

SC KLAIPĖDOS NAFTA
INTERIM REPORT FOR THE THREE MONTHS PERIOD ENDED 31 March 2014



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Abbreviations:

LNGT – Liquefied Natural Gas Terminal;

LNG – Liquefied Natural Gas;

SFS - Subacius fuel storage;

NCECP – National Commission for Energy Control and Prices;

HFO – heavy oil products;

LFO - light oil products.

- On 19 February 2014 in Hyundai Heavy Industries Co. Ltd shipyard (Ulsan, South Korea) was held an official naming ceremony for a new building LNG floating storage regasification unit (FSRU). The ceremony was attended by President Dalia Grybauskaitė of Lithuania; FSRU was named „Independence“ representing the energy independence and security of Lithuania.
- On 28 March 2014 the Extra Extraordinary General Meeting of Shareholders of Klaipėdos Nafta AB approved that part of the rights and obligations vested in Höegh LNG Ltd. under the Agreement on the Lease, Operation, and Maintenance (Repair) of the Liquefied Natural Gas Floating Storage and Regasification Unit (FSRU) with the FSRU Purchase Right shall be assigned to Hoegh LNG Klaipėda. The Novation Agreement was concluded on 11 April 2014.
- On 11 April 2014 the National Commission for Energy Control and Prices (hereinafter, the NCECP) decided to approve the Rules for Use of the Liquefied Natural Gas Terminal, which establish the procedure and conditions of use of the liquefied natural gas (hereinafter, LNG) terminal, requirements for persons that intend to use the LNG terminal, their rights, duties and liability, as well as other special requirements, related to the activities of the LNG terminal and its use for bringing LNG and unloading it to the LNG terminal, regasifying LNG and delivering it to the natural gas transmission system or transshipping it into LNG carriers.

- On 29 April the Annual General meeting of shareholders approved the audited financial statements for the year 2013 and approved appropriation of the profit for the same period where decided to pay dividends for the shareholders amounting LTL 0.0009366255 per share (total allocated amount for the dividends comprise 356.485 Litas).
- On 29 April 2014 the Supervisory Council of Klaipėdos nafta renewed the mandate of the acting Board of Klaipėdos nafta, AB, consisting of the following Board Members - Valdas Lastauskas, Rokas Masiulis, Rytis Ambrazevičius and Mindaugas Jusius, for the term set forth within the Bylaws of the Company (4 years) or until the time, when the new Board is elected and starts acting. The Board members, Rytis Ambrazevičius and Mindaugas Jusius, are to be considered the independent Members of the Board. The Board member, Rokas Masiulis, is also the General Manager of Klaipėdos nafta, AB.
- 30 April 2014 the Company has announced the first of liquefied natural gas (hereinafter, LNG) terminal capacities allocation procedure and an invitation for the potential users of LNG terminal to submit their requests for allocation of LNG terminal capacities according to the conditions specified in the invitation.

Klaipėdos nafta

Appointed by the Government of Lithuania on July 10, 2010
for LNG Terminal Project implementation

Oil transshipment terminal



LNG Terminal



Details about the company



Name of the Company:	AB Klaipėdos Nafta
Authorized share capital:	380.606.184 Litas
Date and place of registration:	27 September 1994, State Enterprise Centre of Registers
Company code:	110648893
Address:	Burių g. 19, 91003 Klaipėda
Telephone numbers:	+370 46 391772
Fax numbers:	+370 46 311399
E-mail address:	info@oil.lt
Internet site:	www.oil.lt , www.sgd.lt

- Major part of shares is owned by the Republic of Lithuania (72,32%);
- Company's oil terminal - one of the most modern Oil Terminals in Europe and the only one in Lithuania;
- Annual throughput capacity of 9 million tons export/import oil products and crude oil;
- Main clients – Lithuanian oil refinery “Orlen Lietuva” taking up to 60% of terminal capacities with long term contract (up to 2024);
- All main events concerning the Company are published on the website of the Company www.oil.lt, www.sgd.lt and in AB NASDAQ OMX AB Vilnius Stock Exchange (www.nasdaqomxbaltic.com).



Railway

- 2 tracks for light oil products (total 60 tank-cars)
- 2 tracks for heavy oil products (total 62 tank-cars)
- One of the track is universal: can load both HFO and LFO
- Two four-track railway trestles provide a possibility to discharge or load 124 tank-cars simultaneously.



Storage tank farm

- Total 30 tanks
- ~450 cub. m thousand total volume (Subaciaus FS ~340 cub. m thousand)

Biological Waste Water Treatment Facilities

- Waste water collected and treated annually up to 400 cub. m thousand or 160 m³/h



2 Jetties

- Depth: 14 m
- Harbour entrance depth: 14.5 m
- Length: 270 each
- Tanker batch: up to 100,000 t with 12.5 m depth



Road tanker loading

- A service to those businessmen who intend to import gasoline and diesel oil to satisfy the Lithuanian market needs
- Number of loading points - 4

EXPORT



- Delivery by rail-cars



- Temporary storage



- Tankers loading

IMPORT

- Reverse process to the export
- Loading possibility to railway-cars or auto-tankers



OTHER

- Collecting waste (oily water) from vessels
- Tankers mooring
- Long term rent of storage tankers (Subaciaus FS)

	Q1 2014	Q1 2013	Change (%)
Transshipment of oil products (net, thousand tons):	1,136	2,136	(46.8%)
HFO	710	1,236	(42.6%)
LFO	426	900	(52.6%)
Transshipment of oil products market (net, thousand tons):	1,136	2,136	(46.8%)
<i>Export(Orlen Lietuva, AB)</i>	697	1,379	(49.5%)
<i>Transit (oil refineries of Russia and Belarus)</i>	417	741	(43.7%)
<i>Kita</i>	22	16	37.5%
Investments (PP&E acquisitions) (LTL thousand)	32,004	5,669	464.5%
<i>Oil terminal</i>	2,940	4,431	(33.7%)
<i>Liquefied natural gas terminal</i>	29,064	1,238	2248.3%
Number of employees	384	361	6.4%
Oil terminal	312	310	0.6%
Liquefied natural gas terminal	42	21	100.0%
Subaciaus fuel storage	30	30	-

Comments:

The transshipment volume in the 1st quarter of 2013 was the largest (record) in the history of the Company.

The transshipment activity in the 1st quarter of 2014 was lower comparing to the same period of 2013:

- Orlen Lietuva, AB reduced the refinery because of unfavorable global oil refining margins and correspondingly the export through the terminal of the Company;
- The transit oil products from Russian and Belorussian refineries has reduced in 2014 comparing to 2013 because of increased competition of the Russian ports.

Main results of financial activities

(LTL thousand)	Q1 2014	Q1 2013	Change (%)
Sales revenue	30,882	42,153	(26.7%)
Gross profit	11,560	18,286	(36.8%)
EBITDA	14,406	21,526	(33.1%)
EBITDA margin	46.6%	51.1%	(8.7%)
Financial and investment activities result	57	128	(55.5%)
Profit before taxation	8,146	15,486	(47.4%)
Net profit	6,895	13,207	(47.8%)
Net profit margin	22.3%	31.3%	(28.7%)
	Q1 2014	2013-12-31	
Non-current assets	545,040	523,681	4.1%
Current assets	135,345	152,153	(11.1%)
Total assets	680,384	675,834	0.7%
Shareholders' equity	578,546	571,651	1.2%

Comments:

The net profit of the 1st quarter of 2014 comparing to the same period of 2013 reduced 47.8% of Litas 6,312 thousand.

The main negative factors for the change in the net profit in the 1st quarter of 2014:

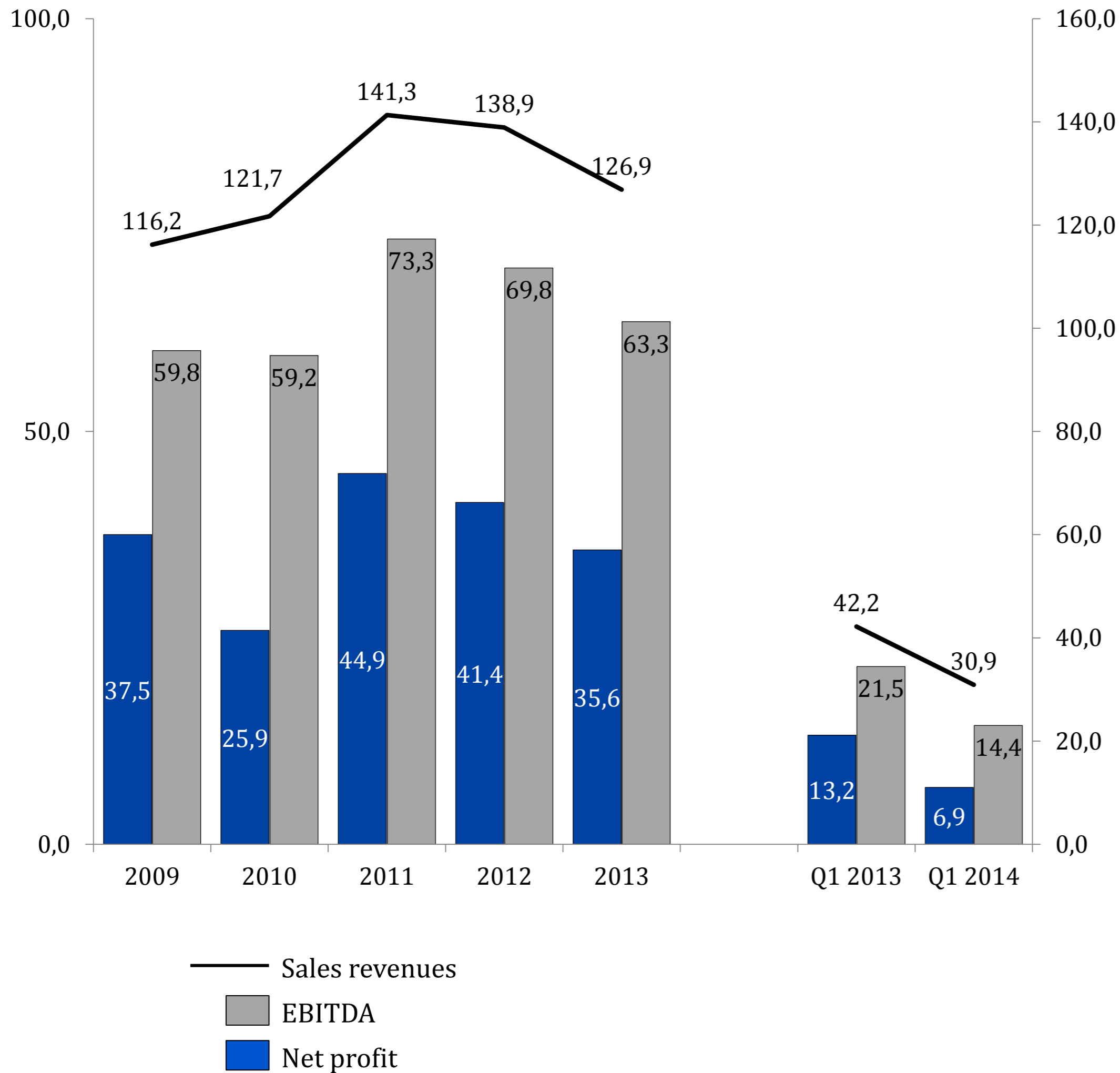
- LTL 10,955 thousand lower revenue of oil products transshipment because of reduced transshipment volume;
- LTL 316 thousand lower revenues from the other activities related with the transshipment;
- LTL 584 other factors.

The main positive factors for the change in the net profit in the 1st quarter of 2014:

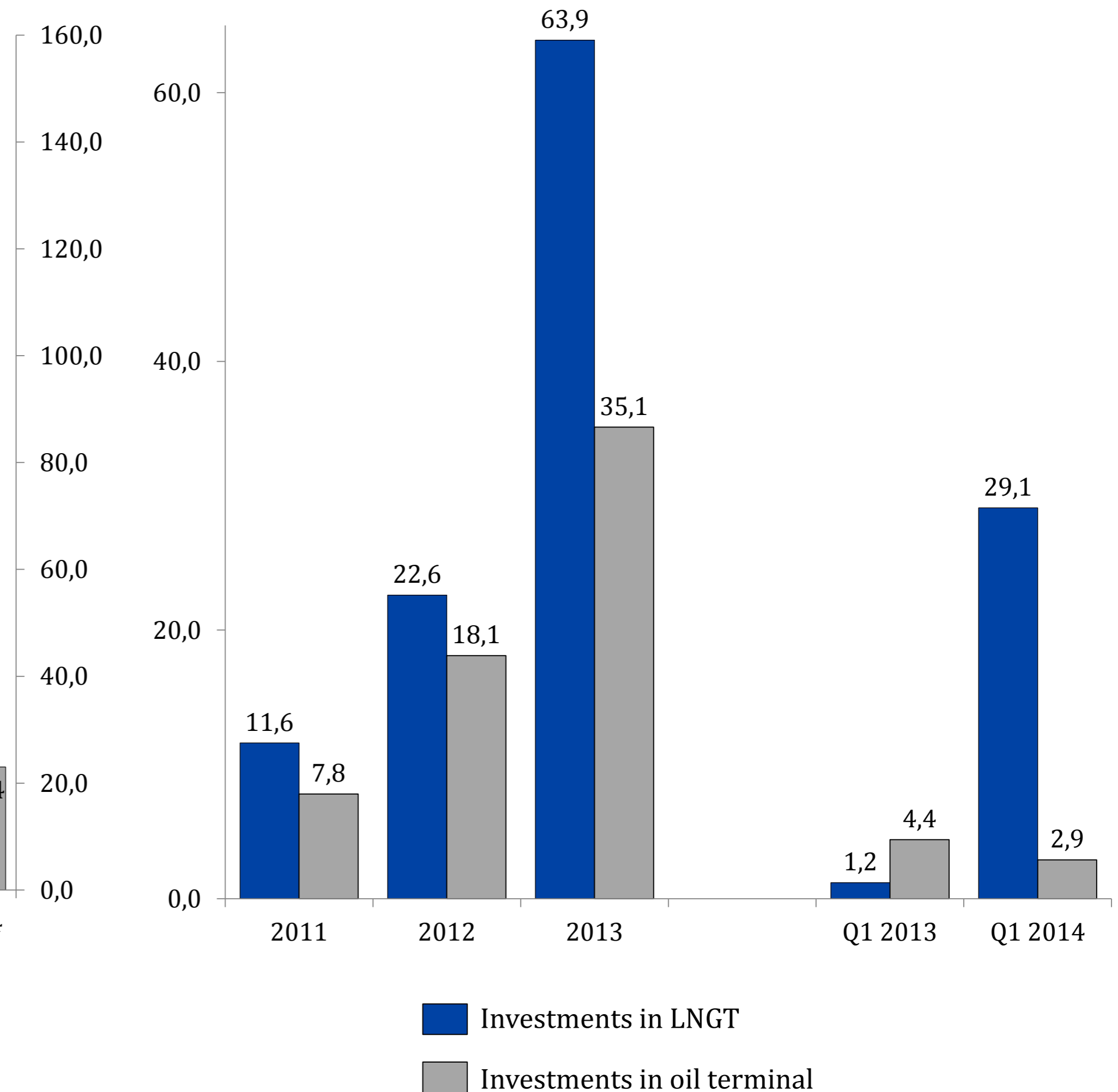
- LTL 4,514 thousand lower cost of transshipment resulted from lower quantity of oil products and more efficient use of the resources;
- LTL 1,029 lower income tax.

Main results of financial activities

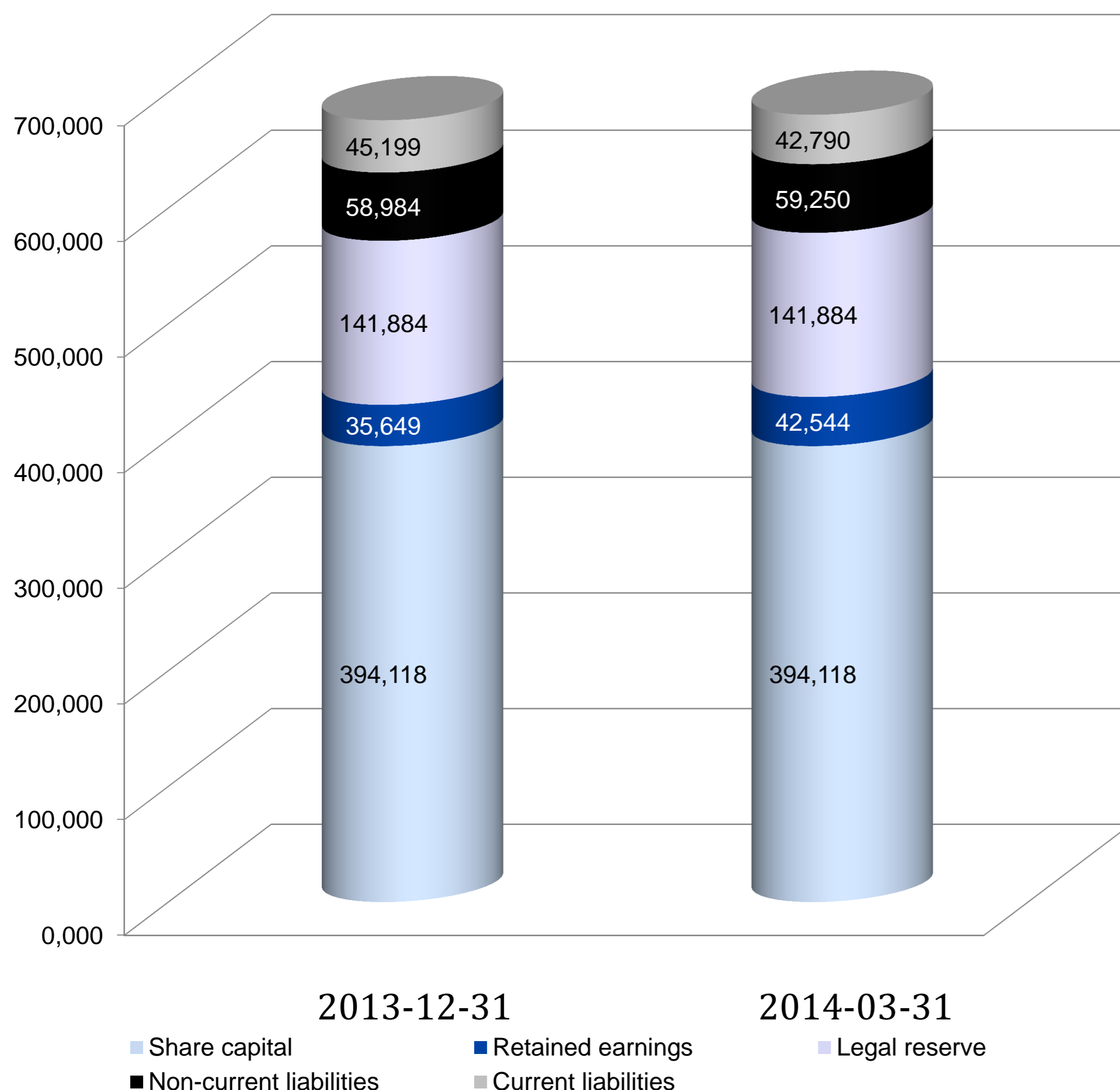
REVENUES, EBITDA, NET PROFIT (LTL MILLION)



INVESTMENTS (LTL MILLION)



Main results of financial activities - Equity and Liabilities (LTL million)



Comments:

- **Shareholders' equity** amounted to LTL 394.1 million or 57.9 % of the total assets (31-03-2014)
- **Non-current liabilities** comprise LTL 141.9 million where borrowings balance from EIB amounts to LTL 51.2 million.
- Debt ratio- 0.15
- Gross liquidity ratio (current ratio)- 3.17

The LNG terminal in Lithuania

Impact



Third party access will spur competition

The terminal will help to **diversify** energy sources

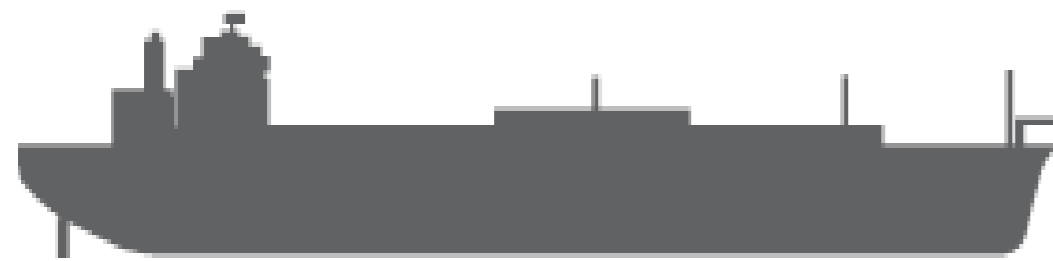
Ensures **security** of energy supply

Import prices will reflect the **global** market price level

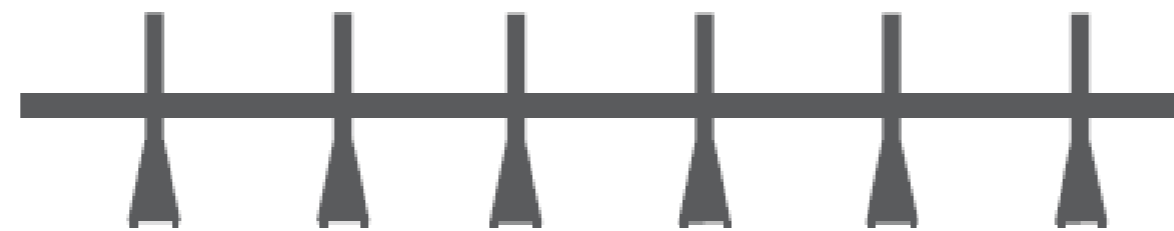
The LNG terminal in Lithuania

Project Ingredients

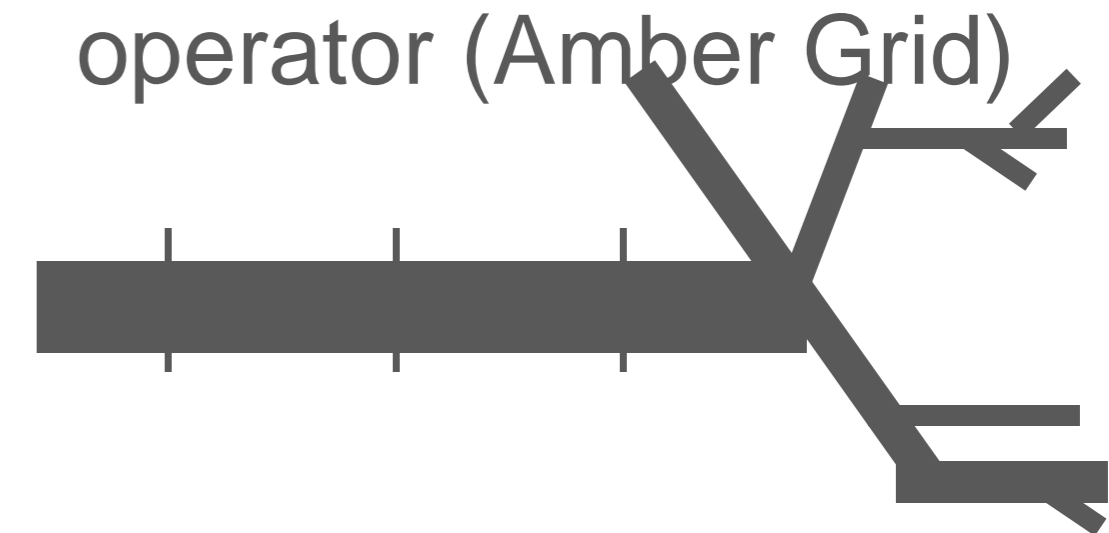
1. Floating Storage and Regasification Unit (FSRU)



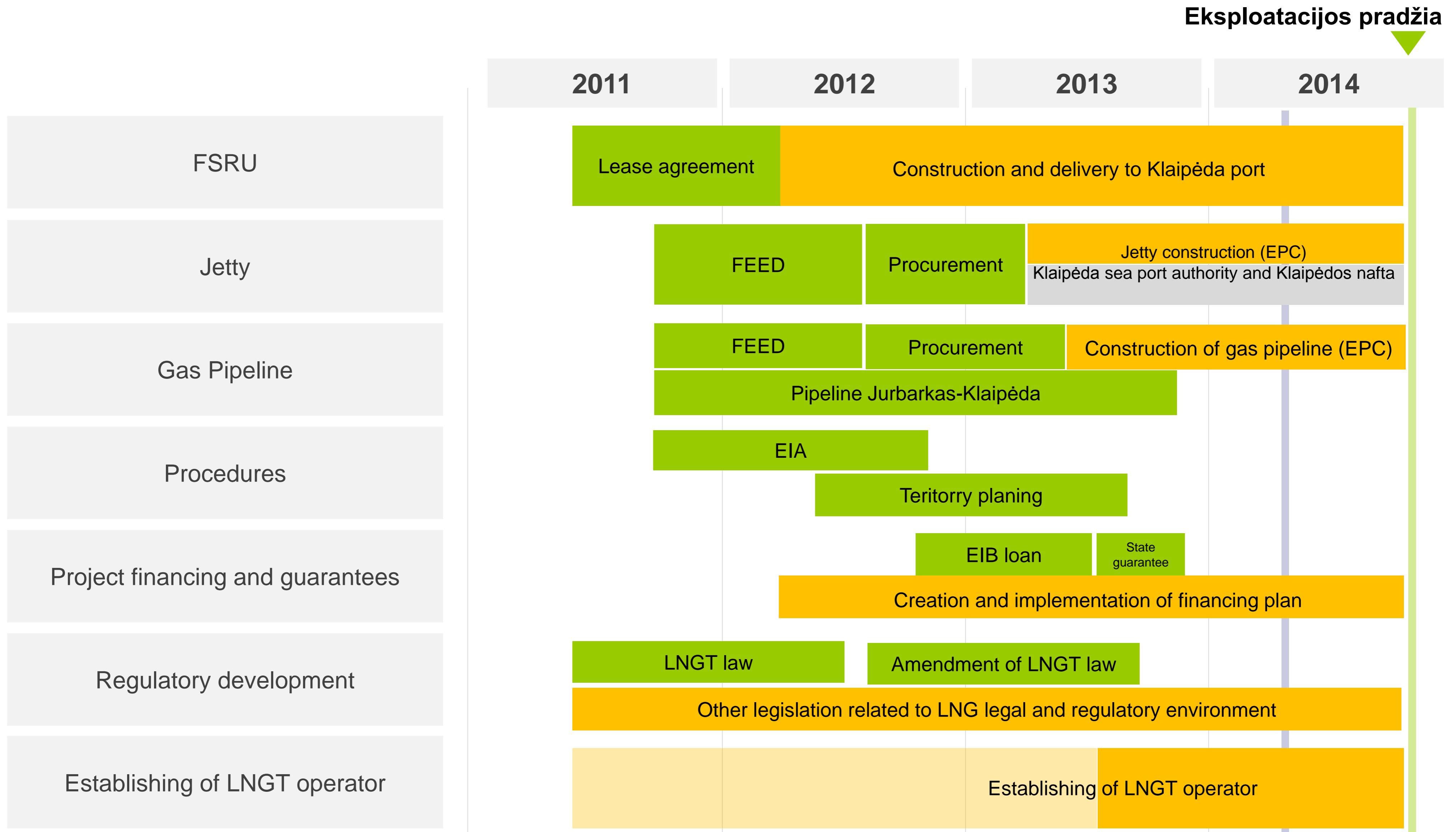
2. 450 m long jetty



3. 18 km long connection to the gas transmission operator (Amber Grid)



Project schedule



The shareholders having more than 5% of the authorized capital of the Company as at 31 March 2014 and at 31 December 2013:

Shareholder's name (company's name, address, company code of registration)	31 March 2014		31 December 2013	
	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 (Gedimino pr. 38/2, Vilnius, 302308327)	275,241,290	72.32	275,241,290	72.32
Concern Achemos grupė UAB (Jonalaukis village, Jonava district, 156673480)	38,975,150	10.24	38,975,150	10.24
Other (each owning less than 5%)	66,389,744	17.44	66,389,744	17.44
Total	380,606,184	100.00	380,606,184	100.00

- 29 April 2014 General meeting of shareholders approved the payment of dividends for the shareholders amounting LTL 0.0009366255 per share (total amount allocated for the dividends comprise 356.485 LTL).

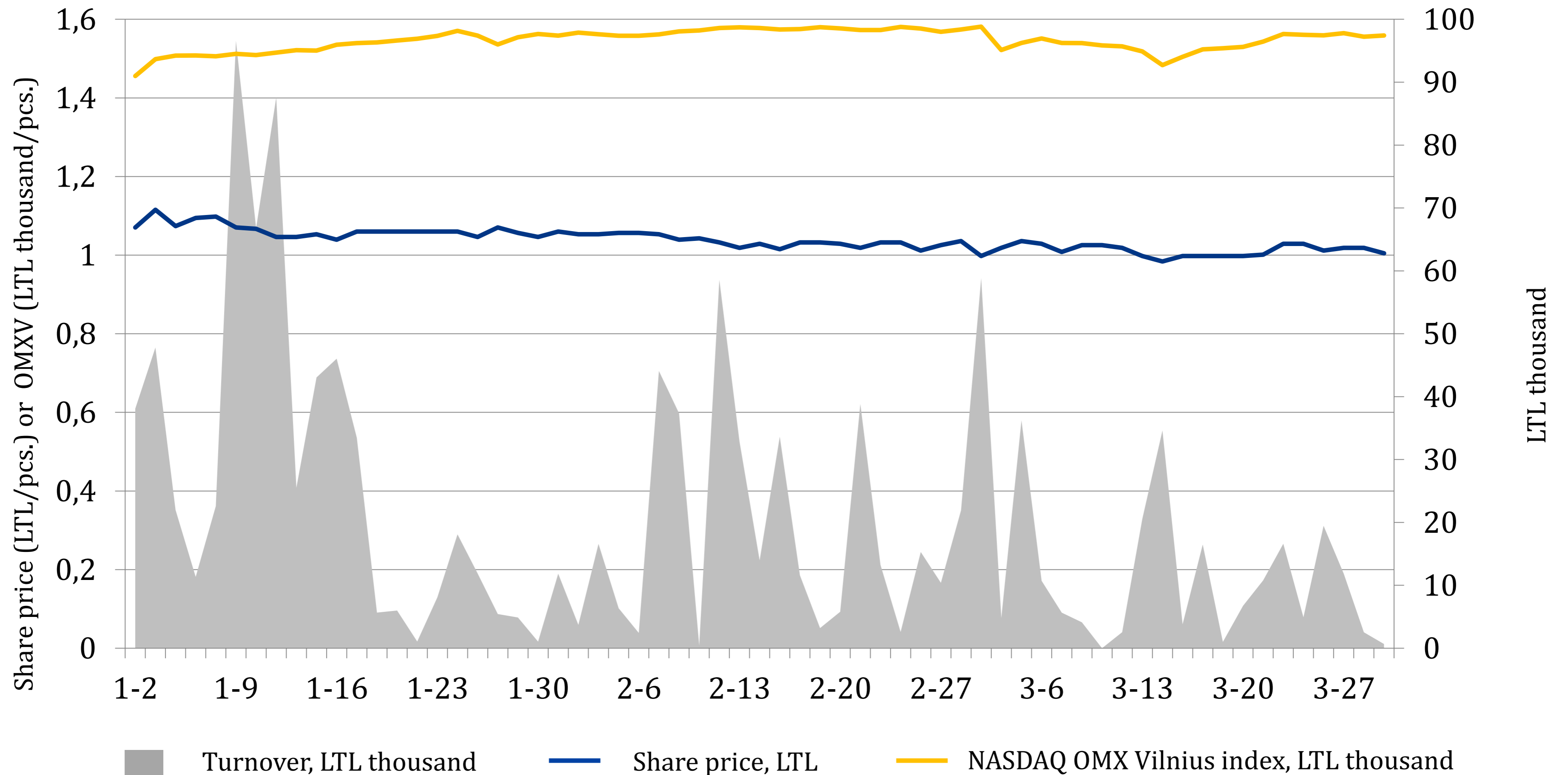
- Since 2003 the shares of the Company are listed on **NASDAQ OMX Vilnius** stock exchange:
 - ISIN code – LT0000111650
 - Abbreviation – KNF1L
 - Share emission (pcs.) – 380,606,184
- **Turnover** in Vilnius stock exchange during January-March 2014: LTL1.3 million

DYNAMICS OF THE SHARE PRICE AT NASDAQ OMX VILNIUS DURING FIRST QUARTER OF 2014

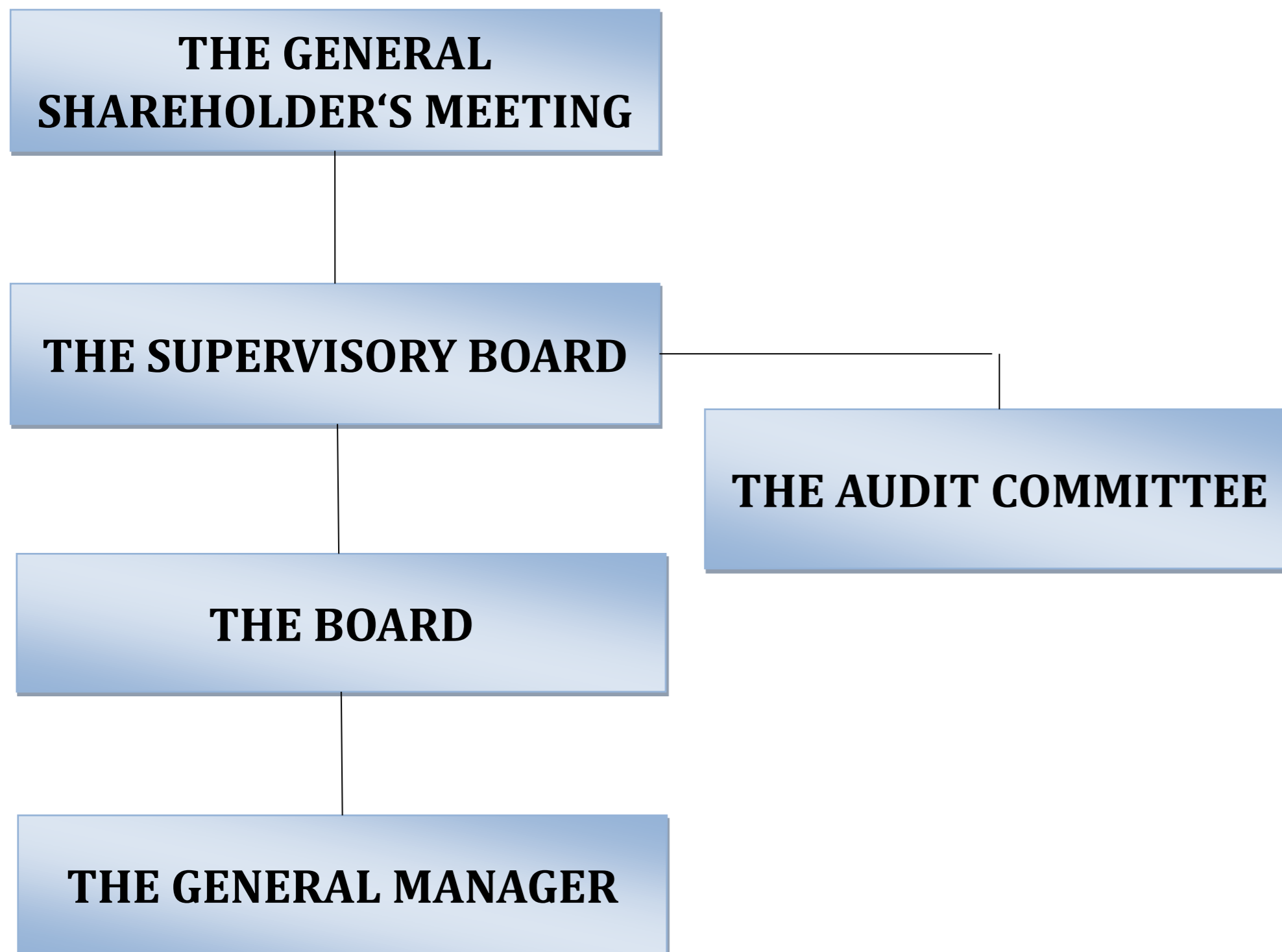
	Highest share price	Lowest share price	Share price at the end of period	Average share price	Turnover, unit	Turnover
LTL	1.12	0.98	1.00	1.04	1,209,833	1,260,476
EUR	0.32	0.29	0.29	0.30	1,209,833	365,059

As of 31 March 2014 the Company's market capitalization was 386.4 LTL million.

Dynamics of KNF1L share price, share turnover and NASDAQ OMX Vilnius index in the first quarter of 2014



Organizational management structure



- The **Annual general meeting** of shareholders of the Company on 29 April 2014 confirmed the auditor for the financial statements for the year 2014 – “Ernst & Young Baltic”, UAB.
- **The Supervisory Board** comprise of 3 (three) members.
- **The Audit Committee** comprise of 3 (three) members.
- **The Board** comprise of 4 (four) members. On 29 April 2014 the Council Board of the Company renewed the mandate of the acting Board of Company, consisting of the following Board Members - Valdas Lastauskas, Rokas Masiulis, Rytis Ambrazevičius and Mindaugas Jusius, for the term set forth within the Bylaws of the Company (4 years) or until the time, when the new Board is elected and starts acting.



Rytis Ambrazevičius

Independent Member of the Board of the Company. Elected as the Board member by the Supervisory Board on 24 October 2011. The Supervisory renewed the mandate on 29 April 2014 for 4 years or until the time, when the new Board is elected and starts acting.



Mindaugas Jusius

Independent Member of the Board of the Company. Elected as the Board member by the Supervisory Board on 24 October 2011. The Supervisory renewed the mandate on 29 April 2014 for 4 years or until the time, when the new Board is elected and starts acting.



Valdas Lastauskas

Member of the Board of the Company. Elected as the Board member by the Supervisory Board on 24 May 2013. The Supervisory renewed the mandate on 29 April 2014 for 4 years or until the time, when the new Board is elected and starts acting.



Rokas Masiulis

Member of the Board of the Company, General Manager. Elected as the Board member by the Supervisory Board on 17 September 2010. The Supervisory renewed the mandate on 29 April 2014 for 4 years or until the time, when the new Board is elected and starts acting.

There is no permanent Chairman of the Board elected, therefore, the Chairman of the Board is elected from the Board members every meeting by ad hoc principle.

The Directors of the Company



Rokas Masiulis
General Manager



Osvaldas Sabaliauskas
Deputy General Manager of the
Company



Mantas Bartuška
Director of Finance and Administration
Department



Gediminas Vitkauskas
Director of Oil terminal department



Sigitas Zakalskis
Director of Commerce department



Rolandas Zukas
Director of the LNGT terminal

G.Vitkauskas, Director of Department of Oil terminal, has 3.600 shares of the Company, that comprise 0,00001 per cent of share capital and voting rights. Other Directors have no direct interest in the share capital of the Company.