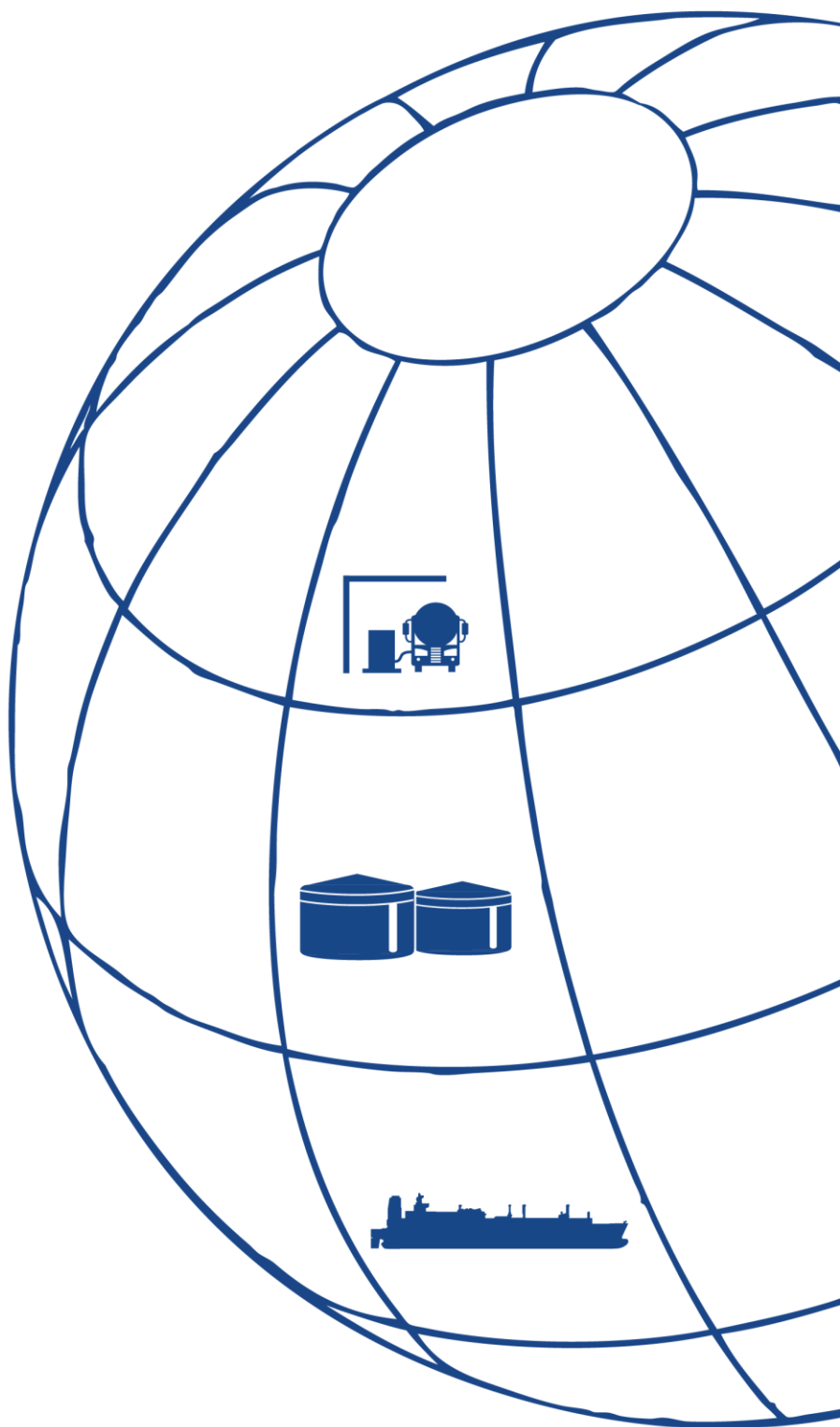




KLAIPĖDOS NAFTA
S T O C K C O M P A N Y



SC KLAIPĖDOS NAFTA

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

**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016
(UNAUDITED)**

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Statement of financial position

	Notes	<u>30-06-2016</u>	<u>31-12-2015</u>
		<i>(unaudited)</i>	<i>(unaudited)</i>
ASSETS			
Non-current assets			
Intangible assets		416	508
Property, plant and equipment	3	178,958	176,821
Long-term receivables	5	2,781	2,401
Investment into subsidiaries		200	200
Investment into associates		144	144
Total non-current assets		<u>182,499</u>	<u>180,074</u>
Current assets			
Inventories	6	1,353	1,727
Prepayments		425	415
Trade receivables	7	11,806	27,716
Other receivables	8	611	1,027
Assets held for sale		4,040	4,040
Cash and cash equivalents	9	44,798	23,788
Total current assets		<u>63,033</u>	<u>58,713</u>
Total assets		<u>245,532</u>	<u>238,787</u>

(cont'd on the next page)

Explanatory note, set out on pages 8 - 14, is an integral part of these financial statements.

Statement of financial position (cont'd)

	Notes	30-06-2016 <i>(unaudited)</i>	31-12-2015 <i>(unaudited)</i>
EQUITY AND LIABILITIES			
Equity			
Share capital	1	110,376	110,376
Share premium		3,913	3,913
Legal reserve		9,209	8,107
Reserve for own shares		15,929	15,929
Other reserves		39,748	36,443
Retained earnings		11,722	22,036
Total equity		190,897	196,804
Non-current liabilities			
Deferred income tax liability		1,500	1,327
Non-current employee benefits		263	202
Loan	10	29,693	29,693
Grants related to assets		1,425	209
Total non-current liabilities		32,881	31,431
Current liabilities			
Loan	10	35	44
Trade payables	11	8,051	6,965
Payroll related liabilities	12	1,935	2,116
Prepayments received		364	106
Dividends payable		9,868	823
Other payables and current liabilities	13	1,501	498
Total current liabilities		21,754	10,552
Total equity and liabilities		245,532	238,787

Explanatory note, set out on pages 8 - 14 an integral part of these financial statements.

Statement of comprehensive income

	Notes	For the six months period ended 30 June 2016 <i>(unaudited)</i>	For the three months period ended 30 June 2016 <i>(unaudited)</i>	For the six months period ended 30 June 2015 <i>(unaudited)</i>	For the three months period ended 30 June 2015 <i>(unaudited)</i>
Sales	15	57,348	26,752	53,871	27,257
Cost of sales	16	<u>(42,035)</u>	<u>(20,385)</u>	<u>(40,508)</u>	<u>(20,458)</u>
Gross profit		15,313	6,367	13,363	6,799
Operating expenses		(2,383)	(1,092)	(2,072)	(1,217)
Other income		24	10	175	11
Profit from operating activities		<u>12,954</u>	<u>5,285</u>	<u>11,466</u>	<u>5,593</u>
Income from financial activities	17	11	5	476	401
Loss from financial activities	17	<u>(163)</u>	<u>(39)</u>	<u>(1,054)</u>	<u>(256)</u>
Profit before income tax		12,802	5,251	10,888	5,738
Income tax expense		<u>(1,080)</u>	<u>(386)</u>	<u>(1,430)</u>	<u>(753)</u>
Net profit		11,722	4,865	9,458	4,985
Other comprehensive income (expenses)		-	-	-	-
Items that will not be subsequently reclassified to profit or loss		-	-	-	-
Items that may be subsequently reclassified to profit or loss		-	-	-	-
Total comprehensive income		<u>11,722</u>	<u>4,865</u>	<u>9,458</u>	<u>4,985</u>
Basic and diluted earnings (losses) per share, in EUR	17	0,03	0,01	0,02	0,01

Explanatory note, set out on pages 8 - 14, is an integral part of these financial statements.

Statement of changes in equity

	Notes	Share capital	Share premium	Legal reserve	Reserve for own shares	Other reserves	Retained earnings	Total
Balance as at 31 December 2014 (audited)		110,232	3,913	7,644	15,929	27,740	9,257	174,715
Net profit for the six months		-	-	-	-	-	9,458	9,458
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	-	9,458	9,458
Dividends declared		-	-	-	-	-	(92)	(92)
Transfers between reserves		-	-	463	-	8,702	(9,165)	-
Balance as at 30 June 2015 (unaudited)		144	-	-	-	-	-	144
Balance as at 31 December 2015 (audited)		110,376	3,913	8,107	15,929	36,442	9,458	184,225
Currency conversion difference		110,376	3,913	8,107	15,929	36,443	22,036	196,804
Net profit for the six months		-	-	-	-	-	11,722	11,722
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	-	11,722	11,722
Dividends declared		-	-	-	-	-	(17,629)	(17,629)
Transfers between reserves		-	-	1,102	-	3,305	(4,407)	-
Balance as at 30 June 2016 (unaudited)		110,376	3,913	9,209	15,929	39,748	11,722	190,897

Explanatory note, set out on pages 8 - 14, is an integral part of these financial statements.

Cash flow statement

	Notes	For the six months period ended 30 June 2016 <i>(unaudited)</i>	For the six months period ended 30 June 2015 <i>(unaudited)</i>
Cash flows from operating activities			
Net profit	17	11,722	9,458
Adjustments for noncash items:			
Depreciation and amortization	3	6,581	6,409
Change in vacation reserve	12	135	75
Impairment and write-off (reversal) of non-current tangible assets		(9)	(43)
Change in non-current liabilities for employees		60	(100)
Impairment of inventory value	6	84	182
Other non-cash adjustments		-	145
Accrued income	5	108	(203)
Income tax expenses		1,080	1,430
Change in allowance for doubtful receivables		(1)	(1)
Interest income	16	(2)	(8)
		19,758	17,344
Changes in working capital			
(Increase) decrease in inventories		304	(275)
Decrease (increase) in prepayments		(10)	299
Decrease (increase) in trade and other accounts receivable		15,652	(18,572)
Increase (decrease) in trade and other payables		786	(6,007)
(Decrease) increase in prepayments received		8,638	11,901
Increase (decrease) in other current liabilities and payroll related liabilities		(316)	236
		44,812	4,926
Income tax (paid)		(461)	(511)
Interest received	16	2	8
Net cash flows from operating activities		44,353	4,423
Cash flows from investing activities			
(Acquisition) of property, plant, equipment and intangible assets		(7,337)	(2,569)
Sales of investments held-to-maturity		-	8,284
(Acquisition) of other Investments		-	(28)
Grants, subsidies		1,216	89
Dividends (received)		407	-
Net cash flows from investing activities		(5,714)	5,776
Cash flows from financing activities			
Dividends (paid)		(17,629)	(92)
Loans (received)		-	239
Interest (paid)		-	(240)
Net cash flows from financing activities		(17,629)	(93)
Net increase (decrease) in cash flows		21,010	10,106
Cash and cash equivalents on 1 January	9	23,788	10,902
Cash and cash equivalents on 30 June	9	44,798	21,008

Explanatory note, set out on pages 8 - 14, is an integral part of these financial statements.

EXPLANATORY NOTES TO FINANCIAL STATEMENTS

1 General information

Stock Company 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 are holding oil terminal supplies, oil products transshipment services and other related services, as well as the liquefied natural gas terminal (hereinafter referred to as “LNGT”) to receive and store liquefied natural gas, regasify it and supply it to Gas Grid.

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

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

As of 30 June 2016 all the shares were owned by 1, 968 shareholders, The Company’s share capital – EUR 110,375,793,36 (one hundred tenmillion three hundred seventy-five thousand seven hundred ninety-three) and 36 cents 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 twenty nine(0,29) euro cents, 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 the year 2016 and 2015 first half year, The Company’s shares are listed in the Baltic Secondary List on the NASDAQ OMX Vilnius Stock Exchange (ISIN code LT0000111650, abbreviation KNF1L).

As of 30 June 2016 and 30 June 2015 the shareholders of the Company were:

	30 June 2016		30 June 2015	
	Number of shares held (thousand)	Part of ownership (%)	Number of shares held (thousand)	Part of ownership (%)
State of Lithuania represented by the Ministry of Energy (Gediminas av, 38/2, Vilnius, 302308327)	275,241	72,32	275,241	72,32
Concern JSC Achemos grupė (Jonalaukis village, Jonava district, 156673480)	38,975	10,24	38,975	10,24
Other (less than 5 per cent each)	66,390	17,44	66,390	17,44
Total	380,606	100,00	380,606	100,00

The average number of employees on 30 June 2016 was 367 (370 – on 30 June 2015).

2 Accounting principles

1 January 2015 - Introduction of the euro in the Republic of Lithuania Day, so this day and accordingly changed the Company's functional currency, The recalculation of the litas to the euro has been applied in the euro exchange rate of conversion and smooth at 3,45280 for 1 euro, which irrevocably set by the EU Council.

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

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 2015, The principles used in preparation of financial statements were presented in more detail in the Notes to the Financial Statements for 2015.

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

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

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

3 Non-current tangible assets

During the six months of 2016 the Company continued works in the following projects:

- *Liquefied natural gas (LNG) onshore reloading station*, The foreseen start of the Company's LNG reloading station activities and supply of services is the beginning of 2017, Currently, the business unit engaged in this activity required the construction of infrastructure projects and creation of business conditions, As of 30 June 2016 the value of constructions in progress amounted to EUR 6,121 thousand (During the year 2016 investment amounted to EUR 5,527 thousand).
- *Modernization works of fire protection system* – investments for the upgrade of mechanical and automatic sections of the fire protection system, As of 30 June 2016 the value of constructions in progress amounted to EUR 32 thousand (There was no investment in 2016).
- *LNG sampling system*, In order to ensure the LNG quality parameters there were invested into LNG sampling system, As of 30 June 2016 the value of constructions in progress of LNG sampling system amounted up to EUR 474 thousand (There was no investment in 2016).
- *Road tanker loading station development* - As of 30 June 2016 the value of constructions in progress amounted to EUR 437 thousand (During the year 2016 investment amounted to 437 thousand).
- *Fuel oil tanks (2 po 4400 m3 construction* - As of 30 June 2016 the value of constructions in progress amounted to EUR 491 thousand (During the year 2016 investment amounted to 491 thousand).
- *LFO (i.e, light oil products) storage tanks park development*, Investment for additional 7 (seven) storage tanks to build, As of 30 June 2016 the value of constructions in progress amounted to EUR 732 thousand (During the year 2016 investment amounted to 732 thousand).
- *Installation works of technological piping for small oil loading parts*, The goal of the investment is to ensure the faster transshipment of the oil product to tank trucks and to expand the Company's technological capacity by increasing the Company's overall volume of tanks, As of 31 June 2016 the value of constructions in progress amounted to EUR 258 thousand (During the year 2016 investment amounted to EUR 258 thousand).
- *Other investment*, As of 31 June 2016 the value of constructions in progress amounted to EUR 733 thousand (During the year 2016 investment amounted to EUR 678 thousand).

Part of the Company's property, plant and equipment with the acquisition cost of EUR 30,3134 thousand as on 30 June 2016 was completely depreciated (EUR 27,229 thousand on 30 June 2015), however, it was still in operation.

The depreciation of the Company's non-current tangible assets for the first half year 2016 amounts to EUR 6,482 thousand (EUR 6,420 thousand – in 2015 first half year), EUR 6,391 thousand of amortisation charge has been included into cost of sales (EUR 6,299 thousand - in 2015 first half year), EUR 15 thousand of amortisation charge was transferred to inventory value (EUR 11 thousand – in 2015), and the remaining amount EUR 76 (EUR 110 – in 2015 first term) has been included into operating expenses in the Statement of comprehensive income.

4 Operating segments

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

- KN – oil terminal in Klaipėda supplying oil products, providing transshipment and other related services.
- SGD – LNG terminal in Klaipėda, which receives and stores liquefied natural gas, regasifies it and supplies to Gas Main.
- SKB - Subačius fuel base in Kupiškis district provides services of long-term storage of oil products and loading of auto-tankers.
- GDP – planned Liquefied natural gas (LNG) onshore reloading station and the foreseen start of the Company's LNG reloading station activities and supply of services is the beginning of 2017, Currently, the business unit engaged in this activity required the construction of infrastructure projects and creation of business conditions.

Main indicators of the business segments of the Company included into the statement of comprehensive income for the financial year as of 30 June 2016 and Statement of financial position as of 30 June 2015, are described below:

For the six months period ended 30 June 2016	SGD	SKB	GDP	KN	Iš viso
Revenues from external customers	34,105	1,412	-	21,831	57,348
Profit before income tax	2,874	649	(170)	9,449	12,802
Segment net profit	2,631	595	(156)	8,652	11,722
Interest revenue	-	-	-	2	2
Interest expense	95	-	-	-	95
Depreciation and amortisation	2,837	436	-	3,308	6,581
Impairment and write-off of non-current tangible assets (reversal)	-	(1)	-	(16)	(17)
Acquisitions of tangible and intangible assets	49	213	5,527	2,361	8,150
Segment total assets	73,727	13,697	6,327	151,781	245,532
Financial liabilities	29,728	-	-	-	29,728
Segment total liabilities	46,506	1,027	2,424	4,679	54,636

4 Operating segments (cont'd)

For the six months period ended 30 June 2015	SGD	SKB	GDP	KN	Iš viso
Revenues from external customers	32,367	1,148	-	20,356	53,871
Profit before income tax	1,407	408	(284)	9,357	10,888
Segment net profit	1,223	355	(241)	8,121	9,458
Interest revenue	3	-	-	9	12
Interest expense	(240)	-	-	-	(240)
Depreciation and amortisation	(2,552)	(419)	-	(3,438)	(6,409)
Acquisitions of tangible and intangible assets	2,239	51	-	279	2,569
Segment total assets	94,430	13,554	-	130,149	238,133
Financial liabilities	29,852	-	-	-	29,852
Segment total liabilities	44,965	4,383	315	4,245	53,908

5 Long-term receivables and accrued income

	30-06-2016	31-12-2015
Long-term accrued income	2,781	2,401

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

6 Inventories

	30-06-2016	31-12-2015
Diesel fuel for the Terminal purpose	978	1,071
Oil products for sale	141	331
Liquefied natural gas in the connecting pipeline	49	50
Fuel for transport and other equipment	21	35
Spare parts, construction materials and other inventories	1,345	1,337
Total inventories	2,534	2,824
Write-down of spare parts, construction materials and other inventories	(1,181)	(1,097)
	1,353	1,727

As of 30 June 2016 the Company had accounted write-off of inventories in the amount of EUR 1,181 thousand (EUR 1,097 thousand on 31 December 2015), 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).

Write-off of inventories to the net realizable value of EUR 84 thousand for the six months ended of 30 June 2016 (31 December 2015 - EUR 577 thousand) are included under operating expenses in the profit (loss).

As of 30 June 2016 the Company stores 1.4 thousand MWh (As of 31 December 2015 – 1.5 thousand MWh) natural gas in the connecting pipeline of the Liquefied natural gas terminal to ensure activities.

Oil products for sale are energy products collected in the Waste Water Treatment Facilities, On 30 June 2016 the Company stored 2 thousand tons of oil products collected in its Waste Water Treatment Facilities (31 December 2015– 4.4 thousand tons).

As of 30 June 2016 the Company stored 181.5 thousand tons of oil products delivered for transshipment in its storage tanks (159.4 thousand tons as on 31 December 2015), 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.

As of 30 June 2016 the Company stored 937 thousand MWh (As of 31 December 2015 - 955 thousand MWh of natural gas products delivered for transshipment in the Liquefied natural gas terminal, Such natural gas 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 for these products.

7 Trade receivables

	30-06-2016	31-12-2015
Receivables from natural gas regasification service	7,904	24,792
Receivables for trans-shipment of oil products and other related services	3,918	2,940
Less: impairment allowance	(16)	(16)
	11,806	27,716

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

8 Other receivables

	30-06-2016	31-12-2015
Short-term accrued income for storage of oil products	531	289
VAT receivable	76	9
Accrued income from JSC Hoegh LNG Klaipėda (cost reduction)	-	720
Other receivables	4	9
	611	1,027

9 Cash and cash equivalents

	30-06-2016	31-12-2015
Cash at bank	44,798	23,788

Cash in bank earns variable interest depending on the closing balance of every day, As of 30 June 2016 the Company had one night term deposits of EUR 23,892 thousand (as of 31 December 2015 – EUR 45 thousand).

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

Currency	30-06-2016	31-12-2015
EUR	39,702	18,995
USD	5,096	4,793
	44,798	23,788

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

	30-06-2016	31-12-2015
AA -	14,238	12,347
A	4,573	10,989
A +	25,987	452
	44,798	23,788

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.

10 Financial liabilities

	30-06-2016	31-12-2015
European Investment Bank's loan	29,693	29,832
Payable loan interest	35	44
	29,728	29,737

11 Trade debts and other payables

	30-06-2016	31-12-2015
Payables for FSRU operating leasing	4,571	5,237
Payable to contractors	1,965	671
Other payments related FSRU	472	169
Payable for gas services	393	301
Payable for rent of land	174	-
Payable for railway services	99	170
Other trade payables	377	417
	8,051	6,965

Trade payables are non-interest bearing and are normally settled on 30-day payment terms, On 30 June 2016 trade payables of EUR 4,771 thousand were denominated in USD (EUR 4,972 thousand – on 31 December 2015).

12 Liabilities related to labour relations

	30-06-2016	31-12-2015
Accrued vacation reserve	887	752
Social insurance payable	304	327
Salaries payable	367	6
Accrual of annual bonuses	278	1,026
Income tax payable	96	2
Payable guarantee fund	1	2
Other deductions	2	1
	<u>1,935</u>	<u>2,116</u>

13 Other current liabilities

	30-06-2016	31-12-2015
Accrued tax expenses and liabilities	1,464	428
Accrued expenses and liabilities	15	66
Other liabilities	22	4
	<u>1,501</u>	<u>498</u>

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

14 Sales income

	For the six months period ended 30 June 2016	For the six months period ended 30 June 2015
Income from LNGT services regulated by NCC	34,105	32,367
Sales of oil transshipment services	21,202	20,244
Other sales related to transshipment	1,351	1,260
Stock sells	690	
	<u>57,348</u>	<u>53,871</u>

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

15 Cost of sales

	For the six months period ended 30 June 2016	For the six months period ended 30 June 2015
FSRU rent and other expences	25,232	25,264
Depreciation and amortization	6,461	6,299
Wages, salaries and social security	3,230	3,196
Railway services	2,002	968
Natural gas	1,620	1,314
Rent of land and quays	1,158	974
Electricity	694	687
Insurance of assets	226	316
Tax on real estate	194	168
Repair and maintenance of non-current assets	118	112
Transport	114	88
Services for tankers	51	65
Work safety costs	28	22
Rent of facilities	661	370
Other	42,035	40,508
	<u>25,232</u>	<u>25,264</u>

16 Income (expenses) from financial and investment activities – net

	For the six months period ended 30 June 2016	For the six months period ended 30 June 2015
Income from currency exchange	-	459
Interest income	2	12
Fines collected	9	4
Financial income, total	11	476
(Losses) from currency exchange	(68)	(665)
Interest (expenses)	(95)	(240)
Other financial activity (expenses)	-	(149)
Financial activity expenses, total	(163)	(1.054)

17 Earnings per share, basic and diluted

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

	For the six months period ended 30 June 2016	For the six months period ended 30 June 2015
Net profit attributable to shareholders	6,857	4,473
Weighted average number of ordinary shares (thousand)	380,606	380,606
Earnings per share (in EUR)	0,018	0,0117

18 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 2016, 2015 were as follows:

Transactions with Lithuanian State controlled enterprises and institutions:

		Purchases	Sales	Receivables	Payables
State Enterprise Klaipeda State Seaport Authority owned by the State of Lithuania represented by the Ministry of transportation	2016 first half year	1,158	-	-	393
	2015 first half year	389	22	-	237
SC Lithuanian Railways owned by the State of Lithuania represented by the Ministry of transportation	2016 first half year	2,791	-	-	99
	2015 first half year	1,013	-	-	162
SC "Lesto", owned by the State of Lithuania represented by the Ministry of Energy	2016 first half year	-	-	-	-
	2015 first half year	288	-	-	46
SC Lietuvos dujos	2016 first half year	-	-	-	-
	2015 first half year	233	-	-	3
JSC Lietuvos dujų tiekimas	2016 first half year	1,657	192	4	17
	2015 first half year	897	-	-	10
SC Amber Grid	2016 first half year	-	33,166	7,904	-
	2015 first half year	223	41,090	23,715	3
PE Lietuvos naftos produktų agentūra	2016 first half year	-	671	13	-
	2015 first half year	-	605	12	-
JSC LITGAS	2016 first half year	-	234	-	-
	2015 first half year	-	-	-	-
SC Energijos skirstymo operatorius	2016 first half year	338	-	-	51
	2015 first half year	-	-	-	-
JSC Energijos tiekimas	2016 first half year	356	-	-	55
	2015 first half year	-	-	-	-
Other related parties	2016 first half year	2	2	1	-
	2015 first half year	36	3	1	8
Transactions with related parties, in total:	2016 first half year	6,302	34,265	8,095	772
	2015 first half year	3,079	41,720	23,838	622

18 Related party transactions (cont'd)

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 the six months period ended 30 June 2016	For the six months period ended 30 June 2015
Labour related disbursements	1,238	1,130
Number of managers	36	36

During the first six months of the years 2016 and 2015 the Management of the Company did not receive any loans, guarantees, or any other payments or property transfers were made or accrued.

19 Subsequent events

- On the 8th of July, 2016, the Connecting Europe Facility (CEF, part of the EU financing program) Coordination Committee approved the financial support of EUR 15 million for the joint project "Blue Baltics", which expands liquefied natural gas (LNG) bunkering network across the Baltic Sea. The EU support is dedicated for five companies including SC Klaipėdos nafta (hereinafter - the Company). The Company should receive EUR 4 million of EU funds.

"Blue Baltics" consists of investments in LNG mobile facility for bunkering of LNG ships in Lithuania, Sweden, Estonia and Germany. Furthermore an upgrade of LNG infrastructure in Klaipėda, expansion of LNG fuelling infrastructure in Estonia and upgrade of LNG distribution terminal in Sweden, also bunkering vessel in Germany will be implemented during the project.

The foreseen accomplishment of the project is by the end of 2nd quarter of 2019.

The Company has already received EUR 6 million of EU support in 2015 for construction works of the LNG reloading station and EUR 0.15 million of EU support in 2014 for LNG reloading station FEED and other preparation works.

- On 19 July 2016 Klaipėdos Nafta, AB (hereinafter, the "Company") received information that on 18 July 2016 the amended Articles of Association of Klaipėdos Nafta, AB (hereinafter, the "Company") had been registered with the Register of Legal Entities of the Republic of Lithuania.

On 8 June 2016 the Extraordinary Meeting of Shareholders decided to amend the Articles of Association of the Company, by recasting the Articles of Association in the new wording.

The Articles of Association had been amended taking into account the requirements set forth in the resolutions of the Government of the Republic of Lithuania regarding governance of the state-owned companies, OECD Guidelines on Corporate Governance of State-Owned Enterprises and NASDAQ OMX Vilnius Stock Exchange Code of Listed Companies Governance.

- On 21 July 2016 at 1:00 p.m. an extraordinary general meeting of shareholders of the Company was held in the registered office of the Company at Burių st.19, Klaipėda.

Agenda of the meeting:

- Regarding the approval of the decision of AB Klaipėdos Nafta's Board to approve the implementation of oil terminal estacade 3A road modernization investment project.

Decisions adopted:

- Regarding the approval of the decision of AB Klaipėdos Nafta's Board to approve the implementation of oil terminal estacade 3A road modernization investment project:

"To approve the decision of AB Klaipėdos Nafta's Board:

- To approve for AB Klaipėdos Nafta to implement the oil terminal estacade 3A road modernization investment project for the total price not exceeding 5,5 mln. EUR (without VAT) and 10% reserve which can be used only in exceptional cases.
- To establish that the aforementioned decision comes into force only if it is approved by the general meeting of the shareholders of AB Klaipėdos Nafta, as of the day of adoption of such decision of the general meeting of the shareholders."

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

CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Mantas Bartuška, General Manager of SC Klaipėdos Nafta, Marius Pulkauninkas, Finance and Administrative Department Director of SC Klaipėdos Nafta, and Asta Sedlauskienė, Head of Accounting Division hereby confirm that to the best of our knowledge the above-presented unaudited Interim condensed Financial Statements of SC Klaipėdos Nafta for the first six month period ended on 30th June 2016, 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

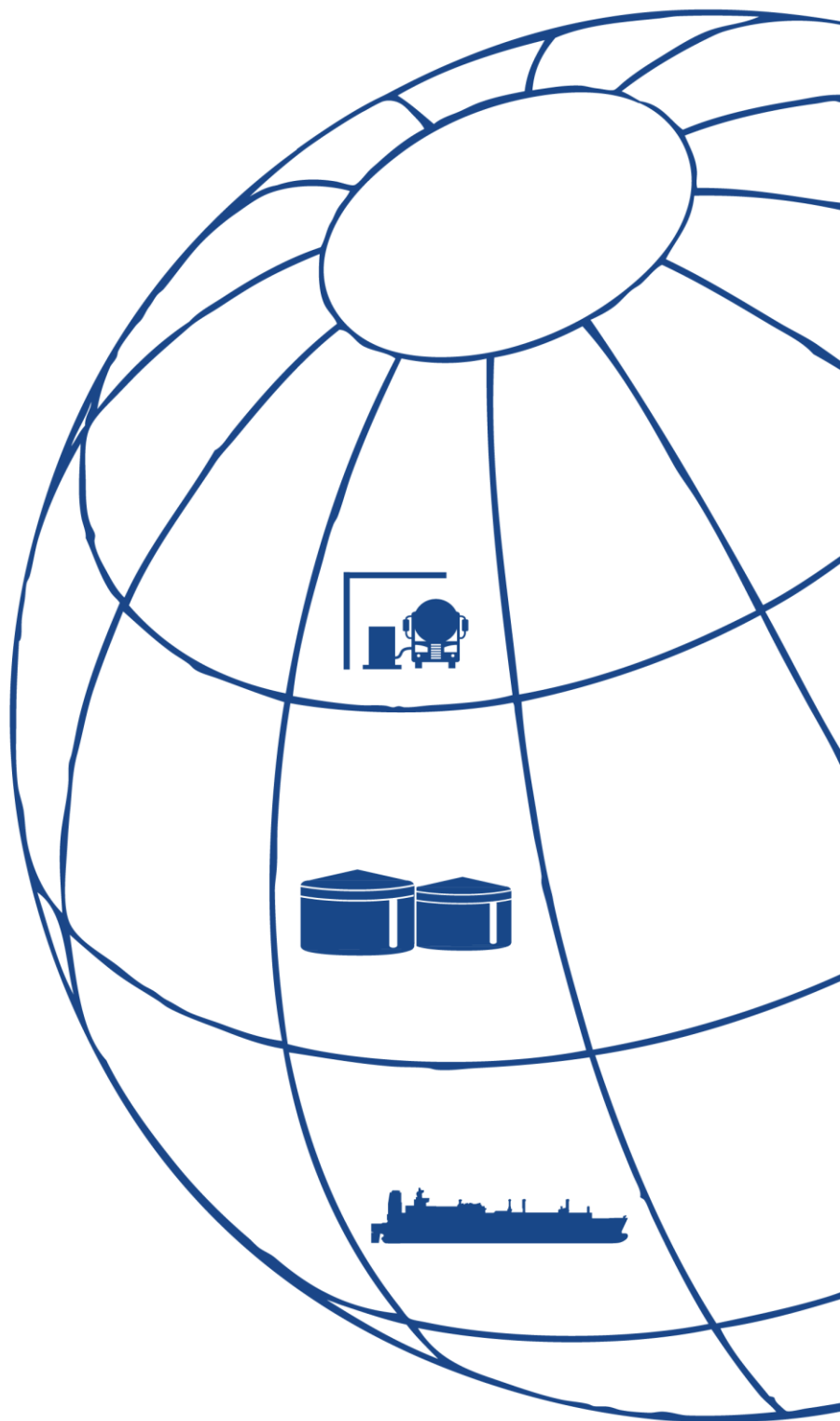
Mantas Bartuška

Director of Finance and Administrative Department

Marius Pulkauninkas

Head of Accounting Division

Asta Sedlauskienė



**INTERIM REPORT FOR THE SIX MONTHS PERIOD
ENDED 30 JUNE 2016**

29 July 2016

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Abbreviations:

(KNF) – Oil terminal in Klaipeda;

(LNGT) - Liquefied Natural Gas Terminal;

(LNG) – Liquefied Natural Gas;

(OP) – Oil Products;

(HFO) – Heavy Oil Products;

(LOP) – Light Oil Products;

(SFS) - Subacius fuel storage facility;

GDP – LNG small scale reloading station;

(OPP) – Oil-Processing Plant (refinery);

(NCECP)- National Control Commission for Energy control and prices.

MANAGEMENT COMMENT ON FINANCIAL RESULTS FOR THE SIX MONTHS OF 2016

Summarizing the financial results in the 1st half of 2016 it's obvious that they inspire for the optimistic anticipation of the Company's annual activity results forecast and they meet the best expectations of the management of the Company. Stock Company Klaipėdos nafta continued its successful operations in 2016 and the first half of 2016 was exceptional in terms of the records of the Company's activities volumes and especially good financial results. The petroleum products transshipment and LNG regasification volumes for the 6 months of 2016 are the highest in the history of the Company. Correspondingly the revenues and profit are also the record.

Total petroleum products transshipment in the oil terminal comprises 4,369 thousand tons for the first half of 2016 and is higher by 35 per cent (or in 1.1 million tone) compared to the first 6 month of 2015. The positive result in the higher transshipment volume was achieved by the good relations with the clients and provided favorable conditions in the competitive environment. This caused the transit cargos from Belarus to be higher by more than 700 tons of petroleum products. The oil refining margins although decreased compared with 2015 year are still friendly for the oil refineries. Based on that the largest client of the oil terminal AB ORLEN Lietuva increased its export through the sea and reloaded by almost 400 tons more or by 19 per cent of petroleum products compared with the first half of 2016.

The LNG terminal of the Company obviously is capable properly handle with the increased operation volumes and is the significant part of the natural gas import and the natural gas transmission system. **The LNG terminal significantly increases LNG regasification volumes** and during the first 6 months of 2016 it has **regasified 9.2 million MWh of natural gas** while during the same period of the last year regasified 2.6 million MWh. Since February 2016 there are 3 companies using the LNG terminal capacity - designated natural gas supplier UAB LITGAS (the sole user in 2015), UAB Lietuvos dujų tiekimas and AB Achema. In order to create conditions for LNG reloading services, fulfill the needs of the terminal users' and to increase the competitiveness of the LNG terminal the processes of LNG reloading and regasification are further constantly under efficiency improvement.

Sales revenues of the Company for the 6 month of 2016 comprise Eur 57.3 million and are higher by 6.5 per cent (or by Eur 3.5 million) comparing to the same period of 2015. During the first half of 2016 the Company accounted Eur 34.1 million sales revenues from the operations of the LNG terminal (up by 5.4 per cent compared with the first half 2016). Oil terminal activities revenues comprise Eur 21.8 million and are higher by Eur 1.4 million comparing to revenues in the 1st half of 2015 (Eur 20.4 million).

The net profit for the 6 month of 2016 comprise Eur 11.7 million, i.e. comparing to the same period of 2015 (Eur 9.5 million) it has increased by 24 per cent. **EBITDA for the 6 month of 2016 has increased by 11 per cent: from Eur 17.5 million in 2015 to Eur 19.5 million in 2016.** Net profit has increased by Eur 2.26 million because of successful operations of the oil terminal primary driven by the significantly increased petroleum products transshipment volume and the increase of net result of the LNG terminal operation (net profit increased by Eur 1.4 million and comprise Eur 2.6 million for the period).

The return on equity ratio (ROE) calculating for the last 12 month has increased to 12.5 per cent (from 8.4 per cent for the last 12 month as of 30 June 2015).

In 2016 the significant management focus was directed not only for the stable operations and expansions of the existing activities but also for the development of the new activities. The largest focus is turned on the LNG related activities development where the biggest benefits for society and the biggest business opportunities for the Company are anticipated.

During the first 6 month of the 2016 the Company spent over EUR 8.2 million for infrastructure investments. The major part of this investment was dedicated for the development works of the LNG terminal infrastructure. The construction contract concluded in the beginning of the year is properly executed and allows accelerating the project. The decision of the Company to create LNG small scale terminal infrastructure in order to utilize the whole LNG terminal's potential, to diversify Company's revenues, decrease dependence from petroleum products transshipment activity, gathers the international importance for the LNG market development. This is proved by the recent financial support approved by Connecting Europe Facility (CEF, part of the EU financing program) which approved financial support of EUR 15 million for the joint project "Blue Baltics", where the Company takes part in and which expands liquefied natural gas (LNG) bunkering network across the Baltic Sea. According to this program the Company is entitled to receive a grant of Eur 4 million for the small scale LNG project.

The oil terminal capacities expansion projects started in 2016 year are considered as also very important and beneficial projects for the Company's activities and competitiveness. Total approved oil terminal expansion projects for almost Eur 20 million, they all should be implemented by the end the year 2017.

INFORMATION ABOUT THE COMPANY

Reporting period

The Interim Report is prepared for the period from 1 January 2016 until 30 June 2016.

Details about the Company (Issuer)

Name of the Company:	SC Klaipėdos nafta
Legal status:	Stock Company
Authorized share capital:	110,375,793 EUR
Date and place of registration:	27 September 1994, State Enterprise Centre of Registers
Company code:	110648893
Address:	Burių Street 19, 91003 Klaipėda
Register of the Company:	State Enterprise Centre of Registers
Telephone numbers:	+370 46 391772
Fax numbers:	+370 46 311399
E-mail address:	info@oil.lt
Internet page:	www.oil.lt , www.sgd.lt

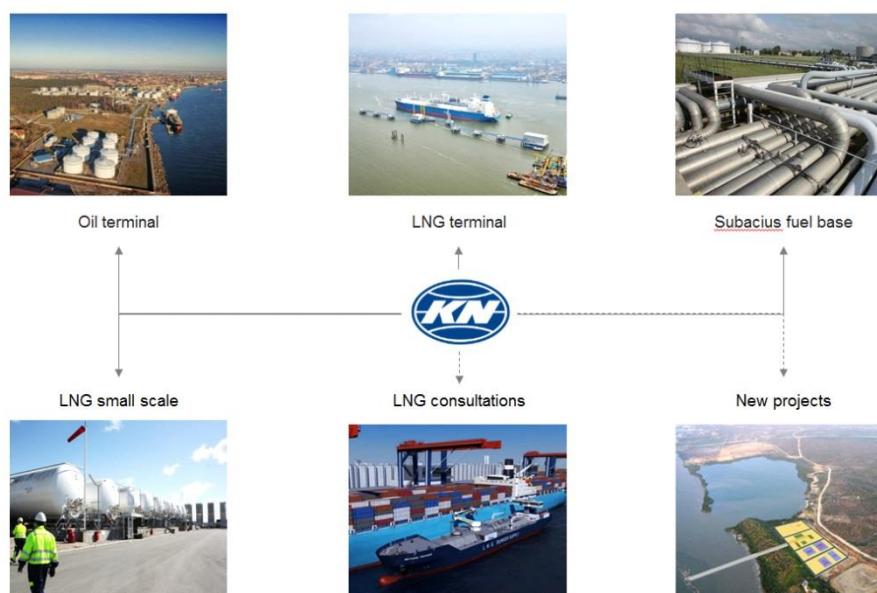
THE COMPANY'S ACTIVITY

Stock company Klaipėdos nafta (hereinafter – the Company) – strategically important company in terms of energy security for the Lithuania and neighbor regions, ensuring liquefied natural gas import opportunity into Lithuania and surrounding countries as well as storage of the compulsory oil products reserve of the Republic of Lithuania, also reliably and effectively reloading oil products in Klaipėda port. Next to the mentioned activities the Company develops small scale LNG activities.

Activity of SC Klaipėdos nafta currently constitutes of these main directions:

- Activity of Oil and Oil Products terminal (KNF);
- Activity of Liquefied Natural Gas Terminal (LNKT);
- Activity of the Subacius fuel storage facility (SFS);
- Activity of the LNG small scale reloading station (GDP) (Currently at the stage of the project implementation and activities development).

Despite mentioned activities the Company is searching for opportunities to invest to other LNG projects as well as provides consulting and related services concerning LNG terminal projects' implementation.



The Company's oil terminal

The Company is one of the largest oil and oil products terminals on the Baltic States market of oil and oil products transit. The terminal's core activity is to transship oil products delivered by rail tank-cars from Lithuania, Belarus, Russia and other countries into tankers.

The Company's Oil Terminal reloads these oil products:

- Light oil products (hereinafter – LOP):
 - different types of diesel fuel;
 - different types of gasoline;
 - jet fuel.
- Heavy fuel oil products (hereinafter – HFO):
 - different types of fuel oil;
 - technological fuel;
 - vacuum gas oil (VGO);
 - crude oil.



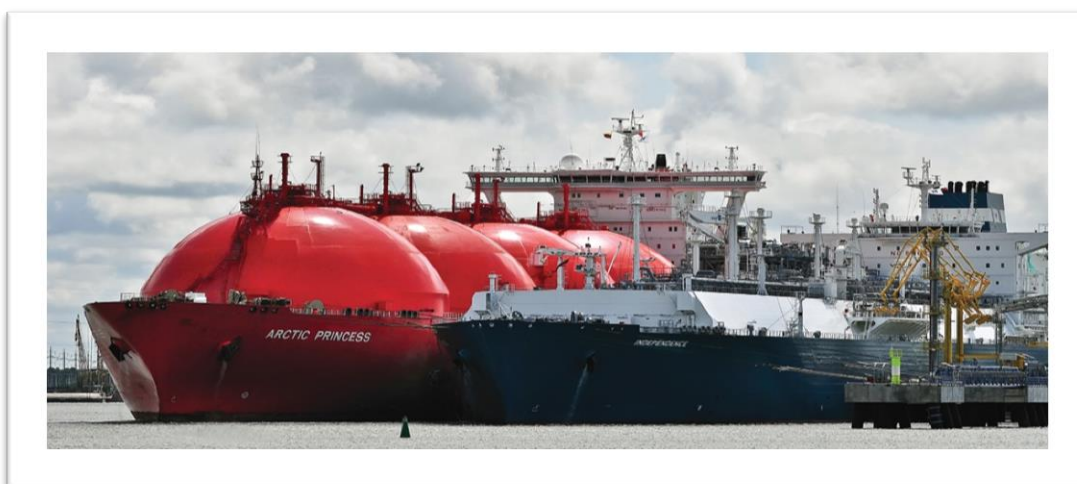
Also the Company is capable to provide Lithuania with the imported oil products which are delivered at Klaipėda sea port by tankers. In the terminal there is a road tanker loading station used to drive away imported LOP.

LNG Terminal and its activities

The LNG terminal is based on Floating Storage and Regasification Unit technology. The LNG vessel-storage with regasification unit (FSRU) is leased by the Höegh LNG. Jetty of 450 m length to which the FSRU is permanently moored, has been built in the Curonian Lagoon in the southern part of port of Klaipėda. The LNG terminal is a LNG tank vessel (Independence), which, on the territory of Klaipėda seaport, accepts liquefied natural gas from LNG carriers, moored by the LNG terminal. The LNG is accumulated and pumped through special equipment in order to have it regasified.

The LNG terminal is connected to the transmission system operator's – AB Amber Grid – gas grid via 18 km long linking pipeline. The main function of the LNG terminal is to accept and store liquefied natural gas, regasify them and supply to the main gas system.

The LNG terminal supplements and expands the existing natural gas supply infrastructure, provides additional opportunities for supply diversification, eliminates the dependence on the single external supplier of natural gas, ensures safe natural gas supply, and complies with the requirements of the directive N-1 infrastructure standard, i.e., forms particular assumptions for independent gas supply in Lithuania, required in order to meet the unconventional demand.



Main functions of the LNG terminal are as follows:

- LNG reload basing on amount provided at the schedule given by terminal user;
- LNG regasification basing schedule provided by terminal user.

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

- LNG loading – opportunity to deliver LNG cargo by LNG carriers of 65,000 – 160,000 m³ capacity, to berth them to the FSRU and unload LNG into the Terminal over a period of maximum 48 hours;
- LNG storage at the Terminal until its reloading, but in any case not more than for 60 calendar days.
- LNG reloading – loading of the LNG quantity set by the Terminal user's schedule into LNG carriers which cannot be smaller than 5,000 m³ and not larger than 65,000 m³ over a period of maximum 48 hours.

LNG regasification price cap is being adjusted on yearly basis by National Control Commission for Energy control and prices (NCECP). LNG reloading price is fixed and set for 5 years.

Terminal service	Price set
LNG regasification service* price (set for year 2016)	0.10 EUR/MWh excluding VAT
LNG reloading service price (set for year 2015-2019)	1.14 EUR/MWh excluding VAT

* Additional Security to the natural gas transmission price (hereinafter - security supplement) as approved by NCECP is applied to LNG Terminal users transporting gas via internal gas transmission system exit point.

The LNG terminal fully ensures the third party access requirements in accordance with EU laws. The terminal's activities are organized in observance with the Rules for Use of the Liquefied Natural Gas Terminal (hereinafter - Terminal rules), adopted after public consultations with market parties and agreed with the NCECP. The terminal's capacities are allocated for the potential users on the same conditions in the way of public and transparent annual capacity allocation procedure or during the ongoing period if there are any spare capacities.

The Subacius fuel storage facility

SC Klaipėdos nafta after the approval of the share emission agreement with the Republic of Lithuania on 11 June 2012 started to manage the Subačius fuel storage facility (SFS) located in Kunčiai village, Kupiškis district. The infrastructure of the Subacius fuel storage facility consists of the park of 338 thousand m³ of storage tanks (total 66 units) adapted to store light oil products, the rail trestle which can simultaneously handle 14 rail tanks, modern loading station of auto tank-cars and other related infrastructure used for a petroleum products long-term storage.

The major part of storage tanks are filled with the obligatory reserve of oil products of the Republic of Lithuania. In 2015 the storage services for commercial clients commenced. The SFS also provides the service of filling of oil products into auto tankers.

Information about the investments into other companies:

The Company has invested into the following companies as of 30 June 2016:

Name of the Company	Address	Part of owned shares in per cents	Activities
UAB SGD logistika	33-2 Gedimino ave., LT-01109 Vilnius	100	LNG transportation activities.
UAB LITGAS	14 Zveju str., LT-92101 Vilnius	33.33	Confirmed as an assigned LNG supplier through the LNG Terminal on 10 February 2014.
UAB BALTPOOL	9 A. Juozapaviciaus str., LT-09311, Vilnius	33	Development of activity of energy resources (bio-fuel, gas) exchange, administration of PSO funds.
Sarmatia Sp. z o.o.	ul. Nowogrodzka 68, Prima court, 02-014 Warsaw, Poland	1	Analysis and engineering of possibilities to construct oil pipeline between Asian states and the Baltic sea.

Participation in Associations

The Company has been acting as a member of the following associations as at the end of the reporting period:

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

THE COMPANY'S STRATEGY

At the beginning of 2016 the Board of the Company approved the corporate strategy for period 2016 - 2020 (hereinafter - the Strategy), in which the Company's environment factors were analyzed, the Company's mission and vision were updated, common strategic goals were established for the entire Company and for each individual activity, the historical financial information of the Company was evaluated and the strategic period's indicators to be reached were established.

The mission: ensure reliable and effective supply of LNG and transshipment of oil products.

The vision: reliable operator of oil product and LNG terminal that adds value through implemented projects and sustainable development.

The values:

- **Proactivity**
- **Professionalism and reliability**
- **Transparency**
- **Social responsibility**

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

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

General Company's strategic objectives				
Increasing value of the company	Secure, reliable and efficient operation of oil and LNG terminals	Growth and diversification of activities	Improvement of internal processes	Development of competence

The Strategy foresees that the Company will seek to become one of the most efficient companies in Europe, will strive for change, activity diversification, new projects and services, which will form the basis for the Company's sustainable growth. The Company's achievements are expected to be visible and evaluated at the level of the State of Lithuania.

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

Strategic objectives for the major activities			
Oil terminal	LNG terminal	LNG small scale	Long term fuel storage activities
Increase awareness and attractiveness to the owners of oil products	An alternative source provision for the supply of natural gas to Lithuania	Creation of small scale LNG infrastructure	Proper storage of national reserve of oil products
Improve flexibility and capacity of oil transshipment	LNG terminal expenses reduction for the consumers of natural gas		
Enlarge the scope of activities and volume of services provided	Development of services related to the activities of LNG terminal	Development of Regional LNG market	Increase long term storage capacity and volume of the activity
Ensure safe operation of the oil terminal			

SIGNIFICANT EVENTS OF THE REPORTING PERIOD

5 January 2016. The Company and the Swiss-registered company Verum Plus AG has signed a long term transshipment contract on provision of dark oil products services in SC Klaipėdos nafta terminal. The term of the Contract is until 31 December 2016, with an option to extend it for one more year. This Contract shall guarantee additional volume of dark petroleum products from Belarus Republic refineries.

25 January 2016. The Company has approved the corporate strategy of the Company for 2016 -2020 and defined dividend policy. According to the it the 50% the Company's annual net profit should be allocated for the dividends.

4 February and 5 February 2016. The Company has signed terminal usage agreements with UAB Lietuvos dujų tiekimas and AB Achema respectively. Terminal capacity usage period for both agreements is until 30th of September, 2016. Allocated LNG regasification capacities for UAB Lietuvos dujų tiekimas comprise 2,383 thousand MWh, for AB Achema – 7,238 thousand MWh of natural gas.

12 February 2016. The Company thereby announced that the winner of the international tender of SC Klaipėdos nafta construction works contract (EPC) for Klaipėda liquefied natural gas reloading station conducted by the way of negotiations was selected consortium of PPS Pipeline Systems GmbH and Chart Ferro, a. s. Accordingly, on 12 February 2016 Consortium and SC Klaipėdos nafta concluded EPC contract whereby the Consortium undertook to complete all the works according to the contract on a lump sum amount of EUR 27.7 million excluding VAT and the board of SC Klaipėdos nafta approved conclusion of the EPC contract. An extraordinary general meeting of shareholders of the Company held on 8 March 2016 approved the decision to conclude the mentioned contract.

12 February 2016. Board of the Company, following National Commission for Energy Control and Prices's 30 December 2015 Resolution No O3-700 „Regarding establishment of the price of the natural gas liquefaction service for the year 2016 (hereinafter – the Resolution), approved a new price of the natural gas liquefaction (regasification) service of the liquefied natural gas terminal– 0.10 EUR/MWh (VAT excluded). This price is applied inclusively as of 1 January 2016.

26 April 2016. An ordinary general meeting of shareholders of the Company was convened and these actions where made:

- ✓ Approved year 2015 audited financial statements of the Company.
- ✓ Distributed the Company's profit in the total sum of EUR 22,036.1 thousand by dedicating EUR 17,628.9 thousand for dividends or 0.0463179303 EUR dividends per share.

30 May 2016. An extraordinary general meeting of shareholders of the Company was convened. SC Klaipėdos nafta decided to implement oil terminal expansion (the expansion of the auto tankers loading capacities, construction of fuel oil with water tanks and expansion of light oil product tanks farm) investment project for the total price not exceeding EUR 13.1 million (without VAT).

3 June 2016. The NCECP has approved the new edition of the Rules for Use of the Liquefied Natural Gas Terminal the main provisions of which were pre-approved by decision of the Board of the Company issued on 27 May, 2016. On 6 June, 2016 the Rules were also confirmed by the General Manager of the Company.

The objective of the amendments made to the Rules is to increase the competitiveness of liquefied natural gas terminal in Klaipėda by creating more flexible conditions in the provision of small scale LNG services as well as to enhance the effective use of the LNG terminal capacities aiming to attract new clients in regional Baltic sea LNG and natural gas markets.

New version of the Rules was approved following public consultation announced by NCECP and held for a period from 18 March, 2016 until 18 April, 2016, subject to the Company's evaluation of comments and suggestions submitted by the interested parties during the said consultation.

8 June 2016. An extraordinary general meeting of shareholders of the Company was convened:

- ✓ Approved to conclude the contract on the performance of engineering, procurement and construction works (EPC) of light oil product tanks with the winner who proposed the lowest price – UAB Arimetas. The total fixed price for all the works under the Contract shall be EUR 7,247.5 thousand without VAT.
- ✓ Presenting the Articles of Association of the Company as a new version.

13 June 2016. The Company informed that after the closure of annual terminal capacities allocation procedure and conclusion of respective agreements with Terminal Users, the following Terminal capacities were allocated under below indicated conditions:

UAB Lietuvos dujų tiekimas:

- ✓ LNG regasification capacities: LNG regasification capacities 825,100,000 kWh (with reference conditions: natural gas upper heating value - 11.90 kWh/nm³, LNG expansion coefficient- 1:578 (m³ LNG/ nm³ natural gas), combustion/measurement temperature -25/0 °C, pressure – 1.01325 bar).
- ✓ Terminal capacity usage period: from the 1st of October, 2016 until the 31st of December, 2016.

UAB LITGAS:

- ✓ LNG regasification capacities: LNG regasification capacities 3,602,216,638 kWh (with reference conditions: natural gas upper heating value- 11.90 kWh/nm³, expansion coefficient- 1:578 (m³ LNG/ nm³ natural gas), combustion/measurement temperature -25/0 °C, pressure – 1.01325 bar).
- ✓ Terminal capacity usage period: from the 1st of October, 2016 until the 30th of September, 2017.

The Company highlights that the Terminal capacities disclosed above were allocated in advance before the commencement of the new gas year, starting 1st of October, 2016, ending 1st of October, 2017.

SIGNIFICANT EVENTS OCCURRED AFTER THE END OF THE REPORTING PERIOD

8 July 2016. The Connecting Europe Facility (CEF, part of the EU financing program) Coordination Committee approved the financial support of EUR 15 million for the joint project “Blue Baltics”, which expands liquefied natural gas (LNG) bunkering network across the Baltic Sea. The EU support is dedicated for five companies including the Company. The Company should receive EUR 4 million of EU funds for the construction of LNG distribution station.

21 July 2016. An extraordinary general meeting of shareholders of the Company to approve for the Company to implement the oil terminal rail trestle road 3A modernization investment project for the total price not exceeding EUR 5.5 million (without VAT) and 10% reserve which can be used only in exceptional cases.

Information about public information

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

RISK FACTORS AND RISK MANAGEMENT

The principal risk factors, relating with the Company’s activities:

- Competition from other players on the oil products transshipment market;
- Changes in legal regulation of the LNG relating activities;
- Economic viability of the Company’s key customers;
- Political and economic environment in neighbor countries (especially Belarus);
- Ability to adapt to the changing market situation;
- Safety and reliability of internal processes and executed activities.

The fundamentals and principles of the risk management system, existing in the Company, are defined by the risk management policy, which main principles are agreed with the Company’s Board. The risk management system is developed in accordance with the ISO 31000 requirements. The list of principal risks and the risk management plan are provided to and approved by the Company’s Board each quarter. The Board actively participates in the principal risk management process by continuously monitoring the risk level changes and the risk management measures’ action plans. The Company’s high level management is responsible for shaping the personnel’s attitude towards risk management, setting the risk management goals in the managed area, implementation of the control measures, implementation and monitoring the efficiency of the risk management measures. The medium level managers are responsible for implementation of the risk management process and provision of the results, as well as for reliability, correctness and impartiality of information.

During January – June 2016 there were no significant changes identified for the risk factors of the Company.

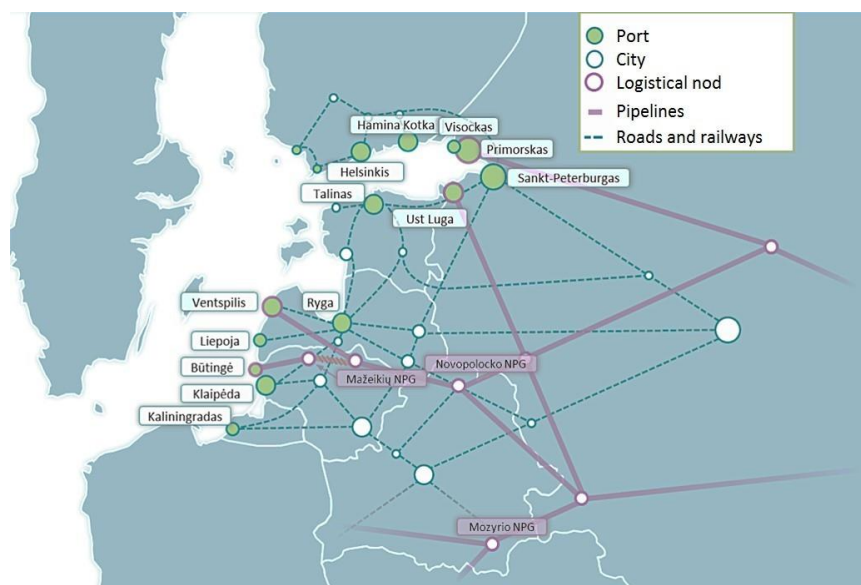
BUSINESS ENVIRONMENT AND MARKET

Market and environment of the Oil Terminal

The Company's oil products' transshipment activities and oil terminal load is mostly affected by: a) the oil products' reloading and storage infrastructure and the level of the Company's readiness to use the available infrastructure (advantage in regard to the competitors), b) economic attractiveness in the view of logistics (the sum of both transshipment tariffs and the costs of the entire logistic chain) and c) macroeconomic environment in the regional and global oil processing and trade markets.

The Company's principal (direct) competitors in the oil products transshipment segment are the oil products transshipment terminals of Ventspils (crude oil, VGO), Riga (crude oil, VGO) and Odessa (crude oil). The indirect competitors in the HFO segment (due to the especially high difference of railroad tariffs from the Russia's potential oil processing plants) are the seaports of Tallinn and Russia, as well as the terminals in the Gulf of Finland (Ust-Luga, Saint Petersburg). The principal direct competitors in the LOP segment are UAB Kroviniiu Terminalas operating in the Port of Klaipėda, as well as the LOP terminals, operated in the seaports of Ventspils and Riga. Indirect competitors are the terminals, existing in the Russian seaports of Vysock, Primorsk and Ust Luga in the Gulf of Finland, as well as the LOP terminals, operated in the Estonia's seaports of Tallinn and Paldiski.

The main oil processing plants (refineries), which potentially provide the oil products for transshipment via the terminal, are located in the East and Southeast directions, those are: the Mazeikiai plant in Lithuania; Novopolotsk and Mozyr plants in Belarus; the plants of Moscow, Nizhnekamsk, Ufa and Saratov in Russia.



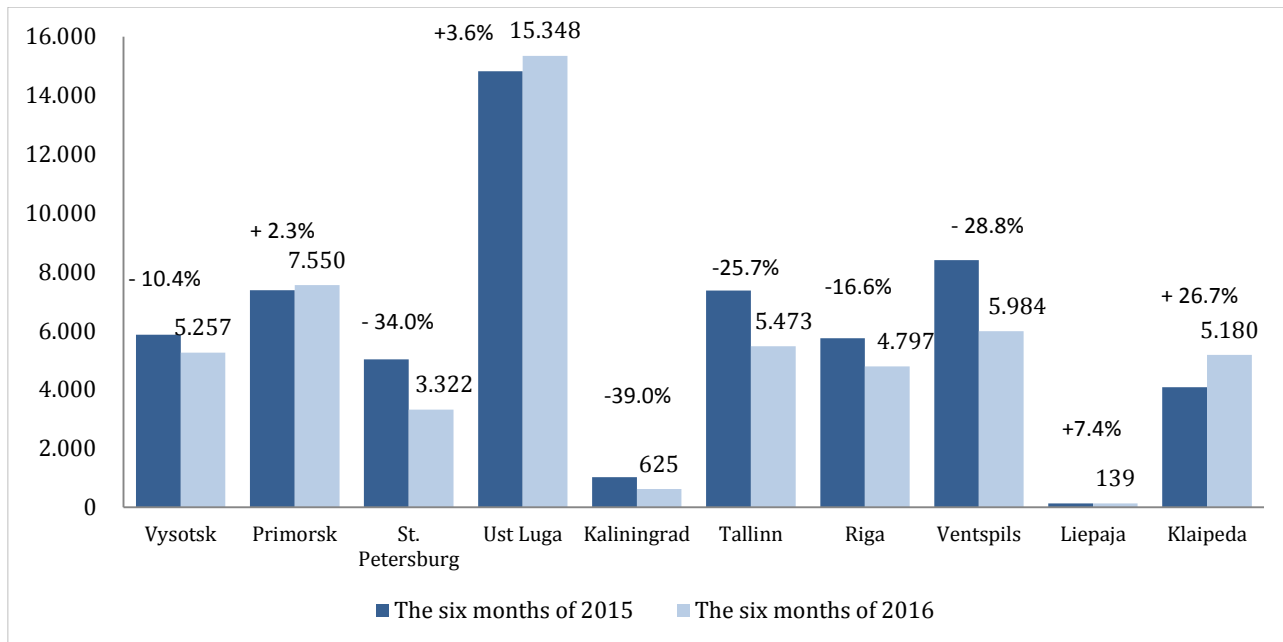
The Klaipėda's and Latvia's seaports are geographically closest to Belarus plants, the volume of transshipment from which amounts to approximately 2 million tons annually or about 30-40 per cent of SC Klaipėdos nafta total oil product transshipment turnover therefore Belarus plants incur the lowest products transportation costs along the said directions.

Recently refineries of heavy oil products face noticeable decrease in transshipped volumes caused by extremely high competition also with other ports. Russian oil products export decreased in all sea ports of the Baltic States since Russia is interested to transship oil products through its own sea ports, the most actively used for this purpose terminal primary is Ust-Luga with gradually increasing designed capacity for 30 million tons per year.

The products, refined in Russia are attempted to be shipped via Russia's or Estonia's seaports since, due to shorter distances and applicable railroad transportation discounts, the logistic chain costs are the lowest. SC Klaipėdos nafta gets offers for transshipment of Russian products during the cold season, when spilling of crude oil products at competitors' terminals from the rail tanks becomes difficult due to the low air temperature.

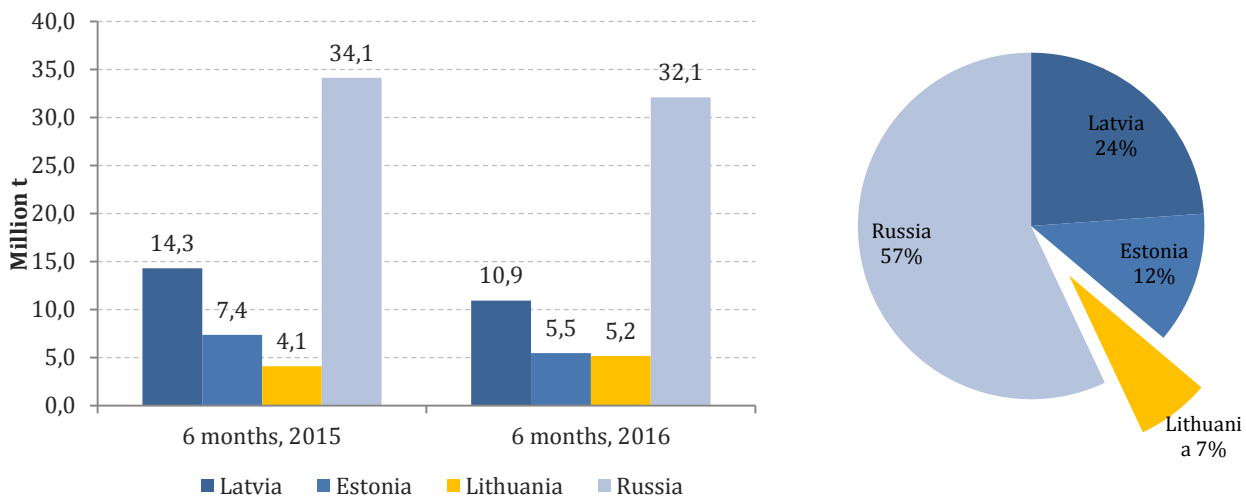
Although the Company's terminal, by its size and volumes is not considered one of the largest oil products terminals in the Baltic Region, a significant growth of transshipment volumes can be noticed in the terminal. During first 6 months 2016 the seaport of Klaipėda registered growth of oil products' transshipment among the eastern Baltic seaports, i.e. compared to 2015, the oil products' transshipment grew by 1.1 million tons or by 26.7 per cent. The increase is related with the Company's transshipment growth (by 1.1 million tons).

Comparison of the oil products' transshipment at the Eastern Baltic coast ports in 2015 – 2016 first the 6 months, thousand tons:



The Company's oil terminal's transshipment as well as revenues and profitability also depends on macroeconomic situation in the oil products market. In 2016 the crude oil price has slightly grew up and the refining margins have fallen down comparing to 2015 year. This is identified in the oil products transshipment volumes in the Baltic Sea region where total transshipment has decreased. Lithuania or Klaipeda port is the only in the region with the oil products transshipment growth in 2016 comparing to the same period in 2015.

Petroleum products (excluding crude oil) load dynamics in the Baltic Sea east coast ports during 6 months of 2015 and 2016



Total transshipment in the Baltic Sea region during the first 6 months of is 59.9 million tons and comparing to 6 month of 2015 is 10.3 per cent or 6.2 million tons lower. In Jan-Jun 2016 the port of Klaipeda took 7 per cent of whole region OP transshipment market.

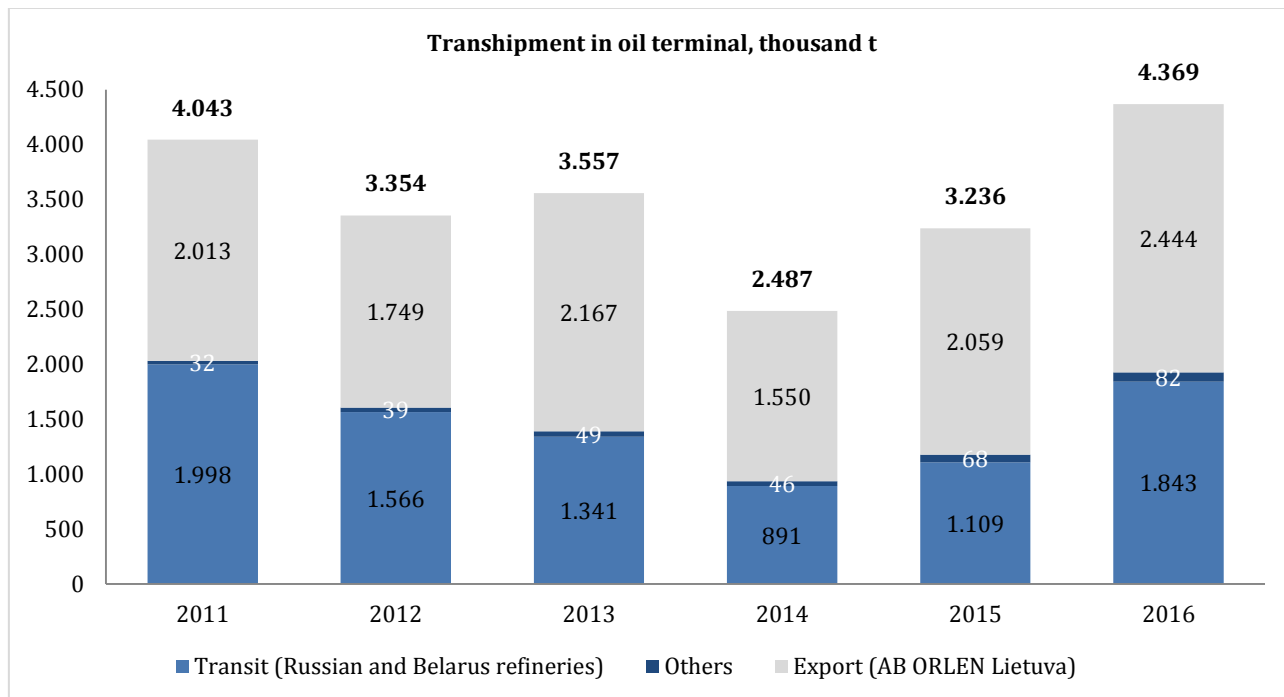
Transshipment of oil products

The major customers of the Company's oil products terminal are AB ORLEN Lietuva (export transshipment) and the owners of the oil products, produced in Belarus and Russia, whose products are referred as transit transshipment. In 2016 the major customers of transit transshipment were: BNK (UK) Limited, owned by one of the largest Belarus oil products exporters – ZAT Belaruskaja Neftenaja Kampanija (BNK) and the company Verum Plus AG, registered in Switzerland.

The Company continuously communicates and cooperates with all the existing and potential customers of the terminal in order to provide the best conditions for the transshipment of oil products.

The total volume of oil products' transshipment in 2016 amounted to 4,425 thousand tons, which is 32.9 per cent more compared to 2015 first six months, where the total volume amounted to 3,329 thousand tons. The transshipment volume in the oil terminal (excluding Subacius fuel base) comprise 3,329 thousand tons and comparing to the same period of 2015 is greater by 35 per cent of by 1,133 thousand tons.

The essential increase of the oil products transshipment resulted from the increase of the transshipment volumes of AB ORLEN Lietuva (transshipped by 385 thousand tons or by 18.7 per cent more) as well as with increase in the transit cargos volumes (transshipped by 734 thousand tons or 66.2 per cent more). The information on the transshipment volumes in oil terminal during the first half of last years is provided below.



Heavy fuel oil products are the most important in the terminal and in 2016 became even more important as the Company managed to attract additional quantities of these cargos. Total transshipment volume of HFO comprise 2,353 thousand tons. Since 2015 the Company transships and increase volumes of light oil products from Belarus. During the first half of 2016 total 327 thousand tons of diesel and gasoline from Belorussia refineries were reloaded (during 2015 first six months – 254 thousand tons).

Total oil products transshipment structure:

	6 months, 2016		6 months, 2015		6 months, 2014	
	Thousand tons	% of total	Thousand tons	% of total	Thousand tons	% of total
HFO	2,353	53.2%	1,585	47.6%	1,512	60.5%
LOP	2,016	45.6%	1,651	49.6%	975	39.0%
KNF OP transshipment, total	4,369	98.7%	3,236	97.2%	2,487	99.5%
Subacius fuel storage facility LOP	56	1.3%	93	2.8%	13	0.5%
OP transshipment, total	4,425	100.0%	3,329	100.0%	2,500	100.0%

The oil terminal of the Company has been known as the terminal of the HFO transshipment since the beginning of its activities because of favorable technical characteristics of the port as well as terminal (ice-free port, powerful own boiler, capacity of machineries, reservoirs and other), therefore HFO transshipment take biggest part in transshipment, which during 2016 first six months was 53.2 per cent (during 6 months of 2015 – 47.6 per cent). But the situation in of petroleum products market changes. The refineries of Belorussia and Russia actively perform modernizations. Reacting to those processes the Company has made a number of oil terminal modernizations since 2011 and these initiatives proved to be beneficial as the transshipment volumes has increased in 2016 year. As mentioned before, further investments in transshipment capacities of LFO are initiated and have already started.

LNG terminal activity environment review

The activities of the LNG terminal are regulated therefore the regulatory environment determines the activities' revenue and profitability, guidelines and volumes. On 15 June 2015 the new edition of the Rules for Use of the Liquefied Natural Gas Terminal was adopted, where rather minor adjustments were made reflecting the practical aspects that were found during the operation of the terminal and resulting from legislative changes.

In 2016 the main change in the LNG terminal activity is related with approved the *amended rules of the use of Klaipėda LNG terminal*. The updates of the rules were initiated after the first year of liquefied natural gas (LNG) terminal operations in order to further increase the efficiency of LNG reloading and regasification processes, to facilitate the provision of small-scale LNG services, to meet the needs of the terminal users and to increase the competitiveness of the terminal.

Essential changes of the LNG terminal rules: LNG terminal users are enabled to extend a temporary LNG storage terminal period – up to one year after unloading (until now it was possible to store for 2 months); actual LNG terminal technological losses will be allocated to terminal users in proportion to the amount of gas stored in the terminal, in other words – depending on the user's stored quantities of LNG, the user will be assigned to the relevant part of the technological losses; annual scheduling procedure has been detailed with the possibility to split it into time intervals by the terminal's operator in cases where the terminal users do not agree among themselves on annual delivery schedule; designated supplier, when possible, in agreement with the terminal operator may not re-gasify the obligatory quantity, if the adequate LNG terminal condition may be temporarily ensured without regasification.

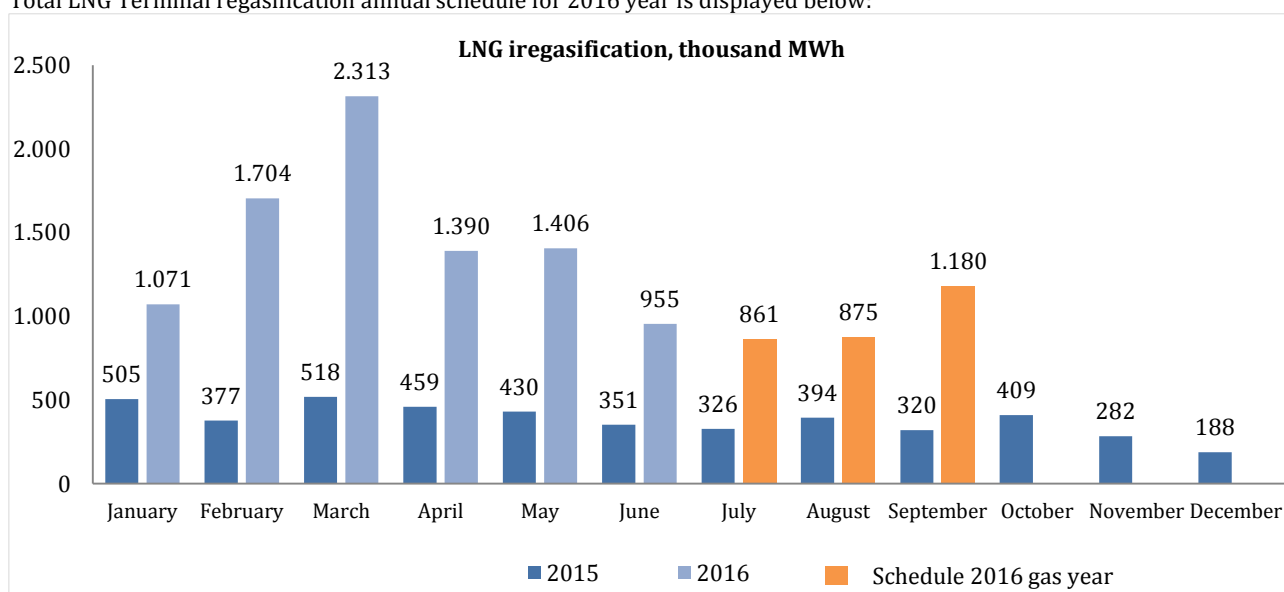
The demand of the LNG terminal's capacities depends on the following principal criteria:

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

During the first half of 2016 in the LNG terminal 10 LNG carriers (2015 – 2 LNG carriers) have been accepted which in total delivered 625 thousand tons of LNG (in 2015 – 128 thousand tons); 780.4 million nm³ or 9,207.4 thousand MWh (2015 – 4,221.7 million nm³ or 2,640.0 thousand MWh) natural gas re-gasified and supplied to the gas transmission system.

Since February 2016 there are 3 companies using the LNG terminal capacity - designated natural gas supplier UAB LITGAS (the sole user in 2015), UAB Lietuvos dujų tiekimas and AB Achema. The forecast for 2016 gas year (until 1 October 2016) is to accept 13 LNG carriers with overall 1,820 thousand m³ of LNG, re-gasified and supplied to the gas transmission system around 1 billion nm³ of natural gas.

Total LNG Terminal regasification annual schedule for 2016 year is displayed below:



LNG results for first 2016 six months are provided in the notes of the financial report for 2016 first six months „Information about segments“.

Distribution of the LNG terminal's capacity in the primary market on 12 February 2016:

Distributed capability	The amount of distributed capability	Period
Regasification capability	12,889,995,076 kWh*	From 1 October 2015 to 1 October 2016

* Note: The ignition/measuring temperature – 25/0 °C, pressure – 1.01325 bar, upper calorific value of the natural gas – 11.90 kWh/nm³, expansion coefficient 1:578 m³ SGD/nm³ of gas).

Main natural gas consumption sectors in Lithuania are households, energetics, industry which using gas as material and other industry. Most of natural gas is consumed in thermal energetics industry (from 0.5 to 1.3 billion nm³/year) and in industry, using gas as a material, which get steady natural gas run independent from seasons (about 0.7-1.5 billion nm³/year).

Total demand of natural gas is 2.4-2.5 billion nm³/year. Till the start of the LNG terminal gas users in Lithuania importer gas from only supplier - the gas concern OAO Gazpro located in Russia, therefore LNG terminal, according to projects, could regasificate enough gas to meet required consumption of natural gas in Lithuania as well as provide some gas to neighbor markets. Huge and only one natural gas consumer in Lithuania, which use them as material is AB Achema, consuming almost half gas provided to Lithuania.

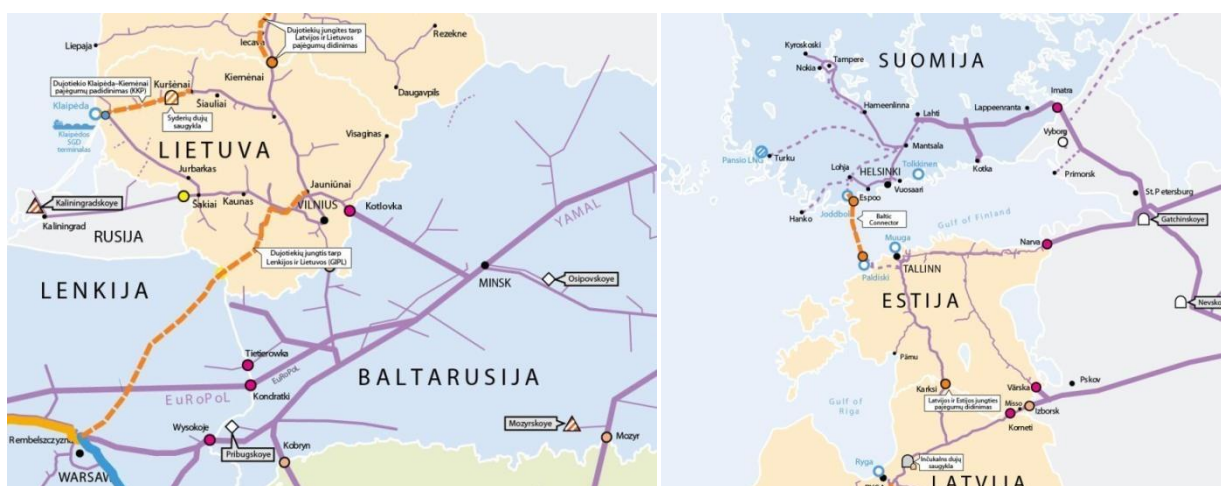
In case of need, the LNG terminal is able to supply natural gas to all three Baltic States. In 2015 Lithuania consumed approximately 2.5 billion nm³ (26 million MWh) of gas. Latvia's and Estonia's gas markets are significantly smaller – in 2014 they respectively consumed 1.3 and 0.5 billion nm³ of gas. By creating the conditions for attractive gas prices, the LNG terminal can become a real alternative to the existing natural gas providers in the Baltics.

Gas pipeline projects in the Baltic States

The energy projects, executed in the Baltic Region would create preconditions for development of the LNG market and more efficient use of the available LNG terminal's capacities. One can distinguish the following energy projects, relating to gas supply, which are of strategic importance to the Company:

- Increasing the capacities of the gas pipeline Klaipėda – Kiemėnai (hereinafter - KKP);
- The gas supply link between Lithuania and Poland(hereinafter – GIPL);
- Increasing the capacities of the gas supply link between Lithuania and Latvia;
- Increasing the capacities of the gas supply link between Latvia and Estonia;
- The Baltic Connector gas supply link between Finland and Estonia.

Gas pipeline projects in the Baltic States:



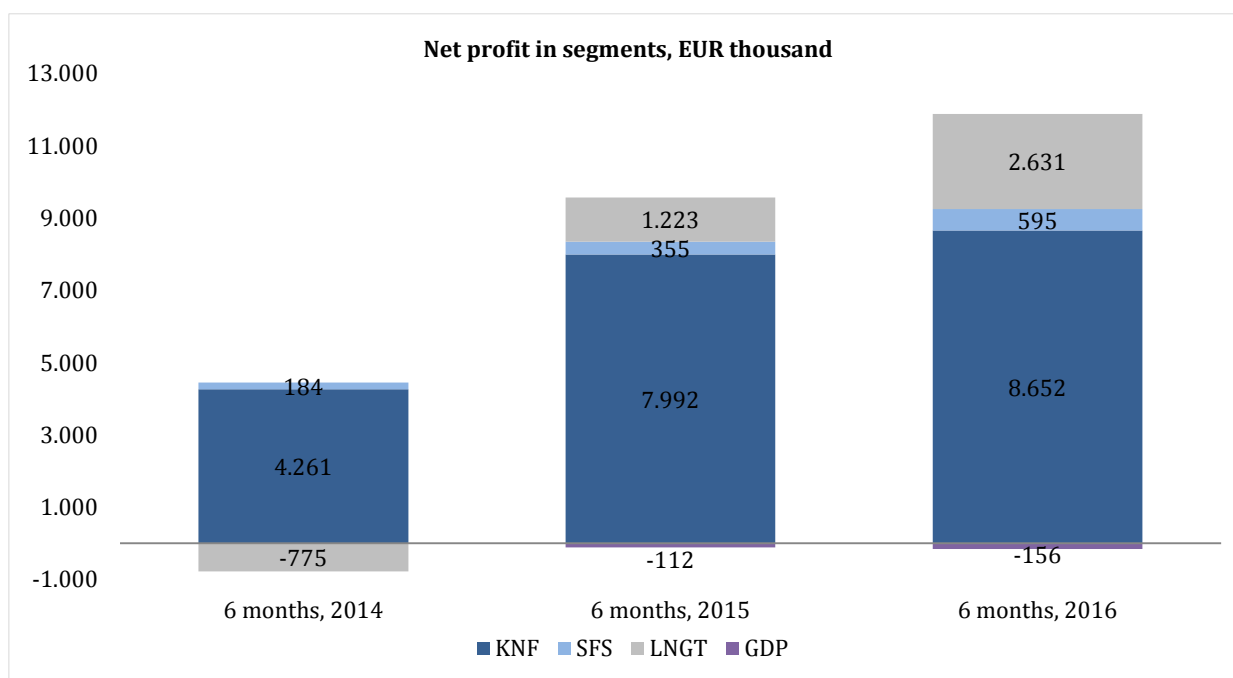
FINANCIAL RESULTS

During the first 6 months of 2016 SC Klaipėdos nafta increased the oil products transshipment and LNG regasification volumes, correspondingly the financial results jumped up as well:

- Sales revenues - EUR 57,348 thousand, 6.5 per cent greater compared to year 2015 first 6 months;
- Net profit EUR 11,722 thousand, 23.9 per cent greater compared to 2015 first 6 months, net profit margin – 20.4 per cent (2015 – 17.6 per cent);
- EBITDA comprise EUR 19,477 thousand, 11.4 per cent greater, compared to year 2015, EBITDA margin – 34.0 per cent (2015 – 32.6 per cent);
- The most important factors for the increase of financial results:
 - Successful and expanded activity **of the Oil Terminal**: sales revenue increased by EUR 1,475 thousand, net profit from this activity increased by EUR 660 thousand;
 - **Increased revenue of the activity of the LNG Terminal**: increase in sales income – EUR 1,738 thousand, the net profit increased accordingly of EUR 1,408 thousand.

As mentioned before the activity of SC Klaipėdos nafta is divided into the separate activity units (segments): Oil terminal (KNF), Subacius fuel storage facility (SFS), Liquefied Natural Gas Terminal (SGDT) and LNG small scale activity under development (GDP). Importance of each segment over Company's financial results is provided herein:

In EUR thousand	January - June		Change, %
	2016	2015	
Sales revenue in total	57,348	53,871	6.5%
KNF	21,831	20,356	7.2%
SFS	1,412	1,148	23.0%
SGDT	34,105	32,367	5.4%
Net profit in total	11,722	9,458	23.9%
KNF	8,652	7,992	8.3%
SFS	595	355	67.6%
SGDT	2,631	1,223	115.1%
GDP	(156)	(112)	-39.3%
EBITDA in total	19,477	17,485	11.4%
KNF	12,730	12,625	0.8%
SFS	1,085	827	31.2%
SGDT	5,832	4,154	40.4%
GDP	(170)	(121)	-40.5%



The key financial ratios of the Company

(in thousand EUR, if not indicated otherwise):

	2016 first six months	2015 first six months	2014 first six months.	2013 first six months	2012 first six months
Transshipment of oil products (thousand tons)	4,425	3,329	2,500	3,567	3,354
LNG regasification (thousand MWh)	9,207	2,640	-	-	-
Investments (acquisitions of PP&E):	8,150	2,569	13,801	10,877	3,718
<i>Oil terminal</i>	2,361	279	865	3,883	2,079
<i>Liquefied natural gas terminal</i>	49	2,239	12,904	6,994	1,640
<i>LNG small scale</i>	5,527	-	-	-	-
<i>Subacius fuel storage facility</i>	213	51	33	-	-
Financial figures					
Sales revenue	57,348	53,871	16,726	20,873	19,725
Gross profit	15,313	13,363	6,049	8,904	7,946
EBITDA	19,477	17,537	7,904	10,850	10,420
EBIT	12,954	11,466	4,088	7,202	6,828
Financial and investment activities result	-152	-578	195	88	358
Profit before taxation (EBT)	12,802	10,888	4,283	7,290	7,186
Net profit	11,722	9,458	3,670	6,205	6,080
Fixed assets	182,499	185,818	162,168	136,952	125,625
Current assets	63,033	52,315	34,844	31,267	29,901
Total assets	245,532	238,133	197,012	168,219	155,526
Shareholders' equity	190,897	184,225	169,129	161,441	149,706
Profitability					
Return on assets (ROA)	10.0%	6.5%	4.0%	7.3%	7.2%
Return on equity (ROE)	12.5%	8.4%	4.7%	7.7%	7.5%
Gross profit margin	26.7%	24.8%	36.2%	42.7%	40.3%
EBITDA margin	34.0%	32.6%	47.3%	52.0%	52.8%
EBIT margin	22.6%	21.3%	24.4%	34.5%	34.6%
EBT margin	22.3%	20.2%	25.6%	34.9%	36.4%
Net profit margin	20.4%	17.6%	21.9%	29.7%	30.8%
Turnover					
Accounts receivable, days	38	89	25	19	11
Accounts payable, days	33	34	63	17	13
Financial structure					
Debt ratio	0.29	0.29	0.16	0.04	0.04
Capital to assets ratio	0.78	0.77	0.86	0.96	0.96
Gross liquidity ratio (current ratio)	2.90	2.30	3.24	7.03	8.91
Market value ratios					
Price-Earnings Ratio (P/E)	8.1	9.6	14.2	10.7	12.9
Earnings per share (EPS)	0.031	0.025	0.010	0.016	0.017

Revenues

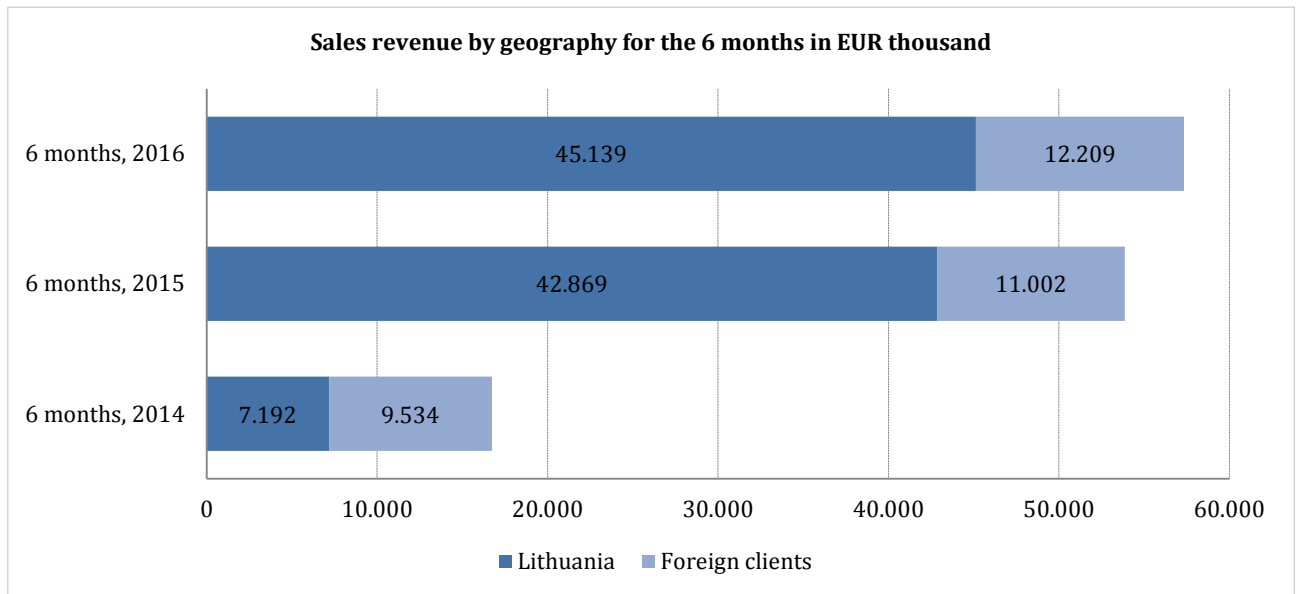
The sales revenues of the Company of first 2016 six months comprise EUR 57,348 thousand and comparing with 2015 first six months (EUR 53,871 thousand) has increased by EUR 3,477 thousand (or by 6.5 per cent).

The total revenues of the LNG terminal activity in 2016 first six months amounted to EUR 34,105 thousand, and compared to 2015 six months, increased by EUR 1,738 thousand or by 5.4 per cent. The LNG terminal revenues comprise from security supplement tariff the part, dedicated for the financing LNG terminal, and collected regasification tariff.

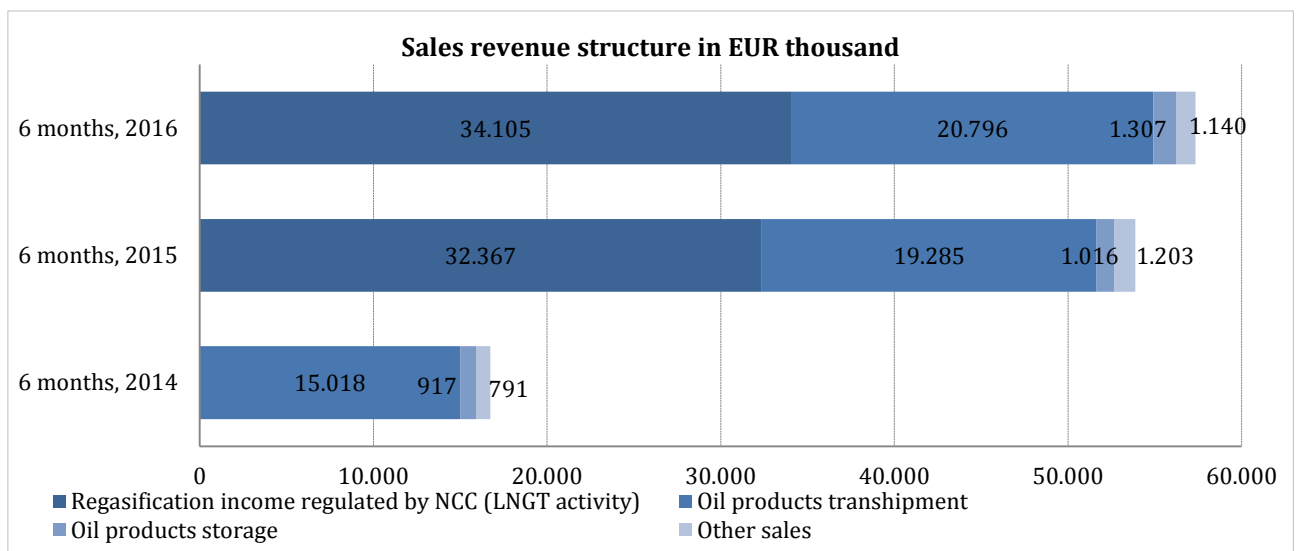
Sales revenues from the Oil terminal operations in 6 months of 2016 have risen to EUR 21,831 thousand that amounts the increase of 7.2 per cent comparing to 2015. The revenues increase is driven by the increase in transshipment volume of oil terminal by 35.0 per cent. Petroleum products transshipment revenues increased by EUR 1,605 thousand and other revenues increased by EUR 377 thousand.

Subacius fuel base sales revenues of 2016 first six months increased by 23.0 per cent (or by EUR 264 thousand) because of larger petroleum products storage.

Sales revenue by geography and structure is provided herein. Sales revenue from foreign clients – are the transshipment and storage revenues of the clients, delivering oil products refined in Russia and Belorussia refineries.



Sales revenues structure by activities:



Expenses

Total **cost of sales** of the Company of 2016 six months comprise EUR 42,035 thousand, comparing to the first 6 months of 2015 (EUR 40,501 thousand) it has increased by EUR 1,534 thousand (3.8 per cent). The oil terminal gas, electricity and railroad costs (the main variable costs of the Company) are the key drivers for the increased cost of sales. These costs literally increased in connection to the increased transshipment volumes.

The costs of floating storage unit INDEPENDENCE (FSRU) lease and FSRU operation related expenses in 6 months of 2016 comprise Eur 25,232 thousand, and comparing to 2015 (Eur 25,264 thousand) are lower by 0.1 per cent.

Depreciation and amortization expenses comprise Eur 6,461 thousand and have increased in 2016 by 2.6 per cent because of the LNG terminal assets partial start of exploitation in the second half on 2015

The listing of the major expenses is presented below:

	2016 6 months	2015 6 months	Change in per cent
FSRU rent and other expenses	25,232	25,264	(0.1%)
Depreciation and amortization	6,461	6,299	2.6%
Employees related costs	3,230	3,189	1.3%
Variable costs (gas, electricity, rail roads)	4,687	3,271	43.3%
Rent of land and quays	1,158	974	18.9%
Tax on real estate and pollution	429	319	34.5%
Insurance of assets	246	665	(63.0%)
Other	592	520	13.7%
Total cost of sales	42,035	40,501	3.8%
Operating expenses	2,383	2,079	14.6%
Total operating and administrative costs	44,418	42,580	4.3%

Company's **operating expenses** have increased by EUR 304 thousand (14.6 per cent) and comprise EUR 2,383 thousand (2015 six months – EUR 2,079 thousand). This increase is related with the development of the activities.

Financial results

For the 6 months of 2016 **EBITDA** reached EUR 19,477 thousand and compared to the 6 months 2015 (EUR 17,473 thousand), it grew by 11.4 per cent or by EUR 2,004 thousand. EBITDA margin increased by 1.4 percentage points and reached 34.0 per cent (2015 first half – 32.6 per cent).

In the first half of 2016 six months **the net financial activity result** was negative and amounted to EUR -152 thousand. The result came from the Eur 95 thousand long-term loans' interest costs, the EUR 68 thousand negative net result of the currency exchange rate.

During the 6 month of 2016 the Company's **net profit** comprised EUR 11,722 thousand, compared to the same period of 2015 (EUR 9,458 thousand) it grew up by 23.9 per cent or by EUR 2,264 thousand.

The net profit margin for the first half of 2016 amounted to 20.4 per cent, the gross profit margin reached 26.7 per cent (in 2015 respectively 17.6 per cent and 24.8 per cent). The profit per share amounted to EUR 0.031/share (EUR 0.025/share in 2015 six months).

INVESTMENTS

LNG small scale investments 2016

After assessment of market changes, related to LNG use possibilities as well as finding ways to use whole LNGT potential, the Company started to develop a new project of infrastructure – GDP. GDP is planned to build in the area, where KNF is located. According the plans – max capacity of GDP is 5000 m³.

During the 6 month of 2016 the construction works for the LNG station are completed for Eur 5.5 million.

Significant project events in 2016:

12 February 2016. SC Klaipėdos nafta signed an EPC contract with consortium of PPS Pipeline Systems GmbH and Chart Ferox, a. s. It is agreed, that LNG station will start functioning after 15 months from the contract's entry into force and work will be done on Autumn 2017. The value of the contract is Eur 27.17 million.

25 March 2016. The Company presented the official letter for a contractor regarding the commencement of the work and after the proceeding of advance payment the time given to finish the work starts the countdown.

25 April 2016. In the second week of April 2016 started the construction of first LNG pressure tank (metal blanks cutting).

20 June 2016. At the Chart Ferox a.s. factory (Děčín), started first internal tests and visual inspection of LNG pressure tank, where responsible representatives of the Company have also participated.



Oil terminal development investments

30 May 2016 the extraordinary general meeting of shareholders approved the decision of the Board of the Company to implement oil terminal expansion first stage investment project for the total price not exceeding EUR 13.1 million (excl. VAT). The first stage is constituted from these investment projects:

- **Construction of fuel oil with water tanks.** The project consist 2 tanks (each 4,200 cbm) construction, designed for HFO, extracted from collected bilge water from vessels further processing. SC Klaipėdos nafta and UAB Kauno dujotekio statyba signed construction contract. Under the contract it is forecasted the end of the works – June 2017.
- **Light oil product tanks expansion.** The project consist 3 tanks each 5,000 cbm and 4 tanks each 1,400 cbm. The Company signed construction contract with UAB Arimetas. The light oil product tanks construction contract approved an extraordinary general meeting of shareholders. It's planned all the construction works will be completed in the summer of 2017.
- **The expansion of the oil truck lot capacities.** The Company and UAB Kauno dujotiekio statyba signed reconstruction contract for the light oil product truck loading unit expansion. The projects aim – to expand the oil products loading capacity into to the auto tankers. It is forecasted the reconstructed loading points will start to work at the end of this year.

During the first 6 months of 2016 Oil terminal 1st stage investments works were made for EUR 1.7 million.

21 July 2016 the extraordinary general meeting of shareholders approved the decision for the implementation of oil terminal trestle 3A road modernization investment project with the total price not exceeding Eur 5.5 million EUR (excl. VAT). After the shareholders' approval, technological equipment and construction works procurement procedures have started. Under this project the current trestle will be modernized and updated with the equipment enabling to heat and unload heavy oil products. To buy devices, to finish integration works is planned on 2017 middle.

INFORMATION ABOUT THE SHAREHOLDERS AND SHARES OF THE COMPANY

Company's shareholders and shares

Company's shares are traded on the regulated market; they are listed in the Baltic Secondary list of the Stock Exchange of AB NASDAQ OMX Vilnius.

Main data about Company's shares:	
ISIN code	LT0000111650
Abbreviation	KNF1L
Share emission	380,606,184

Shareholders of the Company

As at 30 June 2016 all the shares of the Company were owned by 1,968 shareholders (on 30 June 2015 – 1,849). All shares of the Company are of one class ordinary registered shares granting their owners (shareholders) equal rights. One ordinary registered share of the Company grants one vote in the General meeting of Shareholders.

Major shareholders of the Company who have more than 5% of shares of the Company as 30 June 2016 and 2015:

Shareholder's name (company's name, address, company code of registration)	30 June 2016		30 June 2015	
	Number of owned shares (unit)	Part of authorized capital (%)	Number of owned shares (unit)	Part of authorized capital (%)
The Republic of Lithuania, represented by the Ministry of Energy of the Republic of Lithuania (Gediminas Ave. 38/2, Vilnius, 302308327)	275,241,290	72.32	275,241,290	72.32
Concern AB Achemos grupe (Jonalaukis village, Jonava district, 156673480)	38,975,150	10.24	38,975,150	10.24
Other (each owning less than 5%)	66,389,744	17.44	66,389,744	17.44
Total	380,606,184	100.00	380,606,184	100.00

Dividends

On 26 April 2016, the ordinary General Meeting of Shareholders was held which approved the audited financial reports and profit distribution of 2015. The Company allocated to the Shareholders dividends to the amount EUR 17,628.9 thousand or EUR 0.0463179303 for one share from the 2015 profit (in 2014 the Company allocated for payment of dividends EUR 92.6 thousand or EUR 0.0002 for one share). Dividends were paid to the shareholders in funds. Below is the historical information about paid dividends in previous periods for the prior financial year:

	For the period:	2015	2014	2013	2012
Dividends in EUR thousand		17,628.9	92.6	103.2	118.8
Dividends per one share in EUR		0.0463	0.0002	0.0003	0.0003
Net profit per 1 share in EUR		0.06	0.02	0.03	0.03
Part of profit paid by dividends, %		80%	1%	1%	1%

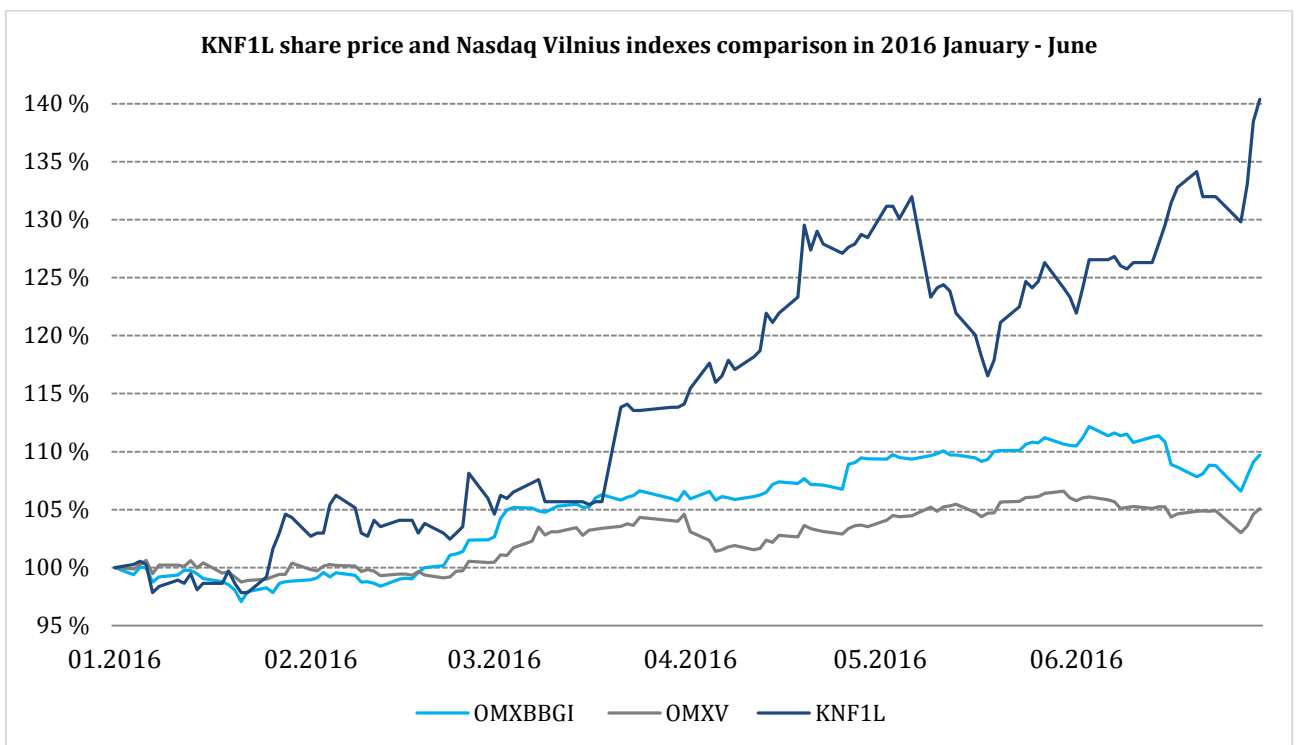
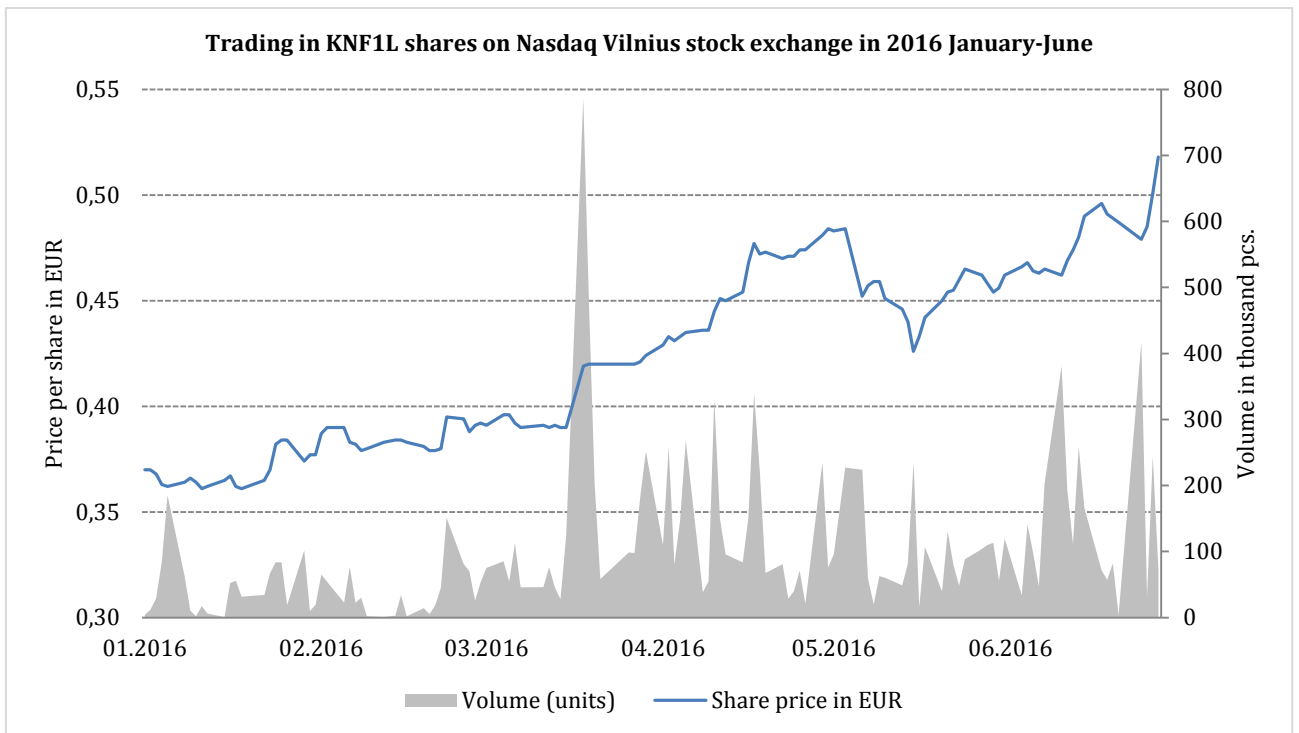
On 25th January 2016 the Board of SC Klaipėdos nafta has approved the corporate strategy of the Company for 2016-2020 and, in order to define the Company's dividend calculation, payment and declaration process, the Board of the Company, by implementing the strategy, also approved the Dividend Policy of the Company. The Dividend Policy provides that the Board of the Company shall, on the basis of net profit of previous financial year of the Company and General Manager's proposal regarding profit distribution, present the draft decision to approve the dividend allocation equal to 50% of the Company's annual net profit to the Company's shareholders. The policy can be found on the Company's webpage.

Dynamics of the share price at NASDAQ OMX Vilnius during 2012 – 2016 and January - June 2016

	6 months 2016	2015	2014	2013	2012
Highest share price in EUR	0.520	0.419	0.325	0.381	0.430
Lowest share price in EUR	0.360	0.315	0.280	0.289	0.359
Price per share at the end of the period in EUR	0.518	0.369	0.311	0.292	0.369
Average share price in EUR	0.425	0.373	0.295	0.344	0.387
Traded volume, pcs.	12,283,785	5,257,607	14,454,031	3,644,550	4,061,889
Turnover in EUR thousand	5,398	1,955	4,320	1,249	1,588

(all amounts are in EUR thousand unless otherwise stated)

Capitalisation in EUR thousand	197,154	140,444	118,369	111,137	133,282
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MANAGEMENT OF THE COMPANY

Governance bodies

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 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.

Members of the Supervisory Board (as at 30 June 2016):

Agnė Amelija Petravičienė	Chairman of the Supervisory Board of the Company, elected for the term of 4 years at the extraordinary general meeting of shareholders held on 11 February 2013.
Romas Švedas	Member of the Supervisory Board of the Company, elected for the term of 4 years at the extraordinary general meeting of shareholders held on 11 February 2013. Independent Board member.
Eimantas Kiudulas	Member of the Supervisory Board of the Company, member of the Audit Committee. Was elected as a member of Supervisory Board at the extraordinary general meeting of shareholders held on 11 February 2013 for the term of 4 years. Independent Board member.

Members of the Audit Committee (as at 30 June 2016):

Linas Sasnauskas	Chairman of the Audit Committee of the Company, elected by the Supervisory Board on 18 March 2013 for a term of four years (chairman of the Audit Committee elected by on 21 September 2015). Independent Committee member.
Eimantas Kiudulas	Member of the Supervisory Board of the Company, member of Audit Committee, re-elected by Supervisory Board on 18 March 2013 for the new term of four years. Independent Committee member.
Kasparas Žebrauskas	Member of Audit Committee of the Company, elected by Supervisory Board on 14 September 2015 for a term of Audit Committee work end. Independent Committee member.

Members of the Board (as at 30 June 2016):

Rytis Ambrazevičius	Member of the Board of the Company since 24 October 2011. Independent Board member.
Mindaugas Jusius	Member of the Board of the Company since 24 October 2011. Independent Board member.
Dainius Bražiūnas	Member of the Board of the Company since 25 August 2014.
Mantas Bartuška	Board member and General Director of the Company since 25 September 2014.

In the period from 20 March 2013 till 30 June 2016 no chairman of the board was elected, therefore, chairman of the board in every meeting is elected using ad hoc principle.

The Directors of the Company (as at 30 June 2016):

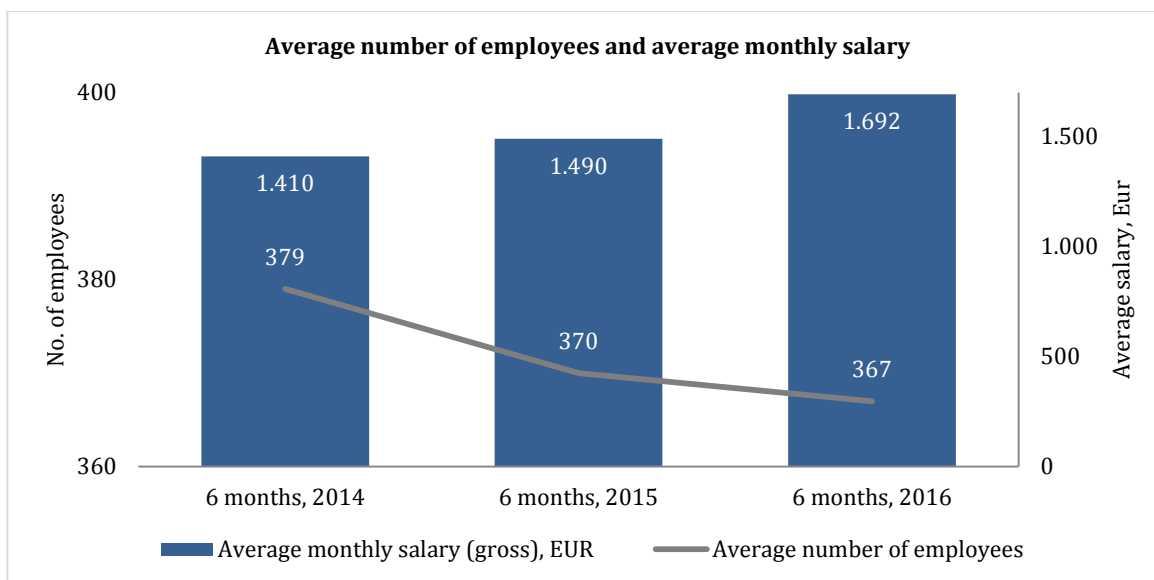
Mantas Bartuška	General Manager of the Company
Osvaldas Sabaliauskas	Deputy General Manager of the Company
Marius Pulkauninkas	Director of Finance and Administration Department
Gediminas Vitkauskas	Director of Oil terminal Department
Tadas Matulionis	Director of the LNG terminal Department
Genadijus Andrejevas	Director of Technical Department
Darius Šilenskis	Director of Oil Commerce Department

Information about the Members of the Supervisory Board, Members of the Audit Committee, Members of the Board and The Directors of the Company as well as the information about other activities where Company's management involved, provided in the website www.oil.lt.

INFORMATION ABOUT THE EMPLOYEES OF THE COMPANY**Personnel**

The Company's main asset is its employees who are the most important link to the Company's achievement of goals. Company's personnel policy is focused on the development of teamwork, the optimal use of work resources, training of competent staff, and development of the Company's culture that creates added value.

The average number of employees during reporting period (total number 367) has a decrease by 3 employees or by 0.8 per cent compared with the 6 month of 2016. The employees' number reduction is related with organizational changes of the Company's with a purpose for optimization of operating costs.

**Employees of the Company according to categories**

Employee category	Average number of employees		Change in per cent.
	6 months, 2016	6 months, 2015	
Managers ¹⁾	36	36	-
Specialists	156	135	15.6
Workers	175	199	-12.1
Total	367	370	-0.8

¹⁾ The Company's managers include: General Manager, Deputy Manager, Heads of Departments and their deputies, Heads of Divisions.

Payroll system

The Company seeks to create an efficient and fair compensation system which aims to attract, retain and motivate employees whose skills and work results will help the Company to successfully develop its mission and achieve business objectives.

Average monthly salary according to employee groups

Employee group	Average monthly salary (gross), EUR		Change in per cent.
	6 months, 2016	6 months, 2015	
Managers ¹⁾	3,805	3,399	11.9
Specialists	1,716	1,593	7.7
Workers	1,263	1,096	15.2
Average of the Company	1,692	1,490	13.6

Notes:

¹⁾ The Company's managers include: General Manager, Deputy General Manager, Directors and their deputies, Heads of Divisions.

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

The Company's Employee's remuneration consists of: i) payable fixed compensation for the work done - monthly salary; ii) lump sum payment - remuneration to certain employees for the quantity of works done; iii) variable part of remuneration, paid according to the Collective Agreement. Variable part of remuneration of the Company's employees consists of two parts: the part directly related to personal results of the employee and the part, related to the results of the entire Company and its activity. Total variable part of remuneration shall not exceed 30 per cent of fixed compensation- monthly salary. Annual bonuses and lump sum benefits could be allocated as well as other forms of cash and non-monetary benefits.

The Company has implemented the procedures for employee performance evaluation and annual bonus allocation. These bonuses depend from the achievement of the goals set directly for person or for the Company. Employee performance management is one of the most important management and effective leadership techniques that help achieve the organizational goals and create positive relationships between managers and their subordinates that allow planning employees' career and increasing their motivation. An annual interview at the Company is a tool for employee performance management that ensures that employees' personal goals are set in accordance with the Company's goals. The annual interview helps to assess the employee's goal achievement as well as set new goals and form the feedback culture between a supervisor and a subordinate. During the interview opportunities for competence development, learning, and career are discussed.

Management of the Company payroll system

All Company's employment agreements with the employees, including management, of the Company are concluded following the requirements of the Labor Code of the Republic of Lithuania. Employees are employed and laid off following requirements of the Labor Code.

The Board approves the provisions for payroll and bonuses for the General Manager, his Deputy, and Heads of Divisions. According to the procedures applicable at the moment, the Board of the Company also approves the fixed monthly salary for the Directors taking current labor market salaries into consideration. This enables the Company to employ highly qualified employees suitable for such positions and whose qualifications can contribute to the achievement of the Company's goals. As for Directors' incentive, the Board of the Company has approved the procedure for bonuses of executives of SC Klaipėdos nafta according to which the Directors are encouraged not only to achieve the Company's annual goals but also to exceed them. The size of annual bonuses for these employees depends on: i) the percentage by which the budgeted net profit has been exceeded and ii) the part by which the Company's annual goals have been achieved. In any case, however, the maximum amount of annual bonuses to be paid to all directors shall not exceed three average monthly salaries.

There are no compensation agreements for the General Manager, his deputy and Directors of the Company departments that could be paid in case they decide to resign or are compulsorily retired. There are no additional payments in the form of shares or other compensations for execution of duties at the Company or in case of leaving. The Company has not established any periodicity for introduction of changes in salaries. The 1st day of April of 2015 was the last time the system of Directors' remuneration and its payment was changed.

OTHER INFORMATION

The activity of the Company is based on the Articles of Association, Civil Code and other laws and sub legislative acts of the Republic of Lithuania. Changes in the Articles of Association can be made by the General Meeting of Shareholders. 2016 m. On 8th of June 2016 during an extraordinary general meeting of shareholders approved the decision to amend the Articles of Association of the Company, presenting them as a new version. The new version of Article of Association provided in AB NASDAQ OMX Vilnius Stock Exchange on 9th of June 2016.

Transactions with related parties

The Company did not have any transactions or agreements with the members of its Supervisory Board and the Board. More information regarding transactions with related Parties is presented in the Explanatory note to the Company's financial statements for the 6 months of 2016. In 2016 6 months there were no changes in type of transactions with related parties, which could have made impact on the Company's financial activity. All transactions with the related parties have been performed under market conditions (following the arm's length principle).

Conformation 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 Mantas Bartuska, General Manager of SC Klaipėdos nafta, Marius Pulkauninkas, Director of Finance and administration department of SC Klaipėdos nafta and Asta Sedlauskiene, Head of Accounting Division of SC Klaipėdos nafta, hereby confirm that to the best of our knowledge the above-presented Annual Report of SC Klaipėdos nafta for the 6 months of 2016 gives a true and fair view of the business development and performance, description of the Company.

General Manager

Mantas Bartuska

Director of Finance and Administration Department

Marius Pulkauninkas

Head of Accounting Division

Asta Sedlauskiene