOLDER'S NAME (COMPANY'S NAME, ADDRESS, COMPANY CODE OF REGISTRATION) | 31 DECEMBER 2023 | | 31 DECEMBER 2022 | |
|---|---|---|---|---|
| | NUMBER OF OWNED SHARES (UNIT) | PART OF AUTHORIZED CAPITAL (%) | NUMBER OF OWNED SHARES (UNIT) | PART OF AUTHORIZED CAPITAL (%) |
| The Republic of Lithuania, represented by the Ministry of Energy of the Republic of Lithuania (Gediminas Ave. 38/2, Vilnius, 302308327) | 275,687,444 | 72.47% | 275,687,444 | 72.47% |
| UAB koncernas "ACHEMOS GRUPĖ" (Vykinto st. 14, Vilnius, 156673480) | 39,662,838 | 10.43% | 39,662,838 | 10.43% |
| Other (each owning less than 5%) | 65,046,303 | 17.10% | 65,046,303 | 17.10% |
| **Total** | **380,396,585** | **100.00%** | **380,396,585** | **100.00%** |

### SHAREHOLDERS STRUCTURE BY CATEGORIES AND BY THE REGIONS:



Shareholders stucture by region

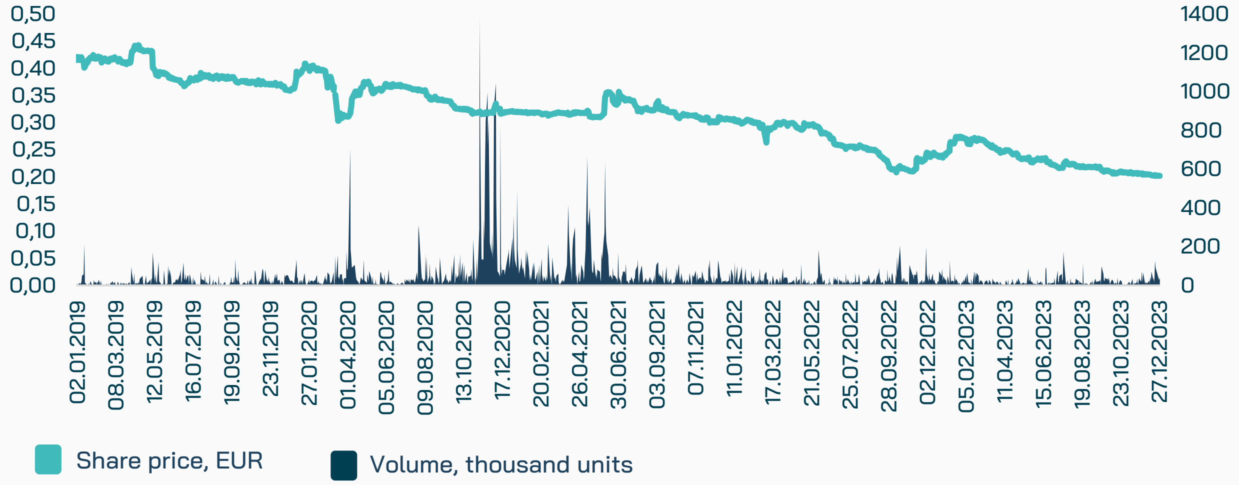



**DYNAMICS OF KNE1L SHARE PRICE AT NASDAQ VILNIUS DURING 2019 – 2023:**

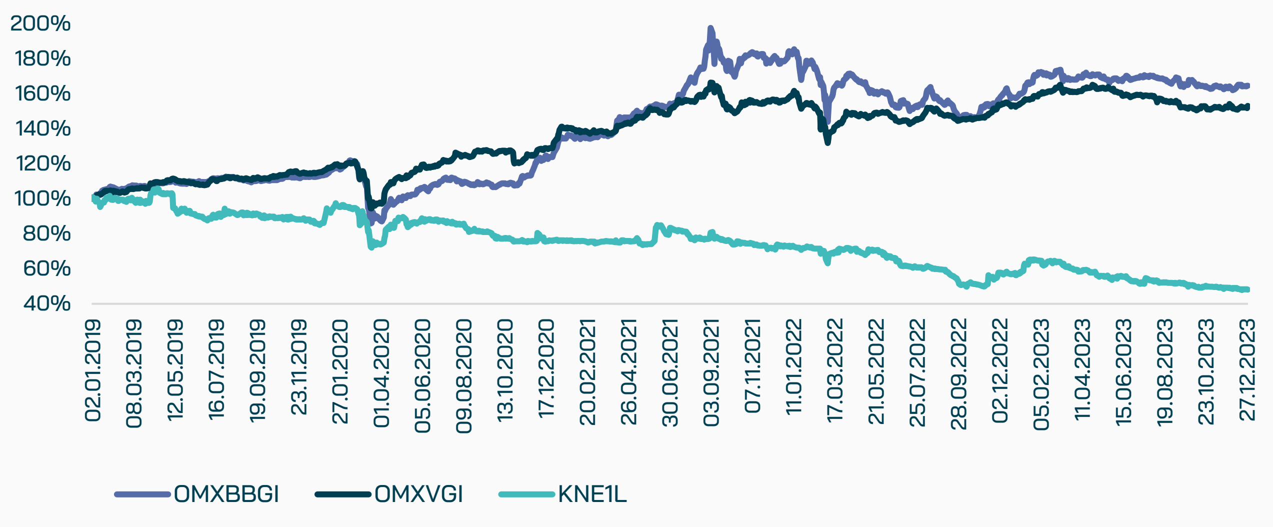
| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Highest share price in EUR | 0.280 | 0.308 | 0.359 | 0.414 | 0.444 |
| Lowest share price in EUR | 0.200 | 0.203 | 0.298 | 0.301 | 0.357 |
| Price per share at the beginning of the period in EUR | 0.241 | 0.308 | 0.322 | 0.361 | 0.410 |
| Price per share at the end of the period in EUR | 0.202 | 0,240 | 0.307 | 0.320 | 0.362 |
| Average share price in EUR | 0.231 | 0.265 | 0.320 | 0.351 | 0.393 |
| Traded volume, pcs. | 5,872.655 | 8,541,326 | 19,004,133 | 23,934,244 | 5,908,666 |
| Turnover in EUR thousand | 1,351 | 2,220 | 6,110 | 7,928 | 2,296 |
| Capitalisation in EUR thousand | 76,840 | 91,295 | 116,782 | 121,920 | 137,875 |
| Earnings per share (EPS)* | 0.018 | 0.023 | (0.124) | 0.030 | 0.033 |

* Calculated using adjusted net profit (loss).

TRADING IN KNE1L SHARES ON NASDAQ VILNIUS STOCK EXCHANGE



KNE1L SHARE PRICE COMPARISON WITH OMX VILNIUS AND OMX BALTIC BENCHMARK GI




## AUTHORIZED SHARE CAPITAL OF THE COMPANY

The Company's authorized share capital did not change during 2023 and amounted to EUR 110,315 thousand as at 31 December 2023. All the shares of the Company are fully paid. The authorized capital is divided into 380,396,585 ordinary shares with a nominal value of 0.29 Eur. During 2023 the Company did not acquire any of its own shares.

## DIVIDENDS

The General Meeting of the Shareholders held on 22 April 2022 approved allocation of profit (loss) for the year 2022 with no declared dividends.

**BELOW IS THE HISTORICAL INFORMATION ABOUT DIVIDENDS PAID IN THE PERIOD FOR THE PRIOR FINANCIAL YEAR:**

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Dividends paid in EUR thousand | - | - | 7,538 | 7,947 | 11,577 |
| Dividends per one share in EUR | - | - | 0.0198 | 0.0209 | 0.0304 |
| Net profit (loss) per 1 share in EUR | 0.03 | (0.12) | 0.03 | 0.02 | 0.03 |
| Dividends for net profit (of previous FY),% | - | - | 70% | 100% | 100% |

## DIVIDEND POLICY

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

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

- compliance with the applicable laws of the Republic of Lithuania, secondary legislation, the Articles of Association, and internal documents of the Company;

- assurance of the Company's shareholders interests;
- commitment to high corporate governance standards;
- enhance of the Company's market value;
- definition of the Company's procedures relating to transparent publication and payment of dividends.

AB KN Energies Dividend Policy is based on the existing legislation of the Republic of Lithuania (regulation effective starting since 28th December 2021 (Lithuanian Government Resolution of 6th June, 2012 No. 655 on approval of the description of the procedure for the exercise of the state property and non-property rights in state-owned entities (hereinafter – the Resolution) – the regulation has replaced the Lithuanian Government Resolution of 14th January, 1997 No. 20 on the dividends for the state-owned shares, however all the principles and regulations on dividends allocation are valid and have been placed into Resolution), the Company's Articles of Association and other Company's internal documents.

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

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

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

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

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

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

The full Company's Dividend Policy is available on Company's website.

# INFORMATION ABOUT THE EMPLOYEES OF THE GROUP

## PERSONNEL

The Company's main asset is its employees who are the most important link to the achievement of Company's goals. Company's personnel policy is focused on the development of teamwork, constant progress in professional development and process efficiency, the optimal use of work resources, training of qualified staff, and development of the Company's culture that empowers personal growth, cooperation, succession planning, and creates additional value for the company and its stakeholders.

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

| | 31-12-2023 | 31-12-2022 | CHANGE,% |
|---|---|---|---|
| AB KN Energies | 338 | 326 | 3.7% |
| UAB SGD terminalas | 2 | 2 | 0.0% |
| UAB KN Global Terminals | 2 | 2 | 0.0% |
| UAB SGD SPB | 2 | 2 | 0.0% |
| KN Açu Serviços de Terminal de GNL LTDA | 27 | 26 | 3.8% |
| **Total** | **371** | **358** | **3.6%** |

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

The breakdown of the number of the Group and the Company employees by gender as at 31 December 2023:

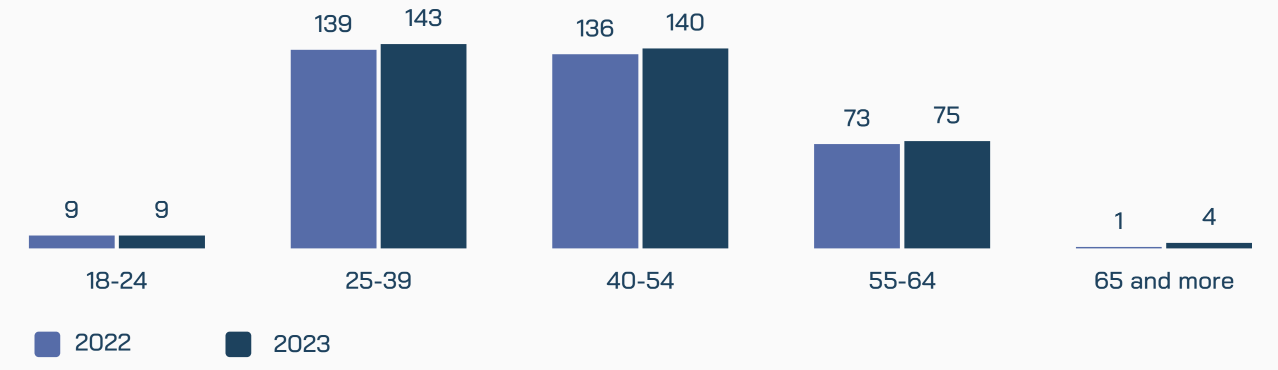
| | FEMALES | % | MALES | % |
|---|---|---|---|---|
| AB KN Energies | 86 | 25.4% | 252 | 74.6% |
| UAB SGD terminalas | 1 | 50.0% | 1 | 50.0% |
| UAB KN Global Terminals | 1 | 50.0% | 1 | 50.0% |
| UAB SGD SPB | 1 | 50.0% | 1 | 50.0% |
| KN Açu Serviços de Terminal de GNL LTDA | 4 | 14.8% | 23 | 85.2% |
| **Total** | **93** | **25.1%** | **278** | **74.9%** |

The average age of the Group's employees – 44.0 years. Detailed information about employees' age, work experience, and education is provided in figures bellow in years.

AVERAGE AGE OF THE EMPLOYEES OF THE GROUP


DISTRIBUTION OF GROUP'S EMPLOYEES BY WORK EXPERIENCE, (YEARS)

NUMBER OF THE GROUP'S EMPLOYEES BY AGE GROUPS




Education of the Group's employees by categories:

| EMPLOYEE CATEGORY | EMPLOYEES ON 31-12-2023 | UNIVERSITY | VOCATIONAL | SECONDARY AND OTHER | EMPLOYEES ON 31-12-2022 | UNIVERSITY | VOCATIONAL | SECONDARY AND OTHER |
|---|---|---|---|---|---|---|---|---|
| Managers* | 49 | 47 | 2 | - | 52 | 50 | 2 | - |
| Specialist | 198 | 172 | 18 | 8 | 188 | 165 | 16 | 7 |
| Workers | 124 | 10 | 54 | 60 | 118 | 11 | 45 | 62 |
| **Total** | **371** | **229** | **74** | **68** | **358** | **226** | **63** | **69** |

* The managers of the Company include Chief Executive Officer (CEO), Directors and Heads of Divisions.

## PAYROLL SYSTEM AND REMUNERATION POLICY

The Company seeks to create motivating, efficient, fair, transparent, and easy to understand compensation system which aims to attract, retain, and motivate employees whose skills and work results help the Company to successfully develop and implement its mission and achieve strategic business objectives. Therefore, in September of 2016 the Employee Remuneration Policy has been formed and approved. In September of 2017 The Procedure of Remuneration System Formation has been approved.

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

The goals of the Remuneration Policy are to:

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

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

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

Employee's base salaries are usually reviewed once a year taking into account: Lithuanian labour market trends; the Company's performance results; The results of the evaluation of the Company's employees; demand – supply situation for jobs important to the company in the labour market.

Detailed information on the remuneration system of the Company's management is provided in 2023 AB KN Energies Report on Remuneration.

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

| | 2023 | 2022 | CHANGE,% |
|---|---|---|---|
| AB KN Energies | 13,985 | 12,520 | 11.7% |
| UAB SGD terminalas | 4 | 4 | 0.0% |
| UAB KN Global Terminals | 4 | 4 | 0.0% |
| UAB SGD SPB | 4 | 4 | 0.0% |
| KN Açu Serviços de Terminal de GNL LTDA | 619 | 983 | -37.0% |
| **Total** | **14,616** | **13,515** | **8.1%** |

Employees according to categories:

| EMPLOYEE CATEGORY | AVERAGE NUMBER OF EMPLOYEES | | | | | |
|---|---|---|---|---|---|---|
| | 2023 GROUP | 2022 GROUP | CHANGE,% | 2023 COMPANY | 2022 COMPANY | CHANGE,% |
| Managers* | 48 | 54 | -11.1% | 42 | 46 | -8.7% |
| Specialists | 192 | 183 | 4.9% | 169 | 159 | 6.3% |
| Workers | 118 | 123 | -4.1% | 118 | 123 | -4.1% |
| **Total** | **358** | **360** | **-0.6%** | **329** | **328** | **0.3%** |

* The managers of the Company include Chief Executive Officer (CEO), Directors and Heads of Divisions.

The Company's 2023 average monthly salary of all employees is 12.5% higher compared to 2022 (2023 – 3,114 EUR/month, 2022 – 2,768 EUR/month).

| EMPLOYEE CATEGORY | AVERAGE MONTHLY SALARY (GROSS), EUR | | | | | |
|---|---|---|---|---|---|---|
| | 2023 GROUP | 2022 GROUP | CHANGE,% | 2023 COMPANY | 2022 COMPANY | CHANGE,% |
| Managers* | 6,508 | 5,532 | 17.7% | 6,771 | 5,666 | 19.5% |
| Specialists | 3,054 | 2,686 | 13.7% | 3,221 | 2,791 | 15.4% |
| Workers | 2,020 | 1,834 | 10.1% | 2,020 | 1,834 | 10.1% |
| **Total** | **3,114** | **2,768** | **12.5%** | **3,209** | **2,809** | **14.2%** |

* The managers of the Company include Chief Executive Officer (CEO), Directors and Heads of Divisions. The following sums were calculated for the remuneration to the Group's managers in 2023: EUR 4,462 thousand, in that amount taxes paid by the employer included EUR 293 thousand (when in 2022 were EUR 3,643 thousand from which EUR 184 thousand of taxes paid by the employer). The average annual salary of manager of the Group amounted to EUR 93.0 thousand in 2023 (in 2022 – EUR 67.5 thousand).
** The average monthly salary is calculated according to the average monthly wage calculation procedure as stated in the State companies' employees' average monthly salary calculation procedure approved by the Government of Lithuania on 23 August 2002, resolution No. 1341 and its subsequent changes. On-call payments included.

The Company's average monthly salary of 2023 compared to 2022 increased, due to was paid more annual bonus by 63.3% or EUR 532.8 thousand.

| EMPLOYEE CATEGORY | | STUCTURE OF AVERAGE MONTHLY SALARY (GROSS), EUR | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2023 GROUP | 2022 GROUP | CHANGE,% | 2023 COMPANY | 2022 COMPANY | CHANGE,% |
| Managers* | AMS without annual bonus | 5,548 | 5,029 | 10.3% | 5,758 | 5,198 | 10,8% |
| | Annual bonus | 960 | 503 | 90.8% | 1,013 | 468 | 116,5% |
| | **Managers total:** | **6,508** | **5,532** | **17.7%** | **6,771** | **5,666** | **19,5%** |
| Specialists | AMS without annual bonus | 2,723 | 2,433 | 11.9% | 2,872 | 2,540 | 13,1% |
| | Annual bonus | 331 | 254 | 30.3% | 349 | 251 | 39,0% |
| | **Specialists total:** | **3,054** | **2,686** | **13.7%** | **3,221** | **2,791** | **15,4%** |
| Workers | AMS without annual bonus | 1,927 | 1,766 | 9,1% | 1,927 | 1,766 | 9,1% |
| | Annual bonus | 93 | 69 | 34,8% | 93 | 69 | 34,8% |
| | **Workers total:** | **2,020** | **1,834** | **10.1%** | **2,020** | **1,834** | **10,1%** |
| **Total** | AMS without annual bonus | 2,788 | 2,549 | 9.4% | 2,875 | 2,598 | 10,7% |
| | Annual bonus | 326 | 219 | 48.7% | 334 | 211 | 58,3% |
| | **Total:** | **3,114** | **2,768** | **12.5%** | **3,209** | **2,809** | **14,2%** |

* The managers of the Company include Chief Executive Officer (CEO), Directors and Heads of Divisions.
** The average monthly salary is calculated according to the average monthly wage calculation procedure as stated in the State companies' employees' average monthly salary calculation procedure approved by the Government of Lithuania on 23 August 2002, resolution No. 1341 and its subsequent changes. On-call payments included.
***AMS – average monthly salary.

2023 average monthly salary (gross) of employees by gender, EUR:

| EMPLOYEE CATEGORY | 2023 GROUP | | | 2023 COMPANY | | |
|---|---|---|---|---|---|---|
| | TOTAL | MALE | FEMALE | TOTAL | MALE | FEMALE |
| Managers* | 6,508 | 6,562 | 6,358 | 6,771 | 6,930 | 6,358 |
| Specialist | 3,054 | 3,210 | 2,786 | 3,221 | 3,447 | 2,865 |
| Workers | 2,020 | 2,049 | 1,393 | 2,020 | 2,049 | 1,393 |
| **Total** | **3,114** | **3,104** | **3,147** | **3,209** | **3,189** | **3,270** |

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

## EMPLOYEE PERFORMANCE EVALUATION AND ANNUAL BONUS ALLOCATION

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

Employees of all categories – workers, specialists, and managers – are assessed and rewarded annual bonus for achieving pre-set annual goals (WHAT) and evaluation on their compliance to Company's values (HOW). In 2020 implementation of Asaichi methodology being one of the three LEAN tools initiated in the Company brought even better performance management when KPIs have been reviewed and actioned with personal accountability daily. Annual performance review meetings, on the other hand, allow to reflect on the entire year through the lens of competence development, safety-minded behaviour, learning opportunities, career-advancement, and aspirations.

## EMPLOYEE SELECTION AND RECRUITMENT

The Teamtailor platform (Applicant tracking system) was implemented to ensure a more efficient recruitment of employees as well as more convenient tool for hirings managers. Since April 2020 the Company implemented Employee Selection and Recruitment procedure whose purpose is to standardize the employee selection process and ensure efficient and effective procedures for organizing the selection of KN personnel (employees and trainees) in order to successfully achieve the objectives of KN – to select employees who recognize the values of KN and have the greatest potential to achieve the objectives set for them.

In order to ensure that the objectives set out in KN's strategy are met, an assessment and planning of staffing needs is carried out. Each year management of the Company draws up a staffing plan for the upcoming year. The plan takes into account the workload of staff, the need for new positions (due to organizational changes or legal requirements), staff mobility (transition from one staff position to another) and natural change (retirement, parental leave, etc). The main steps of the recruitment process include the evaluation of need for employee, determination of required competencies, search and attraction of potential candidates, job interviews, final decision, and preparation of the offer.

## PRINCIPLES OF EMPLOYEE COMPETENCE DEVELOPMENT

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

In 2023 no less than 15% of annual learning and development budget was allocated to fund employees with various formal studies at different universities.

For the last four years Company conducts 360-degree feedback study for managers. Following the method, KN Managers receive feedback on their behaviour according to the Company's values and leadership competencies from people who work with them. Based on survey results Managers create their Personal development plans and thus grow to be even better leaders for their teams. In 2023 KN leadership competencies were developed by gathering best employees and starting long-term leadership program which lasts 9 months. Also, in 2023 the Company continued investments into development skills of sales and negotiation, project management competencies, the focus on the client, Emotional Intelligence (EQ).

# RISK FACTORS AND RISK MANAGEMENT

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

The Audit Committee reviews financial reporting process as well as audit execution process and oversees internal control environment, risk management and internal audit framework.

**Risk probability:**

- **Low** – there should be several unrelated events for risk to materialize.
- **Medium** – there is 50% chance of risk to materialize.
- **High** – almost certain that risk will materialize in 3-year period.

**Risk impact:**

- **Low** – risk could have impact to operations without impact to yearly plans.
- **Medium** – risk could have impact to company's short-term plans implementation.
- **High** – risk could have major impact to company's strategy implementation.

**Risk level:**

- **Low** – risk managed if cost of management does not outweigh possible impact.
- **Medium** – in most cases risk managed or monitored, but there could be decision to monitor risk.
- **High** – risk actively manged with possible exception made by the Board (In some cases strategy review process could be initiated to reduce level of risk).

**Risk matrix**

Impact

| | | |
|---|---|---|
| Medium | High | High |
| Low | Medium | High |
| Low | Low | Medium |

Probability

**Risk heat map**

Impact

| | | |
|---|---|---|
| R1 | R4, R8 | |
| R5, R6, R7 | R2, R3, R8, R9, R10, R11 | |
| | | |

Probability

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

**Risk No 1. Business risk – client concentration risk**

| Risk impact | Risk probability | Risk level |
|---|---|---|
| High | Low | Medium |

The Company works with several big clients in the area of liquid energy products transshipment. One of the clients contributes a significant portion of liquid energy product transshipment via operated liquid energy terminals and income flows.

The Company continuously looks for other potential clients, flows of shipments and alternative activities. Also, the Company reviews existing expenses and constantly searches for costs optimization possibilities.

The Company is striving to manage its business risks by diversifying its income sources and widening the range of services, communicating, and cooperating with potential clients, who are interested in blending services, storage, and transshipment of petrochemical products such as monoethylene glycol, ethanol, methanol and loading of new product bitumen. The Company also operates LNG terminal, consults, and participates in international investment projects related with the development of LNG terminals, provides small scale- LNG services.

During 2020 political risk materialized, and one of the largest clients BNK (UK) Limited, which belongs to the largest exporters of Belarusian oil products – ZAT Belaruskaja neftenaja kampanija, announced a temporary suspension of transshipment. Moreover, starting from 24th June 2021, sanctions on Belarus were introduced by Council Regulation (EU) 2021/1030 – no more transit of oil product flows from Belarus are possible and are not expected in the future. Due to these external operational risks, KN has to implement long-term strategic decisions to adapt to new geopolitical circumstances. Consequently, a long-term 2050 corporate strategy has been prepared.

**Risk No 2. Operational risk – major incidents causing environmental and infrastructure damage.**

| Risk impact | Risk probability | Risk level |
|---|---|---|
| Medium | Medium | Medium |

Operational risk is considered as risk directly related to the increase of losses caused by external factors (for example, natural disasters, illegal acts of third parties, and others) or internal factors (for example, ineffective activity and management, improper and inadequate utilization of funds, internal control deficiencies, ineffective procedures, human error, malfunctions of information systems, cyber security control gaps, unduly allocation of functions or responsibilities, and other).

Due to the nature of high-risk activities, risk could not be considered low impact.

To manage the internal operational risk, the Company implemented required organizational measures and procedures and information systems to support business processes that ensure the proper functioning of the internal control system and duly cooperation with the third parties concerned. The Company applies the following means of internal control: separation of decision-making and controlling functions, management of transactions and accountancy, limitation of decision-making powers and authority of their execution, collegial decision-making in crucial issues, and other.

In addition, KN constantly updates and reviews its insurance program in order to ensure loss minimization in case of an accident.

Internal operational risk management is significantly influenced by the standards implemented and maintained in the Company – Quality ISO 9001:2015, Environmental Protection ISO 14001:2015, Occupational Health and Safety ISO 45001:2018. These standards impose requirements for the control of processes according to the most significant risks and management system audits, which ensure that the described rules and procedures operate in practice.

The Company strives to minimize legal compliance risk and ensure its operations are compliant with the applicable legal requirements and standards. Infrastructure, as well as management and safety processes, cooperation with the third parties, and control system, has been positively evaluated by the representatives of potential clients of the terminals.

KN has established a compliance function to manage operational risks better and periodically updates its compliance status.

**Risk No 3. Reputational damage to Company's name**

| Risk impact | Risk probability | Risk level |
|---|---|---|
| Medium | Medium | Medium |

KN values and considers its reputation in various areas: external public perception, stakeholder, and internal reputation as an employer. The Company pays special attention to the stakeholders. It openly provides information to institutions, public organizations and the general society and has been focusing on strengthening relations with communities for years.

The Company is also involved in educational initiatives, such as hosting company tours at the KN Liquid Energy Terminal for students and pupils, presenting its operations and providing knowledge related to petroleum products, logistics, laboratory work, and other.

KN's reputation highly depends on the public's perception of the LNG terminal's economic value to the state of Lithuania. Therefore, the Company constantly performs public perception analyses and, in 2023, noticed a significant improvement in favourable public opinion influenced by new strategy update. Regarding the Company's general perception, no critical events could impact reputation in the long term.

**Risk No 4. Cyber risk**

| Risk impact | Risk probability | Risk level |
|---|---|---|
| High | Medium | High |

Cyber risk refers to the potential for unauthorized access, use, disclosure, disruption, modification, or destruction of information and systems by cybercriminals or malicious actors. Due to the geopolitical situation company initiated additional measures to strengthen detection and recovery capabilities. In addition, KN actively participate in National and regional level exercises.

The company's regular activities include vulnerability management, conducting regular security assessments and penetration testing, and providing employee training on the best practices of cybersecurity.

**Risk No 5. Fraud prevention**

| Risk impact | Risk probability | Risk level |
|---|---|---|
| Medium | Low | Low |

The Company pays substantial attention to minimizing corruption risk and implements relevant internal processes. In 2023 company strengthened the controls related to new suppliers, employees, and contractors' controls as Geopolitical threats remain in high risk level. One of the instruments for the prevention of infringements is the Whistleblowing channel, which is open to all natural persons and legal entities: both existing and former KN employees, former and potential KN clients, contractors, suppliers, and the community. It provides a possibility to inform the collegial managing bodies of KN directly.

**Risk No 6. Environmental risk**

| Risk impact | Risk probability | Risk level |
|---|---|---|
| Medium | Low | Low |

In 2023, the Company continued to engage actively with representatives of neighbouring communities, holding meetings to present ongoing Environmental Action Plan's progress and respond to relevant questions of concern to communities. KN also openly shares environmental data with the public – the KN website provides ecological monitoring data of Klaipėda Liquid Energy Terminal and information on the progress of the environmental action plan.

With a consistent focus on the environment and open dialogue with communities, KN has achieved a steady annual decline in requests from communities and institutions on environmental issues, with 0 request in 2023 and 4 requests received in 2022, compared to 18 in 2020 and 12 in 2021. In addition, after new strategy approval Company updated organizational structure after the update Sustainability officer function was introduced by concentrating coordination activities, strategies of all sustainability areas including environmental risk. In addition, considering environmental risk as part of process safety risk new standards for process safety management were introduced in order to ensure information and escalation of possible risks and incidents.

**Risk No 7. Project risk**

| Risk impact | Risk probability | Risk level |
| --- | --- | --- |
| Medium | Low | Low |

Investment project management is an integral part of the Company's business. Too effectively manage projects, KN initiated the implementation of the project management methodology and project monitoring according to the PRINCE2 standard. From 2023 all projects of the company were initiated following new project management and control standards.

The Company is looking for opportunities in international LNG investment projects. Also, the Company is involved in analysing and searching of carbon capture and storage technologies and actively participating in developing of hydrogen platform technologies. To attain the economic value that investment projects are supposed to generate, it is vital to ensure that the projects are implemented within the defined budget and timeframe. Therefore, the Company's management constantly monitors the implementation statuses of the critical projects, related risks, and their mitigation measures.

**Risk No 8. Foreign Exchange Rate Risks**

| Risk impact | Risk probability | Risk level |
| --- | --- | --- |
| High | Medium | High |

Due to the specifics of the business, the Group and the Company are exposed to the risk of EUR/USD foreign exchange rate fluctuations due to FSRU lease payments in US dollars and to the risk of EUR/BRL foreign exchange rate due to activity of subsidiary KN Açu in Brazil. Whereas NERC compensates FSRU lease payments as to regulated activity principles, the impact is considered high. KN Açu's exposure to currency risk is also regarded as low due to insignificant related transaction amounts.

**Risk No 9. Credit Risks**

| Risk impact | Risk probability | Risk level |
| --- | --- | --- |
| Medium | Low | Medium |

Possible credit risk of the Group's and the Company's customers is managed by continuous monitoring of outstanding balances. The Group's and the Company's procedures are in force to ensure on a permanent basis that services are provided to reliable customers and do not exceed an acceptable credit exposure limit. The Company trades only with reputable third parties, collateral is not required.

**Risk No 10. Interest Risks**

| Risk impact | Risk probability | Risk level |
| --- | --- | --- |
| Medium | Low | Medium |

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

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

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

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

**Risk No 11. Liquidity Risks**

| Risk impact | Risk probability | Risk level |
|---|---|---|
| Medium | Low | Medium |

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

The Group's gross liquidity (APM) as of 31 December 2023 was 0.45 (1.30 as of 31 December 2022). The Company's gross liquidity (APM) as of 31 December 2023 was 0.42 (1.22 as of 31 December 2022).

The decrease in the liquidity ratios at the end of the year formed due to the change (increase) in short-term liabilities. KN Energies has the obligation to acquire the FSRU by the end of 2024. For the acquisition, the Company has secured a loan from NIB. The maximum amount of the loan is up to EUR 160 million. The Government of the Republic of Lithuania is a guarantor of the loan.

# OTHER INFORMATION

The activity of the Company is based on the Articles of Association, Civil Code and other laws and sub legislative acts of the Republic of Lithuania. Changes in the Articles of Association can be made by the General Meeting of Shareholders.

## TRANSACTIONS WITH RELATED PARTIES

The Company did not have any transactions or agreements with the members of its Supervisory Council and the Board. More information regarding transactions with related Parties is presented in the Explanatory note to the Company's financial statements for 2023. In 2023 there were no changes in type of transactions with related parties, which could have made impact on the financial activity of the Group and the Company. All transactions with the related parties have been performed under market conditions (following the arm's length principle).

## PARTICIPATION IN ASSOCIATIONS

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

- Klaipėda Chamber of Commerce, Industry and Crafts, http://www.kcci.lt/
- Association of Lithuanian Stevedoring Companies, www.ljkka.lt
- Lithuanian Confederation of Industrialists, www.lpk.lt
- Gas Infrastructure Europe (GIE) association Gas LNG Europe (GLE) group, www.gie.eu.com
- Lithuanian LNG cluster, www.lngcluster.eu
- Lithuanian Shipowners Association, www.llsa.lt
- Lithuanian Hydrogen Platform
- LNG platform, www.sgdplatforma.lt
- Baltic Innovation Hub, https://baltictechpark.com
- The American Chamber of Commerce in Lithuania, www.amcham.lt
- Klaipėda Association of Industrialists, www.kpa.lt

## INFORMATION ABOUT THE AUDIT

6th October 2023. An Annual General Meeting of Shareholders of the Company was convened. Annual General Meeting of Shareholders has adopted the following resolutions: 1) to elect "KPMG Baltics", UAB as the Company's audit firm to perform the audit of the statutory separate and consolidated Financial Statements, to verify Regulated Activities report of the Company, to assess its Annual Report for the years 2023 and to issue the Audit highlights memorandum. 2) o set the following payment conditions for the audit services: audit fee that should be paid for the audit services is EUR 108 400 excluding VAT. UAB Ernst & Young Baltic performed the audit for the years 2014-2018. UAB KPMG Baltics performed the audit for the years 2008-2013, 2019-2020, 2021-2023.

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

## OTHER INFORMATION

The Company provides an analysis of its financial and non-financial performance, information on environmental issues, with a focus on climate action, human resources, anti-corruption and anti-bribery, with a focus on bribery of foreign officials in international business transactions. This information is contained in the "Sustainability (Social Responsibility) Report" contained in the scope of this Annual Report. Environmental and climate-related topics are disclosed in the "Environmental Impact and Protection on Environment" section, staff-related topics are disclosed in the "Social Impact" section, and anti-corruption and anti-bribery and related information are disclosed in the "Governance" section.

# AB KN ENERGIES REPORT ON REMUNERATION 2023

# REMUNERATION

Remuneration principles of the Company's governing and supervisory bodies are determined by the Remuneration policy approved in General shareholders meeting in October 2022. Full remuneration policy can be found on Company's website.

Remuneration for activities in the collegial bodies of the Company may be paid to the members of the collegial body of the Company who are independent or not.

The personal data of the members of the Company's governing and supervisory bodies is included in the report on remuneration for the following purposes:

- to increase the transparency of the Company;
- to improve the accountability of the members of the governing bodies;
- to supervise the remuneration of the governing bodies.

Members of collegial governing and supervisory bodies of the Company are only eligible for receiving fixed monthly compensation.

The remuneration to be paid must:

- promote the creation of long-term and sustainable value of the Company, to be fair and understandable.
- comply with the workload of the individual organs of the Company and their members.
- be competitive with the salary levels in the labour market of the respective field.
- ensure the indemnification of the liability assumed by the individual members of the Company bodies.
- promote the attraction of high-level professionals in their field to the management of the Company.

### REMUNERATION OF THE SUPERVISORY COUNCIL IN 2023

| TITLE | MONTHLY SALARY FOR 2023, EUR | TOTAL FOR 2023, EUR |
|---|---|---|
| Robertas Vyšniauskas | 3,516.00 | 42,192.00 |
| Dovilė Kavaliauskienė | 2,110.00 | 25,320.00 |
| Mantas Šukevičius | 2,637.00 | 31,644.00 |
| **Total** | - | **99,156.00** |

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

### REMUNERATION OF THE SUPERVISORY COUNCIL IN 2022

| TITLE | MONTHLY SALARY FOR 2022, EUR | TOTAL FOR 2022, EUR |
|---|---|---|
| Member 1 | 3,318.67 | 7,904.72 |
| Member 2 | 2,110.00 | 5,023.81 |
| Member 3 | 2,637.00 | 6,278.57 |
| Member 4 | 1,140.59 | 4,448.30 |
| Member 5 | 856.92 | 3,341.99 |
| **Total** | - | **26,997.39** |

In 2023 the total remuneration for the members of the Supervisory Council amounted to EUR 99.2 thousand (2022 – EUR 27.0 thousand). Members of the Supervisory Council were not granted with any loans, guarantees, assets, premiums, bonuses, shares or salary for service at any other company of the Group for the year 2023. They are not eligible for any variable part of remuneration or for recovery of it.

### REMUNERATION OF THE BOARD OF THE COMPANY IN 2023

| TITLE | MONTHLY SALARY FOR 2023, EUR | TOTAL FOR 2023, EUR |
|---|---|---|
| Guy Mason | 2,637.00 | 31,644.00 |
| Edvinas Katilius | 3,516.00 | 42,192.00 |
| Alfonso Morriello | 2,637.00 | 31,644.00 |
| Jūratė Lingienė | 2,637.00 | 31,644.00 |
| Karolis Švaikauskas | 2,110.00 | 25,320.00 |
| **Total** | - | **162,444.00** |

### REMUNERATION OF THE BOARD OF THE COMPANY IN 2022

| TITLE | MONTHLY SALARY FOR 2022, EUR | TOTAL FOR 2022, EUR |
|---|---|---|
| Member 1 | 2,202.82 | 26,430.47 |
| Member 2 | 2,548.27 | 27,907.11 |
| Member 3 | 2,252.51 | 18,574.22 |
| Member 4 | 2,252.51 | 18,574.22 |
| Member 5 | 1,811.55 | 9,108.60 |
| Member 6 | 2,400.00 | 9,000.00 |
| Member 7 | 2,095.00 | 2,205.26 |
| Member 8 | 2,095.00 | 7,856.25 |
| **Total** | **-** | **119,656.13** |

In 2023 the total remuneration for the members of the Board amounted to EUR 162.4 thousand (2022 – EUR 119.7 thousand). In 2023 members of the Board were not granted any shares, did not receive any loans, guarantees, assets, premiums, bonuses or any other benefits for work as members of the Bord or salary for service at any other company of the Group. They are not eligible for any variable part of remuneration or for recovery of it.

### REMUNERATION OF THE AUDIT COMMITTEE IN 2023

| TITLE | MONTHLY SALARY FOR 2023, EUR | TOTAL FOR 2023, EUR |
|---|---|---|
| Šarūnas Radavičius | 1,676.95 | 17,210.84 |
| Robertas Vyšniauskas | 1,319.00 | 15,825.00 |
| Mantas Šukevičius | 1,319.00 | 15,825.00 |
| **Total** | - | **48,866.84** |

### REMUNERATION OF THE AUDIT COMMITTEE IN 2022

| TITLE | MONTHLY SALARY FOR 2022, EUR | TOTAL FOR 2022, EUR |
|---|---|---|
| Member 1 | 1,319.00 | 1,648.75 |
| Member 2 | 1,319.00 | 1,645.75 |
| Member 3 | 1,140.59 | 4,448.30 |
| Member 4 | 856.92 | 1,668.74 |
| Member 5 | 856.92 | 9,426.12 |
| **Total** | **-** | **18,840.66** |

In 2023 the total remuneration for the independent members of the Audit Committee amounted to EUR 48.9 thousand (in 2022 – EUR 18.8 thousand). In 2023 members of the Audit Committee have not received any loans, guarantees or assets, unpaid bonuses and other benefits or salary for service at any other company of the Group, were not granted any shares of the Company. They are not eligible for any variable part of remuneration or for recovery of it.

### REMUNERATION OF THE REMUNERATION AND NOMINATION COMMITTEE IN 2023

| TITLE | MONTHLY SALARY FOR 2023, EUR | TOTAL FOR 2023, EUR |
|---|---|---|
| Robertas Vyšniauskas | 660.00 | 7.920.00 |
| Dovilė Kavaliauskienė | - | - |
| Živilė Valeišienė | 1,598.98 | 16,410.57 |
| **Total** | - | **24,330.57** |

### REMUNERATION OF THE REMUNERATION AND NOMINATION COMMITTEE IN 2022

| TITLE | MONTHLY SALARY FOR 2022, EUR | TOTAL FOR 2022, EUR |
|---|---|---|
| Member 1 | 660.00 | 825.00 |
| Member 2 | - | - |
| **Total** | **660.00** | **825.00** |

In 2023 the total remuneration for the independent members of the Remuneration and Nomination Committee amounted to EUR 24.3 thousand. According to Remuneration Policy Member 2 has not received any compensation since the same person is already receiving compensation as a member in Audit Committee. In 2023 members of the Remuneration and Nomination Committee have not received any loans, guarantees or assets, unpaid bonuses and other benefits or salary for service at any other company of the Group, were not granted any shares of the Company. They are not eligible for any variable part of remuneration or for recovery of it.

### REMUNERATION OF THE CEO OF THE COMPANY IN 2023

The CEO of the Company is rewarded according to provisions set in the Remuneration policy approved by the Board of the Company and the Company's Procedure for rewarding bonuses to AB KN Energies top management employees.

The monthly salary of the CEO of the Company was set to EUR 9,600 since August of 2022. Following the Remuneration policy, the CEO is also eligible for receiving annual bonus depending on the results of the Company and achievement of the annual goals. The maximum bonus in case all goals are achieved consists of 4 monthly salaries. In 2023 variable pay for the CEO, was EUR 2,960 (monthly equivalent of yearly bonus) (2022 – EUR 767 (monthly equivalent of yearly bonus).

### CHANGES IN THE COMPANY RESULTS AND AVERAGE MONTHLY SALARY OF ALL EMPLOYEES

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Sales revenue | 80,356 | 74,722 | 58,633 | 77,474 | 104,138 |
| Net profit (loss) | 12,370 | (6,732) | (64,917) | 33,495 | 7,947 |
| Adj. net profit (loss)** | 6,107 | 8,041 | (48,084) | 10,991 | 13,117 |
| Average monthly salary (gross), EUR*** | 3,114 | 2,765 | 2,609 | 2,600 | 2,282 |

* Remuneration of Members of governing and supervisory bodies are not included.
** adj. – adjusted financial indicators/data are recalculated and presented by eliminating from net profit (loss) the following amounts: (1) the impact of unrealised foreign currency exchange rates (forex) arising from IFRS 16 requirements, (2) respective impact of deferred income tax arising from forex, and (3) impact of financial derivatives.

***The average monthly salary is calculated according to the average monthly wage calculation procedure as stated in the State companies' employees' average monthly salary calculation procedure approved by the Government of Lithuania on 23 August 2002, resolution No. 1341 and its subsequent changes. On-call payments included

# AB KN ENERGIES GOVERNANCE REPORT 2023

# AB KN ENERGIES GOVERNANCE REPORT INFORMATION

AB KN Energies aims to make its corporate management and internal processes in a way to ensure transparent, effective, and profitable activities and its activities retain the trust of our stakeholders. The internal control processes and management practices implemented within the Company are in line with the best management practice principles. This report provides main information and principles regarding management and related processes.

The Company's management structure and managing and supervisory bodies are described in detail in article "Management of the Company of the annual report". This paragraph also contains information regarding corporate management and organizational scheme, connection with the other bodies and short description of the functions of the each managing body.

In order for the management and supervisory bodies of the Company to exactly and clearly understand the targets, directions, and objectives the corporate strategy is being prepared with purpose to foreseen long term strategic goals and tasks. The Supervisory Council of the Company is responsible for the approval of the strategy. AB KN Energies strategic goals are described in the paragraph "The Corporate Strategy". For more detailed information about the KN strategy, please refer to the strategy summary following this link: KN Strategy 2050.

The Company, acting in compliance with Article 21(3) of the Law of the Republic of Lithuania on Securities and paragraph 24.5 of the Listing Rules of AB NASDAQ Vilnius, discloses how it complies with the Corporate Governance Code for the Companies listed on NASDAQ Vilnius as well as its specific provisions or recommendations in the paragraph "AB KN Energies Compliance with the Corporate Governance Code".

Company's annual report of the year 2023 along with Company's governance report and explanatory notes of the year 2023 financial statements are published in AB KN Energies official website (http://www.kn.lt) and in AB NASDAQ Vilnius (www.nasdaqomxbaltic.com) Stock Exchange.

# MANAGEMENT OF THE COMPANY

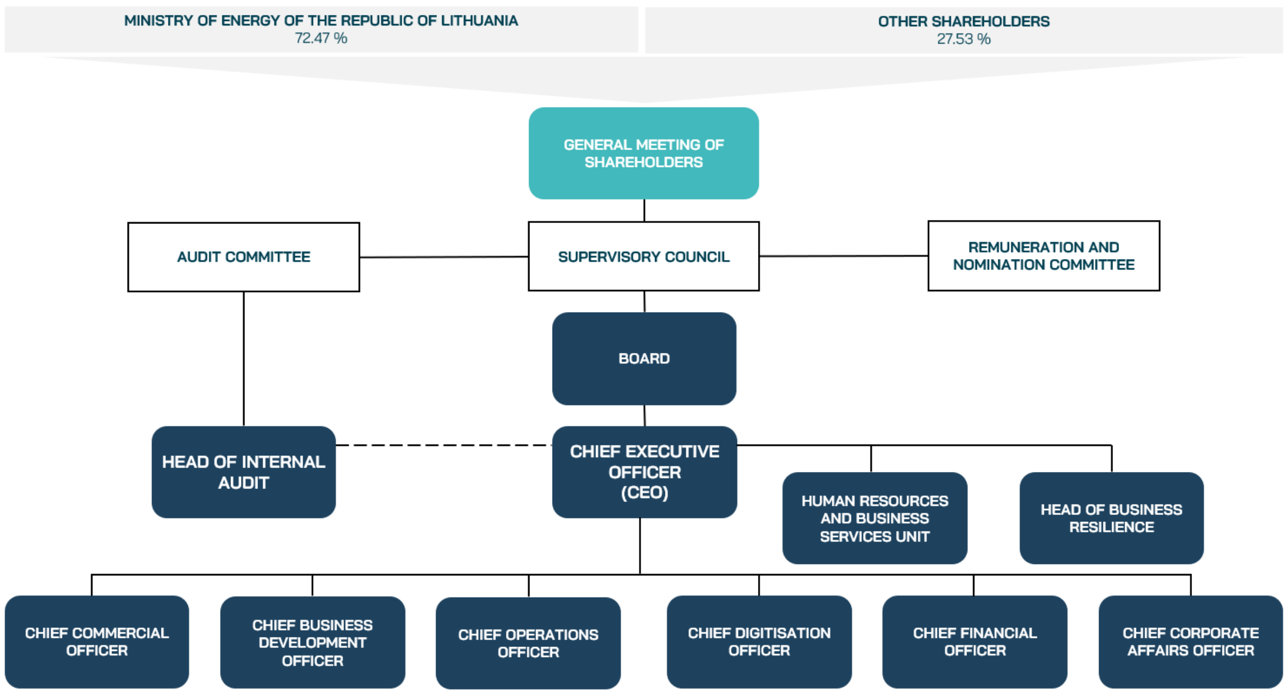
## MANAGEMENT STRUCTURE

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

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

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

**ORGANIZATIONAL AND MANAGEMENT STRUCTURE OF THE COMPANY:**




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

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

In the last ordinary general meeting of Shareholders of the Company the following representatives of the Company took part: Company's CEO, Chairman of the Supervisory Council, Chairman of the Board, Chief Corporate Affairs Officer, Head of Legal and Compliance Unit, Chief Financial Officer.

**The Supervisory Council** is a collegial supervisory body which consists of 3 (three) members (at least 2 (two) being independent), elected for the period of four years in the General Meeting of Shareholders according to the procedure established by the Law on Companies. The number of the terms of office a member may serve on the Supervisory Council is not limited. The Supervisory Council is a collegial body supervising the activities of the Company, its status, competence, and functions have been defined by the Law on Companies and the Articles of Association of the Company. Functions, rights, and duties of the Supervisory Council are detailed in the Corporate Governance Policy of the Company, Decision Making Matrix of the Company and Rules of Procedure of the Supervisory Council.

The Supervisory Council by its decision has formed an **Audit Committee**, which consists of 3 (three) members elected for the office term of the Supervisory Council of which 1 (one) is independent and 2 (two) are delegated members of the Supervisory Council. The Regulation of the Audit Committee of the Company, regulates functions, rights, and duties of the Audit Committee. The key responsibilities of the Audit Committee are to assist the Supervisory Council in fulfilling its oversight responsibilities in relation to financial reporting, the effectiveness of the system of risk management and internal control, monitoring the independence of both the internal and external auditors and assessing their performance and effectiveness. The Company's head of internal audit is functionally subordinate to the Audit Committee and administratively subordinated to the CEO. By the decision of the Supervisory Council of the Company and the approval of the General Meeting of Shareholders the members of the Audit Committee have been elected until the end of office of the current Supervisory Council.

The Supervisory Council by its decision has formed **Remuneration and Nomination Committee**, which consists of 3 (three) members of which 1 (one) is independent and 2 (two) are delegated members of the Supervisory Council, elected for the office term of the Supervisory Council. The Regulation of the Remuneration and Nomination Committee of the Company, regulates functions, rights, and duties of the Remuneration and Nomination Committee. The Remuneration and Nomination Committee acts as an advisory body to the Company's Supervisory Council, making recommendations on the Company's remuneration policy, proposing to the Company the criteria for assessing the performance of its executives, and making other recommendations relating to remuneration. The Remuneration and Nomination Committee, among other functions, provides opinions to the Supervisory Council on the selection procedure of collegial bodies (excluding the Supervisory Council), provides recommendations regarding candidates for vacant positions in the management bodies, pays attention to the Company's continuity planning. The members of the Remuneration and Nomination Committee are appointed by the decision of the Supervisory Council until the end of the term of office of the current Supervisory Council.

**The Board** is a collegial management body of the Company consisting of 5 (five) members, who are elected by the Supervisory Council for the period of 4 (four) years with the requirement that at least 3 (three) members are independent. The number of the terms of office a member may serve on the Board is not limited. The mandate of the Board members has been determined by the Law on Companies and the Articles of Association of the Company, the Corporate Governance Policy of the Company and Decision-Making Matrix of the Company.

**The Chief Executive Officer (CEO)** is a single person managing body of the Company. The CEO is the main person managing and representing the Company. The duties and competence of the CEO have been determined by the Law on Companies and the Articles of Association of the Company, the Corporate Governance Policy of the Company, Decision-Making Matrix of the Company.

MEMBERS OF THE SUPERVISORY COUNCIL AS AT 31 DECEMBER 2023

**Robertas Vyšniauskas (independent member, Chairperson of the Supervisory Council)**

Chairman of the company's Supervisory Council. Elected to the Supervisory Council on the 20th October 2022 by the Extraordinary General Meeting of Shareholders for a four-year term.

Education: Mykolas Romeris University, Faculty of Law, Master of Law (2010); Mykolas Romeris University, Faculty of Law, Bachelor of Law (2004).

Participation in activities of other companies and organisations: since 2020, independent member of the board of directors (until 09.11.2020) and general manager of UAB "Valstybės investicinis kapitalas"; since 2020, independent member of the board of UAB "Vilniaus vystymo kompanija"; since 2023 member of audit committee of UAB "Vilniaus vystymo kompanija"; since 2019, independent member of the board and member of the audit committee of UAB "EPSO-G"; since 2019, lecturer at VšĮ "Vilniaus universitetas".

Robertas Vyšniauskas does not hold shares of the Company.

**Dovilė Kavaliauskienė (member)**

Member of the Supervisory Council of the Company. Elected to the Supervisory Council on the 20th October 2022 by the Extraordinary General Meeting of Shareholders for a four-year term.

Education: Vilnius University, Faculty of Law, Master of Law (2016); Baltic Institute of Corporate Governance, Corporate Governance Training for Public Sector (2022).

Participation in activities of other companies and organisations: since 2021, adviser to the Law and Personnel Group of the Ministry of Energy of the Republic of Lithuania; from 2020 to 2021, adviser to the Law and Personnel Division of the Ministry of Energy; from 2018 to 2020, adviser to the Law Division of the Ministry of Energy; 2018, deputy head of the Law Division of the Ministry of Energy; from 2016 to 2018 chief specialist, Electricity Energy Division, Ministry of Energy; 2014, Legal Consultant, VšĮ „Vilniaus universiteto teisės klinika.

Dovilė Kavaliauskienė does not hold shares of the Company

**Mantas Šukevičius (independent member)**

Member of the Supervisory Council of the Company. Elected to the Supervisory Council on the 20th October 2022 by the Extraordinary General Meeting of Shareholders for a four-year term.

Education: Vilnius University, Faculty of Economics, Bachelor of Economics (Banking) (1997); Vilnius University, Institute of International Relations and Political Science, Bachelor of Political Science (1998); Vilnius University, Institute of International Relations and Political Science, Master of European Union Studies (2000).

Participation in activities of other companies and organisations: since 2022, independent member of the board of VĮ "Oro navigacija"; since 2022, independent member of the supervisory board of JSCB "Biznesni Rivojlantirish Banki" ; since 2021, member of the board of UAB "Victory Funds"; since 2020, director of MB "Buteo Invest"; since 2018, chairman of the management board of AB "Detonas".

Mantas Šukevičius does not hold shares of the Company.

There were 9 meetings of Supervisory Council in 2023, which were attended by all Supervisory Council members.

## SUPERVISORY COUNCIL ACTIVITY IN 2023

The Supervisory Council of the new term of office has been elected and started its activities on 20 October 2022.

During 2023 the Supervisory Council approved Corporate Strategy for the period of 2023-2050 of the Company. Supervisory Council also reviewed Corporate Governance Policy and Articles of Association of the Company which were later approved by the General Meeting of Shareholders. The Supervisory Council initiated the renewal of the Decision-Making Matrix by seeking to determine the framework for the decision-making process in the Company. Supervisory Council as top priority singled out the supervision of the activities of the Board and the CEO of the Company and implementation of annual internal audit plan.

In addition to its regular tasks, the Supervisory Council in 2023 was also actively involved in the discussions about the internal control system functioning as well as risk management improvement.

During 2023, the Supervisory Council carried out a supervision on the preparation and approval of the Company's strategy for 2024-2026 for the Governance Coordination Centre, as well as in accordance with its competence provided suggestions and recommendations in the process of preparation of quarterly financial statements.

Overall, the Supervisory Council performed its functions in accordance with its' approved annual plan and covered all planned issues during the year.

## MEMBERS OF THE AUDIT COMMITTEE AS AT 31 DECEMBER 2023

**Šarūnas Radavičius (independent member, Chairperson of the Audit Committee)**

Member of the Company's Audit Committee, elected by decision of the Supervisory Council from 22nd February 2023 until the end of the term of office of the Company's current Supervisory Council. In the Audit Committee meeting held on 20 April 2023, elected as a Chairperson of the Audit Committee.

Education: Vilnius University, Faculty of Economics, Accounting and Auditing (1993).

Participation in activities of other companies and organisations: since 2023, Lithuanian Chamber of Auditors, member of the Presidium; since 2021, UAB Akropolis Group, Chairperson of the Audit Committee; since 2021, AB Utenos trikotažas, Chairman of the Audit Committee; since 2019, owner of MB Saluma.

Š. Radavičius does not hold shares of the Company.

| | |
|---|---|
|  | **Robertas Vyšniauskas (independent member)**<br><br>Chairman of the company's Supervisory Council. Elected to the Supervisory Council on the 20th October 2022 by the Extraordinary General Meeting of Shareholders for a four-year term.<br><br>Education: Mykolas Romeris University, Faculty of Law, Master of Law (2010); Mykolas Romeris University, Faculty of Law, Bachelor of Law (2004).<br><br>Participation in activities of other companies and organisations: since 2020, independent member of the board of directors (until 09.11.2020) and general manager of UAB "Valstybės investicinis kapitalas"; since 2020, independent member of the board of UAB "Vilniaus vystymo kompanija"; since 2023 member of audit committee of UAB "Vilniaus vystymo kompanija"; since 2019, independent member of the board and member of the audit committee of UAB "EPSO-G"; since 2019, lecturer at VšĮ "Vilniaus universitetas".<br><br>Robertas Vyšniauskas does not hold shares of the Company. |
|  | **Mantas Šukevičius (independent member)**<br><br>Member of the Supervisory Council of the Company. Elected to the Supervisory Council on the 20th October 2022 by the Extraordinary General Meeting of Shareholders for a four-year term.<br><br>Education: Vilnius University, Faculty of Economics, Bachelor of Economics (Banking) (1997); Vilnius University, Institute of International Relations and Political Science, Bachelor of Political Science (1998); Vilnius University, Institute of International Relations and Political Science, Master of European Union Studies (2000).<br><br>Participation in activities of other companies and organisations: sisince 2022, independent member of the board of VĮ "Oro navigacija"; since 2022, independent member of the supervisory board of JSCB "Biznesni Rivojlantirish Banki"; since 2021, member of the board of UAB "Victory Funds"; since 2020, director of MB "Buteo Invest"; since 2018, chairman of the management board of AB "Detonas".<br><br>Mantas Šukevičius does not hold shares of the Company. |

On 24th of November 2022 until the end of term of office of Company's acting Supervisory Council, Robertas Vyšniauskas and Mantas Šukevičius were elected as Company's Audit Committee members. After Company announced the selection of one independent member to the Audit Committee, Šarūnas Radavičius was elected as an independent Audit Committee member by decision of the Supervisory Council from 22nd February 2023 until the end of the term of office of the Company's current Supervisory Council. By the decision of the General Meeting of Shareholders dated November 30th, 2023, the approval of the performance of functions of the elected Audit Committee members, of the Regulations of the Audit Committee and of the standard contract regarding the activities of members of the Audit Committee was provided.

During the year 2023, 12 Audit Committee meetings have been arranged where all Audit Committee members have participated.

**AUDIT COMMITTEE ACTIVITY IN 2023**

During the year 2023, the Audit Committee closely monitored the financial reporting process and audit of consolidated financial statements of the Group. The Audit Committee assessed the effectiveness of the financial statement audit process.

The Audit Committee also monitored internal control and risk management system, reviewed and assessed the effectiveness of the Group's risk assessment and management system, discussed significant changes in the internal control system. Conflict of interest governance and whistleblowing topics were reviewed.

The Audit Committee also considered the external and internal audit plans of 2023, their results, and the assessments of the Group's internal control, including the control of financial statements, Audit Committee also monitored the independence of the auditors.

The Audit Committee's annual plan for the year 2023 was fully executed.

| MEMBERS OF THE REMUNERATION AND NOMINATION COMMITTEE AS AT 31 DECEMBER 2023 | |
|---|---|
|  | **Živilė Valeišienė (independent member, Chairperson of the Remuneration and Nomination Committee)**<br><br>Member of the Company's Remuneration and Nomination Committee, elected by decision of the Supervisory Council from 22nd February 2023 until the end of the term of office of the Company's current Supervisory Council. Elected as a Chairperson of the Remuneration and Nomination Committee in the Committee meeting held on 15 June 2023<br><br>Education: Baltic Institute of Corporate Governance (BICG), Training for Board Members (2021); Baltic Management Institute (BMI), Executive Master's Degree (EMBA) (2013); Kaunas University of Technology, Master of Applied Mathematics (1999).<br><br>Participation in activities of other companies and organisations: since 2022, Member of the Board of UAB "Kelių priežiūra".<br><br>Živilė Valeišienė does not hold shares of the Company |
|  | **Robertas Vyšniauskas (independent member)**<br><br>Chairman of the company's Supervisory Council. Elected to the Supervisory Council on the 20th October 2022 by the Extraordinary General Meeting of Shareholders for a four-year term.<br><br>Education: Mykolas Romeris University, Faculty of Law, Master of Law (2010); Mykolas Romeris University, Faculty of Law, Bachelor of Law (2004).<br><br>Participation in activities of other companies and organisations: since 2020, independent member of the board of directors (until 09.11.2020) and general manager of UAB "Valstybės investicinis kapitalas"; since 2020, independent member of the board of UAB "Vilniaus vystymo kompanija"; since 2023 member of audit committee of UAB "Vilniaus vystymo kompanija"; since 2019, independent member of the board and member of the audit committee of UAB "EPSO-G"; since 2019, lecturer at VšĮ "Vilniaus universitetas".<br><br>Robertas Vyšniauskas does not hold shares of the Company. |
|  | **Dovilė Kavaliauskienė (member)**<br><br>Member of the Supervisory Council of the Company. Elected to the Supervisory Council on the 20th October 2022 by the Extraordinary General Meeting of Shareholders for a four-year term.<br><br>Education: Vilnius University, Faculty of Law, Master of Law (2016); Baltic Institute of Corporate Governance, Corporate Governance Training for Public Sector (2022).<br><br>Participation in activities of other companies and organisations: since 2021, adviser to the Law and Personnel Group of the Ministry of Energy of the Republic of Lithuania; from 2020 to 2021, adviser to the Law and Personnel Division of the Ministry of Energy; from 2018 to 2020, adviser to the Law Division of the Ministry of Energy; 2018, deputy head of the Law Division of the Ministry of Energy; from 2016 to 2018 chief specialist, Electricity Energy Division, Ministry of Energy; 2014, Legal Consultant, VšĮ „Vilniaus universiteto teisės klinika.<br><br>Dovilė Kavaliauskienė does not hold shares of the Company |

## REMUNERATION AND NOMINATION COMMITTEE ACTIVITY IN 2023

On 24th of November 2022 until the end of term of office of Company's acting Supervisory Council, Robertas Vyšniauskas and Dovilė Kavaliauskienė were elected as Company's Remuneration and Nomination Committee members. After Company's announcement of selection of one independent member to the Remuneration and Nomination Committee, Živilė Valeišienė was elected as an independent Remuneration and Nomination Committee member by the decision of the Supervisory Council from 22nd February 2023 until the end of the term of office of the Company's current Supervisory Council.

During the year 2023, 8 Remuneration and Nomination Committee meetings have been arranged where all Remuneration and Nomination Committee members have participated.

During the year 2023, the Remuneration and Nomination Committee reviewed and made recommendations for the Remuneration Policy. The Remuneration and Nomination Committee assessed other policies, procedures and documents that regulate the remuneration of management bodies, the CEO, and other executive employees.

The Remuneration and Nomination Committee also reviewed and gave recommendations for Company variable pay structure and employee benefits packages. The Remuneration and Nomination Committee's annual plan for the year 2023 was fully executed.

| MEMBERS OF THE BOARD AS AT 31 DECEMBER 2023 | |
|---|---|
|  | **Edvinas Katilius (chairperson, independent member)**<br><br>Independent member, Chairman of the Board of the Company, appointed to the Board by the Supervisory Council as of 25 April 2022.<br><br>Education: IMD Business School, Switzerland, MBA (2002); Aalborg University, Denmark, International business MBA course (1994); Vilnius University, Lithuania, diploma in Econometrics (1993).<br><br>Current professional activity: PMI (Philip Morris International) Global Duty Free, Vice president (2017 – now)<br><br>Edvinas Katilius does not hold shares of the Company. |
|  | **Alfonso Morriello (independent member)**<br><br>Independent member of the Board of the Company, appointed to the Board by the Supervisory Council as of 25 April 2022.<br><br>Education: INSEAD, MBA (2001); University La Sapienza, Rome, MSc Electronics Engineering (1996).<br><br>Current professional activity: AXEGAZ Trading & Technologies S.A.S. Chief Executive Officer (2020 – now).<br><br>Alfonso Morriello does not hold shares of the Company. |
|  | **Jūratė Lingienė (independent member)**<br><br>Independent member of the Board of the Company, appointed to the Board by the Supervisory Council as of 25 April 2022.<br><br>Education: ACCA (The Association of Chartered Certified Accountants) (1999 – 2004), UK ACCA Member – Certified Accountant (FCCA); Vilnius University, Master's degree in Finance (1997 – 1999); Vilnius University, Bachelor degree in Audit and Accounting (1993 – 1997).<br><br>Current professional activity: SEB (Sweden) CFO for Technology and Staff functions (2015 –now).<br><br>Jūratė Lingienė does not hold shares the Company. |
|  | **Karolis Švaikauskas (member)**<br><br>Member of the Board of the Company, appointed to the Board by the Supervisory Council as of 12 May 2022.<br><br>Education: Vytautas Magnus University, Faculty of Political Science and Diplomacy, Master's Degree in Political Science, Baltic Region Studies (2011); Humboldt University of Berlin (Germany), Scandinavian and Northern European Studies (2010); Vytautas Magnus University, Faculty of Humanities, Bachelor's degree in Historical Sciences (2009).<br><br>Current professional activity: member of the management board of AB „Amber Grid" (2022 – now). |

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|---|---|
| | Head of the Energy Competitiveness Group of the Ministry of Energy of the Republic of Lithuania (2019 – now).<br><br>Karolis Švaikauskas does not hold shares of the Company. |
|  | **Guy Mason (independent member)**<br><br>Independent member of the Board of the Company, appointed to the Board by the Supervisory Council as of 25 April 2022.<br><br>Education: Engineering science and technology, Loughborough University (1986).<br><br>Current professional activity: Fellow of the Institute of Mechanical Engineers (FIMechE), non-executive director and Chair of remuneration committee, Windward Limited (2021 - now). Trustee and Chair of the Board for International Foundation for Aids to Navigation (2022-now).<br><br>Guy Mason does not hold shares of the Company. |

The Board of the Company took office in 25th April 2022. On 13th May 2022 at the first meeting of the new Board of the Company, independent Board member Edvinas Katilius was elected as a Chairperson of the Board.

**BOARD ACTIVITY IN 2023**

The Board reviewed the strategic, operational, financial, and safety issues throughout the year on a regular basis. In addition, The Board monitored the Company's financial and strategic goals against the annual plan for 2023 quarterly and approved the yearly plan for 2024 after taking into account management's assumptions.

The Board held 15 meetings in 2023, 4 of which were held in writing. The Board adopted 37 decisions in 2023.

During 2023, the Board actively participated in the preparation of the Corporate Strategy for the period 2023-2050 of the Company, which was later approved by the Supervisory Council of the Company. The Board oversaw the Company's risks and reviewed management judgments about specific ones. During the year, 4 Risk reports were approved.

The Board discussed issues related with global LNG projects.

The Board made decision regarding the main terms and conditions of the FSRU INDEPENDENCE technical and operational management (O&M) service procurement agreement, which was later approved by the General Meeting of Shareholders.

Overall, the Board performed in accordance with its' approved annual plan and covered all planned issues during the year.

The Board members attended the meetings in 2023:

| DATE OF THE MEETING | EDVINAS KATILIUS | GUY MASON | JŪRATĖ LINGIENĖ | ALFONSO MORRIELLO | KAROLIS ŠVAIKAUSKAS |
|---|---|---|---|---|---|
| 1. January 24 (in writing) | ✓ | ✓ | ✓ | ✓ | ✓ |
| 2. February 03 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 3. February 07 (in writing) | ✓ | ✓ | ✓ | ✓ | ✓ |
| 4. March 23 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 5. April 24 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 6. June 02 (in writing) | ✓ | ✓ | ✓ | ✓ | ✓ |
| 7. June 15 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 8. July 20 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 9. July 26 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 10. September 08 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 11. September 25 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 12. October 19 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 13. November 17 (in writing) | ✓ | ✓ | ✓ | ✓ | ✓ |
| 14. November 20 | ✓ | ✓ | ✓ | ✓ | ✓ |
| 15. December 11 | ✓ | ✓ | ✓ | ✓ | ✓ |

✓ Attended ✕ Not attended

## THE DIRECTORS OF THE COMPANY AS AT 31 DECEMBER 2023

**Darius Šilenskis**

(born 1981) – Chief Executive Officer. Works at the Company since 28 September 2015. Education: Baltic Management Institute, Master of executives international business management (EMBA), (2013), Vytautas Magnus University, Master of business administration (2013), Mykolas Riomeris university, Master of law (2006, Law and management studies), Bachelor of law (2004, International law of the Sea studies). Participation in activities of other companies and organisations: member of the board of directors of the Association of Lithuanian Stevedoring Companies, member of the board of Lithuanian Maritime Cluster, chairman of the Lithuanian LNG Platform, VšĮ "Vilniaus teisės institutas" founder and venturer (owns 50% rights of venture), UAB "Afinta" shareholder (owns 50% of the shares). The share of AB KN Energies held by Darius Šilenskis is less than 5%; no shares in the related companies of AB KN Energies.

**Vaidotas Dirmeikis**

(born 1988) – Acting Chief Financial Officer from 1 September 2023 until 15 January 2024. Education: The Association of Chartered Certified Accountants (ACCA) certification (2023), ISM University of Management and Economics, Master of Management (MSc) and Executive Programme (2018), Vilnius University, Bachelor of Economics (BSc) (2011), Fontys University of Applied Sciences (The Netherlands), ERASMUS International Business Management Studies (2010). Participation in activities of other companies and organisations: MB "Paloma drinks", head of company and member of small partnership. Vaidotas Dirmeikis does not hold any shares in AB KN Energies.

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|---|---|
| | Mindaugas Kvekšas, formerly Chief Financial Officer. Worked at the Company from 16 August 2021.<br><br>**Tomas Tumėnas** appointed as a Chief Financial Officer **from 15 January 2024**. More information provided in official website www.kn.lt |
|  | **Linas Kilda**<br><br>(born 1972) – Chief Business Development Officer appointed from 3 August 2020. Education: Baltic Management Institute (BMI), Executive Master of Business Administration (EMBA) (2023), Institute of Geology and Geography, PhD (Physical Sciences) (2002); University of Aberdeen, Master of Petroleum Geology (1998); Vilnius University, Engineering geologist and hydrogeologist (1995). Manager of subsidiary UAB KN Global Terminals. No participation in other companies' management. The share of AB KN Energies held by Linas Kilda is less than 5%; no in the related companies of AB KN Energies. |
|  | **Dainius Čiuta**<br><br>(born 1975) – Chief Operations Officer. Appointed as Chief Operations Officer from 5 November 2020. Education: Baltic Management Institute (BMI), International Executive Master of Business Administration (EMBA) (2013); Kaunas University of Technology, Master of Chemical Technology Engineering (1999); Klaipėda University, Bachelor of Chemical Technology (1997). Participation in the activities of other companies, institutions and organizations: member of the board of children's football club "FK Atmosfera"; member of the Energy Committee of Lithuanian Confederation of Industrialists. Dainius Čiuta does not own shares in AB KN Energies or other companies when the number of shares held exceeds 5% of all shares in the company. |
|  | **Mindaugas Navikas**<br><br>(born 1979) – Chief Commercial Officer. Appointed as a Chief Commercial Officer from 8 September 2020. Education: Stockholm School of Economics in Riga (SSE), Master of Business Management (EMBA) (2018); Vilnius University, International Business School, Master of International Business Management (2006); Vilnius University, Bachelor of Business Management (2002). No participation in other companies' management. The share of AB KN Energies held by Mindaugas Navikas is less than 5%; no shares in the related companies of AB KN Energies. |
|  | **Rytis Valūnas**<br><br>(born 1985) – Chief Corporate Affairs Officer. Works at the Company since 15 September 2012. Education: Baltic Management Institute (BMI), International Executive Master of Business Administration (EMBA) (2018), Baltic Institute of Corporate Governance, Professional Board Member Certificate (2015); The Fletcher School of Law and Diplomacy/Harvard Law School, LL.M. (2011); Mykolas Romeris University/Ghent University, MA in International Law (2009); Mykolas Romeris University, BA in Law (2007). The share of AB KN Energies held by Rytis Valūnas is less than 5%; no shares in the related companies of AB KN Energies. |

No members of the Company's management have been convicted of crimes against property, business or finances. Information about managers' salary for the year 2023 is stated in chapter "Information about the employees of the Group" in the Annual Report.

# OTHER GOVERNANCE INFORMATION

**INFORMATION ON MAJOR SHARE PACKAGES CONTROLLED EITHER DIRECTLY OR INDIRECTLY.**

Details of the shares are provided in chapter "Information about investment into other companies" in the Annual Report.

**INFORMATION ON TRANSACTIONS WITH RELATED PARTIES**

Details of the related party transactions provided in chapter "Related party transactions" in the Consolidated and Separate Financial Statements.

**INFORMATION ON SHAREHOLDERS HAVING SPECIAL CONTROL RIGHTS.**

All shares of the Company are of one class ordinary registered shares granting their owners (shareholders) equal rights. Details of the shares are provided in chapter "Shareholders and Shares of the Company" in the Annual Report.

**INFORMATION OF AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION**

On 30th November 2023, the Articles of Association of the Company were amended by the decision of the General Meeting of Shareholders and were registered in the Register of Legal Entities on 10th January 2024.

**INFORMATION ON ALL AGREEMENTS BETWEEN SHAREHOLDERS**

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

**INFORMATION ON THE VARIED POLICY APPLICABLE TO THE ELECTION OF THE COMPANY'S CHIEF EXECUTIVE OFFICER, THE MEMBERS OF MANAGEMENT AND SUPERVISORY BODIES**

The Company does not have the variety policy applicable to the election of the chief executive officer and the members of governing and supervisory bodies. There is Procedure for organizing the recruitment of collegial supervisory and management bodies, chief executive officer of the company and during the selection of candidates to the Company's chief executive officers, management and supervisory bodies, the candidates shall be subject to requirements that do not discriminate a candidate on the grounds of age, sex, education, or professional experience. During the selection of a candidate, the Company does not set any restrictions for nomination of a candidate on grounds of sex or age.

Considering the specificity of the Company's business activity and the status of a state-owned company, unbiased requirements which are only related to the functions and competences of the members of a management or supervisory bodies and the professional experience and education proportionate to these functions and competences are set.

General and independence requirements to candidates to the Company's Supervisory Council are set by the Description of Selection of Candidates to the Boards of State or Municipal Companies and Candidates to the Collegial Supervisory or Governing Body of a Company That is under Control of a State or Municipal Company Elected by the General Meeting as adopted by Decision No 631 of 17 June 2015 of the Government of the Republic of Lithuania.

# INFORMATION ON COMPLIANCE WITH TRANSPARENCY GUIDELINES

AB KN Energies complies with the 2010 July 14 Government Resolution No. 1052 "On the Approval of the Description of the Guidelines for Ensuring the Transparency of the Activities of State-Owned Enterprises" (hereinafter – the Transparency Guidelines). The Transparency Guidelines are mandatory for the Company, as the Company is a state-owned enterprise (hereinafter – SOE).

The implementation of the transparency guidelines in the Company is mainly ensured through the information disclosed in the annual report and the disclosure of information on the Company's websites by disclosing and providing information in a format that is accessible and understandable to stakeholders.

Article 3 of the Transparency Guidelines states that SOEs which are listed on AB Nasdaq Vilnius comply with the provisions of the Corporate Governance Code for the Companies Listed on Nasdaq Vilnius related to public disclosure of information. Information on the Company's compliance with the provisions of this Code is disclosed in the Company's management report.

**BELOW IS THE STRUCTURED INFORMATION ON THE IMPLEMENTATION OF THE TRANSPARENCY GUIDELINES:**

✓ COMPLYING ✓ PARTIALLY COMPLYING ✓ NOT COMPLYING

| INFORMATION / OTHER REQUIREMENTS MUST BE PUBLISHED ON THE COMPANY'S WEBSITE (WWW.KN.LT): | | | |
|---|---|---|---|
| ✓ | Name, code and register of the Company, where data about the Company is collected and stored, registered office (address) | ✓ | Legal status, if the Company is reorganized (the method of reorganization is indicated), liquidated, is about to go bankrupt, or already bankrupt |
| ✓ | Information about the institution representing the state | ✓ | Activity plans, vision, and mission |
| ✓ | Organizational structure | ✓ | Details about the manager of the company * |
| ✓ | Details about the chairperson of the Board and Board members * | ✓ | Details about the chairperson of the Supervisory Council and its members * |
| ✓ | Names of the committees, details about their chairs and members * | | |
| ✓ | Amount of nominal values of state-owned shares (in euros to the nearest euro cent) and share (in percent) in the authorized capital of the Company | ✓ | Information on social responsibility initiatives and measures, important ongoing or planned investment projects |
| ✓ | Special obligations are fulfilled, which are determined in accordance with the recommendations approved by the Ministry of Economy and Innovation of the Republic of Lithuania: the purpose of special obligations, state budget appropriations and legal acts allocating them to the special obligation and regulated pricing | ✓ | If the Company is a participant in other legal entities (does not apply to subsidiaries) name, code and register of such legal entities, where the data on the Company is collected and stored, registered office (address), website addresses |
| ✓ | The set of the Company's annual financial statements, the Company's annual report, as well as the report of the auditor of the Company's annual reports must be published on the Company's website within 10 working days from the approval of the set of annual financial statements. | ✓ | Sets of the Company's interim financial statements, the Company's interim reports must be published on the website no later than within 2 months after the end of the reporting period |

* The following data is published: name, surname, date of commencement of current positions, other current management positions in other legal entities, education, qualification, professional experience; it shall be indicated whether a member of the collegial body has been elected or appointed as an independent member.

| TAKING INTO ACCOUNT THAT THE COMPANY IS THE PARENT COMPANY, THE FOLLOWING INFORMATION MUST BE PUBLISHED ON THE COMPANY'S WEBSITE (WWW.KN.LT): | |
|---|---|
| ✓ The structure of the Group of companies | |
| **Subsidiaries and subsequent subsidiaries of the Company:** | |
| ✓ Name, code and register of the Company, where data about the Company are collected and stored, registered office (address) | ✓ Share held by the Company (percentage) in the authorized capital of subsidiary companies |
| ✗ Subsidiaries and subsequent subsidiaries of the Company do not have website addresses | ✓ Annual consolidated financial statements and consolidated annual reports |

| THE FOLLOWING DOCUMENTS / OTHER REQUIREMENTS MUST BE PUBLISHED ON THE COMPANY'S WEBSITE (WWW.KN.LT): | |
|---|---|
| ✓ Articles of Association | ✓ Letter from the Ministry of Energy on the establishment of the Company's goals and expectations for the Company |
| ✓ Business strategy or a summary thereof in cases where the business strategy contains confidential information or information which is considered a commercial (industrial) secret | ✓ Remuneration policy, which includes the determination of the remuneration of the head of the Company and the remuneration of the members of the collegial bodies and committees formed by the Company |
| ✓ Company's annual and interim reports | ✓ Sets of annual and interim financial statements for a period of at least 5 years and the auditor's report of the annual financial statements |
| ✓ The above documents are published in PDF format, and it is technically possible to print them | |

| OTHER REQUIREMENTS MUST BE PUBLISHED / FULFILLED IN THE SETS OF FINANCIAL STATEMENTS AND NOTICES: | |
|---|---|
| ✓ The Company maintains its accounting records in a manner that ensures that financial statements are prepared in accordance with International Accounting Standards | ✓ The Company prepares a set of 6-month interim financial statements |
| ✓ In addition to the annual report, the Company prepares an additional 6-month interim report | |

| IN ADDITION TO THE CONTENT REQUIREMENTS ESTABLISHED IN THE LAW ON FINANCIAL REPORTING OF COMPANIES OF THE REPUBLIC OF LITHUANIA, THE COMPANY'S ANNUAL REPORT MUST ADDITIONALLY PROVIDE: | |
|---|---|
| ✓ Brief description of the Company's business model | ✓ Results of the implementation of the objectives set in the operational strategy |
| ✓ Information on significant events that occurred during and after the financial year (prior to the preparation of the annual report) and that were material to the Company's operations | ✓ For state-owned enterprises that are not required to prepare a CSR report, it is recommended that information on environmental, social and personnel, human rights, anti-corruption, and anti-bribery issues be provided in the annual report or annual activity report, as appropriate. |

| | |
|---|---|
| Profitability, liquidity, asset turnover, debt ratios | Implementation of the company's risk management policy |
| Implementation of investment policy, ongoing and planned investment projects, and investments during the reporting year | Total annual salary fund, average monthly salary by current position and / or division |
| Implementation of dividend policy | Implementation of remuneration policy |
| The consolidated annual report contains the structure of the group of companies, as well as the name, code and register of each subsidiary, which collects and stores data about the Company, registered office (address), shares (percentage) in the subsidiary's share capital, financial and non-financial results for the financial year. | The Company's interim report provides a brief description of the Company's business model, analysis of financial results for the reporting period, information on significant events during the reporting period, as well as profitability, liquidity, asset turnover, debt ratios and their changes compared to the corresponding period last year. |

# AB KN ENERGIES COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

AB KN Energies (hereinafter referred to as the "Company"), acting in compliance with Article 22(3) of the Law of the Republic of Lithuania on Securities and paragraph 24.5 of the Listing Rules of AB NASDAQ Vilnius, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on NASDAQ Vilnius as well as its specific provisions or recommendations. In case of noncompliance with this Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied with must be indicated and the reasons for such non-compliance must be specified. In addition, other explanatory information indicated in this form must be provided.

**FORM OF THE GOVERNANCE REPORT OF THE COMPANY:**

| PRINCIPLES / RECOMMENDATIONS | YES / NO / NOT APPLICABLE | COMMENTARY |
|---|---|---|
| **Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights** **The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.** | | |
| 1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed. | Yes | All information that must be made public in accordance with legal acts is published through the information system of the Vilnius Stock Exchange and / or on the Company's website. The place, date and time of the General Meeting of Shareholders convened by the Company shall be determined in order to enable the shareholders to participate in making decisions important to the Company. The procedure for submitting documents and other information to shareholders is established in Article 5 of the Company's Articles of Association. |
| 1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders. | Yes | All shares of the Company are ordinary registered shares with a nominal value of EUR 0.29 (EUR 29 cents) per share. |
| 1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares. | Yes | The Company's Articles of Association, which are publicly available on the Company's website, specify the rights granted by the shares. |
| 1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be | Yes | Article 13.5 of the Company's Articles of Association (Article 16.14 of Articles of Association valid in year 2023). indicate the cases when the approval of the General Meeting of Shareholders is required. |

| | | |
|---|---|---|
| subject to approval of the general meeting of shareholders. | | |
| 1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest. | Yes | The Company convenes the General Meeting of Shareholders and implements other procedures of the Meeting in accordance with the Law on Companies of the Republic of Lithuania and provides all shareholders with equal opportunities to participate in the meeting, get acquainted with draft resolutions and material required for decision-making. |
| 1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed. | Yes | All documents and information related to the General Meeting of Shareholders, including notices of meetings to be convened, draft resolutions, resolutions of the Meetings, are publicly available in Lithuanian and English through Nasdaq Vilnius and the Company's website. |
| 1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot. | Yes | All shareholders may exercise their right to participate in the General Meeting of Shareholders in accordance with the procedure established by legal acts and this right is unlimited. The Company provides information on the implementation of this right in the notice on convening the General Meeting of Shareholders. |
| 1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured, and it must be possible to identify the participating and voting person. | No | Taking into account the structure of the shareholders (controlling interest is owned by the Government of the Republic of Lithuania) and the valid regulations for organisation of the meeting of shareholders ensuring full advance publication of the material of the General Meeting of Shareholders and publicity of the decisions adopted by the shareholders (publishing all this information on the website of AB Nasdaq Vilnius Stock Exchange) and the opportunity to vote in advance, there is no necessity to additionally install costly system of IT, which would give the opportunity for the shareholders to vote during the meeting of the shareholders using telecommunication terminal equipment. Currently, there are no measures in place to ensure proper identification of voters. |
| 1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided. | Yes | Information about the candidates to the Company's collegial bodies is provided in accordance with the procedure established by legal acts. In accordance with the established procedure, the suitability of candidates is assessed by the selection board.<br>The name of the proposed audit firm and the remuneration for the audit services shall be provided to the General Meeting of the Shareholders in advance as a draft resolution. |

| | | |
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| 1.10. Members of the company's collegial management body, heads of the administration[2] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders. | Yes | The last General Meeting of Shareholders was attended by the Chairperson of the Board of the Company, Chief Executive Officer of the Company, Chief Finance Officer and Head of the Legal and Compliance Unit. |
| **Principle 2: Supervisory board**<br>**2.1. Functions and liability of the supervisory board**<br>**The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.**<br>**The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.** | | |
| 2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare. | Yes | The obligations specified in the recommendation are embedded in the agreement on the activities of an independent member of the Supervisory Council. The form of the agreement is approved by the Company's General Meeting of Shareholders. |
| 2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest. | Yes | The agreements with the members of the Supervisory Council stipulates that each independent member of the Supervisory Council has a duty to act in the interests of the Company and all its shareholders. |
| 2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them. | Yes | The Supervisory Council of the Company acts independently in accordance with the requirements of legal acts when making decisions that are significant to the Company's activities and strategy. |
| 2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent[3] members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence. | Yes | The members of the Supervisory Council have the right to express their opinion on all the agenda of the meeting in accordance with the Rules of Procedure of the Company's Supervisory Council, which must be duly reflected in the minutes of the meeting.<br>The obligations specified in the recommendation are embedded in the agreement on the activities of an independent member of the Supervisory Council. |
| 2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks. | Yes | The Supervisory Council of the Company in the exercise of its competence to supervise the activities of the Company's management bodies, also performs the duties specified in the recommendation. |
| 2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, | Yes | The Company ensures the provision of the Supervisory Council with the resources necessary for its activities (provides technical support during the meetings of the Supervisory Council, provides all the necessary information). The Articles of Association of the Company |

[2] For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.
[3] For the purposes of this Code, the criteria of independence of members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.

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| accounting or other experts on matters pertaining to the competence of the supervisory board and its committees. | | stipulate that the Board must submit to the Supervisory Council the documents related to the activities of the Company requested by it. The right to information is also detailed in the contract for the activities of a member of the Supervisory Council. |
| **2.2. Formation of the supervisory board**<br>**The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.** | | |
| 2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks. | Yes | According to the Law on Companies of the Republic of Lithuania, the Supervisory Council is elected, and the qualifications of its members are assessed at the General Meeting of Shareholders. |
| 2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience. | Yes | The members of the Company's Supervisory Council are elected for a maximum term of 4 years specified in the Law on Companies of the Republic of Lithuania.<br>The Articles of Association of the Company provide for the possibility to recall the entire Supervisory Council or its individual members before the end of the term of office of the Supervisory Council. |
| 2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision. | Yes | The chairperson of the Supervisory Council of the Company and the Chief Executive Officer of the Company is not the same person. |
| 2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof. | Yes | Each member of the Supervisory Council participates in the meetings of the collegial body and devote sufficient time to perform their duties as a member of the collegial body. In 2023, 9 meetings of the Company's Supervisory Council were held, which were attended by all members of the Supervisory Council. |
| 2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances. | Yes | Information on candidates for members of the Company's Supervisory Council (as well as information on the candidate's compliance with the independence requirements) is submitted to the General Meeting of Shareholders in accordance with the procedure established by the Law on Companies of the Republic of Lithuania. |
| 2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders. | Yes | An independent member of the Supervisory Council shall be remunerated for his / her activities in the Supervisory Council in accordance with the procedure and conditions established in the agreement signed with him / her regarding the activities of the independent member of the Supervisory Council. The terms and conditions of the |

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| | | agreement with the independent member of the Supervisory Council shall be approved by the General Meeting of Shareholders. |
| 2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures. | Yes | The Supervisory Council evaluates its activities every year. The Supervisory Council evaluates the organization of meetings, efficiency, need for competencies, mutual cooperation, cooperation with management, etc. |
| **Principle 3: Management Board**<br>**3.1. Functions and liability of the management board**<br>**The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.** | | |
| 3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy. | Yes | The Board of the Company implements the strategy of the parent company, which is approved by the Supervisory Council of the Company. |
| 3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development. | Yes | Because the Supervisory Council is formed in the Company, the Board performs the functions of the Company's collegial management body. The obligation to take into account the Company, shareholders, employees and other interest groups is embedded in the agreement signed with each of the members of the Board regarding the activities of the member of the Board. |
| 3.1.3.The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers. | Yes | The Company's Articles of Association stipulate which Company's documents (guidelines, policies, etc.) are approved by the Board. In cases where the documents are approved by the Supervisory Council, the Board shall submit comments and suggestions. In accordance with the Company's Articles of Association, the Board considers and approves the Company's list of risks and the plan of measures to reduce them, the risk report, and the risk management policy. |
| 3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance[4] on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards. | Yes | The Company has various documents in place to ensure internal control, ethics, and compliance management measures, for example: the Head of Internal Audit is an independent position, reports to the Audit Committee and is administratively subordinate to the CEO; The Company has a Code of Conduct (Code of Ethics) that applies to all employees of the Company, including members of the Board and the Supervisory Council. |
| 3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence | Yes | When appointing the CEO, the Board of the Company shall take into account his/her qualifications, experience and competence. |
| **3.2. Formation of the management board** | | |

[4] Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: https://www.oecd.org/daf/anti-bribery/44884389.pdf

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| 3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks. | Yes | The Board of the Company ensures the balance of qualifications of its members. The members of the Board of the Company are elected by the Supervisory Council of the Company (Selection Committee), which evaluates the qualifications of the candidates, experience in the management position, suitability to hold the position of a member of the Board of the Company and other necessary aspects.<br>The aim is for the members of the Board to have competencies considering the responsibilities and functions of the Board. Every year, the members of the Board conduct a self-assessment of their activities. |
| 3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report. | Yes | Information on candidates and their suitability to hold the position of a member of the Company's collegial body is provided in accordance with the procedure established by legal acts, the suitability of candidates is assessed by the Selection Committee. Information about the candidates for the members of the Board of the Company, including their curriculum vitae and declaration of interests, and other documents specified in legal acts shall be submitted at the meeting of the Supervisory Council of the Company at which the Board or its individual members are elected. Information on the positions held by the members of the Board or their participation in the activities of other companies is regularly collected, stored, and presented in the Company's Annual Report and on the Company's website. |
| 3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company. | Yes | After their election, the members of the Board are acquainted with the Company's activities, organizational and management structure, strategy, operational and financial plans. |
| 3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status. | Yes | The Board members are appointed for a fixed term, i.e., Board members are elected for a period of 4 (four) years.<br>The Company's Articles of Association provide for the possibility to remove both individual members of the Board and the entire Board before the end of its term. The right to recall members of the Board (individual or all) belongs to the Company's Supervisory Council. |
| 3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision. | Yes | The current or former position of the Chairperson of the Board of the Company does not create preconditions for the possible emergence of impartiality. The Chairperson of the Board of the Company has not held the position of the CEO of the Company. |
| 3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the management board. Should a member of the management board attend less than a half of the meetings of the management board throughout the financial year of the company, the supervisory board of the company or, if the supervisory board is not formed at the company, the general meeting of shareholders should be notified thereof. | Yes | The members of the Board of the Company actively participate in the meetings of the Board and devote sufficient time to the performance of their duties as a member of the collegial body. In 2023, 15 meetings of the Company's Board were held. |
| 3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and | Yes | The Supervisory Council is formed in the Company. |

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| some of its members will be independent, it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances. | | |
| 3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board. | Yes | Members of the Board are paid based on the Remuneration Policy of the Company approved by the General Meeting of Shareholders and agreement concluded with the Company that is approved by the Supervisory Council. |
| 3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests. | Yes | These duties of the members of the Board are provided for in the activity agreement of the member of the Board signed with the Company, as well as in the Rules of Procedure of the Board. |
| 3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data. | Yes | Every year, the members of the Board of the Company evaluate their activities by filling in questionnaires, which include an evaluation of the work organization of the Board, cooperation with the management, etc., the results of the evaluation of activities are discussed at the Board meeting. Information on the internal structure and work procedure of the Board is published in the Company's Annual Report. |
| **Principle 4: Rules of procedure of the supervisory board and the management board of the company** <br> **The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.** | | |
| 4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform he supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this. | Yes | The legal acts regulating the activities of the Company's Supervisory Council and the Board, the Articles of Association, the Company's Corporate Governance Policy and the Rules of Procedure of collegial bodies establish the principles and procedure of cooperation between the Company's Supervisory Council and the Board and ensure that management and supervisory bodies function properly. |
| 4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened | Yes | Meetings of collegial bodies are held according to the annual meeting schedules approved in advance by the collegial bodies (in coordination with the management). |

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| at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter. | | |
| 4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution. | Yes | The members of the collegial body know about the agenda of the meeting in advance. Preliminary agendas for meetings for the whole year are drawn up at the beginning of the year. The agendas are then adjusted and completed before each meeting (usually at least 10 days before the meeting). The members of the collegial bodies receive the material necessary for making decisions on the issues of the agenda in advance (5-7 days in advance) and have the opportunity to get acquainted with it and ask questions, and for clarification. All members of the collegial body shall be informed about any comments or clarifications received. |
| 4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed. | Yes | The dates and agendas of the meetings are coordinated so that all members of the collegial bodies can participate in them. The Chairperson of the Board regularly presents to the Supervisory Council the most important decisions made by the Board. |
| **Principle 5: Nomination, remuneration and audit committees**<br>**5.1. Purpose and formation of committees**<br>**The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.**<br>**Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.** | | |
| 5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees[5]. | Yes | The Audit Committee, elected by the Supervisory Council, is formed within the Company. The Supervisory Council determined its functions, rights and obligations. The Company's Audit Committee has been assigned with advisory functions related to the audit control and assessment and covering supervision of financial reports preparation and audit execution process, examination of its effectiveness and implementation of recommendations, analysis of need of internal audit functions and other functions, as provided by the Resolution No. 03-14 of the Board of the Bank of Lithuania on 24 January 2017, observes the integrity of the financial information provided by the Company, paying special attention to the relevance |

[5] The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).

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| | | and transparency of the accounting methods used by the Company and its group. The Remuneration and Nomination Committee, elected by the Supervisory Council is formed within the Company. Supervisory Council determined its functions, rights and obligations. The Company's Remuneration and Nomination Committee acts as an advisory body to the Company's Supervisory Council, making recommendations on the Company's remuneration policy, proposing to the Company the criteria for assessing the performance of its executives, and making other recommendations relating to remuneration. |
| 5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees. | Yes | Refer to the comment submitted regarding the item 5.1.1. above. |
| 5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole. | Yes | Refer to the comment submitted regarding the item 5.1.1. above. |
| 5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees. | Yes | The Audit Committee, formed by the Supervisory Council, comprises of three members. All of the acting members of the Audit Committee were independent. The Remuneration and Nomination Committee, formed by the Supervisory Council, comprises of three members. Two out of three members of the Remuneration and Nomination Committee were independent. |
| 5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance. | Yes | The committees are formed by the decision of the Supervisory Council. The rules of procedure of the committees, the rights, and obligations of the members of the committees, as well as the measures to ensure the activities of the members of the committees shall be established by the rules for the establishment and operation of the relevant committees approved by the Supervisory Council. Information on the composition of committees, number of meetings, participation and main activities is disclosed in the Company's Annual Report. |
| 5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee. | Yes | The rules of formation and operation of the Audit Committee of the Company provide for the right of the Audit Committee to invite the responsible persons of the Company to its meetings and to receive the necessary explanations from them in accordance with their competence. The rules of formation and operation of the Remuneration and Nomination Committee of the Company provide for the right of the Remuneration and Nomination Committee to invite the responsible persons of the Company to its meetings and to receive the necessary explanations from them in accordance with their competence. |

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| **5.2. Nomination committee** | | |
| 5.2.1. The key functions of the nomination committee should be the following:<br>1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected;<br>2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought;<br>3) devote the attention necessary to ensure succession planning. | Yes | The Remuneration and Nomination Committee in the Company was formed on 24th of November 2022 by electing two members of the Supervisory Council, and on 22nd of February 2023 an independent member was elected. The functions of the Remuneration and Nomination Committee are set in the Rules of Activities of the Remuneration and Nomination Committee and cover the advisory function in selection of candidates to the membership in supervisory and management bodies and administration, as well as assessment and recommendation on structure, size and composition of supervisory and management bodies as well as attention to succession planning ensurance. In addition, Remuneration and Nomination Committee provides proposals and recommendations on Remuneration Policy applied to members of the supervisory and management bodies and the heads of the administration as well as individual remuneration, review on Remuneration Policy and its implementation. |
| 5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee. | Yes | The Rules on Activities of the Remuneration and Nomination Committee provide the right to the Chief Executive Officer consult and submit proposals to the Remuneration and Nomination Committee. |
| **5.3. Remuneration committee** | | |
| 5.3.1. The main functions of the remuneration committee should be as follows:<br>1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so;<br>2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned;<br>3) review, on a regular basis, the remuneration policy and its implementation. | Yes | Refer to the comment submitted regarding the item 5.2.1. above. |
| **5.4. Audit committee** | | |
| 5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee[6]. | Yes | The functions of the Audit Committee are also defined in the rules of formation and operation of the Company's Audit Committee. |

[6] Issues related to the activities of audit committees are regulated by Regulation No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest

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| 5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches. | Yes | The members of the Audit Committee of the Company, while performing their duties, have the right to receive from the Company the required documents and / or copies thereof and the information required to perform the functions of the Audit Committee. |
| 5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present. | Yes | The Head of Internal Audit participates in the meetings of the Audit Committee, and other staff, if necessary, when discussing specific issues. Representatives of the Company performing the independent audit of the financial statements participate in the meeting of the Audit Committee, if necessary. |
| 5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group. | Yes | The Audit Committee shall receive the information referred to in this paragraph and approve the annual plans of the internal audit. The Head of Internal Audit informs the Audit Committee about the implementation of the internal audit plans and provides reports. Representatives of the company performing the independent audit of the financial statements shall participate in the meeting of the Audit Committee, if necessary. |
| 5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions. | Yes | Possible violations can be reported to the e-mail address SpeakUp@kn.lt (information is available to the Head of Internal Audit). The notification channel is open to all natural or legal persons: both current or former Company's employees and former or potential Company's customers, contractors, suppliers, the community.<br>Possible violations can also be reported directly to the collegial supervisory bodies of the Company by e-mail: SupervisoryBodies@kn.lt |
| 5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved. | Yes | The Audit Committee informs the Supervisory Council of its activities at least once a quarter and submits a written report on its activities to the Supervisory Council quarterly. The Audit Committee also informs the Board about its activities at least once a year. |
| **Principle 6: Prevention and disclosure of conflicts of interest**<br>**The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.** | | |
| 6.1. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence. 6.1. Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict | Yes | The members of the Company's supervisory and management bodies oblige to act in such a manner so as to avoid conflict of interests with the Company. This is determined in the Articles of Association of the Company and in other documents of operation of the Company.<br>For this purpose, the member of the Company's supervisory and management bodies submits to the Company's body that elected them and the Company the declarations about the absence of the conflict of interests and oblige to immediately inform about any change of the circumstances revealed in these declarations.<br>In case of a conflict of interests between a member of the Company's supervisory and management bodies and the Company during discussion of issues, such a member of the |

entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.

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| of interest, indicate the nature of interests and, where possible, their value. | | supervisory or management bodies shall immediately notify Company's body that elected them and not participate in voting regarding specific items in view of which such conflict arose. A member of the supervisory and management bodies shall not be entitled to vote when the meeting of the supervisory and management bodies discusses the issue related to his work on the supervisory and management bodies or the issue of his responsibility. |
| **Principle 7: Remuneration policy of the company**<br>**The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.** | | |
| 7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy. | Yes | On 2022 October 20, the Annual General Meeting of Shareholders approved the updated Company's Remuneration Policy, which applies to the CEO of the Company, members of the Board, the Supervisory Council, and other committees. This remuneration policy defines the principles and procedures for determining, paying, and promoting the remuneration of members of the Supervisory Council, members of the Board, and Committees and the head of the Company who are independent and not independent but not employees of the state representative body.<br>New amended Remuneration Policy was approved by the General Meeting of Shareholders on 30th of November 2023, it came into force on 10th of January 2024. Published on the Company's website https://www.kn.lt/en/about-us/operational-documentation/remuneration-policy/3456 |
| 7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments. | Yes | The Company's Remuneration Policy determines the components of remuneration, their maximum amounts, and the principles of awarding and paying. |
| 7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance. | Yes | The remuneration of the members of the collegial bodies that perform supervisory functions does not depend on the performance of the Company. |
| 7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance. | Not applicable | Termination payments are not foreseen in the Remuneration Policy of the Company (https://www.kn.lt/apie-mus/darbo-uzmokestis/1975). |
| 7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, | Not applicable | During the year under review the Company has not applied any schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements. This has not been provided for neither by the existing Management personnel remuneration procedure nor employment contracts with directors and other employees of the Company. |

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| subject to the need to compensate for any costs related to the acquisition of shares. | | |
| 7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year. | Yes | The Company's Remuneration Report for 2023 will be published on the website www.kn.lt. |
| 7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders. | Yes | The Remuneration Policy stipulates that the policy is submitted for approval to the General Meeting of Shareholders at least every 4 (four) years, as well as if there are significant changes in the policy. In the event of a change in the Remuneration Policy, all policy statements approved after the last General Meeting of Shareholders vote on the Remuneration Policy shall be submitted to the Meeting. |
| **Principle 8: Role of stakeholders in corporate governance**<br>**The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.** | | |
| 8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected. | Yes | The execution of this recommendation is ensured by the accurate supervision and control of the state institutions and organisations regulating and controlling the Company's activities.<br>The management bodies consult with the employees on corporate governance and other important issues, (employee) participation in the Company's share capital is not limited.<br>Publicity of the essential information about the Company's activity creates the conditions for the holders of interests to participate in the management of the Company according to the procedure established by the law and the Article of Association, as well as for the Company's employees also according to the Collective Agreement of the Company. |
| 8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc. | Yes | |
| 8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information. | Yes | |
| 8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function. | Yes | |
| **Principle 9: Disclosure of information**<br>**The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.** | | |
| 9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the | Yes | Performance and corporate governance is regularly disclosed by distributing press posts about publicly undisclosed information, related to the Company on AB Nasdaq Vilnius Stock Exchange website, as well as in the |

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| company should include but not be limited to the following: | | Company's annual reports and financial statements, press releases published in the exchange and in other public presentations of the Company activity.<br>The Company is not limited only by disclosure of minimum necessary public information and also publishes other important information about the Company's activity.<br>The documents that contain certain information are published in Lithuanian and English on the publicly accessible website of the AB Nasdaq Vilnius Stock Exchange. |
| 9.1.1. operating and financial results of the company; | Yes | They are made public on a monthly basis, as well as in the Company's Interim and Annual Reports. |
| 9.1.2. objectives and non-financial information of the company; | Yes | Published in the Company's Interim and Annual Reports, in the Company's Corporate Strategy. |
| 9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary; | Yes | They are made public in the Company's Interim and Annual Reports, on the Company's website. |
| 9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration; | Yes | They are made public in the Company's Interim and Annual Reports. |
| 9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities; | Yes | They are made public in the Company's Interim and Annual Reports. |
| 9.1.6. potential key risk factors, the company's risk management and supervision policy; | Yes | They are made public in the Company's Annual Reports. |
| 9.1.7. the company's transactions with related parties; | Yes | The information is published on the Company's website. |
| 9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.); | Yes | They are made public in the Company's Interim and Annual Reports, on the Company's website. |
| 9.1.9. structure and strategy of corporate governance; | Yes | They are made public in the Company's Interim and Annual Reports, on the Company's website. |
| 9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects.<br>This list is deemed minimum, and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts. | Yes | They are made public in the Company's Interim and Annual Reports, on the Company's website. |
| 9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies. | Yes | Refer to the comment submitted regarding the item 9.1. above. |

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| 9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7. | Yes | Refer to the comment submitted regarding the item 9.1. above. |
| 9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time. | Yes | Refer to the comment submitted regarding the item 9.1. above. |
| **Principle 10: Selection of the company's audit firm**<br>**The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.** | | |
| 10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm. | Yes | The Company observes this recommendation, annually, an independent firm of auditors conducts an audit of the Company's annual financial statements and report according to the International Accounting Standards and submits an independent auditor's report concerning financial statements. |
| 10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company. | No | The Company's Board (a collegial body) proposes a candidate firm of auditors to the General Meeting of Shareholders taking into account the Audit Committee recommendation. |
| 10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders. | Yes | The information about the payments to the audit company is disclosed in the annual financial statements and also presented to the Company's Audit committee and Supervisory Council when considering which audit firm should be proposed to the General Meeting of Shareholders.<br>Non-audit services were provided by the audit firm for regulated activity review services and remuneration amounts to EUR 13 thousand for both, the Group and the Company. |

KN ENERGIES

# AB KN ENERGIES

# SUSTAINABILITY (CORPORATE SOCIAL RESPONSIBILITY) REPORT IN REFERENCE TO GRI GUIDELINES

# 2023

## SUSTAINABILITY (CORPORATE SOCIAL RESPONSIBILITY) REPORT

# GENERAL INFORMATION

## BOUNDARIES OF THE REPORT AND TAXONOMY REQUIREMENTS

Given the structure of the KN Group, this report provides data for the main Company, "KN Energies", including subsidiaries. When relevant/possible – separate data for "KN Açu Serviços de Terminal de GNL Ltda" (operating LNG terminal in Port of Açu, which is located in the municipality of São João da Barra, belonging to the state of Rio de Janeiro, part of the Federative Republic of Brazil) is provided. In addition, environmental data is also provided separately according to different operating locations in Lithuania (two liquid energy terminals in Klaipėda and Subačius (Kupiškis region), an LNG terminal and an LNG reloading station in Klaipėda). The Company also provides commercial operation services for Wilhelmshaven 1 LNG Terminal and the Brunsbüttel LNG Terminal in Germany. KN activities related information in regards of these terminals is within the scope of this report and infrastructure related information is out of the scope of the report as it should be accounted and reported by infrastructure owners.

This report has been prepared in reference to Universal and Topic standards and GRI Sector Standard 11: Oil and Gas 2021.

KN is held as a non-financial undertaking under the Accounting Directive and might also be held as a public-interest company. However, KN is not considered a large undertaking with more than 500 employees or a parent undertaking of a large group with more than 500 employees on average on a consolidated basis during the financial year. For this reason, as the undertaking, KN is not subject to the disclosure obligations laid down in Articles 19a and 29a of the Accounting Directive and does not fall within the scope of the Non-Financial Reporting Directive. Therefore, KN is not subject to reporting obligations under Taxonomy Regulation.

According to COMMISSION DELEGATED REGULATION (EU) 2021/2139, economic operators not covered by Taxonomy Regulation (EU) 2020/852 may also apply the Regulation voluntarily. Initial review of KN economic activities (H52.2.4 - Cargo handling) for Taxonomy-eligibility according to the description provided by Taxonomy Regulation and its Delegated Acts indicates that it is not included in the EU Taxonomy (i.e. it is not Taxonomy-eligible activities). However, in 2023 KN started preparations for the implementation of Corporate Sustainability Reporting Directive (EU) 2022/2464 requirements to report Sustainability performance according to European Sustainability Reporting Standards (ESRS). ESRS indicate that Taxonomy related information should be included into Sustainability Report and clearly separately identified. KN focuses on analysis and preparation to disclose its sustainability information (including renewal of the materiality assessment and review of Taxonomy) under the mentioned standards and requirements (using mandatory forms) in the report for the following year taking into account the new Company's strategy until 2050 which aims to achieve complete climate neutrality for KN's operations.

The Company constantly monitors emerging future guidelines as part of its sustainable operations efforts and will adjust its reports accordingly considering the best market practices.

## STATEGIC COMMITMENT

### ACHIEVE COMPLETE CLIMATE NEUTRALITY FOR KN'S OPERATIONS BY 2050

In 2023 the new KN's strategy until 2050 was approved bringing Sustainable transformation to the core of Company's direction. KN committed to all its stakeholders to play a responsible role in the ongoing energy transition, which is fundamental to ensuring sustainable business and value creation in the energy sector in the long term.
Ensuring smooth transition to new energies, fulfilling commitments to the environment and people is our focus, priority, and areas of investment.

Last year we continued implementing activities for delivering on our sustainability goals in our impact ESG areas and building sustainability culture within Organisation:

- Ensuring Safety culture and measures was a top priority.
- Investing in renewable solutions (300kW solar power plant and 24 heat pumps in SLE Terminal).
- Improving energy efficiency, giving attention to VOC emissions and waste management.
- Building competence of our people (9173 training hours in total).
- Working closely with our stakeholders.

## HIGHLIGHTS 2023

| STRATEGY 2050 | SAFETY | CO2 EMISSIONS |
|---|---|---|
| Commitment to **Climate Neutrality by 2050** | TRCF **0.6** vs Goal of 0.8 | Scope 1 **8%** Decrease* |
| **SUPPLIERS** | **EQUAL OPPORTUNITIES** | **GOOD GOVERNANCE** |
| Prepared and approved **Code of Ethics for Suppliers** | Pay gap decrease (same Hay level) **14%** vs Goal of 10%<br>Women in managerial positions **26%** | Good Governance Index **A** increase from A-<br>Corruption intolerance rate **96%** 3% increase |

*Direct Scope 1 emissions continued to decrease due to applied energy efficiency measures, however one-time increase in Scope 2 was recorded due to the change of electricity supplier.

## OUR NEXT STEPS

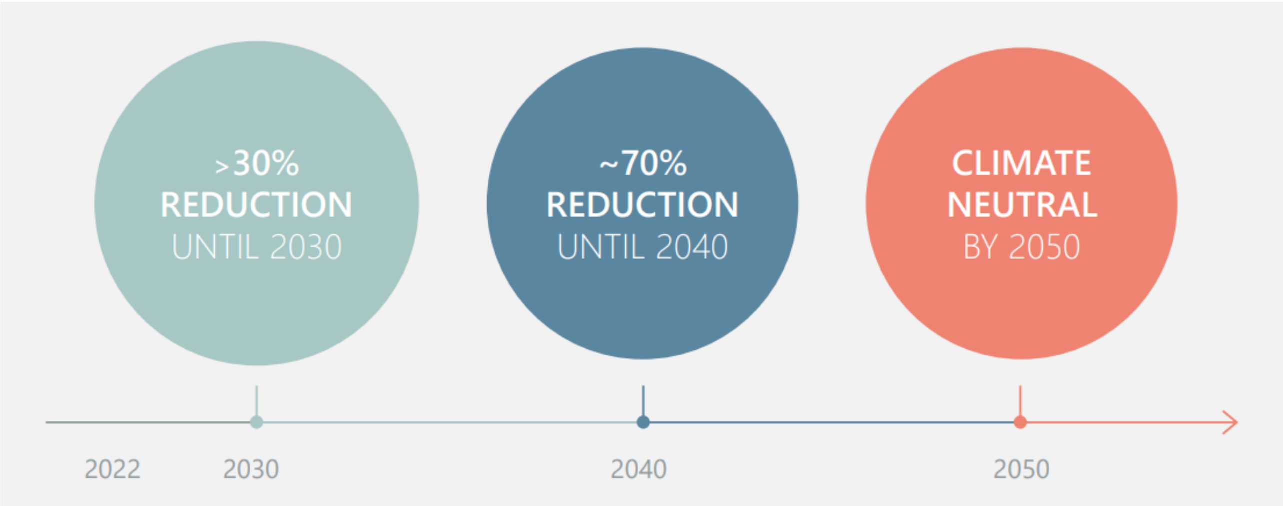
During 2024, we will:

- Review our emission management plan and align it to reflect agreed changes and ambitions set in the KN strategy (including continuous investment).
- Continue our preparations for the implementation of CSRD (EU) 2022/2464 requirements to report Sustainability performance according to European Sustainability Reporting Standards (ESRS) including Double Materiality assessment, as transparency in reporting is crucial element in our activities.
- Devote resources to our stakeholder engagements, work actively with initiatives and improvements.
- Continue to map and gather data needed to make our sustainability roadmap systematic and as complete as possible.
- Continue to explore new clean energies field strengthening our ability to capitalise on future opportunities.

## SUSTAINABLE TRANSFORMATION AS STRATEGIC DIRECTION

Following the Company's mission, KN envisions a world where sustainable liquid energy as well as chemicals and feedstock solutions empower industries and communities, creating a cleaner, safer, and more prosperous future for all. KN strives to be at the forefront of this transformation, continuously innovating and expanding its portfolio of services to support the global energy transition and achieve climate neutrality by 2050.

These aspirations are embedded in the new Company's strategy until 2050 that was developed and approved in 2023. The new long-term strategy is centred around efficiency of current activities, preparation for the energy transformation and transitioning towards activities in the new energy field. It aims to achieve complete climate neutrality for KN's operations by 2050, with a target of reducing emissions by over 30 percent by 2030 and approximately 70 percent by 2040. Sustainability is incorporated to the strategic level of the importance of the Organisation covering strategic commitments to the environment, improvement of energy and operational efficiency, investment into people, digitalization, ESG topics and ensuring the continuous development.




KN aspires to become a significant contributor to the future energy supply and value chains, generating further value in the energy sector, ensuring energy security and competitiveness of energy resources in the region, and delivering financial returns to shareholders.

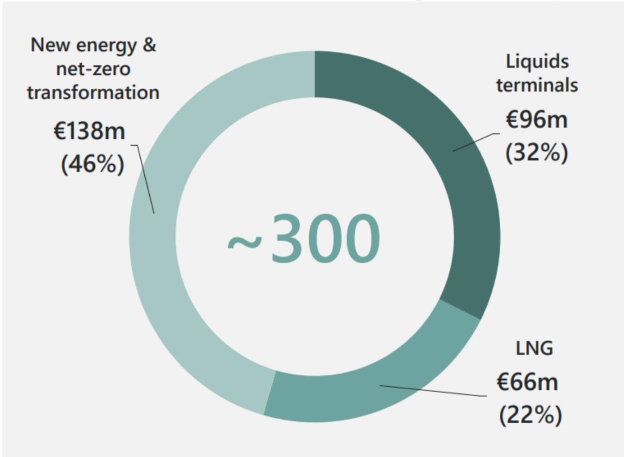
In the light of these goals, the KN's strategy emphasizes improving current businesses and efficiency to retain competitive advantage and enhance profitability. It outlines the aim of achieving profitable growth by developing existing core business areas while investing a share of profit into the infrastructure and competence of the new energies.

The KN strategy is based on medium-term growth and long-term portfolio diversification, divided into three phases until 2050:

- 2023-2030: Increasing profitability in existing activities and securing financing for investments in new and more sustainable energy sources.
- 2031-2040: Focusing on the development of the LNG business and diversifying transshipment of liquid energy products.
- 2041-2050: Expanding activities in the market of new energies, including investments in new energy sources like synthetic fuels, hydrogen and hydrogen carriers, other alternative energy carriers, and CCS.

KN plans to invest approximately EUR 300 million by 2030, with over 45% of capital investments dedicated to building new infrastructure and competences for the handling and storage of new energies, as well as to enhancing the sustainability and reducing emissions across all KN activities.

For more detailed information about the KN strategy, please refer to the strategy summary following this link: [KN Strategy 2050.]




KN is actively involved in the debate on the future of fossil fuels and the transition to a more climate-neutral economy. KN is actively engaged in various associated initiatives concerning LNG and fossil fuels synergy with renewable energy. Being founder of Lithuanian LNG platform and member of LT Hydrogen platform, KN advocates for the consistent transition towards net-zero economy. Accordingly, we actively participate in various conferences and seminars to share our know-how in LNG terminals and discuss the future of energy. Furthermore, the Company is trying to find additional opportunities to exploit its infrastructure and know-how and alternatives for new activities. In 2023 preparation activities to become a member of the Gas Infrastructure Europe (GIE) association representing the interests of European gas infrastructure operators were successfully implemented (membership announced in January 2024). GIE unites 68 members from 25 countries and GIE members are active in transmission, storage and regasification via LNG terminals of renewable and low-carbon gases, including natural gas and hydrogen. GIE being the voice of the gas infrastructure operators of Europe which work and innovate with LNG terminals, underground storages and transmission pipelines, membership of this organisation will allow KN to contribute to fostering Europe's energy resilience and decarbonisation.

With the strategic direction of the expanding activities in the market of new energies, KN is starting to explore transshipment and storage of hydrogen carriers, CO2, energy storage/ balancing (flow batteries) business areas. In regards to this, KN initiated the international CO2 capture and storage project together with the German capital companies "Akmenės cementas" and "SCHWENK Latvija" operating in Latvia, and the international shipping companies "Larvik shipping" (LS) and "Mitsui O.S.K. Lines" (MOL). The companies established the "CCS Baltic Consortium" consortium in 2022, performed a project analysis, a feasibility study and submitted a project application to the EC for the 6th PCI status. In 2023, The European Commission (EC) granted the status of Project of Common Interest (PCI) to the planned liquefied carbon dioxide (CO2) capture and transportation project in Lithuania and Latvia, planned by KN and its partners. This means that the project is recognized as a cross-border project of great importance, which will significantly contribute to the implementation of the energy policy and climate goals of the European Union (EU). The EC decision is subject to approval by the European Parliament in 2024. Detailed studies will continue and application for EU funding for the project will be submitted. For more news and detailed information about the CCS project, please refer to this link: [CCS Baltic EU.]

KN is also actively participating in other various discussions about the transformation of the economy and energy sector towards net zero, the Blue economy (sustainable use of ocean and sea resources and sustainable coast-related activities), and Greentech. These activities help us follow and analyse the most relevant trends, understand the challenges and opportunities and the position of other organisations locally and internationally, seek dialogue for transformation, and educate the public.

## TAXES

KN Group implements fair business principles responsibly and correctly, declaring and paying all operating taxes charged in every market the Group operates. The principal paid taxes in Lithuania are Value Added Tax (VAT) and profit tax (paid to the national budget), personal income tax (paid to the national budget and then redistributed to municipal budgets), taxes paid to the State Social Insurance Fund in Lithuania, taxes paid directly to municipalities (real estate, pollution).

In addition, KN as the owner of the excise warehouse also ensures correct declaration of excise duty and payment thereof for storage of customers' oil products and natural gas – the Company pays this tax to the national budget. It is the main reason why According to the State Tax Inspectorate, both in 2023 and in 2022, KN ranked the sixth among the largest taxpayers in Lithuania. In 2023 49.1% of KN's taxes (excluding excise) paid in Lithuania were related to Social Insurance (49.0% in 2022), personal income tax comprised 43.0% (part of it reaches municipal budgets; 42.3% in 2022) and 8.0% of taxes were paid directly to municipal budgets (8.6% in 2022).

The main taxes paid in Brazil are profit tax, withholding income tax, payroll tax, tax on remittance to abroad/import services, municipal service tax.

KN Group neither seeks nor applies particular tax optimisation or artificial tax reduction schemes. Over the last eight years, no complaints have been filed against the Group regarding the incorrect declaration and payment of taxes.

Taxes paid by KN group, in EUR thousand:

| YEAR | AB KN ENERGIES, TOTAL | KN, EXCISE EXCLUDED | SUBSIDIARIES, TOTAL | SUBSIDIARIES, PAID IN BRAZIL |
|---|---|---|---|---|
| 2016 | 78,192 | 9,647 | 1 | Not operating |
| 2017 | 126,482 | 10,431 | 1 | Not operating |
| 2018 | 166,581 | 10,163 | 1 | Not operating |
| 2019 | 173,587 | 8,557 | 50 | Not operating |
| 2020 | 195,065 | 5,821 | 751 | 747 |
| 2021 | 205,715 | 6,109 | 1,436 | 1,431 |
| 2022 | 214,745 | 5,589 | 1,491 | 1,486 |
| 2023 | 233,829 | 6,529 | 1,269 | 1,266 |

## COMPLIANCE

In 2023, no penalties or sanctions related to environmental breaches were imposed on Klaipėda Liquid Terminal, Subačius Liquid Terminal, or Klaipėda LNG Terminal and KN Açu in Brazil.

In 2023, no penalties or sanctions for labour law violations were imposed on KN and its subsidiaries.

# SUSTAINABILITY MANAGEMENT

## PRINCIPLES OF SUSTAINABILITY MANAGEMENT

From the perspective of KN, to be a successful and responsible member of society in the long term, the principles of business sustainability shall go hand in hand with how we operate. Every organisation can create positive and negative impacts through its activities, and we aim to be a business model that makes a positive impact. From 2023 with the adoption of new Company's strategy until 2050 Sustainability is incorporated to the strategic level of the importance of the Organisation covering strategic commitments to the environment, improvement of energy and operational efficiency, investment into people, digitalization, ESG topics and ensuring the continuous development. Adopted strategy is aimed to direct Company to achieve complete climate neutrality for its operations by 2050.

KN has active Sustainability policy established in 2022, which guides Company's sustainability management and activities. It is valid for all Companies of KN Group. The Policy states that the following sustainability principles guide KN:

- Driving profit responsibly.
- Aiming for enhanced operational efficiency and productivity through thoughtful natural resource utilisation, emissions, and waste reduction.

- Pursue circular economy principles in the KN's activities.
- Creating a healthy, safe, collaborative, and diverse work environment.
- Fostering a culture of engagement in sustainability through employee education and engagement, and
- Assisting our customers on cleaner energy transition, considering Lithuania's and EU and other markets where the KN is present, goals for the climate-neutral economy.

The Policy outlines the main principles for environmental, social and economic responsibility, governance and accountability in sustainability management. KN expects each KN group employee, contractor and supplier will follow the above practices to ensure that KN meets its sustainability goals.

The Sustainability policy is published on Company's website: Sustainability policy. Also, it is introduced to all current employees of KN and new employees when joining the Company.

Furthermore, the Company has additional policies providing guidelines for implementing sustainability principles in different areas. Some publicly available policies can be found on KN's website part dedicated to Sustainability: https://www.kn.lt/zmones-ir-tvari-veikla/tvari-veikla/6246. KN operates in various countries and considers OECD Guidelines for Multinational Enterprises.

Sustainability in the KN group is managed based on sustainability goals and measurable sustainability indicators. Sustainability goals in the areas of environmental and social impact, as well as governance, have been set considering KN's impacts and material topics, as well as UN Sustainable development goals. Each goal has a concrete target for the short-term period – the years 2024-2026, and the long-term period – the year 2030, and respective activities, which should help to reach the goal, are planned.  The relevant departments of the organisation are responsible for implementing these goals. The information on these goals is provided in relevant thematic sections of this report.

Sustainability management in the Company starts at the Management Board level. While selecting the Independent Board members, experience in applying environmental, social responsibility and corporate governance (ESG) criteria has also been considered. The Board is active in determining the Company's strategy and approves risk management plans, KN annual activities plan and budget. It also analyses and evaluates the provided information concerning Company's activities, business results, and financial situation. As of 2023, ESG-related goals are included among Company objectives, approved by the Board.

Reporting results of sustainability progress to KN stakeholders regularly and via Sustainability report prepared while following international standards and guidelines by the Governance coordination centre (analytical centre founded by the Government of Lithuania, which seeks to ensure consistent and professional governance at state-owned enterprises), is an integral part of the sustainability management process. To ensure efficient and purposeful Sustainability management new dedicated role of Head of Sustainability was established in KN. KN's Head of Sustainability is directly responsible for managing, reporting on and communicating Company's sustainability activities and issues.

To reach its sustainability goals, KN is also having regular practise of educating its management and employees on sustainability topics.

## STAKEHOLDERS

Stakeholder engagement is one of our principles of open and responsible action, which enables us to identify key topics of interest to Stakeholders. The Company's activities, including relationships with stakeholders, are guided by the highest standards of good governance practices, KN values and the Code of Conduct. In addition, KN is guided by the Stakeholder Policy adopted by the Company in 2021 and published on its website. This Policy provides principles and guidelines for developing KN's stakeholder relationships, ensuring opportunities to identify key topics of interest to stakeholders in the context of the Company's sustainability.

Our key stakeholders are employees, shareholders, business partners, customers, communities, and society in general, and decision-makers at the national and regional levels. The main topics relevant to our stakeholders include the safety of our operations, economic impact, environmental performance improvement and good governance practices.

## OVERVIEW OF THE KEY STAKEHOLDERS OF THE COMPANY

| STAKEHOLDER | AMBITION | WHY IS IT IMPORTANT? | HOW DO WE SEEK TO DEVELOP RELATIONS? |
|---|---|---|---|
| Clients | • To help clients maintain a competitive advantage and move to more sustainable forms of energy.<br>• To ensure that clients have access to international energy markets. | Satisfied clients are the foundation for long-term growth and business sustainability. | • To provide our know-how to create added value for clients.<br>• To provide services to clients efficiently, in a timely manner and with high quality.<br>• To seek innovations and offer innovative solutions creating added value for clients. |
| Business partners and business community | Open, cooperative, proactive members of the business community, a good example of the Company's business sector. | Working with partners, we can strengthen the value chain, increase business competitiveness, and create greater value for the community members. | • In the course of the development of professional contacts, sharing good practices and experiences or raising and calling for a common solution to the issues relevant to the business community.<br>• Communicating on projects and sharing experiences and knowledge.<br>• Taking part in solving the issues relevant to the sector by offering its competencies. |
| Employees and employee representatives | KN's innovative, adaptable, and multicultural teams are in demand worldwide. | People are our Company's core asset and are always at the heart of our technology-based operations. | Ensuring that members of the team have the opportunity:<br>• to achieve high personal results;<br>• to continuously learn and improve;<br>• to earn a competitive salary;<br>• to feel proud of creating change and connecting energy markets worldwide.<br><br>Develop relationships with employees or their representative organisations based on values and mutual dialogue. |
| Shareholders | An open and transparent stock exchange participant that meets the highest standards set by investors and earns the expected return for shareholders. | The listing of a Company increases confidence in its operations and governance locally and internationally. In turn, this contributes to the long-term success of the business. | Transparent, open, and timely communication with investors, providing them with regular and reliable data on the Company's results and business plans. |
| State institutions | We ensure national energy independence and meet other goals set for a strategic Company via the State letter of Expectations and/or other legislation. | By participating in the governance of the state-controlled company within the set rules and principles, the state pursues business value growth, dividend, or profit-sharing yields, ensuring national security interests, implementing strategic projects or other objectives set by law and formulating expectations for companies accordingly. Clearly presented government expectations contribute to the increase of the state's welfare. | • Business is developed responsibly, increasing the value created for Lithuania and all shareholders through Company business decisions.<br>• Activities are carried out in such a way as to ensure work safety, safe and reliable operation of managed infrastructure, and proper care of the environment.<br>The Company follows the highest standards of transparency, governance, ethics, and social responsibility, thus setting an example for other organisations in the country and promoting overall progress. |
| Municipal institutions | Creating value for the regions where the Company operates | The Company acts as a responsible member of the community, aiming to create mutual value, i.e. revealing its full business potential and contributing to the success of the region in which it operates. | • Activities are carried out in such a way as to ensure work safety, safe and reliable operation of managed infrastructure, and proper care for the environment.<br>• Engagement in solving issues relevant to the specific region by offering competencies, know-how or other resources. |

| STAKEHOLDER | AMBITION | WHY IS IT IMPORTANT? | HOW DO WE SEEK TO DEVELOP RELATIONS? |
|---|---|---|---|
| | | | Contributing to increasing the potential of the regions through own business contacts or communication with business partners. |
| Neighbouring communities | • To increase trust in the Company and ensure its lawful operations.<br>• To contribute to promoting a positive impact in relationships with communities in society. | A sustainable and credible neighbourhood, involvement of communities related to the long-term perspective of the Company activity and "the right to act". | • Developing an open dialogue, responding to the need to know and understand the issues most relevant to communities and the company's impact on them, in line with the principle of good neighbourliness. |
| Media, opinion shapers | To be an open and cooperative partner for the media and opinion shapers in providing correct and reliable information. | We understand that information about our activities as a strategic Company is important for our stakeholders, and, considering this, we engage in an active dialogue. | • Our goal is to build and maintain professional relationships with the media and opinion shapers.<br>• We show initiative by sharing value-creating knowledge and insights.<br>• When sharing information, we respect customer data and comply with contractual obligations. |

## SIGNIFICANT IMPACTS AND SUSTAINABILITY RISKS

The Company is constantly assessing its significant environmental and socioeconomic impacts. The result of the last assessment is presented in the infographic below.

### SIGNIFICANT IMPACTS OF KN

| SIGNIFICANT ENVIRONMENTAL IMPACTS | SIGNIFICANT SOCIOECONOMIC IMPACTS | SIGNIFICANT GOVERNANCE IMPACTS |
|---|---|---|
| Greenhouse gas (GHG) emissions | Workplace creation | Establishment of Operational excellence |
| Emissions of other pollutants (NOx, Volatile organic compounds, etc.) | Development of employee skills and ensuring their welfare | Tangible leadership in sustainability in Company's operational areas |
| Waste (hazardous and non-hazardous) | Employee health and safety | |
| Community disturbance (odours and noises) | Ensuring human rights and equal opportunities at work | |
| Water usage | Supporting local communities | |
| Effluents | Ensuring the energy independence of the country | |
| Possible spills and other critical incidents having an impact on the environment (including groundwater and soil) | Taxes and dividends paid | |

In addition, while preparing this report, KN also assessed the main risks for the Company's sustainability – they are presented in the table below. All these impacts and risks were considered while determining Company's Material topics and setting respective ESG goals.

### RISKS FOR KN'S SUSTAINABILITY

| RISK | DESCRIPTION | RISK MANAGEMENT |
|---|---|---|
| Environmental pollution due to industrial accidents or malfunctions | Employee errors, climate/weather conditions or industrial accidents may cause damage to the environment, property workers and surrounding communities. | KN Quality, Environmental Protection, Occupational Health and Safety Management Systems meet the requirements of the international standards ISO 9001: 2015, ISO 14001: 2015 and ISO 45001: 2018. These standards are recertified regularly. |

| RISK | DESCRIPTION | RISK MANAGEMENT |
|---|---|---|
| | | Process safety incident and technological malfunction incident management procedures are reinforced.<br>KN is monitoring air pollution emissions from stationary air pollution sources and monitoring an impact on the environmental air quality.<br>Proper industrial accident management plans are in place – they are timely revised and updated.<br>Regular training of employees on safety issues is being performed. |
| Health and safety incidents at Work | KN handles various fuels, oil and chemical products; its terminals are classified as dangerous objects. All this makes employee health and safety one of the most crucial factors in and for Companies' operations. | KN Quality, Occupational Health and Safety Management Systems meet the requirements of the international standards ISO 9001: 2015 and ISO 45001: 2018. These standards are recertified regularly.<br>Regular employee training is being performed.<br>A culture of zero safety accidents is fostered within the Company, and a respective incentive system is in place. |
| Lack of skilled workforce | The competition for employees with specific competencies, which the Company needs, has intensified, especially among the port companies. Difficulties in attracting new employees would mean an additional workload for the Company's current workforce and may negatively impact employee satisfaction and talent retention. | Competitive remuneration policy, employee competence development system, employee overall compensation and benefits structure and process for adaptation of new employees are in place.<br>Assessing and planning the demand for crucial competence positions is being done, as well as constantly reviewing employee value propositions and employer branding strategy. |
| Conflicts with communities regarding KN activities | Malfunctions or operations errors at KN terminals may have a negative impact on people living in the neighbourhood of the terminals, mainly worsening their living conditions because of the oil products' odours or noise of the technical processes. Moreover, due to the proximity of another logistic terminal with similar activities, local communities sometimes may assume KN is responsible for some of the negative impacts caused by other companies. | Dedicated communication channels to submit complaints for the communities and complaints review/ assessment procedures are in place, enabling KN activities to minimise the impact.<br>Regular communication and information for communities about KN activities' impact and providing actual data of regularly performed monitoring is ensured. |
| Cyber security incidents | Cyber security risk is the potential for unauthorised access, use, disclosure, disruption, modification, or destruction of information and systems by cybercriminals or malicious actors. | The Company's cyber security is governed by the Cyber Security Policy and Guidelines, which include organisational and technical provisions of the Cyber Law of the Republic of Lithuania. Regular activities include vulnerability management, conducting regular security assessments and penetration testing, and providing employee training on the best cybersecurity practices. |
| Non-compliance | The Company operates in different locations in Lithuania and foreign countries and has many international business partners. Therefore, corruption and other infringement (for example – not following established procedures and policies) could damage the Company's reputation and negatively impact its business contracts. | Due diligence procedures are in place.<br>New policies and mechanisms to enable and ensure them (f. e.g., training and whistleblowing procedures) are constantly developed. |

Additional general risk management system information is provided in this Consolidated Annual Report's chapter "Risk Factors and Risk Management".

## CLIMATE RISK AND ADAPTATION

The possible impact of climate change on the activities of the KN group has been assessed according to long-term climate changes forecast and climate models for Lithuania, as well as the "Sensitivity of individual sectors to climate change" analysis by the Ministry of Environment. As a result, the main risks are presented in the table below, as well as adaptation strategies.

### CLIMATE RISKS AND ADAPTATION STRATEGIES

| RISK CATEGORY | RISK DESCRIPTION | ADAPTATION STRATEGIES |
|---|---|---|
| PHYSICAL RISK | | |
| Acute risks | Risk of worsening operating conditions from extreme weather events:<br>- Changes in storm strength leading to increased wind speed and more giant waves – impact on the product loading process in the Port facilities and railway overpasses, the rising possibility of loading incidents (spills);<br>- regional changes in temperatures, precipitation pattern and frequency – e.g., downpours could impact transshipment operations;<br>extreme weather temperatures and heat waves – possible risks for employee health and logistics infrastructure. | Regular assessment of physical risks, robust safety and health assurance protocols, periodical renewal of emergency response and crisis management plans. |
| Chronic risks | Risk of disruption of operational processes due to the long-term increase in average temperatures, changing precipitation and wind patterns, and rising sea levels.<br>Due to the expected increase in air temperature in the cold period of the year, more frequent fluctuations in air temperature around 0°C are expected. Due to more frequent freeze-thaw cycles, the operational time of above-ground and underground infrastructure may be shortened, and infrastructure repair and renovation costs may increase.<br>Due to the expected decrease in the number of days with snow cover (especially in the western part of Lithuania), the probability of damage to the underground infrastructure due to frost may increase, especially during extreme cold, and the energy losses of thermal lines may increase. | Regular assessment of physical risks.<br>Re-planning the work mode according to the changing conditions, dedicating more resources towards regular infrastructure maintenance, and increasing infrastructure resilience and energy efficiency. Reviewing the cost planning process. |
| TRANSITIONAL RISKS | | |
| Policies and regulations | Decreased revenue from reduced demand for oil and natural gas (Fossil-Fuel Business Model Disruption).<br>Risk of increased costs due to introducing and expanding a carbon price system. | Diversification of the portfolio of products.<br>Investigation of low-carbon technologies ($CO_2$ capturing, hydrogen, operation and maintenance services of wind power parks in the Baltic Sea) opportunities that complement existing assets, strategy and competencies. |

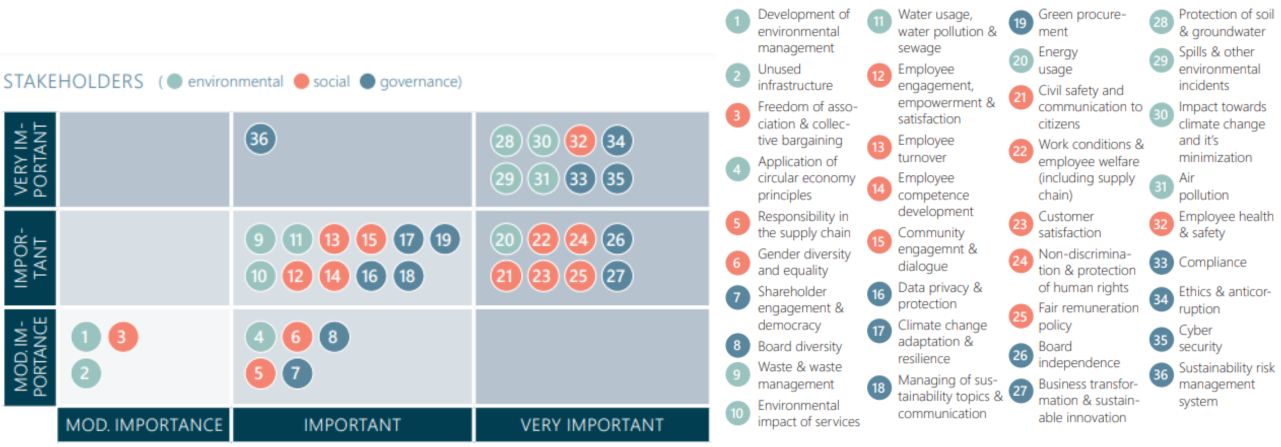
The Company has the challenge to transform its operations so that the services provided meet the needs of the future and the operations are climate neutral. We understand that in the coming decades, the world will have to transition from the still widespread use of fossil fuels for energy and transportation to other forms of energy. KN has always been and wants to remain an essential part of future energy supply and value chains while simultaneously successfully creating value in the energy sector, ensuring energy security and financial returns for shareholders and Lithuania. In all this context, we need to look far into the future, review the current business model, and make long-term decisions to ensure competitive advantage and greater profitability of our activities in the future. Please refer to this report's "Strategy" part for more information.

## MATERIAL TOPICS

In 2022 Materiality assessment in KN was implemented: KN has analysed key sustainability topics to better respond to stakeholder expectations, manage risks and act more sustainably. The initial list of topics was drawn up by the Company's representatives and sustainability experts, assessing the Company's impacts and the key aspects affecting sustainability.

Several remote meetings were held with key stakeholders – representatives of Klaipėda City Municipality Administration, Klaipėda University, Klaipėda Department of the National Centre for Public Health under the Ministry of Health, representatives of Klaipėda communities (Vitė, Melnragė, Dangė) and their associations in the Company's neighbourhood as well as representatives of the Office of the President of the Republic of Lithuania, the Ministry of the Environment, the Ministry of Economy and Innovations, the Ministry of Transport and Communications, the State Energy Regulatory Council. They discussed the Company's impacts and sustainability aspects, ranked materiality topics, and suggested additional aspects. It is important to mention that all this has been done in the context of the ongoing pandemic, but before Russia's invasion of Ukraine, which happened at the end of February 2022.

Materiality topics were also rated by the Company's employees, customers and partners using a remote survey. Finally, the Company's management expressed its position in the ranking process, and the materiality matrix was developed. According to the widely used methodology, the matrix ranks the themes on the vertical axis according to their importance to stakeholders and on the horizontal axis according to their importance to the Company. The Materiality matrix of KN contains 36 topics: 11 environmental, 13 social and 12 governance topics.  These topics were considered while setting relevant ESG goals and during the corporate strategy update process.




While preparing report, GRI Sector Standard 11: Oil and Gas 2021, which came into effect on January 1st, 2023, has also been analysed. This process helped to review the material topics determined in Materiality Matrix, as is encouraged by the new version of Universal GRI standards, such as GRI 3: Material topics, effective since January 1st, 2023 (it stresses the importance of the Company's impacts and reviews the role of stakeholders in the process of determining material topics).

As a result, the 22 most essential material topics were defined while preparing this report – they are listed (alphabetically, according to relevant ESG area) in the infographic below.  Performance on these topics and their management are presented in this Sustainability report.

**UPDATED MATERIAL TOPICS**

| E | S | G |
|---|---|---|
| Air emissions | Employment and Employment practices | Asset integrity and incident management |
| Energy usage | Employee competence development and turnover | Climate adaptation, resilience, and sustainable innovation and transformation |
| Greenhouse gas emissions | Employee engagement, empowerment, and satisfaction | Compliance |
| Waste | Competitive remuneration policy | Cyber security and data protection |
| Water and effluents | Freedom of association and collective bargaining | Payment to governments and taxes |
| | Local Communities and social initiatives | Prevention of anti-competitive behaviour |
| | Non-discrimination and equal opportunity | Prevention of corruption |
| | Occupational health and safety | Procurement practices |
| | | Sustainability management and communication |

# ENVIRONMENTAL IMPACT AND PROTECTION ON ENVIRONMENT

## IMPACT MANAGEMENT

One of the most important KN's strategic objectives is to ensure the environmentally sustainable operation of KN terminals and full compliance with environmental requirements as with the new long-term corporate strategy up to 2050, KN aims at achieving complete climate neutrality for KN's operations by 2050.

Since 2020, KN's environmental management system is certified with the ISO 14001:2015 standard and audited for its compliance with the issued certificate (last audit in 2022). Both in the operation of the existing Liquid and LNG terminals and the planning of new activities, KN complies with the basic principles of environmental protection set out in the National Environmental Strategy of the Republic of Lithuania, with the conditions set out in the environmental permits, as well as with the norms set out in the environmental rules and standards.

Also, KN has an approved "Quality, Environmental, Health and Safety Policy", by which the Company commits:

- To protect the environment, to use natural and energy resources rationally and sparingly, and to carry out effective prevention of pollution, waste generation, and unforeseen dangerous situations, and to strive for their reduction,
- Plan and carry out our activities by assessing possible risks, implementing, and using environmentally friendly and advanced technologies and work methods.

Furthermore, the Company has a procedure for determining environmental protection aspects and environmental impact management, the purpose of which is to determine and ensure the identification of environmental protection aspects, the determination of their significance and impact on the environment, and their management to ensure the efficiency of environmental protection and compliance with applicable legal acts and the requirements of the ISO 14001:2015 standard.

Following this procedure, KN has identified the significant environmental aspects of its operations and their impact on the environment and designed the necessary control and management measures to avoid negative environmental impacts of our activities and mitigate them.

KN's environmental management areas are climate change mitigation, energy efficiency, prevention of and reducing air emissions and pollution, waste reduction, usage of water and efficient use of other natural resources. The Company continuously monitors its impact on environmental quality via the following indicators: greenhouse gas emissions, emissions of other pollutants, energy consumption, water consumption, amount of and treatment of sewage, and waste generated and managed via different methods. These indicators are provided in the report – providing data according to various locations/activities: Klaipėda Liquid Energy Terminal, Subačius Liquid Energy Terminal , LNG terminal and related infrastructure in Klaipėda.

## NEGATIVE IMPACT REDUCTION

We acknowledge our responsibility for our environmental footprint and search for ways to minimise it rather than comply with environmental norms and requirements. Based on ISO standard 140001:2005 KN has Environmental Protection Program which is active from 2022. The Program includes specific quantitative mitigation targets for 2024 and 2030 and corresponding measures.

The main goals that were identified and tracked in the scope of the Program:

- To reduce direct $CO_2$ emissions of Klaipėda Liquid Energy terminal (Scope 1) by at least 20% by the end of 2024 and at least 50% by the end of 2030, compared to 2020.
- Use only green electricity to reduce indirect $CO_2$ emissions (Scope 2) generated while producing electricity used in Klaipėda and Subačius Liquid Energy Terminals.
- To reduce natural gas and electricity consumption by at least 3% by the end of 2024 and at least 10% by the end of 2030, compared to 2020.
- To reduce relative (emissions/transshipped products) VOC emissions from the handling and storage of petroleum products by 35% by the end of 2024 and by 45% by the end of 2030, compared to 2020, and to ensure that maximum odour concentration in ambient air (caused by relevant air emissions) will not exceed 1 odour unit in the residential environment due to the activity of KLET by the end of 2024, and will not exceed 0.7 odour unit till the end of 2030.
- To increase the% of waste recycled – to reach at least 70% by the end of 2024 and at least 90% of waste recycled by the end of 2030.

In 2023 a new long-term corporate strategy up to 2050 with goal of achieving complete climate neutrality for KN's operations by 2050 was prepared and approved. It sets goals of reducing emissions by over 30 precent by 2030 and approximately 70 percent by 2040. It requires a very clear focus on reduction of emissions into the atmosphere and increase of energy efficiency using energy resources. Accordingly, KN sets the following short-term goals (2023-2030):

- 100% use of green electricity (KN) while producing electricity for own use in KLET and SLET.
- 30% reduction in VOC emissions vs 2022.
- >90% waste recycled.

Considering the significant update of the KN strategy, the internal emission management plan is planned to be reviewed, aligned and updated in 2024 to reflect agreed changes and ambitions set in the KN strategy and progress of achievement of goals will be reported accordingly in the annual Sustainability report for 2024.

We constantly seek new technical solutions to reduce emissions and waste and mitigate our impact. For example, since 2018, KN has been implementing the Environmental Action Plan in response to comments from communities regarding perceived unpleasant odours. It aims to reduce volatile organic compound (VOC) emissions via more efficient neutralisation of VOCs. Communities and other interested parties are constantly informed about the progress of implementing this plan. KN investments related to the implementation of this plan have reached EUR 8 million.

Other significant investments related to reducing our negative environmental impact are mentioned in relevant impact-related sections of this report.

## COMMUNICATION ON ENVIRONMENTAL IMPACT

KN, following the environmental monitoring regulations of an Economic Entity and in coordination with the environmental protection authorities, carries out a monitoring program. The Company monitors the environmental impact of the terminals (emissions to ambient air and surface water and the quality of ambient air, groundwater, and surface water). It makes the monitoring data available to stakeholders in a clear and understandable way. The aim is to enable stakeholders to assess the compliance of the terminal's activities with the established environmental quality standards by allowing them to compare the actual emissions of pollutants with the established standards. Monitoring data is available on the Company's website.

**REAL TIME VOC MONITORING DATA AVAILABLE ON WWW.KN.LT FOR ALL INTERESTED STAKEHOLDERS**

Since the end of 2022, KN has publicly shared VOC monitoring data in real-time on Company's website (www.kn.lt). The public can also obtain real-time information on transshipment operations by calling a dedicated line, announced on Company's website.

KN is also constantly strengthening community relations – including discussions on environmental impact, the Company's investments, as well as concerns of the residents. In 2023, one such meeting was held with local communities. KN also regularly participates in meetings organised by state institutions on environmental quality issues, where it presents the measures used and implemented to reduce the negative impact of its activities on the environment.

## INCIDENTS, INSPECTIONS, COMPLAINTS

In 2023, there were no significant spills of oil products, chemicals, or waste in all the terminals operated by KN.

In 2023, 6 scheduled environmental inspections were performed in Klaipėda Liquid Energy Terminal, 2 scheduled inspections were conducted in Subačius Liquid Energy Terminal, and 3 scheduled inspections were performed in the LNG terminal.

In 2023, no penalties or sanctions related to environmental breaches were imposed on Klaipėda Liquid Energy Terminal, Subačius Liquid Energy Terminal or Klaipėda LNG Terminal.

Since 2018, the Company has had a dedicated line, announced on Company's website, using which residents can file a complaint about KLET activities. They can also file a written complaint via official Company e-mail. All complaints received in any form (written, oral) are registered. Upon receipt of a complaint, the situation which gave rise to the complaint is assessed/analysed, and a reply is provided to the complainant.

In 2023 no enquiries were received from public authorities related to the odours of the transshipment operations at the premises of Klaipėda Liquid Energy Terminal. 2 complaints regarding KLET were received from communities. In 2023 no enquiries were received from public authorities regarding Subačius Liquid Energy Terminal and LNG terminal. No complaints regarding these two terminals were received from communities.

## EMPLOYEE ENGAGEMENT IN ENVIRONMENTAL AND SUSTAINABILITY ISSUES

Employee engagement in environmental activities and their education on sustainability issues is an integral part of our environmental initiatives. Waste prevention and recycling, saving energy resources, and education on climate change and other environmental topics are the most important spheres of these initiatives.

The most important permanent activities and initiatives of 2023:

- In-house continuous training on waste generation, sorting, and management; Information on waste prevention and sorting, as well as on KN's generated and transferred waste, is provided on the Company's intranet page.
- "I Care campaign", aimed at reminding employees to switch off various devices and lighting and save electricity.
- Encouraging employees to come up with ideas for KN that would help the Company to save energy resources.
- Participation in Spring Clean-Up Campaign "Darom" aimed to remove self-generated landfills, collect hazardous waste, and clean green areas. KN employees and community were invited to team up and clean stadium area access in Klaipėda.
- The Company also celebrates World Environment Day (June 5th). In 2023 all employees were invited to attend a lecture on sustainability – Visvaldas Varžinskas, Associate Professor, the head of Kaunas University of Technology (KTU) Institute of Environmental Engineering, KTU Packaging Innovation and Research Center, presented what is the packaging materials and technologies of the future and what science has prepared for a changing tomorrow.
- On the European Waste Reduction Week, a visit was organized to the company Pack Klaipėda, located in Klaipėda FEZ in November 2023. During the visit, employees were able to get acquainted with the production of sustainable plastic for food packaging.

As in other companies, teleworking has become commonplace during the pandemic and has taken hold among the Company's employees, who are increasingly turning to hybrid working options that is becoming a regular practice.

This way, more meetings between different departments are being held by videoconferencing, thus reducing the number of long-distance journeys and, consequently, contributing positively to the environmental impact.

In addition, much of the administrative work was digitalised (use of e-signature for signing contracts and other documents, etc.) and is still being digitalised. The Company also has a dedicated Paperless initiative to promote a paperless working culture. In 2023, number of printed pages of documents in KN had further decreased and reached 726,897 pages, 52,003 pages or 6.7% less compared to the last year (778,900 pages in 2022). For comparison, number of printed pages in 2019 was 954,679.

## GREENHOUSE GAS (GHG) EMISSIONS

The Company prepares annual greenhouse gas (GHG) emission reports following the European Union Emissions Trading Scheme requirements and annual GHG reports following the requirements of The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (from now on – GHG Protocol). As GHG emissions directly contribute to climate change, we are constantly searching for ways to reduce our emissions – starting with Scope 1 and Scope 2 emissions.

GHGs in KN's accounting include CO2 and CH4 emissions. Emissions of other greenhouse gases ($N_2O$, HFCs, PFCs, $SF_6$) are not accounted for because no significant sources of pollution with these gases have been identified.

GHG emissions we already account for:

- Scope 1. Direct CO2 emissions (from boilers and vehicles) and direct CH4 emissions (from gas leaks in pipelines and tanks). Since 2022 we also include emissions from refrigeration reagents.
- Scope 2. Indirect CO2 emissions related to the production of purchased electricity. Since 2022 we also include heat energy consumed in KN's leased office premises.
- Scope 3. Indirect CO2 emissions from the production of purchased materials, the paper used, and emissions related to water supply, sewage, waste management and some services. Since 2022 electrical transmission losses, some business travel-related data (flights, accommodation) and losses related to liquid energy product logistics were also added into calculations.

Currently, 94% of KN's GHG emissions are treated as Scope 3 emissions because FSRU Independence is owned by company Hoegh LNG and thus included in Scope 3: the most significant share of these GHG emissions being CO2 emissions from the used natural gas and diesel on vessels, used for transportation of LNG vessels. When KN takes over the FSRU Independence in 2024, emissions of the LNG terminal will be accounted as Scope 1 emissions.

According to the Reporting Guidelines, it is not recommended to include information about the electricity produced for your own needs in the calculations if it is produced from natural gas to avoid double accounting. Therefore, emissions related to electricity produced by LNG Terminal for its own needs from liquefied natural gas are not included in any Scope. Additionally, they are already included in Scope 3 as emissions from used natural gas and diesel in LNG Terminal.

### CO2 EMISSIONS

| TONNES, CO2 EQUIVALENT | 2020 | 2021 | 2021 RECALCULATED (NEW SOURCES INCLUDED) | 2022 RECALCULATED | 2023 |
|---|---|---|---|---|---|
| Direct CO2 emissions (Scope 1), t/m | 14,242 | 7,816 | 7,850 | 5,878 | 5,394 |
| Indirect CO2 emissions (Scope 2), t/m | 0 | 0 | 6 | 22 | 1,229 |
| Indirect CO2 emissions (Scope 2)**, t/m | (-) 5,060 | (-) 3,271* | (-) 3,707 | (-) 3,397 | (-) 1,781 |
| Indirect CO2 emissions (Scope 3), t/m | 66,042 | 53,694 | 62,839 | 94,192 | 110,504 |
| **Total CO2 emissions** | **80,284** | **61,510** | **70,694** | **100,092** | **117,127** |

*Market-based method (following GHG protocol). The year 2022 has been recalculated due to the updated emission factors in the database.
** With almost major part of purchased electricity coming from renewable sources, in 2023, KN did not release into the environment 1,781 of CO2 emissions.
*** 95% of KN's GHG emissions (Scope1) consist of emissions from combustion plants using fossil fuels

The Scope 1 emissions decreased in 2023 compared to 2022 8%. In 2023, 8% less natural gas was used in Klaipėda Liquid Energy terminal due to the more effective use of natural gas and 65% less liquid fuel in fuel-burning devices in Subačius Liquid Energy terminal due to the usage of self-generated and saved green electricity for installed heat pumps. Increase in Scope 3 emissions is influenced by the increased volumes of Klaipėda LNG terminal operations. The one time increase in Scope 2 emissions was recorded due to the change of electricity supplier when part of year KN used electricity from guaranteed supply service. The risk of further emissions increase was managed by signing the contract with the supplier ensuring the green electricity supply and including such requirement as mandatory into future electricity procurement conditions.

Further GHG reduction measures are foreseen - they aim to reduce emissions by 30% by 2030 (Scope 1 – Scope 2) and reduce Scope 2 emissions by various energy efficiency means and expanding usage of green energy – continuing to purchase 100% green electricity for Liquid Energy terminals and installing solar power plants.

**RELATIVE GHG EMISSIONS PER TONNE OF PRODUCT TRANSSHIPPED IN KN TERMINALS AND DEGASSED, MhW:**

| | 2020 | 2021 | 2021 RECALCULATED (NEW SOURCES INCLUDED)* | 2022* | 2023 | CHANGE,% |
|---|---|---|---|---|---|---|
| Total emissions / Transshipped amounts at KLET (kg CO2 / t of transshipment) | 2.41 | 2.06 | 2.60 | 1.70 | 1.89 | 11 |
| Total emissions / Transshipped amounts at SLET (kg CO2 / t of transshipment) | 0.21 | 0.33 | 0.63 | 0.47 | 0.98 | 109 |
| Total emissions / LNG degasified and transshipped volumes of natural gas (kg CO2 / MWh | | | | 0.01 | 0.07 | 600 |
| Total emissions / LNGT degasified and transshipped volumes of natural gas (kg CO2 / MWh) | 3.01 | 3.28 | 3.73 | 2.88 | 3.24 | 12 |

*Market-based method (following GHG protocol).
** Recalculated relevant emissions additionally included overloaded natural gas volume.

## ENERGY CONSUMPTION AND EFFICIENCY

KN pays much attention to the energy savings. To reach this, the Company is reviewing and optimising energy-intensive liquid energy products handling and storage processes, and various electricity and natural gas saving measures have already been applied, energy savings improvement measures application in other areas of the Company's activities are in focus too. A solar power plant project in the Subačius Liquid Energy terminal was completed in Q1, 2023. A feasibility study for an electrical interconnection to the Klaipėda LNG terminal to reduce its' CO2 emissions is being carried out and preparation activities for the project implementation started.

**ELECTRICITY CONSUMPTION (KLAIPĖDA AND SUBAČIUS LIQUID ENERGY TERMINALS, LNG TERMINAL IN KLAIPĖDA: STORAGE VESSEL AND RELATED INFRASTRUCTURE)**

| ELECTRICITY, MWh | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| Electricity purchased and used | 11,206 | 9,525 | 7,233 | 6,341 |
| The proportion of green electricity in purchased electricity | 100% | 100% | 100% | 60% |
| Electricity generated from LNG and used in the Klaipėda LNG storage vessel | 49,903 | 47,071 | 63,678 | 68, 849 |

In 2023, 12% less electricity was used in Klaipėda and Subačius Liquid Energy Terminals than in 2022 (and 33% less than in 2021) – due to implemented energy efficiency measures. Energy intensity in 2023 (amount of energy used per tonne of transshipped product) in KLET reduced by 7%, and in SLET increased by 60%, compared to 2022. As the LNG terminal in 2023 degasified 4% more natural gas than in 2022, the amount of electricity needed and thus generated in the storage vessel from the LNG increased by 8%. Thus, the energy intensity in 2023 (amount of energy used per tonne of degasified product) did not change.

**USE OF FOSSIL FUEL (IN LIQUID TERMINALS AND LNG TERMINAL)**

| | 2021 | 2022 | 2023 |
|---|---|---|---|
| Gas in fuel-burning devices in Klaipėda Liquid Energy terminal, millions of $m^3$ | 4.05 | 2.91 | 2.68 |
| Diesel in fuel-burning devices in Klaipėda Liquid Energy terminal, tonnes | - | - | 9.9 |
| Gas in fuel-burning devices in the LNG storage vessel, millions of $m^3$ | 25.53 | 38.46 | 45.02 |
| Liquid fuel in fuel-burning devices in Subačius Liquid Energy terminal, thousands of $m^3$ | 6.7 | 7.9 | 2.8 |
| Diesel in various installations in Liquid Energy terminals and the LNG terminal, thousands of $m^3$ | 11.9 | 9.4 | 7.4 |

One of the most signific investments in 2023 with the project value of more than EUR 200 thousand is the 300 kW solar power plant installation at the Subačius Liquid Energy Terminal, which started to operate in March. The installation includes 731 solar modules on the roofs of the administration, boiler house, laboratory buildings and garage complex. The total surface area of all the solar modules is around 3,000 square metres. The electricity produced by the plant will meet 100% of the electricity demand of Subačius Liquid Energy Terminal.

**INVESTMENT INTO RENEWABLE SOLUTIONS IN LIQUID ENERGY TERMINALS**
**MORE THAN 480 K EUR**

In 2023, 24 heat pumps (air-to-water and air-to-air) in Subačius Liquid Energy terminal were installed. The air-to-water heat pump has a total capacity of 192 kW, while the 12 air-to-air heat pumps have a combined total capacity of – 40 kW. Heat pumps will use renewable energy from the solar power plant to heat the administration buildings. The value of investment in this project is around EUR 147 thousand (the project is 100% financed by EMPA funds).

Klaipėda Liquid Energy Terminal has installed a solar collector system for a hot water system with a total surface area of 20 $m^2$. The system will heat water for three administration buildings. The value of investment in this project is EUR 141 thousand (the project is partially financed by EMPA funds). It is preliminary estimated that the implemented solutions might reduce KN CO2 emissions by at least 130 t per year. Actual data will be tracked and reported annually.

The Company also plans to continue investing in sustainable ways of generating electricity. A project of solar power plant with a capacity of 800 kW, about 2.5 times larger, to be installed at the KN Liquid Energy Terminal in Klaipėda is also estimated. This would require an investment of around EUR 700 thousand. The decision regarding this project implementation is planned to be made in 2024.

## OTHER SIGNIFICANT AIR EMISSIONS

This report provides data only for those air pollutants, the highest emissions of which are released by KN: carbon monoxide (CO), nitrogen oxides (NOx) and volatile organic compounds (VOCs). Pollutant emissions have been calculated following the methodologies in force in Lithuania.

At Klaipėda Liquid Energy Terminal, annual VOC emissions depend directly on the annual amount of liquid energy products transshipped and CO and NOx emissions – on the amount of natural gas burned in various installations: for example, the boiler room and VOC incinerator (aimed at reducing VOC emissions). At Subačius Liquid Energy Terminal, annual VOC emissions depend directly on the annual amount of liquid energy products transshipped. CO and NOx emissions of SLET are relevantly small – thus not included in this report. At the LNG terminal, CO and NOx emissions depend directly on the amount of gas burned in the combustion plant.

The Company carries out the handling works related to liquid energy products following the Integrated Pollution Prevention and Control permit issued by the Environmental Protection Agency, which specifies that the Company, while carrying out the loading of liquid energy products, is required to implement (and implements) these environmental measures to reduce the emission of pollutants and odours into the environment:

- while unloading petroleum products (fuel oil, diesel oil, etc.) from railway wagons, the wagons are affixed with special covers with valves that prevent the emission of VOC from wagons to the environment;
- VOC recovery unit is used while unloading gasoline from railway wagons into the ground tanks;
- gasoline, fuel oil and diesel oil are being loaded into the petrol tankers that were previously used for the transportation of oil;
- VOC vapours produced during loading are burned in the VOC vapour incineration equipment - torch.

Since 2022 the air-pollution treatment plant to clean pollutants collected from 16 existing petroleum product storage tanks located in the heavy fuels tank park and the railway liquid energy products loading sidings of railways No. 1-2, which are used for loading heavy fuel products (e.g., fuel oil), is operating in KN. Another measure – collecting air pollutants from 12 newly built tanks storing light petroleum products (e.g., petrol) and cleaning them in an air pollutant treatment plant is planned to be implemented in 2025 (Q2). Technical assessment of existing infrastructure of the Klaipėda terminal (feasibility study) to identify the most optimal solution for collecting air pollutants using existing infrastructure was caried out by international consortium of technical engineering companies in 2023. The most suitable option was selected; however, it needs separate design works and additional equipment procurement as well as its integration into automatic management system of terminals. Public procurement procedures are planned and may take up to 1 year. Consequently, the implementation term for this measure was postponed to year 2025. After implementation it will allow the reduction of emissions of VOCs as well as the intensity of odours in the residential environment.

### VOC EMISSIONS OF KN ENERGIES LIQUID TERMINALS

| | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| VOC emissions of Klaipėda Liquid Energy terminal, tonnes | 45 | 44 | 32 | 32,5 |
| Permissible annual pollution levels (standards) for KLET, tonnes | 151 | 153 | 159 | 159 |
| VOC emissions of Subačius Liquid Energy terminal, tonnes | 6,7 | 4,4 | 7 | 4,8 |
| Permissible annual pollution levels (standards) for SLET, tonnes | 31 | 31 | 31 | 31 |

In 2023, VOC emissions at the Klaipėda Liquid Energy terminal were 2% bigger than compared to 2022, due to increased amounts of transshipped products. In 2023, VOC emissions in the Subačius Liquid Energy terminal were 30% lower than compared to 2022 due to decreased transshipment. In 2023, as in the previous year, the actual VOC emissions did not reach the permissible annual pollution levels (standards) set in the environmental permits issued to the terminals of the Company.

Currently, the maximum permitted odour concentration in ambient air (caused by relevant air emissions) is 8 European odour units (OUE/m3) and from January 1st 2026, operators will have to ensure that odours in ambient air from planned/executed economic activities do not exceed 5 OUE/m3. In 2023 concentration of odours related to activities of KN did not exceed 0,6 OUE/m3 which is significantly lower than permitted levels.

### CO EMISSIONS OF KN ENERGIES TERMINALS

| | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| CO emissions of Klaipėda Liquid Energy terminal, tonnes | 15 | 10 | 8 | 9 |
| Permissible annual pollution levels (standards) for KLET, tonnes | 71 | 71 | 72 | 72 |
| CO emissions of Klaipėda LNG terminal, tonnes | 135 | 117 | 118 | 189 |
| Permissible annual pollution levels (standards) for LNGT, tonnes | 308 | 308 | 308 | 308 |

#### $NO_X$ EMISSIONS OF KN ENERGIES TERMINALS

| | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| NOx emissions of Klaipėda Liquid Energy terminal, tonnes | 20 | 7 | 4 | 3 |
| Permissible annual pollution levels (standards) for KLET, tonnes | 60 | 60 | 61 | 61 |
| NOx emissions of Klaipėda LNG terminal, tonnes | 79 | 65 | 91 | 140 |
| Permissible annual pollution levels (standards) for LNG terminal, tonnes | 252 | 252 | 252 | 252 |

CO emissions from operations of the Klaipėda Liquid Energy terminal were bigger due to the structure of products that were transshipped during 2023, i.e. larger amounts of gas were directed to the VOC incinerator, and bigger consumption of fuel in firefighting pumping stations on the quays that worked at their full capacity in 2023 (after its commissioning in 2022). NOx and CO emissions from operations of the Klaipėda LNG terminal were higher due to increased operations at the terminal. In both cases NOx and CO emissions did not exceed permissible levels.

## WATER AND SEWAGE

#### WATER AND SEWAGE RELATED TO THE ACTIVITIES OF LIQUID ENERGY TERMINALS

The primary water source used in the operations of Klaipėda Liquid Energy Terminal is centralised water supply networks. In 2023, 54% of water from centralised networks was used for steam production and on the liquid energy product trestle. 34% of the water was spilt due to a broken pipe; the rest was used for household purposes and provided to subscribers.

Subačius Liquid Energy Terminal draws water from a groundwater well for economic activities. Since April 2022, surface water has been used for firefighting purposes and thus accounted for.

Water consumption by Klaipėda and Subačius Liquid Energy Terminals does not significantly impact water sources, despite that KN still applies measures to reduce water consumption. After optimizing the liquid energy products handling and storage processes in 2022, KLET's boiler house used 35% less water for steam production in 2023 than in 2022. Water is not reused in Klaipėda and Subačius Liquid Energy Terminals.

#### WATER CONSUMPTION AT KN LIQUID ENERGY TERMINALS, BY SOURCE, M$^3$

| YEAR | SOURCE | KLAIPĖDA LIQUID ENERGY TERMINAL | SUBAČIUS LIQUID ENERGY TERMINAL |
|---|---|---|---|
| 2020 | Centralised network, m$^3$ | 76,951 | |
| | Groundwater, m$^3$ | | 3,533 |
| | Surface water, m$^3$ | 30,203 | |
| 2021 | Centralised network, m$^3$ | 69,309 | |
| | Groundwater, m$^3$ | | 6,814 |
| | Surface water, m$^3$ | 29,291 | |
| 2022 | Centralised network, m$^3$ | 82,624* | |
| | Groundwater, m$^3$ | | 2,347 |
| | Surface water, m$^3$ | 24,715 | 734** |
| 2023 | Centralised network, m$^3$ | 53,381* | |
| | Groundwater, m$^3$ | | 4,137*** |
| | Surface water, m$^3$ | 26,865 | 4,024*** |

* In 2022, 11,167 m3 of water spilt due to a broken pipe in the Klaipėda Liquid Energy terminal – it led to higher consumption of centralised water. In 2023, was fixed 18,413 m$^3$ of water loss, due to broken pipe. As the incident with water pipes breakages repeats, it is planned to implement maintenance activities (renewal and replacement of old parts) in the most used areas of the water pipes system.
** Surface water in Subačius Liquid Energy Terminal has been accounted for since April 1st, 2022.
***The water in Subačius Liquid Energy Terminal was used during fire safety exercises, fire safety systems tests and etc. – it led to higher consumption of water.

To meet all environmental protection requirements and established standards, KN collects and treats the sewage generated in operation. The number of pollutants discharged with sewage is calculated following the methodologies approved in the Republic of Lithuania. The installed accounting devices account for the amount of sewage released.

Klaipėda Liquid Energy Terminal operates a unique sewage treatment system. Wastewater generated by the Company's economic activities (industrial – including bilge water from ships, domestic, and surface sewage) is collected and treated in biological sewage treatment plants based on biosorption processes (with activated carbon and microorganisms). This system installed by KN is a unique technology designed by the Company that allows for achieving an extremely high sewage treatment efficiency (80-99%, depending on the indicator). The Company's sewage treatment plant is also used for collecting and treating sewage related to the activities of the State Seaport of Klaipėda – such as vessel-generated waste (bilge water) and cargo residues.

The treated sewage is discharged into the Curonian Lagoon (via the Klaipėda port channel) only after laboratory control is conducted and meeting the required standards is confirmed. Monitoring of discharged sewage and the impact on surface water quality is performed – part of it is monitoring the condition of the Curonian Lagoon (Klaipėda Strait) below and above the sewage discharge facility. The monitoring data is provided monthly on the KN website (in the Lithuanian language).

Subačius Liquid Energy Terminal operates a sewage treatment plant, which treats surface sewage collected from the terminal territory and domestic sewage. Sewage is treated up to the standards and discharged into a surface water body – the Lėvuo River. The company itself carries out the monitoring of SLET discharged effluents once a quarter, periodical inspections are also ensured by state institutions.

Pollutants in the sewage discharged at both Klaipėda and Subačius Liquid Energy Terminals are below the permissible annual pollution levels (norms) set out in the environmental permits issued to the Terminals – for example, the amount of pollutants discharged in sewage from KLET is 2.5% of the annual norm, in SLET –19% of the annual norm.

**SEWAGE TREATMENT AT KLAIPĖDA LIQUID ENERGY TERMINAL (DOMESTIC, INDUSTRIAL, SURFACE WASTEWATER)**

| INDICATOR | ANNUAL LIMIT SET IN THE ENVIRONMENTAL PERMIT, t/m | 2020 | | 2021 | | 2022 | | 2023 | |
|---|---|---|---|---|---|---|---|---|---|
| | | FACT, t/m | TREATMENT EFFICIENCY,% | FACT, t/m | TREATMENT EFFICIENCY,% | FACT, t/m | TREATMENT EFFICIENCY,% | FACT, t/m | TREATMENT EFFICIENCY,% |
| BDS7 | **18.4** | 0.4551 | 99 | 0.3357 | 97 | 0.4039 | 96 | 0.4599 | 97 |
| NOx | **16** | 0.9108 | 78 | 0.3342 | 76 | 0.4059 | 65 | 0.4526 | 65 |
| Phosphorus | **1.6** | 0.0945 | 81 | 0.0533 | 78 | 0.0447 | 75 | 0.0587 | 64 |
| Oil and oil products | **4.0** | 0.0124 | 100 | 0.0000 | 100 | 0.0269 | 100 | 0.0088 | 100 |
| Total treated and discharged amount, $m^3$ | | 353,002 | | 287,676 | | 224,816 | | 267,216 | |

**SEWAGE TREATMENT AT SUBAČIUS LIQUID ENERGY TERMINAL (SURFACE WASTEWATER)**

| INDICATOR | ANNUAL LIMIT SET IN THE ENVIRONMENTAL PERMIT, t/m | 2020 | | 2021 | | 2022 | | 2023 | |
|---|---|---|---|---|---|---|---|---|---|
| | | FACT, t/m | TREATMENT EFFICIENCY,% | FACT, t/m | TREATMENT EFFICIENCY,% | FACT, t/m | TREATMENT EFFICIENCY,% | FACT, t/m | TREATMENT EFFICIENCY,% |
| BDS7 | **1.4529** | 0.1228 | Not measured | 0.2564 | Not measured | 0.3551 | Not measured | 0.2474 | Not measured |
| Oil and oil products | **0.3158** | 0.01677 | Not measured | 0.0457 | Not measured | 0.0104 | Not measured | 0.0094 | Not measured |

| INDICATOR | ANNUAL LIMIT SET IN THE ENVIRONMENTAL PERMIT, t/m | 2020 | | 2021 | | 2022 | | 2023 | |
|---|---|---|---|---|---|---|---|---|---|
| | | FACT, t/m | TREATMENT EFFICIENCY,% | FACT, t/m | TREATMENT EFFICIENCY,% | FACT, t/m | TREATMENT EFFICIENCY,% | FACT, t/m | TREATMENT EFFICIENCY,% |
| Suspended substances | **1.8950** | 0.14104 | Not measured | 0.3505 | Not measured | 0.4043 | Not measured | 0.4295 | Not measured |
| Total treated and discharged amount, $m^3$ | | 26,697 | | 52,318 | | 58,307 | | 63,168 | |

### WATER AND SEWAGE RELATED TO THE ACTIVITY OF THE LNG TERMINAL

The only water source used in the LNG storage vessel is the Curonian Lagoon – accounted as surface water. The related infrastructure does not use Centralised water and uses just a small amount (less than 100 m3 per year) of groundwater.

Water in the vessel is used for these technological processes: (i) cooling of the ship's engines and auxiliary equipment premises; (ii) in the gasification unit water is used in the LNG "defrosting" process; (iii) for "water curtain", which means the continuous spraying of water on the hulls during the transshipment of LNG from/to the LNG carrier/storage vessel, so that in the event of LNG leakage damage to the hull is prevented. In 2023, about 72.24% of the extracted water was used in the gasification plant, about 27.16% was used in cooling and 0.6% for "water curtain".

### SURFACE WATER CONSUMPTION AT KLAIPĖDA LNG TERMINAL, M³

| | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| Amount of water used, $m^3$ | 67,735,270 | 69,292,488 | 75,333,840 | 64,502,040 |

At the Klaipėda LNG terminal, the water consumption decreased in 2023 compared to 2022 about 14%.

Used water from the LNG vessel is returned to the Curonian Lagoon. Water used in ships operations is not polluted – it meets the established quality parameters and does not require treatment – therefore, it does not affect the water quality of the Curonian Lagoon and is not considered sewage.

In the LNG storage vessel, during the gasification process in winter (when the water temperature is less than 13°C), the water taken from the Curonian Lagoon is used in a "closed circuit". It means water is not discharged into the Curonian Lagoon but is reused in the LNG gasification process.

## WASTE MANAGEMENT

Following ISO 14001:2015, the Company has a Waste Management Procedure – it determines the waste management process, including the accounting procedure of waste generated and managed (transferred to waste handlers). Waste is managed following environmental requirements to avoid negative effects on the health of KN employees, the general public and the environment. A dedicated department is created to manage waste-related processes, and internal audits of the waste management system are carried out regularly to ensure compliance with the Waste Management procedure. This department also manages a dedicated intranet page, where employees can find all relevant information related to waste – it is helpful for employees at work and in their daily activities. Additional internal waste prevention and recycling training is conducted for the Company's employees.

The most significant amount of waste in KN is generated during the operations of the terminals – loading operations, technical maintenance, tank cleaning, and waste management. The largest part of hazardous waste consists of various materials and water which had contact with oil products. Most non-hazardous waste is mixed municipal, scrap metal, bitumen, and large/mixed construction waste. Information on hazardous and non-hazardous waste generated and managed is presented separately, based on information provided by waste handlers, according to the Waste Management Rules of the Republic of Lithuania.

We aim to increase the% of KN waste recycled – to reach at least 90% by the end of 2030. For that purpose, when concluding contracts with licensed waste handlers, we ask them to ensure that priority will be given to waste recycling and that no less than 90% of the amount transferred per year will be recycled. In 2023 the amount of hazardous and non-hazardous waste generated in KLET and SLET increased due to the planned and scheduled repair and cleaning of storage tanks, however it is important to stress that more than 90% of the waste was recycled ensuring that such increase would not have the negative impact.

### MANAGEMENT OF WASTE FROM KLAIPĖDA LIQUID ENERGY TERMINAL

| KAIPĖDA LIQUID ENERGY TERMINAL | 2020 | | 2021 | | 2022 | | 2023 | |
|---|---|---|---|---|---|---|---|---|
| **Total waste (tonnes)** | **428.73** | | **1,019.43*** | | **183.88** | | **2,979.99**** | |
| ***Ways of managing non-hazardous waste*** | *tonnes* | *%* | *tonnes* | *%* | *tonnes* | *%* | *tonnes* | *%* |
| **Non-hazardous waste, total:** | **125.31** | **100** | **97.68** | **100** | **91.65** | **100** | **191.84** | **100** |
| Recycling | 59.47 | 47.5 | 90.72 | 93.0 | 83 | 90.6 | 177.69 | 92.62 |
| Disposal | 9.12 | 7.3 | 0.17 | 0.2 | 0 | 0 | 9.13 | 4.76 |
| Composting | 5.16 | 4.1 | 5.71 | 5.8 | 1.87 | 2.0 | 0 | 0 |
| Waste incineration (energy production) | 51.56 | 41.1 | 1.08 | 1.0 | 5.73 | 6.3 | 5.02 | 2.62 |
| Information not provided by the waste handler | | | | | 1.06 | 1.1 | 0 | 0 |
| ***Ways of managing hazardous waste*** | *tonnes* | *%* | *tonnes* | *%* | *tonnes* | *%* | *tonnes* | *%* |
| **Hazardous waste, total:** | **303.42** | **100** | **921.75*** | **100** | **92.22** | **100** | **2,788.155** | **100** |
| Recycling | 290.26 | 95.7 | 909.40 | 98.7 | 77.91 | 84.5 | 2,773.392 | 99.47 |
| Waste incineration (energy production) | 12.67 | 4.2 | 5.87 | 0.6 | 8.96 | 9.7 | 14.711 | 0.53 |
| Disposal | 0.49 | 0.2 | 6.48 | 0.7 | 5.36 | 5.8 | 0.052 | 0 |

* In 2021, the amount of hazardous waste generated in KLET increased due to disturbances caused by changes in technological processes and waste not transformed into a fuel.

** In 2023, the amount of hazardous and non-hazardous waste generated in KLET increased (about 93%) due to the planned and scheduled repair and cleaning of storage tanks.

### MANAGEMENT OF WASTE FROM SUBAČIUS LIQUID ENERGY TERMINAL

| SUBAČIUS LIQUID ENERGY TERMINAL | 2021 | | 2022 | | 2023 | |
|---|---|---|---|---|---|---|
| **Total waste (tonnes)** | **107.181** | | **52.67** | | **120.931** | |
| ***Ways of managing non-hazardous waste*** | *tonnes* | *%* | *tonnes* | *%* | *tonnes* | *%* |
| **Non-hazardous waste, total:** | **2.31*** | **100** | **3.32*** | **100** | **7.144** | **100** |
| Recycling | | | | | 5.779 | 80.89 |
| Disposal | | | | | 0.726 | 10.16 |
| Waste incineration (energy production) | | | | | 0.639 | 8.94 |
| ***Ways of managing hazardous waste*** | *tonnes* | *%* | *tonnes* | *%* | *tonnes* | *%* |
| **Hazardous waste, total:** | **104.867** | **100** | **49.35** | **100** | **113.787** | **100** |
| Recycling | 97.856 | 93.3 | 49 | 99.3 | 112.355 | 98.74 |
| Waste incineration (energy production) | 7.011 | 6.7 | 0.35 | 0.7 | 1.432 | 1.26 |

* Information on how non-hazardous waste is managed is not provided by waste handlers

**MANAGEMENT OF WASTE FROM THE KLAIPĖDA LNG TERMINAL**

| KAIPĖDA LNG TERMINAL | 2021 | | 2022 | | 2023 | |
|---|---|---|---|---|---|---|
| **Total waste* (tonnes)** | 879.65 | | 2,161.97 | | 2,852.17 | |
| | *tonnes* | *%* | *tonnes* | *%* | *tonnes* | *%* |
| **Non-hazardous waste, total:** | 36.65 | 4.2 | 22.90 | 1.1 | 28.07 | 1 |
| **Hazardous waste, total:** | 843 | 95.8 | 2,139.07** | 98.9 | 2,824.10** | 99 |

* The waste from the LNG terminal is transferred to waste handlers by the owner of the LNG vessel.
** Amount of waste increased due to increased activity, the most significant part of this being shipping liquids, water separators.

## OTHER ENVIRONMENTAL IMPACTS

KN provides liquid energy products and gas handling and storage services, and its operations don't require large quantities of raw materials. Only small amounts of materials are used to service and maintain the existing infrastructure – therefore, they are not reported.

The responsible use of chemicals throughout the company chain is governed by the approved instructions for the use of chemicals and chemical mixtures, which are designed to establish safe methods of use and accounting for chemicals and chemical mixtures from acquisition to end-use.

In September 2019, after evaluating the groundwater monitoring report of Klaipėda Liquid Energy Terminal for the last five years, the Lithuanian Geological Survey additionally instructed to prepare a management plan for the territory, including the railway loading stage and clean-up the territory, which was identified as contaminated already in 1996, when groundwater pollution monitoring was conducted. The respective 3-year plan for contaminated territory has been prepared, and in 2021, the Company started cleaning the contaminated area. The cleaning works according to the plan were finalized in 2023. The final detailed report will be prepared at the beginning of 2024 and submitted to the responsible authorities that will make respective decisions regarding further progress.

# SOCIAL IMPACT

## IMPACT MANAGEMENT AND PROTECTION OF HUMAN RIGHTS

The Company's main asset is its employees who are the most important link to the achievement of Company's goals. Company's personnel policy is focused on the development of teamwork, constant progress in professional development and process efficiency, the optimal use of work resources, training of qualified staff, and development of the Company's culture that empowers personal growth, cooperation, succession planning, and creates additional value for the company and its stakeholders.

KN targets in social impact area for 2023 were:

- to reduce the percentage of the pay gap between female and male positions at the same Hay level by >=10% in comparison to last year (and totally reduce gender pay gap to 0% at the end of 2030).
- to increase rate of women in managerial positions at least 1 percentage per year (and to increase proportion of women in managing roles to > 36% by 2030).

Indicators showing the achievement of these objectives and the extent of the measures taken are described in detail further in this report.

We aim to create a motivating working environment. Achieving long-term success requires diverse ideas, perspectives, and talents. Therefore, at KN, we support diversity: a key source of innovation and competitiveness, allowing each of us to fully participate and contribute to the Company's success and help to ensure that business operates efficiently and reaches its potential. KN's reward and incentive principles are based on its employees' qualifications, experience, competencies, and performance, thus avoiding bias or personal preferences.

We are guided by the values of KN and adhere to the principles of respect, cooperation, professionalism, and progress. Our values guide how we operate anywhere in the world and what we expect from ourselves, our colleagues, our clients, our management, and other key stakeholder s. Our quarterly and annual recognition initiatives are based on values, not only achievements. In 2023 KN initiated values review process in the Organisation. The main aim of the renewal is to update Company's values to reflect changed business environment and newly adopted KN strategy until 2050 as the values were identified and agreed in 2018. The following actions were taken: In September – October 2023 discussions regarding values took place in KN's department level, i.e., managers discussed in their departments what we are doing well, what should be improved and what should be continued and selected one representative from each department. On October 25 departments' representatives participated in the dedicated event where values and how they should be changed were discussed. About 100 employees participated in this event. As a result, 10 statements were identified which were reviewed in a half-day session with the directors of the Company. The project is continued and planned to be finished in 2024 with the values material being prepared and presented to employees of KN.

**KN VALUES REVIEW PROCESS INVOLVED MORE THAN 100 EMPLOYEES IN ALL LEVELS**

KN activities are also guided by the principles of human rights protection and ensuring that the Company does not contribute to any human rights infringements. We foster an environment where employees are treated equally, respected, and empowered to reach their potential. We ensure that the Company is free from all forms of discrimination – gender, religion, age, disability, race, sexual orientation, etc.

The Company is committed to a fair, competitive, and transparent remuneration policy, complies with laws on overtime work and working time, respects the right of workers to rest and does not tolerate any form of harassment or violence. We oppose all forms of discrimination and forced labour. As set out in the Code of Conduct of KN, which applies to KN Group as a whole, the Company's employees, irrespective of gender, nationality, religion, social or marital status, membership of a social or political organisation, or any other personal characteristic, have equal opportunities to hold managerial positions, to take part in decision-making, and to develop their professional skills.

In 2023, the same as in the previous year, the Company did not register any cases of human rights violations or related complaints. We will continue to strive to ensure the highest standards of human rights protection in KN and to secure an organisational culture fostering human rights. Furthermore, we educate our staff periodically on Human rights issues and want to reach the goal of every employee participating in training. One case of employee behaviour not in line with KN Açu Code of Conduct was reported in 2023. The notice of suspected behaviour was given by KN Açu employee. Internal investigation was carried out and resulted in dismissal of the employee whose behaviour was investigated.

The KN's remuneration system is based on the work structure developed using the Hay Methodology and comparing salary values with other companies in the local country market the Company is operating to ensure that every KN employee is rewarded fairly and competitively. The Company's objective is to ensure the competitiveness of the employees' remuneration in the local market, internal fairness of remuneration, and eliminate the possibility of discrimination on any grounds (age, gender, etc.) – specific goals concerning the pay gap in place.

KN provides a working environment that meets strict standards of safety and well-being. We aim to ensure a healthy and safe workplace through sustainable operations, high safety standards and increased employee awareness of workplace safety. In our sustainability goals, we have a Zero critical and process safety incidents target and targets related to Total Recordable Case Frequency (TRCF, introduced in 2023), Occupational accident frequency rate (LTIR) and Frequency of near misses or potential safety incidents (IR).

The responsibility of the Company and its employees to each other, colleagues, and society, as well as management of social impact, are defined by the following:

- Collective Agreement;
- Rules of Working Procedure;
- Personnel Policy;
- Code of Conduct;
- Remuneration Policy;
- Procedure for setting up the remuneration system;
- Procedure for discussing and rewarding staff members' annual performance (renewed in 2023 and approved in 2024);
- Procedure for organising the adaptation of new staff;
- Guidelines for staff development;
- Procedure for organising staff selection;
- Procedure for the organisation of in-house training;
- Guidelines for the planning and development of the pool of key positions.

Since end of 2022 Company has the Violence and Harassment Prevention Policy in place. It foresees measures and principles for solving cases to ensure that employees do not experience hostile, unethical, humiliating, aggressive, insulting, or offensive actions that harm the honour and dignity, physical or psychological integrity of employees or which could intimidate, humiliate employees, or push them into a helpless and powerless position.

In this part of the report, we use the term Company while talking about the leading Company – AB "KN Energies", who employs directly >90% of employees who are considered working in KN Group. ~7% work in Brazil and are employed by "KN Açu Serviços de Terminal de GNL Ltda" (owned by AB "KN Energies" via UAB "KN Global Terminals" and UAB "SGD SPB"). Other subsidiaries in Lithuania (in "KN Global Terminals", "SGD terminalas", and "SGD SPB") operate mainly as SPVs, each employing not more than 2 employees. Therefore, the main social impact is related to the activities of the leading Company – and it sets the goals and principles to be followed in all companies of the KN Group. Relevant data is provided for the Group according to the main location of employees' activities. Some more detailed data is provided just for the main Company (as it is not collected/analysed for smaller ones).

## EMPLOYEES AND EQUAL OPPORTUNITY

As of 31 December 2023, KN Group had 374 permanent and 2 temporary employees – 347 (345 permanent and 2 temporaries) working in Lithuania and 27 – in KN Açu. The growth of number of employees (data at the end of the year) compared to the last year was 3.6% due to additional resources required for the business.

### EMPLOYEES OF KN GROUP BY THE TYPE OF CONTRACT AND GENDER IN 2022

| | TOTAL IN GROUP | PERMANENT EMPLOYEES | TEMPORARY EMPLOYEES | FULL-TIME EMPLOYEES | PART-TIME EMPLOYEES |
|---|---|---|---|---|---|
| *Working in Lithuania* | | | | | |
| **Total** | **335 (98% in KN)** | **329** | **6** | **334** | **1** |
| Male | 244 | 239 | 5 | 244 | 0 |
| Female | 91 | 90 | 1 | 90 | 1 |
| *Working in Brazil: KN Açu* | | | | | |
| **Total** | **26** | **26** | **0** | **26** | **0** |
| Male | 20 | 20 | 0 | 20 | 0 |
| Female | 6 | 6 | 0 | 6 | 0 |

### EMPLOYEES OF KN GROUP BY THE TYPE OF CONTRACT AND GENDER IN 2023

| | TOTAL IN GROUP | PERMANENT EMPLOYEES | TEMPORARY EMPLOYEES | FULL-TIME EMPLOYEES | PART-TIME EMPLOYEES |
|---|---|---|---|---|---|
| *Working in Lithuania* | | | | | |
| **Total** | **347** | **345** | **2** | **346** | **1** |
| Male | 253 | 252 | 1 | 252 | 0 |
| Female | 94 | 93 | 1 | 93 | 1 |
| *Working in Brazil: KN Açu* | | | | | |
| **Total** | **27** | **27** | **0** | **27** | **0** |
| Male | 23 | 23 | 0 | 23 | 0 |
| Female | 4 | 4 | 0 | 4 | 0 |

The detailed average annual number of employees according to categories for years 2022 and 2023 are provided in this KN's Consolidated annual report part "Payroll system and remuneration policy".

The Company is committed to providing equal opportunities for all employees, regardless of gender, age, etc. Nevertheless, most of the Company's employees (73,8%) still are male. Male to female workers ratio was 2.86 in Lithuania (the most considerable disproportion among workers) and 5.75 in Brazil. The ratio is mainly influenced by the specific nature of the Company's business, i.e. women are still less likely to opt for technical engineering and field-based technological work and the specialities directly related to these activities. To address this challenge, the Company has set the gender balance KPI for the managerial roles and seeks gender balance in the communication about the successful career path of employees within the organisation.

In 2023, 26.3% of managerial positions (including members of the collegial bodies, 15 women in total) in KN in Lithuania were held by women (in 2022 - 26.78%, in 2021 – 26.6%, in 2020 – 24.56%).

**26% OF MANAGERIAL POSITIONS ARE HELD BY WOMEN**

**THE GOAL FOR 2024 IS TO REACH 30%**

The revised KN strategy 2050 includes the target for gender balance assurance in managerial positions (> 36% proportion occupied by women). The goal to increase proportion of women in managing roles to > 36% is set already for 2030. The goal for 2024 is to have 30% or more women in managerial positions to ensure gender balance. To reach this, we plan to invest in women's education, strengthen their self-confidence, and encourage more female candidates participate in Work selections.

### THE NUMBER OF EMPLOYEES IN DIFFERENT POSITIONS AT THE END OF THE YEAR

| | KN LITHUANIA 2022 | | | KN LITHUANIA 2023 | | | CHANGE 2023/2022 | | |
|---|---|---|---|---|---|---|---|---|---|
| *EMPLOYEE CATEGORY* | *Total* | *Men* | *Women* | *Total* | *Men* | *Women* | *Total* | *Men* | *Women* |
| Managers | 50 | 37 | 13 | 47 | 35 | 12 | -6.0% | -5.4% | -7.7% |
| Specialists | 166 | 94 | 72 | 175 | 98 | 77 | 5.4% | 4.3% | 6.9% |
| Workers | 119 | 113 | 6 | 125 | 120 | 5 | 5.0% | 6.2% | -16.7% |
| **Total** | **335** | **244** | **91** | **347** | **253** | **94** | **3.6%** | **3.7%** | **3.3%** |
| | KN AÇU 2022 | | | KN AÇU 2023 | | | CHANGE 2023/2022 | | |
| *EMPLOYEE CATEGORY* | *Total* | *Men* | *Women* | *Total* | *Men* | *Women* | *Total* | *Men* | *Women* |
| Managers | 6 | 4 | 2 | 5 | 4 | 1 | -16.7% | 0.0% | -50.0% |
| Specialists | 20 | 16 | 4 | 21 | 18 | 3 | 5.0% | 12.5% | -25.0% |
| **Total** | **26** | **22** | **6** | **26** | **22** | **4** | **0.0%** | **0.0%** | **-33.3%** |

The net employee increase gender ratio in KN Lithuania was 3 (9 men compared to 3 women; and 1.7 if excluding changes due to the end of temporary workers' contracts). This ratio is similar to the organisation's general men-to-women ratio, 2.7. The net employee decrease gender ratio in KN AÇU was -2 (0 men compared to -2 women), however the company is too small to draw statistically significant conclusions.

Regarding staff turnover trends by gender (data provided in the tables below), the proportions in Lithuania changed in 2023. Gender disproportion in new employment increased to a men/women ratio of 4.1 (2.07 in 2022, 1.83 in 2021). The men/women ratio of terminated contracts also increased to 4.57 (2.16 in 2022, 2.95 in 2021).

### STAFF TURNOVER BY GENDER IN KN LITHUANIA

| | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| **New employment, total** | **59** | **34** | **46** | **51** |
| Female | 11 | 12 | 15 | 10 |
| Male | 48 | 22 | 31 | 41 |
| **Terminated working contracts*, total** | **43** | **75** | **60** | **39** |
| Female | 7 | 19 | 19 | 7 |
| Male | 36 | 56 | 41 | 32 |

* Including employment contracts terminated at the employee's initiative and by the Company's decision.

Staff turnover trends by gender are also being monitored in Brazil – thus, as it is a relatively small company, no statistically significant conclusions can be drawn.

| | 2021 | 2022 | 2023 |
|---|---|---|---|
| **New employment, total** | **6** | **12** | **11** |
| Female | 2 | 3 | 1 |
| Male | 4 | 9 | 10 |
| **Terminated working contracts*, total** | **9** | **11** | **11** |
| Female | 0 | 1 | 3 |
| Male | 9 | 10 | 8 |

* Including employment contracts terminated at the employee's initiative and by the Company's decision.

KN Group monitors employee distribution also according to their work experience, according to age, education. The average work experience of the employee in the Group is 9.3 years (9.5 in 2022) – the number is highest among workers

(12.4 years, 12.9 years in 2022) and smallest among managers (7.4 years in 2023 and 2022). The difference is quite natural considering the Company's specifics – combining the long-term experience of liquid terminals and relatively recent LNG activities with a need to constantly adapt to changing market conditions and seek and exploit new opportunities. The distribution of employees according to the length of service by gender in 2023 is provided in the table below.

| DISTRIBUTION OF EMPLOYEES ACCORDING TO THE LENGTH OF SERVICE IN KN LITHUANIA IN 2023 | | | | |
|---|---|---|---|---|
| | *Women* | *Men* | *Total* | *% total employees* |
| < 1 yr. | 9 | 38 | 47 | 13.54 |
| 1-5 yrs. | 36 | 74 | 110 | 31.70 |
| 6-9 yrs. | 20 | 44 | 64 | 18.44 |
| 10-14 yrs. | 9 | 37 | 46 | 13.26 |
| 15-19 yrs. | 6 | 16 | 22 | 6.34 |
| > 20 yrs. | 6 | 21 | 27 | 7.78 |
| > 30 yrs. | 8 | 23 | 31 | 8.93 |
| **TOTAL** | **94** | **253** | **347** | **100** |

The more detailed information on employees according to their work experience, age, education are provided in this KN's Consolidated annual report part "Personnel". Data tracking ensures that principle that all employees should have equal opportunities regardless of age would be in the loop of attention within Organization, because diversity, according to this criterion, could play an important role in the organisation's successful operation and transformation.

Dynamics of the total turnover of KN Group staff in Lithuania:

- 2018 – 8.77%
- 2019 – 14.45% (at the beginning of the year, operations were reorganised to streamline processes and reduce staff).
- 2020 – 8.92%
- 2021 – 17.89% (at the beginning of the year, operations were reorganised to streamline processes and reduce staff). 22 employees left the organisation as a result of redundancies.
- 2022 – 16.67%. 14 employees (7 female, 7 male) left the organisation due to redundancies.
- 2023 –11.44% 5 employees (1 female, 4 male) left the organization due to redundancies.

Dynamics of the total turnover of KN Group staff in Brazil:

- 2020 – 25%
- 2021 – 34%
- 2022 – 41.7%
- 2023 – 45.8%

The increased supply of relevant job positions in the labour market has influenced staff turnover in Brazil. The turnover of employees in Lithuania was affected by the voluntary decision of employees to continue their career path beyond the organisation. Further optimisation of processes to increase efficiency has also contributed to increased staff turnover. The Company is currently working on employer value proposition (EVP) and will launch new EVP in 2024. More information about the recruitment process is provided in this KN's Consolidated annual report part "Employee selection and recruitment".

According to the provisions of the KN's collective agreement, when the employment contract is terminated because the function performed by the employee becomes redundant, at the employee's request, the Company is obliged to pay the retraining costs of such an employee (up to 500 euros). In 2023, 1 employee exercised this right (the total retraining amount paid by the Company was 490 euros).

KN is also monitoring staff turnover related to exercising the right to maternity or paternity leave – we think this is one of the fundamental employee rights that should be exercised regardless of parents' gender. This information about employees in Lithuania is presented in the table below.

| EMPLOYEES IN LITHUANIA WHO HAVE TAKEN CHILCARE LEAVE | | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | *Women* | *Men* | *Women* | *Men* |
| **Use of maternity/paternity leave** | | | | |
| Employees entitled to maternity/paternity leave | 5 | 7 | 4 | 10 |
| % of employees who exercised their right to maternity/paternity leave | 100% | 100% | 100% | 100% |
| Employees returning to work after maternity/paternity leave | 2 | 7 | 4 | 0 |
| % of employees returning to work after maternity/paternity leave | 25% | 100% | 100% | 0% |
| **Employee retention after parental leave** | | | | |
| Employees who returned from parental leave within the year before the beginning of the reporting period | 3 | 0 | 2 | 0 |
| Among them – are employees who were still working a year after their return to work | 1 | 0 | 2 | 0 |
| Retention ratio | 33% | 0 | 100% | 0 |

In Brazil – 3 employees had a right to paternity leave (relatively short in Brazil) in 2023 (3 in 2022); all exercised it and returned to work after the leave.

## COLLECTIVE BARGAINING AGREEMENT

The provisions of the Collective Agreement of the KN apply to all KN employees in Lithuania – permanent and temporary ones. The agreement aims to create conditions for sustainable economic activity and business development and to guarantee better working conditions than those provided for in the legislation of the Republic of Lithuania. It covers wages, working and rest time, training, health and safety, other socio-economic working conditions, and additional benefits.

In 2023, 38 workers in Lithuania benefited from the relevant social guarantees under the collective bargaining agreement of KN, such as childbirth benefits or payments in the event of the death of a relative (61 workers benefited from the collective agreement in 2022, 46 in 2021).

The Collective bargaining agreement is in place in KN Açu in Brazil since 2021. It aims to guarantee better working conditions than those provided for in the legislation of the Republic of Brazil. It covers issues such as wages, working and rest time, training, health and safety, and other socio-economic working conditions and additional benefits. In 2023, 26 workers in Brazil benefited from the relevant social guarantees under the collective bargaining agreement of KN Açu (26 workers benefited from the collective agreement in 2022, 27 in 2021).

According to the current KN Group practice, workers can lodge complaints about working conditions and infringements of their rights with the respective trade union directly to the HR unit or anonymously by filling in a form on the website or by email, or through suggestion boxes in the Company's Terminals (in Lithuania). However, no such complaints were received in 2023.

## LABOUR UNIONS

KN Group recognises the labour union as an equal social partner representing employees and expressing their interests. Accordingly, the Company enables the members of the trade union committee to combine the management of trade union affairs with their primary work obligations. It provides free of charge the necessary premises and essential working tools for the trade union's activities.

As of 31 December 2023, 119 employees, i.e. 34.3% of all employees of KN Lithuania (2022: 32.3%; 2021: 38.4%; 2020: 40.5%), belonged to the labour union. The number of union members has slightly increased after the last year's decrease, because of the implemented Company's labour union and HR department agreement to be more proactive in providing information about how to enter the union, its role and its activities, targeting new employees who could be interested in joining the union but may lack information about it.

Meetings of the labour union representatives with the Company's management are organised periodically to discuss topical issues related to changes in the collective agreement and structural changes in the Company and Company operations. In 2023, eleven meetings were held (6 in 2022 and 2021) with the labour union representatives. These meetings included discussion and agreement on the specific decisions, such as revision of the conditions and payments when the timing of the shift is changing as per Labour Code regulation, revision of the remuneration rate per unit payments, and update of The Rules of Working Procedure.

In 2023, 3 meetings (1 at Union in Campos and 2 virtual ones) with the labour union and 2 virtual meetings between the labour union and the employees (3 meetings with the labour union and 2 meetings between the labour union and the employees in 2022) took place in KN Açu. These meetings included discussion and agreement on specific decisions such as benefits and employee base salary indexation.

## REMUNERATION POLICY

KN Group 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. The Company's remuneration policy defines the principles of determining and paying remuneration and employee incentives. Furthermore, it establishes understandable, fair, and transparent procedures and aims to encourage employees to achieve Company's strategic goals and create value.

These primary documents regulate the Company's remuneration policy:

- Employee remuneration policy approved by the Board of KN;
- Procedure for award of bonuses to the top management of AB "KN Energies“ approved by the Board of KN;
- Procedure for the design of the remuneration system approved by the CEO of KN;
- Procedure for employee performance review and compensation approved by the KN CEO.

As KN is expanding its international activities, it has also adopted and applied compensation and benefits package for employees working abroad (EXPATS), which provides a range of benefits for employees delegated on long-term business trips.

The Company aims to ensure the competitiveness of the employees' pay, feeling of internal justice and remuneration that does not discriminate against any employee on the ground of sex or any other basis. More information about the remuneration policy and system including data regarding average monthly salaries at KN and KN Group is provided in this KN's Consolidated annual report part "Payroll system and Remuneration policy".

2023 average monthly salary of all employees of KN Group is 3,114 EUR/month, i.e. 12.5% higher compared to 2022 (in 2022 - 2,768 EUR/month). The change in average monthly salary in the Company was similar (14,2%): in 2023 - 3,209 EUR/month, and in 2022 - 2,809 EUR/month, respectively.

The Company's average monthly salary of 2023 compared to 2022 increased due to 63.3% increase in annual bonus paid (EUR 532.8 thousand). The total annual remuneration fund of the Company in 2023 reached 13,99 million EUR and 14,62 million EUR in the Group.

Principles for determining, paying, and promoting remuneration for members of the Head of the Company (as well as for members of the Supervisory Board, members of the Board and members of Committees) are determined by the Remuneration Policy, approved by Extraordinary General Meeting of Shareholders. It was revised during the Meeting on 20 October 2022, considering the changed state-level regulation regarding the remuneration of the members of collegial bodies.

The monthly salary of the CEO since August 2022 was EUR 9,600 (until July 2022 – EUR 9,200). Following the Remuneration policy, the CEO is also eligible to receive an annual bonus depending on the results of the Company and the achievement of the yearly goals. The maximum compensation in case all goals are achieved consists of 4 monthly salaries. In 2023 CEO's variable salary (monthly annual bonus equivalent) was EUR 2960, compared to EUR 767 in 2022.

The ratio of the annual remuneration of the person who earns the most in the Company (Head of the Company) compared to the average yearly salary of all employees in 2023 was 3,97 (compared to 3.73 in 2022, 4.18 in 2021). The ratio of the annual total payment of the Head of the Company compared to the median yearly total remuneration of all employees in 2023 was 5,31 (compared to 4,59 in 2022, 5.15 in 2021).

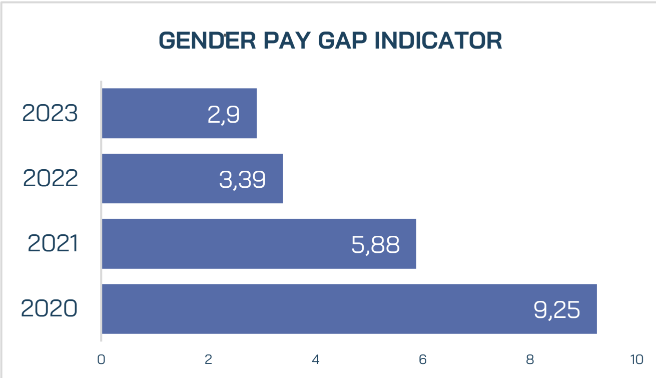
The Remuneration and Nomination Committee (advisory body to the Board) is established in the Company and acts as an advisory body to the Company's Supervisory Council, making recommendations on the Company's remuneration policy, proposing to the Company the criteria for assessing the performance of its executives and making other recommendations relating to remuneration. The Remuneration and Nomination Committee comprises 3 members, of which 1 is independent, and 2 are delegated members of the Supervisory Council. The members are appointed until the end of the term of office of the current Supervisory Council.

## GENDER PAY GAP

Reducing the gender pay gap is one of our ESG goals. The average monthly remuneration for men in KN Group in 2023 was EUR 3,104 (last year – 2,706), and for women – EUR 3,147 (previous year – 2,795), respectively. The average monthly remuneration for men in KN Lithuania in 2023 was EUR 3,189 (last year – 2,743), and for women – EUR 3,270 (previous year – 2,860), respectively.

While comparing average monthly salaries (for example, the information provided in table below), the unequal gender distribution between positions in the organisation and the different Hay levels should be considered.

KN has set a target to reduce the percentage of the pay gap between female and male positions at the same Hay level to reduce by >=10% in comparison to last year and totally reduce gender pay gap to 0% at the end of 2030. This indicator was equal to 9.25 in 2020, 5.88 in 2021, 3,39 in 2022 and reached 2.9 in 2023 (14% decrease).




**THE AVERAGE EMPLOYEE SALARY (GROSS) BY GENDER IN KN AND KN GROUP (NOT ADJUSTED BY HAY LEVELS), EUR**

| | KN 2022 | | | KN 2023 | | | CHANGE 2023/2022 | | | DIFFERENCE IN SALARIES | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Total* | *Men* | *Women* | *Total* | *Men* | *Women* | *Total* | *Men* | *Women* | *M/W 2023* | *M/W 2022* |
| Managers | 5,621 | 5.690 | 5,431 | 6,771 | 6,930 | 6,358 | 20.46% | 21.79% | 17.07% | 9.00% | 4.77% |
| Specialists | 2 745 | 2,888 | 2,531 | 3,221 | 3,447 | 2,865 | 17.34% | 19.36% | 13.20% | 20.31% | 14.11% |
| Workers | 1,794 | 1,824 | 1,233 | 2,020 | 2,049 | 1,393 | 12.60% | 12.34% | 12.98% | 47.09% | 47.93% |
| **Total** | **2,765** | **2,734** | **2,860** | **3,209** | **3,189** | **3,270** | **16.06%** | **16.64%** | **14.34%** | **-2.48%** | **-4.41%** |

| | KN GROUP 2022 | | | KN GROUP 2023 | | | CHANGE 2023/2022 | | | DIFFERENCE IN SALARIES | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | *Total* | *Men* | *Women* | *Total* | *Men* | *Women* | *Total* | *Men* | *Women* | *M/W 2023* | *M/W 2022* |
| Managers | 5,501 | 5,523 | 5,431 | 6,508 | 6,562 | 6,358 | 18.31% | 18.81% | 17.07% | 3.21% | 1.69% |
| Specialists | 2,646 | 2,753 | 2,477 | 3,054 | 3,210 | 2,786 | 15.42% | 16.60% | 12.47% | 15.22% | 11.14% |
| Workers | 1,794 | 1,824 | 1,233 | 2,020 | 2,049 | 1,393 | 12.60% | 12.34% | 12.98% | 47.09% | 47.93% |
| **Total** | **2,728** | **2,706** | **2,795** | **3,114** | **3,104** | **3,147** | **14.15%** | **14.71%** | **12.59%** | **-1.37%** | **-3.18%** |

* Differences in specialists' salaries according to gender could partly be explained by various responsibilities of the position – differences in Hay levels.

** Differences in workers' salaries according to gender is significant due to a big disproportion of the number of workers according to gender – at the end of 2023, 120 men and just 5 women occupied such position – their responsibilities cannot be compared directly, taking into the account differences in Hay levels.

The ratio of the salary of a standard entry-level employee to the minimum wage in Lithuania is presented in the table below. While calculating it, entry-level positions are classified as labourers, and the average monthly contractual salary is converted to full-time equivalent (FTE).

**THE RATIO OF THE SALARY OF A STANDARD ENTRY-LEVEL EMPLOYEE TO THE MINIMUM WAGE IN LITHUANIA**

| | 2023 | 2022 | CHANGE 2023/2022 |
|---|---|---|---|
| **All employees** | **3.82** | **3.85** | **-0.7%** |
| Woman | 3.89 | 3.93 | -0.8% |
| Men | 3.80 | 3.82 | -0.7% |

## EMPLOYEE ENGAGEMENT AND SATISFACTION

The Company measures engagement and satisfaction because it believes that colleagues, who are engaged in their work, find it easier to do it, feel happier, are more creative and therefore add more value by effectively implementing the Company's strategy and achieving its goals. Employee engagement and satisfaction rates are tracked, and improvement actions are implemented accordingly in order to ensure that identified issues are addressed properly.


In 2023 a working group from different KN's departments has been assembled to develop a plan for increasing engagement and satisfaction considering the results of 2022 KN's Employee Engagement and Satisfaction Survey. It showed that 54% of employees (61% in 2021) were fully satisfied with their working environment, the Company and its culture and the engagement rate was 60% (69% in 2021) (similar level to the average job satisfaction score for employees of Lithuanian organisations and engagement rate, respectively 56% and 59%). Psychological safety was rated at 66% (compared to 71% in 2021). KN's Top executives together with management identified top ten areas for improvement with action plan and 80% of it was achieved. Change management and its communication, as well as ensuring work-leisure balance and remuneration policy, work conditions, update of values were the key issues tackled.

In 2023 Company did not conduct the Engagement and Satisfaction Survey as it purchased access to the digital platform and innovative tool to measure employee engagement to ensure continuous listening to employees. Engagement survey is planned in the first half of 2024 and in the meantime, the Company is measuring quarterly eNPS scores and working on it. eNPS in 2023 raised 11 points compared to 2022.

## DEVELOPMENT OF COMPETENCES

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

KN encourages the personal development of its employees and provides them with opportunities to improve their competencies through external and internal training. The Company allocated around 3,7% of its adjusted net profit annually to professional development (2.5% in 2022). In 2023 besides occupational health and safety training, the focus was kept on strengthening project management and negotiation competencies and cooperation between departments to improve the focus on the client. In 2023 KN Talent Leadership long term program was launched. In this program 30 talents have been participating. For all employees in 2023 the focus to emotional health was kept, therefore and seminars with specialists on topics such as conflicts, stress management, creating good internal emotional culture were organized and internal relaxation sessions were held.

**LEADERSHIP DEVELOPMENT IS ENSURED IN KN**

**71 STAFF MEMBERS PARTICIPATED IN MANAGERIAL SUCCESSION PROGRAMME**

The Company continues to provide the opportunity for a targeted group of project managers to obtain the Prince2 certification in project management. In 2023, more than 50 employees used this opportunity to strengthen their skills in internal PM trainings, thus helping KN to operate more effectively. In 2023 KN started to prepare company processes map therefore number of trainings for all employees on process were organized. In addition, the Company is providing the possibility for employees to be partially reimbursed for their higher education fees, in 2023 one employee applied for this for eMBA studies.

Total annual training hours in KN Lithuania in 2023 increased a bit due to a bigger number of employees, and due to the fact that training programs were launched comparing to 2022.

**ANNUAL TRAINING HOURS IN KN GROUP**

| | ANNUAL TRAINING HOURS IN KN LITHUANIA | | | AVERAGE TRAINING DAYS PER EMPLOYEE IN KN LITHUANIA | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2023 | 2022 | 2021 |
| Managers | 1,710 | 1,556 | 1,497 | 4.54 | 3.89 | 3,40 |
| Specialists | 3,921 | 3,502 | 4,042 | 2.80 | 2.63 | 2,72 |
| Workers | 2,254 | 2,086 | 1,946 | 2.25 | 2.19 | 2,02 |
| **Total** | **7,885** | **7,144** | **7,485** | **2.87** | **2.66** | **2,59** |
| | **ANNUAL TRAINING HOURS IN KN AÇU** | | | **AVERAGE TRAINING DAYS PER EMPLOYEE IN KN AÇU** | | |
| | 2023 | 2022 | 2021 | 2023 | 2022 | 2021 |
| Managers | 44 | 297 | 34 | 1.83 | 6.04 | 1.42 |
| Specialists | 1,243 | 938 | 1,102 | 51.83 | 5.70 | 18.00 |
| **Total** | **1,288** | **1,235** | **1,136** | **53.66** | **47.50** | **47.33** |

To ensure a smooth succession process, KN trains employees to take over the leadership of a specific unit temporarily, if necessary. To this end, management reserve training and succession plans are in place, encouraging employees who are considered potential future managers to acquire higher qualifications. This measure is also one of the employee motivation and career planning tools. In 2023, 71 staff members with competencies in 67 different specialities participated in the programme to ensure managerial succession. In 2023, the number of internal promotions in the KN was recorded, with 29 colleagues replacing their positions internally (in KN AÇU, 1 person made internal career in 2023 and 1 in 2022)

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

In 2023, the onboarding process for new employees was continued to ensure that new employees who join the Company integrate as quickly and smoothly as possible into the workforce. The training programme is being updated regularly. In addition, specific training is provided for employees returning from maternity/paternity leave to ensure a smooth adaptation process.

Annual employee performance reviews are conducted annually with every employee; it allows not only for evaluating their performance, progress, and compliance with Company values but also for discussing development needs and other expectations and setting the goals for the new period.

## OCCUPATIONAL HEALTH AND SAFETY

### OHS MANAGEMENT AND GOALS

KN seeks to provide a working environment that meets strict standards of safety and well-being. As a terminal operator, KN provides and maintains a health and safety management system to ensure safety performance based on legislation and industry best practices, with clear commitments, targets, and responsibilities. The Company's objective is to create an environment where occupational health and safety risks are controlled to prevent injuries, accidents, and occupational diseases and to identify, assess and manage risks arising from unsafe conditions, occupational injuries and illnesses related to work processes or the working environment. It also focuses on educating workers to understand better their role in reducing negative environmental impacts and that the health and safety of themselves and others are the highest value of every worker.

**TRCF SET AS THE MAIN HSE INDICATOR**
**0.6 VS THE GOAL OF 0.8 REACHED IN 2023**

The Occupational Health and Safety Management System (OHS) applies to all professionals working at and maintaining the terminals operated by KN, whether employed by the Company or other companies and engaged in developing international LNG terminal projects.

Legal acts, best industry practices and clear obligations, objectives and responsibilities for the terminal operator regulate the implementation of measures of this system. OSH requires strong management commitment, employee engagement, and continuous improvement. The safety and health management system aims to prevent accidents at the workplace and occupational diseases, to ensure safe and healthy workplaces, eliminate potential hazards and reduce risks to the safety and health of employees by taking effective prevention and protection measures.

KN is certified according to the Occupational Health and Safety Management System standard ISO 45001:2018. It applies to all activities of KN terminals in Lithuania, including international business development. In the end of 2023 DNV performed a recertification audit of the ISO certification process to maintain certification of the management system. The key objective of the audit was to determine the conformity of the management system with the standards – ISO 45001:2018, as well as ISO 9001:2015, and ISO 14001:2015, being amongst them. Nonconformities haven't been identified during this audit, some suggestions for the improvement were made.


In addition, internal audits of the KN management system are carried out by competent employees who can understand the risks and opportunities associated with the audit principles and the scope of the audit, as well as apply audit criteria, appropriate principles, procedures, and methods in different audits and know applicable legislation and can ensure that audits are carried out consistently and systematically. In 2023, 25 internal audits (in 2022 – 13, 2021 – 6) were conducted, 18 of which in the area of safety.

One of the main strategic objectives of KN is the continuous improvement of the occupational safety and health management system by ensuring proper compliance and improvement of the safety culture to achieve a zero rate of significant safety incidents and accidents.

KN uses measurable indicators to monitor the safety and health of workers, namely the number of critical incidents, Number of process safety incidents, Occupational accident frequency rate (LTIR) and Frequency of near misses or potential safety incidents (IR). In 2023 KN, as the main HSE indicator started to use TRCF (total recordable case frequency) which represents the total number of fatalities, lost time injuries, alternate work, and other injuries requiring medical treatment. TRCF provides a comprehensive view of safety incidents, including minor injuries and medical treatments, not just lost time injuries. It captures a broader spectrum of incidents, allowing organizations to address health and safety risks holistically, encourages proactive risk management beyond just focusing on lost time injuries, reflects the overall safety performance more accurately. Together these indicators are used for measuring occupational safety and health management efficiency. They help KN assess its occupational safety and health (OSH) performance and benchmark itself against other companies in Lithuania and worldwide.

The Company has set goals related to all four of these indicators – TRCF should not exceed 0.73 in 2024 (< 0.5 on 2030), the number of Critical and Process safety incidents should be 0 annually, LTIR should reach ⩽0.5 in 2024 (⩽0.5 in 2030), and IR should reach ⩾80 in 2024 (⩾100 in 2030). Respective actions to achieve this are planned.

The goal for TRCF in 2023 was not exceed 0.8 and the goal was achieved – TRCF for 2023 is 0.6.

In 2023, there were no critical incidents in the Company (same as in 2022 and 2021) and three Process safety incidents (both second level; two incidents in 2022, first and second level). All process safety incidents were investigated, and corrective measures were provided.

**HAZARD IDENTIFICATION, RISK ASSESSMENT AND INCIDENT INVESTIGATION**

KN implements an initial risk assessment of workplaces and continual risk assessment of work-related hazards before any work is planned and carried out. These procedures are implemented using the following means:

- Occupational risk assessment, which is carried out at each workplace and repeated as the nature of work changes, new materials, chemicals, equipment or new processes are being used;
- Permit to work system, which requires assessing risks before any work, implementing means for preparation, induction to workers and fulfilment of safety measures at work.

Personnel responsible for the preparation, execution and inspection of works are specially instructed and trained according to relevant formal and informal training programs. Work leaders, executors and inspectors are trained to identify work-related hazards and hazardous situations, to stop dangerous works and to report such situations using the KN system of reporting about accidents, near misses and unsafe situations.

In 2023 KN continued the implementation of various measures for the safety of employees, as well as implemented new measures:

New safety inspection and walk around procedure was introduced, which involved all level employees into safety walk downs.

“Safety talk” system implemented, with monthly safety talks on selected safety topic with different O&M departments and shifts.

Continuous improvement on digitalization process of employee internal training and induction continues, the internal trainings and inductions for most employees is carried out on a digital training platform.

For O&M department workers, special safety information boards have been installed where relevant safety information is updated periodically.

The “Safety bypass” procedure, focusing on bypasses by OHS specialists and department heads, and standardised safety inspection questionnaires have been prepared. Following the analysis of bypasses, additional safety measures have been implemented.

The new Risk Assessment Procedure has been prepared – it defines the Company's professional risk assessments and the periodic risk assessment of routine and non-routine work. A three-year occupational risk assessment contract was signed with an independent third party – it allows for prompt occupational risk assessment in the event of changes in working conditions.

Since 2022, the agreement template with contracting organisations, obliging organisations working in the territory of KN to provide basic safety indicators and KN to control how safety requirements are met is used. It is important to stress that rules are also foreseen in which cases (for which offences) the contractor may be deprived of permission to work for KN. Furthermore, the representatives of the contractors are also obliged to pass a briefing on work safety requirements at our terminals. Safety obligations provisions are also included in the Code of Ethics for Suppliers which is integrated into the procurement process of KN.

The change management system implemented in the Company also requires all planned process-related changes to be evaluated through a risk assessment process. the Procedure for Risk Analysis of Technological Processes and Devices, specifying the application of various risk assessment methodologies in assessing technological changes is used to properly ensure that such requirements are met.

Near misses, unsafe conditions or any hazard reporting is an integral part of promoting a safety culture in the organisation. In 2023, 368 reports were received on near misses or potential safety incidents (IR) (2022 – 304, 2021 – 282). KN fosters a no-blame culture and awards the most active employees for reporting any noticed hazards or near misses. For those who seek to be unnoticed, KN provides the possibility to report anonymously.

The investigation of work-related incidents covers the generally accepted eight-stage process of investigation of accidents/incidents: gathering and analysing the information, identifying the required risk control measures, definition of investigation methods, formulation of the action plan, final approval of actions taken (including informing third parties), analysis of lessons learned, implementation of corrective action and measurement of corrective actions effectiveness.

KN health and safety policy state that each employee of KN Group has the right to require the employer to create safe and healthy working conditions, to install collective protective equipment, and to provide personal protective equipment when collective measures do not protect against the effects of risk factors. In addition, an employee may refuse to work when the employee is untrained to work safely, in case of failure of work equipment or case of emergency, in case of violation of work instructions and without necessary collective protective equipment or personal protective equipment.

## WORK-RELATED INJURIES IN KN LITHUANIA

| | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|
| TRCF (total recordable case frequency)* | 0.6 | - | - | - |
| The number and rate of fatalities as a result of work-related injury | 0 | 0 | 0 | 0 |
| The number and rate of high-consequence work-related injuries | 0 | 0 | 0 | 0 |
| The number and rate of recordable work-related injuries | 2, LTIR - 0.6 | 2, LTIR - 0.6 | 2, LTIR - 0.9 | 2, LTIR - 0.3 |
| Reports on near misses or potential safety incidents (IR) | 368 | 304 | 282 | 71 |
| The number of hours worked | 610,304 | 595,203 | 635,892 | 679,409 |
| Work-related hazards that pose a risk of injury | 0 | 0 | 0 | 0 |
| Work-related ill health or fatalities as a result of work-related ill health | 0 | 0 | 0 | 0 |
| Work-related hazards that pose a risk of ill health | 0 | 0 | 0 | 0 |

* Indicator started to be tracked from 2023.

## WORK-RELATED INJURIES IN KN AÇU

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| The number and rate of fatalities as a result of work-related injury | 0 | 0 | 0 |
| The number and rate of high-consequence work-related injuries | 0 | 0 | 0 |
| The number and rate of recordable work-related injuries | 0 | 0 | 0 |
| Reports on near misses or potential safety incidents (IR) | 73 | 101 | 202 |
| The number of hours worked | 41,169 | 49,518 | 65,752 |
| Work-related hazards that pose a risk of injury | 0 | 0 | 0 |
| Work-related ill health or fatalities as a result of work-related ill health | 0 | 0 | 0 |

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Work-related hazards that pose a risk of ill health | 0 | 0 | 0 |

Principal investments in additional occupational safety and health measures in 2023 were dedicated to redesigning various unsafe workplaces and other measures identified during the investigation of incidents and potential accidents, as well as employee education. The investments for additional measures in 2023 were around EUR 40 thousand, slightly bigger than 2022 EUR 30 thousand. The most significant improvements in the area were made in 2020-2021.

**WORKER PARTICIPATION, CONSULTATION, COMMUNICATION AND TRAINING ON OHS ISSUES**

The Company has a special matrix of mandatory training covering the whole organisation. Training needs are determined by considering legislative requirements, market best practices, job descriptions, occupational risk assessment results, and investigations into incidents or near misses. Training is free of charge and provided during working hours. Licensed third-party agents deliver most training, while some are in-house via a digital learning platform. A dedicated training classroom with computerised workstations is available for employees who do not have a computerised workstation. In 2023 as during the previous year the Company continued to encourage periodic coaching to be done online.

Company's safety culture is also enhanced by actions, such as "Safety talks" with production departments that are carried out once a month under various safety topics. Additional actions, like safety inspections according to the procedure, were implemented in 2023, in total 246 safety walk-arrounds / inspections.

**"SAFETY TALKS" SYSTEM IMPLEMENTED**
**246 SAFETY WALK-ARROUNDS / INSPECTIONS IMPLEMENTED**

Every bigger department of the Company has an internally elected representative responsible for safety and health issues (the total member of such representatives in the KN being 9). These representatives (who receive additional health and safety training) help KN to implement the requirements of employee health and safety in the Company and to improve the safety culture by:

- Cooperating with the Occupational Safety and Health unit and advising the employees of the represented unit or other employees on health and safety issues within the limits of competence;
- Providing suggestions or observations from departments on improving workers' health and safety, as well as on the existing processes or procedures, etc.
- Setting a positive example and encouraging other department employees to act responsibly (for example, wear the issued personal protective equipment) and follow the Company's procedures, instructions, and other requirements to ensure the health and safety of employees.
- Participating in assessing occupational and other potential risks and investigating accidents and incidents.

The Company has also set up an Employee health and safety committee operating on a bilateral basis. It comprises 15 members, including the already mentioned representatives of the employees, representatives of the administration and the head of the trade union. The committee, by its competence:

- Examines the causes and circumstances of accidents at work and occupational diseases; prepares and proposes preventive measures to avoid accidents at work and occupational diseases;
- Considers the state of safety and health of employees in the Company and the results of professional risk assessment, examines the measures implemented by the employer to ensure the health and safety of employees and submits related relevant proposals;
- Collects information from the health and safety representatives of the employees on compliance with the requirements of the OHS-related legal acts and how they are met in the Company;
- Considers and submits proposals on the procedure for training and instructing employees on the OHS issues;
- Examines whether the mandatory health examinations of employees are properly organised, as well as their results, submits relevant proposals regarding preventive measures to improve the health of employees;
- Considers and submits proposals regarding the provision of household, sanitary and hygiene premises, collective and personal protective equipment and the relevant supervision procedure;

- Provides insights to the management on the relevant regulatory legislation and Company's OHS procedures related to them;
- Prepares proposals amending collective agreements to improve the health and safety of employees at workplaces or in the Company;
- Upon the request of the employee or the management, examines the disagreements regarding the refusal of the employee to work because of OHS;
- Examines other issues related to the health and safety of employees;
- Prepares proposals to improve the health and safety of employees at workplaces or in the Company by concluding collective agreements.

The Employee Health and safety committee meets regularly to discuss relevant issues. There were 3 committee meetings in 2023, general complaints of employees were considered, workplaces safety improvement needs, the general safety situation in the Company as well as proposals for work clothes and additional PPE were reviewed, the main safety indicators were presented and discussed with the Committee members.

**EMPLOYEE HEALTH AND WELL-BEING**

The Company pays great attention to the health of employees. All employees are provided with supplementary health insurance, which contributes to the employee's well-being and covers the most frequent health expenses, i.e. outpatient and inpatient treatment, preventive health check-ups, dental services, etc.

KN is one of Lithuania's few companies with a licensed medical facility, which provides emergency first aid, carries out preventive healthcare services, and controls health risk factors and infections. In addition, Company has a physical medicine and rehabilitation facility for professional employees. The Company also has cooperation agreements with personal healthcare centres to provide extended health care for its employee free of charge, as well as additional vaccination and examination services (including detection of COVID-19 disease).

Relevant numbers concerning activities of KN licensed medical facility in 2023:

- 151 employees were consulted (74 in 2022, 244 in 2021);
- Outpatient care was provided to 463 employees (194 in 2022, 99 in 2021), of which 64 (20 in 2022, 19 in 2021) were referred to another medical institution.
- Preventive health checks of 226 employees were performed (137 in 2022, 307 in 2021).
- 115 employees participated in first aid and hygiene skills training (31 in 2022, 32 in 2021).
- Immunoprophylaxis was provided (vaccination against pneumococcal infections, tick-borne encephalitis, typhoid fever, hepatitis A and B, influenza, tetanus, typhoid fever, yellow fever, and diphtheria) for 159 employees (120 in 2022, 487 in 2021).
- Preventive examinations of employee health indicators (determination of blood glucose and cholesterol) were performed. A control test was performed for 283 employees in Lithuania (15 in 2022, 54 in 2021).
- Rehabilitation and health-supporting procedures performed for 279 employees (126 in 2022, 132 in 2021).
- Additional testing for COVID-19 disease was carried out for 75 employees (137 in 2022, 185 in 2021).

In 2023 KN continued to strengthen employee skills in providing emergency first aid and enhance their psychological preparation and resilience in the extreme situations. A training session was organised to ensure necessary knowledge of first aid or psychological preparation to deal with emergency situations. During the training, the colleagues from the Public Health Office, the Positive Health Team, together with fire protection and rescue specialists presented various situations to the colleagues who were divided into groups and told how to deal with them, participants trained how to apply a tourniquet correctly, to save a sick person, to find ways to deal psychologically with extreme and unpleasant situations, to be able to maintain good psychological and physical health in everyday life.

In 2023 September KN updated Guidelines for remote work implementing hybrid work model, considering it an important factor for increasing employee well-being and satisfaction. Company provides a possibility for employees (if their functions allow) to work 1 day per week remotely (the duration can be extended under agreement with direct manager under important circumstances).

The company has a Long-Term Healthy Workplaces Programme, which includes comprehensive measures to create a healthy working environment. As a part of it, KN supports, and funds sports for its employees – a gym is rented for basketball and football fans, and funds are allocated for beach volleyball tournaments and dragon boat races.

The Company has already been organising periodic meetings with various interesting people for several years. In 2023 lectures about safety topics for the management employees were conducted also: lecture of the State Labor Inspectorate "Current issues of labour rights and statistics and causes of accidents in Lithuania" and lecture by lawyer Justas Jankauskas "Responsibilities of the manager and the company in case of accidents at work".

## LOCAL COMMUNITIES AND SOCIAL INITIATIVES

**KN SUPPORTS PUBLIC COMMUNITIES IN DIFFERENT AREAS - EVENTS, EDUCATION, SOCIAL SUPPORT, AND OTHERS**

We work to maintain strong and long-lasting relationships with the local communities where KN operates (focusing on Vitė and Melnragė communities in Klaipėda) and strive to be a good business partner through our business initiatives – this is done through dialogue and strengthening our relationships. We aim to hear and understand the communities' most pressing concerns, and we consider the expectations expressed by the communities regarding the mitigation of our Company's impact.

Every year KN implements various initiatives with communities. In 2023 the following activities were carried out:

- The tradition of regular meetings was maintained, and one regular meeting was held to discuss topics of interest to the communities and to answer their questions concerning our activities and impacts;
- On International Neighbours' Day, KN contributed to the local Vitė Community Festival. The Company provided a dedicated area for children's activities.
- During the spring season, we collaborated with the Vitė community to conduct a collective Clean-Up Campaign "Darom", addressing the improvement of public spaces and stadium area access in Klaipėda in the residential area of Vitė.
- The Company contributed to the organisation of the Melnaragiada, a community festival held in Melnragė in September.
- In November, a special event commemorating the 150th anniversary of Subačius's founding took place in Subačius, where the Company's liquid energy terminal is situated. KN made a symbolic contribution, and the company was represented by Arnoldas Būga, the Terminal Manager of Subačius.
- The Company decorated a Christmas tree in one of the Melnragė community's main squares for Christmas - continuing the tradition.

KN also actively engages and supports public communities in different areas – events, education, social support, and others. In 2023 the Company further bolstered its involvement in Klaipėda's premier public event, the Sea Festival, by endorsing a segment of the social initiative, the Magdalene Night Run. This run actively advocates for breast cancer prevention programs. As part of its support, the Company sponsored a concert on the evening of the run.

KN also played a role in an innovative art project hosted at the Lithuanian Embassy in South Korea. In this endeavour, the Gataveckas brothers, accomplished artists, crafted a striking 26.5-meter interpretation of the FSRU Independence, adorning the wall of the Lithuanian Embassy in South Korea.

This year, our Company embraced the spirit of philanthropy by redirecting the budget allocated for gifts for our partners and customers to the Mažojo Princo Akademija, a public institution that takes care of children with developmental disabilities such as autism. Collaborating with the children, we crafted a Christmas cake recipe in a festive workshop. These specially created cakes were then shared with our partners and clients, who appreciated our collective effort in spreading kindness, care, and attention to these special children and were indirectly involved in the social support for the vulnerable communities.

Furthermore, KN continued the partnership with education institutions in 2023, providing 2 students with the opportunity to complete their internships in the Company (in 2022 – 9 students had such opportunity). The Company also participated in the "Future Engineer" event hosted by Klaipėda University, drawing a significant turnout of students and pupils. Dainius Čiuta, Chief Operations Officer of KN, engaged in a discussion addressing the intricacies of an engineer's role and the growing demand for engineers in the job market. Being the Company of strategic importance, in the events of the war in the nearby region, KN continued of having restricted rules concerning site visits – thus, only one site visit for the students of Lithuanian Maritime Academy was organised and conducted by KN specialists. The company participated in the "Future Engineer" event hosted by Klaipėda University, drawing a significant turnout of students and pupils. Dainius Čiuta, Chief Operations Officer of KN, engaged in a discussion addressing the intricacies of an engineer's role and the growing demand for engineers in the job market.

Following the Law of Support and Sponsorship regulations, which foresees that support by state-owned enterprises cannot be provided if the net profit amount of the state-owned enterprise for the reporting financial year is negative (incurred losses), KN was not entitled and eligible to provide the direct financial support in 2023.

# GOVERNANCE

## GOVERNANCE PRINCIPLES AND MAIN DOCUMENTS

Given the strategic function of the Company as well as being a partly (72.47%) state-owned enterprise and a publicly listed company, KN has the objective to enhance shareholder value, respond to stakeholders' interests and represent best business practices. The Company continuously strengthens its corporate governance competencies and implements the highest governance standards and principles. KN aims to organise its corporate management and internal processes to ensure transparency, efficiency, profitability and sustainability. The internal control processes and management practices implemented align with the best management practice principle and legal requirements.


In their activities, managerial and supervisory bodies of KN observe the Law on Companies, the Law on Securities, the Articles of Association of the Company, and other applicable legal acts of the Republic of Lithuania, as well as Policies and other relevant documents of the Company. In addition, the Company also follows good governance practices of the International Organization for Economic Co-operation and Development (OECD) and the Good Governance Guidelines of the NASDAQ Stock Exchange, including the Corporate Governance Code for the Companies listed on NASDAQ Vilnius. KN also complies with Resolution No 1052 of the Government of the Republic of Lithuania of July 14th 2010, on approval of the Description of the guidelines for ensuring the transparency of activities of state-owned enterprises (from now on – the Transparency Guidelines). Since 2016 more than ½ of the Supervisory Council and Board members meet independence requirement. Currently 4 out of 5 Board members are independent, and 2 out of 3 Supervisory Council members are independent.

Ministry of Energy, representing the biggest shareholder – the Republic of Lithuania - in the Letter of Expectations (March 9th, 2023) also set expectations, amongst others, regarding KN's governance: it should ensure transparency, efficiency and sustainable development as well as responsible and value-based activities of the Company.

KN Corporate Governance Policy sets out the main methods, requirements and principles of the Company's corporate governance, as well as the obligations of KN and its subsidiaries in this area. The Stakeholder Policy, which established principles and guidelines for developing KN's relations with its stakeholders, is another important document regulating the activities of the Company. Furthermore, the Code of Conduct describes how we work at KN and guides the Company in our business relationships. It contains KN's values and sets the standards for how we should behave and make decisions. In addition, KN applies Sustainability Policy, which guides Company's sustainability management and activities. The KN Gift Policy was updated on 08/01/2023, the due diligence procedure of KN Business Partners was updated on 01/03/2024.

**KN HAS BEEN RANKED AS A FOR ITS CORPORATE GOVERNANCE WITH THE TRANSPARENCY DIMENSION EVALUATED AS A+**

According to the Governance Coordination Centre, which compiles the Good Governance Index of State-Owned Enterprises annually, KN has been ranked as A for its corporate governance, a slight increase from its previous rating of A-. The previously identified main areas for improvement being strategic management and planning have been enhanced and ranked as A-, with an improvement from rating of B. The Company has shown consistency in its transparency dimension, which includes its focus on anti-corruption practices and sustainability reporting. In 2023 the transparency dimension of KN was evaluated A+, the same as in previous years.

Information on Management structure (including the composition of various management bodies and their activities) and compliance with Transparency guidelines and the Corporate Governance Code can be found in the part "Governance report" of this KN's Consolidated annual report.

## PREVENTION OF ANTI-COMPETITIVE BEHAVIOUR

Currently, the Group's activities can be divided into three main segments: liquid terminals, LNG activities – consisting of regulated LNG activities (activities with a state interest) and commercial LNG activities (international projects and small-scale LNG operations). The Management of KN evaluates the financial results of each segment and sets individual strategic goals.

The regulated LNG activities segment includes the activity of the LNG terminal in Klaipėda, which receives, stores liquefied natural gas, regasifies, and supplies it to the main gas pipeline. The fixed and variable parts of the price apply to the terminal's services. They are approved annually by the National Energy Regulatory Council of Lithuania (from now on – NERC).

The LNG terminal fully ensures the third-party access requirements following EU laws. The terminal's activities are organised in observance of the Regulations for using the Liquefied Natural Gas Terminal (from now on - Terminal regulations), adopted after public consultations with market participants and approved by NERC. The terminal's capacities are allocated to the users on the same conditions, following the public and transparent capacity allocation procedures or Spot capacity allocation procedures in case free capacities are left.

In September 2022, 4 LNG terminal capacity packages of 6 TWh/year (24 TWh) were allocated to Klaipėda LNG terminal users from Lithuania, Latvia and Poland for a ten-year period until 2033, starting from January 1st 2023. The renewed LNG terminal capacity allocation model will allow to allocate around 60% of the total LNG terminal capacity over the next 10 years to long-term contract users. Additionally, in 2023 KN carried out additional capacity allocation procedure for another 9 TWh of terminal capacity each year in 2025–2032, which were equally distributed among 3 companies from Lithuania, Estonia and Norway. As a result of capacity allocation in 2022 and 2023, full occupancy of the Klaipėda LNG terminal is ensured until 2033.

Allocating capacity ten years in advance ensures that the market will be able to meet not only the gas demand of Lithuanian consumers but also transmission to other European countries and storage in the Latvian gas storage facility.

LNG terminal ensures a multiuser environment, i. e. allows several terminal users to use services of LNG terminal simultaneously based on mandatory borrowing/lending conditions. Detailed information on LNG terminal services and operating model can be found in the Terminal regulations or on www.kn.lt

On December 30th, 2022, KN, after winning the announced public tender, signed a contract with the Public Institution Lithuanian Energy Agency for the provision of storage, storage and handling services for light oil products (diesel and gasoline) owned by the State of Lithuania at the Company's Subačius Liquid Energy terminal. The agreement entered into force on January 1st 2023 and is valid for 10 (ten) years. With this contract, the Agency ensures the storage and accumulation of state fuel reserves at the Subačius terminal of the Company following the regulation of the Law on Oil Products and Oil State Reserves. The preliminary value of the storage, terminal and other services related to the storage and handling of light oil products is EUR 37.73 million (without VAT) for the entire contract validity period.

## PREVENTION OF CORRUPTION AND BRIBERY

KN does not tolerate corruption or its manifestations and is committed to open competition, ethical business conditions and adequate transparency and openness in its operations. Key documents establishing zero tolerance of corruption are the Code of Conduct, Procedure for Declaring Private Interests and Managing Conflicts of Interest, Stakeholder Verification Procedure and Anti-Bribery and Anti-Corruption Policy.

This Policy expressly and publicly declares rejection of bribery, fraud, extortion, the creation of unofficial accounts, the execution of unofficial and improperly documented transactions, the recording of fictitious expenses, the use of false documents and other forms of corruption as referred to in the United Nations Convention against Corruption.

The provisions of the Standard of Conduct and the principle of Zero Tolerance for Corruption as well as procedures to handle properly private interests and manage conflicts of interest, apply to all employees of the Group, members of the management and supervisory bodies, third parties acting on behalf of the Company, and KN clients and partners. All employees of the Company are familiar with the Anti-Bribery and Anti-Corruption Policy and the Code of Conduct and are committed to complying with their provisions. Appropriate training is also provided to employees.

**KN HAS BEEN RANKED AS A FOR ITS CORPORATE GOVERNANCE WITH THE TRANSPARENCY DIMENSION EVALUATED AS A+**

In 2023, there were no reported cases of corruption in the Company. No cases related to bribery of foreign officials were registered in the Company as well.

Gift regulation is another important area related to preventing corruption and bribery. KN Group has related regulations in the Code of Conduct and Anti-bribery and Anti-corruption Policy, stating that employees of KN do not accept or offer gifts, including cash, securities, gift vouchers, various services, etc., which may damage the reputation of KN employees or business partners or reduce their credibility. Intolerance of gifts due to the positions held and a questionnaire (to assess the acceptability of the gift or hospitality) are included in the Policy as well. KN has clearly defined procedures for the acceptance of permissible and impermissible gifts and other benefits – since 2019, a register of gifts, in which all gifts received must be registered, has been operating.

The KN Gift Policy was updated on 08/01/2023. The policy has been supplemented with a separate clause regarding the intolerance of receiving gifts from one person on a regular basis. The Policy regulates in detail the implementation of KN employees' zero tolerance for corruption in the spheres of the appropriate acceptance of gifts from existing and potential business partners, customers and suppliers, as well as proper provision of gifts to existing and potential business partners, customers and suppliers. The Policy also establishes the procedure for declaring and registering gifts, except in cases where regulatory rights Acts prohibit accepting and giving gifts. The value of gifts for representation is EUR 150, following the regulations of the Law on the Coordination of Public and Private Interests of the Republic of Lithuania.

The Company has control mechanisms to identify, assess and monitor potential corruption risk factors. While assessing corruption risks, KN analyses the activities and processes of each business segment, compiling a list of corruption risks.

The most relevant risks identified are:

1) Large-scale procurement. The Company makes efforts to ensure a transparent process of preparation of procurement documents, selection and execution of the procurement method while maintaining confidentiality.

2) Management of oil product handling contracts. The Company aims to ensure transparency in determining the terms and conditions of such contracts, the management of the contract execution process and customer due diligence procedures.

Reports are regularly submitted to the Board to manage and mitigate these risks. KN also has a risk event register in the document management system, contributing to more efficient risk management within the Company.

Once a year, KN performs a special assessment of the likelihood of corruption. In 2023 analysis of separation of responsibilities of functions in the Company's internal processes was performed. However, due to the changes of KN's organisational structure the investigation finalized and results of it are planned to be summarized in the beginning of 2024.

The risk of corruption is also assessed in the context of the development of international projects, considering both external and internal factors and the level of corruption risk in the country. Additional control measures include due diligence procedures.

To reduce the likelihood of corruption, increase transparency, and encourage fair business, KN applies due diligence procedures not only to its employees in Lithuania and Brazil but also to its business partners. The procedure is used before the conclusion of the contract. The due diligence procedure requires written confirmation from another party that it accepts and undertakes to comply with the Anti-bribery and Anti-corruption Policy and Code of Conduct of KN. The anti-corruption provisions and the commitment to comply with them are also included in cooperation agreements with business partners (anti-corruption clauses). In order to ensure the prevention of bribery of foreign officials (in transactions with foreign companies), in accordance with the KN code of ethics, the principles provided for in the anti-bribery and corruption policy, a due diligence procedure of clients is carried out, during which they are asked to indicate in a questionnaire whether the client's leading persons are politically influenced persons (PIP) , whether the company or the leading persons have been prosecuted or have been subject to a pre-trial investigation related to illegal competition, economic crimes or corrupt behavior under national and foreign law in the last 5 years.

In 2024-01-03 due diligence procedure was updated – new provisions on international sanctions (by EU and US), politically exposed persons (PEP) and final beneficiaries were included. In 2023, 41 due diligence procedures for new business partners were carried out.

The internal control system is continuously revised and improved. Employees have the right, and the Company provides them with the means to report anonymously on the suspected or attempted acts of bribery and corruption or suspected or actual breaches of the Anti-bribery and Anti-corruption Policy, as well as breaches of the requirements set out in the KN 's internal procedures and the Code of Conduct. Employees are encouraged to report possible cases or manifestations of corruption via SpeakUp@kn.lt or anonymously using the respective form at www.kn.lt. These channels can be used by the Company's employees and any other interested parties.

This whistleblowing procedure works across the Group, including the Brazilian subsidiary, and establishes sustainable principles for the protection and confidentiality of whistle-blowers'. The procedure provides that the assessment of the information received is the responsibility of the internal audit department of KN, which is functionally subordinate and accountable to KN's collegiate management bodies. Also, whistle-blowers can apply directly to the collegial bodies of the KN (Audit Committee and the Supervisory Board) by emailing SupervisoryBodies@kn.lt. Both channels aim to maximise the protection of whistle-blowers', the confidentiality of information and whistle-blowers', and ensure that information is appropriately investigated.

Anti-corruption education training on the topic: "Principles of creating a corruption-resistant environment." Gift Policy' was conducted in March, 2023 by a representative of the Special Investigation Service. The company's employees got acquainted with the principles of strengthening the anti-corruption environment and the meaning and purpose of the gift policy. During the training, employees were given examples of practical situations on how to distinguish a gift from a bribe, as well as recommendations on what should be paid attention to and assessed before accepting or giving gifts.

In 2023 two notifications of low significance were received via Speak-Up channel: none of the reports related to possible corruption or fraud, and the Company reacted according to the relevant procedures.

KN has a system for the declaration of private interests. Members of the Company's collegiate management bodies, managers and employees included in the established and publicly disclosed list of positions and all employees participating in KN 's public procurement declare their private interests through the publicly available PINREG database of the Chief Ethics Commission (CEC). The list of positions for declaring interests is constantly reviewed and updated. In 2023, 173 staff members of KN submitted their declarations in the PINREG database.

KN has the procedure for the Declaration of Private Interests and Management of Conflicts of Interest and a separate Policy on the Management of Private Interests. This Policy aims to establish the principles and measures for preventing public and private conflicts of interest in the KN Group by ensuring the proper functioning of the conflict-of-interest prevention system and creating an environment unfavourable to corruption. The Policy establishes the basic principles of interest management and measures of conflict-of-interest management, which are applied to all employees of the KN Group and members of governing and supervisory bodies.

KN follows the Procedure and Policy when setting the requirements for the conduct of its employees or in the event of a conflict of interest. Staff members are regularly consulted on potential conflicts of interest. Ten consultations on specific cases of potential conflicts of interest happened in 2023, and five withdrawals by staff members were approved.

In 2023 The Company did not have any transactions or agreements with the members of its Supervisory Council and the Board. More information regarding transactions with related parties is presented in the Explanatory note to the Company's financial statements for 2023.

Before appointing employees, KN takes all reasonable steps to ensure that Company employs persons of good reputation and trustworthiness, taking into account the functions of the prospective employee and the relevant corruption risks. KN has approved the list of positions for which applications are subject to screening by the Special Investigation Service of the Republic of Lithuania). In 2023, at the request of KN, this institution carried out 14 background checks on potential KN employees.

### CORRUPTION PREVENTION MEASURES IN KN

| PREVENTION AREA | MEASURES IMPLEMENTED | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|
| Impeccable reputation and reliability of employees | Total inspections | 59 (+ in 8 Açu)* | 49 (+ in 19 Açu)* | 25 | 38 |
| | Inspections by the Special Investigation Service (from total) | 14 | 8 | 10 | 7 |
| Business partners' due diligence | Inspections, total | 41 | 47 | 16 | 18 |
| Interest management | Official public declarations of private interests submitted to the PINREG database | 173 | 170 | 163 | 134 |
| | Withdrawals | 5 | 4 | 2 | 1 |
| | Provided consultations | 10 | 36 | 32 | 16 |
| | Conflicts of interest | 0 | 0 | 0 | 0 |

*Since 2022- the measure is also being applied in Açu.
** In 2023 KN also conducted an anonymous survey of KN employees' tolerance for corruption (33% of employees participated, higher participation rate compared to 2022 with 30%). It revealed that the level of intolerance of corruption in KN is quite high: 96% of employees would report cases of corruption, i.e. would not tolerate corruption (3% increase compared to 2022 (93%)); 84% of employees know whom to report corruption to; the number of people who believe that corruption is not widespread in KN remained 99% (in 2022- 99%).

KN's internal website has a separate dedicated section, "Corruption Prevention". It provides employees with relevant information related to the process of declaring private interests in the PINREG system, as well as relevant links to internal documents and procedures related to corruption prevention, implemented anti-corruption measures, links to anti-corruption training on the Special Investigation Service e-learning platform and training conducted by the Transparency Academy.

The risk management system within the Company operates efficiently by assessing all corporate functions, establishing a prioritised list of risks, and regularly reporting to the Board, thereby managing, and mitigating the risks identified. Other measures implemented in the Company, such as the risk register in the document management system, the streamlining of the stakeholder verification process, and the periodic audits of the various Company's functions, have also contributed to the improved rating.

The Company is politically neutral and does not contribute financially to political parties, groups, or politicians. KN adheres to the Law on Charity and Sponsorship, as well as guidance by SIS, which governs the allocation and provision of the Company's support for public benefit purposes. The Company has a Procedure for awarding support (publicly available on www.kn.lt), which sets out the main principles and guidelines for donations, the criteria, and priorities for allocating support. However, in 2023, KN didn't provides financial support.

## PROCUREMENT PRACTICES

KN regularly carries out high-value procurement procedures. When performing the procedure, it is essential to ensure transparency, corruption prevention, and effective and sustainable use of resources. In addition, KN aims to ensure that confidential information is not disclosed during the procurement process and that due diligence is carried out on business partners, service providers or other third parties before contracts are signed.

While planning and implementing procurements and the performance of procurement agreements, KN acts following the provisions of the Law of the Republic of Lithuania on Procurement by Entities Operating in the Water, Energy, Transport, and Postal Services Sectors (further – the Law on Public Procurement), other legislation regulating procurement and applicable to the Company, or follows good commercial practice even then the Law does not apply to specific procurements. KN has internal procurement standards that meet and even exceed the Law on Public Procurement requirements.

The planning, conduct and conclusion of procurement are governed by Company's documents specifically designed to regulate procurement: the Procurement Procedure, the Procurement Committee Regulations and the Procedure for the Organisation of Small Value Procurement. KN's procurement is planned, and the Procurement Summary is published following the procedure in the Law on Public Procurement. The Company's procurement is usually carried out by the Procurement Organiser (for low-value procurement) or the Procurement Commission (for higher-value procurement).

All persons involved in the Company's procurement activities, and those who can directly or indirectly influence them, must sign declarations of impartiality and confidentiality undertakings. To prevent potential conflicts of interest, all employees of the Company involved in the organisation's procurement processes must declare their private interests through the publicly available PINREG database of the Chief Ethics Commission system of the Chief Ethics Commission.

The Company makes its procurement contracts publicly available following the procedures laid down by the Law. KN also prepares and submits to the Public Procurement Service of the Republic of Lithuania a report on procurement procedure for each procurement carried out (where required by the Law) and a report on purchase contracts for all purchase contracts concluded in a calendar year.

Since 2021, the Ecocost Procurement Management System has been used to manage the entire procurement process. All procurement activities are carried out electronically, with all actions recorded and multi-level controls over decision-making installed. There is also a strong focus on procurement analytics to identify weaknesses in the process and make the necessary decisions. Daily, more than 10 indicators on ongoing procurement (number of bids; staff occupancy; cancellations, etc.) are monitored. These indicators are used as a basis for decision-making during the procurement process.

In 2023 continuously from 2022 additional attention was given to increasing the efficiency of processes: the main procurement procedures were revised, and much attention was paid to improving the competencies of employees who initiate procurement in the field of procurement planning. For that purpose, various pieces of training were organised, and methodological materials were prepared.

**CODE OF ETHICS FOR SUPPLIERS**
**INTEGRATED INTO PROCUREMENT PROCESS AND INCLUDES SUSTAINABILITY IMPLEMENTATION PRACTISES**

Since 2023, according to national regulation, all procurement (100%) has to be green – therefore, KN's goal is to have 100% of such purchases. In 2023, 100% of KN's purchases by value met the green procurement criteria comparing to 50% in 2022. To ensure 100% green procurement, Company is actively working with current and possible service providers (conducting market research and consultations), integrating environmental requirements in planned purchases, and conducting training of procurement organisers and members of procurement commissions on the establishment and application of green criteria.

Since 2024, KN has approved the Code of Ethics for Suppliers, which is integrated into the procurement process. By applying this management practice, suppliers are introduced to the main ethical standards and behaviours together with sustainability implementation practises, which KN expects from suppliers who participate on public procurements and execute contracts signed with KN.

## ASSET INTEGRITY AND INCIDENT MANAGEMENT

Following the Law on the Protection of Objects Important for Ensuring the National Security of the Republic of Lithuania, KN is included in the second category list of companies essential for ensuring national security, also liquid energy product terminals managed by the Company in Klaipėda and Subačius, as well as LNG terminal, are treated as facilities and assets essential for ensuring national security. The individual requirements are provided in the legal acts aimed at ensuring the safety of the terminals. And they are followed both in internal procedures and cooperation with the institutions that ensure safety.

For example, according to the Resolution of the Government of the Republic of Lithuania No. 746 of July 25th 2018, on establishing protection zones for facilities and assets of national security, a 50-meter protection zone is established from the territory where the Klaipėda Liquid Energy terminal operates. It should also be noted that to manage the risks associated with a possible physical breach of the Klaipėda LNG terminal, a 250-meter preventive physical protection zone is set up around the LNG terminal, where all activities are unrelated to the LNG terminal are prohibited or restricted. The terminal is guarded by Public Security Service (PSS) officers, who follow their own approved security procedures. Further details on regulations concerning the safety requirements of the terminals cannot be disclosed due to confidentiality requirements.

Since Russia invaded Ukraine in February 2022, Company has been closely monitoring and analysing the situation, and the level of protection of the infrastructure managed by KN has been increased accordingly. For example, LNG gas carriers arriving in Klaipėda are being escorted by the Lithuanian Naval Force and officers of the Lithuanian Police Anti-Terrorist Operations Unit ARAS. The protection of other KN terminals was also enhanced. We regularly consult and exchange information with the relevant authorities. The overall threat level is not changed now, as we have no such indications from the authorities responsible for national security issues.

In the context of the war in the neighbouring region, we also reviewed potential threat scenarios for our operational and business continuity. We assessed the need for additional measures and implemented them. For example, in 2022, KN invested about 0.4 million euros in ensuring the Company's operational continuity during extreme situations in energy security. After reviewing possible energy supply interruption scenarios, we implemented additional measures to guarantee alternative energy sources to ensure KN's critical functions. Diesel generators were purchased to provide the necessary electricity to operational processes, boiler burner adaption to combined operation mode was implemented, and emergency lighting equipment was installed.

**ACTIVITIES ON IMPROVING AND STRENGTHENING SECURITY OF LNG TERMINAL STARTED IN 2023**

**INVESTMENT OF 1.5 MILLION EUR**

In the first half of 2023 KN completed an international tender and is working with a contractor on the installation of security technical measures, strengthening the protection of the LNG terminal and increasing the capabilities of the Public security service officers guarding the LNG terminal to control underwater threats. The work is being carried out according to the work schedule stipulated in the contract. Improving and strengthening security is an ongoing process – tools are improving and new opportunities to increase security are emerging, requiring constant attention and interagency cooperation. This equipment installed by KN is a component of the whole system. The acquired equipment will be integrated together with the systems of other institutions, additionally strengthening the security of the terminal in a complex manner. The price of the concluded contract is about 1.5 million. EUR.

Various Regulations on the prevention, response, and investigation of industrial accidents that a valid in Lithuania state that the safe use of hazardous establishments and safety control is the responsibility of the operator of the terminals. The operator must ensure the safe use of the dangerous establishment, take the necessary measures to prevent accidents and limit their consequences for the population and the environment. Therefore, prevention of and response to incidents is one of the key topics for KN.

The internal emergency plans for the LNG and liquid energy terminals are periodically reviewed and updated, training is carried out, and information on the safety status and preventive measures in place is provided to the authorities at the required frequency and for communities. In an industrial accident, KN staff and the responsible authorities would respond following the plans drawn up and agreed upon, and residents would be informed accordingly.

The Company is constantly investing in safety measures and activities related to employees' readiness for emergencies (by regularly organising relevant employee training) and measures to increase civil safety. Since 2022, in the context of the events in Ukraine, KN paid much attention to the review of response processes, communication and information-sharing practices, and the preparation of employees. Training on resilience was organised with internal discussions about how to behave during a war, civil safety training was also organised for Vitė and Melnragė community representatives. Safety information for the public is available at KN's website: https://www.kn.lt/zmones-ir-tvari-veikla/saugos-informacija-visuomenei/3945

## CYBERSECURITY AND DATA PROTECTION

Cyber risks are the potential for unauthorised access, use, disclosure, disruption, modification, or destruction of data and systems by cybercriminals or malicious actors. KN manages the country's critical energy infrastructure and is one of the potential targets of cyber-attacks. Therefore, cyber security is one of the priority areas to ensure the safety of the Company's data, processes, infrastructure, and operations.

The National Cyber Security Centre under the Ministry of Defence evaluates the readiness of the most important entities for cyber defence, gives additional instructions on the essential measures that must be implemented, and provides intelligence related to preventive cyber defence. The same applies in the case of KN, and Company's management is responsible for applying relevant measures. KN's cyber security is governed by the KN Information and Cyber Security Policy, publicly available on KN's website, and Information Security Risk Management Guidelines, including organisational and technical provisions of the Cyber Law of Lithuania. The Company has also set minimal information and cyber security requirements for third parties. Information can be found following this link: https://www.kn.lt/apie-mus/veiklos-dokumentai/informacijos-ir-kibernetinis-saugumas/2649

It is important to note that Lithuania has already taken the threats posed by the Eastern neighbourhood seriously, and the institutions' demands regarding business continuity and cyber security were relatively high even before the war in Ukraine started. Therefore, KN continuously invested in respective areas to improve Company's resilience to cyber threats. KN's regular activities in the sphere of cybersecurity include threats intelligence, vulnerability management, security assessments, protection and detection capabilities, and business continuity management. In addition, employee training on these topics, following the best cybersecurity practices, is being organised regularly.

At the beginning of Russia's invasion of Ukraine and during 2023, KN observed a several-fold increase in the flow of malicious emails and cyber-attacks attempting to compromise the Company's IT infrastructure. However, no significant incidents occurred, as preventive measures were applied promptly and appropriately. Furthermore, KN initiated additional measures to strengthen detection and recovery capabilities. KN does not outsource operational business processes (e.g., IT services) to Russian or Belarussian service providers.

KN constantly assesses and improves its internal legislation and processes of personal data protection. Key documents which define data handling and storage processes and ensuring data privacy in KN are the Personal Data Privacy Policy, Website Visitor Privacy and Cookie Policy, Guidelines of Personal Data Processing and Personal Data Privacy Policy for candidates for positions of employees, interns and governing and supervisory bodies.

KN has a dedicated Data Protection Officer who monitors the compliance of KN with all data protection legislation, including audits, awareness-raising and training of staff involved in data processing operations. The officer also ensures that the Company receives timely information about its obligations and is in a position to implement them properly.

The Company has sustained its General Data Protection Regulation (GDPR) initiatives by enhancing the quality of personal data registers in 2023. Policies have been updated to align with the current Company situation, ensuring relevance and compliance. KN employees were introduced with all updates made to ensure their awareness of actual regulations applied. Additionally, investments have been made in educating employees about the nature of personal data gathered through their activities, fostering awareness and understanding. Training on how to manage personal data appropriately is mandatory for all employees. It is carried out once a year and was implemented in 2023 as well.

In 2023, KN did not receive any complaints regarding improper processing of personal data in any of its operations.

# GRI INDEX

| | |
|---|---|
| Statement of use | AB "KN Energies" has reported the information cited in GRI content index for the period 1st January – 31st December, 2023 with reference to GRI Standards. |
| GRI 1 used | GRI 1: Foundation 2021 |

| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| GRI 2: General disclosures 2021 | 2-1 Organizational details | General information, p. 65-68 |
| | 2-2 Entities included in the reporting (partly) | Boundaries of the report, p. 162 |
| | 2-3 Reporting period, frequency and contact person | At the end of GRI Index |
| | 2-6 Activities, value chain and other business relationships (partly) | About the Company, p. 71-81 |
| | 2-7 Employees | Employees, p. 113-118 |
| | 2-16 Communication of critical concerns | Prevention of corruption, p. 203-205 |
| | 2-19 Remuneration policy (partly) | Remuneration policy, p. 191-192 |
| | 2-20 Process to determine remuneration (partly) | Remuneration policy, p. 191-192 |
| | 2-21 Annual total compensation ratio | Remuneration policy, p. 191-192 |
| | 2-22 Statement on sustainable development strategy (partly) | CEO foreword, p. 69-70 |
| | 2-26 Mechanisms for seeking advice and raising concerns | Prevention of corruption, p. 203-205 |
| | 2-27 Compliance with laws and regulations | Compliance, p. 166 |
| | 2-29 Stakeholder engagement (partly) | Stakeholders, p. 167-169 |
| | 2-30 Collective bargaining agreements | Collective bargaining agreements p. 190 |

### MATERIAL TOPIC: SUSTAINABILITY MANAGEMENT

| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| GRI 3: Material topics 2021 | 3-1 Process to determine material topics | Material topics, p. 171-172 |
| | 3-2 List of material topics | Material topics, p. 171-172 |
| | 3-3 Management of material topics (partly) | Whole report – in the parts related to specific material topics |

In the tables below additional GRI disclosures for every material topic (not mentioning disclosure 3-3 – management of material topics – for each topic in the tables once more) are provided.

Where no thematic GRI Standard is relevant or used, only location of information about management of the material topic is provided.

### MATERIAL TOPIC: AIR EMISSIONS

| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| GRI 305: Emissions 2016 | 305-7 NOx, SOx and other significant air emissions (partly) | Other significant air emissions, p. 178-180 |

### MATERIAL TOPIC: ENERGY USE

| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| GRI 302: Energy 2016 | 302-1 Energy consumption inside the organisation (partly) | Energy consumption, p. 177-178 |
| | 302-4 Reduction of energy consumption (partly) | Energy consumption, p. 177-178 |

### MATERIAL TOPIC: GREENHOUSE GAS EMISSIONS

| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| GRI 305: Emissions 2016 | 305-1 Scope 1 emissions | GHG emissions, p. 176-178 |
| | 305-2 Scope 2 emissions | GHG emissions, p. 176-178 |
| | 305-3 Scope 3 emissions | GHG emissions, p. 176-178 |
| | 305-4 GHG emission intensity | GHG emissions, p. 176-178 |
| | 305-5 Reduction of GHG emissions | GHG emissions, p. 176-178 |

### MATERIAL TOPIC: WASTE

| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| GRI 306 Waste 2020 | 306-1 Waste generation and related impacts (partly) | Waste management, p. 182-184 |
| | 306-3 Waste generated | Waste management, p. 182-184 |
| | 306-4 Waste diverted from disposal (partly) | Waste management, p. 182-184 |
| | 306-5 Waste diverted to disposal (partly) | Waste management, p. 182-184 |

### MATERIAL TOPIC: WATER AND EFFLUENTS

| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| GRI 303 Water and effluents 2018 | 303-1 Interaction with water as a shared resource (partly) | Water and sewage, p. 180-182 |
| | 303-2 Management of water discharge related impacts (partly) | Water and sewage, p. 180-182 |
| | 303-3 Water withdrawal (partly) | Water and sewage, p. 180-182 |
| | 303-4 Water discharge (partly) | Water and sewage, p. 180-182 |
| | 303-5 Water consumption | Water and sewage, p. 180-182 |

### MATERIAL TOPIC: COMPETITIVE REMUNERATION POLICY

| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| GRI 2: General disclosures 2021 | 2-19 Remuneration policy (partly) | Remuneration policy, p. 191-192 |
| | 2-20 Process to determine remuneration (partly) | Remuneration policy, p. 191-192 |
| | 2-21 Annual total compensation ratio | Remuneration policy, p. 191-192 |

### MATERIAL TOPIC: EMPLOYMENT AND NEW EMPLOYEE HIRES

| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| GRI 401: Employment 2016 | 401-1 New employee hires and employee turnover | Employees, p. 186-190 |
| | 401-3 Parental leave | Employees, p. 186-190 |

### MATERIAL TOPIC: EMPLOYEE COMPETENCE DEVELOPMENT AND TURNOVER

| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| GRI 404: Training and education 2016 | 404-1 Average training hours of training per employee (partly) | Development of competences, p. 193-194 |
| | 404-2 Programs for upgrading skills and transition assistance | Development of competences, p. 193-194& Employees, p. 186-190 |
| | 403-3 Percentage of employees receiving regular performance and development reviews | Development of competences, p. 193-194 |

### MATERIAL TOPIC: EMPLOYEE ENGAGEMENT, EMPOWERMENT AND SATISFACTION

| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| - | - | Employee engagement and satisfaction, p. 193 |

### MATERIAL TOPIC: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| GRI 2: General disclosures 2021 | 2-30 Collective bargaining agreements | Collective bargaining agreement, p. 190 |

### MATERIAL TOPIC: LOCAL COMMUNITIES AND SOCIAL INITIATIVES

| GRI STANDARD | DISCLOSURE | LOCATION |
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| GRI 413: Local communities 2016 | 413-1 Operation with local community <...> programs (partly) | Stakeholders, p. 167-169<br>Communication on environmental impact, p. 174-175<br>Complaints, p. 175<br>Consultation on OHS issues, p. 195<br>Local communities, p. 200-201<br>Prevention of corruption, p. 203-206 |

### MATERIAL TOPIC: NON-DISCRIMINATION AND EQUAL OPPORTUNITY

| GRI STANDARD | DISCLOSURE | LOCATION |
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| GRI 405: diversity and equal opportunity 2016 | 405-1 Diversity of governing bodies and employees (partly) | Employees and equal opportunity, p. 186-190 |
| | 405-2 Ratio of basic salary and remuneration (partly) | Remuneration policy p. 191-192<br>Gender pay gap p. 192-193 |
| GRI 406: Nondiscrimination 2016 | 406-1 Incidents of discrimination and actions taken | Impact management and protection of human right, p. 184-186 |

### MATERIAL TOPIC: OCCUPATIONAL HEALTH AND SAFETY

| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| GRI 403 Occupational health and safety 2018 | 403-1 OHS management system | Occupational health and safety, p. 195-199 |
| | 403-2 Hazard identification, risk assessment and incident investigation | Occupational health and safety, p. 195-199 |
| | 403-3 Occupational health services (partly) | Occupational health and safety, p. 195-199 |
| | 403-4 Worker participation, consultation and communication on OHS issues | Occupational health and safety, p. 195-199 |
| | 403-5 Worker training on OHS | Occupational health and safety, p. 195-199 |
| | 403-6 Promotion of worker health (partly) | Occupational health and safety, p. 195-199 |
| | 403-7 Prevention and mitigation of OHS impacts linked to business relationships (partly) | Occupational health and safety, p. 195-199 |
| | 403-9 Work related injuries (partly) | Occupational health and safety, p. 195-199 |

### MATERIAL TOPIC: ASSET INTEGRITY AND INCIDENT MANAGEMENT

| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| GRI 303 Effluents and waste 2016 | 303-3 Significant spills | Incidents, p. 196<br>Additional information on topic management: Asset integrity and incident management, p. 207-208 |

### MATERIAL TOPIC: CLIMATE ADAPTATION, RESILIENCE, AND SUSTAINABLE INNOVATION AND TRANSFORMATION

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| - | - | Strategy and sustainable transformation, p. 164-165<br>Climate risks and adaptation, p. 170-171 |

### MATERIAL TOPIC: COMPLIANCE

| GRI STANDARD | DISCLOSURE | LOCATION |
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| GRI 2: General disclosures 2021 | 2-27 Compliance with laws and regulations | Compliance, p. 166 |

### MATERIAL TOPIC: CYBER SECURITY AND DATA PROTECTION

| GRI STANDARD | DISCLOSURE | LOCATION |
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| - | - | Cybersecurity and data protection, p. 208 |

### MATERIAL TOPIC: PAYMENT TO GOVERNMENTS AND TAXES

| GRI STANDARD | DISCLOSURE | LOCATION |
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| - | - | Taxes, p. 165 |

### MATERIAL TOPIC: PREVENTION OF ANTI-COMPETITIVE BEHAVIOUR

| GRI STANDARD | DISCLOSURE | LOCATION |
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| - | - | Prevention of anti-competitive behaviour, p. 202 |

### MATERIAL TOPIC: PREVENTION OF CORRUPTION

| GRI STANDARD | DISCLOSURE | LOCATION |
|---|---|---|
| GRI 205: Anti-corruption 2016 | 205-1 Operation assessed for risks related to corruption (partly) | Prevention of corruption, p. 203-205 |
| | 205-2 Communication and training (partly) | Prevention of corruption, p. 203-205 |
| | 205-3 Confirmed incidents and actions taken | Prevention of corruption, p. 203-205 |

### MATERIAL TOPIC: PROCUREMENT PRACTICES

| GRI STANDARD | DISCLOSURE | LOCATION |
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| - | - | Procurement practises, p. 205 |

Reporting period for sustainability related matter is aligned with reporting period for financial reporting (1st January - 31rd December, annually).

Contact person for sustainability related matters and this report:

Živilė Savciakitė, KN Head of Sustainability (z.savickaite@kn.lt)

More information on KN’s sustainability: www.kn.lt

# ABBREVIATIONS

| ABBREVIATION | MEANING |
|---|---|
| APM | Alternative performance measures |
| CCS | Carbon capture and storage |
| CEO | Chief Executive Officer |
| CO2 | Carbon dioxide |
| comLNG | Commercial LNG activities |
| D/E | Debt ratio |
| DSCR | Debt service coverage ratio |
| EC | European Commission |
| ESG | Environmental, social, and governance |
| EU | European Union |
| FSRU | Floating Storage with Regasification Unit |
| GHG | Greenhouse gas |
| GRI | Global Reporting Initiative |
| HFO | Heavy oil products |
| IR | Frequency of near misses or potential safety incidents |
| KLET | Klaipėda Liquid Energy Terminal |
| KN, Company | AB KN Energies |
| LET | Liquid Energy Terminals |
| LNG | Liquified Natural Gas |
| LNGT | Klaipėda LNG Terminal |
| LP | Light oil products |
| LTIR | Occupational accident frequency rate |
| NERC | National Energy Regulation Council |
| O&M | Operations and Maintenance |
| OHS | Occupational Health and Safety Management System |
| PCI | Project of Common Interest |
| RAB | Regulated asset base |
| ROA | Return on assets |
| ROCE | Return on Capital Employed |
| ROE | Return on equity |
| SLET | Subačius Liquid Energy Terminal |
| ssLNG | Small-scale LNG terminal |
| TRCF | Total recordable case frequency |
| USA | United States of America |
| VAT | Value Added Tax |
| VOC | Volatile organic compound |
| WACC | Rate of return on investments of regulated activities |