

SC KLAIPĖDOS NAFTA PRESENTATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2014



Klaipėdos nafta

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

Oil transshipment terminal



LNG Terminal



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/Fax numbers:	+370 46 391772/ +370 46 311399
E-mail address:	info@oil.lt
Internet site:	www.oil.lt , www.sgd.lt

The strategic objectives of AB Klaipėdos Nafta:

- To maintain status of the object of national significance and to diversify activity of the Company,
- To improve effectiveness of the Company,
- To improve operativeness and flexibility of the terminal,
- To improve attractiveness of the Oil products terminal for oil refineries,
- To improve internal processes,
- To assure requirements of environmental protection.

The Company is strategic company of the Lithuanian energy sector:

- In February 2012, the Government of the Republic of Lithuania assigned the Company to implement a strategic project of construction of the LNGT until the end of 2014 which is significant for the energy sector of Lithuania;
- The Company ensures a possibility to import oil products to Lithuania, if necessary;
- The Company was granted storage of the obligatory reserve of oil products of the Republic of Lithuania;
- By reference to the adopted law of 10 October 2002 regarding companies and equipments and other important companies of strategic value for national security of Lithuanian Republic, the Company was defined as a company of strategic value for national security.



Railway

- 2 tracks for light oil products - LFO (total 60 tank-cars)
- 2 tracks for heavy oil products - HFO (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.

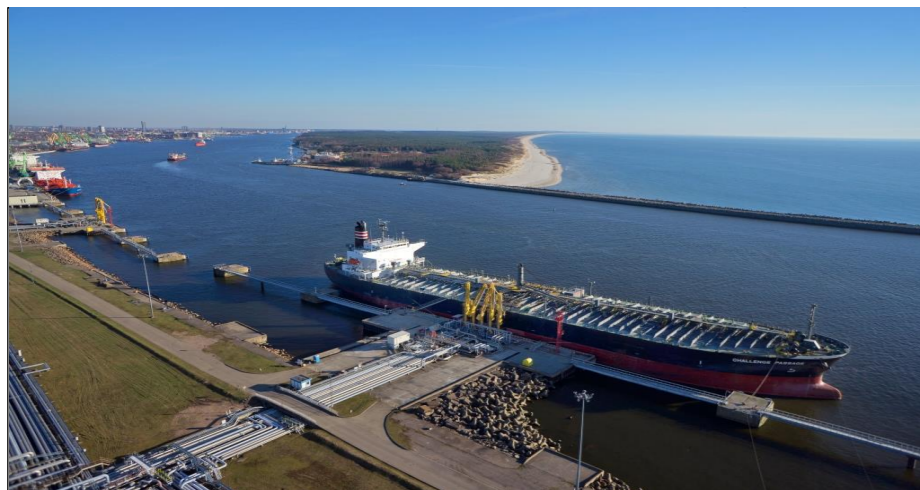


Storage tank farm

- Total 28 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 (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 import gasoline and diesel by tankers for the Lithuanian market needs
- 4 loading points at the same time

EXPORT



- Delivery by rail-cars



- Temporary storage



- Tankers loading

IMPORT

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



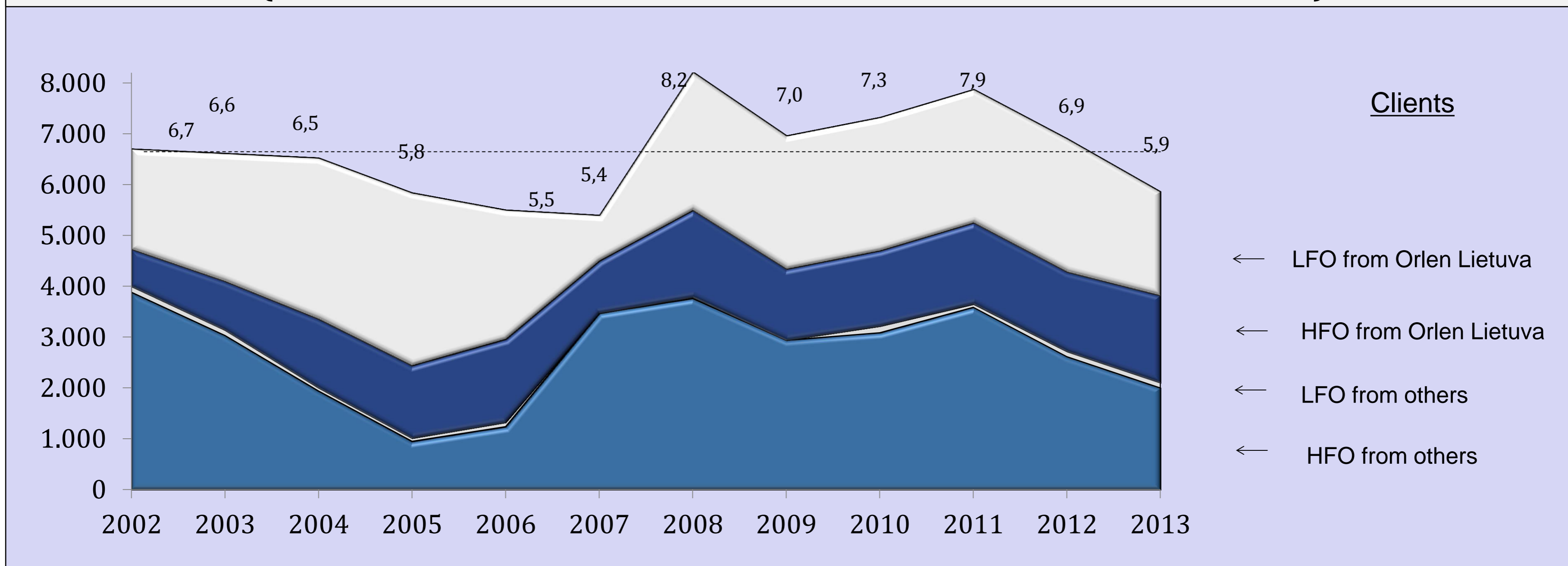
OTHER

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

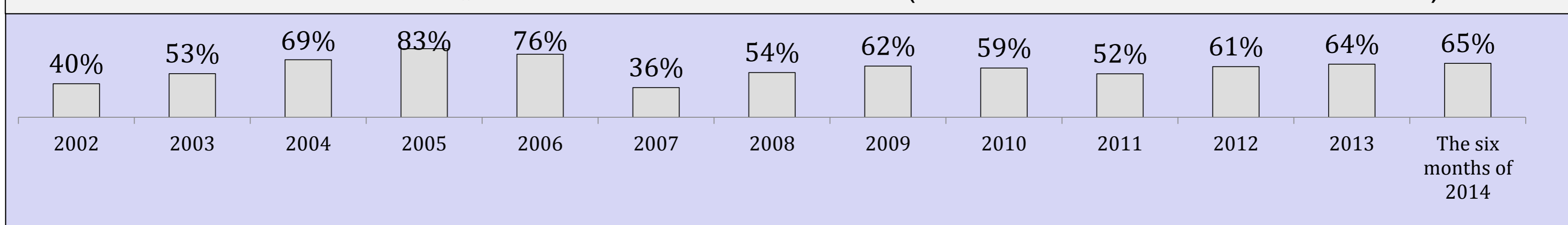
Klaipėdos nafta Transshipment of oil products during 2001 – 2013 (million tones)



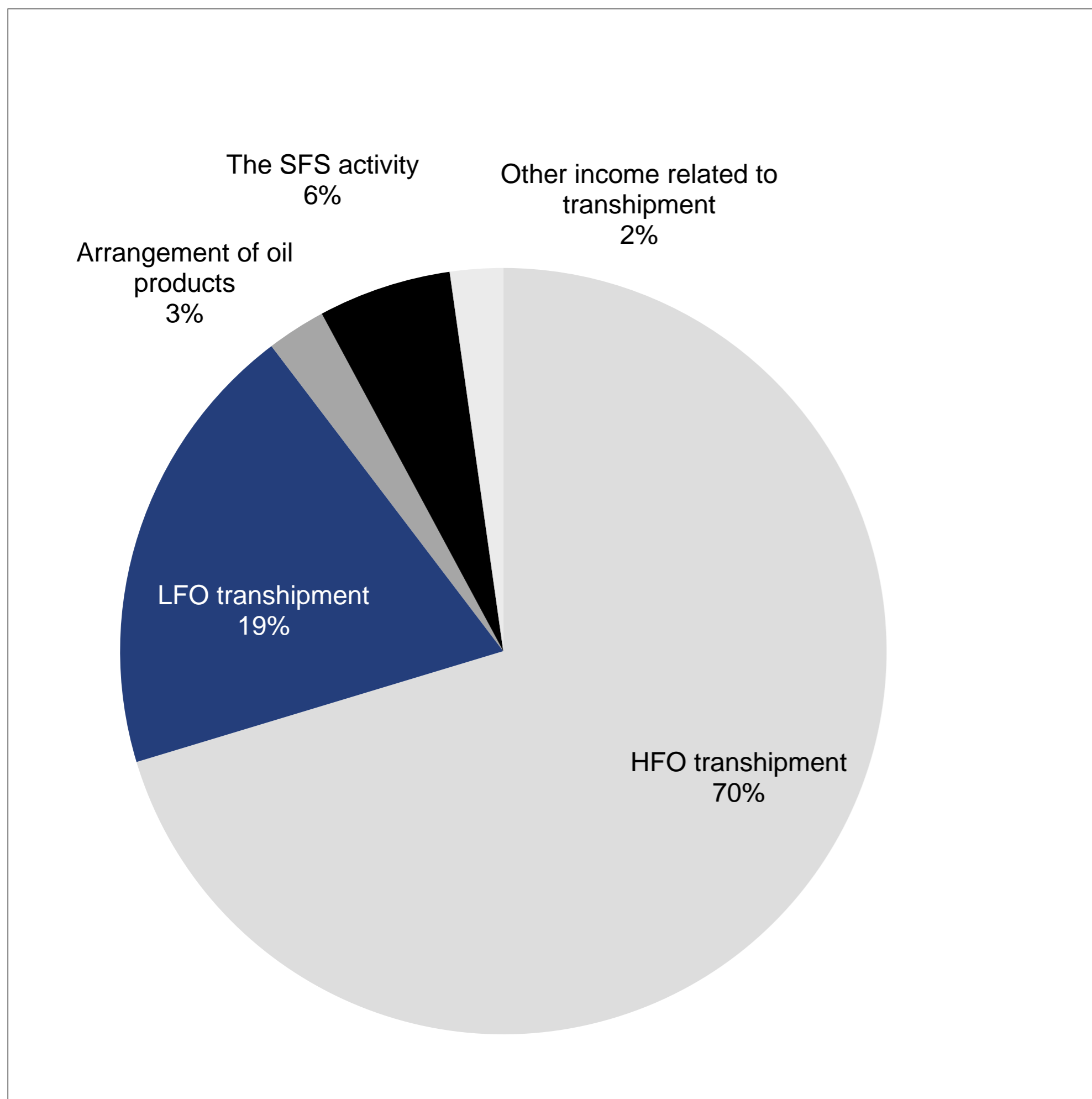
AVERAGE TRANSSHIPMENT - 6,6 MILLION TONES PER YEAR
(TOTAL TRANSSHIPMENT DURING SIX MONTHS OF 2014 – 2,4 MILLION TONES)



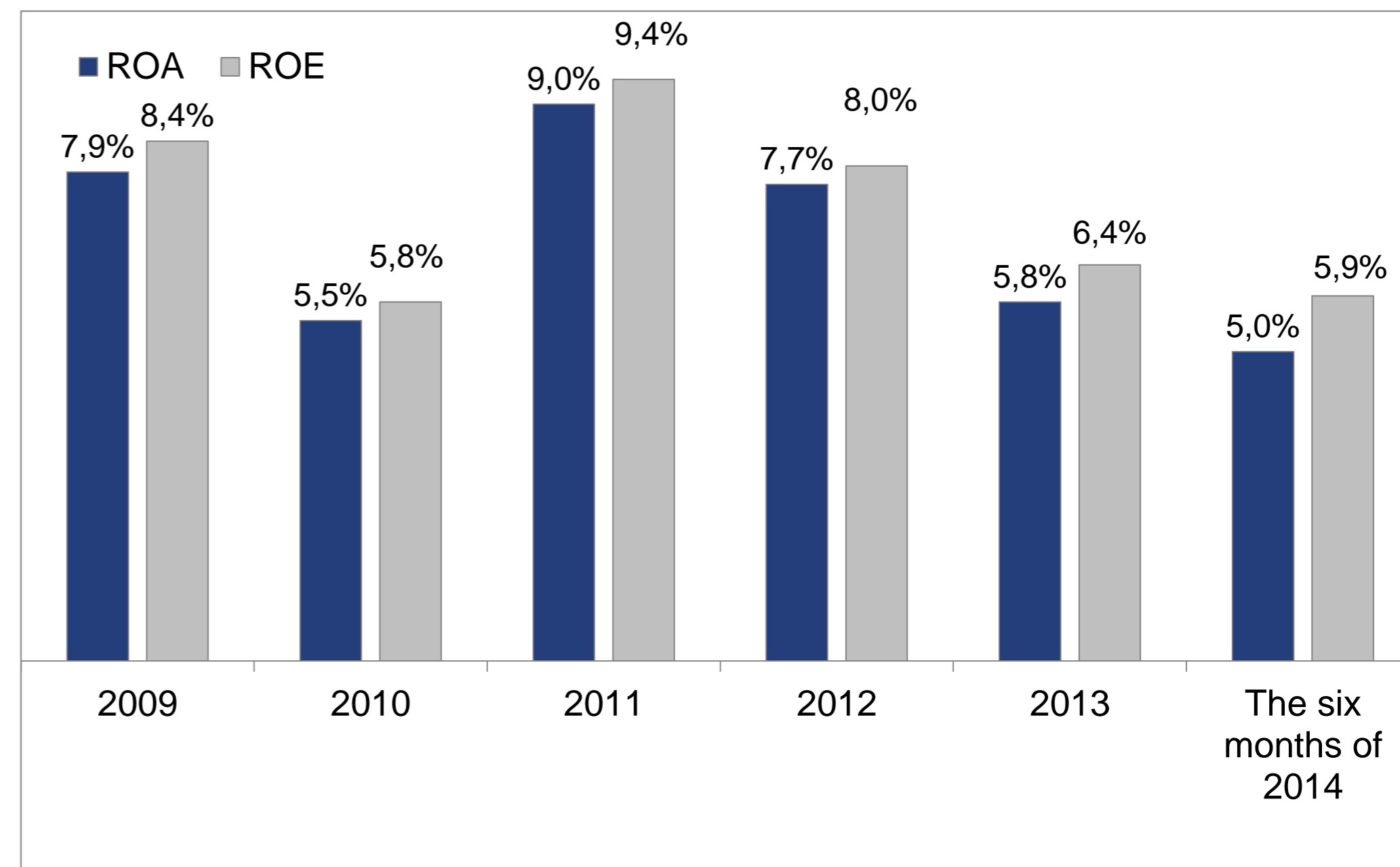
TRANSSHIPMENT OF „ORLEN LIETUVA“ PRODUCTS (% OF THE TOTAL TRANSSHIPMENT)



Structure of sales revenue during the six months of 2014



Profitability (2009 – the six months of 2014)



Main operating figures of the six first months of 2014

	The six months of 2014	The six months of 2013	Change (%)
Transshipment of oil products (net, thousand tons):	2,415	3,569	-32.3%
HFO	1,428	2,266	-37.0%
LFO	987	1,303	-24.3%
Transshipment of oil products market (net, thousand tons):	2,415	3,569	-32.3%
<i>Export (Orlen Lietuva, AB)</i>	1,579	2,163	-27.0%
<i>Transit (oil refineries of Russia and Belarus)</i>	782	1,368	-42.8%
<i>Other</i>	54	38	42.9%
Investments (PP&E acquisitions) (LTL thousand)	47,730	37,556	28.0%
<i>Oil terminal</i>	3,103	13,406	-73.7%
<i>Liquefied natural gas terminal</i>	44,554	24,150	84.5%
Subaciaus fuel storage	73	0	0.0%
Number of employees	379	361	5.0%
Oil terminal	306	310	-1.3%
Liquefied natural gas terminal	43	21	104.8%
Subaciaus fuel storage	30	30	0.0%

Comments:

The transshipment activity in the first six months 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 operating figures of the six first months of 2014

LTL thousand	The six months of 2014	The six months of 2013	Change (%)
Sales revenue	57,750	72,070	-19.9%
Gross profit	20,887	30,744	-32.1%
EBITDA	26,619	37,157	-28.4%
EBIT	14,114	24,866	-43.2%
Financial and investment activities result	673	304	121.4%
Profit before taxation	14,787	25,171	-41.3%
Net profit	12,673	21,423	-40.8%
Gross profit margin	21.94%	29.73%	-26.2%
	30 June 2014	31 December 2013	
Non-current assets	559,935	523,681	6.9%
Current assets	120,309	152,153	-20.9%
Total assets	680,244	675,834	0.7%
Shareholders' equity	583,967	571,651	2.2%

Comments:

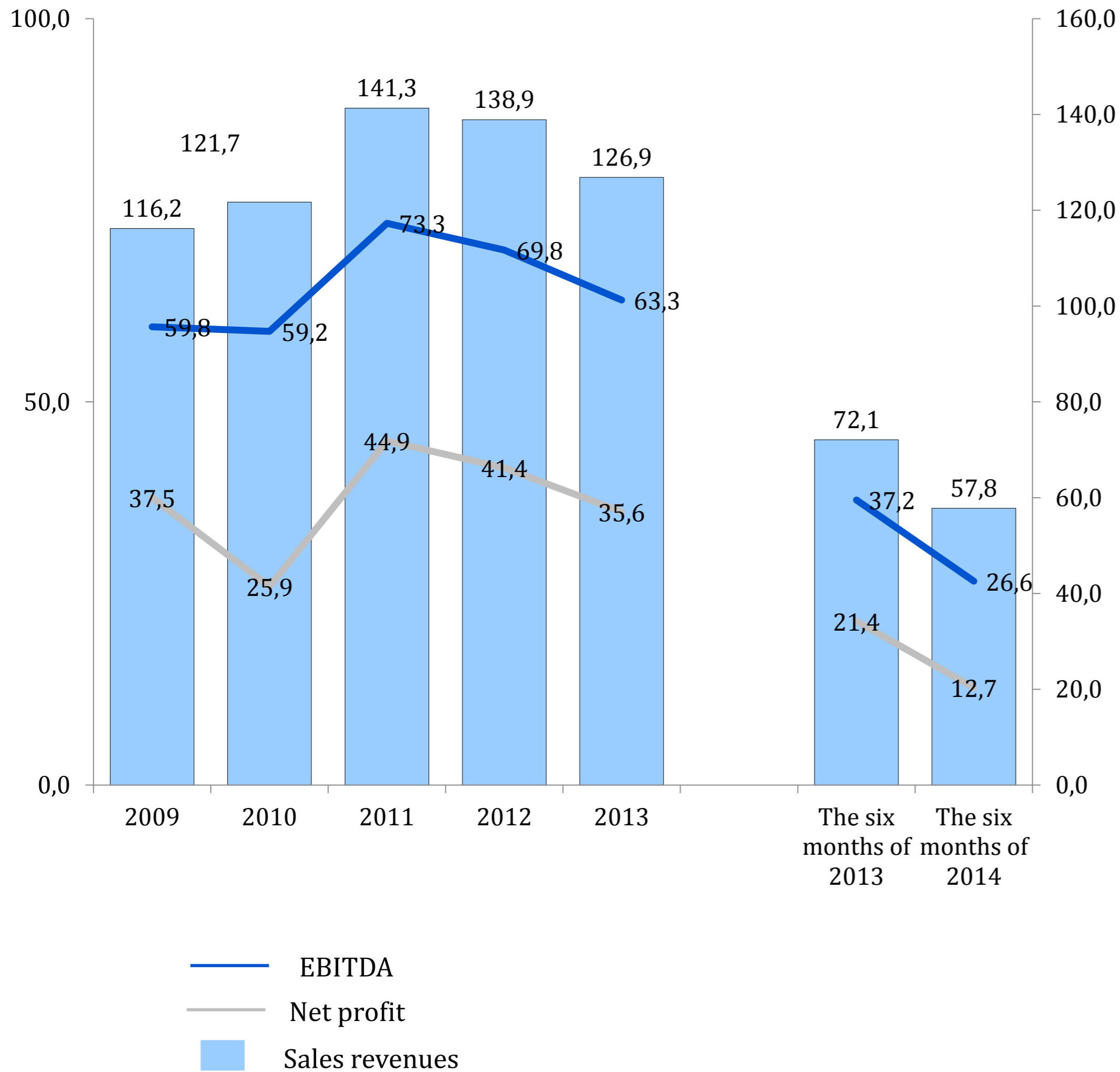
Net profit of first six months of 2014 amounts to LTL 12,673 thousand, a decrease of 41% or LTL 8,750 thousand compared to the same period 2013 (LTL 21,423 thousand).

Decreasing of net profit during the first months of 2014 was influenced by the main factor - less oil transshipment and storage revenue. All oil transshipment and storage revenue decreased LTL 13,967 thousand.

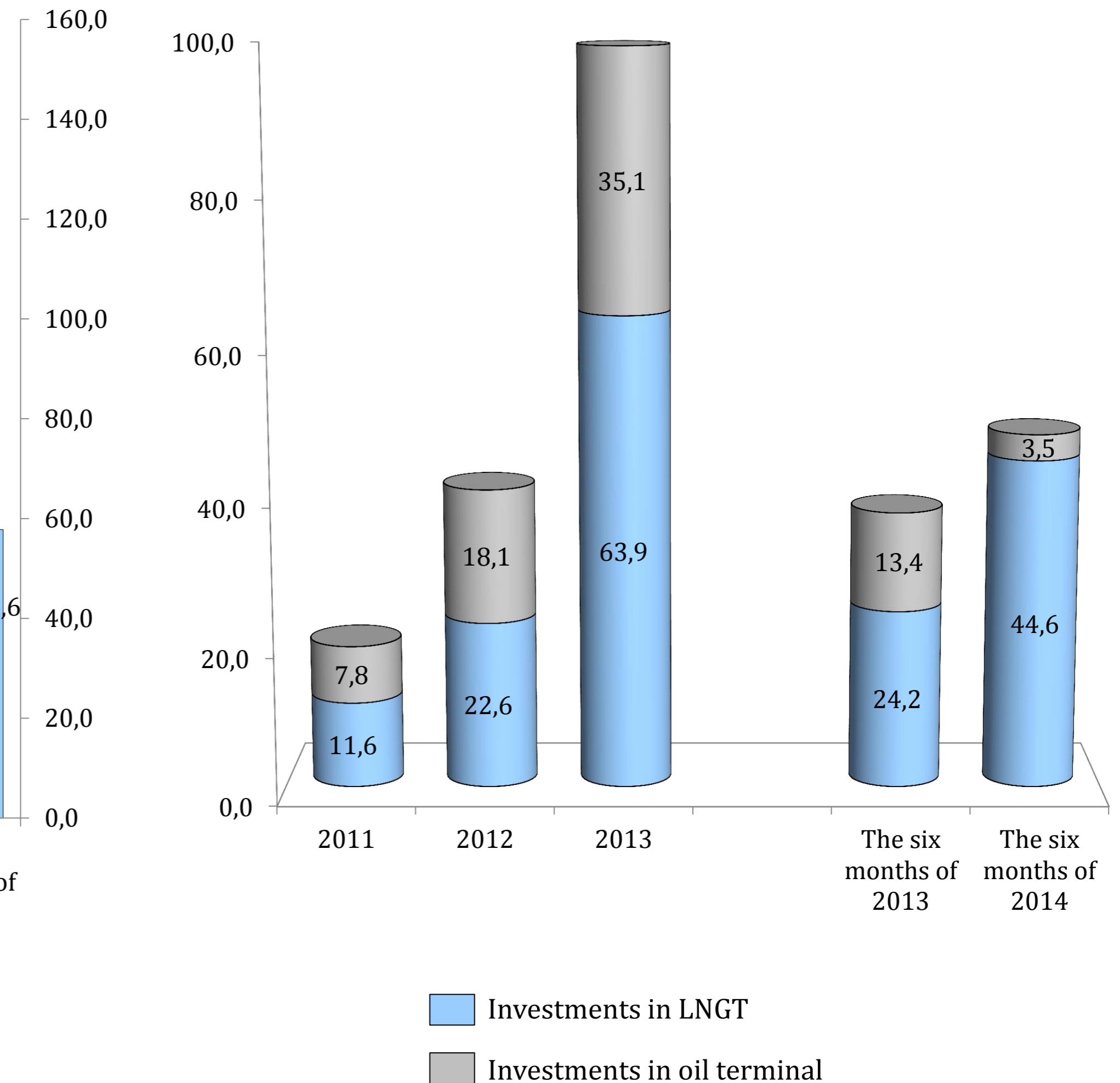
Main results of the first six months of 2014 financial activities

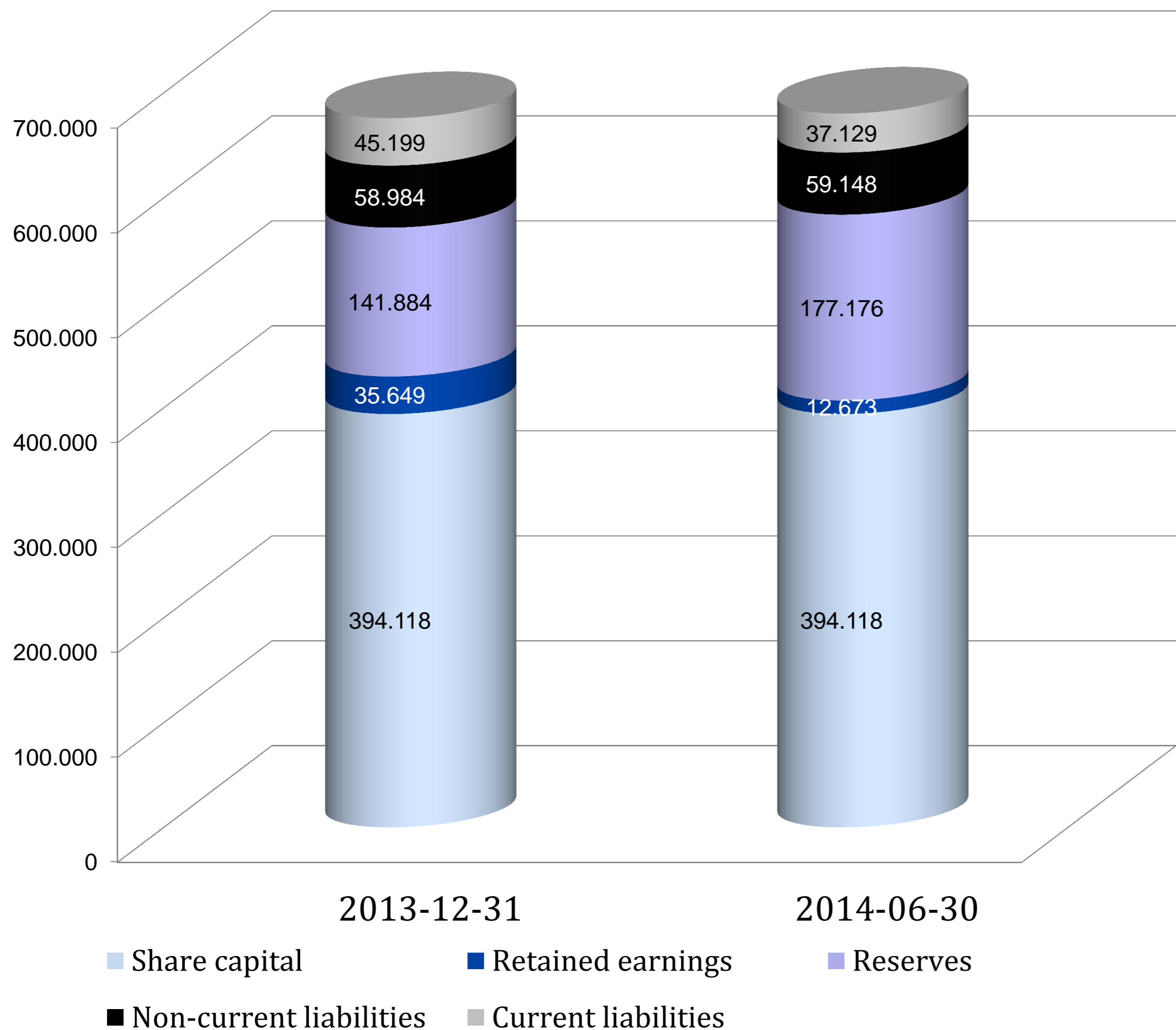


REVENUES, EBITDA, NET PROFIT (LTL MILLION)



Investments (PP & Eacquisitions) (LTL MILLION)





Comments:

- **Share capital** (LTL 394,1 million) 30 June 2014 amounted to 57,9 % of the total assets.
- **Non-current liabilities amounted** 59,1 LTL million, including EIB loan – LTL 51,2 million.
- **Debt ratio**– 0,14
- **Gross liquidity ratio (current ratio)**– 3,31

The main areas of investments:

- To increase the oil terminal's flexibility in accepting different types of oil products;
- To ensure the compliance with environmental and fire safety requirements;
- The implementation of the LNGT Project.

Major Oil terminal investments

- In 2014 finished reconstruction of the storage tank park of HFO tanks park: demolition of the four old storage tanks each 5 000 m³ and construction of the two new universal storage tanks each 32,250 m³.
- Modernization works of the fire safety system;
- Renovation of separation of steam boilers of heat production unit and other important investment.

LNG project investments

Since the beginning of the project until 30-06-2014 the total amount of investments comprise LTL 142.2 million:

- LTL 34 .0million payments to leading LNG terminal consultant FLUOR;
- LTL 48.6 million comprise construction of gas pipeline ;
- LTL 22.1 million comprise construction of the jetty;
- LTL 37.5 million comprise other project implementation expenses.

For financing of the LNGT project in 2013 the Company concluded the Financing Agreement for EUR 87 million loan with the European Investment Bank (EIB). Up to 50% of project costs are financed under this contract. The NIB adopted a decision to grant Company a credit of up to EUR 34.754 thousand (LTL 120.000 thousand) for implementation of the project of liquefied natural gas terminal in Lithuania. The term of the credit – up to 20 years. On 8 July 2014 the Seimas of the Republic of Lithuania decided to grant a state guarantee to the Nordic Investment Bank.

Subacius fuel storage investments

In 2012 the Company has added Subacius fuel storage base as a part of its activity. This object allowed Company to diversify its activity with the long term oil products storage. The 10 year service contract with the Lithuanian state company guarantees the long term income.

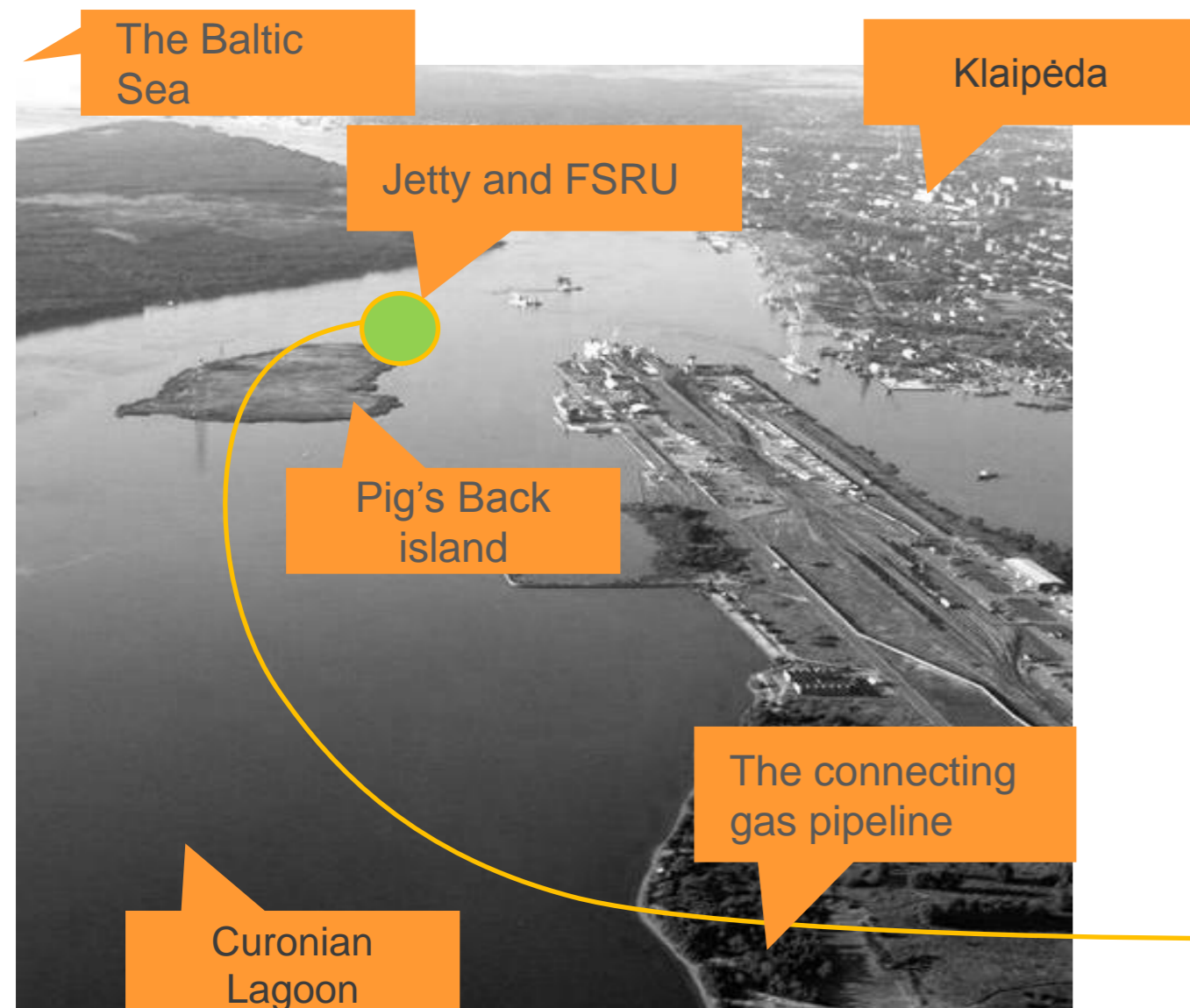
In 2014 the major investments are oriented:

- Water treatment system modernization;
- Upgrade fire safety equipment and tools.

LNGT project: Technology and geographical location

- The basic function of the LNG terminal – receive and temporarily store LNG, to gasify and deliver it to the transmission system.
- When choosing a terminal technology, two opportunities were evaluated: FSRU technology and onshore terminal. Executing the LNG project, FSRU technology was selected for the following reasons:
 - a) 50 per cent lower capital investments;
 - b) 2 year shorter period for project implementation;
 - c) more flexible technology (FSRU can be moved to another location or used as LNG carrier).
- In 2010 by decision of interdepartmental work groups, the most appropriate underlying location of the LNG terminal was chosen – the southern part of Klaipeda seaport Pigs Back's island.

Geographical location



Onshore terminal



- Comparably expensive (LTL 900-2.600 million);
- Long construction period – (5-7 years);
- Too few possible geographical locations because of specialties of Lithuanian shore.
- Higher impact on the environment.

FSRU



- Lower costs (avg. LTL 520-790 million);
- Faster manufacturing period (1-3 years);
- Flexible and easily expanded capacity;
- More geographical places available;
- FSRU might be used as LNG carrier.

Impact

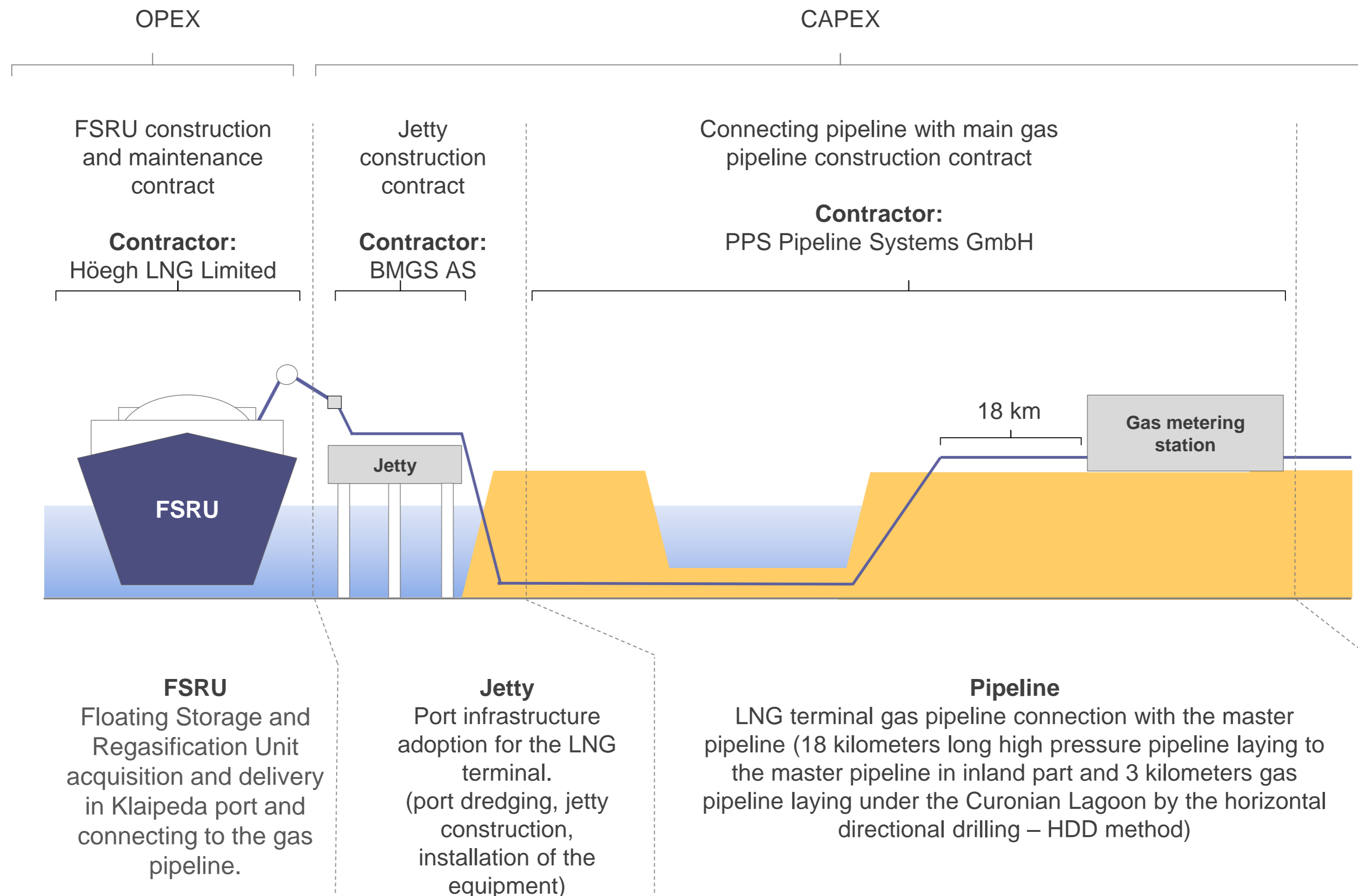


Third party access will spur competition

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

Ensures **security** of energy supply

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

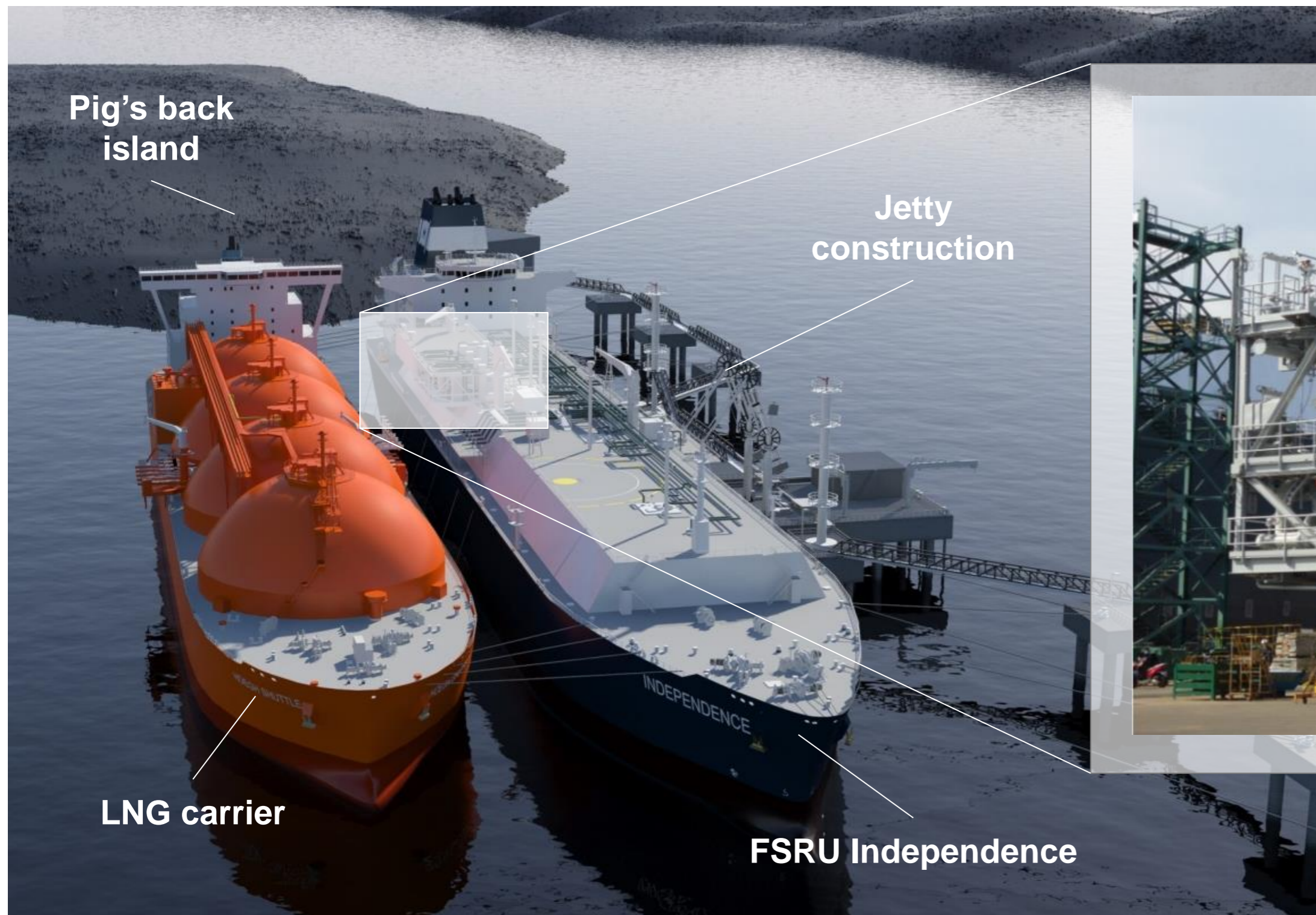


Šaltinis: Projekto techninė dokumentacija

LNGT project

FSRU leasing contract

- Höegh LNG Limited who won the public tender builds one the most modern FSRU in the World – „Independence“.
- The agreement – „turn key“, i.e., Höegh is obliged to build, test FSRU as LNG carrier, deliver it to Klaipeda and test FSRU as a terminal + 10 years activity service.

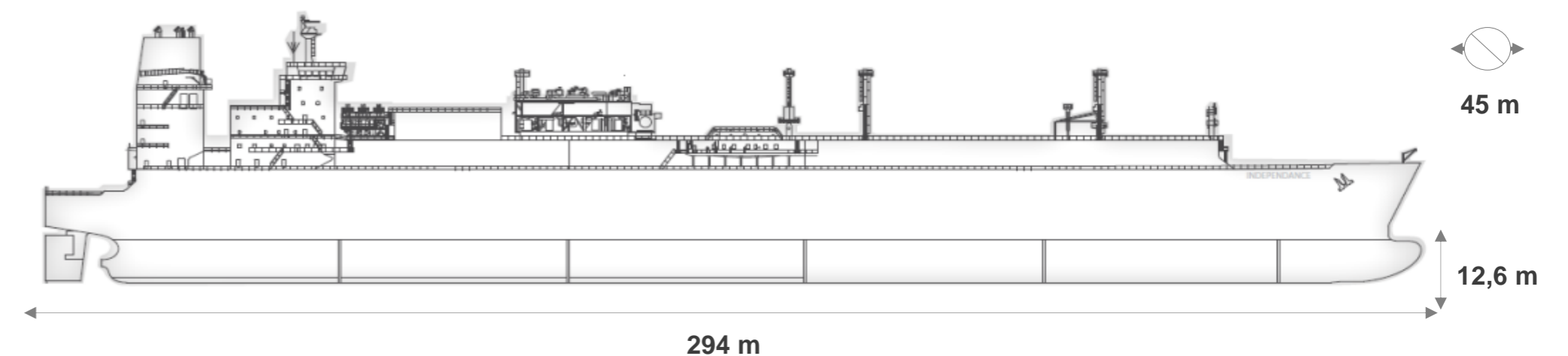


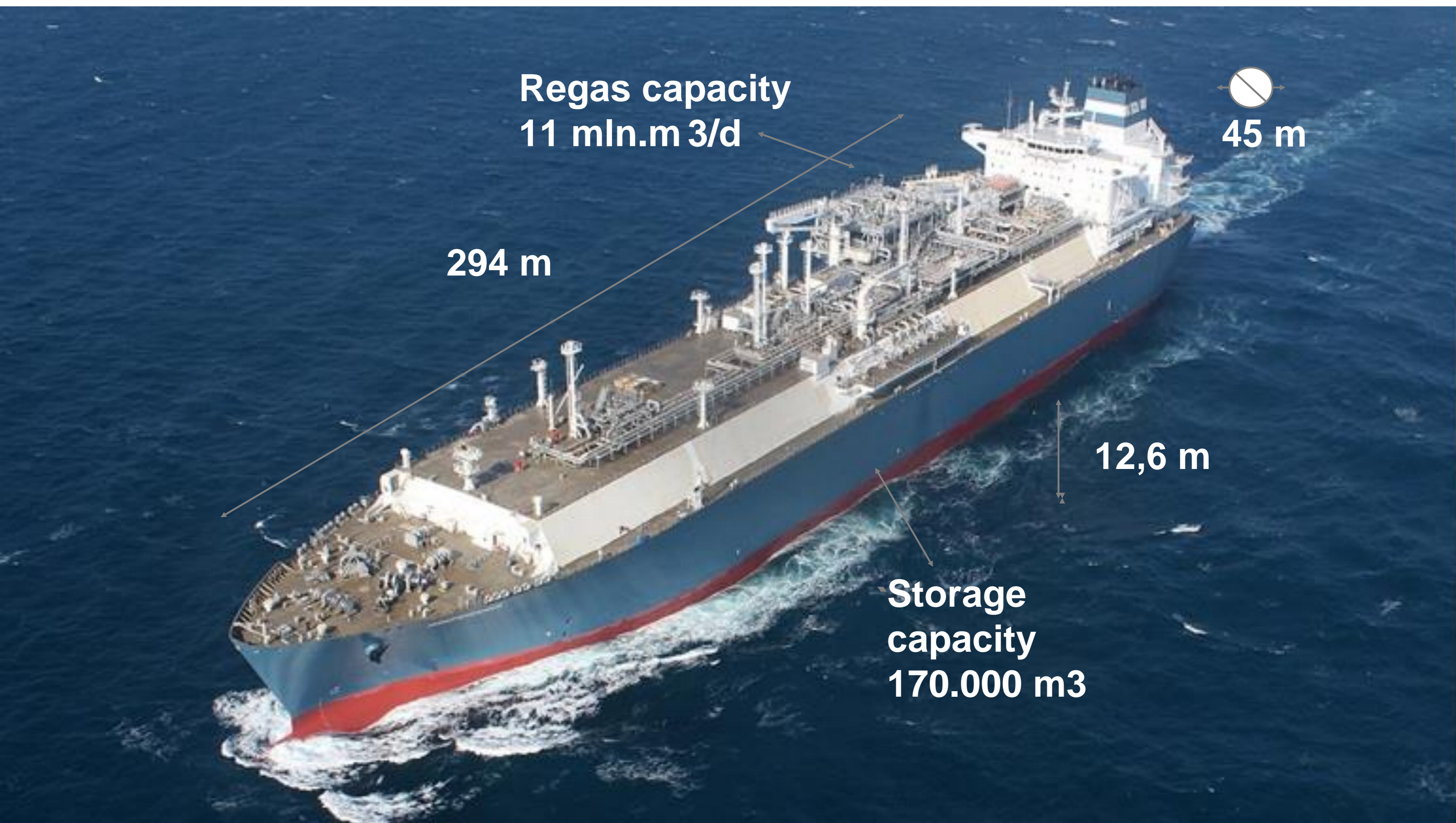
Regasification unit



Technical specifications:

Location	South of the Klaipeda State port
Supplier	Höegh LNG
Storage capacity	170 000 m ³
Annual capacity	Up to 4 billions gas in regasified form





Jetty construction: pictures from the construction site

Piles digging



Piles concreting



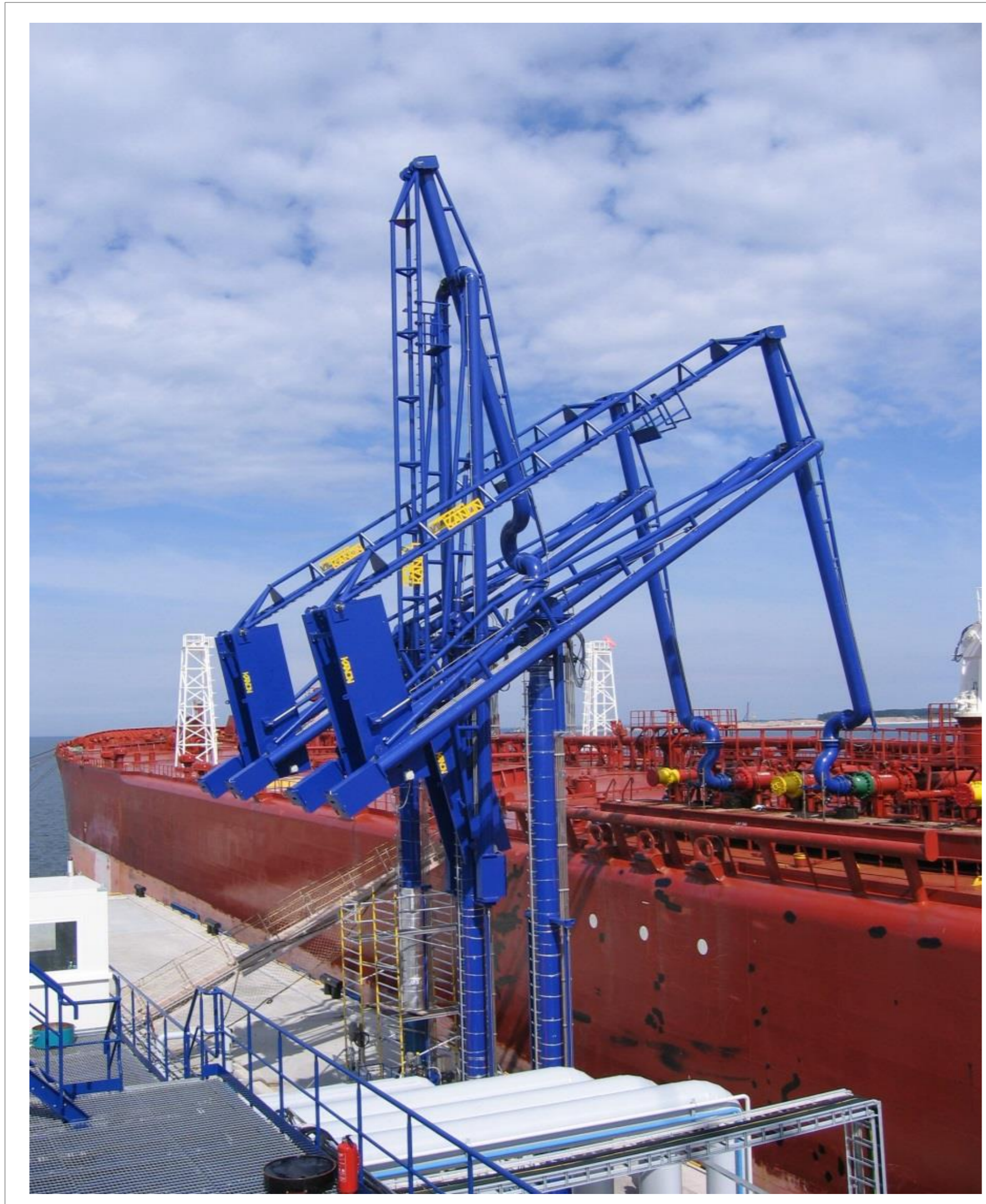
Jetty platforms concreting



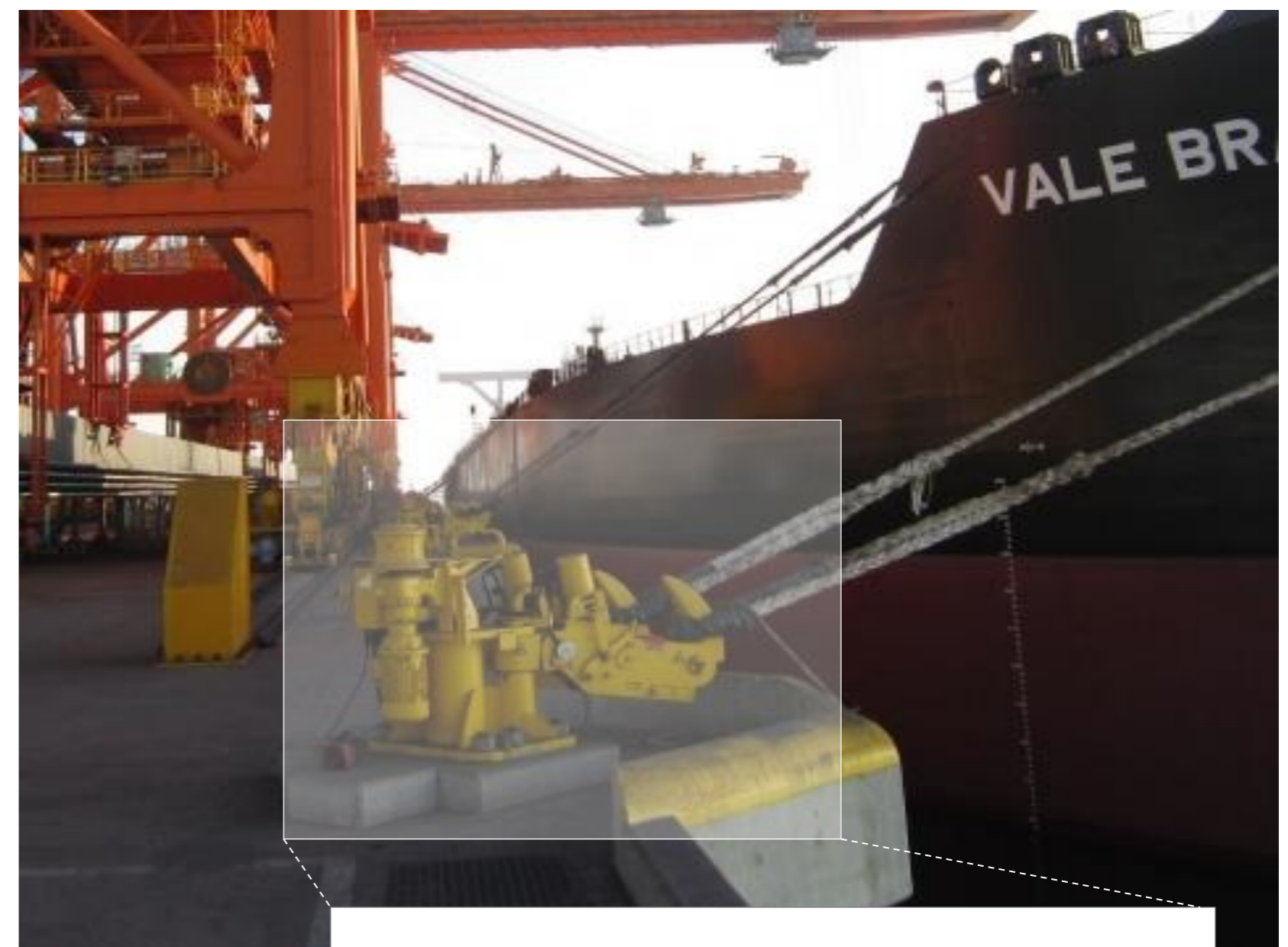
Jetty platforms concreting



High pressure arm

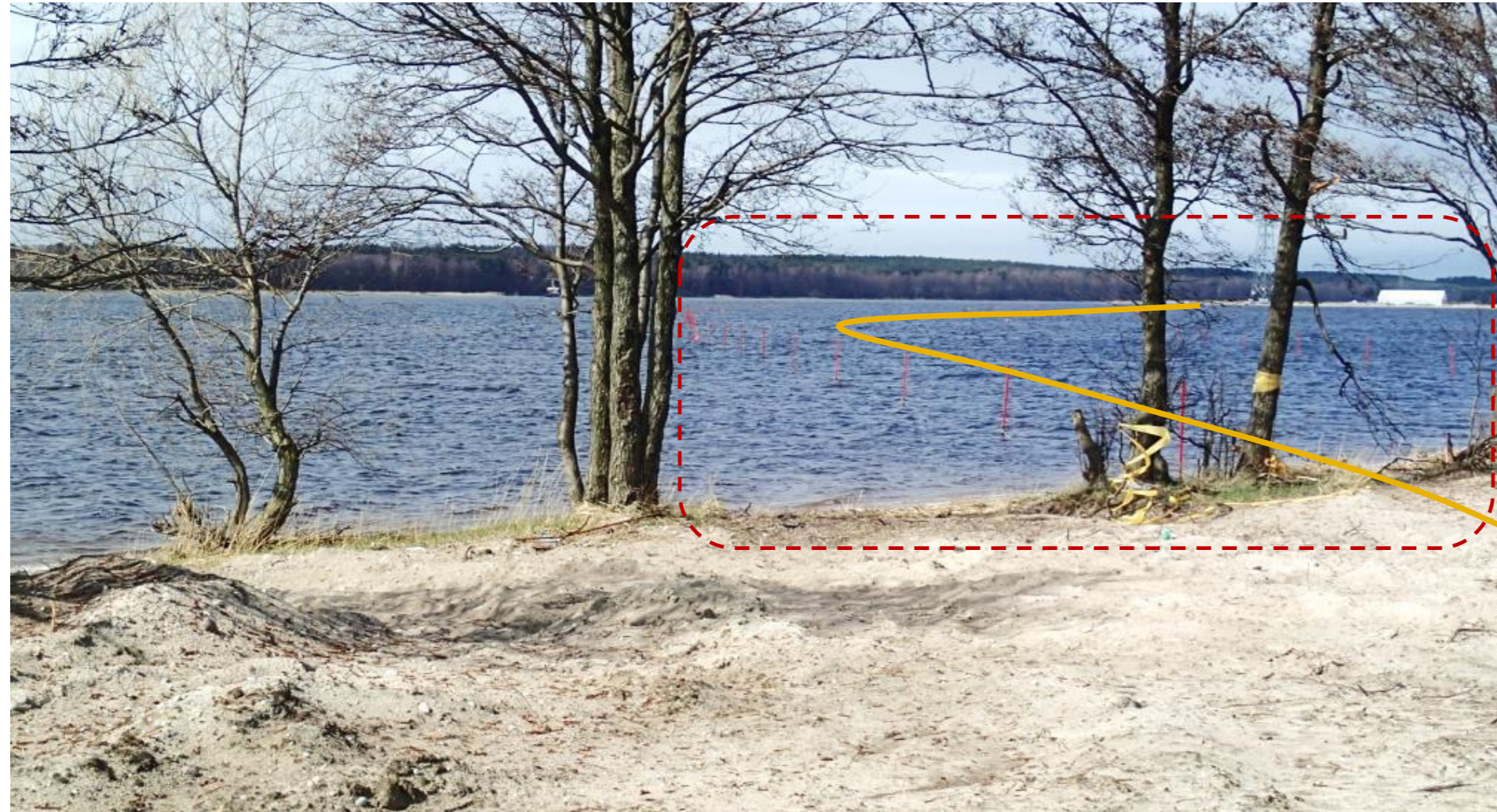


Connection hooks



Gas pipeline construction: pictures from the construction sites

HD drilling pathway



Gas pipeline trace



Gas metering station construction

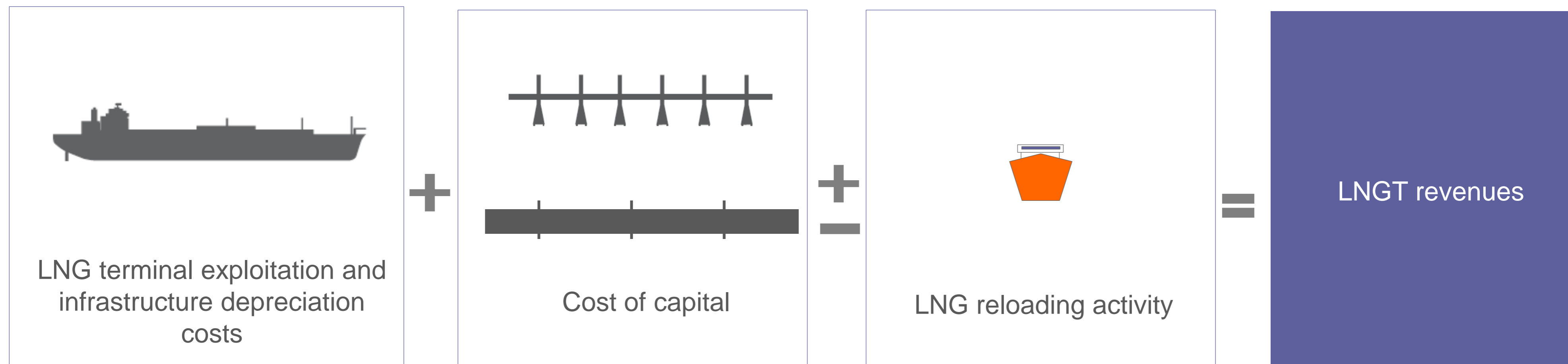


Gas pipeline trace



Income from the security supplement

The fixed costs of the LNG terminal are covered through Security supplement to the gas transmission tariff.



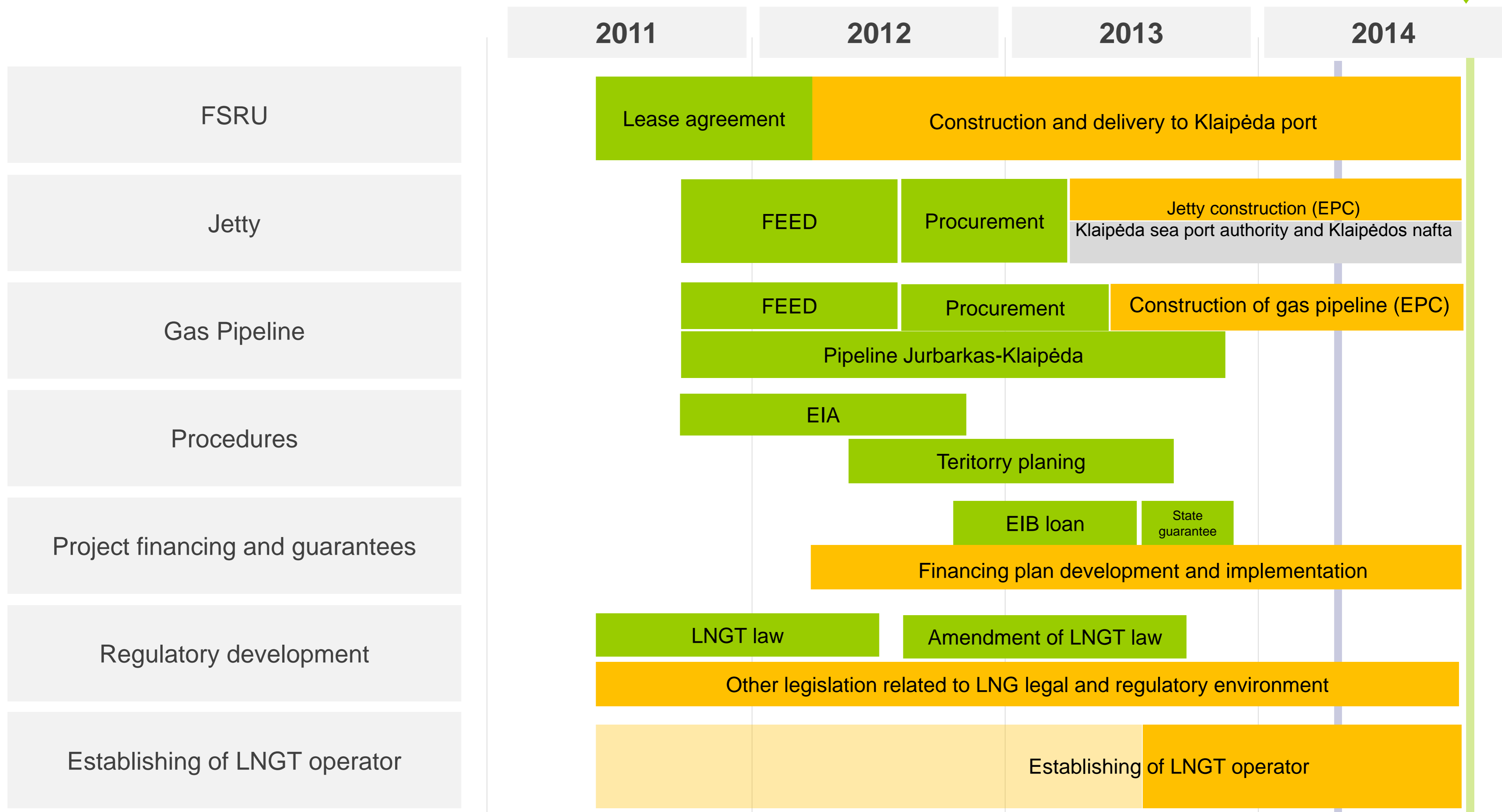
- Depreciation (amortization) costs,
- Repair, technical maintenance and exploitation expenses,
- Staff expenses,
- Taxes expenses,
- Administrative costs,
- Marketing and sales costs,
- Other fixed costs,
- LNG terminal costs under long term contracts

- Regulated asset base (infrastructure)
- * WACC (6,86%)

- Tariff is set for the period of 5 years
- Received income reduces LNGT supplement of the following period

LNGT Project schedule

Start of LNGT exploitation



The shareholders having more than 5% of the authorized capital of the Company as at 30 June 2014 and at 31 December 2013:

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

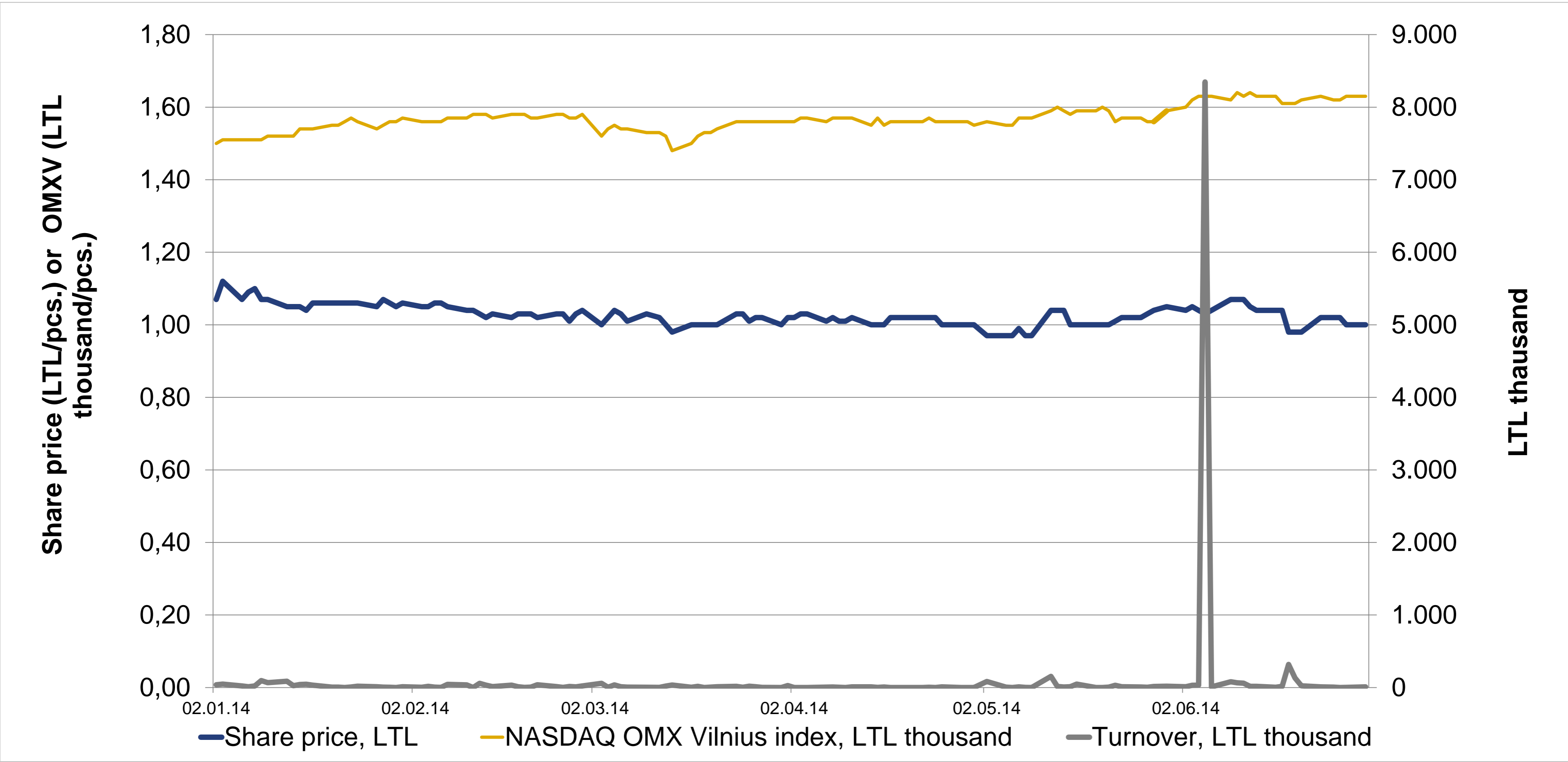
- Since 2003 the shares of the Company are listed on **NASDAQ OMX Vilnius** stock exchange:
 - ISIN code – LT0000111650
 - Abbreviation – KNF1L
 - Share emission (pcs.) – 380,606,184
- **Turnover** in Vilnius stock exchange during January-June 2014: LTL 10.6 million

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

	Highest share price	Lowest share price	Share price at the end of period	Average share price	Turnover, unit	Turnover
LTL	1.12	0.97	1.00	1.03	10,634,197	10,990,406
EUR	0.32	0.28	0.29	0.30	10,634,197	3,183,042

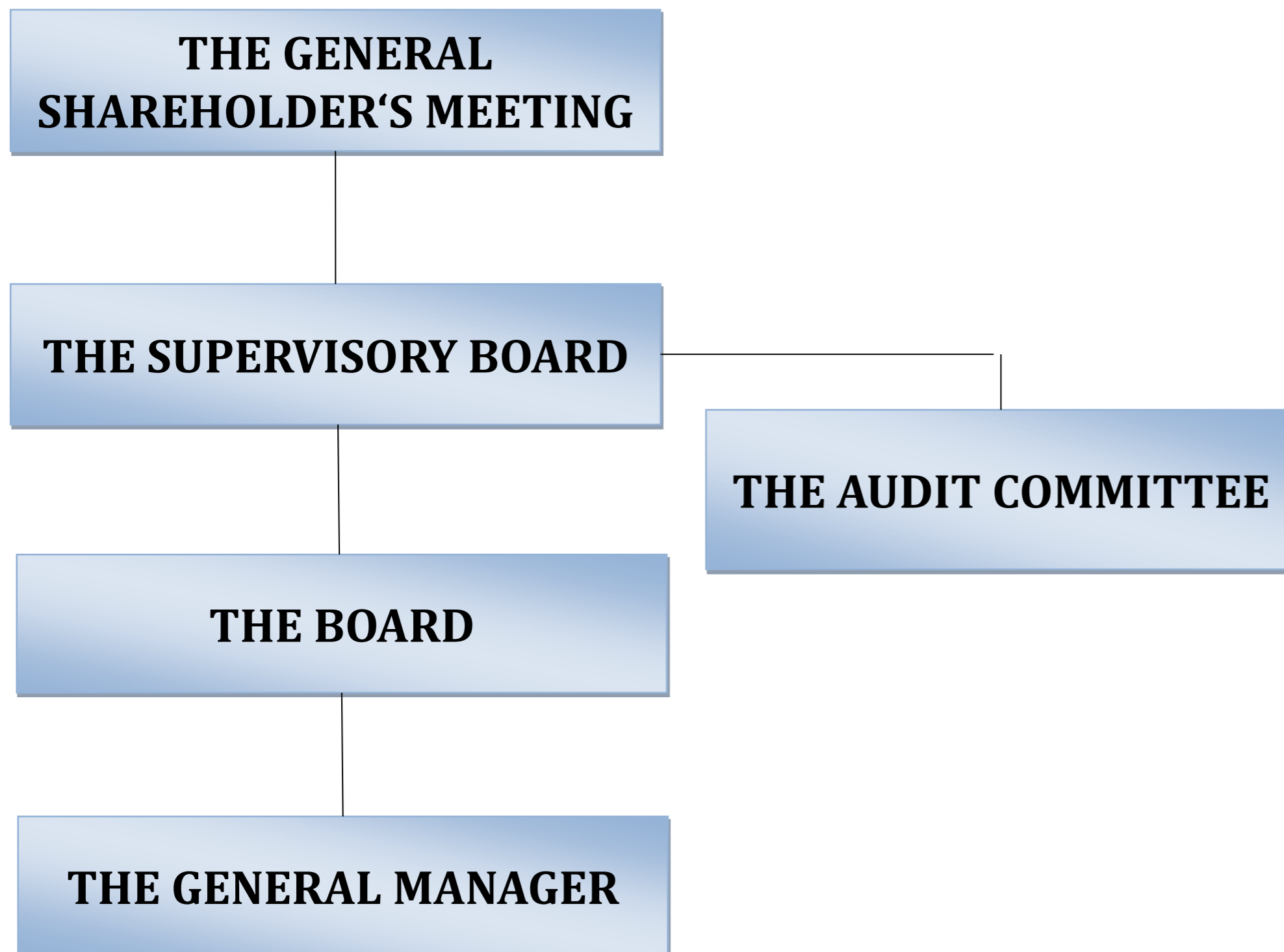
As of 3 June 2014 the Company's market capitalization was LTL 380.6 million (EUR 110.9 million).

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



Coments: In June SEB ESTONIA AS CUSTODIAN FOR BANK AUSTRIA transferred ~ 8 million share to SEB SA OMNIBUS (FUNDS/INST CLIENTS)

Organizational management structure



- The Company, in general, follows the Governance Code of NASDAQ OMX AB Vilnius for the companies listed on the regulated market.
 - **The Supervisory Board** comprise of 3 (three) members.
 - **The Audit Committee** comprise of 3 (three) members.
 - **The Board** comprise of 4 (four) members.
- **25 August 2014.** The Supervisory Council of Company adopted the following decisions:
- to recall from the Board Members of the Company Valdas Lastauskas;
 - to elect Dainius Bražiūnas as the new Board Member of the Company until the term of office of the acting Board of Company.



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. On 25 August 2014 the Supervisory Council of Company to recall from the Board Members of the Company Valdas Lastauskas.



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.
- On 25 August 2014 the Supervisory Council of Company adopted the following decisions:
 - to recall from the Board Members of the Company Valdas Lastauskas;
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The Directors of the Company



Rokas Masiulis
General Manager



Gediminas Vitkauskas
Director of Oil terminal department



Osvaldas Sabaliauskas
Deputy General Manager of the
Company



Sigitas Zakalskis
Director of Commerce department



Mantas Bartuška
Director of Finance and Administration
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.
- On 6 May 2014 Mantas Bartuška, the Director of Finance and Administrations Department, was awarded with the title „Director of Finances of the year 2014“ in the event organised by daily newspaper „Verslo žinios“ and by the Association of Financial Analysts. Electing the best finance manager of the year much attention was paid to strategic thinking of the Finance Manager, assigned responsibilities, implemented projects and sociability.

Thank you for your attention

For more information about the Company please visit our website

www.oil.lt; www.sgd.lt

