



STOCK COMPANY 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 2017
(UNAUDITED)**



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(all amounts are in EUR thousand unless otherwise stated)

STATEMENT OF FINANCIAL POSITION

	Notes	30-06-2017	31-12-2016
		<i>(unaudited)</i>	<i>(audited)</i>
ASSETS			
Non-current assets			
Intangible assets		407	399
Property, plant and equipment	3	186,245	182,925
Long-term receivables	5	2,894	3,160
Investment into subsidiaries		200	200
Investment into associates		211	211
Total non-current assets		189,957	186,895
Current assets			
Inventories	6	1,307	1,394
Prepayments		614	723
Trade receivables	7	12,771	10,603
Refunds of income taxes		619	156
Other receivables	8	510	604
Assets held for sale		-	-
Cash and cash equivalents	9	36,224	42,056
Total current assets		52,045	55,536
Total assets		242,002	242,431

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Explanatory note, set out on pages 8 - 15, is an integral part of these financial statements.

(all amounts are in EUR thousand unless otherwise stated)

STATEMENT OF FINANCIAL POSITION (CONT'D)

	Notes	30-06-2017 <i>(unaudited)</i>	31-12-2016 <i>(audited)</i>
EQUITY AND LIABILITIES			
Equity			
Share capital	1	110,376	110,376
Share premium		3,913	3,913
Legal reserve		9,899	9,209
Reserve for own shares		15,929	15,929
Other reserves		43,196	39,748
Retained earnings		7,389	13,794
Total equity		190,702	192,969
Non-current amounts payable and liabilities			
Deferred income tax liability		1,532	1,320
Non-current employee benefits		278	277
Loan	10	29,632	29,693
Grants related to assets		4,006	2,781
Total non-current amounts payable and liabilities		35,448	34,071
Current amounts payable and liabilities			
Loan	10	32	31
Trade payables	11	10,663	10,141
Payroll related liabilities	12	2,210	2,378
Income tax payable		-	-
Prepayments received		2,489	2,358
Other payables and current liabilities	13	458	483
Total current amounts payable and liabilities		15,852	15,391
Total equity and liabilities		242,002	242,431

Explanatory note, set out on pages 8 - 15 an integral part of these financial statements.

(all amounts are in EUR thousand unless otherwise stated)

STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the six months period ended 30 June 2017 <i>(unaudited)</i>	For the three months period ended 30 June 2017 <i>(unaudited)</i>	For the six months period ended 30 June 2016 <i>(unaudited)</i>	For the three months period ended 30 June 2016 <i>(unaudited)</i>
Sales	14	52,341	25,062	57,348	26,752
Cost of sales	15	<u>(41,276)</u>	<u>(20,522)</u>	<u>(42,035)</u>	<u>(20,385)</u>
Gross profit		11,065	4,540	15,313	6,367
Operating expenses		(2,814)	(1,539)	(2,383)	(1,092)
Other income		35	(16)	24	10
Profit from operating activities		8,286	2,985	12,954	5,285
Income from financial activities	16	74	68	11	5
Loss from financial activities	16	<u>(133)</u>	<u>(81)</u>	<u>(163)</u>	<u>(39)</u>
Profit before income tax		8,227	2,972	12,802	5,251
Income tax expense		<u>(838)</u>	<u>(393)</u>	<u>(1,080)</u>	<u>(386)</u>
Net profit		7,389	2,579	11,722	4,865
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		7,389	2,579	11,722	4,865
Basic and diluted earnings (losses) per share, in EUR	17	0.019	0.007	0.031	0.013

Explanatory note, set out on pages 8 - 15, is an integral part of these financial statements.

(all amounts are in EUR thousand unless otherwise stated)

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 2015 (audited)	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
Balance as at 31 December 2016 (audited)	110,376	3,913	9,209	15,929	39,748	13,794	192,969
Net profit for the six months	-	-	-	-	-	7,389	7,389
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	7,389	7,389
Dividends declared						(9,656)	(9,656)
Transfers between reserves			690		3,448	(4,138)	-
Balance as at 30 June 2017 (unaudited)	110,376	3,913	9,899	15,929	43,196	7,389	190,702

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(all amounts are in EUR thousand unless otherwise stated)

CASH FLOW STATEMENT

	Notes	For the six months period ended 30 June 2017 <i>(unaudited)</i>	For the six months period ended 30 June 2016 <i>(unaudited)</i>
Cash flows from operating activities			
Net profit	17	7,389	11,722
Adjustments for noncash items:			
Depreciation and amortization	3	6,896	6,581
Impairment and write-off (reversal) of non-current tangible assets		(16)	(9)
Change in vacation reserve	12	66	135
Change in non-current liabilities for employees		1	60
Change in allowance in inventory	6	119	84
Accruals for emission allowances		51	-
Accrued income		333	108
Income tax expenses		838	1,080
Change in allowance for doubtful receivables		-	(1)
Interest income	16	(15)	(2)
		15,662	19,758
Changes in working capital			
(Increase) decrease in inventories		-	304
Decrease (increase) in prepayments		109	(10)
Decrease (increase) in trade and other accounts receivable		(2,231)	15,652
Increase (decrease) in trade and other payables		546	881
(Decrease) increase in prepayments received		131	8,638
Increase (decrease) in other current liabilities and payroll related liabilities		(309)	(316)
		13,908	44,907
Income tax (paid)		(1,089)	(461)
Interest received	16	15	2
Net cash flows from operating activities		12,834	44,448
Cash flows from investing activities			
(Acquisition) of property, plant, equipment and intangible assets		(10,208)	(7,337)
Grants, subsidies		1,225	1,216
Dividends (received)		56	407
Net cash flows from investing activities		(8,927)	(5,714)
Cash flows from financing activities			
Dividends (paid)		(9,656)	(17,629)
Interest (paid)		(83)	(95)
Net cash flows from financing activities		(9,739)	(17,724)
Net increase (decrease) in cash flows		(5,832)	21,010
Cash and cash equivalents on 1 January		42,056	23,788
Cash and cash equivalents on 30 June		36,224	44,798

Explanatory note, set out on pages 8 - 15, 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 2017 all the shares were owned by 2,110 shareholders (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 six months of the year 2017 and 2016, 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 2017 and 30 June 2016 the shareholders of the Company were:

	30 June 2017		30 June 2016	
	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 2017 was 377 (367 – on 30 June 2016).

2 ACCOUNTING PRINCIPLES

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

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 2016, The principles used in preparation of financial statements were presented in more detail in the Notes to the Financial Statements for 2016.

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 2017 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 2017 the value of constructions in progress amounted to EUR 15,172 thousand (During the six months of the year 2017 investment amounted to EUR 3,988 thousand).
- Fuel oil tanks (2 x 4200 m3 construction) - As of 30 June 2017 the value of constructions in progress amounted to EUR 2,475 thousand (During the six months of the year 2017 investment amounted to 1,532 thousand).
- LFO (i.e. light oil products) storage tanks park development. Investment for additional 7 (seven) storage tanks to build, As of 30 June 2017 the value of constructions in progress amounted to EUR 3,223 thousand (During the six months of the year 2017 investment amounted to 2,410 thousand).
- Other investment. As of 30 June 2017 the value of constructions in progress amounted to EUR 1,845 thousand (During the six months of the year 2017 investment amounted to EUR 2,278 thousand).

Part of the Company's property, plant and equipment with the acquisition cost of EUR 30,848 thousand as on 30 June 2017 was completely depreciated (EUR 30,313 thousand on 30 June 2016), however, it was still in operation.

The depreciation of the Company's non-current tangible assets for the six months of 2017 amounts to EUR 6,896 thousand (EUR 6,482 thousand – in 2016 six months), EUR 6,760 thousand of amortisation charge has been included into cost of sales (EUR 6,391 thousand – in 2016 six months), EUR 7 thousand was reimbursement of the costs according the grant agreement (in 2016 six months there were no such costs) EUR 5 thousand of amortisation charge was transferred to inventory value (EUR 15 thousand – in 2016 six months), and the remaining amount EUR 102 thousand (EUR 76 thousand – in 2016 six months) 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:

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

Main indicators of the business segments of the Company included into the statement of comprehensive income for the financial year as of 30 June 2017 and Statement of financial position as of 30 June 2016, are described below:

For the six months period ended 30 June 2017	SGD	SNT	GDP	KNF	Total
Revenues from external customers	34,980	1,143	-	16,218	52,341
Profit before income tax	3,393	185	(872)	5,521	8,227
Segment net profit	3,048	166	(783)	4,958	7,389
Interest revenue	14	-	-	1	15
Interest expense	79	-	3	2	84
Depreciation and amortisation	2,816	470	-	3,610	6,896
Impairment and write-off of non-current tangible assets (reversal)	-	-	-	(16)	(16)
Acquisitions of tangible and intangible assets	217	94	3,996	5,901	10,208
Segment total assets	70,154	2,453	15,829	153,566	242,002
Financial liabilities	29,632	-	-	-	29,632
Segment total liabilities	37,623	152	5,894	7,630	51,299

(all amounts are in EUR thousand unless otherwise stated)

4 OPERATING SEGMENTS (CONT'D)

For the six months period ended 30 June 2016	SGD	SNT	GDP	KNF	Total
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 (loss)	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
Loan and related liabilities	29,728	-	-	-	29,728
Segment total liabilities	46,506	1,027	2,424	4,679	54,636

5 LONG-TERM RECEIVABLES AND ACCRUED INCOME

	30-06-2017	31-12-2016
Long-term accrued income	2,894	3,160

Subačius fuel storage reservoirs rent agreement signed with the Lithuanian petroleum products Agency in 2012 for the duration of 10 years is treated as operating leasing contract, The rent tariffs are different for the first 5 years and for the remaining period. Therefore, the rent income 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

	30-06-2017	31-12-2016
Diesel fuel for the Terminal purpose	856	918
Oil products for sale	257	197
Liquefied natural gas in the connecting pipeline	49	50
Fuel for transport and other equipment	27	39
Spare parts, construction materials and other inventories	1,362	1,315
Total inventories	2,551	2,519
Write-down of spare parts, construction materials and other inventories	(1,244)	(1,125)
	1,307	1,394

As of 30 June 2017 the Company had accounted write-off of inventories in the amount of EUR 1,244 thousand (EUR 1,125 thousand on 31 December 2016), 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 119 thousand for the six months ended of 30 June 2017 (31 December 2016 - EUR 28 thousand) are included under operating expenses in the profit (loss).

As of 30 June 2017 the Company stores 1.4 thousand MWh (As of 31 December 2016 – 1.4 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 2017 the Company stored 3.0 thousand tons of oil products collected in its Waste Water Treatment Facilities (31 December 2016 – 2.8 thousand tons).

As of 30 June 2017 the Company stored 183 thousand tons of oil products delivered for transshipment in its storage tanks (182 thousand tons as on 31 December 2016), 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 2017 the Company stored 168 thousand MWh (As of 31 December 2016 – 1,094 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.

(all amounts are in EUR thousand unless otherwise stated)

7 TRADE RECEIVABLES

	30-06-2017	31-12-2016
Receivables from natural gas regasification service	9,980	8,735
Receivables for trans-shipment of oil products and other related services	2,807	1,884
Less: impairment allowance	(16)	(16)
	<u>12,771</u>	<u>10,603</u>

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

8 OTHER RECEIVABLES

	30-06-2017	31-12-2016
Short-term accrued income for storage of oil products	464	530
VAT receivable	18	32
Receivable grant	5	21
Other receivables	23	21
	<u>510</u>	<u>604</u>

9 CASH AND CASH EQUIVALENTS

	30-06-2017	31-12-2016
Cash at bank	36,224	42,056

Cash in bank earns variable interest depending on the closing balance of every day.

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

Currency	30-06-2017	31-12-2016
EUR	31,751	37,034
USD	4,473	5,022
	<u>36,224</u>	<u>42,056</u>

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

	30-06-2017	31-12-2016
A +	162	483
AA -	31,526	36,478
A	4,536	5,095
	<u>36,224</u>	<u>42,056</u>

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

10 FINANCIAL LIABILITIES

	30-06-2017	31-12-2016
European Investment Bank's loan	29,632	29,693
Payable loan interest	32	31
	<u>29,664</u>	<u>29,724</u>

(all amounts are in EUR thousand unless otherwise stated)

11 TRADE DEBTS AND OTHER PAYABLES

	30-06-2017	31-12-2016
Payables for FSRU operating leasing	4,928	5,028
Payable to contractors	4,243	3,512
Payable for rent of land	171	227
Payable for gas services	269	179
Payable for railway services	159	120
Other trade payables	893	1,075
	<u>10,663</u>	<u>10,141</u>

On 30 June 2017 trade payables of EUR 4,928 thousand were denominated in USD (EUR 4,746 thousand – on 31 December 2016).

12 LIABILITIES RELATED TO LABOUR RELATIONS

	30-06-2017	31-12-2016
Accrual of annual bonuses	532	1,151
Accrued vacation reserve	954	888
Salaries payable	356	5
Social insurance payable	276	325
Income tax payable	90	5
Payable guarantee fund	-	2
Other deductions	2	2
	<u>2,210</u>	<u>2,378</u>

13 OTHER CURRENT LIABILITIES

	30-06-2017	31-12-2016
Accrued tax expenses and liabilities	171	140
Accrued expenses and liabilities	31	176
Other liabilities	256	167
	<u>458</u>	<u>483</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 2017	For the six months period ended 30 June 2016
Income from LNGT services regulated by NCC	34,980	34,105
Sales of oil transshipment services	15,449	21,202
Other sales related to transshipment	685	1,351
Stock sells	1,227	690
	<u>52,341</u>	<u>57,348</u>

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

(all amounts are in EUR thousand unless otherwise stated)

15 COST OF SALES

	For the six months period ended 30 June 2017	For the six months period ended 30 June 2016
FSRU rent and other expenses	25,671	25,232
Depreciation and amortization	6,760	6,461
Wages, salaries and social security	3,554	3,230
Railway services	953	2,002
Natural gas	1,258	1,620
Rent of land and quays	1,141	1,158
Electricity	603	694
Insurance of assets	225	246
Tax on environmental pollution	42	-
Tax on real estate	228	226
Repair and maintenance of non-current assets	262	194
Cost of sold inventories	-	-
Transport	138	118
Services for tankers	83	114
Work safety costs	25	51
Rent of facilities	35	28
Other	288	661
	<u>41,276</u>	<u>42,035</u>

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

	For the six months period ended 30 June 2017	For the six months period ended 30 June 2016
Interest income	15	2
Fines income	3	9
Dividends (received)	56	-
Financial income, total	<u>74</u>	<u>11</u>
(Losses) from currency exchange	(45)	(68)
Interest (expenses)	(84)	(95)
Other financial activity (expenses)	(4)	-
Financial activity expenses, total	<u>(133)</u>	<u>(163)</u>

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 2017	For the six months period ended 30 June 2016
Net profit attributable to shareholders	7,389	11,722
Weighted average number of ordinary shares (thousand)	<u>380,606</u>	<u>380,606</u>
Earnings per share (in EUR)	<u>0.019</u>	<u>0.031</u>

(all amounts are in EUR thousand unless otherwise stated)

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 2017, 2016 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	2017 six months	1,158	-	-	171
	2016 six months	1,158	-	-	393
SC Lithuanian Railways owned by the State of Lithuania represented by the Ministry of transportation	2017 six months	1,072	-	-	159
	2016 six months	2,791	-	-	99
SC "Lesto", owned by the State of Lithuania represented by the Ministry of Energy	2017 six months	-	-	-	-
	2016 six months	-	-	-	-
JSC Lietuvos dujų tiekimas	2017 six months	1,298	109	21	269
	2016 six months	1,657	192	47	17
SC Amber Grid	2017 six months	-	34,295	9,900	-
	2016 six months	-	33,166	7,904	-
PE Lietuvos naftos produktų agentūra	2017 six months	-	1,327	268	-
	2016 six months	-	671	137	-
JSC LITGAS	2017 six months	-	313	3	-
	2016 six months	-	234	6	-
SC Energijos skirstymo operatorius	2017 six months	292	-	-	47
	2016 six months	338	-	-	51
JSC Energijos tiekimas	2017 six months	309	-	-	51
	2016 six months	356	-	-	55
Other related parties	2017 six months	-	8	3	-
	2016 six months	2	2	1	-
Transactions with related parties, in total:	2017 six months	4,128	36,052	10,192	697
	2016 six months	6,302	34,265	8,095	772

Remuneration to the Management and other payments

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

	For the six months period ended 30 June 2017	For the six months period ended 30 June 2016
Labour related disbursements	1,428	1,238
Number of managers	36	36

During the six months of the years 2017 and 2016 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 4 July 2017 was convened an extraordinary general meeting of the shareholders of the Company, where there approved the decision to conclude two agreements of light oil products' tanks engineering, procurement and construction (EPC) contracts with the winner of public procurement tender:
 - Agreement regarding 2x10,000 m³ and 4x5,000 m³ tanks was signed on 22 May 2017. The amount of the contract: EUR 7,473 thousand. The end of the works set in the agreement is 18 months as of the beginning of works.
 - Agreement regarding 6x20,000 m³ tanks was signed on 12 June 2017. The amount of the contract: EUR 11,453 thousand. The end of the works set in the agreement is 21 months as of the beginning of works.
- On 12 July 2017 were allocated 960 thousand MWh LNG terminal capacities to UAB Lietuvos dujų tiekimas for the period from 1 August 2017 until 31 October 2017.

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, Mindaugas Jusius, Chief Executive Officer of AB Klaipėdos Nafta, Marius Pulkauninkas, Chief Financial Officer of AB Klaipėdos Nafta, and Daiva Plentaitė, Acting Chief Accountant hereby confirm that to the best of our knowledge the above-presented unaudited Interim condensed Financial Statements of AB Klaipėdos Nafta for the first six months period ended on 30 June 2017, prepared in accordance with the International Financial Reporting Standards as adopted to be used in the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss and cash flows of AB Klaipėdos Nafta.

Chief Executive Officer

Mindaugas Jusius

Chief Financial Officer

Marius Pulkauninkas

Acting Chief Accountant

Daiva Plentaitė



**AB KLAIPĖDOS NAFTA
INTERIM REPORT FOR THE SIX
MONTHS PERIOD
ENDED 30 JUNE 2017**

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Abbreviations:

KN – AB Klaipėdos nafta

KNF – Klaipėda oil terminal;

LNGT – Liquefied Natural Gas Terminal;

LNG – Liquefied Natural Gas;

OP - Oil Products;

HFO – Heavy Oil Products;

LFO - Light Oil Products;

SNT – Subačius oil terminal;

GDP – LNG related business development;

OPP – Oil-Processing Plant (refinery);

NCC - National Control Commission for Energy control and prices;

NIB - Nordic Investment Bank;

MANAGEMENT COMMENT REGARDING FINANCIAL RESULTS FOR THE SIX MONTHS OF 2017

Performance results for the first half of 2017 are in line with the Company's objectives and expectations. Through our consistent work and performance results, we made a solid foundation for achieving strategic goals. Experience shows that having a clear strategy and consistently implementing it is possible to create sustainable results and more value for our partners as well as shareholders.

On the one side, due to uncertainty of the global oil transshipment market, political decisions impact for the transit cargos volumes the Company has started to seek of the alternative transit cargos to maintain required portfolio. Certain effort was concentrated to optimize utilization of the oil products transshipment capacities. In April when Russia and Belorussia have agreed for the renewal of crude oil supply and Belorussia refineries have gradually returned to the regular refining volumes transshipment volumes has risen in KN as well.

On the other side, in order to increase oil terminal activity volumes, its flexibility and adoption to the market needs we implement investment projects set out in the strategy of the Company and part of them already started giving results. In the beginning of this year auto carriers loading unit was modernized that enabled to increase loading volumes through this loading unit by 52 per cent and to conclude long term contracts.

During the first half of 2017 transshipment volume in Klaipeda and Subacius oil terminals was 3,262 thousand tons and by 12 per cent more comparing to the 2nd half of 2016 (2,913 thousand tons).

In the LNG terminal of the Company one of the major Company's goals is consistently fulfilled – assurance of effective LNG terminal operation and goal to reduce LNG terminal costs for the gas consumers. In the second quarter of 2017 70 per cent of total gas consumption of Lithuania was supplied through the Klaipeda LNG terminal. We constantly do our best to create as much value as possible for our terminal users by creating an option of choice from who and in what terms acquire gas in the open market and to supply them to the gas consumers.

In 2017, we successfully proceeded the first LNG reloading operations and were gradually increasing reservation of terminal capacities, for the first time accepted LNG cargo from the USA, supplied gas to Incukalnis gas storage and in July 2017 achieved the highest regasification volume of the day in the history of LNG terminal.

LNG reloading station project is accelerating, construction is underway, preparation for the start of exploitation is intensive and in the nearly future the commissioning LNG cargo is to be accepted. The main purpose of the LNG reloading station is to become LNG as the cleanest fossil fuel logistic hub in the Baltic Sea region.

Despite the challenges related with oil products transshipment the first half of 2017 were effective: sales revenues comprised Eur 52.3 million, net profit – Eur 7.4 million, EBITDA – Eur 15.2 million. Comparing to corresponding period of 2016 the results are lower (sales revenues, net profit and EBITDA correspondingly by 8.7 per cent, 36.9 per cent and 21.9 per cent). Although worth to mention that the first half of previous year was a record high in the history of the Company concerning activity volumes as well as financial results.

Comparing the first half of 2017 to the second half of 2016 the financial results have increased that gives a reason to believe that the result of the second half of 2017 shall remain within expectations of the management:

- Sales revenues higher by 12.6 per cent (1st half 2017 – Eur 52.3 million, 2nd half of 2016 – Eur 46.5 million);
- Net profit is higher by 2.5 times (1st half 2017 – Eur 7.4 million, 2nd half of 2016 – Eur 2.1 million)
- EBITDA is higher by 69.6 per cent (1st half 2017 – Eur 15.2 million, 2nd half of 2016 – Eur 8.9 million)

The results of 2017 encourages us to continue consistently seek for the set strategic goals: increase the value of the Company, seek for the more effective growth of the activities by improving internal processes and implement investment projects set out in the Strategy of the Company for the year 2016-2020.

INFORMATION ABOUT THE COMPANY AND ITS ACTIVITIES

Reporting period

The Interim Report is prepared for the period from 1 January 2017 until 30 June 2017.

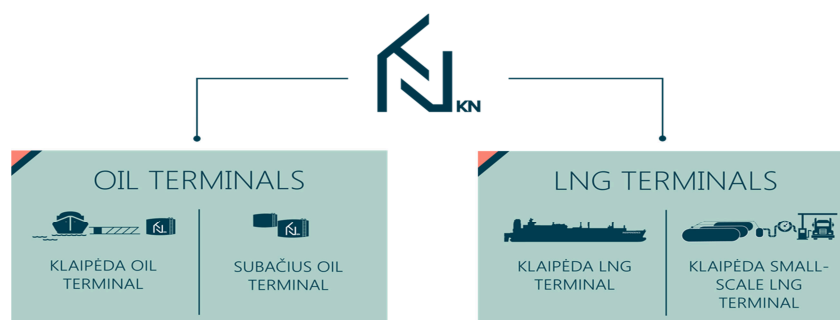
Details about the Company (Issuer)

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

Brief history and activities of the Company

AB Klaipėdos nafta – 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. Net to the mentioned existing activities the Company develops small scale LNG activities and searches for the additional development perspectives.

The Company's operations are divided into 2 activity directions (Oil and LNG terminals) and four separate activities: oil product transshipment (Klaipėda oil terminal), long term oil product storage (SNT), LNG terminal operation and LNG related activities development. The management assesses financial results of each activity and sets individual strategic objectives.



Information about investment into other companies:

The Company has invested into the following companies as of 30 June 2017:

Name of the Company	Address	Ownership part, per cent	Activities
UAB SGD logistika	33-2 Gedimino str., LT-01109 Vilnius	100	Planned marine LNG transportation activities.
UAB BALTPOOL	9 A. Juozapavičiaus str., LT-09311, Vilnius	33	Development of activity of energy resources (bio-fuel, gas) exchange, administration of Public Interest Services (PIS) funds.
Sarmatia Sp. z o.o.	ul. Nowogrodzka 68, Prima court, 02-014 Warsaw, Poland	1	Analysis and engineering of possibilities to construct oil pipeline between Asian states and the Baltic sea.

Participation in Associations

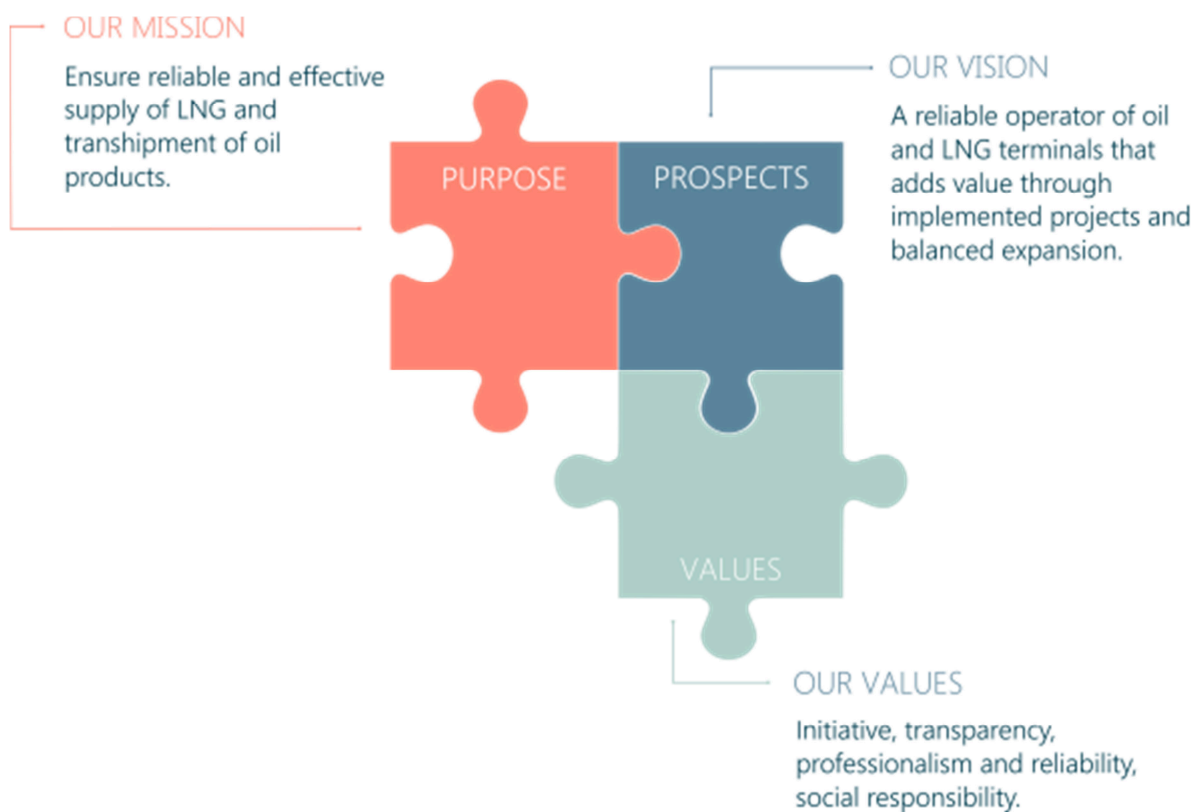
The Company has been acting as a member of the following associations as of 30 June 2017:

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

THE COMPANY'S STRATEGY

At the beginning of 2016 the Board of AB Klaipėdos nafta 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 Strategy foresees that the Company will seek to become one of the most efficient companies in Europe, will strive for change, activity diversification, new projects and services, which will form the basis for the Company's sustainable growth. The Company's achievements are expected to be visible and evaluated at the level of the State of Lithuania.

The successful implementation of the LNG terminal project and the acquired experience provided the Company a unique opportunity to use the experience internationally and expand the geographical range of the Company's activities. A small scale LNG project

implementation will be important for the whole Baltic Region. By implementing its strategy the Company aims to become attractive to investors, ensuring competitive return on investment by dividends and by the growth of its value when improving the financial results of its commercial activities.

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

The general and individual activities' strategic goals are provided below:

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

THE COMPANY'S ACTIVITIES AND INFRASTRUCTURE

Klaipėda oil terminal

The Company is one of the largest oil reloading terminals on the Baltic States. The terminal's main activity is to tranship oil products delivered by rail tank-cars into tankers.

The Company's Oil Terminal reloads these oil products:

- Light Oil Products (hereinafter – LFO):
 - different types of diesel fuel;
 - different types of gasoline;
 - jet fuel.

- Heavy Oil Products (hereinafter – HFO):
 - different types of fuel oil;
 - technological fuel;
 - vacuum gas oil (VGO);
 - crude oil.

Also the Company provides services of reloading into road tankers that is why the Company is capable to provide Lithuania with the imported oil products. Road tanker loading station in the terminal was upgraded and increased capacity in 2016.

Subačius oil terminal

Subačius Oil terminal (SNT) is located in Kunčiai village, Kupiškis district, the infrastructure consists of the following:

- 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;
- renovated laboratory able to detect the main quality parameters of oil products;
- vehicles and other buildings and equipment.

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

The Subačius oil terminal provides the following services:

- Storage of oil product (fuel) stocks of the Lithuanian State to ensure the national energy security under the relevant legal acts;
- Long-term storage of oil products (fuel);
- Short-term storage and handling of oil products (petrol and diesel fuel) to both private and business customers;
- Adding bio-additives and marking substances to oil products.

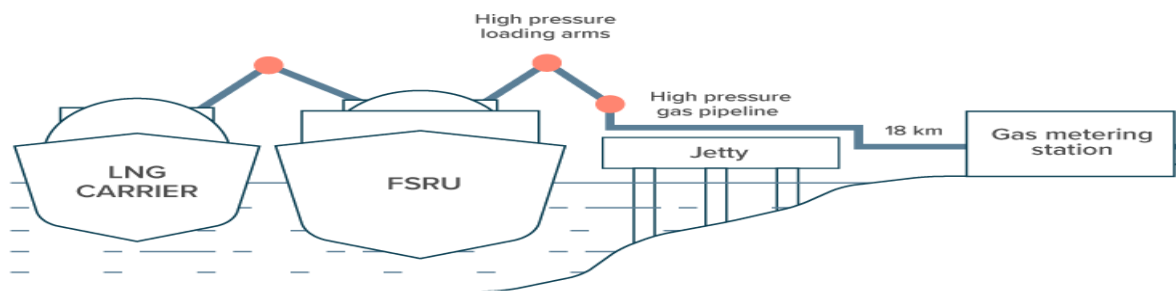
Liquefied Natural Gas Terminal

Infrastructure of the Liquefied Natural Gas Terminal

The LNG terminal is based on Floating Storage and Regasification Unit technology. The LNG vessel-storage (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 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 main parts of the LNG Terminal are provided below:



The LNG Terminal services

The LNG terminal provides (i) LNG regasification and (ii) LNG reloading services.

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

- LNG loading (acceptance) in the terms as determined in the Terminal usage schedule (see below);
- LNG regasification at the regasification rate set in the LNGT user's schedule.

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

- LNG loading (acceptance) – opportunity to deliver LNG cargo by LNG carriers of 65– 160 thousand m³ capacity (if not agreed otherwise), to berth them to the jetty 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 re-loading (re-export) – loading of the LNG quantity set by the Terminal user's schedule into LNG carriers what cannot be smaller than 5 thousand m³ and not larger than 65 thousand m³ over a period of maximum 48 hours.

Prices set for Terminal services are:

- LNG regasification service price (hereinafter referred to as the LNG regasification service) is approved every year by the Company based on LNG regasification service price set by the National Control Commission for Prices and Energy (hereinafter - NCC);
- LNG reloading price is fixed and set up for 5 years.

Terminal service	Price set
LNG regasification service* price (set for year 2016-2017)	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 (security supplement) as approved by NCC is applied to LNG Terminal users transporting gas via gas transmission system.

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

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

Klaipėda small-scale LNG Terminal

Reloading Station

The liquefied natural gas reloading station is LNG tanks with a total capacity of 5,000 cubic meters to which the gas from the LNG terminal is delivered by LNG carrier and distributed by road transport means (LNG trucks) or smaller vessels. A possibility of expanding the capacity of the station up to 10,000 cubic meters in the future has been foreseen. The station will be equipped with two LNG truck loading sites, as well as the conditions for LNG reloading to small-scale LNG vessels will be created.

The purpose of the LNG reloading station is to create a small-scale LNG infrastructure and to develop the LNG market in the Baltic Sea region.

Once the LNG station has started its operation, the port of Klaipėda will become a land-based LNG distribution hub for the Baltic countries and North-Eastern Poland. The station will operate on the Klaipėdos nafta AB site situated along the second quay.

The LNG from the Independence terminal is intended to be transported by special small-scale LNG carriers.

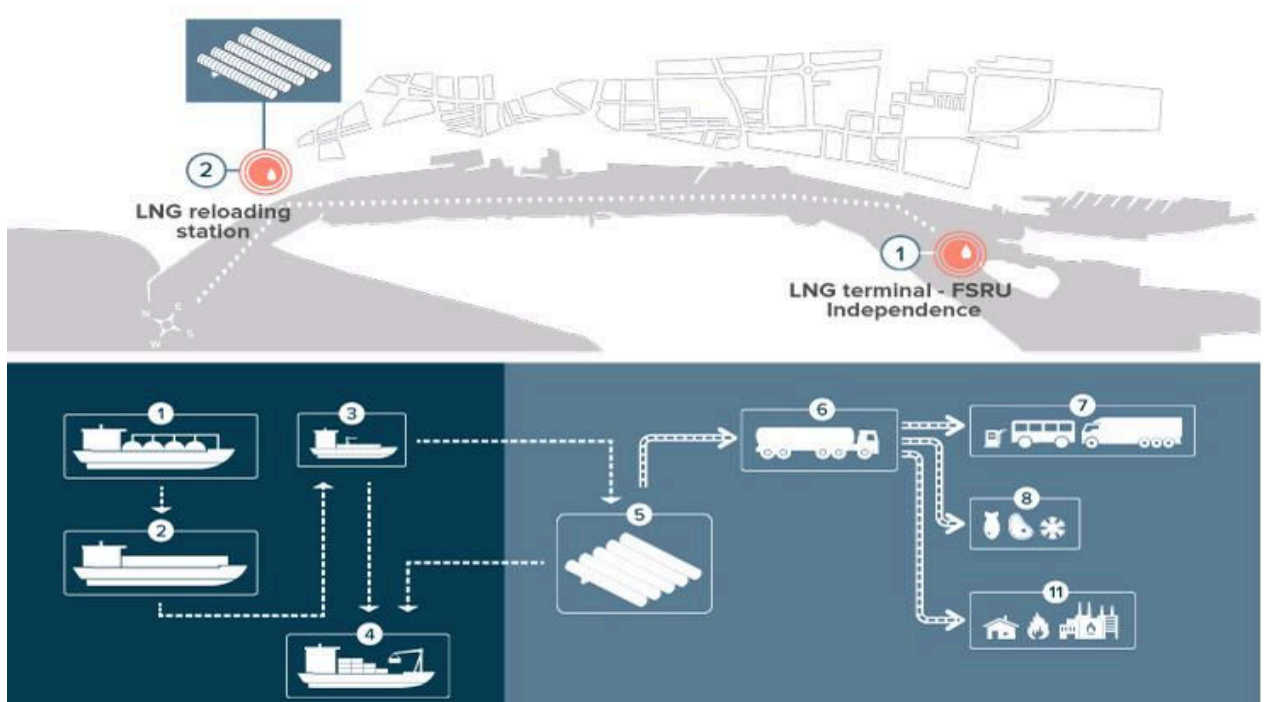
Planned activities:

- Acceptance of LNG from LNG carriers and temporary storage;
- Transshipment to LNG trucks;
- LNG bunkering directly to vessels.

Use of LNG:

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

LNG distribution chain in Klaipėda



LEGENDA

- | | | |
|--|--|--|
| 1. LNG carrier | 4. LNG - powered marine transport | 7. LNG - powered road transport |
| 2. FSRU Independence | 5. Small - scale LNG reloading station | 8. Cryogenic (cold) energy users |
| 3. Small - scale LNG bunkering carrier | 6. LNG truck | 9. Remote household and industrial consumers |

Energy

LNG comes into use in the areas that are not located within reach of pipelines. In terms of LNG supply, Klaipėda LNG reloading station is in a geographically attractive location not only for Lithuanian consumers, but also for those in the North-Eastern Poland, as well as for customers in the Baltic countries. Upon installation of regasification stations, LNG would be used for heat and electricity generation. Apart from that, the LNG with a temperature of -161 degrees is suitable for industrial installations.

SIGNIFICANT EVENTS OF THE REPORTING PERIOD

24th January 2017. The Supervisory Board elected Bjarke Palsson to the duties of independent Board Members of the Company to the vacancy from 24th January 2017 until the term of office of the acting Board of the Company (29th April 2018).

2nd March 2017. Allocated Liquefied Natural Gas Terminal Capacities to AB Achema. LNG regasification capacities - 5,839.9 thousand MWh, Terminal capacity usage period: from the 1 April 2017 until the 30 September 2017.

29th March 2017. Mindaugas Jusius, the independent member of the Company's Board has announced to resign from the office of the Company's Board since 11 April 2017, from the date when he starts acting as Chief Executive Officer of the Company.

21st April 2017. Convened ordinary general meeting of shareholders of the Company adopted these decisions:

- Approved the audited Financial Statements and Annual report of AB Klaipėdos nafta for the year 2016.
- Distributed the Company's profit of EUR 13,794.3 thousand available for appropriation. Allocation of profit to dividends amounted EUR 9,656 thousand or EUR 0.025 per share.

21st April 2017. after the general meeting of the shareholders of AB Klaipėdos nafta the term of office of

SIGNIFICANT EVENTS OCCURRED AFTER THE END OF THE REPORTING PERIOD

4th July 2017. An extraordinary general meeting of the shareholders of the Company approved the decision to conclude two agreements of light oil products' tanks engineering, procurement and construction (EPC) contracts with the winner of public procurement tender:

- Agreement regarding 2x10,000 m³ and 4x5,000 m³ tanks was signed on 22 May 2017. The amount of the contract: EUR 7,473 thousand. The end of the works set in the agreement is 18 months as of the beginning of works.

Navigation

Globally, navigation tends to operate using a cleaner and more efficient fuel, and the LNG is a fuel that creates an alternative for the pollution causing petroleum products. With the growing demand for clean fuels, the fleet of LNG-powered ships is expanding rapidly around the world.

Transport

Other transport sectors, navigation alike, are in search for alternatives. A number of countries, such as the Netherlands, have already developed LNG filling-station networks. Both public and freight transport is LNG-fuelled.

AB Klaipėdos nafta's Supervisory Board has expired, as provided in Article 31 Paragraph 4 of Law on Companies of Republic of Lithuania. The term of office of the Audit Committee has expired together with the term of office of the Supervisory Board.

28th April 2017 AB Klaipėdos nafta has concluded the Credit Agreement with the Nordic Investment Bank (NIB) regarding granting the credit of up to EUR 20 400 thousand to finance LNG reloading station's and the 1st stage of Klaipėda oil terminal expansion projects. The credit should be repaid in the latter half of the year 2031, interest: floating comprising 6 months Euribor and the margin.

8th June 2017. AB Klaipėdos nafta has signed agreements with three LNG terminal users, i.e. UAB LITGAS, UAB Lietuvos dujų tiekimas and AB Achema, who have been allocated the part of terminal capacities before the beginning of upcoming Gas Year. UAB LITGAS and AB Achema have booked capacities from 1st October 2017 until 30th September 2018, UAB Lietuvos dujų tiekimas have booked capacities from 1st October 2017 until 31th August 2018.

27th June 2017. The additional 960 thousand MWh LNG terminal capacities were allocated to UAB Lietuvos dujų tiekimas during the period from 1 July 2017 until 30 September 2017.

- Agreement regarding 6x20,000 m³ tanks was signed on 12 June 2017. The amount of the contract: EUR 11,453 thousand. The end of the works set in the agreement is 21 months as of the beginning of works.

12 July 2017. The additional 960 thousand MWh LNG terminal capacities were allocated to UAB Lietuvos dujų tiekimas for the period from 1 August 2017 until 31 October 2017.

Information about public information

Following the requirements of the Law of the Republic of Lithuania, all main events concerning the Company and information about the time and venue of the General

Meeting of Shareholders are published on the website of the Company www.kn.lt and in AB NASDAQ Vilnius (www.nasdaqomxbaltic.com) Stock Exchange.

RISK FACTORS AND RISK MANAGEMENT

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 guidelines. The list of principal risks and the risk management plan are provided to and approved by the Company's Board each quarter. The Board actively participates in the principal risk management process by continuously monitoring the risk level changes and the risk management measures' action plans. The Company's high level management is responsible for shaping the personnel's attitude towards risk management, setting the risk management goals in the managed area, implementation of the control measures, implementation and monitoring the efficiency of the risk management measures. The medium level managers are responsible for implementation of the risk management process and provision of the results, as well as for reliability, correctness and impartiality of information.

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

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

During January – June 2017 no significant changes have been identified in risk factors comparing to the previous year-end.

BUSINESS ENVIRONMENT AND MARKET

Oil terminal business environment and market

Company's oil products' transshipment activities and oil terminal load is mostly affected by:

- i) Oil products' reloading and storage infrastructure and level of the Company's readiness to use available infrastructure
- ii) Economic attractiveness in the view of logistics (both transshipment tariffs and costs of the entire logistic chain)
- iii) Macroeconomic and geopolitical environment in regional and global oil processing and trade markets.

Main oil processing plants (oil refineries), which potentially provide oil products for transshipment via Company's oil terminals are located in the East and Southeast directions, those are: Mazeikiai plant in Lithuania (managed by AB ORLEN Lietuva), Mozyr OJSC Mozyr and Novopolotsk OJSC Naftan oil refineries in Belarus as well as nearest located refineries in Russia.

Major Company's competitors are oil terminals operating in the eastern coast of the Baltic Sea and Odesa port in Ukraine.

Should be noted that competitive environment in the region's oil products transshipment market is getting more intensive every year, particularly for the Belarusian

origin oil products. Main direct Company's competitors in Belarusian oil products transshipment segment firstly are oil terminals operating in the Baltic States – Ventspils, Riga and Klaipeda port, as well as Odessa port in Ukraine.

Oil products, refined in Russia oil refineries are mainly exported via Russia's own seaports located on Finland Coast (St. Petersburg, Primorsk, Ust-Luga) as well as Estonian ports since the logistic chain costs for this direction are the lowest due to shorter distances and applicable railroad transportation discounts.

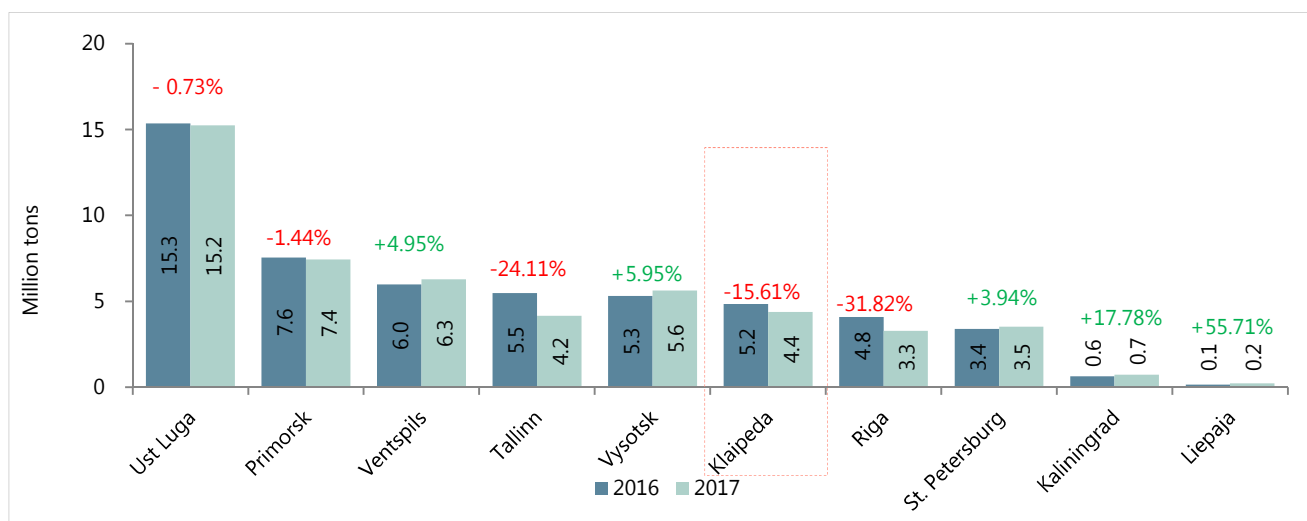
As lately noted, Russian origin oil product export volumes have decreased in all sea ports of the Baltic States. This primarily could be related to Russia's aim to tranship Russian origin oil products mainly through its own sea ports on Finland Coast. Due to this fact Estonian ports are noticeably losing Russian oil products thus potentially making them a significant competitor to Company's oil Terminal.

First half of KN 2017 oil product transshipment results have also been negatively impacted by uncertainty in the global oil product market as well as intense geopolitical

environment, especially by almost 23 per cent reduced Russian crude oil supply to Belarusian oil refineries compared with the respective period of the previous year. Should be noted that on the start of April 2017 Belarusian oil refineries is producing almost the same amount of oil products as have been usual in the past, after the agreement of crude oil supply. This may have a positive influence for the region oil products reloading market and also respectively for the Company's further activities.

According to statistical data, oil terminals in the eastern coast of the Baltic Sea region handled total 50,85 million tons of oil products in first half of 2017 that is by 2,94 million tons or by 5,46 per cent less comparing with first half of 2016. During first six months of 2017 Klaipėda's port handled 4,371 million tons of oil products, covering 8.6 per cent of the total Eastern coast Baltic Sea region's oil products market. Company's oil terminal contributed more than 70 per cent to the total transshipment results of Klaipėda port.

Comparison of the oil products' transshipment at the eastern Baltic Sea coast ports in first six months of 2016 – 2017, million tons:



Prepared on the basis of Klaipėda Port Authority statistical data, 20-07-2017

Oil products transshipment results

In the first half of 2017 Klaipėda oil terminal handled 3,221 thousand tons of oil products that is less by 26.3 per cent comparing with the first six months of 2016 when transshipment volume amounted to 4,369 thousand tons. Decrease in Klaipėda oil terminal handling volumes was mainly influenced by the reduced transit cargos' from main Belarusian Oil Refineries.

In first half of 2017 ORLEN Lietuva, AB transported by approximately 14 per cent less oil products through Klaipėda oil terminal mainly due to planned repair works in Mažeikiai Oil Refinery. KN has a long-term contract with ORLEN Lietuva AB on provision oil product handling services, valid till the end of 2024.

In first six months of 2017 compared to 2016 transshipment of transit oil products through Company's Klaipėda oil terminal decreased by 46 per cent.

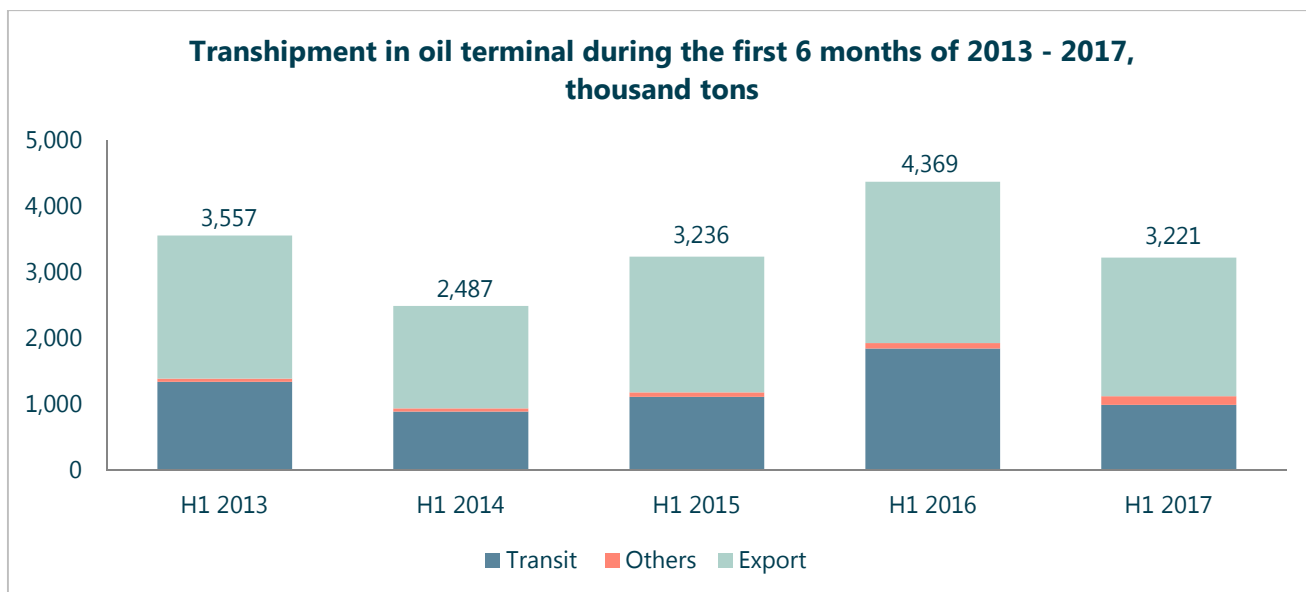
Major Company's customer of transit transshipment in 2017 was BNK (UK) Limited, owned by one of the largest Belarusian oil product exporters – ZAT Belaruskaja

Neftenaja Kampanija (BNK). In 2016 Company concluded a long-term contract with BNK (UK) Limited on the provision of oil product transshipment services. The terms of the Contract are valid until 31 October 2019 with the possibility of extension. During the contract validity period BNK (UK) undertakes to tranship heavy fuel oil produced in Belarusian oil refineries OAO „Mozyrskij NPZ“ and OAO „Naftan“ through Klaipėda oil terminal.

In order to ensure constant and interrupted oil product transit flows through Klaipėda's oil terminal, the Company has successfully diversified client's portfolio thus reducing negative impact of the geopolitical factors as well as positively affecting oil terminals' transshipment results.

In the first half of 2017 the Company successfully maintained cooperation with widely known wholesalers in Lithuania importing oil products (gasoline and diesel) which led to almost 51 thousand tons higher import volumes through Company's auto tanker loading point (comparing with the respective period of 2016).

Note: the volumes of transshipment, stated in the annual and interim reports reflect the amounts of oil products unloaded into the Company's storage tanks



In first half of 2017 there were 41.09 thousand tons of oil products handled in Company's Subačius oil terminal. During mentioned period an average amount of stored oil products in following terminal decreased by 15.4 per cent - from 221 to 187 thousand tones. The decrease was influenced by lower commercial oil products volume stored in the terminal.

LNG terminal activity environment review

During six months of 2017 in the LNG terminal 6 LNG carriers (during six months of 2016 – 10 LNG carriers) have been accepted which in total delivered 269.8 thousand tons of LNG (in six months of 2016 – 625.0 thousand tons); 400.1 million m³ (4,869 MWh) (in six months of 2016 – 780.4 million m³ (9,207 MWh)) natural gas regasified and reloaded.

In 2017 there were 3 LNG terminal users: UAB LITGAS, AB Achema and UAB Lietuvos duju tiekimas assigned LNG supplier through the LNG Terminal.

In the second half of 2017 it is planned to accept 9 more LNG carriers which will deliver approximately 1,283 m³ of LNG in total. In addition, over 700 million nm³ of natural gas will be regasified and supplied to the natural gas transmission system.

The activities of the LNG terminal are regulated therefore the regulatory environment determines the activities' revenue and profitability, guidelines and volumes. In the

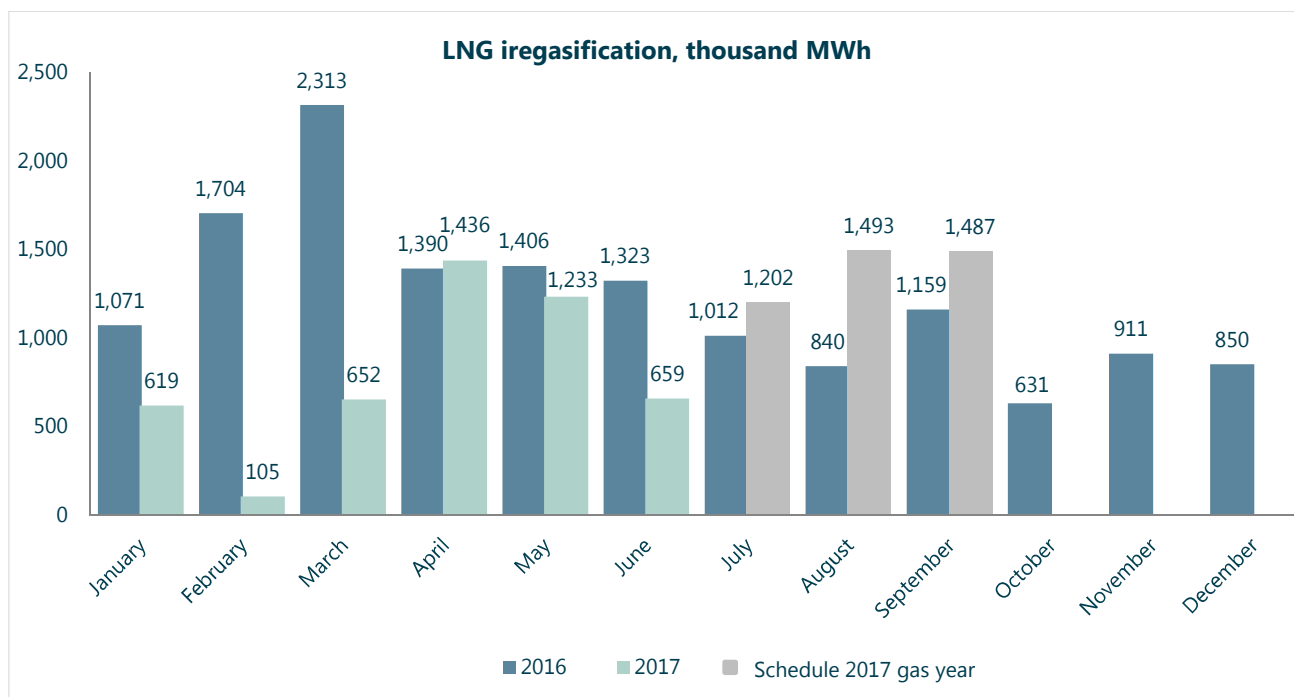
In order to expand oil terminals scope of activities and diversify transshipment portfolio management of KN are continuously cooperating and developing business relationships with international and regional oil products trading companies on provision oil products handling services via Company's oil terminals.

first half of 2017 there were no significant changes in LNG terminal related regulation.

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

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

LNG regasification in 2017 comparison stated below in the chart:



LNG Terminal results for the first six months of 2017 are provided in the notes of the financial report for the first six months of 2017 „Information about segments“.

The natural gas market overview

Lithuania has several principal gas using sectors: households, energy sector, industries using gas as a raw material for the production of fertilizers and other industries. The major part of natural gas is used in the heating energy sector (about 0.3 billion m³ per year) and in industries, using natural gas as a raw material for the production of fertilizers, which receive continuous and not season based natural gas flow (about 1.1-1.3 billion m³ per year).

The total need for natural gas in Lithuania amounts to approximately 2.2 billion m³ per year. Before the

Baltic States' natural gas market

In case of need, the LNG terminal is able to supply natural gas to all three Baltic States. In first half of 2017 Lithuania consumed approximately 1.1 billion m³ (12.9 TWh) of gas per year. Latvia's and Estonia's gas markets are significantly smaller – in first half of 2017 they respectively consumed 0.7 and 0.2 billion m³ of gas. By creating the conditions for attractive gas prices, the LNG terminal can become a real alternative to the existing natural gas providers in the Baltics.

Latvian gas market was liberalized on April by the splitting natural gas transmission and storage service operation from reloading and trade activity. Latvian gas users already took advantage to ensure gas supply from alternative suppliers. It is possible that part of Latvian gas users demand will be ensure with regasification natural gas from Klaipėdos LNG terminal.

commencement of the LNG terminal activities, Lithuania imported gas from solely one supplier, i.e. Russia's gas company OAO Gazprom. Therefore in the future the LNG terminal's capacities could satisfy the annual amount of natural gas, consumed in Lithuania and also partially supply the neighboring markets with natural gas. The sole large consumer, using natural gas as a raw material in Lithuania is AB Achema which consumes almost one half of the total volume of Lithuania.

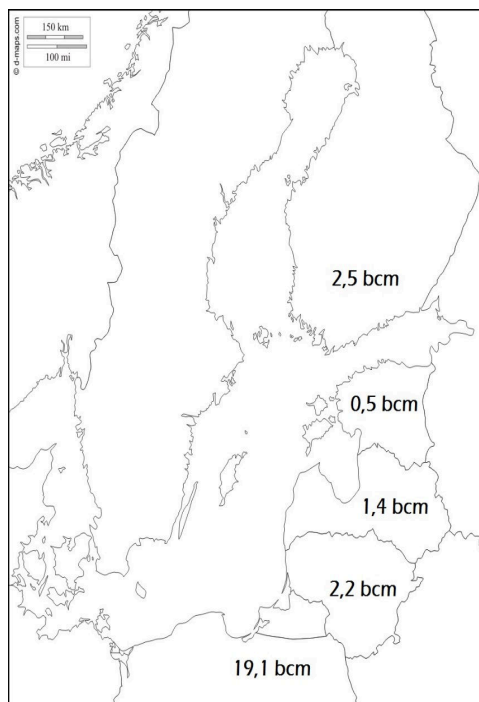
Lithuanian gas market „Get Baltic“ is trying to get established in Baltic States' market. From June in Latvia and Estonia establish trading units. From 2020 will be trying to create integral Baltic States gas market.

After laying the planned gas link between Lithuania and Poland (hereinafter -GIPL), there would be a possibility to supply LNG to Poland's market, which has good potential due to Poland's significantly larger use of gas. The Polish market demonstrates clear potentials for considerably bigger gas consumption; however, it has to be admitted that the degree of competition between Poland and other states–gas suppliers is also more intense. In 2016, the decision was made to postpone the date of finalisation of the GIPL project in the territory of the Republic of Lithuania to 2021.

Another gas pipeline project is planned to be executed in the Eastern Baltic region, which will connect Estonia and Finland (hereinafter – Baltic Connector). The project is foreseen to be completed in 2020. In case no new LNG terminal is constructed in the Gulf of Finland (which is

also in the plans), the Company LNG terminal will get the possibility to expand the gas supply market to Finland, where the consumption reaches approximately 2.5 billion m³ per year.

The information on the consumption of gas in the Baltic in 2016:



One of the principal risks, which must be considered when planning the LNG terminal's activities, is the reduction of use of natural gas. During the time period from 2015 to 2016 the consumption of natural gas in Lithuania reduced by 16 per cent, from 2011 to 2016 –

49 per cent, due to the growing prices and increasing accessibility of alternative sources. Nevertheless, it can be forecasted that the consumption of natural gas is likely to stabilize in the nearest future.

FINANCIAL RESULTS OF ACTIVITY

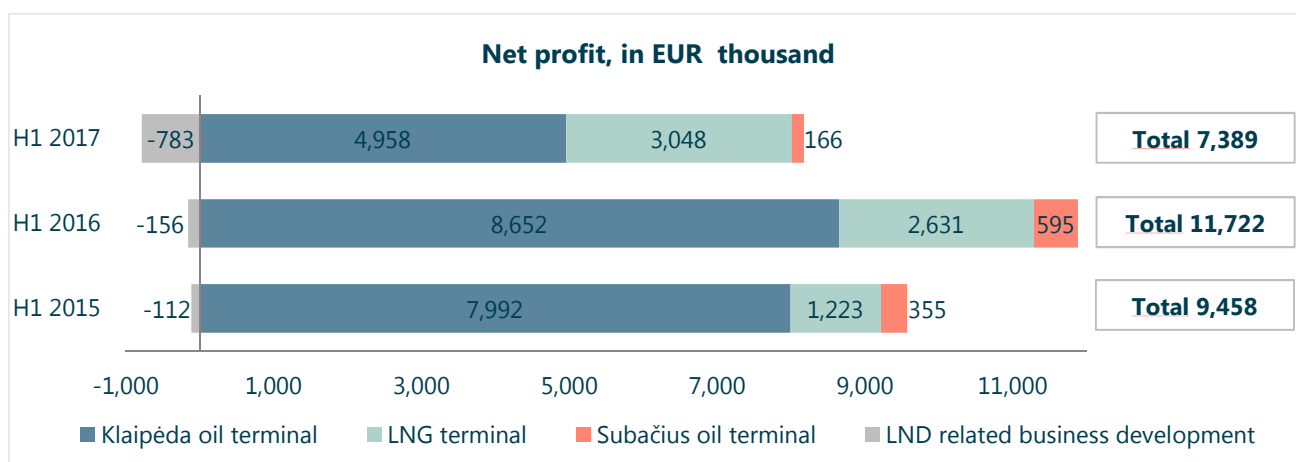
AB Klaipėdos nafta financial results for the first six months of 2017:

- Revenues - EUR 52,341 thousand, 8.7 per cent less compared to the same period of 2016;
- Net profit EUR 7,389 thousand, 37.0 per cent less compared to the six months of 2016, net profit margin – 14.1 per cent (in the six months of 2016 – 20.4 per cent).
- EBITDA for the financial period comprise EUR 15,207 thousand, i.e. 21.9 per cent less compared to the six months of 2016, EBITDA

margin – 29.1 per cent (in the six months of 2016 – 34.0 per cent).

The financial results of AB Klaipėdos nafta are divided into the four activities or segment units: Klaipėda oil terminal (KNF), Subačius oil terminal (SNT), the Liquefied Natural Gas Terminal (SGD) and LNG related business development (GDP). Importance of each segment over Company's financial results is provided herein:

In EUR thousand	H1 2017	H1 2016	Change in per cent
Sales revenue in total	52,341	57,348	-8.7%
KNF	16,218	21,831	-25.7%
SNT	1,143	1,412	-19.1%
SGD	34,980	34,105	2.6%
Net profit in total	7,389	11,722	-37.0%
KNF	4,958	8,652	-42.7%
SNT	166	595	-72.1%
SGD	3,048	2,631	15.8%
GDP	(783)	(156)	401.9%
EBITDA in total	15,207	19,477	-21.9%
KNF	9,086	12,730	-28.6%
SNT	652	1,085	-39.9%
SGD	6,326	5,832	8.5%
GDP	(857)	(170)	404.1%



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

	H1 2017	H1 2016	H1 2015	H1 2014	H1 2013
Transshipment of oil products with SNT (thousand tons)	3,262	4,425	3,329	2,500	3,567
LNG regasification, thousand MWh	4,869	9,207	2,640	-	-
Investments (acquisitions of non-current assets):	11,048	8,150	2,569	13,801	10,877
<i>Klaipėda oil terminal</i>	5,901	2,361	279	865	3,883
<i>LNG terminal</i>	217	49	2,239	12,904	6,994
<i>LNG reloading station</i>	3,996	5,527	-	-	-
<i>Subačius oil terminal</i>	94	213	51	33	-
Financial figures					
Sales revenue	52,341	57,348	53,871	16,726	20,873
Gross profit	11,065	15,313	13,363	6,049	8,904
EBITDA	15,207	19,477	17,537	7,904	10,850
EBIT	8,312	12,897	11,128	4,283	7,290
Financial and investment activities result	-59	-152	-578	195	88
Profit before taxation (EBT)	8,227	12,802	10,888	4,283	7,290
Net profit	7,389	11,722	9,458	3,670	6,205
Current assets	52,045	63,033	52,315	34,844	31,267
Non-current assets	189,957	182,499	185,818	162,168	136,952
Total assets	242,002	245,532	238,133	197,012	168,219
Shareholders' equity	190,702	190,897	184,225	169,129	161,441
Profitability					
Return on assets (ROA)	3.9%	10.0%	6.5%	4.0%	7.3%
Return on equity (ROE)	5.0%	12.5%	8.4%	4.7%	7.7%
Gross profit margin	21.1%	26.7%	24.8%	36.2%	42.7%
EBITDA margin	29.1%	34.0%	32.6%	47.3%	52.0%
EBIT margin	15.9%	22.6%	21.3%	24.4%	34.5%
EBT margin	15.9%	22.3%	20.2%	25.6%	34.9%
Net profit margin	14.1%	20.4%	17.6%	21.9%	29.7%
Turnover					
Accounts receivable, days	45	38	89	25	19
Accounts payable, days	37	33	34	63	17
Financial structure					
Debt ratio	0.27	0.29	0.29	0.16	0.04
Capital to assets ratio	0.79	0.78	0.77	0.86	0.96
Gross liquidity ratio (current ratio)	3.28	2.90	2.30	3.24	7.03
Quick ratio	3.20	0.29	0.29	0.16	0.04
Market value ratios					
Price-Earnings Ratio (P/E)	18.4	8.1	9.6	14.2	10.7
Earnings per share (EPS)	0.019	0.031	0.025	0.010	0.016

Revenues

The **sales revenues** of the Company for the first six months of 2017 comprise EUR 53,341 thousand and comparing with the same period of 2016 (EUR 57,348 thousand) has decreased by EUR 5,007 thousand (8.7 per cent less). The decrease is related with the decrease in revenues of oil terminals.

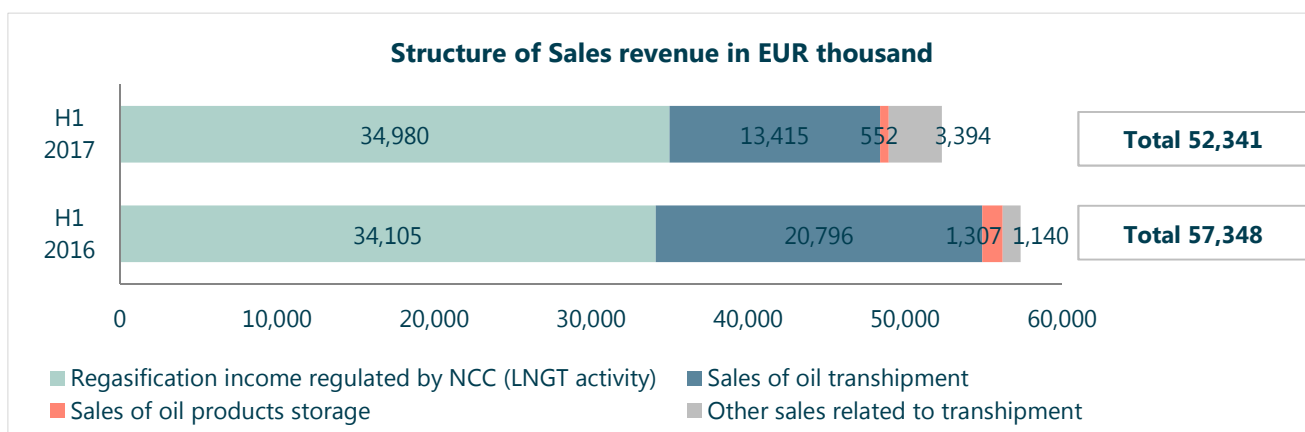
The total **revenues of the LNG terminal** activity in six months of 2017 amounted to EUR 34,980 thousand, and compared with six months of 2016, increased by EUR 875 thousand or 2.6 per cent. The revenues from the LNG terminal's activities consist of administrator for LNG funds calculated part of Additional Security supplement for the compensation of LNG terminal exploitation expenses, also LNG regasification service and LNG reloading service incomes.

Sales revenues from the Oil terminal operations of the six months of 2017 amounted EUR 16,218 thousand and comparing to the same period of 2016 decreased by 25.7 per cent. Sales revenues decreased in compliance with 26.3 per cent decrease in oil product transshipment volume; for the reasons of transshipment volumes decrease refer to BUSSINES ENVIRONMENT AND MARKET section.

Subačius oil terminal sales revenues for the six months of 2017 decreased by 19.3 per cent (or by EUR 269 thousand) due to lower oil quantities of oil products for storage (under commercial contracts).

Sales revenue structure by activities provided herein.

Sales revenues structure by activities:



Expenses

Total **cost of sales** of the Company for the six months of 2017 comprises EUR 41,276 thousand, comparing to the six months of 2016 (EUR 42,035 thousand) it has decreased by 1.8 per cent or by EUR 759 thousand. This change was mainly due to the less variable costs of *oil terminal* (gas, electricity, railroads) in connection transshipment volumes decrease. Depreciation expenses of oil terminal have increased by 8,7 per cent in line with implemented expansion projects in 2016-2017 year.

LNG terminal expenses has slightly increased (total by 1.5 per cent) and comprised EUR 31,479 thousand. The major part of these costs are leasing payments for the vessel Independence and the expenses, related with the vessel's operation (totally EUR 25,671 thousand). They have increased in

connection with changes of US dollar currency exchange changes.

Subačius oil terminal costs increased (by 10 per cent in total) from larger expenses for the PP&E repair and maintenance and higher payments for the employees.

LNG related business development activities costs mainly comprise from remuneration of employees, consultancy and general operating costs allocated for this activity.

Company's **operating expenses** have increased by EUR 431 thousand (18.1 per cent) and comprise EUR 2,814 thousand as at period end. Operating costs increase is explained by increased administration of projects under implementation and new business development projects.

The listing of the major expenses provided below:

In EUR thousand	H1 2017	H1 2016	Change in per cent
KNF depreciation costs	3,565	3,278	8.7%
KNF remuneration costs	2,942	3,003	-2.0%
KNF variable costs (gas, electricity, rail roads)	2,866	4,655	-38.4%
Other KNF production and administrative costs	1,404	1,436	-2.2%
Total KNF costs	10,778	12,373	-12.9%
FSRU leasing and FSRU related costs	25,671	25,232	1.7%
LNGT depreciation costs	2,854	2,863	-0.3%
LNGT remuneration costs	1,402	1,228	14.2%
Other LNGT costs	1,552	1,680	-7.7%
Total LNGT costs	31,479	31,002	1.5%
SNT costs	963	876	10.0%
LNG related business development costs	871	167	421.1%
Total operating and administrative costs	44,090	44,418	-0.7%

Financial results

The first six months of 2017 EBITDA comprised EUR 15,207 thousand compared to the same period of 2016 (EUR 19,477 thousand) it decreased by 21.9 per cent or by EUR 4,270 thousand. EBITDA margin was 29.1 per cent, for 2016 first half – 34.0 per cent.

In the first six months of 2017 the financial activity loss is EUR 59 thousand. Income from financial activities comprise from: EUR 56 thousand dividends, EUR 3 thousand fines and delays income, EUR 15 thousand interest on bank accounts. Financial activities costs are EUR 84 thousand interest costs, EUR 45 thousand exchange rate fluctuation costs, EUR 4 thousand other costs.

In the six months of 2017 the Company's net profit was EUR 7,389 thousand (EUR 11,722 thousand), compared to the same period of 2016, the net profit dropped by -37.0 per cent or by EUR 4,333 thousand. The main reasons for the net profit decreased could be spited as follows:

- EUR 3,694 thousand dropped net profit from oil terminal activities resulted from the drop in revenues from transshipment services;
- EUR 417 thousand increased LNG terminal net profit in relation with higher revenues (by EUR 875 thousand);

- EUR 429 thousand dropped SNT net profit driven from reduced revenues (19.3 per cent or by Eur 269 thousand) from oil products storage and slightly increased expenses;
- The effect of EUR 627 thousand from the increased expenses related with LNG business development.

The net profit margin for the first six months of 2017 amounted to 14.1 per cent, the gross profit margin reached 21.1 per cent (in the same period of 2016 respectively 20.4 per cent and 26.7 per cent). The profit per one share amounted to EUR 0.019/share (EUR 0.031/share in six months of 2016).

In the six months of 2016 the Company's annual return on equity (ROE) amounted to 5.0 per cent (12.5 per cent in the six months of 2016), the return on assets (ROA) – 3.9 per cent (10.0 per cent in the six months of 2016). The return on equity (ROE) and return on assets (ROA) are calculated by dividing the net profit (loss) of the last twelve months by the average of equity values at the beginning and the end of the corresponding period, accordingly presented ROE and ROA include the net profit for the first half of 2017 and for the second half of 2016.

INVESTMENTS

During the first six months of 2017 for acquisition of non-current assets Company spent total EUR 10.2 million. The most significant investments stated below:

No.	Project	H1 2017 investments (incl. prepayments)	Project description
1.	LNG reloading station construction	EUR 4.0 million	In 2017 AB Klaipėdos nafta continues construction of LNG reloading station, new infrastructure project. LNG reloading station is under construction the territory where AB Klaipėdos nafta oil terminal is situated. The maximum capacity of the station – 5,000 cbm. Most significant works done in the first six months of 2017: <ul style="list-style-type: none"> - 5 LNG tanks was produced, delivered and constructed on the foundation; - LNG loading into trucks equipment package, jetty skid, LNG pump skids (2 units), LNG vaporisers were produced and delivered to the construction site; - Build control building for LNG reloading station; - Ordered main fire system equipment parts; - Installed firewall.
2.	The 1st stage of expansion of Light Oil Products (LFO) Park in Klaipėda oil terminal	EUR 3.9 million	The 1 st stage of Klaipėda oil terminal expansion essence is to expand light oil product tanks park in the north of Company's territory, thus enlarging the transshipment volume and provided services efficiency. The approved amount of sum EUR 13.1 million. The investment period end - in the second half of 2017. One of the investments, modernization of auto loading unit has been already finished the beginning of 2017.
2.1	Light oil product tanks expansion	EUR 2.4 million	To expand light oil product tanks park in the north of Company's territory. New tanks capacities: 3 x 5,000 cbm and 4 x 1,400 cbm. Total new tanks capacity 20.6 thousand cbm.
2.2.	Construction of fuel oil with water tanks	EUR 1.5 million	The project consist 2 tanks x 4,200 cbm projection and construction. New capacities will let to take more fuel oil water and loosen tanks for the loading oil products.

New projects

For the implementation of 2016 **second stage investment in the expansion of the light oil products' storage tank park of the Klaipėda oil terminal**, two contracts were signed:

1) **22 May 2017** for the 2x10,000 m³ and 4x5,000 m³ light oil products' tanks construction work; Amount of contract: EUR 7,473 thousand. The end of the works set

in the agreement is 18 months as of the beginning of works;

2) **12 June 2017** for 6x20,000 m³ light oil products' tanks construction work. Amount of contract: EUR 11,453 thousand. The end of the works set in the agreement is 21 months as of the beginning of works.

INFORMATION ABOUT THE SHAREHOLDERS AND SHARES OF THE COMPANY

Shareholders and Shares of the Company

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

The Company's shares are traded on the regulated market; they are listed in the Baltic Main List (before 4 April 2016 in Baltic Secondary List) of the Stock Exchange of AB NASDAQ OMX Vilnius.



KLAIPĖDOS NAFTA
Most Visible Improvement
Over 3 Years
1ST PLACE
Best Investor Relations
In Baltics
2ND PLACE
Best Reporting Company
2ND PLACE
Best Interactive
Investor Relations
3RD PLACE

Shareholders of the Company

As at 30 June 2017 all the shares of the Company were owned by 2,110 shareholders (on 30 June 2016 – 1,968). All shares of the Company are of one class ordinary registered shares granting their owners (shareholders) equal rights. One ordinary registered share of the

Company grants one vote in the General meeting of Shareholders.

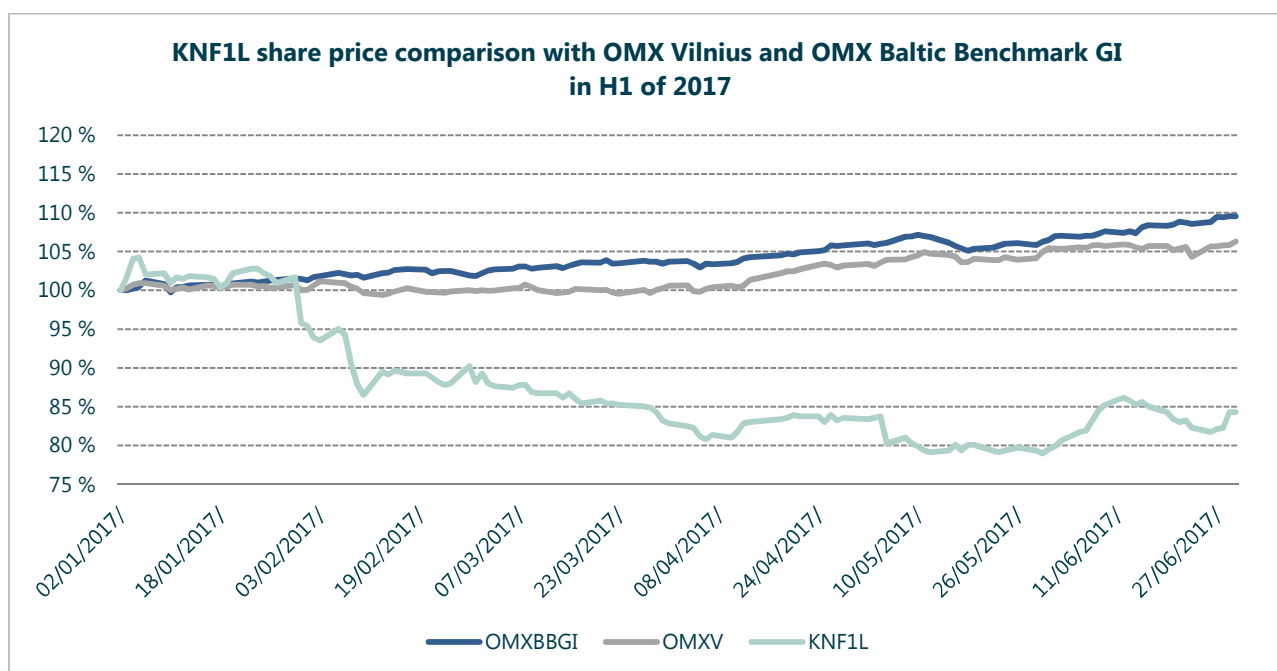
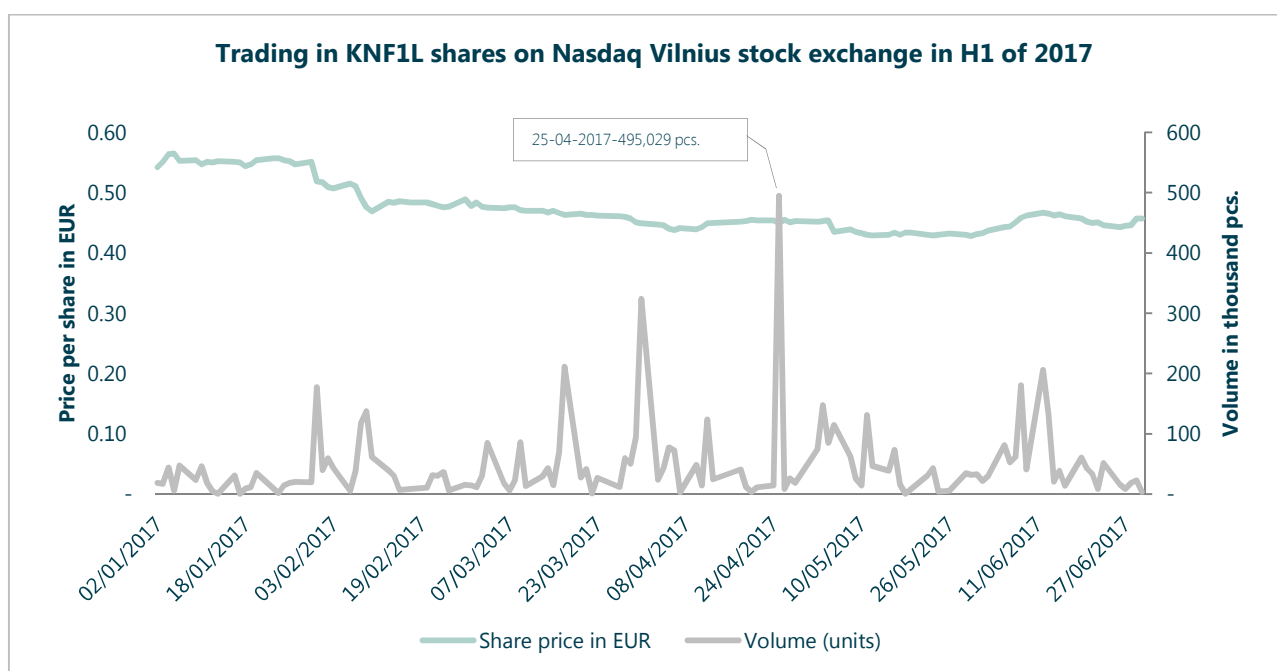
The Company has not been informed about mutual agreements of its shareholders which could limit the transfer of securities and (or) right of vote.

Major shareholders of the Company who have more than 5% of shares of the Company as 30 June 2017 and 2016:

Shareholder's name (company's name, address, company code of registration)	30 June 2017		30 June 2016	
	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

Dynamics of the share price at NASDAQ OMX Vilnius during 2013 – 2016 and H1 2017

	H1 2017	H1 2016	H1 2015	H1 2014	H1 2013
Highest share price in EUR	0.572	0.705	0.419	0.325	0.381
Lowest share price in EUR	0.428	0.360	0.315	0.280	0.289
Price per share at the end of the period in EUR	0.465	0.538	0.369	0.311	0.292
Average share price in EUR	0.467	0.505	0.373	0,295	0,344
Traded volume, pcs.	5,877,454	17,879,294	5,257,607	14,454,031	3,644,550
Turnover in EUR thousand	2,730	8,730	1,955	4,320	1,249
Capitalisation in EUR thousand	176,980	204,766	140,444	118,369	111,137



Dividends

On 21st April 2017, the ordinary General Meeting of Shareholders was held which approved the audited financial reports and profit distribution of 2016. The Company allocated to the Shareholders dividends to the amount EUR 9,656 thousand or EUR 0.0254 for one share from the 2016 profit (in 2016 the Company allocated for

payment of dividends EUR 17,629 thousand or EUR 0.0463 for one share). Dividends were paid to the shareholders in cash.

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

<i>For the financial year</i>	2016	2015	2014	2013	2012
Dividends in EUR thousand	9,656	17,629	92.6	103.2	118.8
Dividends per one share in EUR	0.0254	0.0463	0.0002	0.0003	0.0003
Net profit per 1 share in EUR	0.04	0.06	0.02	0.03	0.03
Dividends for net profit, %	70%	80%	1%	1%	1%

On 25th January 2016 the Board of AB 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 Chief Executive Officer's proposal regarding profit distribution, present the draft decision to approve the dividend allocation not less than 50 per cent of the Company's annual net profit to the Company's shareholders.

More information about dividend policy can be found on the Company's webpage www.kn.lt.

MANAGEMENT OF THE COMPANY

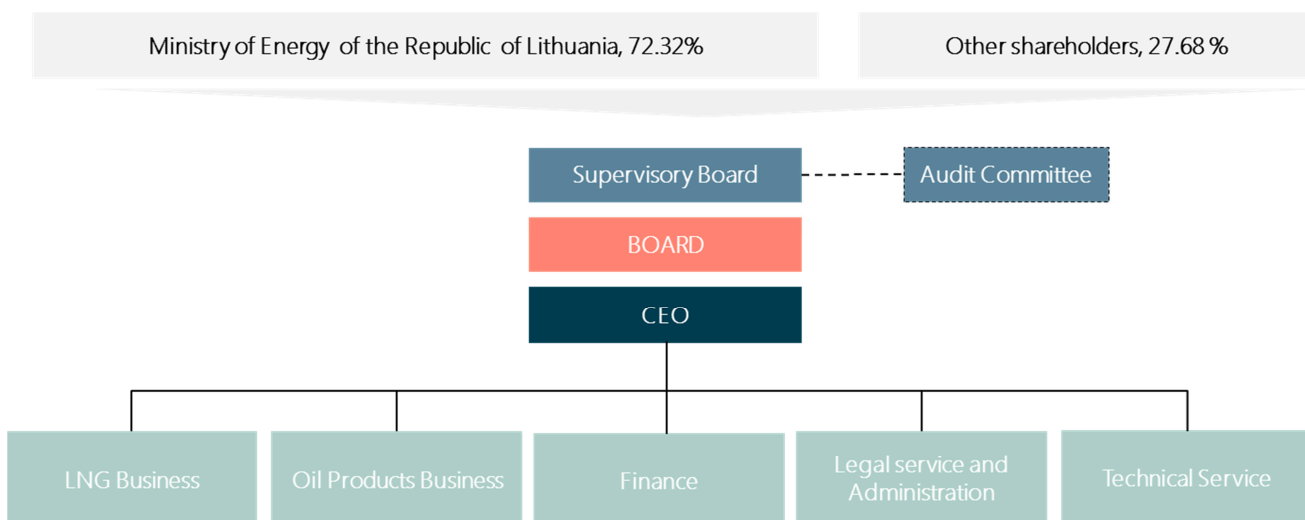
Management structure

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

The 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,
CEO – Chief Executive Officer.

Organizational and management structure of the Company:



On 21 April 2017, after the ordinary General Meeting of Shareholders, Company's Supervisory Board term of office has expired, by the Republic of Lithuania Law on

Stock Companies article 31 part 4. Members of Audit Committee term of office has also expired along with Supervisory Board term of office.

Members of the Board as at 30 June 2017

Dainius Bražiūnas	Member of the Board of the Company since 25 August 2014.
Mantas Bartuška	Member of the Board of the Company since 25 September 2014.
Giedrius Dusevičius	Member of the Board of the Company since 30 December 2016. Independent Board member.
Bjarke Pålsson	Member of the Board of the Company since 24 January 2017. Independent Board member.

Independent member of the Board Mindaugas Jusius stand back from position of the member of the Board

from 11 April 2017 and was appointed for the position of Chief Executive Officer starting from 11 April 2017.

The Directors of the Company as at 30 June 2017

Mindaugas Jusius	Chief Executive Officer
Marius Pulkauninkas	Chief Financial Officer
Darius Šilenskis	Oil Products Business Director
Tadas Matulionis	LNG Business Director
Rytis Valūnas	Legal Service and Administration Director
Genadijus Andrejevas	Technical Director

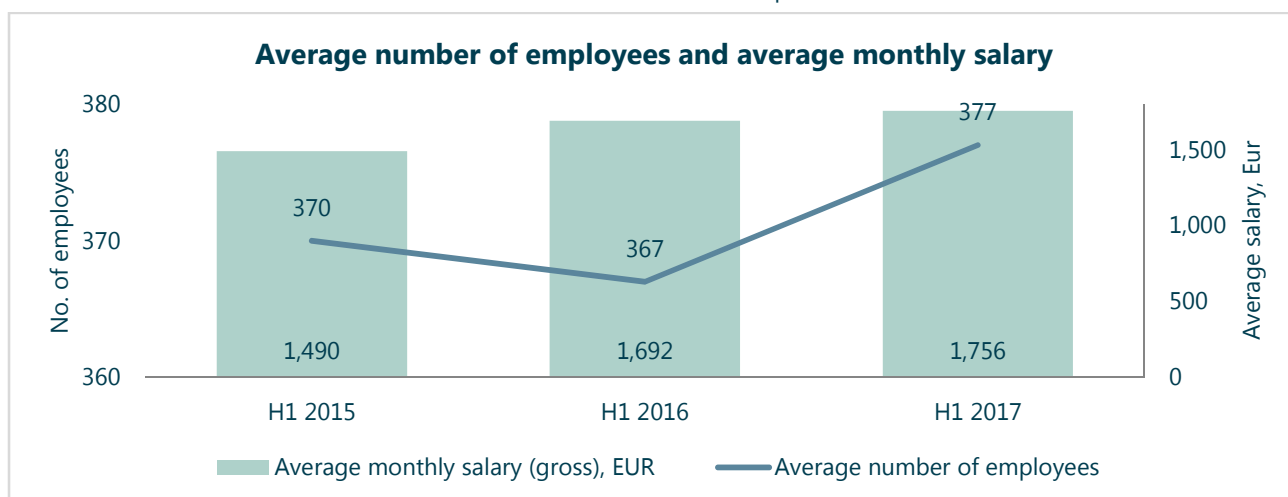
INFORMATION ABOUT THE EMPLOYEES OF THE COMPANY

Personnel

The Company's main asset is its employees who are the most important link to the 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 and improving internal communications.

As of 30 June 2017 there were 383 employees working at the Company (30 June 2016 - 375 employees).

The average number of employees in first six month of 2017 (total number 377) grew by 10 employees or 2.7 per cent compared with 2016 (367). The number of employees increased by the LNG related business development.



Employees of the Company according to categories

Employee category	Average number of employees		Change in per cent
	H1 2017	H1 2016	
Managers ¹⁾	36	36	-
Specialists	173	156	10.9
Workers	168	175	-4.0
Total	377	367	2.7

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

Payroll system and Remuneration Policy

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. For that reason in September 2016 has been formed and approved the Remuneration Policy.

Average monthly salary according to employee groups

Employee category	Average monthly salary (gross), EUR		Change in per cent
	H1 2017	H1 2016	
Managers ¹⁾	3,918	3,805	3.8
Specialists	1,810	1,716	5.5
Workers	1,283	1,263	-2.4
Average of the Company ²⁾	1,756	1,692	12.3

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

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

The Employee Remuneration Policy was approved by the Board of the Company on 9 September 2016. This policy (hereinafter referred to as the 'Remuneration Policy') defines the principles of the setting and payment of remuneration and the incentivisation of employees. The Remuneration Policy shall apply to all employees of the Company.

The purposes of the Remuneration Policy are to:

- • Establish clearly understandable and transparent procedures for the setting and payment of remuneration and the incentivisation of employees, aiming at ensuring the Company's competitiveness in the labour market;
- • Encourage the employees to attain the objectives set in the Company's strategies and to create value added while fostering the values of the Company.

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

System of remuneration to the Company's management

The Board of the Company sets the salary of the Managing Director, the pay ceiling for employees directly subordinate to the Managing Director, and the procedure for incentivisation of management personnel for both short-term and annual results.

For the purposes of incentivisation of the management personnel, the Board of the Company has approved the Procedure for Rewarding Klaipėdos nafta AB's Management Personnel, which is aimed at encouraging managers to exceed the corporate annual targets and not just meet them. The fund of annual bonuses to the Company's management is set depending on (i) the

The Company's remuneration system is based on the Hay Group Method which measures jobs by relative size, nature and importance (in order to ensure that each job within the Company is fairly rewarded). The monthly salary/wage is set for a job upon evaluation of the level of knowledge and work experience required for the job, the complexity of functions, the degree of responsibility and management, the importance of the job for the Company's results and related risks, and working conditions. In order to ensure competitiveness of the employees' pay and to incentivise the staff to improve performance, the setting of pay (both fixed and variable components) relies on the 50th and 75th percentiles' interval of Lithuanian companies with invested foreign capital. Employees in the same position can receive different monthly pay depending on qualifications, experience, capabilities, and functions and responsibilities assigned to the employee. The variable component is set according to the procedure laid down in the Remuneration Policy.

Each employee's pay is reviewed in relation to current trends on Lithuania's labour market; the Company's performance results; the results of evaluation of the employees' performance; and the market supply and demand for jobs relevant to the Company.

percentage by which the net profit is exceeded; and (ii) the degree of meeting of the annual corporate targets. In any case, however, the total amount of bonus fund for all management personnel may not exceed the sum of their salaries for three months.

No compensations are paid to the Managing Director, the Deputy Managing Director and the Directors of Departments in the case of resignation or recalling from the post. Also, there are no additional payments/compensations in the form of shares, or any other form, for their work with the Company at the time of leaving it.

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 Shareholde.

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 six months of 2017. In six months of 2017 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).

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 Mindaugas Jusius, Chief Executive Officer of AB Klaipėdos nafta, Marius Pulkauninkas, Chief Financial Officer (CFO) of AB

Klaipėdos nafta, and Daiva Plentaitė, Acting Chief Accountant of AB Klaipėdos nafta, hereby confirm that to the best of our knowledge the above-presented Annual Report of AB Klaipėdos nafta for six months of 2017 gives a true and fair view of the business development and performance, description of the Company.

Chief Executive Officer

Mindaugas Jusius

Chief Financial Officer (CFO)

Marius Pulkauninkas

Acting Chief Accountant

Daiva Plentaitė