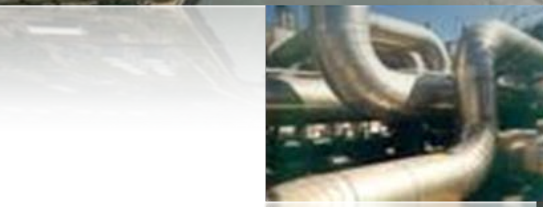
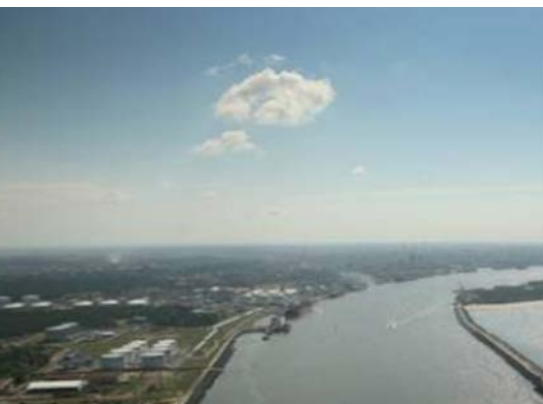


**SC KLAIPĖDOS NAFTA  
INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX  
MONTHS PERIOD ENDED 30 JUNE 2013 PREPARED ACCORDING  
TO INTERNATIONAL FINANCIAL REPORTING STANDARDS, AS  
ADOPTED BY THE EUROPEAN UNION  
(UNAUDITED)**



**SC KLAIPĖDOS NAFTA INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013  
(all amounts are in LTL thousand unless otherwise stated)**

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## Statement of financial position

	Notes	30 June <b>2013</b> <i>(unaudited)</i>	31 December <b>2012</b> <i>(audited)</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets		1,281	1,354
Property, plant and equipment	3	470,003	444,711
Investment into subsidiaries		1,000	1,000
Investment into associates		585	585
<b>Total non-current assets</b>		<b>472,869</b>	<b>447,650</b>
<b>Current assets</b>			
Inventories	4	1,522	1,134
Prepayments		496	438
Trade receivables	5	7,683	13,579
Other receivables	6	7,224	4,141
Other financial assets	7	16,171	13,234
Cash and cash equivalents	8	74,862	79,834
<b>Total current assets</b>		<b>107,958</b>	<b>112,360</b>
<b>Total assets</b>		<b>580,827</b>	<b>560,010</b>




*(cont'd on the next page)*

Explanatory note, set out on pages 9-17, is an integral part of these financial statements.

## Statement of financial position (cont'd)

	Notes	30 June <b>2013</b> <i>(unaudited)</i>	31 December <b>2012</b> <i>(audited)</i>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	1	380,606	380,606
Share premium		13,512	13,512
Legal reserve		24,611	22,561
Reserve for own shares		55,000	55,000
Other reserves		62,273	23,727
Retained earnings		21,423	41,006
<b>Total equity</b>		<b>557,425</b>	<b>536,412</b>
<b>Non-current liabilities</b>			
Deferred income tax liability		7,152	7,194
Non-current employee benefits		896	816
<b>Total non-current liabilities</b>		<b>8,048</b>	<b>8,010</b>
<b>Current liabilities</b>			
Trade payables	9	7,054	7,157
Payroll related liabilities	10	4,864	3,869
Provisions		366	164
Income tax payable		2,253	2,524
Prepayments received		-	53
Dividends payable		39	39
Other payables and current liabilities	11	778	1,782
<b>Total current liabilities</b>		<b>15,354</b>	<b>15,588</b>
<b>Total equity and liabilities</b>		<b>580,827</b>	<b>560,010</b>

Explanatory note, set out on pages 9-17, is an integral part of these financial statements.




<u>General Manager</u>	<u>Rokas Masiulis</u>		<u>29 August 2013</u>
<u>Director of Finance and Administrative Department</u>	<u>Mantas Bartuška</u>		<u>29 August 2013</u>
<u>Head of Accounting Department</u>	<u>Rasa Gudė</u>		<u>29 August 2013</u>

**SC KLAIPĖDOS NAFTA INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013  
(all amounts are in LTL thousand unless otherwise stated)**

## Statement of comprehensive income

	Notes	For the six months period ended 30 June <b>2013</b> <i>(unaudited)</i>	For the three months period ended 30 June <b>2013</b> <i>(unaudited)</i>	For the six months period ended 30 June <b>2012</b> <i>(restated)</i>	For the three months period ended 30 June <b>2012</b> <i>(restated)</i>
Sales	12	72,070	29,917	68,105	30,695
Cost of sales	13	<u>(41,326)</u>	<u>(17,490)</u>	<u>(40,670)</u>	<u>(17,824)</u>
<b>Gross profit</b>		<b>30,744</b>	<b>12,427</b>	<b>27,435</b>	<b>12,871</b>
Operating expenses		(5,928)	(2,946)	(3,884)	(1,995)
Other income		50	26	24	20
<b>Profit from operating activities</b>		<b>24,866</b>	<b>9,507</b>	<b>23,575</b>	<b>10,896</b>
Income from financial activities	14	352	205	1,264	516
Loss from financial activities	14	<u>(47)</u>	<u>(28)</u>	<u>(27)</u>	<u>(25)</u>
<b>Profit before income tax</b>		<b>25,171</b>	<b>9,684</b>	<b>24,812</b>	<b>11,387</b>
Income tax expense		<u>(3,748)</u>	<u>(1,468)</u>	<u>(3,818)</u>	<u>(1,752)</u>
<b>Net profit</b>		<b>21,423</b>	<b>8,216</b>	<b>20,994</b>	<b>9,635</b>
Other comprehensive income (expenses)		-	-	-	-
<b>Total comprehensive income</b>		<b>21,423</b>	<b>8,216</b>	<b>20,994</b>	<b>9,635</b>
Basic and diluted earnings (losses) per share, in LTL	15	0.06	0.02	0.06	0.03




Explanatory note, set out on pages 9-17, is an integral part of these financial statements.

General Manager	Rokas Masiulis		29 August 2013
Director of Finance and Administrative Department	Mantas Bartuška		29 August 2013
Head of Accounting Department	Rasa Gudė		29 August 2013

## Statement of changes in equity

Notes	Share capital	Share premium	Legal reserve	Reserve for own shares	Other reserves	Retained earnings	Total
<b>Balance as at 31 December 2011 (after the change of accounting policy)</b>	<b>342,000</b>	-	<b>19,000</b>	-	<b>68,043</b>	<b>70,795</b>	<b>499,838</b>
Net profit for the six months	-	-	-	-	-	20,994	20,994
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	20,994	20,994
Dividends declared	-	-	-	-	-	(56,981)	(56,981)
Transfers between reserves	-	-	3,561	55,000	(44,316)	(14,245)	-
Increase in share capital	38,606	13,512	-	-	-	-	52,118
<b>Balance as at 30 June 2012 (unaudited)</b>	<b>380,606</b>	<b>13,512</b>	<b>22,561</b>	<b>55,000</b>	<b>23,727</b>	<b>20,563</b>	<b>515,969</b>
<b>Balance as at 31 December 2012 (audited)</b>	<b>380,606</b>	<b>13,512</b>	<b>22,561</b>	<b>55,000</b>	<b>23,727</b>	<b>41,006</b>	<b>536,412</b>
Net profit for the six months	-	-	-	-	-	21,423	21,423
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	21,423	21,423
Dividends declared	-	-	-	-	-	(410)	(410)
Transfers between reserves	-	-	2,050	-	38,546	(40,596)	-
<b>Balance as at 30 June 2013 (unaudited)</b>	<b>380,606</b>	<b>13,512</b>	<b>24,611</b>	<b>55,000</b>	<b>62,273</b>	<b>21,423</b>	<b>557,425</b>

Explanatory note, set out on pages 9-17, is an integral part of these financial statements.

General Manager	Rokas Masiulis		29 August 2013
Director of Finance and Administrative Department	Mantas Bartuška		29 August 2013
Head of Accounting Department	Rasa Gudė		29 August 2013

## Cash flow statement

	Notes	For six months period, ended 30 June (unaudited)	
		<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities</b>			
Net profit	15	21,423	20,994
<b>Adjustments for noncash items:</b>			
Depreciation and amortization		12,337	11,168
Impairment and writing off of non-current tangible assets		-	255
Change in vacation reserve		296	(185)
Change in employee benefit liabilities		80	99
Change in allowance for doubtful receivables		(1)	(1)
Accrued emission rights		202	155
Accrued income		(474)	(71)
Income tax expenses		3,748	3,907
Interest income	14	(241)	(1,249)
		<b>37,370</b>	<b>35,072</b>
<b>Changes in working capital:</b>			
(Increase) decrease in inventories		(388)	(509)
Decrease (increase) in prepayments		(58)	(189)
Decrease (increase) in trade and other accounts receivable		5,896	145
Decrease (increase) in other receivables		(1,877)	(1,506)
Increase (decrease) in trade and other payables		(1,092)	(738)
(Decrease) increase in prepayments received		(53)	(49)
Increase (decrease) in other current liabilities and payroll related liabilities		(580)	599
		<b>39,218</b>	<b>32,825</b>
Income tax (paid)		(2,183)	(440)
Interest received		150	575
<b>Net cash flows from operating activities</b>		<b>37,185</b>	<b>32,960</b>
<b>Cash flows from investing activities</b>			
(Acquisition) of property, plant, equipment and intangible assets		(37,556)	(12,839)
(Acquisition) of investments held-to-maturity		(131,969)	(243,212)
Sales of investments held-to-maturity		127,778	331,222
<b>Net cash flows from investing activities</b>		<b>(41,747)</b>	<b>75,171</b>


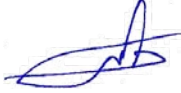

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Explanatory note, set out on pages 9-17, is an integral part of these financial statements.

## Cash flow statement (cont'd)

	Notes	<u>2013</u>	<u>2012</u> <i>(restated)</i>
<b>Cash flows from financing activities</b>			
Increase in share capital		-	6,627
Dividends (paid)		(410)	(56,981)
<b>Net cash flows from financing activities</b>		<u>(410)</u>	<u>(50,354)</u>
<b>Net increase (decrease) in cash flows</b>		<b>(4,972)</b>	<b>57,777</b>
<b>Cash and cash equivalents on 1 January</b>		<u>79,834</u>	<u>9,983</u>
<b>Cash and cash equivalents on 30 June</b>		<u>74,862</u>	<u>67,760</u>

Explanatory note, set out on pages 9-17, is an integral part of these financial statements.

<u>General Manager</u>	<u>Rokas Masiulis</u>		<u>29 August 2013</u>
<u>Director of Finance and Administrative Department</u>	<u>Mantas Bartuška</u>		<u>29 August 2013</u>
<u>Head of Accounting Department</u>	<u>Rasa Gudė</u>		<u>29 August 2013</u>



## Explanatory notes to financial statements

### 1 General information

SC Klaipėdos Nafta (hereinafter referred to as “the Company”) is a public limited liability company registered in the Republic of Lithuania. The address of its registered office is as follows: Burių str. 19, 91003 Klaipėda, Lithuania.

The main activities of the Company – oil products transshipment services and other related.

The Company was established by SC Naftos Terminalas (Lithuania) and Lancater Steel Inc. (USA) acquiring 51 and 49 per cent of shares respectively. The Company was registered on 27 September 1994.

As of 25 June 2013 all the shares were owned by 1,845 shareholders. The Company’s share capital – LTL 380,606,184 (three hundred eighty million six hundred six thousand one hundred eighty-four) is fully paid. It is divided into 380,606,184 (three hundred eighty million six hundred six thousand one hundred eighty-four) ordinary shares with a par value of one (1) LTL. 72.32 % of the shares (275,241,290 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 six months period in 2013. The Company’s shares are listed in the Baltic Secondary List on the NASDAQ OMX Vilnius Stock Exchange.

As of 31 June 2013 and 31 December 2012 the shareholders of the Company were:

	31 June <b>2013</b>		31 December <b>2012</b>	
	Number of shares held (thousand)	Part of ownership (%)	Number of shares held (thousand)	Part of ownership (%)
Government of the Republic of Lithuania represented by the Ministry of Energy	275,241	72.32	275,241	72.32
UAB Concern Achema Group	38,975	10.24	38,975	10.24
Other (less than 5 per cent each)	66,390	17.44	66,390	17.44
<b>Total</b>	<b>380,606</b>	<b>100.00</b>	<b>380,606</b>	<b>100.00</b>

The average number of employees on 30 June 2013 was 361 (312 – on 30 June 2012).

### 2 Accounting principles

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

The financial statements are presented in Litas and all values are rounded to the nearest thousand (LTL 000), except when otherwise indicated.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (hereinafter the EU).

The Company applies the same accounting policies and the same calculation methods in preparing Interim Financial Statements as they have been used for the Annual Financial Statements of the year 2012. The principles used in preparation of financial statements were presented in more detail in the Notes to the Financial Statements for 2012

### 3 Non-current tangible assets

In the first half of the year 2013 the Company continued works in the following projects:

- **Liquefied natural gas terminal project.** On 30 June 2011 SC Klaipėdos Nafta signed an Agreement with the Lead Adviser for preparation and implementation of liquefied natural gas (LNG) terminal's project – the international company FLUOR S.A. The Extraordinary General Shareholders' Meeting of SC Klaipėdos Nafta held on 27 July 2011 approved the conclusion of the Agreement. The Agreement provides for the Lead Adviser during four years to prepare the technical development plan of the Project, assist in selection of technologies, perform actions in order to get obligatory permits, solve the matters related to the safety of the project, navigation as well as other issues associated with the technical implementation of the Project. Further, the Adviser will perform works related to the economic part – will produce business model of the Terminal, financial model and develop strategy of the Terminal's performance. The Adviser will also supervise technical realization of the Project during its entire execution period - until the end of 2014 when the Terminal will start its activities.

On 2 March, 2012, the Company concluded Build, Operate and Transfer (BOT) lease contract with Hoegh LNG Ltd. regarding LNG Floating Storage and Regasification Unit (FSRU) with the right of its redemption providing that the delivery term of FSRU into the Seaport of Klaipėda should be 1 September, 2014 – 1 December, 2014.

On 18 March 2013 the Company to conclude the contract for Engineering and Construction Works of Port Infrastructure with Suprastructure with the winner of the international tender "Procurement of Engineering and Construction Works of Port Infrastructure (Jetty) with Suprastructure (Equipment) of Liquefied Natural Gas Terminal" of the Company, who proposed the lowest price for all the scope of works – Akciju sabiedrība (transl. -stock company) "BMGS". All the works under the Contract shall be finished till 1 October 2014.

As of 31 March 2013 the construction in progress of LNG Terminal's project amounted to LTL 35,835 thousand – the major part of which was payments of LTL 25,103 thousand paid according to the Agreement to the Lead Adviser for preparation and implementation of liquefied natural gas terminal's project as well as for legal and other research services.

On 6 May 2013 the Company concluded the Contract for Natural Gas Pipeline System Engineering, Procurement and Construction (EPC) Works (hereinafter, the Contract) with German concern PPS Pipeline Systems GmbH, the winner of "Procurement of Engineering, Procurement and Construction (EPC) Works for Natural Gas Pipeline System". Under the Contract natural gas pipeline system engineering, procurement and construction works, necessary in constructing the connection between the Liquefied Natural Gas Terminal's jetty within the water area of the Klaipėda State Sea Port (near the northern part of the Kiaulės Nugaras island) and the Lithuanian natural gas transportation system (gas pipeline Jurbarkas-Klaipėda (section Tauragė-Klaipėda) near Klaipėda DSS-2 (gas distribution station) by Kiškėnų village, Dovilų sub-district, Klaipėda district municipality). The Works are to be performed by 1 August 2014.

As of 30 June 2013 the investments into implementation of LNG Terminal's project amounted to LTL 58,581 thousand – the major part of which was comprised of advance payments of LTL 31,383 thousand paid according to the Agreement to the Lead Adviser for preparation and implementation of liquefied natural gas terminal's project as well as for legal and other research services.

- **Reconstruction of HFO (i.e. heavy fuel oil products) storage tank park,** which involves demolishing of 4 storage tanks with the capacity 5,000 m<sup>3</sup> and construction of 2 storage tanks with the capacity 32,250 m<sup>3</sup>. The investment will increase flexibility of the Company's reloading activities thus enabling to reload additional flows of oil products and will make the Terminal more attractive to its clients by giving them an opportunity to accumulate greater batches (up to 90 thousand tonnes) of the products. The investment amounts to LTL 29 million. The Company intends to complete construction at the end of 2013. The total value of the works performed amounted to LTL 13.557 thousand.

At the site of the universal storage tanks under construction the Company plans updating of the piping of the existing storage tanks of oil products that will provide technical possibility to accommodate part of the HFO storage tanks for reloading of LFO (i.e. light oil products).

- **Utilization of carbohydrate vapours from railway trestles.** On 10 June 2010 the Company started its investment project "Procurement of vapour recovery unit" after implementation of which the environment pollution will be reduced. The Company has already invested LTL 5,982 thousand into this project. The total amount of investments into the project "The Procurement of vapour recovery unit" will amount about LTL 7,000 thousand.
- **Updating of HFO unloading system of rail gantry track 1.** The total value of the works performed amounted to LTL 5,639 thousand.

### 3 Non-current tangible assets

The depreciation charge of the Company's property, plant and equipment for the first half of 2013 amounts to LTL 12,165 thousand (LTL 11,168 thousand – in the first half of 2012). LTL 12,014 thousand of depreciation charges have been included into cost of sales (LTL 10,985 thousand – in 2012), LTL 45 thousand depreciation charges (LTL 34 thousand – in the first half of 2012) reclassified into inventories and the remaining amount has been included into operating expenses.

### 4 Inventories

	30 June <b>2013</b>	31 December <b>2012</b>
Oil products, for sale	570	362
Spare parts, construction materials and other inventories	952	772
	<b>1,522</b>	<b>1,134</b>

As of 30 June 2013 the Company had accounted write-off of inventories in the amount of LTL 6,235 thousand (LTL 6,168 thousand on 31 December 2012), that have been written off down to the net realisable value. The Company makes write-off the inventories to the net realisable value if they are not used for more than 6 months.

Write-off has been accounted for mostly construction materials and spare parts, which were not used during the reconstruction (1996 – 2005).

As of 30 June 2013 the Company stored 145.1 thousand tons of oil products delivered for transshipment in its storage tanks (148.2 thousand tons as on 31 December 2012). Such oil products are not recognised in the Company's financial statements, they are accounted for in the off-balance sheet accounts as the Company has no ownership rights into oil products.

Oil products for sale are energy products collected in the Waste Water Treatment Facilities. On 30 June 2013 the Company stored 1,963 tons of oil products collected in its Waste Water Treatment Facilities (31 December 2012 – 1,162 tons).

### 5 Trade receivables

	30 June <b>2013</b>	31 December <b>2012</b>
Receivables for trans-shipment of oil products and other related services	7,683	13,579
	<b>7,683</b>	<b>13,579</b>

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

On 30 June 2013 trade debts to the Company in the amount of LTL 813 thousand were denominated in EUR (LTL 3,012 thousand – on 31 December 2012).

### 6 Other receivables

	30 June <b>2013</b>	31 December <b>2012</b>
Accrued income	2,789	2,315
VAT receivable	4,370	1,715
Accrued interest on term deposits	1	46
Other receivables	77	78
	7,237	4,154
Less: impairment allowance	(13)	(13)
	<b>7,224</b>	<b>4,141</b>

Change in allowance for receivables has been included into operating expenses in the Statement of Comprehensive income.

## 7 Other financial assets

	30 June 2013	31 December 2012
<b>Loans and receivables</b>		
Cession of rights in Vnesekonom bank	100	100
Loan to UAB „Žavesys“	356	356
Less: impairment allowance for receivables	(456)	(456)
<b>Total loans and receivables</b>	<b>-</b>	<b>-</b>
<b>Investments held- to-maturity</b>		
Short-term deposits	12,000	-
Investments into the state government bonds of the Republic of Lithuania	4,171	9,474
Investments into the government bonds of Lithuanian banks	-	3,760
<b>Total investments held-to-maturity</b>	<b>16,171</b>	<b>13,234</b>
Total other financial assets	16,171	13,234
Current part	16,171	13,234
Non-current part	-	-

Carrying values of other financial assets are denominated in the following currencies:

Currency	30 June 2013	31 December 2012
EUR	16,171	10,648
LTL	-	2,586
	<b>16,171</b>	<b>13,234</b>

On 24 January 2003 AB „Naftos terminalas“, as a part of settlement for the shares acquired, transferred to the Company the right of demand for the deposit of USD 95,266 thousand (or LTL 277,243 thousand) in the liquidated Vnesekonom bank and the right to the loan provided to UAB “Zavesys”. Cost of sales of the right in the liquidated Vnesekonom bank amounts to LTL 100 thousand. The Company’s Management considers the receivables subject to the acquired rights of demand to be doubtful therefore they have been accounted for by cost less 100 per cent allowance.

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

## 8 Cash and cash equivalents

	30 June 2013	31 December 2012
Cash at bank	60,862	67,221
Short-term deposits	14,000	12,613
	<b>74,862</b>	<b>79,834</b>

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

Currency	30 June 2013	31 December 2012
EUR	36,182	22,523
LTL	38,679	57,311
	<b>74,861</b>	<b>79,834</b>

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

## 9 Trade debts and other payables

	30 June <b>2013</b>	31 December <b>2012</b>
Payable to contractors	3,438	1,985
Payable for rent of land	512	504
Payable for railway services	212	594
Other trade payables	2,892	4,074
	<b>7,054</b>	<b>7,157</b>

Trade payables are non-interest bearing and are normally settled on 30-day payment terms. On 30 June 2013 trade payables of LTL 608 thousand were denominated in EUR (LTL 87 thousand – on 31 December 2012).

## 10 Liabilities related to labour relations

As of 30 June 2013 the Company's liabilities, related to labour relations, were basically comprised of vacation reserve of LTL 2,046 thousand, social insurance payable of LTL 829 thousand, salaries payable for June of LTL 946 thousand and accrual of bonuses in the amount of LTL 742 thousand for the annual results. As of 31 December 2012 the Company's liabilities, related to labour relations, were mainly comprised of vacation reserve of LTL 1,750 thousand, social insurance payable for December of LTL 878 thousand and accrued bonuses in the amount of LTL 1,200 thousand for the annual results.

## 11 Other current liabilities

	30 June <b>2013</b>	31 December <b>2012</b>
Accrued expenses	429	1,131
Tax payable on real estate	302	309
Other liabilities	47	342
	<b>778</b>	<b>1,782</b>

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

## 12 Sales income

	For six months period, ended 30 June (unaudited)	
	<b>2013</b>	<b>2012</b>
Sales of oil transshipment services	68,100	57,715
Sales of heavy oil products collected in the Waste Water Treatment Facilities	2,256	8,391
Other sales related to transshipment	1,659	1,443
Revenues for storage of oil products	55	556
	<b>72,070</b>	<b>68,105</b>

Other sales related to transshipment include moorage, sales of fresh water, transportation of crew and other sales related to transshipment.

## 13 Cost of sales

	For six months period, ended 30 June (unaudited)	
	<b>2013</b>	<b>2012</b> <i>(restated)</i>
Depreciation and amortization	12,073	11,056
Natural gas	10,021	11,654
Wages, salaries and social security	9,384	7,928
Railway services	2,663	3,158
Electricity	3,164	2,889
Rent of land and quays	1,025	1,028
Repair and maintenance of non-current assets	725	655
Tax on real estate	604	592
Insurance of assets	641	498
Services for tankers	298	301
Work safety costs	182	195
Emission rights expenses	82	155
Other	464	561
	<b>41,326</b>	<b>40,670</b>

## 14 Income (expenses) from financial and investment activities – net

	For six months period, ended 30 June (unaudited)	
	<b>2013</b>	<b>2012</b>
Interest income	241	1,249
Profit from currency exchange	2	15
Fines collected	109	-
<b>Total income from financial activity</b>	<b>352</b>	<b>1,264</b>
(Losses) from currency exchange	(47)	(27)
<b>Total result of the financial activity</b>	<b>305</b>	<b>1,237</b>

## 15 Earnings per share, basic and diluted

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

	For six months period, ended 30 June (unaudited)	
	<b>2013</b>	<b>2012</b>
Net profit attributable to shareholders	21,423	20,994
Weighted average number of ordinary shares (thousand)	380,606	342,000
Earnings per share (in LTL)	0.06	0.06

## 16 Related party transactions

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions. The related parties of the Company and transactions with them during the six months of 2013, 2012 and 2011 were as follows:

### Transactions with Lithuanian State controlled enterprises and institutions

		Purchases from related parties	Sales to related parties	Receivables from related parties	Payables to related parties
State Tax Inspectorate at the Finance Ministry of the Republic of Lithuania	30 June 2013	48,034	-	-	7,562
	30 June 2012	50,649	-	-	7,690
	30 June 2011	52,926	-	-	4,410
State Social Insurance Fund Board under the Ministry of Social Security and Labour	30 June 2013	4,240	-	-	829
	30 June 2012	3,632	-	-	645
	30 June 2011	2,358	-	-	-
State Enterprise Klaipeda State Seaport Authority owned by the State of Lithuania represented by the Ministry of transportation	30 June 2013	1,025	-	-	512
	30 June 2012	1,028	-	-	514
	30 June 2011	1,028	-	-	514
AB Lithuanian Railways owned by the State of Lithuania represented by the Ministry of transportation	30 June 2013	3,922	-	-	212
	30 June 2012	3,184	-	-	359
	30 June 2011	4,773	-	-	234
AB "Lesto", owned by the State of Lithuania represented by the Ministry of Energy	30 June 2013	1,657	-	-	216
	30 June 2012	1,323	-	-	161
	30 June 2011	3,025	-	-	384
Other related parties	30 June 2013	-	21	2	-
	30 June 2012	-	15	1	-
	30 June 2011	-	17	2	-
<b>Transactions with related parties, in total:</b>	<b>30 June 2013</b>	<b>58,878</b>	<b>21</b>	<b>2</b>	<b>9,331</b>
	<b>30 June 2012</b>	<b>59,819</b>	<b>15</b>	<b>1</b>	<b>8,724</b>
	<b>30 June 2011</b>	<b>64,110</b>	<b>17</b>	<b>2</b>	<b>5,542</b>

### Remuneration to the Management and other payments

The Company's Management is comprised of General Manager, Deputy General Manager, Directors of Departments and their Deputies, Managers of Departments.

	For six months period, ended 30 June (unaudited)	
	<b>2013 m.</b>	<b>2012 m.</b>
Labour related disbursements	2.190	1.771
Number of managers	31	25

During six month period in 2013 and 2012 the Management of the Company did not receive any loans, guarantees, or any other payments or property transfers were made or accrued.

## 17 Subsequent events

- **On 1 July 2013**, the Company received a decision from the Court of Appeal of Lithuania stating that the appeals of AB “Kauno dujotiekio statyba“ and UAB “Šiaulių dujotiekio statyba“, also PPS Pipeline Systems GmbH regarding the judgement of Klaipėda Regional Court as of 16 June 2013 were dismissed. By taking the decision, the Court of Appeal of Lithuania recognized that the Company had not violated any requirements of legal acts by acknowledging the German concern PPS Pipeline Systems GmbH as the winner of the international procurement of “Engineering, procurement and construction works for natural gas pipeline system (EPC)” by way of negotiated procedures with publication of a tender notice.
- **On 2 July 2013**, the Seimas of the Republic of Lithuania decided:

To grant a State guarantee to the European Investment Bank (hereinafter referred to as the EIB) for the loan of 81,093 thousand EUR provided to the Company for a period of 20 years, at the interest rate established by the EIB, for financing of the investment liquefied natural gas terminal's (hereinafter referred to as the LNGT) Project, with the State assuming guarantee liabilities for the payment of the loan of 81.093 thousand EUR as well as interests.

To establish that the State guarantee for the aforementioned loan shall be also valid in the following cases:

- ✓ if the LNGT Project implemented by the Company and (or) its constituent works and (or) assets are passed, according to the procedure prescribed by legal acts, and (or) the activity related to LNGT that is executed by the Company are transferred to a subsidiary which is directly controlled by the Company by 100 per cent.
- ✓ if all rights and duties related to the implementation of the LNGT Project and (or) its constituent works and (or) assets and (or) the activity of LNGT, i.e. all the assets including mortgage, all liabilities including rights and duties according to the loan and all rights for the LNGT funds are transferred to the aforementioned subsidiary company
- ✓ if by executing direct control the Republic of Lithuania holds at least 67 per cent of the Company shares and the Company holds 100 per cent of the subsidiary company's shares for the whole loan period.

To establish that the State guarantee can be signed provided that:

- ✓ the company mortgages, by a conditional mortgage (primary mortgage), to the Ministry of Finance of the Republic of Lithuania, future immovable objects of LNGT and objects inseparably related to them, i.e. the LNGT connection and its technological appurtenances which will be created in the future and (or) which will be owned by the Company or its subsidiary company in the future, when they will have implemented the LNGT Project, for the minimum amount of 100 per cent of the loan amount, to ensure the performance of contractual obligations;
  - ✓ the Company pays a guarantee fee equal to 0.1 per cent of the loan amount;
  - ✓ a confirmation of the European Commission is received that the provided State guarantee is not considered the state aid pursuant to Article 107 (1) of the Treaty on the Functioning of the European Union or is considered state aid compatible with the internal market pursuant to Article 107 (3) of the mentioned Treaty.
- **On 2 July 2013**, at the Extraordinary General Meeting the following decisions were taken:
    - ✓ approve the decision of the Board dated 31 May 2013 and amended on 28 June 2013 to enter into a Credit Agreement with the European Investment Bank (hereinafter referred to as the EIB), according to the common practice applied by the EIB. The maximum amount of credit is 87.000 thousand EUR, the maximum credit period shall be 20 (twenty) years, interests will be either variable or fixed, which rate would be provided in the EIB's disbursement proposal.
    - ✓ authorize the General Manager of SC Klaipėdos Nafta to sign the Credit Agreement with the EIB under essential credit terms approved by the Board.
  - **On 9 July 2013**, the Company entered into a Credit Agreement with the EIB under which the credit amounting to 87.000 thousand EUR will be provided for the implementation of the liquefied natural gas terminal's project (hereinafter referred to as the Project). By the Credit Agreement, the EIB will finance up to 50% of the capital necessary for the implementation of the project.



## 17 Subsequent events (continued)

Under the Credit Agreement, the credit period will be up to 20 years; the interest will be variable or fixed whose rate would be provided in the EIB's disbursement proposals. The Agreement also provides that the minimal payable amount of credit is EUR 15 million, and all the credit amount must be paid to the Company in no more than 6 payments. 100% of the Company's financial obligations under the Agreement shall be secured by a State guarantee.

- **On 5 August 2013**, the Company received a ruling from the Supreme Court of Lithuania whereby it refuses to accept the cassation appeal for the reconsideration of the decision of the Court of Appeal of Lithuania of 28 June 2013. This decision of the Supreme Court of Lithuania is final and not subject to appeal. This decision ends the dispute related to the international procurement "Engineering, procurement and construction works for natural gas pipeline system (EPC)" performed by the Company by way of negotiated procedures, and the Company, having acknowledged the German concern PPS Pipeline Systems GmbH as the winner of the procurement had not violated any requirements of legal acts.
- **On 8 August 2013**, the Company received a notification from the Vilnius Regional Administrative Court regarding filing of a response to the complaint of a part of the owners of the land plots (hereinafter, the Applicants) through which according to the construction technical projects under preparation it is intended to construct the connective main gas pipeline route of the liquefied natural gas (hereinafter, the LNG) terminal. Following the complaint the Applicants request to annul the Order of the Energy Minister of the Republic of Lithuania No 1-130, dated 13 June 2013 (hereinafter, the Order), under which the Special Plan for Construction of the LNG Terminal, Related Infrastructure and Gas Pipeline was approved, foreseeing inter alia the opportunity to construct the aforementioned gas pipeline route through the land plots owned by the Applicants. The Company is brought into the proceedings as the third party concerned.

In the opinion of management of the Company, the complaint is groundless, and the Company shall provide to the court response to the complaint following terms indicated by the court.

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

## Confirmation of responsible persons

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Rokas Masiulis, General Manager of SC Klaipėdos Nafta, Mantas Bartuska, Finance Director of SC Klaipėdos Nafta and Rasa Gaudė, Head of accounting department, hereby confirm that to the best of our knowledge the above-presented unaudited Interim condensed Financial Statements of SC Klaipėdos Nafta for the six months ended 30 June 2013, prepared in accordance with the International Financial Reporting Standards as adopted to be used in the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss and cash flows of SC Klaipėdos Nafta.

General Manager



Rokas Masiulis

Director of Finance and Administrative Department



Mantas Bartuška

Head of Accounting Department



Rasa Gudė

***INTERIM REPORT FOR THE SIX MONTHS  
PERIOD ENDED 30 JUNE 2013***

Klaipēda  
August 2013

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Abbreviations:

HOP – Heavy Oil Products  
 LOP – Light Oil Products  
 LNGT – Liquefied Natural Gas Terminal  
 LNG – Liquefied Natural Gas  
 SFS – Subačius Fuel Storage Facility  
 KSSA - Klaipėda State Seaport Authority  
 NCC – National Control Commission for Prices and Energy  
 EIB – European Investment Bank

## **REPORTING PERIOD IN RESPECT OF WHICH THE REPORT WAS PREPARED**

This Interim Management Report for the first six months of 2013 is prepared for the period from 1 January 2013 to 30 June 2013. SC Klaipėdos Nafta is referred to as the Company in this Management Report.

## **DETAILS ABOUT THE COMPANY**

Name of the Company:	Stock Company "Klaipėdos nafta"
Legal status:	Stock Company
Authorized capital:	LTL 380,606,184
Date and place of registration:	27 September 1994, State Enterprise Register Centre
Company code:	110648893
Address:	Burių street 19, 91003 Klaipėda
Company's register:	State Enterprise Register Centre
Telephone numbers:	+370 46 391772
Fax numbers:	+370 46 311399
E-mail address:	<a href="mailto:info@oil.lt">info@oil.lt</a>
Internet site:	<a href="http://www.oil.lt">www.oil.lt</a>

## **DESCRIPTION OF THE ACTIVITY**

The Company is one of the largest terminals on the Baltic States market of oil and oil products transit. The Terminal's core activity is to tranship oil products delivered by rail cars from Lithuania, Russia, Byelorussia and other countries into tankers. It can also provide Lithuania with imported oil products which are shipped to Klaipėda port by tankers. From 2012, the Company also provides long-term storage services of oil products.

The company provides the following services:

- ✓ Transhipment of crude oil and oil products from railway tanks into tankers;
- ✓ Transhipment of crude oil and oil products from tankers into railway tanks and road tankers;
- ✓ Accumulation of crude oil and oil products;
- ✓ Rents of storage tanks for storage of the state reserve of oil products;
- ✓ Collection of waste water from sea vessels which is contaminated with oil products;
- ✓ Mooring of sea vessels;
- ✓ Determination of quality parameters of oil products;
- ✓ Adding of chemical additives into oil products;
- ✓ Supply of fuel and water to sea vessels.

The Company also implements the LNGT project, which consists of construction of the ship-storage, creation of the jetty and its related infrastructure, laying the pipeline system, which connects the terminal with the trunking gas pipeline, and organization of gas supply. The LNGT is a critically important project of energy security of the Republic of Lithuania in order to reduce prices of natural gas and to create the market of natural gas.

Mission of the Company is to be a reliable oil product import and export terminal in Lithuania and neighbouring countries and to make a possibility for region's oil refineries continuously export their production on tankers to the Western Europe and further markets through the terminal of the Company.

The vision of the Company is to be a financially sustainable oil products transhipment terminal, implement projects in time and invest in initiatives that will increase economic returns for investors.

The Company is a strategic company of Lithuanian energy sector. The Company ensures a possibility to import oil product in Lithuania, if necessary. Moreover, the Company was granted storage of the obligatory reserve of oil products of the Republic of Lithuania. In February 2012, the Government of the Republic of Lithuania assigned the Company to implement a strategic project of construction of LNGT until the end of 2014 which is significant for the energy sector of Lithuania.

## **SIGNIFICANT EVENTS OF THE REPORTING PERIOD**

- **17 January 2013.** Nordea Bank Finland Plc. was announced as a winner of the public procurement "Procurement of Overdraft Services" by way of negotiated procedures with publication of a tender notice. During the procurement conducted by the Company 3 final offers were received, one of which was rejected due to inconformity with the

Tender requirements. Final offers have been evaluated by the lowest price criteria and Nordea Bank Finland Plc. was announced as the winner.

- **25 January 2013.** An Extraordinary General Meeting of Shareholders of the Company has approved the decision of 21 December 2012 of the Board of the Company to sign the contract with the winner of the public procurement “for Natural Gas Pipeline System Engineering, Procurement and Construction (EPC) Works”, which proposed the lowest price for proposed scope of work – the consortium of AB Kauno dujotiekio statyba and AB Šiaulių dujotiekio statyba for the total price of LTL 137,999 thousand excl. VAT. The fixed price may be increased only in the extraordinary cases provided under the contract. SC Klaipėdos Nafta shall be paying the indicated fixed sum for the completed works according to the progress performed under the contract. All the works under the Contract shall be finished until 1 October 2014. The contract deadline may only be extended in the extraordinary cases defined in the contract.



- **28 January 2013.** SC Klaipėdos Nafta received documents from the Klaipėda Regional Court regarding the claim filed by German company PPS Pipeline Systems GmbH to invalidate the decisions of the commission of international procurement of “Engineering, procurement and construction works for natural gas pipeline system (EPC)” performed under the procedure of open negotiations.
- **6 February 2013.** The Company concluded the Overdraft Facility Agreement with the winner of the public procurement “Procurement of Overdraft Services” by way of negotiated procedures with publication of a tender notice Nordea Bank Finland Plc.
- **8 February 2013.** The Company received a notice from the Public Procurement Office regarding evaluation of international procurement of “Engineering, procurement and construction works for natural gas pipeline system (EPC)” performed under the negotiated procedure.

According to the notice of the Public Procurement Office mentioned above, *inter alia*, the Company was obliged to annul the following decisions adopted by the public procurement commission of the Company:

- ✓ The decisions of 3 and 5 December 2012 regarding the amendment of the evaluation criteria of tender offers and respective procedural rules;
  - ✓ The decision of 20 December 2012 regarding the opening of the envelopes with the final tender offers of the participants of the Tender;
  - ✓ The decision of 20 December 2012 regarding evaluation of final tender offers of the participants of the Tender, conclusion of the queue of tender offers, acknowledgement of the winner of the Tender and conclusion of the contract and respective announcements to the participants of the Tender in connection therewith.
- **11 February 2013.** An Extraordinary General Meeting of Shareholders of the Company approved the decision of the Board of the Company to enter into the Agreement for Assignment of the Rights of Claim with the winner of the public procurement “Procurement of Overdraft Services” by way of negotiated procedures with publication of a tender notice – Nordea Bank Finland Plc, acting in Lithuania through the Lithuanian Branch of Nordea Bank Finland Plc.

Shareholders of the Company approved the decision of the Board of the Company to enter into an agreement with the Bank for assignment of the rights of claim to the receivable funds to the Bank which were intended for covering all or part of the expenses of installation of the LNGT, its facilities and the connection to gas transmission system. This agreement for assignment of the rights of claim being intended to secure the Overdraft Agreement between the Company and the Bank, pursuant to which:

- ✓ Amount of the overdraft is LTL 120,000 thousand;



- ✓ Term of the overdraft – as from the date of conclusion of the agreement until 30 June 2015, with a possibility to extend the agreement for the period of up to 12 months with conditions being not worse than initially agreed;
- ✓ The amount of the overdraft can be increased by 30%, i. e., up to LTL 156,000 thousand. For the increase in the amount of overdraft the administrative fee shall not be applied;
- ✓ The annual interest rate is fluctuating. Base interest rate – 3 months VILIBOR. Interest margin is 0.94%, which shall not be changed during the whole term of validity of the agreement.

Besides, one of the conditions of the overdraft agreement is a prohibition to pay dividends to shareholders of the Company until the deed of completion of construction of the LNGT is provided to the Bank.

The above stated restriction on the payment of dividends shall be applied and any sums under the Overdraft Agreement shall be paid to the Company upon the condition, that based on the Resolution of the Government of the Republic of Lithuania No. 20 “On Dividends for the State-owned Shares of the Companies and Profit Taxes of the State-Owned Companies” from 14 January 1997 (including all later amendments hereto), there should be issued and entered into force the relevant Resolution of the Government of the Republic of Lithuania, by which there shall be established that the manager of shares of the Company which belong to the State of the Republic of Lithuania, shall be entitled to take the decisions that the Company would abstain from payment of dividends until obtaining the deed of completion of construction of the LNGT.

- **On 11 February 2013** at the Extraordinary General Meeting of Shareholders of the Company:
  - ✓ The shareholders of the Company also decided to revoke the Supervisory Council of the Company *in corpore* decided to elect three new candidates having received the most votes for the new cadency of 4 years: Eimantas Kiudulas, Romas Švedas, Agnė Amelija Kairytė.
  - ✓ Also to ensure adequate implementation of requirements of resolution no. 665 adopted by the Government of the Republic of Lithuania on 6 June 2012 “on the description of procedures for assurance of state rights and interests in the state-owned enterprises” in the Company, new version of the Articles of Association were approved by the shareholders, which included amendments to the competences of the Board, reflecting the 2012 recommendations of the Board to the administration of the Company.
- **18 February 2013.** The new Supervisory Board was registered with the Register of Legal Entities. According to the results of the Extraordinary General Meeting of Shareholders on 11 February 2013, following three candidates, who received the majority of shareholders’ votes, were registered for the term of 4 years: Eimantas Kiudulas, Romas Švedas, Agnė Amelija Kairytė.
- **18 February 2013.** The Company executing the obligations indicated in the letter dated 8 February 2013 of the Public Procurement Office regarding evaluation of procurement of “Engineering, procurement and construction works for natural gas pipeline system (EPC)” performed under the negotiated procedure, renewed the Procurement procedure and sent the invitations to the participants of the procurement to present final offers. The tenders shall be evaluated according to the criterion of the most economically beneficial offer.
- **1 March 2013.** The Company announced AS BMGS as the winner of the international procurement “Engineering and Construction Works of Port Infrastructure (Jetty) with Superstructure (Equipment) of Liquefied Natural Gas Terminal”. AS BMGS undertook to carry out all works for the total amount of EUR 27,190 thousand (LTL 93,880 thousand) excluding VAT.
 

In accordance with the bilateral agreement between the Company and KSSA on the improvement and creation of Port Infrastructure/Superstructure, part of the costs of the contract shall be reimbursed by KSSA (all costs for the Klaipėda State Seaport Infrastructure and part of the costs of General Works). KSSA shall reimburse to the Company the amount of EUR 14,196 thousand (LTL 49,015 thousand) excluding VAT. The Company shall incur the costs for remaining part of works amounting to EUR 12,994 thousand (LTL 44,866 thousand) excluding VAT.
- **5 March 2013.** The Ministry of Energy of the Republic of Lithuania, the manager of the shares of the Company held by the Republic of Lithuania, presented to the Government of the Republic of Lithuania the draft project of the resolution on dividends of the Company whereby it is suggested to assign the Ministry of Energy to adopt the decisions to allocate to dividends 1% of the distributable profit until the finalization of the LNGT Project.
- **8 March 2013.** The Company and AB Lietuvos Dujos concluded the Service Agreement on LNGT’s Connection to the Operating Natural Gas Transmission System providing the Company shall have a right to connect the LNGT to the natural gas transmission system and shall have a right to use the natural gas transmission system as of 3 December 2014.
- **8 March 2013.** The Company received announcement from Klapėda Regional Court regarding lawsuit filed by AB Kauno dujotiekio statyba and UAB Šiaulių dujotiekio statyba regarding the international procurement “Procurement of engineering, procurement and construction works for natural gas pipeline system (EPC)” performed under the negotiated procedure with a publication of notice.



The claimants filed the lawsuit and requested the Court, in addition to the above:

- ✓ to invalidate the Company's decision of 8 February 2013 in the Tender, by which the decisions regarding evaluation criteria of tender, opening of the envelopes with the final tender offers and evaluation of final tender offers, conclusion of the queue of tender, acknowledgement of the winner and conclusion of the contract of the Tender have been invalidated;
  - ✓ to invalidate the Company's amendment of the Tender terms performed by notification of 13 February 2013, by which the evaluation criterion of the most economically beneficial offer was determined as applicable evaluation criterion of tender;
  - ✓ to return the Parties to initial position, i.e., to the former stage, which have been before the supposed violation – to oblige the Company to continue the Procurement according the Tender results announced on 20 December 2012.
- **12 March 2013.** The Company filed a separate appeal against the ruling of the Klaipėda Regional Court of 8 March 2013 according to which the request of claimants AB Kauno Dujotiekio Statyba and UAB Šiaulių Dujotiekio Statyba on imposition of interim measures was satisfied and the international procurement "Procurement of engineering, procurement and construction works for natural gas pipeline system (EPC)" performed under the negotiated procedure with a publication of notice was suspended until the day when a decision of the court in this case is passed and comes into force.

By its separate appeal the Company requests to annul the ruling of the Klaipėda Regional Court of 8 March 2013, by which the interim measures were imposed. In case the court of first instance annuls the ruling on imposition of interim measures itself, the Company requests to allow execution of the ruling on lifting of the interim measures in the urgent manner.

- **15 March 2013.** The Company received a notification on 13 March 2013 from the Vilnius Regional Administrative Court regarding filing of a response to the complaint of AB Kauno dujotiekio statyba and UAB Šiaulių dujotiekio statyba, whereby the applicants ask the court to annul the decision No. 4S-619 of 8 February 2013 of the Public Procurement Office by which the Company was obliged to annul the results of procurement No. 124121 and the decisions regarding acknowledgement the proposal as on top of the group of economic subjects comprised of the applicants. The Company is brought into the proceedings as the party concerned.
- **18 March 2013.** The Company concluded the contract on Engineering and Construction Works of Port Infrastructure and Superstructure with AB BMGS - the winner of the international procurement tender of "Engineering and Construction Works of Port Infrastructure (Jetty) with Superstructure (Equipment) of LNGT". The main conditions of the Contract *inter alia* include the following:
  - ✓ the total fixed price for the works under the contract shall not exceed EUR 27,190 thousand excluding VAT (LTL 93,882 thousand excluding VAT). The fixed contract price can be increased only in the extraordinary cases provided under the contract. The Company shall pay the fixed contract price only for the actual Works performed according to the progress;
  - ✓ all works under the contract shall be completed until 1 October 2014. The deadline for completion may only be extended in the extraordinary cases defined in the contract.
- **18 March 2013.** The first meeting of the new Supervisory Council of the Company was held. During this meeting the Deputy of the Law Division and Acting Chancellor of the Ministry of Energy and the representative of the Ministry of Energy of the Republic of Lithuania, which implements the rights of the shareholder of the Company – the Republic of Lithuania, that owns 72.32 percent of all shares of the Company, Agnė Amelija Kairyte, was elected as the Chairman of the Supervisory Council of the Company.
 

During its first meeting the Supervisory Council also recalled the Audit Committee of the Company in corpore and for the term of 4 years elected the new Audit Committee. Linas Sasnauskas and Simonas Rimašauskas were chosen as the independent members of the Audit Committee for the new term and Eimantas Kiudulas had also been elected to the Audit Committee for one more term.
- **20 March 2013.** The Chairman of the Board of the Company, Mr. Arvydas Darulis, informed the Supervisory Council, other Board members and the Company that he resigns from office and submitted his resignation papers to the Company. According to the Article 33.10 of the Law on Companies of the Republic of Lithuania, the mandate of the Chairman of the Board will expire on 4 April 2013.
- **5 April 2013.** The Extraordinary General Meeting of Shareholders of the Company was held. During this meeting, the Board of the Company resolved to accept the concluded contract on Engineering, Procurement and Construction of Jetty Infrastructure and Superstructure announced under the negotiation procedure of "Engineering and Construction Works of Port Infrastructure (Jetty) and Superstructure" with the winner - Akciju sabiedriba (eng. Stock company) „BMGS”.
  - ✓ the total fixed price for the works under the contract shall not exceed EUR 27,190 thousand excluding VAT. The fixed contract price can be increased only in the extraordinary cases provided under the contract. The Company shall pay the fixed contract price only for the actual Works performed according to the progress;
  - ✓ all works under the contract shall be completed until 1 October 2014. The deadline for completion may only be extended in the extraordinary cases defined in the contract;
  - ✓ the Management of the Company will be additionally obliged, in case the total Contract price increases more than 10% or the final term of contractual performance (1 October 2014) extends more than 30 days, in



order to guarantee an appropriate control of amendments of the Contract, the consent of the Board of the Company for the increasing of the Contract price and (or) for the extension of the Contract performance term correspondingly must be received.

On 5 April 2013, the Extraordinary General Meeting of Shareholders also approved the principal provisions of Confidentiality Agreement for the Supervisory Board of the Company.

- **16 April 2013.** The Klaipėda Regional Court, after considering the civil lawsuit No. 2-925-265/2013, which filed requests of German consortium PPS Pipeline Systems GmbH and AB Kauno Dujotiekio Statyba together with UAB Šiaulių Dujotiekio Statyba have been combined – lawsuits have been filed, about the receipt of which was announced accordingly by notifications of 29 January 2013 and 8 March 2013 regarding material events, resolved to reject filed lawsuits of German concern PPS Pipeline Systems GmbH and AB Kauno Dujotiekio Statyba together with UAB Šiaulių Dujotiekio Statyba. The interim protection measures, imposed by the decision of the Klaipėda Regional Court on 8 March 2013, the Court left valid until the day when a decision of the court in this case is passed and comes into force.
- **16 April 2013.** The Lithuanian Court of Appeal, after considering separate claims of the Company and PPS Pipeline Systems GmbH regarding the ruling of the Klaipėda Regional Court of 8 March 2013, according to which the request of claimants AB Kauno Dujotiekio Statyba and UAB Šiaulių Dujotiekio Statyba on imposition of interim protection measures was satisfied and the international procurement “Procurement of engineering, procurement and construction works for natural gas pipeline system (EPC)” performed under the negotiated procedure with a publication of notice was suspended until the day when a decision of the court in this case is passed and comes into force, resolved to annul the ruling of the Klaipėda Regional Court of 8 March 2013 and not to satisfy the claim of claimants AB Kauno dujotiekio statyba and UAB Šiaulių dujotiekio statyba on imposition of interim protection measures.
- **18 April 2013.** The Company announced German consortium PPS Pipeline Systems GmbH as the winner of the international procurement tender of “Natural Gas Pipeline System Engineering, Procurement and Construction (EPC) Works”, which proposed to perform the works for the price of LTL 94.840 thousand excluding VAT. The second best price was proposed by the consortium of AB Kauno dujotiekio statyba and AB Šiaulių dujotiekio statyba as for LTL 113,480 thousand excluding VAT. The Company submitted an offer to PPS Pipeline Systems GmbH to conclude the contract of public procurement tender
- **22 April 2013.** The Board of the Company resolved to change the decisions of the Board of the Company of 21 December 2012 regarding conclusion of contract with the winner of the public procurement “Procurement of engineering, procurement and construction works for natural gas pipeline system (EPC)” – consortium of AB Kauno dujotiekio statyba and AB Šiaulių dujotiekio statyba.

The decisions of the Board dated 21 December 2012 are to be changed, since the above mentioned decisions have been adopted a part of the Procurement procedures were repeated, new offers were submitted and results of the Procurement were changed, i.e., German consortium PPS Pipeline Systems GmbH was announced as the winner, and the decisions of the Board adopted before may not be implemented.

On 22 April 2013, the Board of the Company, inter alia, adopted the following decisions:

- ✓ To amend the decisions adopted at the Board Meeting on 21 December 2012 related to conclusion of the Contract (hereinafter referred to as the Contract) on Natural Gas Pipeline System Engineering, Procurement and Construction (EPC) Works that are necessary to install the connection between the LNGT jetty located in the Klaipėda State Seaport harbour waters (in the northern part of near Kiaulės Nugara (Pig’s back) Island) and Lithuanian natural gas transmission system (gas pipeline Jurbarkas–Klaipėda (a part of Tauragė–Klaipėda) near the Klaipėda DSS-2, located in Kiškėnai village, Dovilai pro., Klaipėda region municipality) as follows:
  - 1.1. To conclude a contract with PPS Pipeline Systems GmbH (hereinafter referred to as the Contractor), the winner of public tender “Procurement of engineering, procurement and construction works for natural gas pipeline system (EPC)” performed by the Company under the negotiated procedure with a publication of notice, that submitted the most economically beneficial offer.
  - 1.2. The total fixed price for the performed works under the contract is LTL 94,840 thousand excluding VAT and LTL 114,756 thousand including VAT with the rate of 21% on the day of the Contract signing. The fixed Contract price may only be increased in the extraordinary cases defined in the contract. The Company shall pay the fixed contract price only for the actual Works performed according to the progress.
  - 1.3. All the works under the Contract shall be completed until 1 October 2014. The deadline for completion may only be extended in the extraordinary cases defined in the contract.
- **24 April 2013.** The Government of the Republic of Lithuania in order ensure SC Klaipėdos Nafta possibilities to finance the LNGT project from its own and borrowed funds adopted a resolution pursuant to which the Ministry of Energy of the Republic of Lithuania, as shareholder, is assigned to ensure that its authorized representative at the General Meeting of Shareholders offers to allocate to dividends 1% of the 2012 distributable profit of the Company and votes for it.

The offered size of dividends to be allocated per one share is LTL 0.00107737777 (or EUR 0.00031203017). Accordingly, the total sum of dividends to be allocated for the shareholders of the Company would amount LTL 410,056.65 (or EUR 118,760.61).

- **30 April 2013.** The General Meeting of Shareholders of the Company:
  - ✓ approved audited financial reports of the Company for 2012;
  - ✓ distributed the Company's distributable profit by allocating a part of profit to dividends, i.e. LTL 410 thousand or LTL 0.00107737779 per share;
  - ✓ assigned audit company KPMG Baltics to execute the Company's audit of the annual financial statement and review of the annual report for 2013.
- **2 May 2013.** The Company received notifications of the Klaipėda Regional Court regarding:
  - ✓ the appeal from claimants AB Kauno dujotiekio statyba and AB Šiaulių dujotiekio statyba (hereinafter referred to as KDS and ŠDS) regarding the Court decision dated 16 April 2013 adopted in the civil case No.2-925-265/2013 (hereinafter referred to as the Decision), and also
  - ✓ the appeal from PPS Pipeline Systems GmbH (hereinafter referred to as PPS) against the same Decision. The Company that is involved into the lawsuit as Defendant is obliged to submit responses to the appeals during 14 days.
- **6 May 2013.** The company concluded the Contract of Natural Gas Pipeline System Engineering, Procurement and Construction (EPC) Works (hereinafter referred to as the Contract) with German consortium PPS Pipeline Systems GmbH, the winner of "Procurement of Natural Gas Pipeline System Engineering, Procurement and Construction (EPC) Works". The Company announced about the winner of the mentioned procurement by notifications regarding material events on 24 April 2013. The following works should be executed on the basis of the Contract: natural gas pipeline system engineering, procurement and construction works, that are necessary to install the connection between the LNGT jetty located in the Klaipėda State Seaport harbour waters (in the northern part of near Kiaulės Nugara (Pig's back) Island) and Lithuanian natural gas transmission system (the Jurbarkas-Klaipėda gas pipeline (a part of Tauragė-Klaipėda) near the Klaipėda DSS-2, located at Kiškėnai village, Dovilai pro. , Klaipėda region municipality) (hereinafter referred to as the Works).

Main provisions of the Contract, inter alia, contain the following:

- ✓ the total fixed price for the works under the contract is LTL 94,840 thousand excluding VAT and LTL 114,756 including VAT, with the rate of 21% on the day of the Contract signing. The fixed Contract price may only be increased in the extraordinary cases defined in the contract. The Company shall pay the fixed contract price only for the actual Works performed according to the progress;
  - ✓ all the works under the Contract shall be completed until 1 August 2014. The deadline for completion may only be extended in the extraordinary cases defined in the contract;
  - ✓ the Contract enters into full force only when the Board and the General Meeting of Shareholders of the Company approve this Contract as it is provided in Article 16.10 of the Articles of Association of the Company. The Board of the Company approved to this Contract conduction on 22 April 2013.
- **20 May 2013.** The Vilnius Regional Court adopted a decision in the case under the lawsuit filed by the claimant UAB Naftos grupė against the Company regarding compensation of allegedly experienced LTL 17,000 thousand damage, returning of oil products surplus to UAB Naftos grupė that allegedly belong to the claimant and are stored at the Company facilities, and acknowledgement of termination of the Service Agreement No.12-12-2005 dated on 22 December 2004 (hereinafter referred to as the Contract) due to the Company's alleged fault (the Company notified about the receipt of the lawsuit and the countersuit submission in the case, respectively, on 20 April 2011 and on 5 July 2011 by notification regarding material events.

In addition to the above, the Court adopted a decision:

- ✓ to acknowledge that the Contract was terminated due to the Company's fault;
- ✓ to adjudge from the Company to UAB Naftos grupė the LTL 9,745 thousand damage and 6% annual interest of the adjudged sum for the period of time starting from the case submission to the Court (on 18 April 2011) until complete execution of the Court ruling, official LTL 17 thousand fee and LTL 25 thousand expenses for lawyer legal assistance;
- ✓ to reject the Company's countersuit against UAB Naftos grupė regarding termination of the Contract, compensation for damages and unjust enrichment.

According to the opinion of the Management of the Company, the decision of the Vilnius Regional Court is unjustified and unreasonable particularly in the part of the countersuit rejection and in the part of the lawsuit for requirements satisfaction, in addition to the above, because the Court has not considered the conclusions of the state institutions (the State control and the Competition Council) regarding separate provisions of the Contract and possible violation of legal acts, and inasmuch as UAB Naftos grupė has not justified the amount of allegedly unearned revenues. The Company has terminated this Contract that is obviously not of economic benefit in order to protect interests of shareholders of the Company.

The above-mentioned decision of Vilnius Regional Court could have been appealed against to the Court of Appeal of Lithuania within 30 days from the day of its publishing, so the Company appealed by the specified time.

- **24 May 2013.** The Extraordinary General Meeting of Shareholders of the Company approved a decision of the Board of the Company:

To change the decisions adopted by the Company at the Board Meeting on 21 December 2012, that are related to the conclusion of the Contract (hereinafter referred to as the Contract) on Natural Gas Pipeline System Engineering,

Procurement and Construction (EPC) Works (hereinafter referred to as the Works), necessary to install the connection between the LNGT jetty located in the Klaipėda State Seaport harbour waters (in the northern part of near Kiaulės Nugara (Pig's back) Island) and Lithuanian natural gas transmission system (the Jurbarkas–Klaipėda gas pipeline (a part of Tauragė–Klaipėda) near the Klaipėda DSS-2, located at Kiškėnai village, Dovilai pro., Klaipėda region municipality), in the following manner:

- ✓ to conclude a contract with PPS Pipeline Systems GmbH (hereinafter referred to as Contractor), the winner of public tender “Procurement of engineering, procurement and construction works for natural gas pipeline system (EPC)” performed by the Company by way of negotiated procedures with publication of a tender notice, that submitted the most economically beneficial offer;
  - ✓ the total fixed price for the works under the Contract is LTL 94,840 thousand excluding VAT and LTL 114,756 thousand including VAT of 21% rate on the day of the Contract signing. The fixed Contract price may only be increased in the extraordinary cases defined in the contract. The Company shall pay the fixed contract price only for the actual Works;
  - ✓ all the Works under the Contract shall be finished until 1 August 2014. The contract deadline may only be extended in the extraordinary cases defined in the contract.
- **24 May 2013.** The Supervisory Board of the Company recalled Inga Černiuk from members of the Board, who was a member of the Board of the Company since 24 October 2011, and elected a new member of the Board of the Company Vladas Lastauskas. A newly appointed member of the Board of the Company Vladas Lastauskas holds the post of Chancellor of the Ministry of Energy of the Republic of Lithuania since 3 April 2013.
  - **27 May 2013.** Vilnius Regional Administrative Court, after investigating the administrative case No.I-2655-365/2013 pursuant to the appeal of AB Kauno dujotiekio statyba and AB Šiaulių dujotiekio statyba (hereinafter referred to as the Claimants), whereby the Claimants requested to annul the decision No. 4S-619 of the Public Procurement office of 8 February 2013, whereby the Company was obliged to annul results of the procurement No. 124121 and the decisions regarding invalidation of the offer, provided by the economic entities group, consisting of AB Kauno dujotiekio statyba and UAB Šiaulių dujotiekio statyba, the receipt of which was announced respectfully by the notification regarding material events on 15 March 2013, adopted a decision to dismiss the administrative lawsuit pursuant to the Claimants appeal.

The ruling adopted by the Court can be appealed against by separate claim during 7 (seven) days from the day of its publishing applying to the Supreme Administrative Court of Lithuania via Vilnius Regional Administrative Court.

- **31 May 2013.** The Board of the Company adopted the decision to conclude the Credit Agreement with the EIB according to the EIB regular applicable practice, whereby:
  - ✓ the maximum amount of the credit should be EUR 87,000 thousand (LTL 300,000 thousand);
  - ✓ term of the credit should be up to 20 (twenty) years;
  - ✓ interest rate: fluctuating or fixed, the norm of which should be determined in the EIB offer for payment;
  - ✓ condition precedent for the EIB to pay the credit to the Company – obligation to provide the state guarantee ensuring the Company’s financial obligations under the Credit Agreement.
- **4 June 2013.** The Board of the EIB adopted a decision to grant the Company a credit for the sum of up to EUR 87,000 thousand (up to LTL 300,000 thousand) for the LNGT project implementation. The term of the credit – up to 20 years. The project financing provided by the EIB would compose up to 50% of all planned investments to the project. Condition precedent for the EIB to pay the credit to the Company is provided – obligation to provide the state guarantee ensuring the Company’s financial obligations under the Credit Agreement.
- **7 June 2013.** The Board of the Company recalled Inga Černiuk from members of the Board of UAB LITGAS who was a member of the Board of UAB LITGAS since 11 December 2012, and elected a new member of the Board of UAB LITGAS Dainius Bražiūnas. A newly appointed member of the Board of UAB LITGAS Dainius Bražiūnas is also Acting Head of Energy Resources Division of the Ministry of Energy of the Republic of Lithuania.
- **14 June 2013.** The State Loan Commission adopted a decision to approve the issue of the State guarantee to the EIB hence ensuring the Company’s financial obligations under the Credit Agreement (up to LTL 300,000 thousand (up to EUR 87,000 thousand)) for the LNGT implementation. The amount of the proposed State guarantee is LTL 280,000 thousand (EUR 81,094 thousand). The Commission also adopted a decision to propose imposition of obligation for the Company to pledge its future real estate and all objects related (i.e., LNGT connection and its technical belongings), value of which is not less than 100% sum of the credit according to the Credit Agreement with the EIB. This pledge is intended to ensure the State interests in accordance with the State guarantee issued to the EIB. The provision of the State guarantee is one of conditions precedent for the EIB to pay the first part of the credit to the Company in accordance with the Credit Agreement.
- **13 June 2013.** The Order No. 1-130 of Minister of Energy of the Republic of Lithuania confirmed the special plan of construction of LNGT, its related infrastructure and gas pipeline. The confirmation of the Special plan allows the Company to start design and construction works of the LNGT buildings (including jetty, equipment, gas pipeline and gas measurement station).
- **19 June 2013.** The Company filed an appeal regarding the decision of Vilnius Regional Court dated 20 May 2013 in the case under the lawsuit filed by the claimant UAB Naftos grupė against the Company regarding compensation of allegedly experienced LTL 17,000 thousand damage., returning of oil products surplus to UAB Naftos grupė that

allegedly belong to the claimant and are stored at the Company facilities, and acknowledgement of termination of the Service Agreement No. 12-12-2005 dated on 22 December 2004 (hereinafter referred to as the Contract) due to the Company's alleged.

In addition to the above, the Company filing its appeal requests the Appeal Court of the Republic of Lithuania:

- ✓ The decision of Vilnius Regional Court of 20 May 2013 in the parts regarding acknowledgement that the Contract was terminated due to the Company's fault; regarding awarding of the LTL 9,745 thousand damages and 6% annual interest rate from the adjudged sum for the period of time starting from the day of the case submission to the Court until complete execution of the ruling of the Court and all court fees from the Company in favour of UAB Naftos grupė; regarding rejection of the Company's countersuit against UAB Naftos grupė to annul and in these parts to adopt a new decision: to reject the lawsuit requirements regarding acknowledgement that the Contract was terminated due to the Company's fault; regarding awarding of the LTL 9,745 thousand damages and 6% annual interest rate from the adjudged sum for the period of time starting from the date of the case submission to the Court until complete execution of the ruling of the Court and court fees from the Company in favour of UAB Naftos grupė, but to satisfy in full the Company's countersuit;
- ✓ Other parts of the decision of Vilnius Regional Court of 20 May 2013 should remain unchanged.

It is noted that that having appealed against the decision of Vilnius Regional Court of 20 May 2013, this decision does not come to force, but may come to force and cause real consequences for the Company only in case if it is not invalidated in the course of investigating the case under procedure of appeal.

- **20 June 2013.** The Government of the Republic of Lithuania resolved to approve a draft of the resolution of the Seimas of the Republic of Lithuania "Regarding the State guarantee provision to the Europe Investment Bank" and to provide it to the Seimas of the Republic of Lithuania. In accordance with the draft of the resolution it is intended to grant the State guarantee of EUR 81,094 thousand (LTL 280,000 thousand) for the Company's credit issued by the EIB, since the Company aims to borrow the indicated amount. On 4 June 2013, the EIB confirmed that the EUR 87,000 thousand (LTL 300,000 thousand) credit will be provided to the Company.
- **27 June 2013.** The Seimas of the Republic of Lithuania approved the law pursuant to amendments of articles 5, 10 and 11 of Law of LNGT of the Republic of Lithuania.

In addition to the above, the present Law changes the regulation of selling of natural gas imported through the LNGT:

- ✓ to invalidate the requirement for natural gas companies importing natural gas into the Republic of Lithuania by means of junction pipelines of natural gas and other transshipment systems, to acquire through the LNGT not less than 25% of the total natural gas amount, which is supplied by such companies into the natural gas system per year;
- ✓ it is determined, that natural gas imported through the LNGT must be supplied on a priority basis in order to ensure heat and (or) electricity production regulated by the State. The quantity of imported natural gas conforming to the natural gas amount approved by the Government necessary to ensure the obligatory activity of LNGT is distributed as needed to producers performing energy production activity, that is regulated by the Government every year pursuant to contracts composed with determined supplier for the duration of 5 years or, according to mutual agreement of parties for longer period of time.
- ✓ the Government has competence to determine a duration of appliance of the mentioned obligation, which cannot be longer than 10 years from the LNGT commissioning, and may be suspended or stopped in order to assure diversified supply and usage of natural gas, safety and reliability of energy supply and protection of consumers' interests.

This Act has also specified provisions of financing of the LNGT project which enter into force from 1 January 2014. These provisions determine to include the costs of LNGT, its infrastructure and connections fixed operating costs into the additional component of natural gas supply safety to the price of transshipment of natural gas, that are necessary to ensure the LNG terminal activity and only those costs of the LNGT, its infrastructure and connection installation, that are not possible to be financed from other sources available to the Company.

After the Act enters into force, the European Commission should adopt a decision regarding the further actions of analysis on violation of EU law, which is suspended at the moment.

#### **SIGNIFICANT SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD**

- **1 July 2013.** The Company received the ruling from the Court of Appeal of Lithuania, by which the appeals of AB Kauno dujotiekio statyba and UAB Šiaulių dujotiekio statyba together with PPS Pipeline Systems GmbH regarding the decision of Klaipėda Regional Court of 16 April 2013 have been rejected. The Court of Appeal of Lithuania adopting the decision acknowledged that the Company pronouncing the German consortium PPS Pipeline Systems GmbH as the winner of international procurement "Natural Gas Pipeline System Engineering, Procurement and Construction (EPC) Works" by way of negotiated procedures with publication of a tender notice has not violate any requirements of legal acts.
- **On 2 July 2013,** the Seimas of the Republic of Lithuania decided:  
To grant a State guarantee to the European Investment Bank (hereinafter referred to as the EIB) for the loan of EUR 81,093 thousand provided to the Company for a period of 20 years, at the interest rate established by the EIB, for financing of the investment liquefied natural gas terminal's (hereinafter referred to as the LNGT)



Project, with the State assuming guarantee liabilities for the payment of the loan of EUR 81,093 thousand as well as interests.

To establish that the State guarantee for the aforementioned loan shall be also valid in the following cases:

- ✓ if the LNGT Project implemented by the Company and (or) its constituent works and (or) assets are passed, according to the procedure prescribed by legal acts, and (or) the activity related to LNGT that is executed by the Company are transferred to a subsidiary which is directly controlled by the Company by 100 percent.
- ✓ if all rights and duties related to the implementation of the LNGT Project and (or) its constituent works and (or) assets and (or) the activity of LNGT, i.e. all the assets including mortgage, all liabilities including rights and duties according to the loan and all rights for the LNGT funds are transferred to the aforementioned subsidiary company
- ✓ if by executing direct control the Republic of Lithuania holds at least 67 percent of the Company shares and the Company holds 100 percent of the subsidiary company's shares for the whole loan period.

To establish that the State guarantee can be signed provided that:

- ✓ the company mortgages, by a conditional mortgage (primary mortgage), to the Ministry of Finance of the Republic of Lithuania, future immovable objects of LNGT and objects inseparably related to them, i.e. the LNGT connection and its technological appurtenances which will be created in the future and (or) which will be owned by the Company or its subsidiary company in the future, when they will have implemented the LNGT Project, for the minimum amount of 100 percent of the loan amount, to ensure the performance of contractual obligations;
- ✓ the Company pays a guarantee fee equal to 0,1 percent of the loan amount;
- ✓ a confirmation of the European Commission is received that the provided State guarantee is not considered the state aid pursuant to Article 107 (1) of the Treaty on the Functioning of the European Union or is considered state aid compatible with the internal market pursuant to Article 107 (3) of the mentioned Treaty.

- **2 July 2013.** During the Extraordinary General Meeting of Shareholders of the Company it was approved to enter the Credit Agreement with the EIB in accordance with regular applicable practice of the EIB, whereby:

- ✓ the maximum sum of the credit should be EUR 87,000 thousand (LTL 300,000 thousand );
- ✓ term of the credit should be up to 20 (twenty) years;
- ✓ interest rate: fluctuating or fixed, the norm of which should be determined in the EIB offer for payment;
- ✓ conditions precedent for the credit payment are the following:
  - ✓ The Bank must be provided with evidences that the Company has been fully empowered in order to enter into the Credit Agreement with the Bank and the Credit Agreement with the Bank is going to be signed by appropriately authorized person/persons and confirmed sample (s) of signature (s) of such person (s) are provided;
  - ✓ The Bank must be provided with evidences that the Company has received all necessary decisions and permissions from its management bodies and shareholders in order to enter into the Credit Agreement with the Bank and for the very implementation of the LNGT project (hereinafter – the Project);
  - ✓ The Bank must be provided with the evidences that the Europe Commission has given its confirmation (does not contradict) for the granting of the State guarantee in accordance with the Credit Agreement, whereby performance of the financial obligations of the Company towards the Bank according to the Credit Agreement are assured;
  - ✓ The Bank must be provided with the Credit Agreement which is appropriately constituted and confirmed, the form and the content of which are acceptable for the Bank;
  - ✓ The Bank must be provided with the legal conclusion regarding the fact that all identified terms are met appropriately and all necessary documents from the Company's side are presented in order to enter into the Credit Agreement. The legal conclusion must be submitted in the manner and the content that are acceptable for the Bank. It must be provided to the Bank before the signing of the Credit Agreement;
  - ✓ The Bank must be provided with the evidences that all design, procurement and construction contracts (EPC contracts) related to the Project between the Company and the relevant parties of these contracts are appropriately constituted, valid and all conditions precedent identified in such contracts are appropriately performed or application of such preconditions is cancelled.
- ✓ The obligations of the Company and (or) its subsidiary company in addition to the above are the following:
  - ✓ Not to repay before the term any credits issued by other financiers except when a written advanced confirmation from the EIB for prescheduled repayment is received; or the refinanced

credit issued in accordance with revolving credit agreement (overdraft); or the credit is refinanced from the credit funds, the term of which is the same as the refinanced credit or longer, is allowed;

- ✓ To repay the credit issued or its part by the request of the EIB, in case the Republic of Lithuania as a shareholder quits controlling the Company;
- ✓ To maintain total ownership of 100% of shares of subsidiary companies which own by the right of ownership or manage any other property that is the part of the LNGT;
- ✓ Not to transfer (i.e., to sell, to assign, to rent or to transfer in any other manners) any property of the Company or its subsidiary companies without the advanced written consent of the EIB except in cases, when:
  - ✓ the property is transferred for the market price:
    - ✓ when the market price is higher, the remuneration value of the transferred property for the term of the credit does not exceed 20% of value of the consolidated long term assets of the Company as of 31 December 2012;
    - ✓ the property is sold under execution of regular selling activity;
    - ✓ the property is assigned in exchange for another property of similar or equal type, value and quality; or
    - ✓ having received the advanced written consent of the EIB, in every case except the property which composes a part of the LNGT project property and majority ownership in subsidiaries of the Company which possess the LNGT assets, is not allowed to be transferred;
- ✓ and
  - ✓ the property composing a part of the LNGT is transferred to a subsidiary company under 100% management of the Company;
  - ✓ it is not allowed to charge (to pledge, to assign receivables, etc.) the property of the Company's own or its subsidiary companies in any way. This limitation is not applicable, if the following is assured:
    - ✓ debt not bigger than EUR 100 million intended to finance the LNGT project;
    - ✓ debt obligations under the State guarantee;
    - ✓ all debt obligations intended to finance the oil terminal activity and (or) capacity addition or developing the terminal activity in any other way and (or) its infrastructure should not in total exceed EUR 30,000 thousand This limitation is not applicable to assure execution of the above mentioned obligations; or
    - ✓ for the Company being engaged in its regular activity or executing everyday trade transactions over activity of the terminal of oil and (or) oil products and (or) regarding the working capital with the condition that mean of guarantee is to be invalidated during 12 months and an agreement or transaction is not to be constituted firstly as a method of financing of credit provision or property acquisition;
  - ✓ to inform the EIB about any more favourable conditions provided to other creditors or any more strict obligations undertaken to other creditors and the EIB has the right to require to amend the Credit Agreement with more favourable conditions for itself or with more strict obligations toward the Company if the Company undertakes such obligations to other creditors.

▪ **2 July 2013.** The Extraordinary General Meeting of Shareholders of the Company also:

- ✓ Entitled the General Manager of the Company to resolve regarding conditions of lending, which are to be provided in the EIB offers for payment including but not limited to:
  - ✓ to decide on which interest rate to be used in lending: fluctuating or fixed;
  - ✓ to decide on the amount of the credit part which is requested to repay.
- ✓ Entitled the General Manager of the Company to sign the Credit Agreement with the EIB according to the essential provisions of the Credit Agreement, which have been approved by the Board, and for which the confirmation of the General Meeting of shareholders of the Company has been also received, as provided in Article 16.10 in the Articles of Association of the Company.

▪ **9 July 2013.** The Company has concluded the Credit Agreement with the EIB regarding the EUR 87,000 thousand credit grant for the LNGT project implementation. According to the Contract, the EIB finances up to 50% of the funds necessary for the LNGT project implementation. According to the Contract, the term of the credit is up to 20 years; interest is fluctuating or fixed whose rate will be provided in the EIB offers for payment. The Contract has also provides that the minimum part of the credit to pay is EUR 15,000 thousand, and the total sum of the credit is to be paid to the Company during the period of no longer than 6 months. The execution of 100% financial liabilities of the Company according to the Contract will be assured by the State guarantee. Other important provisions of the Contract and obligations undertaken under the Contract by the Company are identified in the notification of the Company regarding material event on 2 July 2012.

▪ **5 August 2013.** The Company received the ruling of the Supreme Court of Lithuania, by which it has been rejected to accept cassational appeal of AB Kauno dujotiekio statyba regarding the ruling of the Court of Appeal of Lithuania

dated 28 June 2013. This ruling of the Supreme Court of Lithuania is final and cannot be appealed. This ruling has finished the dispute related to the international procurement “Natural Gas Pipeline System Engineering, Procurement and Construction (EPC) Works” by way of negotiated procedures with publication of a tender notice, and the Company by announcing the German consortium PPS Pipeline Systems GmbH as the winner of has not violate any requirements of legal acts.

- **8 August 2013.** The Company received notification from Vilnius Regional Administrative Court regarding submission of the response to the complaint from the owners of the part of land plots, via which the LNGT connective main gas pipeline route is planned to be lined in accordance with technical projects of construction, which are under development at the moment. Submitting this complaint the claimants requested to annul the Decree No.1-130 of the Minister of Energy of the Republic of Lithuania dated 13 June 2013 (hereinafter referred to as the Decree), which has approved the Special plan of construction of the LNG terminal, related infrastructure and gas pipeline, and, in addition to the above, is providing a possibility to line the mentioned gas pipeline route through the land plots that are possessed by the claimants. The Company is involved in the case as third related party.

The opinion of the Management of the Company is that the complaint is unjustified and the Company will submit its response to it during the term identified by the Court.

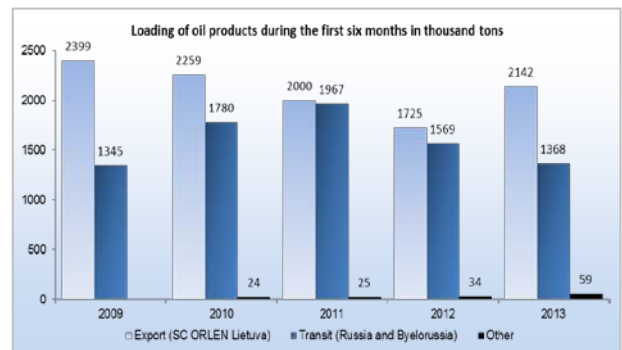
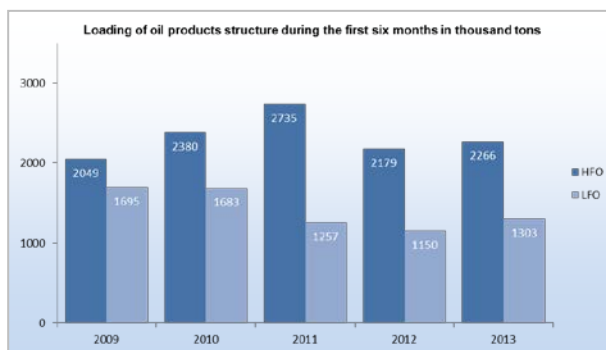
### Information about public information

Following order of the Law of the Republic of Lithuania, all Company related material events and information about time and place of the General Meeting of the shareholders are published on website of the Company [www.oil.lt](http://www.oil.lt) and in AB NASDAQ OMX Vilnius Stock Exchange.

During the first six months of 2013 the Company has published 72 official announcements about material events and other regulated information at AB NASDAQ OMX Vilnius stock exchange ([www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com)).

### BUSINESS ENVIRONMENT

During the first six months of 2013 the Company transhipped 3,569 thousand tons of oil products. 63% (65% in 2012) of the total transshipment volume was transshipment of heavy oil products (HOP). The fluidity of HOP depends on the product temperature and ambient temperatures, and due to this these products are energetically more favourable during decanting. The following oil products are attributed to HOP: types of fuel oil and its substitutes, vacuum gas oil, orimulsion, oil ant etc. Light oil products (LOP) are oil products, the fluidity of which does not depend on the product temperature and ambient temperatures. The following oil products are attributed to LOP: types of gasoline, diesel fuel, jet fuel and etc.



During the six-month-period of 2013 Belarusian and Russian oil products flows (1,368 thousand tons) compared to the six-month-period of 2012 (1,569 thousand tons) decreased by 13%, compared to the six-month-period of 2011 (1,967 thousand tons) – transhipped less by 30%. The Company anticipated the trends of decrease in heavy oil products from Belarus and Russia due to the planned modernization of oil refineries increasing the oil processing depth and decreasing the output of HOP which are the main oil products transhipped by the Company from the eastern oil refineries.

In order to ensure the revenue during the period of changes in 2012 the Company signed a two years contract with the Swiss company Litasco S.A. (OAO Lukoil Group Company) on supply of black oil fuel under “take-or-pay” conditions ensuring the Company's revenue will be not less than in 2012, regardless of variations on the physical flows of oil products. The same type of contract was signed with the company Somitekno Ltd on transshipment of vacuum gas oil. The Company, taking into account the changes in the market, is oriented and plans to continue the conclusion of new contracts with customers under “take-or-pay” conditions, because they provide a stable income from carrying out the main operations even if the supply of oil products is irregular.

A long-term contract (by the end of 2024) concluded with AB Orlen Lietuva ensures the basic handling flows of fuel oil, gasoline and diesel fuel. During the six-month-period of 2013 loading of AB Orlen Lietuva oil products composed 61% of the total oil products transshipment of the terminal. During the reporting period AB Orlen Lietuva transhipped 25% or 431 thousand tons more of oil products compared to the same period of 2012. The transshipment could be even bigger;

however, due to unfavourable fluctuations of oil refinement margins, production at the Mažeikiai FRP and transshipment was decreased starting from the beginning of second quarter.

#### SUBAČIUS FUEL STORAGE FACILITY

After the approval of the share emission agreement with the Republic of Lithuania on 11 June 2012, the Company started to manage the Subačius fuel storage facility in Kunčių village, Kupiškis region. The infrastructure of the Subačius fuel storage facility consists of the following: (1) the park of 338,000 m<sup>3</sup> of storage tanks adapted to store light oil products; (2) the rail access point modernized in 2007 which can simultaneously handle 14 rail tank wagons; (3) modern rail tank loading platform; (4) renovated laboratory that can detect the main quality parameters of oil products; (5) vehicles and other service buildings and equipment.

The main operations of Subačius fuel storage facility are the following: long-term storage of oil products (currently the majority of storage tanks are filled with the obligatory reserve of oil products of Lithuania), and the loading of tank trucks which service the entities in the Aukštaitija region. In addition, the Company is carrying out social activities which create the opportunity for the local residents and legal entities having the status of social companies to receive services of sanitation, passenger transport, snow clearing and other services of heavy transport under favourable conditions.



### **RISK FACTORS**

#### **Risk factors of the oil products terminal** **Competitive environment risk factors**

The main competitors of the Company are the following terminals of the Baltic Sea ports, reloading dark and light oil products exported from Russia, Belarus and Lithuania: Kroviniu Terminalas (Lithuania), Ventspils Nafta (Latvia), Ventburkers (Latvia), BLB (Latvia), Naftimpex (Latvia), Alexela (Estonia), Vopak EOS (Estonia), Vesta (Estonia), terminals of Odessa, Sevastopol and Feodosia (Ukraine), Peterburg Oil Terminal (Russia), newly built Ust-Luga terminal (Russia). The most significant factors influencing the competitiveness of the Company on the market are as follows: technical parameters of the port and terminal (depth and number of quays, maximum allowable draughts of the ships, storage capacity of the terminal, capacity of the loading equipment etc.) and logistic costs of the terminal maintaining infrastructure (road lines, railway nets, etc).

The Government of Russian Federation aims to export all oil products produced in Russian Federation refineries via Russian ports, therefore Russian Federation offers advantageous conditions for transporting freights through national ports thus stimulating national competition of the ports in regard to foreign ports.

The Company has an excellent reputation, engaged part of the market, concluded long-term agreements with cargo owners and has an ice-free port of Klaipėda, so it is hopefully that the Company will maintain flows of Russian and Belorussian cargo in winter time.

#### **Commercial risk factors**

AB ORLEN Lietuva is the main client of the Company, whose load volume through the Company composes more than 60 percent of the total annual transshipment volume of the Company. The Company has signed a long-term contract with AB ORLEN Lietuva until 2024; conclusion of this contract lets the Company hope for regular flow of loading of oil products.

Annual loading volumes of Belarusian oil refinery products comprise about 30 percents of the total loading volume of the Company's terminal. Since Belarus has no direct access to the sea, exporting oil products to the Western countries Belarus must use transit via neighbouring countries and their ports. Therefore cooperation with Belarusian companies and institutions is of high importance seeking to divert their load through Klaipėda port.

Due to the significant share of Belarusian transit of oil products in Company's activities there is a risk (including but not limited to political, economic, etc.) that the Belarusian oil refineries may decide to export oil products using ports of other countries (Latvian, Estonian or Ukrainian). The Company may not be able to find new customers within short period of time which would replace the lost transshipment volume and, therefore, may not be able to maintain the same volume of transshipment of oil products as in previous years.



Capacity utilization as well as earnings and profitability of the Company highly depend on the situation on the oil market. In case of low oil refining margins oil refineries reduce the volume of oil refining, i.e., produce less oil products which could be exported using the Company's or other competitive terminals. Therefore, due to less profitable oil refining and the relatively decreasing flows of export oil products, the competition for transshipment of these flows is becoming more intense and it affects transshipment volume of the Company and the size of applied tariffs. If the oil refining margins are high, the reverse processes are observed.

The allowed draught of 12.5 meters at jetties No. 1 and No. 2 of Klaipėda State Seaport which are operated by the Company, creates disadvantage among other Baltic countries seaports. At the terminals of Ventspils and Tallinn the allowed depth exceeds 14 meters which enables a full load of Aframax type tankers (up to 100,000 tons). Klaipėdos Nafta, because of the restrictions of allowed draught of up to 12.5 meters can load such type of tankers only up to 80-85 thousand tons. Therefore, Klaipėdos Nafta loses its competitive edge against the neighbouring ports as this translates into higher marine logistics costs for oil products shipped by Aframax type tankers.

## **Political risk factors**

### **Risk factors related to Russian Federation and Belarus politics**

Governments of Russian Federation and Belarus strictly regulated oil and its products export from the country by establishing strict export quotas and tariffs of oil products transported by railway, giving preference to one or another port. There is a possibility that both in Russian Federation and in Belarus decisions regarding the quotas issue and exportation via specific state ports as well as application of railway tariffs preferences may be made based on not only economic but also political motives.

Consequently, there is a risk that political decisions adopted by Russia and Belarus, relating to the granting of quotas of oil product export to particular foreign ports or reducing such quotas to Klaipėda port, despite the strategically advantageous geographic position of the Company, would lead to the decrease in the transshipment volume of the Company.

Also an additional risk exists that EU may apply economic sanctions to Belarus because of political reasons related to regime of president of Belarus A. Lukashenko. Such economic sanctions may determine restriction or suspend import of appropriate goods or products which were made in Belarus to EU countries, also trade relations between EU and Belarus may be absolutely terminated. It was considered that Belarus may apply responsive economic measures and to restrict export of oil products which were made inside Belarus through EU terminals even if EU economic sanctions for Belarus would not be applied for export and import sector of oil products. For this reason there is a risk that any economic sanctions that EU applies to Belarus would reduce scope of oil products made in Belarus and loaded by the Company.

### **Risk factors related to Latvian politics**

The distance from the Company's terminal to the main oil refineries, which are the producers of oil products, is shorter than the distance from these refineries to the Latvian and Estonian oil terminals. Therefore, it is economically more favourable to transship oil products from these oil refineries through the Company's terminal and Klaipėda Port than at the neighbouring terminals located at the Baltic Sea ports. However, if the Government of the Republic of Latvia or the Latvian Railways decide significantly reduce their transit tariffs, a risk may arise that it will be economically more favourable for certain customers to transship their oil products at the terminals of Latvian ports (or even to transport oil products by railway to the terminals of Estonian ports). Nonetheless, the advantageous geographic position of the Company helps to reduce such risk.

## **Technological factors**

Technological characteristics of the terminal are of major importance for quick and effective satisfaction of potential customers' needs and at the same time for generation of additional income.

Actual investment plans to expand the park of berth storage by 10 percent, making opportunities to tranship light oil products and heavy oil products via these storage tanks, would allow in future to tranship vessels of larger tonnage and broaden the assortment of transhipped products. Equipped terminal complex located on the area of 35.7 ha is capable to handle up to 9,000 thousand tons of exported and imported oil products per year. Total volume of oil and oil products storage tanks in Klaipėda – 405 thousand m<sup>3</sup>. Every freight batch from different refinery is stored separately in storage tanks, i.e. is not intermixed. It allows saving quantity and quality of transported products. Quality parameters are controlled by the terminal laboratory.

Tankers of capacity up to 100 thousand tons with allowed draught of 12.5 m are handled at two jetties which are located at the port entrance channel which was dredged to 14 meters depth. The Terminal operates a facility for road tanker loading where four road tankers can be loaded at the same time. A unique biological waste water treatment technology guarantees that the treated clear water, discharged into open water basins, complies with the European Union regulations. Total capacity of waste water treatment plant is 160 m<sup>3</sup> per hour. Up to 400 thousand m<sup>3</sup> of water is collected and treated annually.

The Company's oil terminal equipment was manufactured by the following Western and USA companies: "KANON", "BORNEMANN", "INGERSOLL DRESSER", "ROTORK", "ENRAF", "ROSSMARK", "AEG" and etc. Also installed are AJAX-HEKATRON automatic fire detection and extinguishing system, HONEYWELL shutdown system and BAILEY computerized control system of the transshipment process.

**Risk factors of the LNGT project**

Risk	Description	Commentary/Risk management
<b>Regulatory and political</b>	Relevant legislation may not be approved or adopted legislation may be amended	<ul style="list-style-type: none"> <li>▪ LNG terminal project has made a significant progress and important changes in project's legal or regulatory environment could result in significant losses due to the financial and/or legal commitments already made.</li> <li>▪ After the parliamentary elections held in October 2012, the new country's Government was elected, which defined the field of energetics as one of the priorities. The new Prime Minister of Lithuania, A. Butkevičius, and the designated Minister of Energy, J. Neverovičius, have repeatedly mentioned in their speeches that the new government supports the LNG terminal project and seeks for its rapid implementation. The Minister of Energy has supported the project by signing the Letter of Support addressed to financial institutions.</li> <li>▪ The Parliament of the Republic of Lithuania adopted a Law on the Liquefied Natural Gas terminal on 27 June 2013, which aims at regulation of general principles and requirements for construction of LNG terminal within the territory of the Republic of Lithuania, its operation and usage, as well as establishing adequate legal, financial and organizational conditions for implementation of the LNG terminal project.</li> </ul>
<b>Construction</b>	Construction works of the jetty and pipeline may take longer and cost more than expected	<ul style="list-style-type: none"> <li>▪ Construction works of the jetty and pipeline were procured by signing Engineering, procurement and construction (EPC) type agreements. In such a way, schedule and cost of the works are indicated during the conclusion of the contract with the contractors. All the risks associated with these activities not completed on time and the increase in the price of work is transferred to the contractor. Various instruments are used to secure the contract (for example, pre-payment guarantee, performance guarantee, guarantee for defect adjustments, payment detentions for defect adjustments, etc.).</li> <li>▪ The schedule and construction costs of the LNG terminal project were estimated according to suggestions of the main consultant of the projects, Fluor. Fluor has extensive experience in the development and successful implementation of such projects all around the world.</li> <li>▪ In order to avoid delay in construction works, the Company performs strict monitoring and control of construction works, supervises mutual communication between contractors.</li> </ul>
<b>Financing</b>	The Company may not receive the necessary funding for the construction of the infrastructure of the LNG Terminal	<ul style="list-style-type: none"> <li>▪ The NCC has already approved the LNG terminal investment plan (LTL 452,965 thousand)</li> <li>▪ Klaipėdos Nafta has also signed an agreement with Nordea Bank Finland Plc. on the overdraft of LTL 120,000 thousand.</li> <li>▪ The Company has signed the Contract with the EIB regarding the credit up to LTL 300,000 thousand (EUR 87,000 thousand) granting for the LNGT project implementation. According to the Contract the EIB will finance up to 50% of the funding necessary for the Project implementation.</li> <li>▪ The Parliament of the Republic of Lithuania and the Government of the Republic of Lithuania resolved to grant the State guarantee to the EIB regarding the credit issued for the Company, notification procedure of the State assistance is performed with the European Commission.</li> </ul>
<b>Third parties</b>	The delivery of the vessel-storage to the port of Klaipėda may be delayed	<ul style="list-style-type: none"> <li>▪ Höegh LNG is one of the leading maritime companies supplying the technologies of LNG transportation and regasification. The company has received the loan of EUR 250,000 thousand for the construction of LNG terminal's vessel-storage for Klaipėdos Nafta.</li> <li>▪ The specialists of both, Höegh LNG and Klaipėdos Nafta supervise the construction works of the vessel-storage in South Korean Hyundai Shipyard according to the strict schedule. The construction works are performed on schedule.</li> </ul>
	The pipeline Jurbarkas – Klaipėda may not be completed on time	<ul style="list-style-type: none"> <li>▪ The construction works of the main pipeline Jurbarkas - Klaipėda has already been started and should be completed in 2013, i.e. earlier by one year than the launch of the LNG Terminal.</li> </ul>

Risk	Description	Commentary/Risk management
<b>Force majeure</b>	Fire, explosion, etc.	<ul style="list-style-type: none"> <li>▪ Klaipėdos nafta has a comprehensive insurance coverage of force majeure risks.</li> </ul>
<b>Environmental</b>	Obtaining of permits for territory planning and construction might be delayed due to environmental or nolitical reasons	<ul style="list-style-type: none"> <li>▪ The Environmental Impact Assessment (EIA) report was adopted and approved by all concerned authorities. The special plan has been agreed and approved by the order of the Minister of Energy of the Republic of Lithuania. All environmental issues are resolved at the level of the Government, by delegating of tasks to appropriate offices.</li> </ul>

### **ENVIRONMENT PROTECTION**

The Company performing its activities must follow the legal acts on environment protection that provide the usage, marking and storage of various materials, ensure that all equipment used would comply with their usage requirements. In the objects operated by the Company, where is the higher risk of damage to the environment by emitted pollutants or amount of accumulated waste, the Company works according to the licenses of integrated prevention and control of pollution (PIPC) issued by the regional departments of environment protection and according to the most accessible methods of production. The Company is obliged, in compliance with all these rules, to implement such procedures and technologies that would enable to handle appropriately any hazardous materials. The Company is responsible for the management and elimination of any environmental pollution and for the maintenance of adequate equipment condition.

In order to reduce the environmental risks, the Company implemented the systems of automatic fire detection and extinguishing, computer-assisted loading process control, and technologies for air, soil and water protection from pollution in accordance with the EU standards. The management of systems for extreme situations, fire protection and territory protection comply with the requirements of the Republic of Lithuania institutions of fire protection, labour security, civil safety, environment protection, port control. The inspectors of British Petroleum and SHELL which carried out the danger and risk analysis and evaluation of the Company gave positive conclusions on the safety of the Company's terminal.

For further reduce of the environment pollution by hydrocarbon vapours, the Company has finished the LOP project and the construction of oil vapour recuperation.

During 2013, the Company did not experience any accidents or malfunctions which could affect environment. The Company performs constant environmental monitoring of:

- underground water (it has been measured that underground pollution with oil products, which accumulated over the period of activities of the old terminal, is reducing);
- discharged treated waste water into the Curonian Lagoon (biological treatment facilities of the Company guarantee less pollution of open water basins than allowed in the Integrated Permit of Pollution Prevention and Control);
- impact on ambient air (limits of volatile organic compounds and nitrogen oxides defined by the EU and national limit values were not exceeded outside the boundaries of the sanitary zone of the Company);
- stationary sources of air pollution (the amount of pollutants allowed in the Integrated Permit of Pollution Prevention and Control was not exceeded).

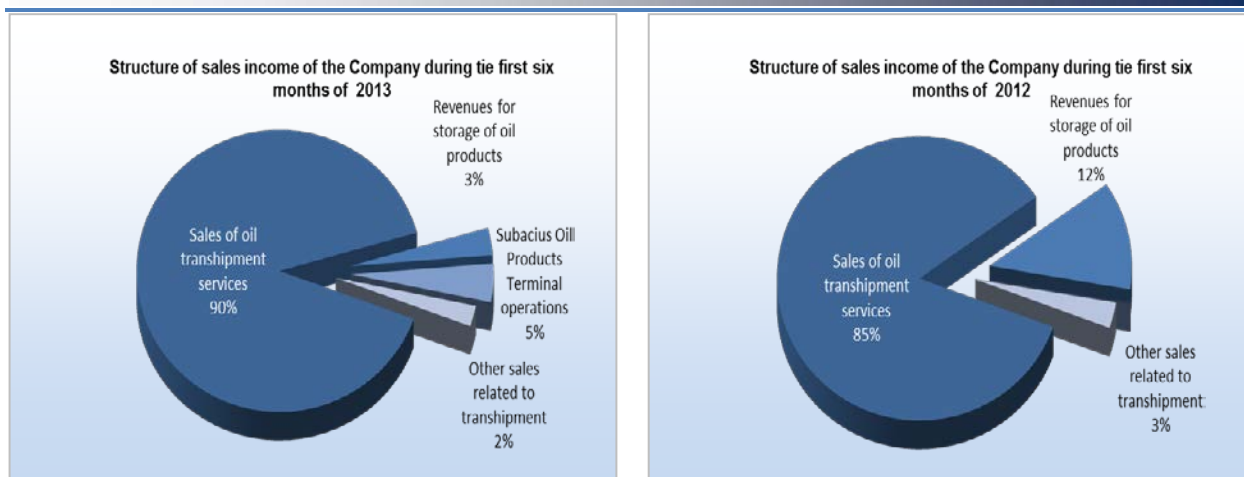
During the six-month-period of 2013 the expenses for environment protection amounted to LTL 1,526 thousand (during the six-month-period of 2012 – LTL 1,407 thousand). Additionally during the six-month-period of 2013 LTL 28 thousand (during the six-month-period of 2012 – LTL 61 thousand) were allocated for different environmental studies (investigation of pollutants and etc.) and LTL 8 thousand of pollution tax was paid (during the six-month-period of 2013 – LTL 11 thousand).

### **RESULTS OF THE ACTIVITY**

#### **Revenues**

Sales revenues of the six-month-period of 2013 - LTL 72,070 thousand; if compared with the revenues of the same period in 2012 (LTL 68,105 thousand) it increased by LTL 3,965 thousand. Increase of income was influenced by: revenues from activity of the newly started activity (Augustin 2012) in Subačius fuel storage facility (LT 3,174 thousand) and increased revenues from loading of AB Orlen Lietuva products (AB Orlen Lietuva during the six-month-period of 2013 compared with the same period of 2012, has transhipped by 25% or by 431 thousand tons more of oil products).

The revenues from transshipment services make over 90% of the Company's total revenue (2012 – 85 percent).



### Key financial and operating figures

The Company earned LTL 21,423 thousand net profit during the six months of 2013, that is by LTL 429 thousand or 2% more if compared with the same period of 2012 (LTL 20,994 thousand). The Company continues successful activity by maintaining the high level of profitability (not less than the level of 2012) and management of the constructions and developing of the LNGT project which is strategically important for the Republic of Lithuania.

The Company did not obtain any new financial obligations during the reporting period. The contract with the EIB, regarding the credit of up to LTL 300,000 thousand (EUR 87,000 thousand) granted for the liquefied natural gas terminal project implementation, was signed on 9 July 2013.

Main ratios of the Company's financial status in thousands LTL, if not indicated otherwise:

Indexes of the activity	30 June 2013	30 June 2012	30 June 2011
Transshipment of the oil products (thousand tons, net)	3,569	3,329	3,992
Investment (PP&E acquisitions)	37,556	12,839	2,529
<b>Financial figures</b>			
Revenues	72,070	68,105	79,772
Gross profit	30,744	27,435	34,932
EBITDA	37,157	34,742	42,945
EBIT	24,866	23,575	31,337
Profit before tax	25,171	24,812	32,074
Net profit	21,423	20,994	27,901
Non-current assets	472,869	433,757	387,044
Current assets	107,958	103,243	113,934
Total assets	580,827	537,000	500,978
Equity	557,425	516,905	482,917
<b>Profitability</b>			
Return on equity ratio (ROE)	8.0%	8.4%	12.0%
Return on assets (ROA)	8.9%	9.1%	13.0%
Gross profit margin	43%	40%	44%
EBITDA margin	52%	51%	54%
EBIT margin	35%	35%	39%
Net profit margin	30%	31%	35%
<b>Turnover</b>			
Trade receivable, days	19	11	16
Trade payable, days	18	9	6
<b>Financial structure</b>			
Debt to equity ratio	0.04	0.04	0.04

Indexes of the activity	30 June 2013	30 June 2012	30 June 2011
Debt ratio	0.96	0.96	0.96
Current liquidity ratio	7.03	12.28	8.09
Market value ratios			
Share price and earnings per share ratio (P/E), times	11	12	14
Earnings per share, LTL	0.06	0.06	0.08

EBITDA = profit before taxation, before interest, depreciation and amortization.

EBIT = profit before taxation, up to result of the financial activity.

Return on equity (ROE) = net profit of the reporting period/average equity capital totally per reporting period.

Return on assets (ROA) = EBIT / average asset totally per reporting period.

Debt ratio = total fixed and current obligations at the end of the reporting period/ total asset at the end of the reporting period.

Current liquidity ratio = total current assets at the end of the reporting period / total current obligations at the end of the reporting period.

### ACTIVITY PLANS AND FORECASTS

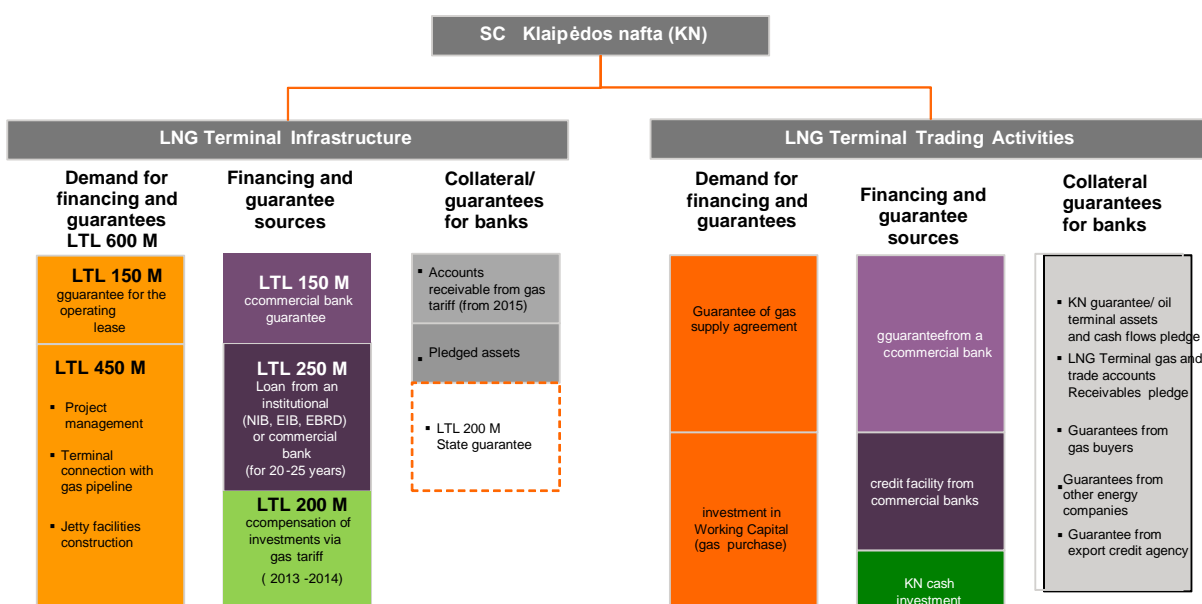
The Company's operational objectives for 2013 are associated with the Company's strategy for 2012-2016 that remains unchanged from the beginning of the year. The strategy key plans are:

- to maintain high level of oil products transshipment and profitability;
- to increase competitiveness of the oil products terminal by reacting to increasing flows of light oil products and accordingly investing in construction of new storage tanks and reconstruction of the old ones;
- to increase full compliance with environmental requirements set for the oil terminal;
- to increase flexibility of the Company by investing in the new pipeline systems;
- to implement successfully the project of LNGT by the end of 2014.

During the six-month-period of 2013 the Company transhipped 51% of the planned annual transshipment of 2013.

For the remaining period of the year 2013 (2<sup>nd</sup> half) the Company plans to continue the oil products transshipment and related activities at the same level as in previous periods and also to continue LNGT project works in accordance to the schedule. For the investments both into oil and LNG terminals the Company pays special attention and efforts.

### Financing of the constructions related with the LNG terminal:



### **Investments into the oil terminal**

Investments into the oil terminal aim to increase the oil terminal's flexibility for accepting more types of different oil products in order to maintain a high level of profitability from the Company's main activity – transshipment of oil products.

#### Development of the universal storage tank park

Currently, the Company accumulates different batches of oil products in the shore storage tanks with an overall volume of 405 thousand m<sup>3</sup>.

In 2013 the Company continues the construction of the two universal storage tanks (2 x 32.25 thousand m<sup>3</sup>) which replace old storage tanks (4 x 5 thousand m<sup>3</sup>) which no longer comply with environmental and safety requirements due to their depreciation. Upon realization of this investment, the storage tank park will increase by 45 thousand tons; VOC (volatile organic compounds) emissions from the newly installed storage tanks will be 10 times lower. The investment will increase the Company's flexibility in transshipment of oil products and will enable to tranship additional LOP flows as well as will increase the terminal's attractiveness – customers will be able to accumulate larger batches of oil products (up to 90 thousand tons). The value of the investment amounts to LTL 29,000 thousand. The Company is planning to finish the construction by the end of 2013. Construction works of the storage tanks in 2013 are performed according to the schedule in the Contract.

Besides construction of the new universal storage tanks, the Company is planning to carry out modernization of the existing storage tank pipeline network that will create a technical possibility to use part of HOP storages for the transshipment of LOP.

#### Environmental projects

In June 2013, the Company nearly completed the installation of the system for utilization of hydrocarbon vapour from the rail piers. The purpose of this investment is to modernize the facilities used for collection and utilization of vapours during transshipment of oil products from/to rail tank cars. The mentioned investment amounts to LTL 7,000 thousand. After the six months of 2013, launching and commissioning works of the facilities (coal improvement) are performed till the specified capacities are reached.

The Company is planning additionally invest up to LTL 1,000 thousand in modernization of water treatment facilities in order that the treated water that is discharged to the Baltic Sea would comply with the maximum requirements set by environment control inspections.

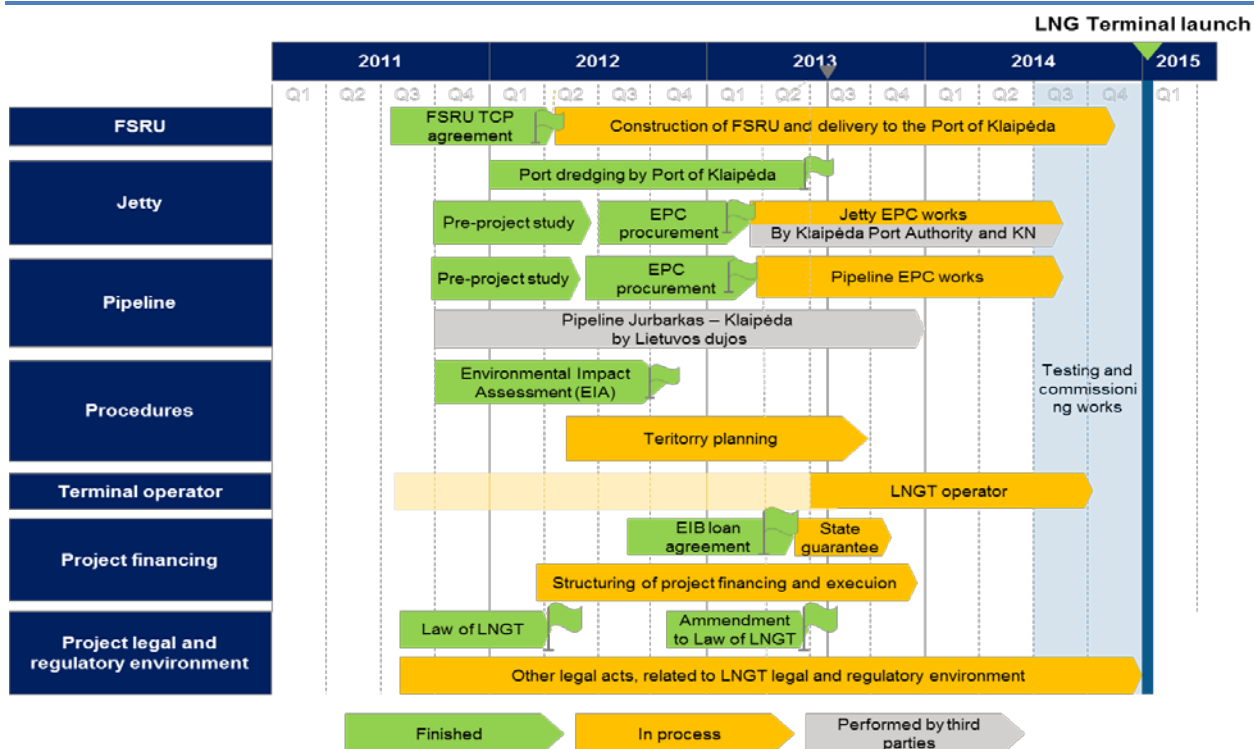
#### Other projects to support the technological processes of the Company

The other important implemented investments are: reconstruction of the fire protection system, modernization of the unloading system for the rail tank cars, modernization of boiler steam separation system, renovation of the heat exchangers and other.

### **Works planned for the implementation of the LNGT project in 2013-2014:**

- to complete process of territory planning for LNGT infrastructure (special plan, detailed plan and land servitudes) ( 3<sup>rd</sup> quarter of 2013);
- to transfer the activity development works of LNG supply (including preparation for purchase and sale of LNG) to the subsidiary company UAB LITGAS (3<sup>rd</sup> quarter of 2013);
- to obtain confirmation for technical and work projects of the LNGT gas pipeline and the jetty (3<sup>rd</sup> quarter of 2013);
- to start preparatory construction works and to start construction of the LNGT jetty and gas pipeline (3<sup>rd</sup> quarter of 2013);
- to complete construction of the LNGT infrastructure (3<sup>rd</sup> quarter of 2014);
- to present the gas storage with gas facilities, connection to the gas pipeline and preparation for operation (4<sup>th</sup> quarter of 2014);
- commissioning works in the Klaipėda Seaport (4<sup>th</sup> quarter of 2014);
- to start LNGT operation in December 2014.





#### INFORMATION REGARDING SHAREHOLDERS AND SHARES OF THE COMPANY

The Company's shares are traded on a regulated market. All the shares of the Company are listed in the Baltic Secondary list on the NASDAQ OMX Vilnius Stock Exchange.

Main data on the Company's shares:	
ISIN code	LT0000111650
Abbreviation	KNF1L
Size of issue (units)	380,606,184

As at 25 June 2013 1,845 shareholders (30 June 2012 – 1,732) held the shares of the Company. All the shares issued by the Company are ordinary registered shares granting its owners (shareholders) equal rights. One ordinary registered share of SC Klaipėdos Nafta gives one vote at the General Meeting of Shareholders. The company has not been informed of any agreements between the shareholders which may result in restrictions on the transfer of securities and (or) the voting right.

The shareholders having more than 5 % of the authorized capital of the Company as on 25 June 2013:

Shareholder (Company's name, type, registered office address, Company Register Code)	Number of shares (pcs.) owned by proprietary right	Part (%) of authorized capital
State of LR, represented by Ministry of Energy (Gedimino aven. 38/2, Vilnius, 302308327)	275,241,290	72.32
UAB Concern ACHEMA GROUP (Jonalaukio village, Jonava district, 156673480)	38,975,150	10.24

The rest 66,389,744 shares (pcs.) of the Company (17.44 % of the authorized capital) belong to 1,843 minority shareholders.

#### Development of the share price at NASDAQ OMX Vilnius for the six months of 2013

	Highest price per share	Lowest price per share	Price per share at the end of the period	Average price per share	Turnover, pcs.	Turnover
LTL	1.30	1.18	1.18	1.25	2,167,718	2,660,997
EUR	0.38	0.34	0.34	0.36	2,167,718	770,678

As of 30 June 2013 the Company's market capitalization was LTL 449,442 thousand (EUR 130,167 thousand).

## **AUTHORIZED CAPITAL OF THE COMPANY**

The Company's authorized capital amounted to LTL 380,606 thousand as at 30 June 2013. All the shares of the Company are fully paid and no restrictions on the transfer of securities are applied to them. The authorized capital is divided into 380,606 thousand (three hundred eighty million six hundred six thousand hundred and eighty-four) ordinary shares with a par value of 1 LTL.

The Government of the Republic of Lithuania by the decision No. 204 dated 15 February 2012 "On the investment of state-owned property and the increase of the authorized capital of SC Klaipėdos nafta approved to increase the authorized capital by investing LTL 45,491 thousand assets into the Company.

The Republic of Lithuania which owns 72.32% of the ordinary nominal shares of the company invested in the Company the assets being upon trust of the State Enterprise Lithuanian oil products agency - the Subačius fuel storage facility by increasing the authorized capital of the Company with additional contribution, provided that the Company obliges to rent for the period not shorter than 10 years to the State Enterprise Lithuanian oil products agency a part of the property, which is necessary to assure accumulation of the State reserve of oil products and oil and its maintenance according to requirements of legal acts. Shareholders of the Company that held shares according to the accounting of 14 May 2012 could subscribe for the amount of newly issued shares proportionally to the amount of already existing shares. During the period of distribution of the shares (from 29 May 2012 till 11 June 2012) 38.606.184 issued new ordinary shares have been subscribed, whereas the nominal value of each is LTL 1.

The SFSF incorporation into the Company and conclusion of the long-term (for 10 years) contract with the State Enterprise Lithuanian oil products agency regarding storage of oil products allows the Company to diversify risks of its activity since activity of the Company depends only on a few participants of the oil products market, i.e. Mažeikiai plant and Novopolock and Mozyr oil refineries located in Belarus. After the beginning of a new activity, i.e. storage of fuel reserve, the Company has secured additional guaranteed long-term revenues.

### **Information on the Company's own shares**

The Company does not have own shares.

### **Dividends**

On 30 April 2013, the Ordinary General Meeting of Shareholders was held which approved the 2012 financial reports and profit distribution project. The Company allocated LTL 410 thousand (EUR 119 thousand) for shareholders from the Company profit in 2012 (LTL 56,981 thousand or EUR 16,503 thousand in 2011).

### **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.

<b>AB SEB bank Financial Markets Department:</b>	
Company code	112021238
Address	Gedimino 12, 01103 Vilnius
Telephone	+370 5 2681190
E-mail	info@seb.lt
Website	www.seb.lt

## **MANAGEMENT OF THE COMPANY**

### **Information on adherence of the Code on Corporate Governance**

In fact, the Company is governed by the Code on Corporate Governance for the companies that are listed on the NASDAQ OMX Vilnius Stock Exchange. New revision of the Code was approved at the Board Meeting of AB NASDAQ OMX Vilnius on 14 December 2009 (Records No.09-106) (Amex to the Annual Report of 2012).

### **Management structure**

In its activities the Company follows the Law on Stock Companies, the Law on Securities, Articles of Association of the Company and other legal acts of the Republic of Lithuania. The competences of the General Meeting of Shareholders, rights of the shareholders and their realization are defined in the Law on Stock Companies and the Articles of Association of the Company.

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

- the General Meeting of Shareholders,

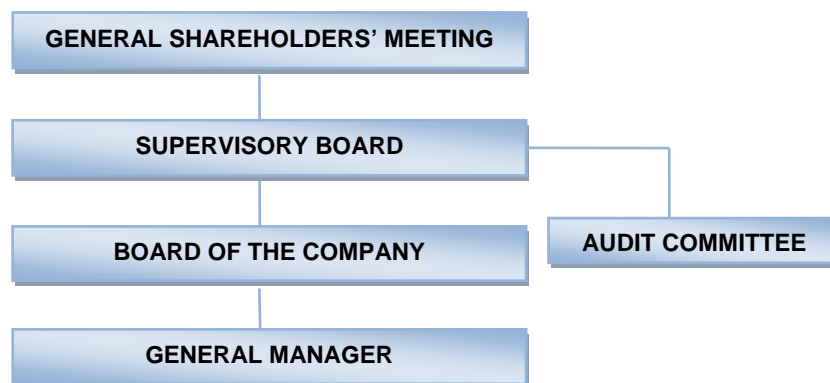


- the Supervisory Board,
- the Board,
- the CEO –General Manager.

**The Supervisory Board** is a body supervising the activities of the Company. It is formed of three (3) members elected by the General Meeting of Shareholders for the period of four (4) years according to the procedure established by the Law on Stock Companies. The number of the terms of office a member may serve on the Supervisory Board is not limited. The General Manager of the Company, a member of the Board of the Company and a person, who under the legal acts is not entitled to serve in this office, shall not serve on the Supervisory Board. The Supervisory Board is a collegial body supervising the activities of the Company, its status, competence and functions have been defined by the Law on Stock Companies and the Articles of Association of the Company. The Supervisory Board has established an Audit Committee as an advisory body. The Audit Committee is comprised of three (3) members elected for the term of office of the Supervisory Board. “The rules of formation and conduct of the Audit Committee of SC Klaipėdos Nafta”, approved by the Company’s Supervisory Board, regulate functions, rights and duties of the Audit Committee. The key functions of this committee are: observe preparation process of the Company’s Financial Statements, observe the process of audit performance, analyze the efficiency of the systems of internal audit and risk management.

**The Board** is a management body of the Company consisting of five (5) members, who are elected by the Supervisory Board for the period of four (4) years. The Board members elect the Chairman of the Board. The number of the terms of office a member may serve on the Board is not limited. A person who is a member of the Supervisory Board of the Company, who under the legal acts may not serve in this office shall not be elected or serve as member of the Board. The powers of the members of the Board and activities of the General Manager have been determined by the Law on Stock Companies and the Articles of Association of the Company.

#### Organizational structure of Management



#### Supervisory Board as at 30 June 2013

Name, surname	Position	Term of office
Agnė Amelija Petravičienė	Chairman of the Supervisory Board	February 2013 – February 2017
<i>Deputy Head of Law Division of the Ministry of Energy of the Republic of Lithuania. Member of the Board of UAB Visagino Atominė Elektrinė, Member of the Board of UAB Kauno energetikos remontas, member of the Board of VĮ Ignalinos atominė elektrinė. No Company shares owned.</i>		
Romas Švedas	Member of the Supervisory Board	February 2013 – February 2017
<i>Independent expert. Lecturer of Institute of International Relations and Political Science at Vilnius University. No Company shares owned.</i>		
Eimantas Kiudulas	Member	April 2010 – April 2014
<i>Director and Member of the Board of UAB Klaipėda Free Economic Zone Management Company. Member of the Board of UAB LEZ projektų valdymas, Director of PO7, Member of the Board of UAB Quantum capital. No Company shares owned.</i>		

The members of the Supervisory Board were elected during the Extraordinary General Meeting of Shareholders on 11 February 2013. During the six months of 2013 the members of the Company’s Supervisory Board did not receive any remuneration, loans, guarantees; no property transfers to them were made.

**Audit Committee as at 30 June 2013**

Name, surname	Position	Term of office
Eimantas Kiudulas	Member of the Audit Committee	The term of office of the Supervisory Board
<i>Director and Member of the Board of UAB Klaipėda Free Economic Zone Management Company. Member of the Board of UAB LEZ projektų valdymas, Director of PO7, Member of the Board of UAB Quantum capital. No Company shares owned.</i>		
Simonas Rimašauskas	Member of the Audit Committee	The term of office of the Supervisory Board
<i>Director of UAB "ERPRO". No Company shares owned.</i>		
Linas Sasnauskas	Member of the Audit Committee	The term of office of the Supervisory Board
<i>Independent consultant. No Company shares owned.</i>		

During the six months of 2013, for S. Rimašauskas and L. Sasnauskas, the members of the Audit Committee, were paid remuneration in total for LTL 25 thousand. Members of the Audit Committee did not receive any loans, guarantees or assets.

**Board members as at 30 June 2013**

Name, surname	Position	Term of office
Rytis Ambrazevičius	Member of the Board	October 2011 – April 2014
<i>Independent expert. Member of the Board of UAB LitGas. No Company shares owned.</i>		
Mindaugas Jusius	Member of the Board	October 2011– April 2014
<i>Member of the Management Body of foreign juridical entity of Lithuanian branch of Swedbank Life Insurance SE, Member of the Board of UAB LitGas. No Company shares owned.</i>		
Rokas Masiulis	Member of the Board	September 2010– April 2014
<i>General Manager of SC Klaipėdos Nafta. Member of the Council of Association of Lithuanian Stevedoring Companies, Member of the Board, General Manager of UAB LitGas. No Company shares owned.</i>		
Valdas Lastauskas	Member of the Board	May 2013 – April 2014
<i>Chancellor of the Ministry of Energy of the Republic of Lithuania. No Company shares owned.</i>		

During the six months of 2013, M.Jusius and R.Ambrazevičius, Members of the Board, received remuneration amounted in total for LTL 34 thousand. The accounted amounts for Member of the Board R.Masiulis comprise only of the sums related to employment in the Company. Members of the Board did not receive any loans, guarantees or assets.

The Company is managed by the General Manager which is a single-person managing body of the Company. The General Manager is the key person managing and representing the Company.

**General Manager of the Company, Deputy General Manager and Directors of Departments as at 30 June 2013**

Name, surname	Position	Works since
Rokas Masiulis	General Manager	May 2010
<i>Member of the Board. Member of the Council of Association of Lithuanian Stevedoring Companies. Member of the Board, General Manager of UAB LitGas. No Company shares owned.</i>		
Vytautas Kazimieras Aranauskas	Deputy General Manager	May 2010
<i>Acting General Manager of State Enterprise Lithuanian oil products agency (VĮ "Naftos Produktų Agentūra"). No Company shares owned.</i>		
Mantas Bartuška	Director of Finance and Administration Department	May 2010
<i>Chairman of the Board of UAB Baltpool. No Company shares owned.</i>		
Gediminas Vitkauskas	Director of Production and Technique Department	October 1995
<i>Holds 0.00002 % of authorised capital. Does not participate in the management of other companies.</i>		
Sigitas Zakalskis	Director of Commerce	August 2010
<i>No Company shares owned. Does not participate in the management of other companies.</i>		
Rolandas Zukas	Director of the LNGT	December 2010
<i>No Company shares owned. Does not participate in the management of other companies.</i>		

## **PERSONNEL**

The average number of employees (total 361) for the six months of 2013 in comparison to the six months of 2012 (total 312) has grown by 49 employees. The number of employees increased due to the SFSF activity that was incorporated in 2012 (30 employees) and increased number of personnel at the LNGT project, seeking to implement the LNGT project in time, which is strategically important for the Lithuanian Energy.

### **Average number of employees and average monthly gross salary according to employee groups**

Employee group	Average number of employees		Average gross salary per month in LTL	
	The six months of 2013	The six months of 2012	The six months of 2013 <sup>2)</sup>	The six months of 2012 <sup>2)</sup>
Managers <sup>1)</sup>	31	25	10,668	10,897
Specialists	99	81	4,928	4,920
Workers	231	206	3,544	3,652
<b>Total</b>	<b>361</b>	<b>312</b>	<b>3,978</b>	<b>4,028</b>

Notes:

<sup>1)</sup> The Company's managers consist of: General Manager, Deputy General Manager, Directors of Departments and their Deputies, Heads of Divisions. During the six months of 2013, the Managers of the Company received remuneration in total for LTL 2,190 thousand.

<sup>2)</sup> Average gross salary per month includes accrued average annual bonuses for the corresponding year.

The Company has a Collective Agreement providing the basic regulations that are applicable to all employees of the Company, such as: payment for work, time of work and rest, advanced training of the personnel, safety and health, other social and economic issues.

The regulation of payment for work of SC Klaipėdos nafta provide the principles and system of remuneration in the Company pursuant to which the salary of an employee consists of two parts: (1) the fixed part – agreed fixed rate or monthly salary (monthly salary is a basic payment, which is paid for the agreed work execution and efforts needed according to the provisions of employment agreement); General Manager of the Company determines this part of remuneration; (2) the variable part – bonuses which are of two types: bonus for quarterly operating results of the Company and bonus for monthly operating results of an employee.

The Board of the Company determines the procedures of remuneration for General Manager, Deputy General Manager and Directors of Departments by setting the fixed monthly salaries and procedure for payment of bonuses. The bonuses are paid on a quarterly basis in accordance to the achieved profit and revenues ratios.

The employees of the Company are awarded with the annual bonuses in case the financial annual results of the Company are achieved in terms of bonuses calculation procedures.

The Company continuously instructs and trains its employees on the principles of safe work. Employees who perform hazardous works and work with potentially hazardous equipment undergo training at licensed centres, re-testing takes place every 5 years. Also training drills and exercises are periodically arranged to train practical skills for emergency response.

During the six months of 2013 there were 2 light accidents related to work

## **REFERENCES AND ADDITIONAL EXPLANATIONS ABOUT FINANCIAL STATEMENTS**

All the financial data in this Annual Report have not been audited and accounted for according to the International Financial Reporting Standards.

## **TRANSACTIONS WITH RELATED PARTIES**

The Company did not have any transactions or agreements with the members of its Supervisory Board and the Board. More information regarding transactions with related Parties is detailed in the Explanatory Notes to the Company's Interim Financial Statements for the six months of 2013. From 2012, there were no changes in type of transactions with related parties, which could have made impact on the Company's financial activity.

## **OTHER INFORMATION (PROCEDURE OF CHANGING ARTICLES OF ASSOCIATION)**

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.

***CONFIRMATION OF RESPONSIBLE PERSONS***

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Rokas Masiulis, General Manager of SC Klaipėdos Nafta, Mantas Bartuska, Director of Finance and Administrative Department of SC Klaipėdos Nafta, Rasa Gudė, Head of Accounting Department, hereby confirm that to the best of our knowledge the above-presented Interim Financial Statements of SC Klaipėdos Nafta for the six months period ended 30 June 2013 gives a true and fair view of the business development and performance, description of the Company.

General Manager

Rokas Masiulis

Director of Finance and Administrative Department

Mantas Bartuška

Head of Accounting Department

Rasa Gudė