



2023

AB KLAIPĖDOS NAFTA

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

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023
(UNAUDITED)

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STATEMENT OF FINANCIAL POSITION

	Notes	Group		Company	
		30-06-2023 <i>(unaudited)</i>	31-12-2022 <i>(audited)</i>	30-06-2023 <i>(unaudited)</i>	31-12-2022 <i>(audited)</i>
ASSETS					
Non-current assets					
Intangible assets		700	793	571	645
Property, plant and equipment	3	142,383	145,800	142,279	145,683
Right-of-use assets	3	321,715	328,515	321,697	328,495
Long-term receivables		465	575	465	465
Investment in subsidiaries		-	-	4,578	4,578
Investment in associates		111	261	111	261
Deferred income tax asset		4,302	5,106	4,302	5,106
Total non-current assets		469,676	481,050	474,003	485,233
Current assets					
Inventories	5	1,999	2,120	1,999	2,120
Trade receivables and other receivables	6	14,181	14,741	13,152	13,972
Contract assets	7	278	328	278	328
Other financial assets	8	3,321	3,271	3,321	3,271
Short-term deposits	9	44,500	-	40,000	-
Cash and cash equivalents	10	27,473	72,423	25,989	66,848
Total current assets		91,752	92,883	84,739	86,539
Total assets		561,428	573,933	558,742	571,772

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Explanatory notes are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION (CONT'D)

	Notes	Group		Company	
		30-06-2023 <i>(unaudited)</i>	31-12-2022 <i>(audited)</i>	30-06-2023 <i>(unaudited)</i>	31-12-2022 <i>(audited)</i>
EQUITY AND LIABILITIES					
Equity					
Share capital	1	110,315	110,315	110,315	110,315
Share premium		4,002	4,002	4,002	4,002
Reserve		23,014	29,633	22,979	29,633
Foreign currency translation reserve		211	131	-	-
Retained earnings		9,689	(4,981)	7,647	(6,654)
Total equity		147,231	139,100	144,943	137,296
Non-current amounts payable and liabilities					
Non-current employee benefits		592	569	592	569
Loans	11	148,155	137,451	148,155	137,451
Deferred government grants	12	5,285	5,468	5,285	5,468
Lease liabilities	11	187,658	220,122	187,649	220,108
Total non-current amounts payable and liabilities		341,690	363,610	341,681	363,596
Current amounts payable and liabilities					
Current employee benefits		110	62	110	62
Loans	11	5,856	5,689	5,856	5,689
Lease liabilities	11	49,959	46,126	49,949	46,118
Trade payables and other liabilities	13	3,961	5,871	3,804	5,721
Derivatives		111	-	111	-
Payroll related liabilities	14	2,586	3,437	2,364	3,252
Provisions		5,921	5,663	5,921	5,663
Contract liabilities		4,003	4,375	4,003	4,375
Total current amounts payable and liabilities		72,507	71,223	72,118	70,880
Total equity and liabilities		561,428	573,933	558,742	571,772

Explanatory notes are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Group		Group	
		For the six months period ended 30 June 2023 <i>(unaudited)</i>	For the three months period ended 30 June 2023 <i>(unaudited)</i>	For the six months period ended 30 June 2022 <i>(unaudited)</i>	For the three months period ended 30 June 2022 <i>(unaudited)</i>
Revenue from contracts with customers	15	42,398	20,248	35,976	18,096
Cost of sales	16	(31,824)	(16,190)	(26,958)	(13,296)
Gross profit		10,574	4,058	9,018	4,800
Operating expenses	17	(5,352)	(2,885)	(3,812)	(1,992)
Other income and (expenses)		158	70	367	21
Profit from operating activities		5,380	1,243	5,573	2,829
Income from financial activities	18	6,318	1,406	128	6
Expenses from financial activities	18	(2,657)	(1,456)	(21,183)	(15,577)
Share of the associate's profit or (loss)		-	-	8	-
Profit (loss) before tax		9,041	1,193	(15,474)	(12,742)
Income tax (expenses)		(941)	308	1,626	1,700
Profit (loss) for the year		8,100	1,501	(13,848)	(11,042)
Other comprehensive income					
Actuarial gain (losses)		(57)	(62)	25	(43)
Exchange differences on translation of foreign operations		80	48	264	(38)
Related taxes		8	9	(4)	6
Total comprehensive income, net of tax		8,131	1,496	(13,563)	(11,117)
Profit attributable to:					
The shareholders of the Company		8,100	1,501	(13,848)	(11,042)
Non-controlling interests		-	-	-	-
Total comprehensive income attributable to:					
The shareholders of the Company		8,131	1,496	(13,563)	(11,117)
Non-controlling interests		-	-	-	-
Basic and diluted earnings (losses) per share, in EUR	19	0.021	0.004	(0.036)	(0.029)

Explanatory notes are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	Notes	Company		Company	
		For the six months period ended 30 June 2023 <i>(unaudited)</i>	For the three months period ended 30 June 2023 <i>(unaudited)</i>	For the six months period ended 30 June 2022 <i>(unaudited)</i>	For the three months period ended 30 June 2022 <i>(unaudited)</i>
Revenue from contracts with customers	15	40,946	19,523	34,458	17,336
Cost of sales	16	(31,373)	(16,015)	(26,454)	(13,015)
Gross profit		9,573	3,508	8,004	4,321
Operating expenses	17	(4,810)	(2,530)	(3,416)	(1,801)
Other income and (expenses)		158	70	367	21
Profit from operating activities		4,921	1,048	4,955	2,541
Income from financial activities	18	6,261	1,373	28	7
Expenses from financial activities	18	(2,674)	(1,473)	(21,172)	(15,561)
Share of the associate's profit or (loss)		-	-	8	-
Profit (loss) before tax		8,508	948	(16,181)	(13,013)
Income tax (expenses)		(813)	336	1,873	1,797
Profit (loss) for the year		7,695	1,284	(14,308)	(11,216)
Other comprehensive income					
Actuarial gain (losses)		(57)	(62)	25	(43)
Related taxes		9	10	(4)	6
Total comprehensive income, net of tax		7,647	1,232	(14,287)	(11,253)
Basic and diluted earnings (losses) per share, in EUR		-	-	-	-

STATEMENT OF CHANGES IN EQUITY

Group

	Notes	Share capital	Share premium	Own shares (-)	Legal reserve	Reserve for own shares	Other reserves	Foreign currency translation reserve	Retained earnings	Total
Balance as of 31 December 2021 (audited)		110,315	4,002	-	11,051	15,929	67,624	(82)	(64,126)	144,713
Net profit (loss) for the six months		-	-	-	-	-	-	-	(13,848)	(13,848)
Other comprehensive income		-	-	-	-	-	-	264	21	285
Total comprehensive income		-	-	-	-	-	-	264	(13,827)	(13,563)
Transfers between reserves		-	-	-	-	-	(64,971)	-	64,971	-
Balance as of 30 June 2022 (unaudited)		110,315	4,002	-	11,051	15,929	2,653	182	(12,982)	131,150
Balance as of 31 December 2022 (audited)		110,315	4,002	-	11,051	15,929	2,653	131	(4,981)	139,100
Net profit (loss) for the six months		-	-	-	-	-	-	-	8,100	8,100
Other comprehensive income		-	-	-	-	-	-	80	(49)	31
Total comprehensive income		-	-	-	-	-	-	80	8,051	8,131
Transfers between reserves		-	-	-	35	(4,001)	(2,653)	-	6,619	-
Balance as of 30 June 2023 (unaudited)		110,315	4,002	-	11,086	11,928	-	211	9,689	147,231

Explanatory notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (CONT'D)

Company

	Notes	Share capital	Share premium	Own shares (-)	Legal reserve	Reserve for own shares	Other reserves	Retained earnings	Total
Balance as of 31 December 2021 (audited)		110,315	4,002	-	11,051	15,929	67,624	(64,971)	143,950
Net profit (loss) for the six months		-	-	-	-	-	-	(14,308)	(14,308)
Other comprehensive income		-	-	-	-	-	-	21	21
Total comprehensive income		-	-	-	-	-	-	(14,287)	(14,287)
Transfers between reserves		-	-	-	-	-	(64,971)	64,971	-
Balance as of 30 June 2022 (unaudited)		110,315	4,002	-	11,051	15,929	2,653	(14,287)	129,663
Balance as of 31 December 2022 (audited)		110,315	4,002	-	11,051	15,929	2,653	(6,654)	137,296
Net profit (loss) for the six months		-	-	-	-	-	-	7,695	7,695
Other comprehensive income		-	-	-	-	-	-	(48)	(48)
Total comprehensive income		-	-	-	-	-	-	7,647	7,647
Transfers between reserves		-	-	-	-	(4,001)	(2,653)	6,654	-
Balance as of 30 June 2023 (unaudited)		110,315	4,002	-	11,051	11,928	-	7,647	144,943

Explanatory notes are an integral part of these financial statements.

CASH FLOW STATEMENT

	Notes	Group		Company	
		For the six months period ended 30 June 2023 (unaudited)	For the six months period ended 30 June 2022 (unaudited)	For the six months period ended 30 June 2023 (unaudited)	For the six months period ended 30 June 2022 (unaudited)
Cash flows from operating activities					
Net profit (loss)		8,100	(13,848)	7,695	(14,308)
Adjustments for non-cash items					
Depreciation and amortization	3	11,404	11,286	11,350	11,264
Change in vacation reserve	14	215	87	173	45
Change in provisions		258	(660)	258	(660)
Change in non-current liabilities for employees		13	(32)	13	(32)
Contract assets	7	50	264	50	264
Income tax expenses		941	(1,626)	813	(1,873)
Share of (profit) or loss of equity-accounted investees		-	(8)	-	(8)
Interest income	18	(407)	(3)	(382)	(3)
Interest expenses	18	2,485	1,214	2,485	1,213
Other financial expenses		111	(15)	111	(15)
Currency impact from lease liabilities	18	(5,666)	19,869	(5,666)	19,869
Other non-cash adjustments		836	394	939	96
		18,340	16,922	17,839	15,852
Changes in working capital					
(Increase) decrease in inventories	5	89	(67)	89	(69)
Decrease (increase) in trade and other accounts receivable	6	1,043	(2,515)	1,271	(2,576)
Increase (decrease) in trade and other payables	13	2,129	7,358	1,648	7,432
Increase (decrease) in contract liabilities		(372)	208	(372)	208
Increase (decrease) in payroll related liabilities	14	(1,637)	(839)	(1,533)	(853)
		19,592	21,067	18,942	19,994
Cash collateral repayment		2,500	-	2,500	-
Cash collateral (payment)		(2,550)	-	(2,550)	-
Income tax (paid)		(50)	(177)	-	-
Interest received		98	3	72	3
Net cash flows from (used in) operating activities		19,590	20,893	18,964	19,997
Cash flows from investing activities					
(Acquisition) of property plant equipment and intangible assets	4	(1,460)	(3,148)	(1,460)	(3,114)
Income from sales of non-current assets		64	90	64	90
Short-term deposits (placed)		(44,500)	-	(40,000)	-
Dividends received		150	-	150	-
Net cash flows from (used in) investing activities		(45,746)	(3,058)	(41,246)	(3,024)
Loans received		13,415	13,414	13,415	13,414
Loans (paid)		(2,722)	(1,693)	(2,722)	(1,693)
Interest and fee related to loans (paid)		(1,566)	(225)	(1,566)	(225)
Guarantee fees paid		(74)	(84)	(74)	(84)
Lease liabilities (paid)	11	(26,699)	(26,303)	(26,482)	(26,301)
Interest on lease liabilities (paid)		(1,148)	(993)	(1,148)	(992)
Net cash flows from (used in) financing activities		(18,794)	(15,884)	(18,577)	(15,881)
Net increase (decrease) in cash flows		(44,950)	1,951	(40,859)	1,092
Cash and cash equivalents on 1 January	10	72,423	61,517	66,848	57,148
Cash and cash equivalents on 30 June	10	27,473	63,468	25,989	58,240

Explanatory notes are an integral part of these financial statements.

EXPLANATORY NOTES TO FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

The subsidiaries are these:

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

The main activities of the Group and the Company include operation of liquid energy terminals, liquid energy products transshipment services and other related services, as well as operation of the liquefied natural gas terminal (hereinafter referred to as “LNGT”) primarily dedicated to receive and store liquefied natural gas, regasify it and supply it to Gas Grid.

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

The authorised capital of the Company is equal to EUR 110,315,009.65 and divided into 380,396,585 units of shares, which grant 380,396,585 votes.

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 2023 and 2022.

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

As of 30 June 2023 and 31 December 2022 the shareholders of the Company were:

	30 June 2023		31 December 2022	
	Number of shares held (thousand)	Part of ownership (%)	Number of shares held (thousand)	Part of ownership (%)
State of Lithuania represented by the Ministry of Energy (Gediminas av, 38/2, Vilnius, 302308327)	275,687	72.47	275,687	72.47
Concern UAB Achemos grupė (Vykinto str. 14, Vilnius, 156673480)	39,663	10.43	39,663	10.43
Other (less than 5% each)	65,047	17.10	65,047	17.10
Total	380,397	100.00	380,397	100.00

The Parent Company controls subsidiary UAB SGD logistika, which activities are these: expansion of operation of international LNG terminal activities, LNG transportation activities and other economic activities. The Company owns 100% of voting rights of this subsidiary.

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

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

On 13 December 2019 the subsidiary of UAB SGD logistika (90%) and UAB SGD SPB (10%) – limited liability company – KN Açu Servicos de Terminal de GNL LTDA was established in Federal Republic of Brazil. The purpose of KN Açu Servicos de Terminal de GNL LTDA is to provide operations and maintenance services for liquefied natural gas terminal at the port of Açu. KN Açu Servicos de Terminal de GNL LTDA started its activities in 2020.

The average number of employees of the Group in six months of 2023 was 351 (364 in six months of 2022).

The average number of employees of the Company in six months of 2023 was 325 (332 in six months of 2022).

2 ACCOUNTING PRINCIPLES

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

The Group and 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 2022. The principles used in preparation of financial statements were presented in more detail in the Notes to the Financial Statements for 2022.

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

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

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

3 NON-CURRENT TANGIBLE ASSETS

Part of the Group's and the Company's property, plant and equipment with the acquisition cost of EUR 42,622 thousand as of 30 June 2023 was completely depreciated (EUR 42,529 thousand on 31 December 2022), however, it was still in operation.

The Group's and the Company's depreciation of property, plant and equipment amounts to EUR 4,212 thousand and EUR 4,171 thousand for the six months of 2023, respectively (EUR 4,192 thousand and EUR 4,186 thousand for the six months of 2022). The depreciation EUR 174 thousand was reduced by amortization of related grant the six months of 2023 (EUR 207 thousand for the six months of 2022). EUR 4,031 thousand and EUR 3,993 thousand of depreciation charge has been included into cost of sales of the Group and the Company, respectively (EUR 3,953 thousand and EUR 3,922 thousand for the six months of 2022). The remaining amount EUR 73 thousand (EUR 57 thousand for the six months of 2022) has been included into operating expenses in the Statement of comprehensive income of both, the Group and the Company.

The Group's and the Company's depreciation of right-of-use asset amounts to EUR 7,163 thousand for the six months of 2023 (EUR 7,159 thousand and EUR 7,156 thousand for the six months of 2022, respectively). EUR 7,044 thousand of depreciation charge has been included into cost of sales of both, the Group and the Company (EUR 7,044 thousand for the six months of 2022) and the remaining amount of EUR 119 thousand has been included into operating expenses in the Statement of comprehensive income of the Group and the Company (EUR 115 thousand and EUR 112 thousand for the six months of 2022, respectively).

Impairment of property, plant and equipment and right of use asset attributed to Klaipėda liquids terminal assets

At each reporting date, the Group and the Company makes assessments in order to determine whether there is any indication that the carrying amounts of its property, plant and equipment, intangible assets and other non-current assets recorded at acquisition cost could possibly be impaired.

If any indications exist, the Group and the Company estimates the recoverable amount of such property, plant and equipment and non-current assets to assess impairment. For impairment assessment purposes, assets are grouped at the lowest separate business segment levels for which separate cash flows could be identified and estimated (cash-generating units, CGU).

As of 30 June 2023 the management of the Group and the Company did not identify any indications for additional impairment of Klaipėda liquids terminal's assets.

4 OPERATING SEGMENTS

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

- LNGT – LNG terminal in Klaipėda which receives and stores liquefied natural gas, regasifies and supplies it to Gas Main pipeline;
- LET – liquid energy terminal in Klaipėda and Subačius liquid energy terminal in Kupiškis, which provide liquid energy products transshipment, services of long-term storage of liquid products and other services related to liquids transshipment;
- comLNG – LNG commercial activities – includes LNG reloading station and execution of other LNG projects.

4 OPERATING SEGMENTS

Main indicators of the business segments of the Group included into the statement of comprehensive income for the six months of 2023 and statement of financial position as of 30 June 2023, are presented below:

Group

For the six months period ended 30 June 2023	LNGT	LET	comLNG	Total
Revenues from contracts with customers	24,804	14,199	3,395	42,398
Profit (loss) before income tax	5,416	2,994	631	9,041
Segment net profit (loss)	4,935	2,675	490	8,100
Interest revenue	24	358	58	440
Loan interest expense	1,679	-	2	1,681
Interest on financial lease liabilities	603	182	20	805
Depreciation and amortisation	1,090	2,542	606	4,238
Depreciation of right-of-use-assets	6,871	229	63	7,163
Acquisitions of tangible and intangible assets	4	254	66	324
Segment total assets*	354,953	104,857	29,645	489,455
Loan and related liabilities	154,073	(20)	(42)	154,011
Lease liabilities	216,992	18,567	2,058	237,617
Segment total liabilities	381,586	23,328	7,823	412,737

Main indicators of the business segments of the Group included into the statement of comprehensive income for the six months of 2022 and statement of financial position as of 30 June 2022, are presented below:

Group

For the six months period ended 30 June 2022	LNGT	LET	comLNG	Total
Revenues from contracts with customers	21,841	11,616	2,519	35,976
Profit (loss) before income tax	(16,529)	884	171	(15,474)
Segment net profit (loss)	(14,387)	623	(84)	(13,848)
Interest revenue	3	-	104	107
Loan interest expense	299	-	-	299
Interest on financial lease liabilities	712	181	21	914
Depreciation and amortisation	1,240	2,287	626	4,153
Depreciation of right-of-use-assets	6,867	210	82	7,159
Acquisitions of tangible and intangible assets	26	2,532	13	2,571
Segment total assets*	371,535	112,152	26,389	510,076
Loan and related liabilities	131,713	(20)	(42)	131,651
Lease liabilities	268,177	18,188	2,070	288,435
Segment total liabilities	411,668	22,416	8,310	442,394

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

5 INVENTORIES

	Group		Company	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Diesel fuel for the LNG Terminal purpose	327	257	327	257
Oil products for sale	295	263	295	263
Fuel for transport and other equipment	115	47	115	47
Liquefied natural gas	46	46	46	46
Emission allowances	8	133	8	133
Spare parts, construction materials and other inventories	1,208	1,374	1,208	1,374
	1,999	2,120	1,999	2,120

As of 30 June 2023, the Group and the Company accounted the write-off of inventories in the amount of EUR 60 thousand that have been written down to the net realizable value (EUR 92 thousand as of 31 December 2022).

6 TRADE RECEIVABLES AND OTHER RECEIVABLES

	Group		Company	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Trade receivable	10,891	11,879	10,192	11,336
Prepayments	1,185	796	1,176	765
Other receivable	2,105	2,066	1,784	1,871
Total	14,181	14,741	13,152	13,972

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

Trade receivable disclosed below:

	Group		Company	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Receivables from LNG terminal activities	8,345	8,521	8,345	8,521
Receivables for transshipment of liquid energy products and other related services	3,294	4,261	3,294	4,261
Receivable for operating and management services	775	620	76	113
Less: impairment allowance	(1,523)	(1,523)	(1,523)	(1,523)
Total	10,891	11,879	10,192	11,336

The Group and the Company has recognized impairment allowance in the amount of EUR 1,523 thousand on 30 June 2023 (EUR 1,523 thousand on 31 December 2022).

No change in allowance for trade receivables for six months of 2023 and 2022 accounted.

Other receivables disclosed below:

	Group		Company	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
VAT receivable	411	860	411	860
Excise duty receivable	983	983	983	983
Other receivable taxes (1)	322	195	-	-
Other receivables	389	28	390	28
Total	2,105	2,066	1,784	1,871

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

7 CONTRACT ASSETS

The Group and the Company

	30-06-2023	31-12-2022
Current contract assets:		
Accrued income	278	328
	278	328

Accrued income for storage of liquid energy products as of 30 June 2023 and 31 December 2022 calculated as percentage of completion based on expenses incurred from the total estimated cost of contracted services. Upon completion of transshipment of liquid energy products and acceptance by the customer, the amounts initially recognized as contract assets are reclassified as trade receivables.

8 OTHER FINANCIAL ASSETS

The Group and the Company

	30-06-2023	31-12-2022
Deposit for tax obligations	3,321	3,271
	<u>3,321</u>	<u>3,271</u>

In 2020-2021 the Group and the Company made a deposit to the State tax inspection for tax which may arise from the movement of excise goods under suspension of excise duty. The additional excise duty guarantee paid in 2023 for the amount of EUR 1,850 thousand, from which EUR 1,800 thousand was returned on 12 May 2023. The use of the deposit is indefinite (returned within 5 working days from the submission of the request).

The Group and the Company paid EUR 700 thousand to the Customs Department for ensuring tax obligations. The amount was returned on 15 May 2023. The use of the deposit is indefinite (returned upon request to the Company).

9 SHORT-TERM DEPOSITS

	Group		Company	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Short-term deposits at banks	44,500	-	40,000	-

As of 30 June 2023, the Group had 4 short-term deposits at banks, amounted to EUR 44,500 thousand, with maturity of more than 3 months, the Company had had 2 short-term deposits at banks, amounted to EUR 40,000 thousand, with maturity of more than 3 months. Annual interest rate was from 2.75% to 3.50% for agreements signed.

10 CASH AND CASH EQUIVALENTS

	Group		Company	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Cash at bank	27,473	72,423	25,989	66,848

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

Currency	Group		Company	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
EUR	22,429	66,687	21,324	61,909
USD	4,665	4,939	4,665	4,939
BRL	379	797	-	-
	<u>27,473</u>	<u>72,423</u>	<u>25,989</u>	<u>66,848</u>

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

	Group		Company	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
A+	2,736	26,784	1,631	22,006
A-	12,740	17,000	12,740	17,000
AA-	11,618	27,842	11,618	27,842
BB-	379	797	-	-
	<u>27,473</u>	<u>72,423</u>	<u>25,989</u>	<u>66,848</u>

11 LOANS AND LEASE LIABILITIES

Loans

The Group and the Company

	30-06-2023	31-12-2022
Nordic Investment Bank's loan	108,813	96,102
European Investment Bank's loan	44,694	46,703
Guarantee payment to the Ministry of Finance to the Republic of Lithuania	(128)	(130)
Payable loan interest	632	465
	<u>154,011</u>	<u>143,140</u>

Lease liabilities

	Group		Company	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Lease liabilities	<u>237,617</u>	<u>266,248</u>	<u>237,598</u>	<u>266,226</u>

Lease liabilities as of 30 June 2023 can be specified as follows:

Group

	FSRU lease	Land rent	Jetty rent	Other*	Total
Long-term lease liabilities	163,052	19,067	4,895	644	187,658
Short-term lease liabilities	48,916	656	121	266	49,959
	<u>211,968</u>	<u>19,723</u>	<u>5,016</u>	<u>910</u>	<u>237,617</u>

Company

	FSRU lease	Land rent	Jetty rent	Other*	Total
Long-term lease liabilities	163,052	19,067	4,895	635	187,649
Short-term lease liabilities	48,916	656	121	256	49,949
	<u>211,968</u>	<u>19,723</u>	<u>5,016</u>	<u>891</u>	<u>237,598</u>

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

Group

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

Company

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

* Other comprises of transport vehicles, office rent.

12 DEFERRED GOVERNMENT GRANTS

The Group and the Company

	30-06-2023	31-12-2022
Balance at the beginning of the period	5,468	5,771
Received during the period	-	89
Reclassification	-	(4)
Compensations of costs	(9)	-
Amortization	(174)	(388)
Balance at the end of the period	<u>5,285</u>	<u>5,468</u>

13 TRADE PAYABLES AND OTHER LIABILITIES

	Group		Company	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Trade payables	2,704	3,596	2,547	3,564
Other payables and current liabilities	1,257	2,275	1,257	2,157
	<u>3,961</u>	<u>5,871</u>	<u>3,804</u>	<u>5,721</u>

Trade payables disclosed below:

	Group		Company	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Payments related FSRU	1,540	1,640	1,540	1,640
Payable to contractors	58	184	58	184
Payable for railway services	-	99	-	99
Other trade payables	1,106	1,673	949	1,641
	<u>2,704</u>	<u>3,596</u>	<u>2,547</u>	<u>3,564</u>

On 30 June 2023 trade payables of EUR 402 thousand were denominated in USD (on 31 December 2022 – EUR 912 thousand).

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

Other payables and current liabilities disclosed below:

	Group		Company	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Received guarantee	880	880	880	880
Accrued expenses and liabilities	244	909	244	909
Real estate tax payable	-	126	-	126
Other taxes payable	-	120	-	-
Other liabilities	133	240	133	242
	<u>1,257</u>	<u>2,275</u>	<u>1,257</u>	<u>2,157</u>

14 PAYROLL RELATED LIABILITIES

	Group		Company	
	30-06-2023	31-12-2022	30-06-2023	31-12-2022
Accrual of annual bonuses	565	1,711	515	1,631
Accrued vacation reserve	989	769	888	715
Salaries payable	526	500	510	500
Social insurance payable	257	265	249	228
Income tax payable	247	190	200	176
Other deductions	2	2	2	2
	<u>2,586</u>	<u>3,437</u>	<u>2,364</u>	<u>3,252</u>

15 REVENUE FROM CONTRACTS WITH CUSTOMERS

	Group		Company	
	For the six months period ended 30 June 2023	For the six months period ended 30 June 2022	For the six months period ended 30 June 2023	For the six months period ended 30 June 2022
Income from LNGT regasification services collected directly from LNGT users (1)	23,589	10,722	23,590	10,722
Sales of liquid energy products transshipment services	13,222	10,772	13,222	10,772
Other sales related to LNG terminals activity	3,823	2,855	2,209	1,334
Other sales related to transshipment	985	848	985	848
Sales of consulting services	779	11	940	14
Income from LNGT services included in security supplement (2)	-	10,768	-	10,768
	<u>42,398</u>	<u>35,976</u>	<u>40,946</u>	<u>34,458</u>

- (1) Income from LNGT services contains income from LNG regasification service and LNG reloading service. The tariffs of this services are adjusted annually and regulated by NERC. Regasification and reloading income are collected directly from the clients after services are provided based on quantities.

In 2022 the Company has implemented Klaipėda LNG terminal allocation and tariffication model in order to reduce the additional security supplement price for the natural gas consumers. From May 2022 the regasification tariff for LNG terminal users was increased according to the upper limit of the Company's LNG revenue. After these changes it was possible to decrease the security supplement and to collect all revenue directly from LNG terminal users.

- (2) contains income from LNG regasification service and LNG reloading service. The tariffs of these services are adjusted annually and regulated by NERC. Regasification and reloading income are collected directly from the clients after services are provided. Security supplement – security of supply fee applied to natural gas transmission price paid by Lithuanian natural gas consumers. LNG terminal additional security supplement tariff is applied to Terminal users, who regasify gas via LNG terminal and use gas transmission system. LNG terminal additional security supplement tariff is set by NERC by the resolutions annually and is dedicated to cover operating costs of LNG terminal, its infrastructure and tie-in, independently from gas volumes regasified and submitted to gas transmission system.

There is no security supplement income in the six months of 2023 due to implemented allocation and tariffication model when regasification tariff was increased and security supplement from May 2022 was 0 EUR/(MWh/day/year).

16 COST OF SALES

	Group		Company	
	For the six months period ended 30 June 2023	For the six months period ended 30 June 2022	For the six months period ended 30 June 2023	For the six months period ended 30 June 2022
Depreciation of right-of-use asset	(7,044)	(7,044)	(7,044)	(7,044)
Tax on environmental pollution and emission allowances	(5,414)	(2,924)	(5,414)	(2,924)
Depreciation and amortisation (incl. amortisation of grants)	(4,165)	(4,081)	(4,114)	(4,037)
Wages, salaries and social security	(4,053)	(3,928)	(3,863)	(3,580)
Expenses related to FSRU rent (OPEX element, management, crew cost)	(3,722)	(3,256)	(3,722)	(3,256)
Natural gas	(1,235)	(1,916)	(1,235)	(1,916)
Port charges	(766)	(766)	(766)	(766)
Insurance	(671)	(305)	(671)	(275)
Electricity	(633)	(735)	(633)	(735)
Railway services	(583)	(587)	(583)	(587)
Repair and maintenance of assets	(528)	(318)	(494)	(291)
Other	(3,010)	(1,098)	(2,834)	(1,043)
	<u>(31,824)</u>	<u>(26,958)</u>	<u>(31,373)</u>	<u>(26,454)</u>

17 OPERATING EXPENSES

	Group		Company	
	For the six months period ended 30 June 2023	For the six months period ended 30 June 2022	For the six months period ended 30 June 2023	For the six months period ended 30 June 2022
Wages, salaries and social security	(2,906)	(2,449)	(2,703)	(2,272)
Consulting and legal costs	(931)	(250)	(844)	(209)
Telecommunication and IT expenses	(237)	(167)	(220)	(152)
Salaries and other related expenses to governing bodies	(171)	(81)	(171)	(81)
Operating tax expense	(137)	(70)	(30)	(38)
Depreciation of right-of-use asset	(119)	(115)	(119)	(112)
Depreciation and amortization	(73)	(72)	(73)	(72)
Administration of bank accounts	(35)	(154)	(34)	(149)
Other	(743)	(454)	(616)	(331)
	<u>(5,352)</u>	<u>(3,812)</u>	<u>(4,810)</u>	<u>(3,416)</u>

18 INCOME (EXPENSES) FROM FINANCIAL AND INVESTMENT ACTIVITIES

	Group		Company	
	For the six months period ended 30 June 2023	For the six months period ended 30 June 2022	For the six months period ended 30 June 2023	For the six months period ended 30 June 2022
Gain from currency exchange on the lease liabilities	5,666	-	5,666	-
Interest income	440	107	382	3
Fines income	14	12	14	12
Other financial income	198	9	199	13
Financial income, total	<u>6,318</u>	<u>128</u>	<u>6,261</u>	<u>28</u>
Interest expenses	(1,681)	(299)	(1,680)	(299)
Interest on the lease liabilities	(805)	(914)	(805)	(913)
Loss from financial derivatives	(97)	(72)	(97)	(72)
Losses from currency exchange	(71)	(24)	(92)	(19)
Losses from currency exchange on the lease liabilities	-	(19,869)	-	(19,869)
Other financial activity expenses	(3)	(5)	-	-
Financial activity expenses, total	<u>(2,657)</u>	<u>(21,183)</u>	<u>(2,674)</u>	<u>(21,172)</u>

19 EARNINGS (LOSS) PER SHARE, BASIC AND DILUTED

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

Basic and diluted earnings per share are as follows:

	For the six months period ended 30 June 2023	For the six months period ended 30 June 2022
Group		
Net profit (loss) attributable to shareholders	8,100	(13,848)
Weighted average number of ordinary shares (thousand)	380,397	380,397
Earnings (loss) and reduced earnings (loss) (in EUR)	<u>0.021</u>	<u>(0.036)</u>

20 RELATED PARTY TRANSACTIONS

The parties are considered related when one party has a possibility to control the other one or has significant influence over the other party in making financial and operating decisions,

The related parties of the Group and the Company and transactions with them during the six months of 2023 and 2022 were as follows:

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

Group

		Purchases	Sales		Receivables	Payables
AB Klaipeda State Seaport Authority	2023 six months	1,270	-	30-06-2023	-	459
	2022 six months	1,231	-	30-06-2022	-	459
AB "Amber Grid"	2023 six months	-	-	30-06-2023	3,975	-
	2022 six months	-	10,768	30-06-2022	4,021	-
UAB „Ignitis“	2023 six months	-	5,328	30-06-2023	1,616	-
	2022 six months	-	2,633	30-06-2022	800	-
Public Institution Lithuanian Energy Agency	2023 six months	-	1,680	30-06-2023	339	-
	2022 six months	-	1,682	30-06-2022	339	-
Energijos skirstymo operatorius, AB	2023 six months	578	-	30-06-2023	-	20
	2022 six months	117	-	30-06-2022	-	-
AB LTG CARGO	2023 six months	655	-	30-06-2023	-	29
	2022 six months	587	-	30-06-2022	-	-
Other related parties	2023 six months	28	-	30-06-2023	-	1
	2022 six months	23	-	30-06-2022	-	6
Transactions with related parties, in total:	2023 six months	2,531	7,008	30-06-2023	5,930	509
	2022 six months	1,958	15,083	30-06-2022	5,160	465

Company

		Purchases	Sales		Receivables	Payables
AB Klaipeda State Seaport Authority	2023 six months	1,270	-	30-06-2023	-	459
	2022 six months	1,231	-	30-06-2022	-	459
AB "Amber Grid"	2023 six months	-	-	30-06-2023	3,975	-
	2022 six months	-	10,768	30-06-2022	4,021	-
UAB „Ignitis“	2023 six months	-	5,328	30-06-2023	1,616	-
	2022 six months	-	2,633	30-06-2023	800	-
Public Institution Lithuanian Energy Agency	2023 six months	-	1,680	30-06-2022	339	-
	2022 six months	-	1,682	30-06-2023	339	-
Energijos skirstymo operatorius, AB	2023 six months	578	-	30-06-2022	-	20
	2022 six months	117	-	30-06-2023	-	-
AB LTG CARGO	2023 six months	655	-	30-06-2023	-	29
	2022 six months	587	-	30-06-2022	-	-
KN Acu Servicios de Terminal de GNL Ltda	2023 six months	-	215	30-06-2023	17	-
	2022 six months	-	35	30-06-2022	18	-
Other related parties	2023 six months	28	-	30-06-2023	-	1
	2022 six months	9	-	30-06-2023	-	6
Transactions with related parties, in total:	2023 six months	2,531	7,223	30-06-2022	5,947	509
	2022 six months	1,944	15,118	30-06-2023	5,178	465

19 RELATED PARTY TRANSACTIONS (CONT'D)

Management salaries and other payments

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

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

	Group		Company	
	For the six months period ended 30 June 2023	For the six months period ended 30 June 2022	For the six months period ended 30 June 2023	For the six months period ended 30 June 2022
Payroll related costs	581	429	532	369
Number of managers	10	10	6	6

During the six months of 2023 and the six months of 2022 the management of the Group and the Company did not receive any loans, guarantees, or any other payments or property transfers were made or accrued.

21 SUBSEQUENT EVENTS

After examining two administrative cases, the Supreme Administrative Court of Lithuania rejected Achema's appeals regarding the resolutions of the State Energy Regulatory Council, which approved the 2019 and 2021 LNG terminal price supplement. The Supreme Administrative Court of Lithuania essentially confirmed that the state aid scheme applied since 2019 is legal, and the alleged state aid applied earlier (from 2016 to 2019) is not relevant for NERC when determining the amount of the SGDT component. Also, the litigation costs were covered to the Company.

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

CONFIRMATION OF RESPONSIBLE PERSONS

Following Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Lithuanian Securities Commission, we, Darius Šilenskis, Chief Executive Officer of AB Klaipėdos nafta, Mindaugas Kvekšas, Chief Financial Officer of AB Klaipėdos nafta, and Egidija Šaulytė, Accounting Manager hereby confirm that to the best of our knowledge the above-presented unaudited Interim condensed consolidated and separate Financial Statements of AB Klaipėdos nafta for the six months period ended on 30 June 2023, prepared in accordance with the International Financial Reporting Standards as adopted to be used in the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss and cash flows of AB Klaipėdos nafta.

Chief Executive Officer

Darius Šilenskis

Chief Financial Officer

Mindaugas Kvekšas

Accounting Manager

Egidija Šaulytė



2023

AB KLAIPĖDOS NAFTA CONSOLIDATED INTERIM REPORT

FOR THE SIX MONTHS PERIOD ENDING ON 30 JUNE 2023

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Abbreviations:

KN – AB Klaipėdos nafta

KLET – Klaipėda liquid energy terminal

SLET – Subačius liquid energy terminal

LET – Liquid energy terminals

LNGT – regulated LNG activities

comLNG – commercial LNG activities

LNG terminal – Klaipėda LNG terminal

BDP – Segment of LNG related business development and consulting

OP – Oil Products

HFO – Heavy Oil Products

LP – Light Products

NERC – National Energy Regulatory Council

GENERAL INFORMATION ABOUT THE GROUP AND THE COMPANY

1. REPORTING PERIOD

AB Klaipėdos nafta Consolidated Interim Report for the year 2023 is prepared for the period from 1 January 2023 until 30 June 2023.

2. CONFIRMATION OF RESPONSIBLE PERSONS

Referring to the Article 22 of the Law on Securities of the Republic of Lithuania and the Rules on Preparation and Submission of Periodic and Additional Information of the Bank of Lithuanian, Responsible Persons Darius Šilenskis, Chief Executive Officer of AB Klaipėdos nafta, Mindaugas Kvekšas, Chief Financial Officer of AB Klaipėdos nafta, and Egidija Šaulytė, Accounting Manager of

AB Klaipėdos nafta, hereby confirm that to the best of our knowledge the Consolidated Interim Report of AB Klaipėdos nafta for 2023 includes a fair review of the development and performance of the business and the present state of the Company together with the description of the main risks and uncertainties that are encountered.

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

JOB TITLE	FULL NAME	TELEPHONE NUMBER
AB Klaipėdos nafta, Chief Executive Officer	Darius Šilenskis	+370 52 127 733
AB Klaipėdos nafta, Chief Financial Officer	Mindaugas Kvekšas	+370 46 391 772
AB Klaipėdos nafta, Accounting Manager	Egidija Šaulytė	+370 62 088365

4. ISSUER INFORMATION AND CONTACT DETAILS

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

5. INFORMATION ON SUBSIDIARIES AND CONTACT DETAILS:

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

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

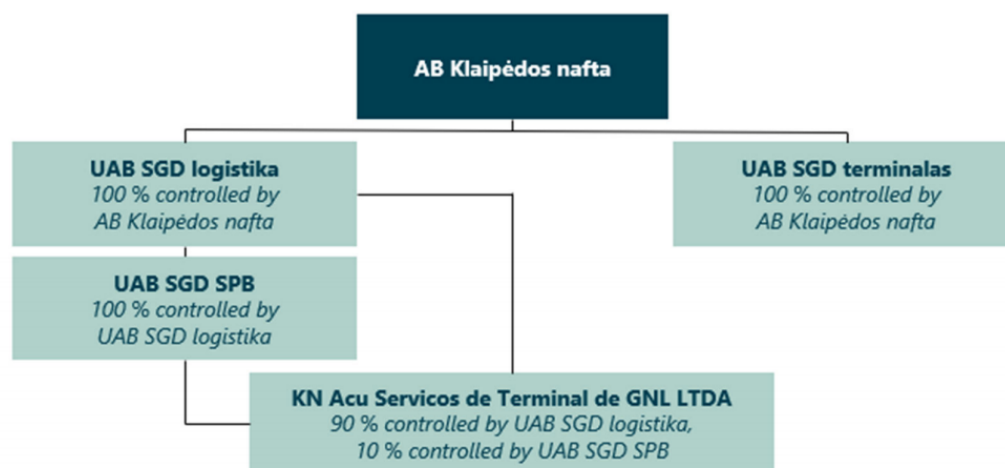
6. INFORMATION ON SUBSIDIARIES OF UAB SGD LOGISTIKA AND CONTACT DETAILS:

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

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

7. GROUP STRUCTURE AND MAIN TYPES OF ACTIVITY

Structure of AB Klaipėdos nafta Group (hereinafter – Group) on 30 June 2023:



The Group's Capital on 30 June 2023:

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

¹⁾ BRL – Brazilian real.

The companies of the Group and their main activities:

NAME OF THE COMPANY	ADDRESS	OWNERSHIP PART, %	ACTIVITIES
AB Klaipėdos nafta	Burių street 19, 92276 Klaipėda	100	The business activity of AB Klaipėdos nafta can be divided into three segments: Liquid energy terminals, regulated LNG activities, and commercial LNG activities. Liquid energy terminals include activities of Klaipėda liquid energy terminal and Subačius liquid energy terminal. Regulated LNG activities stand for Klaipėda LNG terminal. Commercial LNG activities include small scale LNG station in Klaipėda, operation of LNG terminal in Açu port in Brazil, and other business development projects.
UAB SGD terminalas	Burių street 19, 92276 Klaipėda	100	Operation (management) and development of the infrastructure of the liquefied natural gas terminal in Klaipėda, other economic activities. The subsidiary is currently not operating.
UAB SGD logistika	Burių street 19, 92276 Klaipėda	100	Expansion of operation of international LNG terminal activities, LNG transportation activities, other economic activities.
UAB SGD SPB	Burių street 19, 92276 Klaipėda	100 owned by UAB SGD logistika	Expansion of operation of international LNG terminal activities by investing and establishing project companies in Lithuania and foreign countries (holding activities).
KN Açu Serviços de Terminal de GNL LTDA (KN Açu)	F66 Fazenda Saco Dantas s/n, Distrito Industrial, Area 1 and Area 2, 28200-000 São João da Barra, State of Rio de Janeiro	90 owned by UAB SGD logistika and 10 owned by UAB SGD SPB	LNG terminal operation and maintenance services in the port of Açu, Brazil, including the technical and commercial operation of the installation of the quay and its facilities, gas pipeline and gas metering stations.

8. AGREEMENTS WITH INTERMEDIARIES OF PUBLIC SECURITIES TRADING

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

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

9. AGREEMENTS WITH BROKERAGES FOR PUBLIC ISSUE

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

THE MAIN DATA ABOUT THE SHARES OF THE COMPANY:	
ISIN code	LT0000111650
Abbreviation	KNF1L
Share emission	380,396,585

The Company's shares have been listed on the Nasdaq Vilnius Secondary List since 16th January of 1996 and since 4th April of 2016 the Company's shares are listed on the Nasdaq Vilnius Main List.
The securities of the subsidiary companies are not publicly traded.

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

A FOREWORD OF THE CEO

Dear Stakeholders,

Financial performance of the first half of 2023 proves that our previous decisions and continuous efforts to improve efficiency and operational excellence have paid back, contributing to profitable results and improving solid free cash flow. Stable refining margins and stabilized energy price indexes have also played a role in achieving these results. However, a significant portion of this success can be attributed to additional revenue opportunities arising from the continued diversification of services in liquid energy terminals, the high utilization of LNG infrastructure, and increased returns from our global LNG activities.

In addition to a healthy financial performance, one of the most significant achievements within the second quarter was the introduction of the KN strategy until 2050. Our new vision broadens the scope of our activities by defining our role in the field of new energy, including a significant contribution to the region's energy transformation towards climate neutrality with a clear commitment to reshaping our operations to fully achieve our sustainability goals.

It is essential to highlight that our focus on the international LNG business development for the past couple years has also been rewarded with several significant new opportunities. In the first half of the year, KN became the commercial operator of the second LNG terminal in Germany (currently, KN operates two out of three LNG terminals in Germany). We also assisted to our clients in Italy on the greenfield Piombino LNG terminal project, providing support during the FSRU installation and subsequent commissioning and testing of the floating LNG terminal. We have also expanded cooperation with global energy company bp and enhanced further our presence in Brazil. Under the cooperation agreement, bp and KN will collaborate evaluating the commercial viability of the Açu trucked LNG station project.

Among the international achievements, there is also a signed Framework Agreement on cooperation opportunities in the field of international LNG business development between KN and SK E&S. SK E&S is responsible for energy sectors including LNG, renewables, and hydrogen within the SK Group, one of the largest conglomerates in the Republic of Korea.

All of these developments indicate that due to our systematic efforts, KN has established a reputation as a professional and reliable LNG terminal operator and project developer, not just within Europe, but also worldwide. The competences accumulated in Klaipėda through the development of the entire LNG value chain, along with the operational experience gained in the Port of Açu, play a pivotal role in realizing our international business development strategy and align with the objectives of the new KN strategy, which include expanding our LNG business abroad and the pursuit of new investment opportunities by 2030.

Regionally, KN expanded its operations horizontally, with additionally invoked infrastructure in Marijampolė. KN and AB ORLEN Lietuva have established a collaborative agreement for diesel loading operations at KN's leased Marijampolė Oil Terminal. This strategic move was prompted by the increased demand for oil product imports in the Ukrainian market.

Additionally, we were also focused on analysing further opportunities in the carbon capture and storage value chain in the Baltics, as well as looking into diversifying portfolio of products handled at our liquid energy terminals.

Prospects for the second half of 2023 remain optimistic, due to the strong foundations laid down within the first six months. However, we will maintain our focus on achieving commercial and operational excellence across all our areas and activities. This period is also pivotal for successfully launching our new strategic directions and goals, preparing for a successful 2024.

Regards,
Darius Šilenskis
Chief Executive Officer

INFORMATION ABOUT THE GROUP AND THE COMPANY AND ITS ACTIVITIES

AB Klaipėdos nafta is the Company of strategic importance for the energy security of Lithuania and the surrounding region, which ensures the import of liquefied natural gas into Lithuania and neighbouring countries, the storage of the obligatory oil product reserve of the Republic of Lithuania, as well as reliable and efficient transshipment of liquid energy products in Klaipėda port. Besides the activities mentioned above, the Company has started small scale LNG activities in 2017 and in 2020

became the operator of LNG terminal in Açu Port in Brazil, becoming the Group.

Currently, the Group's activities can be divided into three main segments: commercial LNG activities, regulated LNG activities, and liquid energy terminals. The Management of the Group and the Company evaluates the financial results of each segment and sets separate strategic goals.

INFORMATION ABOUT INVESTMENT INTO ASSOCIATES

The Company has investments into the following associated companies as of 30 June 2023:

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

LIQUID ENERGY TERMINALS

Liquid energy terminals segment (LET) includes activities of Liquid energy Terminal in Klaipėda and Liquid energy Terminal in Subačius which are providing services of liquid

energy products transshipment, long-term storage of liquid energy products, and other services related to liquid energy products transshipment.

KLAIPĖDA LIQUID ENERGY TERMINAL

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



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

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

CHARACTERISTICS OF KLAIPĖDA OIL TERMINAL

Location	Territory of AB Klaipėdos nafta oil terminal, address: Burių street 19, Klaipėda
Oil product tanks	51 tanks
Volume of the tanks	571 thousand m ³ total volume
The capacity of the oil terminal	8 - 10 million t / year
Jetty berths	2 (in 2019 started to modernize the jetty berths and construct an additional multi-functional berth. After the reconstruction will be completed the terminal will be capable to service three oil tankers simultaneously instead of two. The total length of all three berths after reconstruction will be about 750 m)
Harbour entrance depth:	14.5 m
Max. draught at the jetty	13.5 m
Max. length of serviced tankers	Up to 275.0 m
Railway	Two double-track rail tank loading racks: <ul style="list-style-type: none"> • Two tracks for liquid energy products that do not require maintaining of specific temperature conditions (up to 2 x 30 tank wagons are services simultaneously); • Two tracks for liquid energy products that require maintaining of specific temperature conditions (up to 2 x 32 tank wagons are services simultaneously); • One of the tracks is adapted to liquid energy products of all types; • 124 tank wagons can be loaded at the same time.
Road tanker loading	4 loading points at the same time
Modern laboratory	Equipped to inspect main quality parameters of liquid energy products
Total capacity of three boilers of own boiler station	100 MWh

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

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

Klaipėda liquid energy terminal provides the following services:

- Transshipment of liquid energy products from rail tanks into tankers.

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

SUBAČIUS LIQUID ENERGY TERMINAL

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



SUBAČIUS OIL TERMINAL'S CHARACTERISTICS

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

Subačius liquid energy terminal provides the following services:

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

- Adding bio-additives and marking substances to liquid energy products.

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

REGULATED LNG ACTIVITIES

Regulated LNG activities (LNGT) segment includes activity of LNG terminal in Klaipėda which receives, and stores

KLAIPĖDA LNG TERMINAL

Assurance of long-term operation of Klaipėda LNG terminal

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

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

Deliveries to Klaipėda LNG terminal

In 2023 HY1, six users from Estonia, Latvia, Norway, Poland and Lithuania have been using services of LNGT in Klaipėda. 18 LNG carriers have arrived at the LNGT and 17.27 TWh of LNG have been regasified and reloaded during 2023 HY1. In 2023 HY1, Lithuania's natural gas consumption was about 6.29 TWh, 87% from all imported natural gas in Lithuania's transmission system operator AB "Amber Grid" system were from Klaipėda LNGT.

In 2023 HY1, the average utilization of Klaipėda's LNGT was 74% (vs 59% the same period year ago). In comparison, based on data from GIE ALSI, the average

Infrastructure of the Liquefied Natural Gas Terminal

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

liquefied natural gas, regasifies, and supplies it to main gas pipeline.

Following the Law on LNG Terminal, LNG activities must be carried out until at least 2044-12-31 and the LNG terminal operator acquires FSRU and becomes an operator no later than 2024-12-31. In 2021, following an extensive market investigation and an open tender for the acquisition of FSRU, the existing purchase option to acquire FSRU "Independence" has proven to be the most economically advantageous solution for KN. In October 2022, KN has informed the Norwegian company Høegh LNG of its decision to execute the right of FSRU Independence buy-out option. As the following steps, the FSRU operation and maintenance activity shall be ensured. KN decided to hire experienced technical manager for the FSRU's operation and maintenance (O&M) service provision and launched open tender for FSRU O&M service acquisition in the second half of 2022. The technical manager for FSRU expected to be selected and agreement signed by the end of 2023.

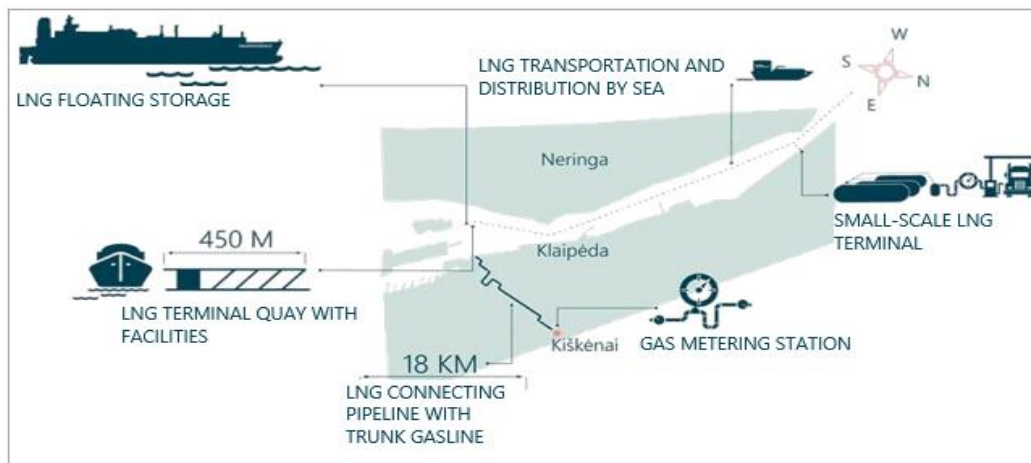
It was decided that FSRU "Independence" will fly the Lithuanian flag and be administrated by Lithuanian flag authority. For this purpose, the necessary legislation was reviewed and amended in 2023.

European utilization of LNG terminals in 2023 HY1 was 64%.

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

pipeline. LNG Terminal functions – receive liquefied natural gas from LNG carriers, store them, regasify, and supply liquefied natural gas to transmission network or reload into other LNG carriers.

LNG terminal infrastructure



LNG Floating Storage with Regasification Unit

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

and supply it to the gas transmission system. In 2012 10-year lease (with purchase option) (starting from December 2014) of LNG floating storage with regasification unit has been signed with Norwegian company Høegh LNG Ltd. The builder of this ship is South Korean shipyard Hyundai Heavy Industries Co. Ltd.

TECHNICAL CHARACTERISTICS OF THE FSRU INDEPENDENCE*	
Klaipėda seaport jetty	157
The volume of the tanks	170,000 m ³
Maximum LNG filling level	98% at 70 kPag
Maximum LNG loading capacity	9,000 m ³ /h LNG
Maximum LNG reloading capacity	5,000 m ³ /h LNG when LNG regasification is performed during LNG reloading
FSRU capabilities	3.75 billion m ³ of natural gas per year (10.24 million m ³ per day)
Minimum operative LNG heel	3,500 m ³ LNG
Maximum gas flow into the gas pipeline	10.24 million m ³ per day
*Terminal's technical specifications are given according to the current normative conditions: combustion/measurement temperature - 25/0 °C, pressure - 1.01325 bar.	

Jetty and its facilities

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



Connecting pipeline of the LNG terminal

The terminal is connected to the gas transmission network of the natural gas transmission system operator AB "Amber Grid" by an 18-kilometre-long and 700 mm

diameter connecting gasoline. A gas metering station is built at the point of connection to the transmission network.

Services of the LNG terminal

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

- Acceptance LNG loading from an LNG carrier to the Terminal, physical and virtual temporary storage of the cargo in the Terminal and LNG regasification.

The LNG reloading service consists of the following related services:

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

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

- The fixed part of the price of the LNG regasification service is approved annually by the National Energy Regulatory Council. This part of the price is included in the additional component of the natural gas supply security to the transmission price, whether the

Company is not able to collect the set revenue level from LNG regasification service price variable part directly from LNG terminal users.

- The variable part of the price of the LNG regasification service is paid by the users of the LNG terminal for the regasified gas volume. Tariffs are approved annually by NERC. LNG regasification service price variable part is calculated based on the upper limit of LNG revenue divided by LNG terminal capacity per unit.



SERVICES OF THE TERMINAL	SERVICE PRICE	NERC DECREE
LNG regasification service price* (2022)	0.41 EUR/MWh (until 1 May 2022) excluding VAT 1.19 EUR/MWh (from 1 May 2022) excluding VAT	16 November 2021 No. O3E-1496 31 March 2022 No. O3E-437
LNG regasification service price (2023)	1.41 EUR/MWh	31 May 2022 No. O3E-799
LNG regasification service price (2024)	1.83 EUR/MWh	29 May 2023 No. O3E-715
LNG reloading service price* (2022): - Small scale LNG cargo, up to 15,000 m ³ - Medium scale LNG cargo, from 15,000 m ³ to 50,000 m ³ inclusive - Large scale LNG cargo, from 50,000 m ³	0.56 EUR/MWh excluding VAT 0.44 EUR/MWh excluding VAT 0.31 EUR/MWh excluding VAT	16 November 2021 No. O3E-1495
LNG reloading service price (2023): - Small scale LNG cargo, up to 15,000 m ³ - Medium scale LNG cargo, from 15,000 m ³ to 50,000 m ³ inclusive - Large scale LNG cargo, from 50,000 m ³	0.62 EUR/MWh excluding VAT 0.48 EUR/MWh excluding VAT 0.35 EUR/MWh excluding VAT	25 November 2022 No. O3E-1620
* Terminal users transporting natural gas through the internal outlet of the natural gas transmission system shall also pay the additional security component of the natural gas supply price to the natural gas transmission price set by the NERC.		

The LNG terminal fully ensures the third-party access requirements in accordance with EU laws. The terminal's activities are organized in observance with the Regulations for Use of the Liquefied Natural Gas Terminal (hereinafter – Terminal regulations), adopted after public consultations with market participants and approved by NERC. The terminal's capacities are allocated to the users on the same conditions in the way of public and

transparent capacity allocation procedures or on Spot capacity allocation procedure in case of free capacities left. LNGT ensures multiuser environment, i. e. allows several terminal users to use LNG regasification services simultaneously at the same time based on mandatory borrowing/lending conditions.

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

COMMERCIAL LNG ACTIVITIES

Commercial LNG activities (comLNG) segment includes activities of small scale LNG reloading station in Klaipėda,

KLAIPĖDA SMALL SCALE LNG TERMINAL

During 2023 HY1, 6 cargoes were delivered to Klaipėda small scale LNG terminal (hereinafter – LNG reloading station or ssLNG). The LNG was loaded to LNG Trucks and distributed to consumers mainly in Lithuania and Poland. In total 452 LNG trucks were loaded at the LNG reloading station in 2023 HY1

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

operation of LNG terminal in Açu port in Brazil, and other business development projects and consultations.

On April 1st, 2020, the Polish oil and gas company PGNiG (on November 2nd, 2022, PGNiG S.A. became part of the ORLEN Group) commenced commercial operations at KN-operated LNG reloading station. The capacities of the station are allocated to Orlen S.A. for a five-year period.

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

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

¹⁾ Completion of the project – 30 June 2018.

²⁾ Completion of the project – 16 April 2020.



TECHNICAL CHARACTERISTICS OF THE LNG RELOADING STATION

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

LNG TERMINAL IN AÇU PORT IN BRAZIL

In 2020 KN became the operator of liquefied natural gas (LNG) terminal at Açu Port, Brazil. Under the contract concluded with Gas Natural Açu (GNA), a joint venture among Prumo Logística, BP, Siemens, and SPIC Brasil. KN as the operator of the LNG Terminal is responsible for the smooth operation of the LNG Terminal, including the technical and commercial operation of the installation of the quay and its facilities, gas pipeline and gas metering stations. KN established a company KN Açu Serviços de Terminal de GNL Ltda., which is responsible for the execution of this project in Brazil, has gathered a team of local professionals, and has begun the activities in 2020. The contract is concluded for a period of 13 years and can be extended with a mutual agreement.



FSRU AT THE PORT OF AÇU. COURTESY BY GNA

LNG TERMINAL IN WILHELMSHAVEN, GERMANY

KN is contracted by LNG Terminal Wilhelmshaven GmbH (LTeW), a subsidiary of German energy company Uniper, to provide the operational services for the first LNG terminal in Germany, located in Port of Wilhelmshaven on the North Sea coast. The LNG terminal has been successfully completed in extremely short terms and started commercial operations in January 2023.

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

LNG TERMINAL IN ELBEHAFEN, GERMANY

Since July, 2023 KN became commercial operator of the Elbehafen LNG terminal in Brunsbüttel, northern Germany.

The Elbehafen LNG terminal, situated in the port city of Brunsbüttel at the Elbe River's mouth, was developed by Elbehafen LNG GmbH, a subsidiary of the German energy group RWE, on behalf of the German Government. According to the signed contract for 5 years, commercial terminal management services include managing logistics operations, gas dispatching operations, gas accounting

KN was selected to provide operational services for initial term lasting until 31 March 2024. During the pre-operational phase, KN assisted LTeW in the establishment of operational processes and IT infrastructure necessary for commercial operations of the LNG terminal. Currently, during the operational phase, KN's services consist of managing logistics operations, gas dispatching operations, gas accounting and reporting, and other terminal operational services adapted to the customer's needs. KN shall also advise LTeW regarding the development of new operational rules based on open access model for the LNG terminal.

and reporting, and other terminal operational services adapted to the customer's needs.

The Elbehafen LNG terminal is based on the floating storage regasification unit (FSRU) technology. The terminal receives gas from LNG carriers via the FSRU Höegh Gannet, which was built in 2018 and has a storage capacity of 170,000 cubic meters. After expansion of the natural gas grid network the terminal will have a designed annual capacity of 7.5 billion cubic meters of natural gas.

THE CORPORATE STRATEGY

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

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

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

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

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

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

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

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

Additionally, the EBITDA margin is expected to increase from 45% in 2022 to 55% in 2050.

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

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

Operational targets in key segments:

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

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

The updated strategy also corresponds with the Letter of Expectations from the Ministry of Energy of the Republic of Lithuania, received by KN on 8 March 2023. As the

majority shareholder holding 72.47% of KN's shares, the Ministry outlines the company's objectives and financial expectations concerning Lithuania's energy independence, transformation, and international development.

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

VISION

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

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

MISSION

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

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

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

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



SETTING THE FOUNDATION

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

COMMERCIALIZING NEW ENERGY

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

EXPANDING THE FOOTPRINT

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

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

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

<p>LIQUID ENERGY TERMINAL Diversify and improve volume & profitability</p>	 AIM TO INCREASE REVENUES >50% BY 2030 AND LAY FOUNDATIONS FOR NEW ENERGY BUSINESSES
<p>LNG Develop green solutions and focus on global business</p>	
<p>NEW ENERGIES Lay the ground for a green transition in the region</p>	
<p>Prepare organizational setup for transition of traditional business to new energies</p>	 BUSINESS & SOCIAL EXCELLENCE Reduce emissions while setting the right platform to accelerate growth in new energy businesses
<p>Step-change in ESG activities</p>	
<p>Invest in knowledge on new energy fields</p>	
<p>Digitalize business processes to be ready for the future</p>	

LIQUIDS ENERGY TERMINAL: DIVERSIFICATION AND IMPROVED PROFITABILITY

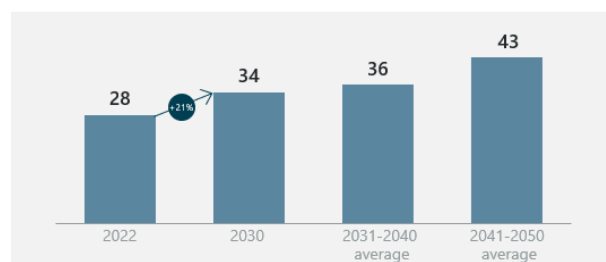
Transform conventional oil terminal to liquid energy and chemical terminal.

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

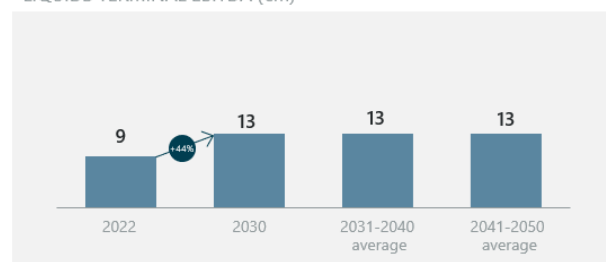
By 2030:

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

LIQUIDS TERMINAL REVENUE (€m)



LIQUIDS TERMINAL EBITDA (€m)



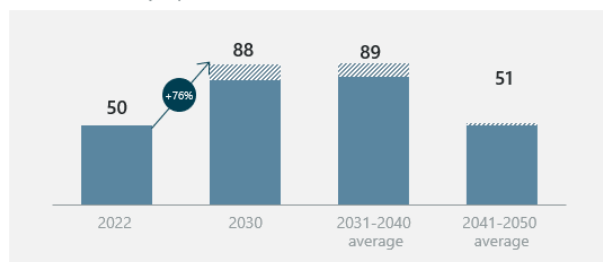
LNG: CAPITALIZING ON THE MOMENTUM AND EXPANDING GLOBAL FOOTPRINT

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

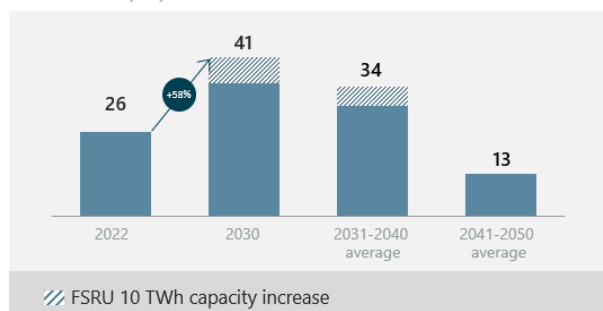
By 2030:

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

LNG REVENUE (€m)



LNG EBITDA (€m)



NEW ENERGIES: ENTER THE NEW ENERGIES MARKETS

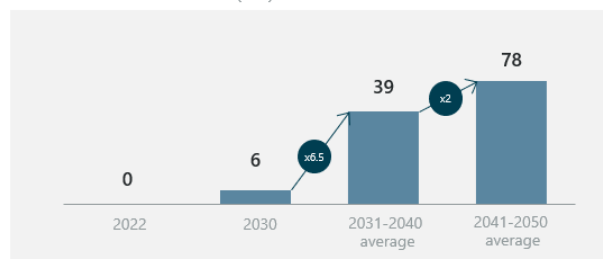
Capturing opportunities in the new energies will contribute to the green transition of the economy.

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

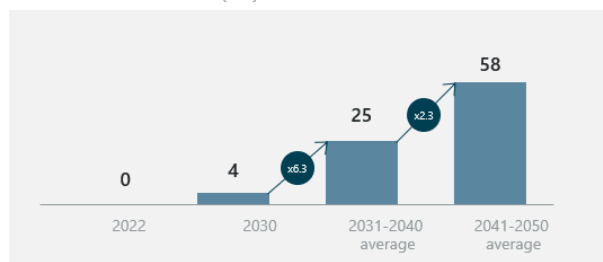
By 2030:

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

NEW ENERGIES REVENUE (€m)



NEW ENERGIES EBITDA (€m)



WHY DO WE BELIEVE THAT OUR JOURNEY WILL BE SUCCESSFUL?



PLANET

- Climate neutrality by 2050



PEOPLE

- Lithuania's energy security
- ESG-related investments and social initiatives
- Innovative and meaningful job for KN employees



PROFIT

- Reliable partner for the energy transition
- Stable returns for shareholders
- Sustainable company value growth

SIGNIFICANT EVENTS OF THE REPORTING PERIOD

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

9th March 2023. The Company received the Letter of expectations of the shareholder from the Ministry of Energy of the Republic of Lithuania, which owns 72.47% of the Company's shares.

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

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

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

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

28th April 2023 An Annual General Meeting of Shareholders of the Company was convened. Annual

General Meeting of Shareholders has adopted the following resolutions: 1) to approve the audited Financial Statements of the Company for the year 2022, 2) to allocate profit of the Company, 3) to approve the Report on remuneration of the Company.

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

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

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

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

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

SIGNIFICANT EVENTS OCCURRED AFTER THE END OF THE REPORTING PERIOD

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

More information about the Letter of expectations can be found on www.kn.lt.

INFORMATION ABOUT PUBLIC ANNOUNCEMENTS

Following the requirements of the Law of the Republic of Lithuania, all main events concerning the Company and information about the time and venue of the General Meeting of Shareholders are published on the website of

the Company www.kn.lt and in AB NASDAQ Vilnius (www.nasdaqomxbaltic.com) Stock Exchange.

BUSINESS ENVIRONMENT AND MARKET

LIQUID ENERGY TERMINALS' BUSINESS ENVIRONMENT AND MARKET

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

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

Main KN Liquid energy business clients – crude oil refineries, traders, and producers operating in the regional and global oil and petroleum product markets. Strategic oil refinery (hereinafter – Refinery) in the region, part of which oil products are transhipped through

Company's liquid energy terminals 2023 HY1 activity results were mainly affected by mixed geopolitical and demand/supply factors:

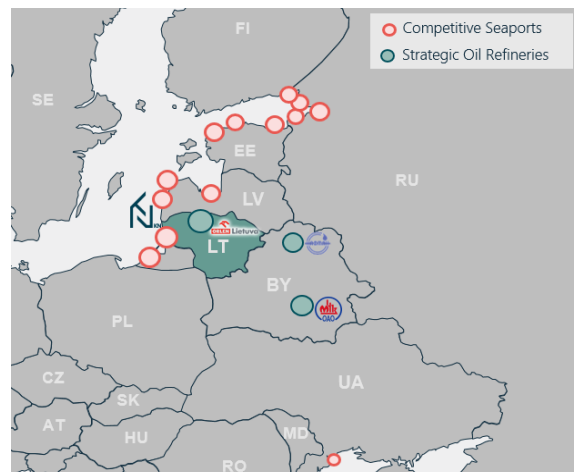
- Global fuel consumption continued to grow in HY1 2023, exceeded HY1 2022 and nearly reached the pre-pandemic volumes,
- Sanctions applied to Russian oil products (diesel, gasoline and other) import to EU from Feb 2023, raised concerns about possible shortages of diesel in EU, however,
- in HY1 2023 the region was still receiving an influx of diesel and gasoil cargoes from east of Suez enough to roughly cover the volumes that it could no longer receive from Russia.

Additional pressure to European oil products market demand/supply balance and therefore – refining margins of the region's refineries was exerted by:

- Disruptions to Europe's oil products supply due to industrial action in France (~60% of France refining capacities were offline in spring), and other unplanned European refineries outages,

Company's oil terminals are in southeast direction – it is Mažeikiai plant in Lithuania (managed by AB ORLEN Lietuva).

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



- Economic headwinds in some of Europe's largest countries that has constrained diesel demand,
- Fluctuating volumes of diesel import arrivals to Europe from Middle East, India and China.

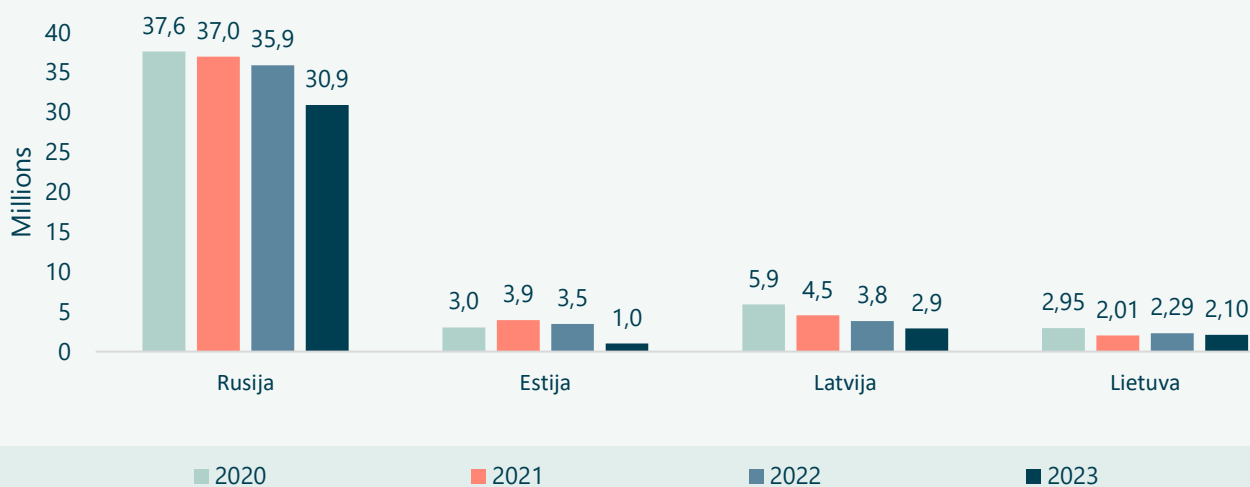
As a result, Company's HY1 2023 Liquid energy Terminals segment revenues exceeded the same period of 2022 by 22% – and were primarily influenced by increased light oil products transshipment and storage volumes.

According to the statistical data, during HY1 2023 ports of the eastern Baltic Sea coast transhipped approximately 36.9 million tons of oil products, i.e., 4.9 million tons or 14% less compared to HY1 2022.

During HY1 2023, port of Klaipėda handled about 2.1 million tons of oil products, i.e., 0.2 million tons or 8.2% more than in HY1 2022.

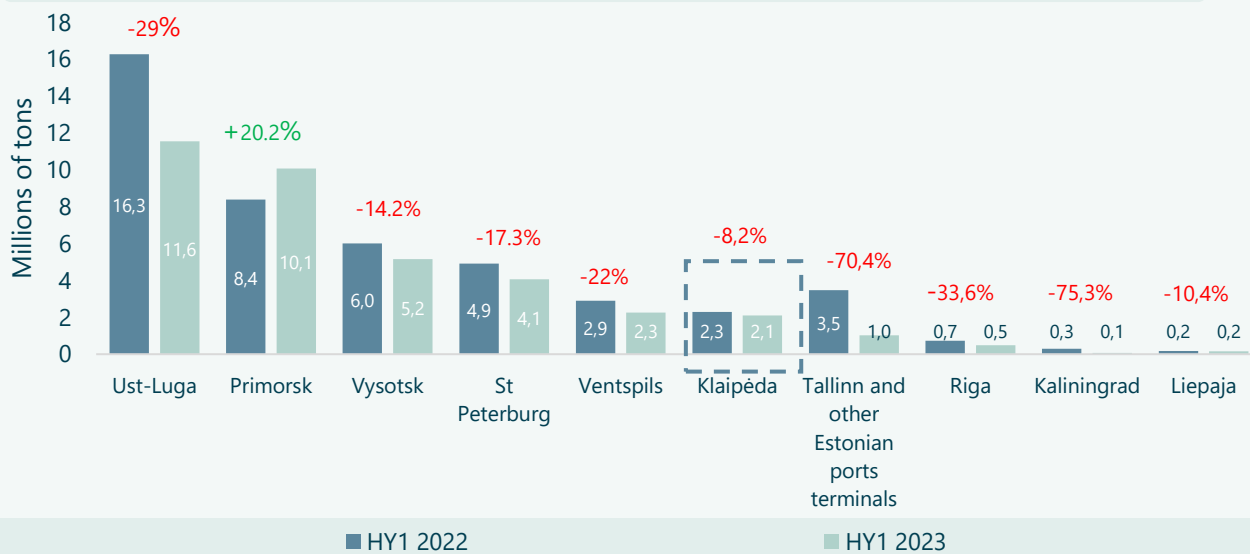
Russian's ports share in total eastern Baltic Sea coast oil product transshipment market increased from 80% to 83%, the share of Klaipėda port increased from 5.0% to 5.7%.

DYNAMICS OF OIL PRODUCTS TRANSHIPMENT AT THE EASTERN BALTIC SEA COAST PORTS IN HY1, 2020 – 2023



* Figures are based on Klaipėda Port Authority data

DYNAMICS OF OIL PRODUCTS TRANSHIPMENT AT THE EASTERN BALTIC SEA COAST PORTS IN HY1, 2022 – 2023



* Figures based on Klaipėda Port Authority data

TRANSSHIPMENT OF LIQUID ENERGY PRODUCTS

During the 6 months of 2023 the Company's Klaipėda and Subačius Liquid energy terminals transshipped 1,955 kt of liquid energy products compared to 1,967 kt during the respective period of 2022. The transshipment of both terminals for the 6 months of 2023 is 0.6% or 12 kt lower compared to the same period in 2022. Stable transshipment of liquid energy products is a result of the global and regional factors mentioned in the section "Liquid energy Terminals' Business Environment and Market".

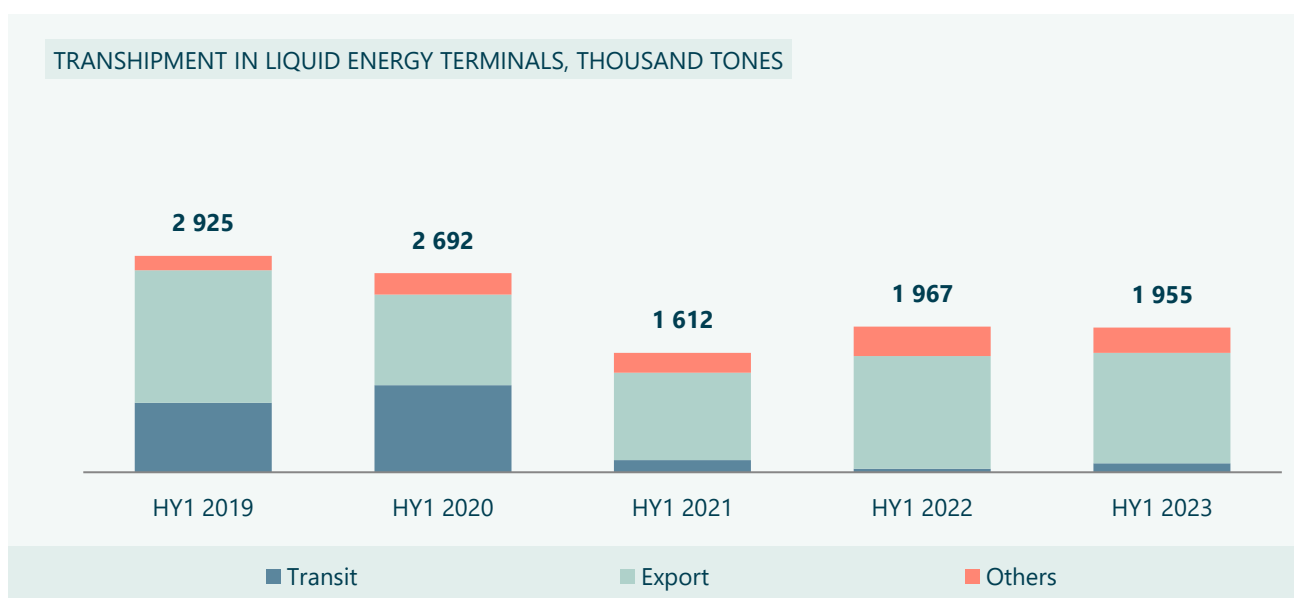
Transshipment of bitumen in KLET continued to grow. During the 6 months of 2023 KN loaded about 52 kt of bitumen or 57% higher compared to same period in 2022.

During the 6 months of 2023 biofuels transshipment in KLET remained at a similar level if compared to the same period in 2022.

Transshipment of liquid energy products (diesel and gasoline) to tank trucks in the 6 months of 2023 is 6% higher compared to the same period of 2022.

Intensified activity of the clients involved in transshipment of biofuels and diesel significantly contributed to increased demand for the storage services for these products – revenue from the rent of shore tanks during the 6 months of 2023 increased 67% compared to the same period in 2022.

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



* Figures based on KN data

OVERVIEW OF KLAIPĖDA LNG TERMINAL OPERATING ENVIRONMENT

During HY1 2023 NERC adopted the following resolutions related to the operating environment of Klaipėda LNGT:

- On 11 May 2023, decree No. O3E-638 NERC determined LNG regasification revenue cap of 59.2 MEUR for Y2024.
- On 29 May 2023, decree No. O3E-715 NERC approved variable component of the LNG regasification price (LNG regasification tariff) for the Y2024. LNG regasification tariff is set at 1.83 EUR/MWh;
- On 6th June 2023, decree No. O3E-757 NERC approved KN investments for Y2024. Total value of investments reaches 3.219 MEUR;

Other relevant events related to the operation of the LNGT:

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

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

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

*Combustion / measurement temperature 25/0 °C, pressure 1.01325 bar, natural gas gross calorific value 11.35 kWh/nm³, expansion factor 1: 578 m³ LNG / nm³ of gas).

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

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

During the Annual Capacity allocation procedure, the LNGT regasification capacity of 9 TWh has been allocated to five Terminal users for the 2023 gas year.

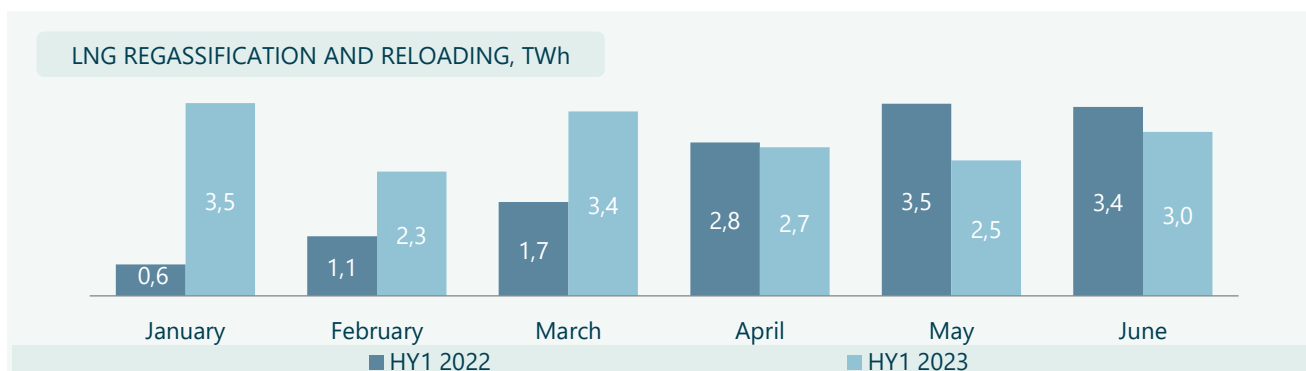
16,355 GWh of LNG have been regasified and transmitted to AB "Amber Grid" transmission system during 2023 HY1. It should be noted that in 2023 HY1, six users from Estonia, Latvia, Poland, Norway, and Lithuania have been using LNGT in Klaipėda. Starting from the Terminal Gas Year 2023 new terminal user from Latvia has started to use services of the Terminal.

During 2023 HY1 the Klaipeda LNGT:

- Performed 32 ship-to-ship operations (26 ship-to-ship operations in 2022 HY1).
- 1,113.5 thousand tonnes of LNG were received (832.6 thousand tonnes in 2022 HY1).
- 1.403 billion nm³ of natural gas were regasified and supplied to the natural gas transmission system (1.148 billion nm³ in 2022 HY1).
- 59,647.7 tonnes LNG were reloaded into small scale LNG carriers (4,187.1 tonnes were reloaded in 2022 HY1).
- Accepted LNG origin was 47% from Norway, 42% from USA, 6% from Nigeria and 5% from Algeria (no more Russia related cargo accepted from March 2022).

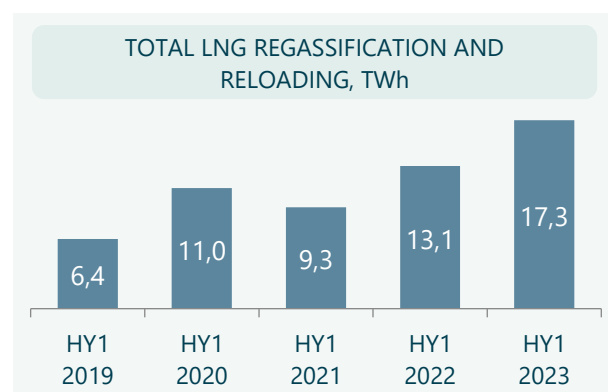
The demand for LNG terminal capacity depends on several key criteria:

- Joint gas demand of Lithuania and other neighbour countries.
- Pricing offered by competing natural gas supply sources (gas supplied by pipeline or other LNG terminals in the region) and quantity of gas supplied.
- Limitations of the Lithuanian natural gas infrastructure (transmission system capacity).
- Supply of LNG in the global market.
- LNG prices in the region and worldwide.
- Duration and terms of gas supply contracts.
- Availability and freight costs of LNG carriers.
- In 2022 one of the highest impacts for increasing the usage of LNGT capacities was halted Russian natural gas imports to Lithuania.



GAS PIPELINES PROJECTS IN THE BALTIC STATES

Energy projects implemented in the Baltic region would enable the development of the LNG market and more efficient use of the available capacity of the LNG terminal. On 1st May 2022, the GIPL gas transmission pipeline between Lithuania and Poland started commercial operations.



KLAIPEDA LNG TERMINAL CAPACITY EXPANSION

KN as the operator of Klaipeda LNGT together with gas transmission system operator AB "Amber Grid" (hereinafter – the Operators) continue actions towards expansion of current Klaipėda LNG terminal regasification capacity and expansion of gas transmission system capacity in relevant entry and exit points. The implementation of the project should create additional LNG import capacity of 1.25 bcm/year preliminary from the second half of 2027.

In the period between December 2022 and the first quarter of 2023 the Operators performed non-binding

phase of the Open season procedure, which revealed significant interest among the market participants in the opportunity to book expanded Klaipėda LNG terminal regasification capacity. Joint binding phase of open season procedure should be launched once the Operators have agreed all the steps and documents concerning this procedure with the relevant stakeholders, including the regulatory authority. It is envisaged that after additional evaluation by the Operators and in case the demand for additional capacities remains a binding phase of the Open season could be announced by the end of 2023.

CONSOLIDATION

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

The financial statements of subsidiaries have been prepared using uniform accounting policies and for the

same reporting period as that covered by the financial statements of the Group. On consolidation, all inter-company transactions, balances, and unrealized gains and/or losses on transactions among the Group companies are eliminated.

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

CONSOLIDATED FINANCIAL RESULTS OF THE GROUP INCLUDE THE FOLLOWING COMPANIES:

NAME OF THE COMPANY	ADDRESS	OWNERSHIP PART, %
AB Klaipėdos nafta	Burių street 19, 92276 Klaipėda	100
UAB SGD terminalas	Burių street 19, 92276 Klaipėda	100
UAB SGD logistika	Burių street 19, 92276 Klaipėda	100
UAB SGD SPB	Burių street 19, 92276 Klaipėda	100 owned by UAB SGD logistika
KN Açu Serviços de Terminal de GNL LTDA (KN Acu)	F66 Fazenda Saco Dantas s/n, Distrito Industrial, Area 1 and Area 2, 28200-000 São João da Barra, State of Rio de Janeiro	90 owned by UAB SGD logistika and 10 owned by UAB SGD SPB

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

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

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

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

THE GROUP	HY1 2023	HY1 2023 adj.*	HY1 2022	HY1 2022 adj.*	HY1 2021	HY1 2021 adj.*	HY1 2020	HY1 2020 adj.*	HY1 2019	HY1 2019 adj.*
Transshipment of liquid energy products, thousand	1,955	1,955	1,967	1,967	1,612	1,612	2,592	2,592	2,926	2,926
LNG regasification and reloading, GWh	17,391	17,391	13,171	13,171	9,511	9,511	11,046	11,046	6,419	6,419
Investments of non-current assets	892	892	2,521	2,521	3,056	3,056	2,513	2,513	15,622	15,622
FINANCIAL FIGURES										
Revenue from contracts with customers	42,398	42,398	35,976	35,976	31,629	31,629	40,737	40,737	51,244	51,244
EBITDA (APM)	16,746	16,746	16,899	16,899	14,209	14,209	25,075	25,075	34,233	34,233
EBIT (APM)	5,380	5,380	5,573	5,573	1,224	1,224	10,944	10,944	5,212	5,212
Net profit (loss)	8,100	3,284	(13,848)	3,040	(6,764)	(227)	9,412	7,251	2,542	4,045
PROFITABILITY										
Return on assets (ROA) (APM)	2.8%	1.6%	(11.9)%	(7.3)%	2.8%	0.6%	2.4%	2.6%	0.9%	1.3%
Return on equity (ROE) (APM)	11.5%	6.0%	(42.7)%	(25.9)%	9.0%	2.1%	7.6%	8.3%	2.1%	2.8%
Return on Capital Employed (ROCE) (APM)	1.8%	1.7%	2.1%	2.0%	0.3%	0.3%	4.2%	4.1%	2.1%	2.1%
EBITDA margin (APM)	39.5%	39.5%	47.0%	47.0%	44.9%	44.9%	61.6%	61.6%	66.8%	66.8%
EBIT margin (APM)	12.7%	12.7%	15.5%	15.5%	3.9%	3.9%	26.9%	26.9%	10.2%	10.2%
Net profit margin (APM)	19.1%	7.7%	(38.5)%	8.5%	(21.4)%	(0.7)%	23.1%	17.8%	5.0%	7.9%
FINANCIAL STRUCTURE										
Debt ratio (D/E) (APM)	281%	264%	337%	300%	210%	222%	243%	239%	195%	194%
Debt ratio (D/E) – excluding IFRS 16 liabilities (APM)	120%	113%	117%	104%	64%	68%	60%	59%	55%	55%
Debt to EBITDA (APM)	12	12	15	15	12	12	8	8	8	8
Debt (excluding IFRS 16) to EBITDA (APM)	5	5	5	5	3	3	2	2	2	2
Debt service coverage ratio (DSCR) (APM)	4	4	5	5	8	8	10	10	10	10
Gross liquidity ratio (current ratio) (APM)	1.27	1.27	1.22	1.22	1.28	1.28	1.40	1.40	1.13	1.13
MARKET VALUE RATIOS										
Price-Earnings Ratio (P/E) (APM)	5,93	10,44	(1.6)	(2.5)	6,8	30,6	9,7	8,8	40,0	28,9
Earnings per share (EPS) (APM)	0.021	0.009	(0.036)	0.008	(0.018)	(0.001)	0.025	0.019	0.007	0.011

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

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

THE COMPANY	HY1 2023	HY1 2023 adj.*	HY1 2022	HY1 2022 adj.*	HY1 2021	HY1 2021 adj.*	HY1 2020	HY1 2020 adj.*	HY1 2019	HY1 2019 adj.*
Transshipment of liquid energy products, thousand	1,955	1,955	1,967	1,967	1,612	1,612	2,592	2,592	2,926	2,926
LNG regasification and reloading, GWh	17,391	17,391	13,171	13,171	9,511	9,511	11,046	11,046	6,419	6,419
Investments of non-current assets	892	892	2,521	2,521	3,056	3,056	2,513	2,513	15,622	15,622
FINANCIAL FIGURES										
Revenue from contracts with customers	40,946	40,946	34,458	34,458	30,090	30,090	39,654	39,654	51,244	51,244
EBITDA (APM)	16,237	16,237	16,234	16,234	13,587	13,587	24,927	24,927	34,233	34,233
EBIT (APM)	4,921	4,921	4,955	4,955	638	638	10,799	10,799	5,212	5,212
Net profit (APM)	7,695	2,879	(14,308)	2,581	(7,239)	(702)	9,320	7,159	2,542	4,045
PROFITABILITY										
Return on assets (ROA) (APM)	2.7%	1.5%	(12.0)%	(7.5)%	2.6%	0.5%	2.4%	2.7%	0.9%	1.3%
Return on equity (ROE) (APM)	11.1%	5.6%	(43.5)%	(26.6)%	8.6%	1.6%	7.8%	8.5%	2.1%	2.8%
Return on Capital Employed (ROCE) (APM)	1.6%	1.6%	1.9%	1.8%	0.1%	0.1%	4.1%	4.1%	2.1%	2.1%
EBITDA margin (APM)	39.7%	39.7%	47.1%	47.1%	45.2%	45.2%	62.9%	62.9%	66.8%	66.8%
EBIT margin (APM)	12.0%	12.0%	14.4%	14.4%	2.1%	2.1%	27.2%	27.2%	10.2%	10.2%
Net profit margin (APM)	18.8%	7.0%	(41.5)%	7.5%	(24.1)%	(2.3)%	23.5%	18.1%	5.0%	7.9%
FINANCIAL STRUCTURE										
Debt ratio (D/E) (APM)	285%	268%	341%	303%	210%	222%	242%	239%	195%	194%
Debt ratio (D/E) – excluding IFRS 16 liabilities (APM)	122%	114%	118%	105%	64%	68%	60%	59%	55%	55%
Debt to EBITDA (APM)	12	12	16	16	12	12	8	8	8	8
Debt (excluding IFRS 16) to EBITDA (APM)	5	5	6	6	4	4	2	2	2	2
Debt service coverage ratio (DSCR) (APM)	4	4	4	4	7	7	10	10	10	10
Gross liquidity ratio (current ratio) (APM)	1.18	1.18	1.14	1.14	1.21	1.21	1.34	1.34	1.13	1.13
MARKET VALUE RATIOS										
Price-Earnings Ratio (P/E) (APM)	12.4	33.0	(7.8)	43.2	7.2	38.9	9.5	8.6	40.0	28.9
Earnings per share (EPS) (APM)	0.020	0.008	(0.038)	0.007	(0.019)	(0.002)	0.024	0.019	0.007	0.011

ALTERNATIVE PERFORMANCE MEASURES

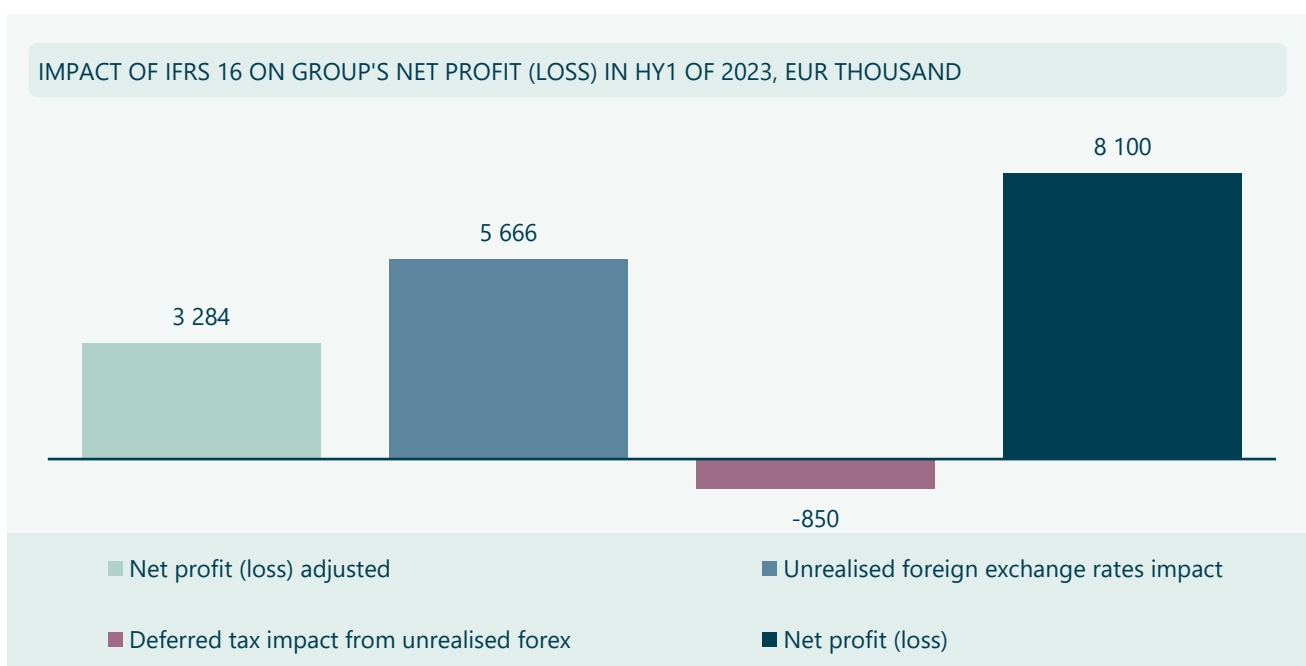
MEASURE	CALCULATION
Debt (excluding IFRS 16) to EBITDA	(total current and non-current liabilities at the end of the period – current and non-current IFRS 16 lease liabilities) / EBITDA of the last twelve months
Debt ratio (D/E)	total current and non-current liabilities at the end of the period / total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

FINANCIAL RESULTS

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

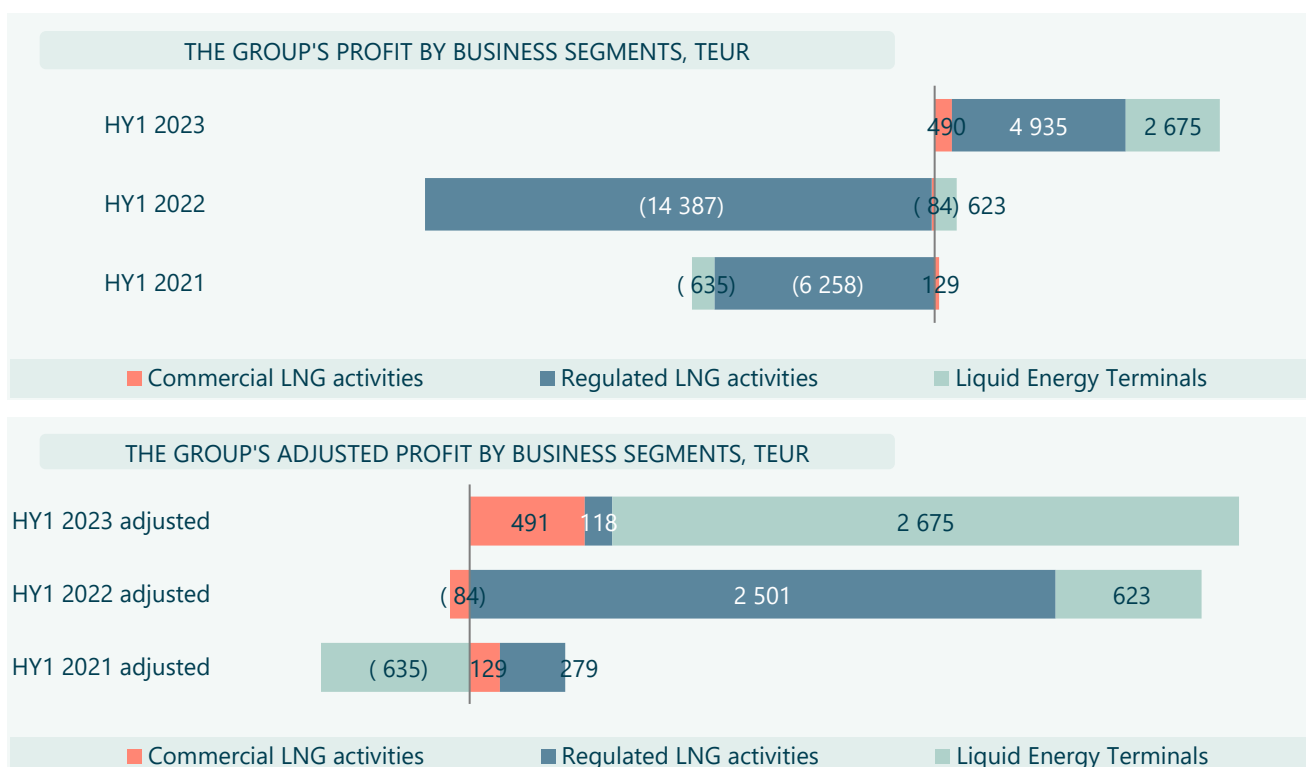
Since 2019, KN's financial results have been affected by IFRS 16 "Leases" – a new standard which came into effect on 1 January 2019 and by the reduction of LNG security supplement from 1 January 2020 by EUR 26.8 million per annum (EUR 13.4 million for the 6 months of 2023). These changes have significantly affected KN's statement of financial position, statement of comprehensive income, and financial indicators. When the standard has become

effective, the lease obligations are recognized in the statement of financial position as an asset and a liability (right-of-use assets and a lease liability). As most lease payments are denominated in USD, the positive impact of unrealized USD/EUR exchange rate in amount of EUR 5,666 thousand has been recognized in the statement of comprehensive income in 6 months of 2023 (in 6 months of 2022 – a negative impact of EUR 19,869 thousand). However, it is a non-cash item, which has no impact to the Group's and the Company's actual earnings. The reduction of the LNG security supplement reduced revenue of the Group and the Company by EUR 13.4 million for the 6 months of 2023 and 2022. The LNG security supplement reduction is financed by NIB loans; therefore, the cash flows of the Group and the Company are not affected. The reduced revenue will be returned to the Company over the period of operation of the LNG terminal.



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

INCREASE/(DECREASE) IN EUR THOUSAND	30-06-2023	30-06-2023
	THE GROUP	THE COMPANY
Net profit (loss)	8,100	7,695
Unrealised foreign exchange rates impact	(5,666)	(5,666)
Deferred tax impact from unrealised forex	850	850
Net profit (loss) adjusted	3,284	2,879



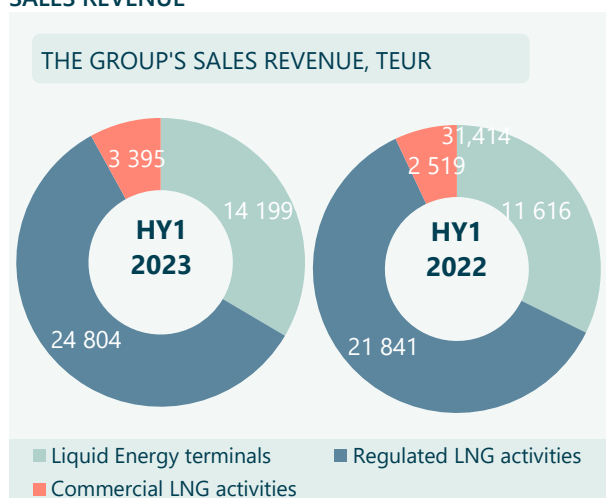
The main reasons for the increase of the **Group's adjusted net profit** by EUR 244 thousand compared to the 6 months of 2022 are – EUR 2,052 thousand higher adjusted net profit from Liquid energy terminals, EUR 576 thousand higher adjusted net profit from commercial LNG activities. Regulated LNG activities adjusted net profit is EUR 2,384 thousand lower. For detailed explanations see below:

- Adjusted net profit (loss) of Liquid energy terminals is higher by EUR 2,052 thousand mainly due to higher revenue from liquid energy product transshipment and storage services by EUR 2,583 thousand or 22.2%. Liquid energy Terminal segment expenses are EUR 574 thousand or 5,2 % higher mainly due to increased depreciation and amortization expenses by EUR 255 thousand (implementation of investments) and due to increased staff remuneration by EUR 250 thousand.
- The adjusted net profit (loss) from commercial LNG activities is higher by EUR 576 thousand mainly due to higher revenue by EUR 876 thousand.
 - In the beginning of 2020, the Company has signed a long-term contract with the Polish state gas company PGNiG to reserve capacity of Klaipeda small scale LNG station for the next 5 years, starting from Q2 2020.
 - On 16 September 2021 Gas Natural Açu (GNA) LNG-to-power project in port of Açu, Brazil has launched commercial operations.
 - KN is contracted by LNG Terminal Wilhelmshaven GmbH (LTew), a subsidiary of

German energy company Uniper, to provide the operational services for the first LNG terminal in Germany, located in Port of Wilhelmshaven on the North Sea coast. The LNG terminal has been successfully completed in extremely short terms and started commercial operations in January 2023.

- Adjusted net profit (loss) of regulated LNG activities (EUR 118 thousand) is lower by EUR 2,384 thousand due to (i) higher expenses by EUR 5,356 thousand – main reasons: (1) higher emission allowances' expenses by EUR 2.4 million; (2) accrued customers' compensation expenses of EUR 1.5 million in 2023; (3) FSRU expenses higher by EUR 0.5 million due to inflation and higher opex maintenance; (4) higher insurance expenses by EUR 0.4 million, consultation costs by EUR 0.3 million, and other expenses by EUR 0.3 million caused lower adjusted net profit (loss); therefore, (ii) *revenue* is higher by EUR 2,963 thousand - main reasons: (1) higher regasification revenue by EUR 12.3 million due to increased demand and regasification tariff from 0.41 EUR/MWh (from May 2022 – 1.19 EUR/MWh) in 2022 to 1.41 EUR/MWh in 2023; (2) higher LNG reloading revenue by EUR 0.5 million; (3) other LNGT revenue is higher by EUR 0.9 million due to payments from the clients for the unused allocated capacity; (4) lower revenue from the fixed part of LNG regasification service fee by EUR 10.8 million due to implemented LNG terminal capacity allocation and tariffication model when KN part in security supplement from May 2022 was decreased to 0 EUR/(MWh/day/year).

SALES REVENUE



The **Group's sales revenue** for the 6 months of 2023 (EUR 42,398 thousand) is 17.9% or EUR 6,422 thousand higher compared to the 6 months of 2022 (EUR 35,976 thousand).

The **Company's sales revenue** for the 6 months of 2023 (EUR 40,946 thousand) is 18.8% or EUR 6,488 thousand

higher compared to the 6 months of 2022 (EUR 34,458 thousand).

The total **revenue of the regulated LNG activities** for the 6 months of 2023 amounts to EUR 24,804 thousand and is EUR 2,963 thousand or 13.6% higher compared to the 6 months of 2022. The activity of LNG terminal is regulated and has a price cap; therefore, return from LNG activity does not depend on regasification volume. For more information, concerning regulated revenues refer to the article "Regulated profit of LNG terminal".

Sales revenue from Liquid energy terminals for the 6 months of 2023 amounts to EUR 14,199 thousand and is EUR 2,583 thousand or 22.2% higher compared to the 6 months of 2022 (EUR 11,616 thousand). The increase of revenue was due to higher revenues from the sales of tanks rental and liquid energy products storage.

Sales revenue from **commercial LNG activities** for the 6 months of 2023 (EUR 3,395 thousand) is 34.8% or EUR 876 thousand higher than for the 6 months of 2022 (EUR 2,519 thousand).

EXPENSES

For the 6 months of 2023 and 2022 cost of sales and operating expenses for the Group and the Company:

	HY1 2023	HY1 2022	CHANGE		HY1 2023	HY1 2022	CHANGE	
	GROUP	GROUP	+/-	%	COMPANY	COMPANY	+/-	%
Cost of sales	31,824	26,958	4,866	18.1%	31,373	26,454	4,919	18.6%
Operating expenses	5,352	3,812	1,540	40.4%	4,810	3,416	1,394	40.8%
Total costs	37,176	30,770	6,406	20.8%	36,183	29,870	6,313	21.1%

Total **cost of sales of the Group** for the 6 months of 2023 comprises EUR 31,824 thousand and is higher by 18.1% or by EUR 4,866 thousand comparing to the 6 months of 2022 (EUR 26,958 thousand). The main reasons for the increase in Group's cost of sales are: EUR 2,490 thousand higher emission allowances and tax on environmental pollution, EUR 1,525 thousand higher accrued customers' compensation expenses, EUR 466 thousand higher expenses related to FSRU rent and EUR 366 thousand higher insurance expenses. Total **cost of sales of the Company** for the 6 months of 2023 comprises EUR 31,373 thousand and is higher by 18.6% or by EUR 4,919 thousand compared to the 6 months of 2022 (EUR 26,454 thousand). The main reasons and the figures are the same as per above explanation for the Group's cost of sales.

The **Group's operating expenses** of the 6 months of 2023 comprise EUR 5,352 thousand and are 40.4% or by EUR 1,540 thousand higher compared to the 6 months of 2022 (EUR 3,812 thousand). The main reasons for the increase in Group's operating expenses are EUR 681 thousand higher consulting and legal costs (long-term strategy of the Company for the period 2023-2050 preparation) and EUR 457 thousand higher staff costs. The **Company's operating expenses** of the 6 months of 2023 comprise EUR 4,810 thousand and are 40.8% or by EUR 1,394 thousand higher compared to the 6 months of 2022 (EUR 3,416 thousand). The main reasons and the figures are the same as per above explanation for the Group's operating expenses.

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

	HY1 2023				HY1 2022				CHANGE 2023 VS 2022	
	LET	LNGT	comLNG	TOTAL	LET	LNGT	comLNG	TOTAL	+/-	%
Depreciation of right-of-use asset	229	6,871	63	7,163	210	6,868	81	7,159	4	0.1%
Wages, salaries, and social security	4,050	1,688	1,221	6,959	3,800	1,451	1,126	6,377	582	9.1%
Emission allowances and tax on environmental pollution	178	5,236	-	5,414	68	2,856	-	2,924	2,490	85.2%
Depreciation and amortization	2,542	1,089	607	4,238	2,287	1,240	626	4,153	85	2.0%
Expenses related to FSRU rent (OPEX element, management, crew cost)	-	3,722	-	3,722	-	3,256	-	3,256	466	14.3%
Variable costs (natural gas, electricity, railway services)	2,424	11	16	2,451	3,214	10	14	3,238	(787)	(24.3)%
Consulting and legal costs	356	419	156	931	87	109	54	250	681	272.4%
Port charges	-	766	-	766	-	766	-	766	-	-
Insurance expenses	154	558	34	746	147	117	43	307	439	143.0%
Repair and exploitation expenses	318	119	91	528	190	87	41	318	210	66.0%
Contribution for National Energy Regulatory Council (NERC)	-	306	-	306	-	239	-	239	67	28.0%
Tax on real estate	210	36	6	252	210	36	6	252	-	-
Other cost of sales and operating expenses	1,056	2,011	633	3,700	730	441	360	1,531	2,169	141.7%
Total costs	11,517	22,832	2,827	37,176	10,943	17,476	2,351	30,770	6,406	20.8%

In 2023 HY1 **regulated LNG activity expenses** amount to EUR 22,832 thousand and are higher by EUR 5,356 thousand or by 30.6% compared to 2022 HY1 (EUR 17,476 thousand). Major part of regulated LNG activity expenses is depreciation of right-of-use asset expenses, which amount to EUR 6,871 thousand and are higher by EUR 3 thousand comparing to 2022 HY1. Expenses related to FSRU rent (OPEX element, management, crew cost) amount to EUR 3,722 thousand that are higher by 14.3% or by EUR 466 thousand comparing to 2022 HY1, emission allowances and tax on environmental pollution amount to EUR 5,236 thousand and are higher by 83.3% or by EUR 2,380 thousand. Contribution for National Energy Regulatory Council expenses increased by EUR 67 thousand, accrued customers' compensation expenses increased by EUR 1,461 thousand. Other LNG terminal's expenses amount to EUR 5,236 thousand and are higher by 23.0% or by EUR 979 thousand comparing to 2022 HY1 (EUR 4,257 thousand).

In 2023 HY1 the total amount of **Liquid energy terminal's** expenses amount to EUR 11,517 thousand (2022 HY1 – EUR 10,943 thousand) and are 5.2% or EUR 574 thousand higher due to increased depreciation and amortization expenses by EUR 255 thousand (implementation of investments) and due to increased staff remuneration by EUR 250 thousand. Other Liquid Energy terminal's expenses amount to EUR 4,925 thousand and are higher by 1.4% or by EUR 69 thousand comparing to 2022 HY1 (EUR 4,856 thousand).

In 2023 HY1 the total amount of **commercial LNG activity expenses** amounted to EUR 2,827 thousand and are higher by EUR 476 thousand (2022 HY1 – EUR 2,351 thousand). Subsidiary's KN Acu Servicos de Terminal activity expenses are higher by EUR 230 thousand or by 25.2%. The main reasons of increased expenses are higher personnel expenses.

REGULATED PROFIT OF LNG TERMINAL

LNG terminal, its infrastructure and connection implementation as well as exploitation costs fully or partially are included into the natural gas transmission service price in accordance with the rules and guidance's set by NERC based on the regulations set in the Energy Law, Natural Gas Law and other laws of the Republic of Lithuania related with energy prices regulation.

The total level of LNG terminal revenue is confirmed by NERC based on the approved methodology of Government regulated prices in the natural gas sector (hereinafter – Methodology). According to the Methodology, the level of LNG terminal revenue is calculated for upcoming year by summing 2 components: 1) Estimated necessary costs for the LNG terminal exploitation and operations; 2) Estimated return on investment of LNG terminal infrastructure.

The revenue of the LNG terminal activity comprises of 3 components:

- Fixed part of LNG regasification service price is approved annually by NERC. This part of the price is included into the additional Security Supplement added to the gas transmission price.
- Variable part of LNG regasification service price is received for the regasified volume directly from LNG terminal users. The regasification tariff is approved annually by NERC.
- LNG reloading service revenue for reloaded LNG quantity. The tariff of the LNG reloading service is also approved annually by NERC.

Revenue from LNG regasification (variable part) and LNG reloading service revenue are recognized at the moment during which the services were provided according to the tariffs approved by NERC.

The tariff of LNG Security Supplement is set annually by NERC based on the amount required to be collected (estimated LNG terminal revenue) and proportionally allocated for the forecasted gas consumption capacities. LNG security supplement is paid by the users of natural gas transmission system, including the end users, together with the other payments for the natural gas transmissions services. The payments are collected by the transmission service operator (hereinafter – TSO) either directly from users or from suppliers of natural gas in case the user has no direct contractual obligations with the TSO.

Actual LNG Security Supplement contributions and payments may differ from planned ones (calculated at the approval of Security Supplement) due to the variation of consumption capacities or other differences.

The differences between the net profit of LNG terminal segment (non-regulated) and the profit of the regulated activity are determined by different calculation principles. Financial accounting is prepared in accordance with IFRS requirements, while the result of regulated activities is calculated in accordance with the methodology approved by NERC.

LNG operating expenses are recognized in the relevant period when they are incurred.

The regulated profit of LNG terminal is calculated by adjusting the determined return on investment by income and expenses not attributable for the regulated activity in terms of regulation (which influence financial results).

During the 1st regulatory period (2014-2019) a surplus has been calculated by NERC after the third and the fifth regulatory years. The surplus after third full regulatory year (2014-2017) has reduced the level of LNG terminal revenue for 2019 and surplus after fifth regulatory year (2014-2019) reduces the level of LNG terminal revenue for 2021. The identified surplus has reduced LNG terminal revenue for 2019 by EUR 787 thousand and revenue for 2021 by EUR 2,589 thousand.

For the 2nd regulatory period (2020-2024) the Company's LNG terminal revenue for 2022 has been reduced by EUR 7,105 thousand due to significant net excess income earned in 2020. Moreover, NERC has calculated the surplus of regulated profit after two periods (2020-2021) and has reduced the level of LNG terminal revenue for 2023 by EUR 568 thousand (for 2023 H1 – EUR 284 thousand).

According to the changes of Methodology, Company accumulates collected additional income from variable and fixed parts of LNG regasification price to reduce the security supplement in the future periods when costs of LNG terminal will not be collected directly by LNG terminal users and accordingly KN part of the security supplement will be positive.

The Company estimates temporary regulatory differences due to net excess income or costs with their impact on the corresponding financial periods' financial performance, which is provided in the table below.

LNG REGULATED ACTIVITY TEMPORARY REGULATORY DIFFERENCES					
	2014-2019 surplus	2020	2021	2022	2023 HY1
Regulated Asset Base (RAB)		47,047	44,176	41,304	38,669
Weighted Average Cost of Capital (WACC)		2.90%	3.46%	4.14%	4.16%
Return on Investments (ROI) (RAB x WACC)		1,364	1,528	1,710	804
Total temporary regulatory adjustment		(7,526)	2,646	812	1,893
1) adjustment related to prior years: payback of excess net income / (compensation of excess net cost)		(130)	2,254	7,105	284
2) adjustment related to the current year: (excess net income) / excess net cost	(2,459)	(7,395)	392	(6,293)	2,936
3) adjustment related to the upcoming year: excess net income / (excess net cost)					(1,327)
Payback / (compensation) in:					
Year 2020	(130)				
Year 2021	2,589	(335)			
Year 2022		7,105			
Year 2023		625	(392)		
Year 2024				(6,855)	
Year 2025				351	(4,597)
Year not specified				12,797	1,661
Settlement of advances received in year 2024					1,327
Contingent asset / (liability) due to other temporary regulatory differences as at the end of the period	(2,459)	(9,984)	(7,339)	(6,527)	(4,634)
Contingent asset from security supplement reduction as at the end of the period		26,829	53,658	80,487	93,902

IMPACT OF IFRS 16 AND CAPITALISATION OF PURCHASE OPTION

As of 31 December 2019, the Group and the Company has capitalized purchase option under the lease agreement. According to IFRS 16 requirements, lessee should remeasure lease liability of each agreement upon the occurrence of either a significant event or a significant change in circumstances at each financial statements' date. It is the duty of the management to re-evaluate the probability to realise the purchase option at each financial statements' date in the upcoming reporting periods and in circumstances if any changes occur, it must be reflected in the financial statements respectively. During the first half of 2023 no significant events and circumstances have occurred that would have the impact and respectively no changes in finance lease accounting under IFRS 16 requirements have been made as of 30 June 2023.

During the year of 2019 the following significant events have happened that determined the need to reassess the probability of realizing the purchase option:

- On 1st March 2019 amendments of the Republic of Lithuania Law on Liquefied Natural Gas Terminal No XI-2053 Article 5 and 9 (further – the Law) entered into force stipulating obligation to the Company as a Liquefied Natural Gas terminal operator to acquire ownership of FSRU (by selecting the most economic option) not later than by 31st December 2024;
- On 19th September 2019 European Commission has approved state aid consent regarding LNG security supplement reduction;

- On 24th October 2019 the Board of the Company has adopted a decision to acquire FSRU no later than by 31 December 2024 with the conditions that 1) loan to finance the purchase is arranged and 2) Parliament approves the State guarantee for the loan;
- On 19th December 2019 a binding offer from NIB to finance the 100% purchase price of FSRU (up to 160 MMEUR) has been received;
- On 19th December 2019 Parliament has approved granting State guarantees for NIB loans for LNG security supplement reduction and purchase of FSRU;
- On 20th December 2019 a loan agreement with NIB has been signed for the LNG security supplement reduction.

While evaluating the probability to realize the purchase option the management of the Company has considered a number of economic, size and FSRU technological circumstances, which has shown that:

- Currently used FSRU is economically most favourable when compared to the 1) availability; 2) price factors of the same size and functionality of new and used FSRUs and conversions of LNG carriers and 3) possible additional investments needed for any other FSRU;
- In terms of size the industry is currently being equipped by modern 170-180 tm3 FSRUs and LNG carriers, enabling to unload to FSRU full cargo of

conventional size LNG carriers (140-180 tm3) and not limiting LNG suppliers' interest in using the terminal;

- Current terminal size and parameters are needed in order to meet N-1 criteria for energy security, i.e. to ensure gas supply in the event of failure of the largest supply infrastructure during highest daily demand;
- Technologically currently used FSRU has the technology that is still regarded as advanced/not obsolete in comparison with other developments and can easily accept "green gases" and remain functional in the context of the EU "green policy" decisions in the long term;
- In 2019 implemented dry-dock has confirmed that currently used FSRU is in good condition and is designed to be operative for at least 25 more years.
- On 20th November 2020 European Commission has approved state aid consent regarding acquisition of LNG floating and storage unit. The decision of the European Commission secures Company's ability to make a withdrawal of funds under the Loan agreement concluded between the Company and Nordic Investment Bank on 9 March 2020.
- During 2021, KN, as part of a project of long-term LNG import infrastructure solution, organised intensive discussions with market participants, a

market consultation on the procurement documents and launched a public international tender for the acquisition of the FSRU in mid-year.

As of 31 December 2022, the mentioned conditions were still applicable and have not changed. Furthermore:

- In February 2022 the Board of KN has taken a decision on the acquisition of the FSRU Independence at the end of its lease agreement.
- On 25th of February 2022 Extraordinary General Meeting of Shareholders has adopted the resolution and approved the decision of the AB Klaipėdos nafta Board to acquire the floating storage regasification unit (FSRU) Independence.
- Company has notified Höegh group companies that KN exercises an option right to acquire Independence. After fulfilling all the option conditions specified in the Time Charter Party, the Company will acquire the FSRU no later than 6 December 2024. Until then the Company will continue to lease the FSRU under the same conditions.

The management of the Company is reasonably confident that the purchase option of the lease contract will be realized; therefore, no changes in purchase option accounting as of 30 June 2023 have been made.

INVESTMENTS

The most important investment projects of HY1 2023:

NO.	PROJECT	INVESTMENTS DURING 2023 1-6 MONTHS (INCL. PREPAYMENTS)	PROJECT DESCRIPTION
1.	ISO tank loading investments	0.3 MEUR	Improvement and adaptation of Klaipėda Liquid energy terminal loading infrastructure for oil product loading to ISO tank containers. Project finished during I half of 2023.
2.	Cyber security improvement investments	0.2 MEUR	The project of increasing cyber security by implementing security tools in the operation technology area.
3.	Tanker truck loading bay reliability and safety improvement	0.1 MEUR	Project for the improvement of Klaipėda Liquid energy terminal tanker truck loading bays' safety requirements and loading processes. During 2023, construction, pipeline installation and other works were carried out.

INFORMATION ABOUT THE SHAREHOLDERS AND SHARES OF THE COMPANY

SHAREHOLDERS AND SHARES OF THE COMPANY

THE MAIN DATA ABOUT SHARES OF THE COMPANY:

ISIN code	LT0000111650
Abbreviation	KNF1L
Share emission	380,396,585

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

SHAREHOLDERS OF THE COMPANY

As of 30 June 2023 all the shares of the Company were owned by 5,542 shareholders (on 31 December 2022 – 5,388)¹. All shares of the Company are of one class ordinary registered shares granting their owners (shareholders) equal rights. One ordinary registered share of the Company grants one vote in the General meeting of Shareholders.

An ordinary registered share of the Company shall grant the following economic rights to its owners (shareholders):

1. To receive a part of the Company's profit (dividends);
2. To receive funds of the Company in the event the Authorized Capital of the Company is being reduced in order to pay funds of the Company to the shareholders;
3. To receive a part of the assets of the Company in case of liquidation;
4. To receive shares free of charge if the Authorized Capital is increased out of the funds of the Company (except in the cases specified by the imperative norms of the valid laws);
5. To have the preferential right in acquiring shares or convertible bonds issued by the Company except in cases when the General Shareholders' Meeting by a qualified majority of votes that shall not be less than 3/4 of the participating and voting shares for solution of this matter, resolves to withdraw the preferential right in acquiring the Company's newly issued shares or convertible bonds for all the shareholders;
6. To lend to the Company in the manner provided by law, however, when borrowing from its shareholders the Company has no right to pledge its assets to the shareholders. When the Company borrows from its shareholder, the interest rate may not be higher than the average

interest rate offered by commercial banks of the location where the Lender has his place of residence or business, which was in effect on the day of conclusion of the Loan Agreement. In such a case the Company and its shareholders shall be prohibited from negotiating a higher interest rate;

7. Other economic rights established by the laws.

An ordinary registered share of the Company shall grant the following non-economic rights to its owner (shareholder):

1. To attend the General Shareholders' Meetings and to vote according to voting rights carried by their shares (unless otherwise provided for by the laws);
2. To receive information on the Company to the extent allowed by the imperative norms of the valid laws;
3. To file a claim with the court for reparation of damage resulting from misconduct by the Manager of the Company and Board members or noncompliance with their obligations prescribed by the laws and the Articles of Association of the Company as well as in other cases laid down by laws.
4. The right to vote at General Shareholders' Meetings may be withdrawn or restricted in cases established by laws, also in case share ownership is contested;
5. Other non-economic rights established by the laws and the Articles of Association of the Company.

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

¹ According to AB SEB bankas data.

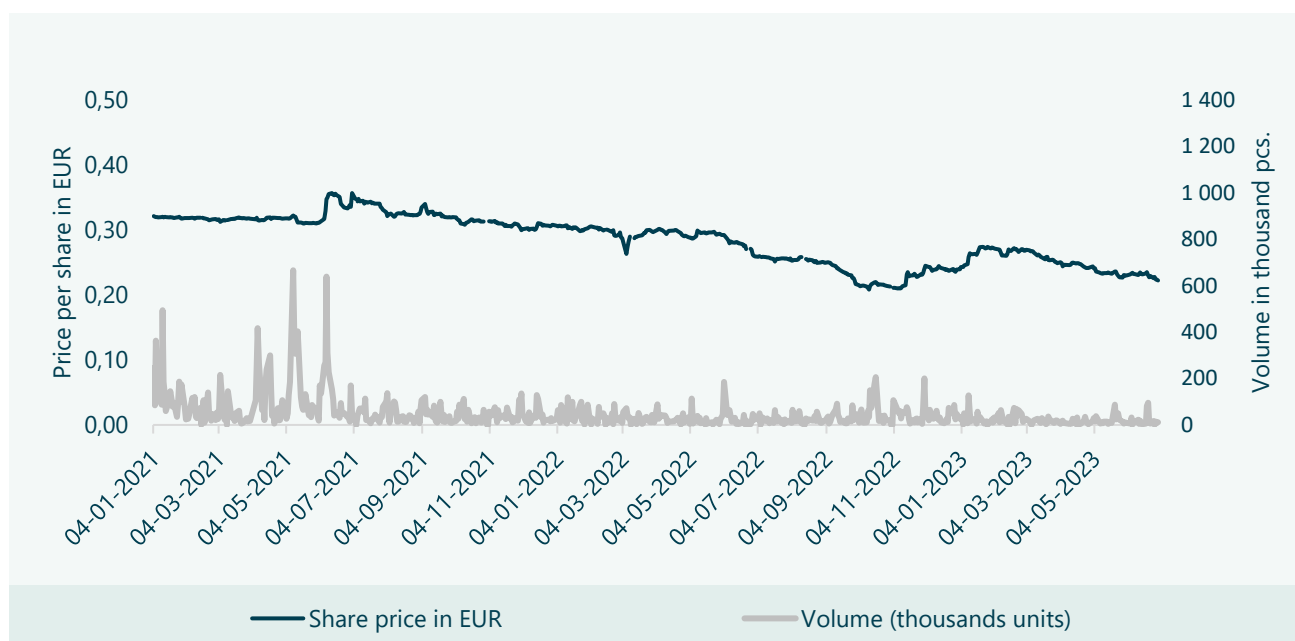
Major shareholders of the Company having more than 5% of shares (each) of the Company as of 30 June 2023 and 31 December 2022:

SHAREHOLDER'S NAME (COMPANY'S NAME, ADDRESS, COMPANY CODE OF REGISTRATION)	30 JUNE 2023		31 DECEMBER 2022	
	NUMBER OF OWNED SHARES (UNIT)	PART OF AUTHORIZED CAPITAL (%)	NUMBER OF OWNED SHARES (UNIT)	PART OF AUTHORIZED CAPITAL (%)
The Republic of Lithuania, represented by the Ministry of Energy of the Republic of Lithuania (Gediminas Ave. 38/2, Vilnius, 302308327)	275,687,444	72.47%	275,687,444	72.47%
UAB koncernas "ACHEMOS GRUPĖ" (Vykinto st. 14, Vilnius, 156673480)	39,662,838	10.43%	39,662,838	10.43%
Other (each owning less than 5%)	65,046,303	17.10%	65,046,303	17.10%
Total	380,396,585	100.00%	380,396,585	100.00%

Dynamics of KNF1L share price at NASDAQ Vilnius during 2019 – 2022 and 6 months of 2023:

	HY1 2023	2022	2021	2020	2019
Highest share price in EUR	0.280	0.308	0.359	0.414	0.444
Lowest share price in EUR	0.220	0.203	0.298	0.301	0.357
Price per share at the beginning of the period in EUR	0.241	0.308	0.322	0.361	0.410
Price per share at the end of the period in EUR	0.222	0.240	0.307	0.320	0.362
Average share price in EUR	0.250	0.265	0.320	0.351	0.393
Traded volume, pcs.	2,622,186	8,541,326	19,004,133	23,934,244	5,908,666
Turnover in EUR thousand	661	2,220	6,110	7,928	2,296
Capitalisation in EUR thousand	84,828	91,295	116,782	121,920	137,875
Earnings per share (EPS)*	0.021	0.021	(0.126)	0.029	0.034

* Calculated using adjusted net profit (loss).



KNF1L SHARE PRICE COMPARISON WITH OMX VILNIUS AND OMX BALTIC BENCHMARK GI IN 2021 - HY1 2023



DIVIDENDS

On 28th April 2023, the Annual General Meeting of Shareholders was held which approved the audited financial statements and profit (loss) appropriation for the

year 2022. In 2023 as well as in 2022 the Company has not paid any dividends.

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

	2023	2022	2021	2020	2019
Dividends paid in EUR thousand	-	-	7,538	7,947	11,577
Dividends per one share in EUR	-	-	0.0198	0.0209	0.0304
Net profit (loss) per 1 share in EUR	0.02	(0.12)	0.03	0.02	0.03
Dividends for net profit (of previous FY), %	-	-	70%	100%	100%

DIVIDEND POLICY

On 28th July 2021 the Board of AB Klaipėdos nafta has approved the renewed Dividend Policy. The Dividend Policy provides that the Board of the Company shall, in accordance with the Company's audited financial statements which are prepared in accordance with IFRS, present the draft decision of dividends allocation to the Company's shareholders for approval. The amount of dividends is proposed taking into account the Company's return on equity for the reporting period.

The Company sets the goal to increase the shareholders' value and pay stable dividends. The main objectives for a Dividend Policy are:

- compliance with the applicable laws of the Republic of Lithuania, secondary legislation, the Articles of Association, and internal documents of the Company.
- assurance of the Company's shareholders interests.
- commitment to high corporate governance standards.
- enhance of the Company's market value.
- definition of the Company's procedures relating to transparent publication and payment of dividends.

AB Klaipėdos nafta Dividend Policy is based on the existing legislation of the Republic of Lithuania (regulation effective starting since 28th December 2021 (Lithuanian Government Resolution of 6th June, 2012 No. 655 on approval of the description of the procedure for the exercise of the state property and non-property rights in state-owned entities (hereinafter – the Resolution) – the regulation has replaced the Lithuanian Government Resolution of 14th January, 1997 No. 20 on the dividends for the state-owned shares, however all the principles and regulations on dividends allocation are valid and have been placed into Resolution), the Company's Articles of Association and other Company's internal documents.

According to the art. 4.4. of the Company's Dividend Policy the amount of dividends for the years 2021-2024 is calculated by eliminating from the Company's distributable net profit (loss) unrealised foreign exchange rates impact and other unrealised gains (losses). The Company's return on equity is calculated based on the data of the set of audited annual financial statements, net profit (loss) of the reporting period by eliminating the impact of unrealised foreign exchange rates and other unrealised gains (losses) divided by the average equity at the beginning and end of this period. Equity at the beginning of the reporting period is adjusted by estimating the impact of unrealised foreign exchange rates and other unrealised gains (losses) accumulated before the reporting period. Equity at the end of the reporting period is adjusted by estimating the impact of unrealised foreign exchange rates and other unrealised gains (losses) of the reporting period and those accumulated before the reporting period.

According to the art. 4.5 of the Company's Dividend Policy, the Board of the Company shall consider the following on a yearly basis:

- the financial indicators for assessment of the Company's current financial position (net debt / EBITDA, DSCR, ISCR, Equity ratio).

- the Company's performance of the current period, in order to ensure the scope of funds needed for the smooth operation.
- the scope of equity and loan necessary for strategic and investment projects' implementation.
- any financial and non-financial liabilities for the Company investors.
- the stock market situation related to dividend income.
- implementation of the Company's Strategy;
- a change in plans of strategic, investment projects, their scope or their financing.

According to the art. 4.7. of the Company's Dividend Policy dividends for the financial year should be allocated as follows:

- Not lower than 85% from the Company's distributable profit if ROE of the financial reporting year is not higher than 1 per cent.
- Not lower than 80% from the Company's distributable profit if ROE of the financial reporting year is higher than 1% but not higher than 3%.
- Not lower than 75% from the Company's distributable profit if ROE of the financial reporting year is higher than 3% but not higher than 5%.
- Not lower than 70% from the Company's distributable profit if ROE of the financial reporting year is higher than 5% but not higher than 10%.
- Not lower than 65% from the Company's distributable profit if ROE of the financial reporting year is higher than 10% but not higher than 15%.
- Not lower than 60% from the Company's distributable profit if ROE of the financial reporting year is higher than 15%.

Dividend rate, as a rule, should not be less than presented in the article 4.7. of the Company's Dividend Policy, however, based on criteria in article 4.5., lower dividend rate could be proposed.

The full Company's Dividend Policy is available on Company's website.

AGREEMENTS WITH INTERMEDIARIES OF PUBLIC SECURITIES TRADING

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

AB SEB BANK FINANCIAL MARKETS DEPARTMENT:

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

INFORMATION ABOUT THE EMPLOYEES OF THE GROUP

PERSONNEL

The Company's main asset is its employees who are the most important link to the achievement of Company's goals. Company's personnel policy is focused on the development of teamwork, constant progress in professional development and process efficiency, the

optimal use of work resources, training of qualified staff, and development of the Company's culture that empowers personal growth, cooperation, succession planning, and creates additional value for the company and its stakeholders.

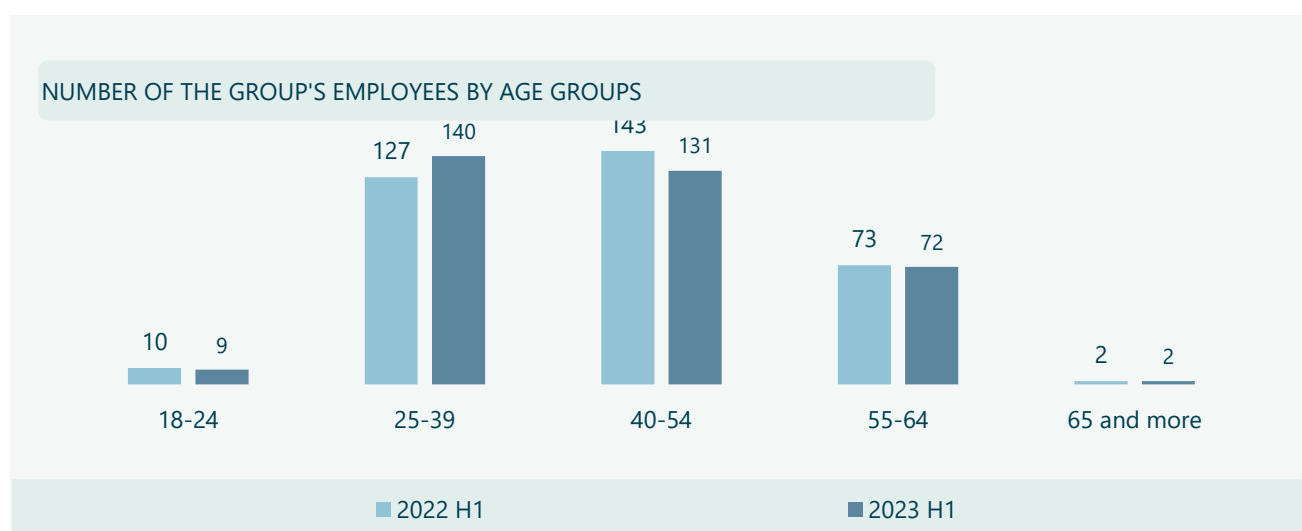
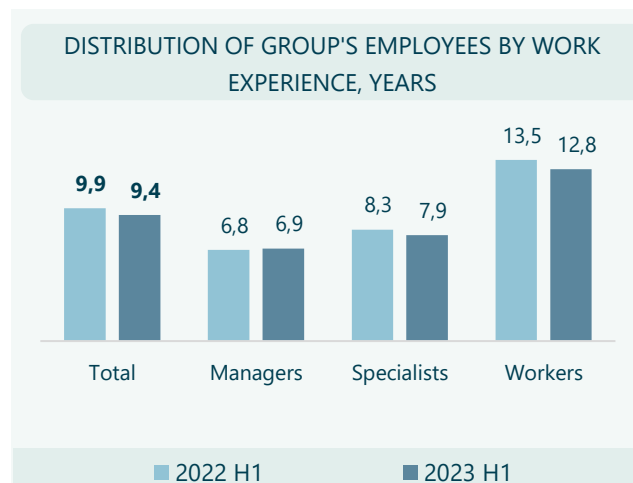
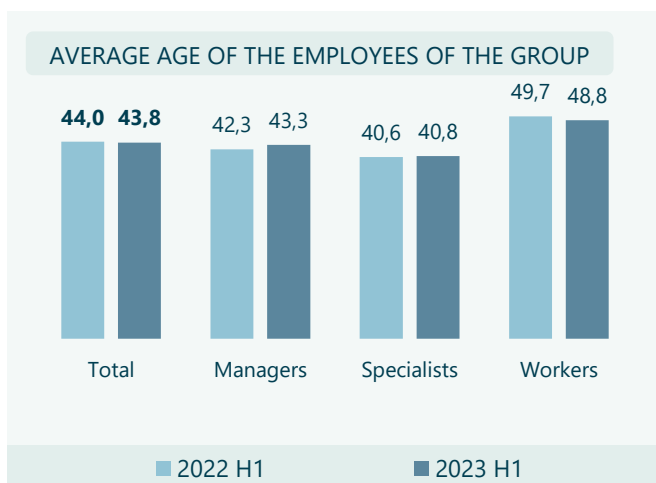
Number of the Group employees as of 30 June 2023:

	30-06-2023	30-06-2022	CHANGE, %
AB Klaipėdos nafta	326	326	-
UAB SGD terminalas	2	2	-
UAB SGD logistika	2	2	-
UAB SGD SPB	2	2	-
KN Acu Servicios de Terminal de GNL LTDA	22	23	(4.3)
Total	354	355	(0.3)
Remarks:			
- The number of employees does not include employees on maternity/paternity leave.			

The breakdown of the number of the Group and the Company employees by gender as of 30 June 2023:

	FEMALES	%	MALES	%
AB Klaipėdos nafta	82	25.2%	244	74.8%
UAB SGD terminalas	1	50.0%	1	50.0%
UAB SGD logistika	1	50.0%	1	50.0%
UAB SGD SPB	1	50.0%	1	50.0%
KN Acu Servicios de Terminal de GNL LTDA	5	22.7%	17	77.3%
Total	90	25.4%	264	74.6%

The average age of the Group's employees – 43.8 years. Detailed information about employees' age, work experience, and education is provided in figures below in years.



Education of the Group's employees by categories:

EMPLOYEE CATEGORY	EMPLOYEES ON 30-06-2023				EMPLOYEES ON 30-06-2022			
	UNIVERSITY	VOCATIONAL	SECONDARY AND OTHER		UNIVERSITY	VOCATIONAL	SECONDARY AND OTHER	
Managers ¹⁾	50	50	-	-	55	55	-	-
Specialists	188	173	8	7	176	163	6	7
Workers	116	23	33	60	124	25	28	71
Total	354	246	41	67	355	243	34	78

1) The managers of the Company include: Chief Executive Officer (CEO), Directors and Heads of Divisions

PAYROLL SYSTEM AND REMUNERATION POLICY

The Company seeks to create motivating, efficient, fair, transparent, and easy to understand compensation system which aims to attract, retain, and motivate employees whose skills and work results help the Company to successfully develop and implement its mission and achieve strategic business objectives. Therefore, in September of 2016 the Employee Remuneration Policy has been formed and approved. In September of 2017 the Procedure of Remuneration System Formation has been approved.

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

The goals of the Remuneration Policy are to:

- Establish clearly understandable, fair, and transparent procedures for the determination and payment of remuneration as well as the incentives of employees, aiming to ensure the Company's competitiveness in the labour market;
- Encourage the employees to achieve the objectives set in the corporate strategy, to create value added and increase the returns to shareholders while fostering the values of the Company.

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

The Company's remuneration system is based on job structure framework, created using the Hay Methodology

by determining the weight of each position (to ensure fair remuneration for work within the Company). The amount of the monthly remuneration for the position is determined by assessing the level of knowledge and work experience required to perform the functions of each position, the complexity of the functions, the degree of responsibility and management level, the impact / risk on the Company's performance, working conditions. In order to ensure the competitiveness of the remuneration of the Company's employees and to promote the achievement of results, the remuneration (fixed and variable remuneration components) focuses on the range of the 50th and 75th per centiles of the remuneration market of foreign capital companies operating in Lithuania. Employees in the same position can receive different monthly pay depending on qualifications, experience, capabilities, and functions and responsibilities assigned to the employee. The variable component is set according to the procedure laid down in the Remuneration Policy.

Employee's base salaries are usually reviewed once a year considering: Lithuanian labour market trends; the Company's performance results; The results of the evaluation of the Company's employees; demand – supply situation for jobs important to the company in the labour market.

In fourth quarter of 2022 a new Collegial advisory body to Supervisory Council has been established – the Remuneration and Nomination Committee.

Detailed information on the remuneration system of the Company's management is provided in 2022 AB Klaipėdos nafta Report on Remuneration.

The breakdown of employee related expenses (EUR thousand) of the Group:

	HY1 2023	HY1 2022	CHANGE, %
AB Klaipėdos nafta	6,566	5,852	12.2
UAB SGD terminalas	2	2	-
UAB SGD logistika	2	2	-
UAB SGD SPB	2	2	-
KN Acu Servicos de Terminal de GNL LTDA	387	519	(25.4)
Total	6,959	6,377	9.1

Employees according to categories:

EMPLOYEE CATEGORY	AVERAGE NUMBER OF EMPLOYEES					
	GROUP HY1 2023	GROUP HY1 2022	CHANGE, %	COMPANY HY1 2023	COMPANY HY1 2022	CHANGE, %
Managers ¹⁾	49	57	(14.0)	43	46	(6.5)
Specialists	185	182	1.6	165	161	2.5
Workers	117	125	(6.4)	117	125	(6.4)
Total	351	364	(3.6)	325	332	(2.1)

¹⁾ The managers of the Company include: Chief Executive Officer (CEO), Directors and Heads of Divisions

The Company's HY1 2023 average monthly salary of all employees is 14.1% higher compared to HY1 2022 (2023 – 3,094 EUR/month, 2022 – 2,711 EUR/month). Average monthly salary increased due to the paid out of 1.6 times higher annual bonus for annual results of the Company's/ the employee's performance; due to employee's base salaries review and increase.

EMPLOYEE CATEGORY	AVERAGE MONTHLY SALARY (GROSS), EUR					
	GROUP HY1 2023	GROUP HY1 2022	CHANGE, %	COMPANY HY1 2023	COMPANY HY1 2022	CHANGE, %
Managers ¹⁾	6,268	5,277	18.8	6,647	5,571	19.3
Specialists	2,937	2,569	14.3	3,078	2,690	14.4
Workers	1,925	1,741	10.6	1,925	1,741	10.6
Total	3,010	2,649	13.6	3,094	2,711	14.1

1) The Company's managers include: Chief Executive Officer (CEO), Directors and Heads of Divisions.
2) The average monthly salary is calculated according to the average monthly wage calculation procedure as stated in the State companies' employees' average monthly salary calculation procedure approved by the Government of Lithuania on 23 August 2002, resolution No. 1341 and its subsequent changes.

HY1 2023 average monthly salary (gross) of employees by gender, EUR:

EMPLOYEE CATEGORY	TOTAL	GROUP HY1 2023		COMPANY HY1 2023		
		MALE	FEMALE	TOTAL	MALE	FEMALE
Managers ¹⁾	6,268	6,292	6,201	6,647	6,821	6,201
Specialists	2,937	3,066	2,720	3,078	3,252	2,803
Workers	1,925	1,953	1,354	1,925	1,953	1,354
Total	3,010	2,974	3,121	3,094	3,057	3,205

1) The Company's managers include: Chief Executive Officer (CEO), Directors and Heads of Divisions.
2) The average monthly salary is calculated according to the average monthly wage calculation procedure as stated in the State companies' employees' average monthly salary calculation procedure approved by the Government of Lithuania on 23 August 2002, resolution No. 1341 and its subsequent changes.

EMPLOYEE PERFORMANCE EVALUATION AND ANNUAL BONUS ALLOCATION

The Company has implemented the procedures for annual employee performance evaluation and annual bonus allocation. These bonuses depend on the achievement of the goals set directly for the person, service director or for the Company. Annual employee performance review together with periodic and frequent one to one meetings throughout the year are one of the most effective management and leadership techniques that increase employee engagement and help to achieve the organizational goals. Such practice creates collaborative and positive relationships between managers and their subordinates that allow to make it clear

-employees while planning their careers, increasing their motivation, and promoting continuous improvement in their professional field.

Employees of all categories – workers, specialists, and managers – are assessed and rewarded annual bonus for achieving pre-set annual goals (WHAT) and evaluation on their compliance to Company's values (HOW). In 2020 implementation of Asaichi methodology being one of the

three LEAN tools initiated in the Company brought even better performance management when KPIs have been reviewed and actioned with personal accountability daily. Annual performance review meetings, on the other hand, allow to reflect on the entire year through the lens of competence development, safety-minded behaviour, learning opportunities, career-advancement, and aspirations.

EMPLOYEE SELECTION AND RECRUITMENT

The Teamtaylor platform (Applicant tracking system) was implemented to ensure a more efficient recruitment of employees as well as more convenient tool for hirings managers. Since April 2020 the Company implemented Employee Selection and Recruitment procedure whose purpose is to standardize the employee selection process and ensure efficient and effective procedures for organizing the selection of KN personnel (employees and trainees) in order to successfully achieve the objectives of KN – to select employees who recognize the values of KN and have the greatest potential to achieve the objectives set for them.

In order to ensure that the objectives set out in KN's strategy are met, an assessment and planning of staffing needs is carried out. Each year management of the Company draws up a staffing plan for the upcoming year. The plan takes into account the workload of staff, the need for new positions (due to organizational changes or legal requirements), staff mobility (transition from one staff position to another) and natural change (retirement, parental leave, etc). The main steps of the recruitment process include the evaluation of need for employee, determination of required competencies, search and attraction of potential candidates, job interviews, final decision, and preparation of the offer.

PRINCIPLES OF EMPLOYEE COMPETENCE DEVELOPMENT

KN education system is designed to promote the development of employees both independently and through the learning processes of strategically important knowledge and skills that are part of the curricula. All employees are given the opportunity to participate in the programs. The implementation of KN education system is based on 6 principles: link with business strategy, cooperation between departments, identification of needs based on assessment of employees' competencies, measurement of learning effectiveness, integration of education with other processes and selection of appropriate educational tools.

In 2022 no less than 15% of annual learning and development budget was allocated to fund employees with various formal studies at different universities.

For the last three years Company conducts 360-degree feedback study for managers. Following the method, KN Managers receive feedback on their behaviour according to the Company's values and leadership competencies from people who work with them. Based on survey results Managers create their Personal development plans and thus grow to be even better leaders for their teams. In 2022 KN leadership standard training was conducted for new managers. Also, in 2022 the Company focused on development of sales and negotiation, project management competencies and cooperation between departments to improve the focus on the client.

RISK FACTORS AND RISK MANAGEMENT

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

The Audit Committee reviews financial reporting process as well as audit execution process and oversees internal control environment, risk management and internal audit framework.

In 2022 the Company developed a risk methodology defining risk management processes in the organization. For internal ranking purposes, the Company has an extensive risk ranking methodology; for communication purposes, below, we provide a simplified version.

Risk probability:

Low – there should be several events for risk to materialize.

Medium – there is 50% chance of risk to materialize.

High – almost certain that risk will materialize in 3-year period.

Risk impact:

Low – risk could have impact to operations without impact to yearly plans.

Medium – risk could have impact to company's short-term- plans implementation.

High – risk could have major impact to company's strategy implementation.

Risk level:

Low – risk managed if cost of management does not outweigh possible impact.

Medium – in most cases risk managed or monitored, but there could be decision to monitor risk.

High – risk actively managed with possible exception made by the Board (In some cases strategy review process could be initiated to reduce level of risk).

Risk matrix

	Medium	High	High
Impact	Low	Medium	High
	Low	Low	Medium
	Probability		

COMMENTS ON THE RISK CATEGORIES OF THE GROUP AND THE COMPANY ARE PROVIDED BELOW:

Risk No 1. Business risk – client concentration risk

Risk impact: **High**

Risk probability: **Low**

Risk level: **Medium**

The Company works with several big clients in the area of oil products transshipment. One of the clients contributes a significant portion of oil product transshipment via operated oil terminals and income flows.

The Company continuously looks for other potential clients, flows of shipments and alternative activities. Also, the Company reviews existing expenses and constantly searches for costs optimization possibilities.

The Company is striving to manage its business risks by diversifying its income sources and widening the range of services, communicating and cooperating with potential clients, who are interested in blending services, storage

and transshipment of petrochemical products such as monoethylene glycol, ethanol, methanol and loading of new product bitumen. The Company also operates liquefied natural gas (LNG) terminal, consults and participates in international investment projects related with the development of LNG terminals, provides small scale- LNG services.

During 2020 political risk materialized, and one of the largest clients BNK (UK) Limited, which belongs to the largest exporters of Belarusian oil products – ZAT Belaruskaja neftenaja kompanija, announced a temporary suspension of transshipment. Moreover, starting from 24th June 2021, sanctions on Belarus were introduced by Council Regulation (EU) 2021/1030 – no more transit of oil product flows from Belarus are possible and are not expected in the future. Due to these external operational risks, KN will have to implement long-term strategic decisions to adapt to new geopolitical circumstances. Consequently, a long-term 2050 corporate strategy has been prepared.

Risk No 2. Operational risk – major incidents causing environmental and infrastructure damage.

Risk impact: Medium

Risk probability: Medium

Risk level: Medium

Operational risk is considered as risk directly related to the increase of losses caused by external factors (for example, natural disasters, illegal acts of third parties, and others) or internal factors (for example, ineffective activity and management, improper and inadequate utilization of funds, internal control deficiencies, ineffective procedures, human error, malfunctions of information systems, cyber security control gaps, unduly allocation of functions or responsibilities, and other).

Due to the nature of high-risk activities, risk could not be considered low impact.

To manage the internal operational risk, the Company implemented required organizational measures and procedures and information systems to support business processes that ensure the proper functioning of the internal control system and duly cooperation with the third parties concerned. The Company applies the following means of internal control: separation of decision-making and controlling functions, management of transactions and accountancy, limitation of decision-making powers and authority of their execution, collegial decision-making in crucial issues, and other.

In addition, KN constantly updates and reviews its insurance program in order to ensure loss minimization in case of an accident.

Internal operational risk management is significantly influenced by the standards implemented and maintained in the Company – Quality ISO 9001:2015, Environmental Protection ISO 14001:2015, Occupational Health and Safety ISO 45001:2018. These standards impose requirements for the control of processes according to the most significant risks and management system audits, which ensure that the described rules and procedures operate in practice.

The Company strives to minimize legal compliance risk and ensure its operations are compliant with the applicable legal requirements and standards. Infrastructure, as well as management and safety processes, cooperation with the third parties, and control system, has been positively evaluated by the representatives of potential clients of the terminals.

KN has established a compliance function to manage operational risks better and periodically updates its compliance status.

Risk No 3. Reputational damage to Company's name

Risk impact: Medium

Risk probability: Medium

Risk level: Medium

KN values and considers its reputation in various areas: external public perception, stakeholder and internal reputation as an employer. The Company pays special attention to the stakeholders. It openly provides information to institutions, public organizations and the general society and has been focusing on strengthening relations with communities for years.

The Company is also involved in educational initiatives, such as hosting company tours at the KN Oil terminal for students and pupils, presenting its operations and providing knowledge related to petroleum products, logistics, laboratory work, and other.

KN's reputation highly depends on the public's perception of the LNG terminal's economic value to the state of Lithuania. Therefore, the Company constantly performs public perception analyses and, in 2022, noticed a significant improvement in favourable public opinion influenced by geopolitical events. Regarding the Company's general perception, no critical events could impact reputation in the long term.

Risk No 4. Cyber risk

Risk impact: **High**

Risk probability: **Medium**

Risk level: **High**

Cyber risk refers to the potential for unauthorized access, use, disclosure, disruption, modification, or destruction of information and systems by cybercriminals or malicious actors. Due to the geopolitical situation company initiated additional measures to strengthen detection and recovery capabilities.

The company's regular activities include vulnerability management, conducting regular security assessments and penetration testing, and providing employee training on the best practices of cybersecurity.

Risk No 5. Fraud prevention

Risk impact: **Medium**

Risk probability: **Low**

Risk level: **Low**

The Company pays substantial attention to minimizing corruption risk and implements relevant internal processes. In 2022, KN was involved in the project "Skaidrumo Akademija", initiated by the President of the Republic of Lithuania (organiser – Special Investigation Service of the Republic of Lithuania). Participation in this project aims to introduce additional and improved existing measures to prevent corruption in KN. KN will no longer participate in further periods as KN made sufficient improvement according to the methodology.

One of the instruments for the prevention of infringements is the Whistleblowing channel, which is open to all natural persons and legal entities: both existing and former KN employees, former and potential KN clients, contractors, suppliers, and the community. It provides a possibility to inform the collegial managing bodies of KN directly.

Risk No 6. Environmental risk

Risk impact: **Medium**

Risk probability: **Low**

Risk level: **Low**

In 2023, the Company continued to engage actively with representatives of neighbouring communities, holding

meetings to present ongoing Environmental Action Plan's progress and respond to relevant questions of concern to communities. KN also openly shares environmental data with the public – the KN website provides ecological monitoring data of Klaipeda Oil Terminal and information on the progress of the environmental action plan. With a consistent focus on the environment and open dialogue with communities, KN has achieved a steady annual decline in requests from communities and institutions on environmental issues, with 0 request in 2023 and 4 requests received in 2022, compared to 18 in 2020 and 12 in 2021.

Risk No 7. Project risk

Risk impact: **Medium**

Risk probability: **Low**

Risk level: **Low**

Investment project management is an integral part of the Company's business. To effectively manage projects, KN initiated the implementation of the project management methodology and project monitoring according to the PRINCE2 standard. From 2023 all projects of the company were initiated following new project management and control standards.

The Company is looking for opportunities in international LNG investment projects. Also, the Company is involved in analysing and searching of carbon capture and storage technologies and actively participating in developing of hydrogen platform technologies. To attain the economic value that investment projects are supposed to generate, it is vital to ensure that the projects are implemented within the defined budget and timeframe. The Company's Board has set a 10% tolerance limit for deviations; therefore, the Company's management constantly monitors the implementation statuses of the critical projects, related risks, and their mitigation measures.

Risk No 8. Foreign Exchange Rate Risks

Risk impact: **Low**

Risk probability: **Medium**

Risk level: **Low**

Due to the specifics of the business, the Group and the Company are exposed to the risk of EUR/USD foreign exchange rate fluctuations due to FSRU lease payments in US dollars and to the risk of EUR/BRL foreign exchange rate due to activity of subsidiary KN Acu in Brazil. Whereas NERC compensates FSRU lease payments as to regulated

activity principles, the impact is considered low. KN Acu's exposure to currency risk is also regarded as low due to insignificant related transaction amounts.

Risk No 9. Credit Risks

Risk impact: Medium

Risk probability: Low

Risk level: Medium

Possible credit risk of the Group's and the Company's customers is managed by continuous monitoring of outstanding balances. The Group's and the Company's procedures are in force to ensure on a permanent basis that services are provided to reliable customers and do not exceed an acceptable credit exposure limit. The Company trades only with reputable third parties, collateral is not required.

Risk No 10. Interest Risks

Risk impact: Medium

Risk probability: Low

Risk level: Medium

The Group's and the Company's income and operating cash flows are influenced by changes in market interest rates, which are linked to EURIBOR base. Overall, 44% of the loan portfolio is exposed to floating interest rate risk; no hedging derivative instruments were used. Thus, such standing has implications to financial results.

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

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

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

Risk No 11. Liquidity Risks

Risk impact: Medium

Risk probability: Low

Risk level: Medium

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

The Group's gross liquidity (APM) as of 30 June 2023 was 1.29 (1.22 as of 30 June 2021).

The Group's and Company's objective is to maintain a balance between continuity of funding and flexibility. The Group's and the Company's activities generate enough cash; therefore, the Management's primary responsibility is to monitor that the Company's liquidity ratio is close to or higher than 1.

MANAGEMENT OF THE COMPANY

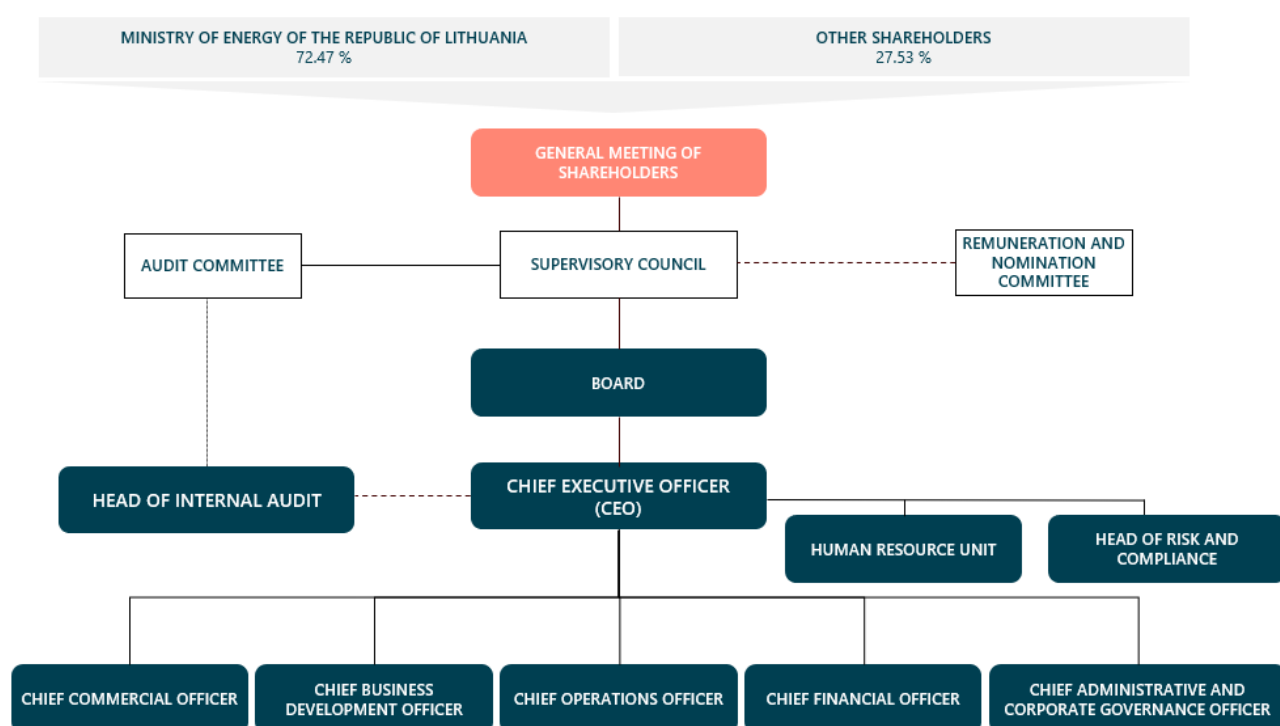
MANAGEMENT STRUCTURE

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

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

- The General Meeting of Shareholders
- The Supervisory Council
- The Board
- Chief Executive Officer (CEO, General Manager)

ORGANIZATIONAL AND MANAGEMENT STRUCTURE OF THE COMPANY:



The **General Meeting of Shareholders** is the supreme management body of the Company. Competences of the General Meeting of Shareholders of the Company, Shareholders' rights, their implementation are identified in the Law on Stock Companies and in the Article of Association of the Company.

The Company's CEO or authorised Head of any other department of the Company always participates in the Shareholders Meetings while the member of the Supervisory Council and the CFO participate depending on the questions addressed.

In the last ordinary general meeting of Shareholders of the Company the following representatives of the

Company took part: Company's CEO, Chairman of the Supervisory Council, Chairman of the Board, Chief Administrative and Corporate Governance Officer, Head of the Legal Unit, Chief Financial Officer.

The **Supervisory Council** is a collegial supervisory body which consists of 3 (three) members (at least 2 (two) being independent), elected for the period of four years in the General Meeting of Shareholders according to the procedure established by the Law on Stock Companies. The number of the terms of office a member may serve on the Supervisory Council is not limited. The Supervisory Council is a collegial body supervising the activities of the Company, its status, competence, and functions have been defined by the Law on Stock Companies and the

Articles of Association of the Company. Functions, rights and duties of the Supervisory Council are detailed in the Rules of Procedure of the Supervisory Council. The Supervisory Council by its decision has formed an **Audit Committee**, which consists of 3 (three) members elected for the office term of the Supervisory Council. The Regulation of the Audit Committee of AB Klaipėdos nafta, approved by the Company's Supervisory Council, regulate functions, rights, and duties of the Audit Committee. The key responsibilities of the Committee are to assist the Supervisory Council in fulfilling its oversight responsibilities in relation to financial reporting, the effectiveness of the system of risk management and internal control, monitoring the independence of both the internal and external auditors and assessing their performance and effectiveness. The Company's head of internal audit is functionally subordinate to the Audit Committee and administratively subordinated to the CEO. By the decision of the Supervisory Council of the Company the members of Audit committee have been elected until the end of office of the current Supervisory Council. The Audit Committee is composed of 3 members, of which 1 is independent and 2 are delegated members of the Supervisory Council. The members are appointed until the end of the term of office of the current Supervisory Council.

The Supervisory Council by its decision has formed Remuneration and Nomination **Committee**, which consists of 3 (three) members, elected for the office term of the Supervisory Council. The Regulation of the Remuneration and Nomination Committee of

AB Klaipėdos nafta, approved by the Company's Supervisory Council, regulate functions, rights, and duties of the Remuneration and Nomination Committee. The Remuneration and Nomination Committee acts as an advisory body to the Company's Supervisory Council, making recommendations on the Company's remuneration policy, proposing to the Company the criteria for assessing the performance of its executives, and making other recommendations relating to remuneration. The Remuneration and Nomination Committee is composed of 3 members, of which 1 is independent and 2 are delegated members of the Supervisory Council. The members are appointed until the end of the term of office of the current Supervisory Council.

The Board is a collegial management body of the Company consisting of 5 (five) members, who are elected by the Supervisory Council for the period of 4 (four) years with the requirement that at least 3 (three) members are independent. The number of the terms of office a member may serve on the Board is not limited. The mandate of the Board members has been determined by the Law on Companies and the Articles of Association of the Company.

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

SUPERVISORY COUNCIL

NAME	POSITION IN THE COMPANY	THE INDEPENDENCE CRITERIA	CADENCE COMMENCEMENT DATE
Robertas Vyšniauskas	Chairman of the Supervisory Council	Independent	From the 20 October 2022
Dovilė Kavaliauskienė	Member of the Supervisory Council	-	From the 20 October 2022
Mantas Šukevičius	Member of the Supervisory Council	Independent	From the 20 October 2022

AUDIT COMMITTEE

NAME	POSITION IN THE COMPANY	THE INDEPENDENCE CRITERIA	CADENCE COMMENCEMENT DATE
Šarūnas Radavičius	Chairperson of the Audit Committee	Independent	From 22 February 2023
Robertas Vyšniauskas	Member of Audit Committee	Independent	From the 24 November 2022
Mantas Šukevičius	Member of Audit Committee	Independent	From the 24 November 2022

REMUNERATION AND NOMINATION COMMITTEE

NAME	POSITION IN THE COMPANY	THE INDEPENDENCE CRITERIA	CADENCE COMMENCEMENT DATE
Živilė Valeišienė	Chairperson of the Remuneration and Nomination Committee	Independent	From 22 February 2023
Dovilė Kavaliauskienė	Member of the Remuneration and Nomination Committee	-	From the 24 November 2022
Robertas Vyšniauskas	Member of the Remuneration and Nomination Committee	Independent	From the 24 November 2022

BOARD OF THE COMPANY

NAME	POSITION IN THE COMPANY	THE INDEPENDENCE CRITERIA	BOARD MEMBER FROM THE DATE
Edvinas Katilius	Chairman of the Board	Independent	From 2 February 2022
Guy Mason	Member of the Board	Independent	From the 1 December 2021
Alfonso Morriello	Member of the Board	Independent	From 25 April 2022
Jūratė Lingienė	Member of the Board	Independent	From 25 April 2022
Karolis Švaikauskas	Member of the Board	-	From 12 May 2022

OTHER INFORMATION

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

of Association can be made by the General Meeting of Shareholders.

TRANSACTIONS WITH RELATED PARTIES

The Company did not have any transactions or agreements with the members of its Supervisory Council and the Board. More information regarding transactions with related Parties is presented in the [Explanatory note](#) to the Company's financial statements for the 6 months of 2023. During 6 months of 2023 there were no changes

in type of transactions with related parties, which could have made impact on the financial activity of the Group and the Company. All transactions with the related parties have been performed under market conditions (following the arm's length principle).

PARTICIPATION IN ASSOCIATIONS

The Company has been acting as a member of the following associations as of the end of the year:

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

- Lithuanian LNG cluster, www.lngcluster.eu
- Lithuanian Shipowners Association, www.lisa.lt
- Lithuanian Hydrogen Platform
- LNG platform, www.sgdplatforma.lt
- Baltic Innovation Hub, <https://baltictechpark.com>
- The American Chamber of Commerce in Lithuania, www.amcham.lt
- Klaipėda Association of Industrialists, www.kpa.lt

INFORMATION ABOUT THE AUDIT

30th April 2021. Extraordinary General Meeting of Shareholders of the Company adopted the following resolutions: UAB KPMG Baltics has been elected as an auditor for the Financial Statements and Regulated Activities Statements of the Company and assessment of its Annual Report for the years 2021 and 2022. The shareholders authorized the General Manager of the Company to conclude the Agreement for provision of 2 years auditing services (financial audit of both the Company and the subsidiary KN Acu Servicios de Terminal

de GNL LTDA, and the regulated natural gas activity report) for total amount of EUR 164 thousand (excl. VAT). UAB Ernst & Young Baltic performed the audit for the years 2014-2018. UAB KPMG Baltics performed the audit for the years 2008-2013, 2019-2020.

The proposal regarding approval of the audit company is provided by the Board of the Company to the General Meeting of Shareholders based on the public procurement procedures.