



AB KLAIPĖDOS NAFTA

UNAUDITED FINANCIAL RESULTS FOR H1 2019

31st July 2019



CONTENT

- About the Company
- Highlights
- Financial results
- Investment overview
- Other information



ABOUT THE COMPANY



MISSION, VISION, VALUES

Our mission

Ensure reliable and effective supply of LNG and transhipment of oil products.

Our vision

A reliable operator of oil and LNG terminals that adds value through implemented projects and balanced expansion.

Our values

The Company in its activities is being led by these in 2018 renewed values:





ACTIVITIES OF THE COMPANY



OIL TERMINALS



KLAIPĖDA
OIL TERMINAL



SUBAČIUS
OIL TERMINAL

LNG TERMINALS



KLAIPĖDA
LNG TERMINAL



KLAIPĖDA SMALL-SCALE
LNG TERMINAL



HIGHLIGHTS



KN HIGHLIGHTS Q2 2019

CHANGES IN MANAGEMENT

7th June

Mindaugas Jusius, General Manager of AB Klaipėdos Nafta has notified about his resignation from the office due on July 26th.

12th July

By decision of Board of AB Klaipėdos Nafta, Darius Šilenskis has been elected as acting General Manager of the Company from 27 July 2019.

TRANSFER OF LNG ACTIVITIES

27th May

The Board of AB Klaipėdos nafta approved the transfer of the regulated activities of the Klaipėda LNG terminal to the subsidiary UAB SGD terminalas.

12th June

KN received authorization from the Ministry of Finance of the Republic of Lithuania: (1) to transfer (invest) the activity of the LNG terminal as a property complex to UAB SGD terminalas; (2) to provide a corporate guarantee to UAB Hoegh LNG Klaipėda and HÖEGH LNG LTD for the performance of liabilities of the Subsidiary.

27th June

In accordance to the Article 27 Section 1 of Law on Companies of the Republic of Lithuania, Extraordinary General Meeting of shareholders of AB Klaipėdos nafta has not met the quorum, the Meeting is considered to be invalid.

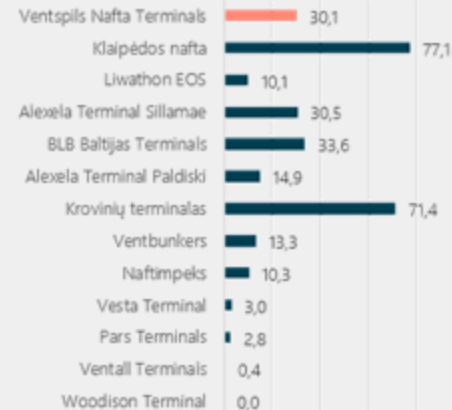
18th July

Repeated Extraordinary General Meeting of Shareholders of the Company adopted the following resolutions: (1) to postpone the consideration of transferring LNG terminal activities until the renewed valuation on investment in subsidiary UAB SGD terminalas is received. (2) To postpone other decisions until the decision on transfer of activities to subsidiary will be adopted.

OIL TERMINAL EXPANSION

June

New KN storage tank park is being tested, In June, KN oil terminal for the first time accepted a vessel, which delivered raw materials for one of the refineries in the region. This year KN oil terminal is the most efficient terminal among all oil terminals of the Baltic States and has the second largest market share among the Baltic oil terminals.



USE OF LOADING CAPACITIES AVAILABLE IN THE BALTIC TERMINALS January-June 2019, %



AB KLAIPĖDOS NAFTA AND EMPLOYEES



MOTIVING BENEFITS FOR KN EMPLOYEES

In May KN has extended additional health insurance in the package of employee motivational benefits. In May 357 employees of KN became the shareholders of the company. KN is the first state managed company in the country to pay part of the reward to its employees in shares. The KN shares paid to the company's employees cover up to 50% of the annual award for the results achieved in 2018.



EMPLOYEES HAS JOINED SOCIAL ACTIVITIES

In April KN team got involved into the springtime cleanup initiative "Darom" ("Let's Do It"). As part of an initiative, employees of various KN offices cleaned up the Klaipėda oil terminal outskirts. In May KN employees traditionally joined annual charity run "Hope Run" in Klaipėda.



AB KLAIPĖDOS NAFTA IN PUBLIC



FOCUS ON COMMUNITIES

KN continues communication and cooperation with communities. In June communities and institutions were briefed on the environmental overview of KN oil terminals. KN initiated and contributed to civil protection training for local communities, invited members of the Melnragė community to learn more about the operation of the oil terminal and environmental measures applied in the Klaipėda oil terminal.



LARGEST LNG EVENT IN KLAIPĖDA

In May over 200 guests were gathered to largest LNG event in Klaipėda *Klaipėda LNG forum 2019*. Event organized by Klaipėda Science and Technology Park, Klaipėdos nafta and Embassy of the Netherlands focused on LNG usage in a road and railway transport, maritime and inland water sectors, off-grid applications, sustainability, and innovations.



KN – AMONGST MOST ATTRACTIVE EMPLOYERS

Lithuanian business newspaper Verslo žinios announced that KN got into top 20 companies of the Lithuanian Most Attractive Employer 2019 rating and took 11th place.



KN GOING DIGITAL

In the beginning of this year, KN launched implementation of the digitalisation and innovation strategy developed by its in-house staff. In June KN announced that the company will use digital signatures instead of paper signatures when signing procurement contracts with its partners. Continuing the digital transformation initiative, in June KN organised the first KN hackathon, in which KN employees developed a mobile app for recording operating incidents and risks.



FINANCIAL RESULTS

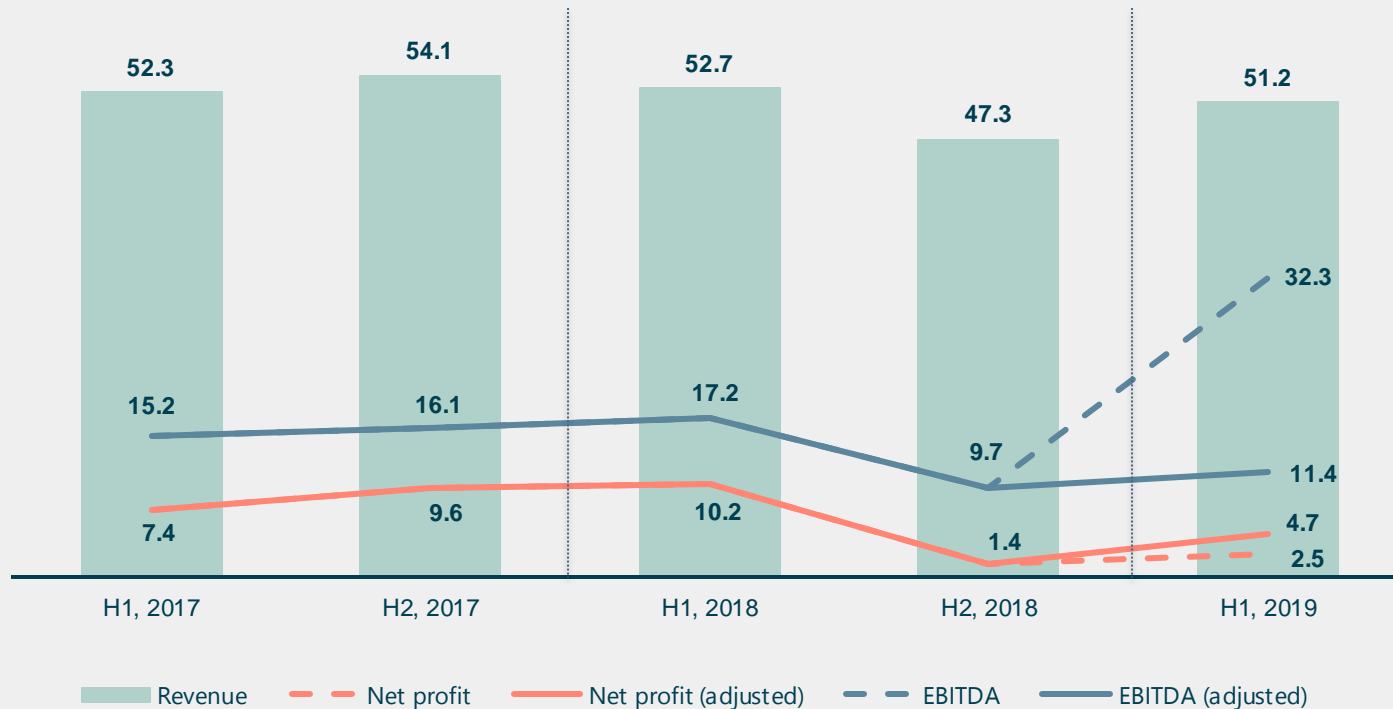


CHANGES IN INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS 16) – APPLICABLE SINCE 1 JANUARY 2019

- Implementation of the standard significantly increase KN's lease assets and financial liabilities;
- IFRS 16 application mostly effects KN's financial statement information related to:
 - Land rent;
 - Jetty rent;
 - FSRU lease.
- KN's EBITDA (non-IFRS measure) increase because above mentioned expenses for the rent are excluded from the activity costs;
- Instead of rent costs depreciation and interest expenses are recorded;
- Due to the fact that FSRU lease contract denominated in a foreign currency (USD), KN have to remeasure this liability using exchange rate at each reporting date;
- Any changes to the lease liability due to exchange rate changes are recognised in a statement of comprehensive income as foreign currency exchange gain or losses.
- As a result of IFRS 16 change the amount of expenses recorded in statement of comprehensive income differs from payments made for the rent, therefore adjusted result and ratios are calculated in order to report real results and have comparable numbers with previous year.



FINANCIAL HIGHLIGHTS (UNAUDITED), MEUR

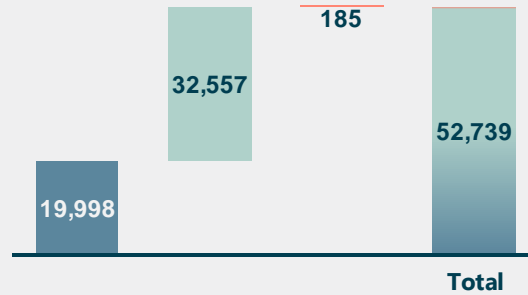




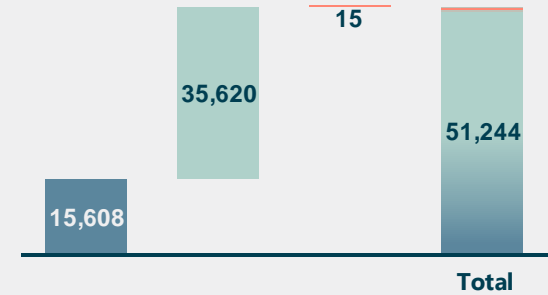
STRUCTURE OF SALES REVENUE AND EBITDA BASED ON OPERATING SEGMENTS (UNAUDITED)

- Business development projects
- LNG terminals
- Oil terminals

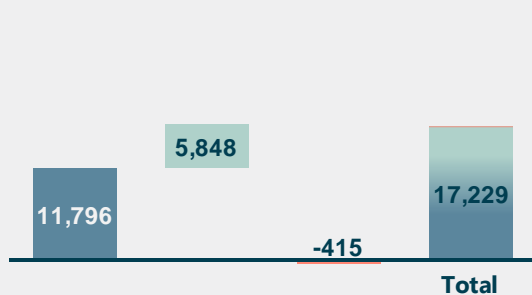
Revenue H1 2018, MEUR



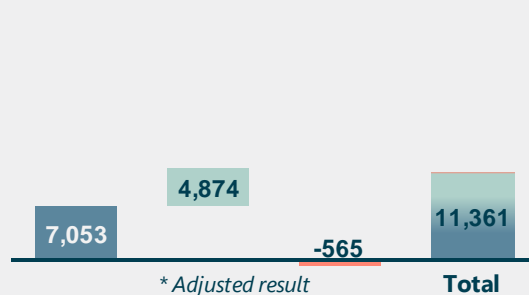
Revenue H1 2019, MEUR



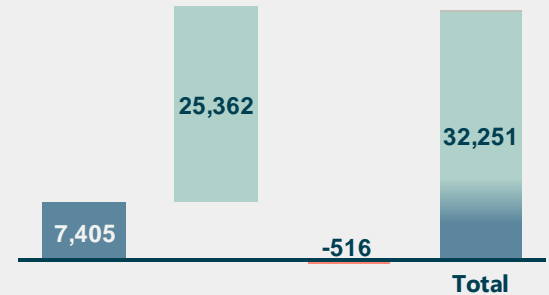
EBITDA H1 2018, MEUR



EBITDA* H1 2019, MEUR

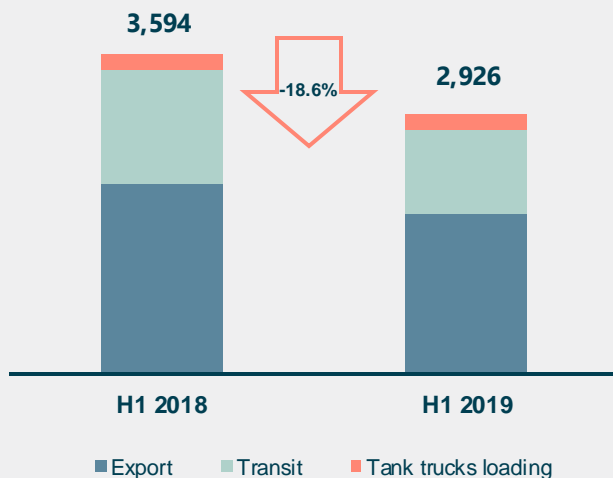


EBITDA H1 2019, MEUR



RESULTS OF OIL TERMINALS FOR H1 2019

Transshipment quantities in oil terminals, thousand tons



MEUR	H1 2019	H1 2019*	H1 2018
Revenue	15.6	15.6	20.0
Net profit	3.4	3.4	7.7
EBITDA	7.4	7.1	11.8

BUSINESS FACTORS:

* Adjusted result

During first 6 months of 2019 **oil terminals** reloaded 18.6 per cent less oil products compared to same period in 2018 due to following reasons:

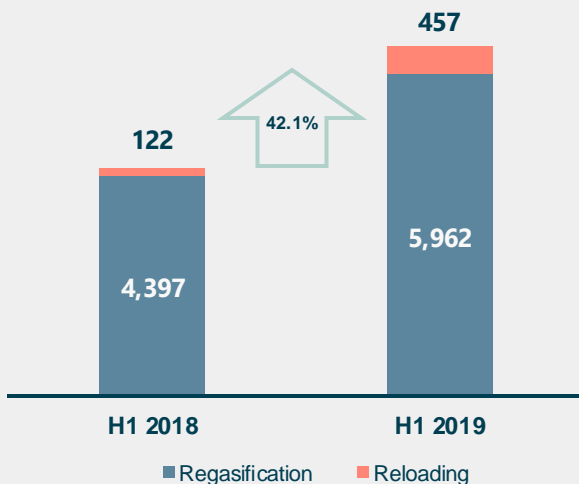
- Decrease in transshipment quantities due to the incidents at the factories of Company's main clients, which resulted in lower production volumes in the IQ of 2019, as well as decision of Orlen Lietuva to divert oil products via railroad to neighboring markets.
- Contaminated oil incident in Druzhba pipeline in Q2 of 2019 that influenced significant decrease of oil products handling.
- Transshipment volume of Subačius oil terminal amounted to 19.5 thousand tons during H1 2019 (H1 2018 – 43.4 thousand tons).
- Oil products import through auto loading unit have remained at almost the same level as 2018 (H1 2019 – 174, H1 2018 – 176 thousand tons).

The average storage volumes of oil products in **Subačius oil terminal** have remained in the same level (188 thousands tonnes) compared to corresponding period 2018.



LNG TERMINALS' RESULTS FOR H1 2019

Regasification and reloading in LNG terminals, thousand MWh



ASPECTS OF REGULATION:

The activity of LNG terminal is regulated and has the set price cap. The revenue and profit of LNG activity does not depend on re-gasification volume, therefore, there are differences between financial and regulated profit and revenues.

MEUR	H1 2019	H1 2019*	H1 2018
Revenue	35.6	35.6	32.6
Net profit	-0.3	1.8	2.9
EBITDA	25.4	4.9	5.8

* Adjusted result

BUSINESS FACTORS:

The favorable price situation in the international gas markets resulted in 42.1 per cent increased regasification and reloading volumes.

During H1 2019 in the **LNG terminal**:

- 15 LNG carriers (during the first 6 months of 2018 – 5 LNG carriers) have been accepted;
- 402.2 thousand tons of LNG have been delivered (during to the first 6 months of 2018 – 299.7 thousand tons);

During H1 2019 in the **LNG small-scale terminal**:

- 5 LNG carriers (during to the first 6 months of 2018 – 2 LNG carriers) have been accepted;
- 16.6 thousand tons of LNG was reloaded to small-scale LNG carriers (in test mode 4.9 thousand tons in 2018).



FINANCIAL FIGURES (UNAUDITED)

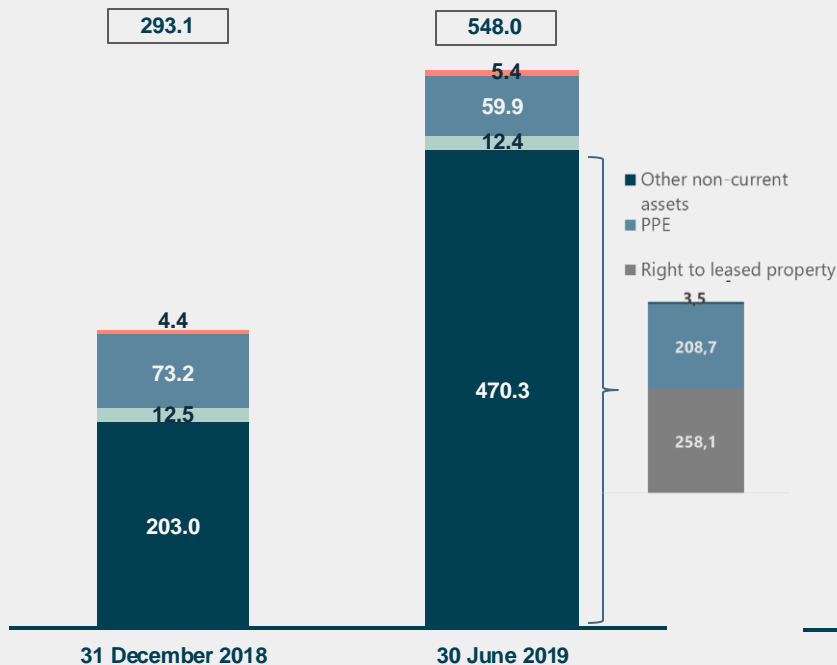
MEUR	H1 2019	H1 2019 (adjusted)	H1 2018	Change, MEUR	Change, %
Sales Revenue	51.2	51.2	52.7	-1.5	-3 %
Gross profit	8.7	8.0	12.7	-4.7	-37 %
EBITDA	32.3	11.4	17.2	-5.9	-34 %
Profit before taxation (EBIT)	2.3	4.5	10.2	- 5.8	- 56 %
Net profit	2.5	4.7	10.2	- 5.5	- 54 %
Gross profit margin	16.9 %	15.6 %	24.1 %	-	-8.5 p.p.
EBITDA margin	62.9 %	22.2 %	32.7 %	-	-10.5 p.p.
Net profit margin	5.0 %	9.2 %	19.4 %	-	-10.2 p.p.
Return on equity (ROE)*	2.1 %	3.2 %	10.3 %	-	- 7.1 p.p.
Return on assets (ROA)*	0.9 %	2.1 %	7.4 %	-	- 5.3 p.p.
Profit per share (EPS), EUR/share	0.007	0.012	0.027	- 0.015	- 56 %
Average number of shares	380,952,393	380,952,393	380,606,184	346,209	0.09 %

* The return on equity (ROE) and return on assets (ROA) were calculated by dividing the net profit (losses) of the last twelve months by the average of equity or asset values at the beginning and the end of the reference year



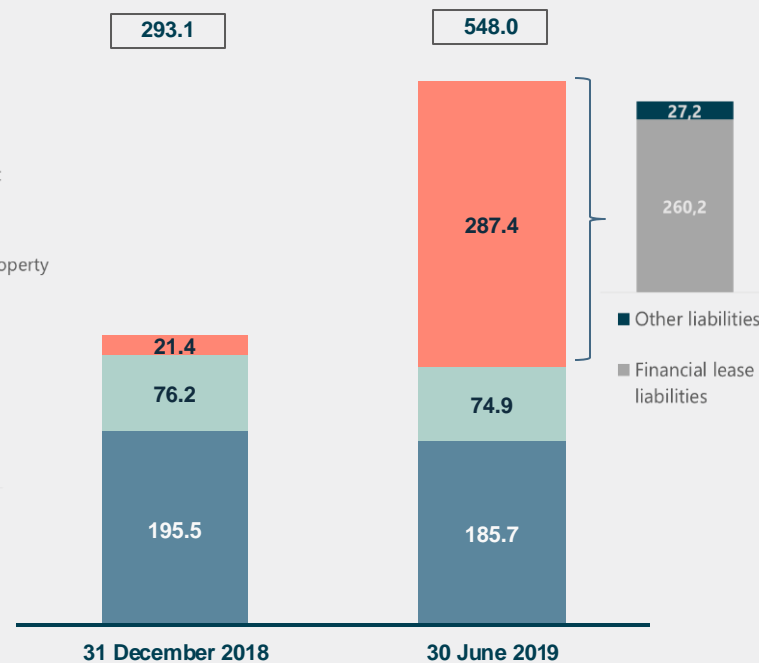
BALANCE SHEET (UNAUDITED)

Assets, MEUR



- Non-current assets
- Cash and cash equivalents
- Trade receivables
- Other current assets

Equity and liabilities, MEUR



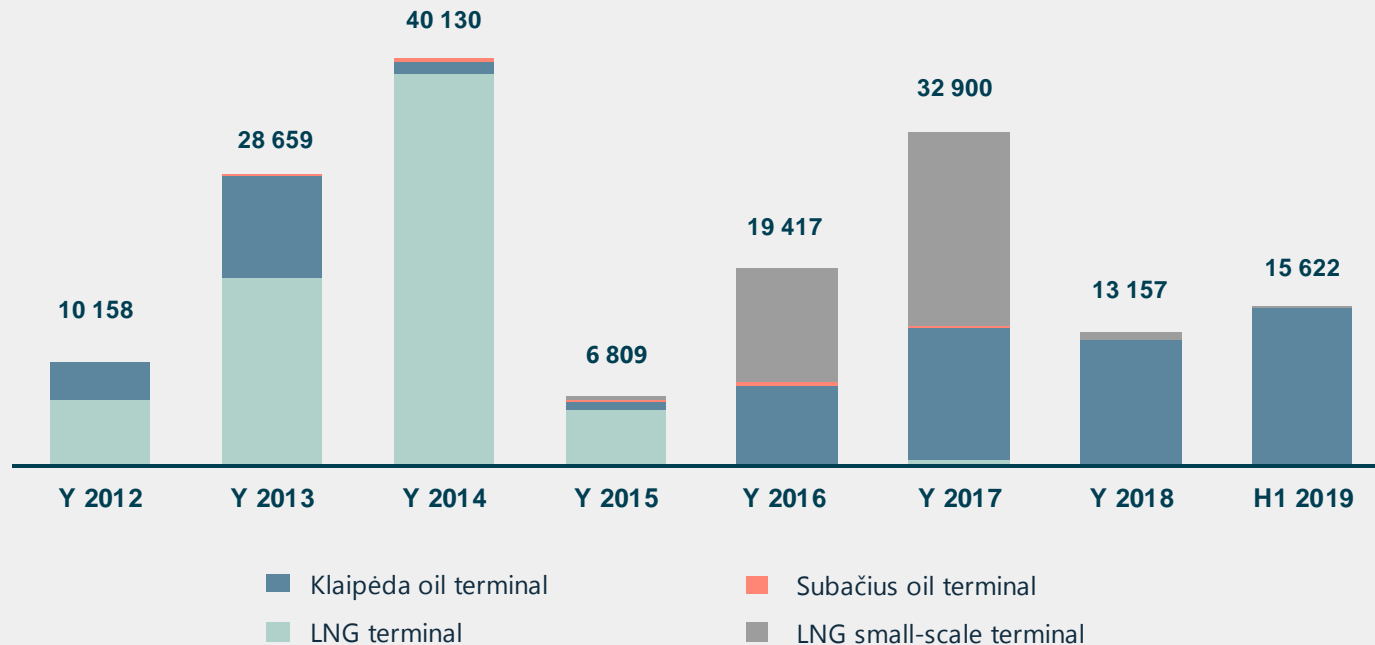
- Other non-current and current liabilities
- Financial lease liabilities
- Total equity



INVESTMENT OVERVIEW



INVESTMENT OF THE COMPANY, MEUR





OTHER INFORMATION



SHAREHOLDERS AND SHARES

Since 2003 the shares of the Company are listed on NASDAQ OMX Vilnius stock exchange:

- ISIN code – LT0000111650
- Abbreviation – KNF1L

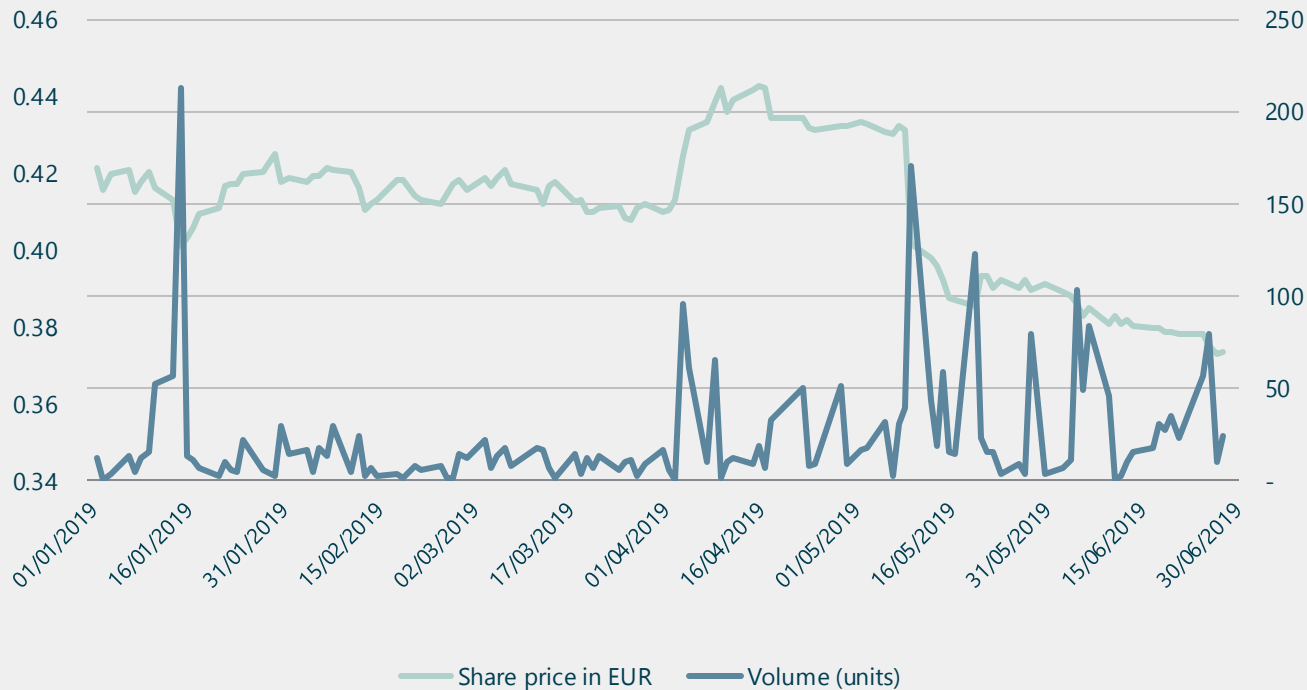
As at 30 June 2019, all the shares of the Company were owned by 2 601 shareholders (as at 31 December 2018 – 2 191).

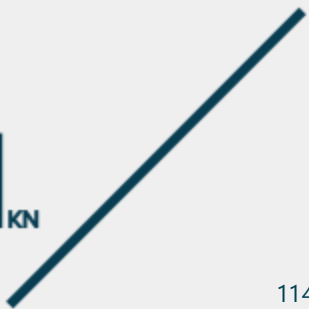
Shareholder's name (company's name, address, company code of registration)	30 June 2019		31 December 2018	
	Number owned shares (unit)	Part of authorized capital (%)	Number owned shares (unit)	Part of authorized capital (%)
The Republic of Lithuania, represented by the Ministry of Energy of the Republic of Lithuania	275,587,444	72.34	275,241,290	72.32
Concern AB Achemos grupe	39,650,338	10.41	39,605,234	10.41
Other (each owning less than 5%)	65,714,611	17.25	65,759,660	17.28
Total	380,952,393	100.00	380,606,184	100.00



TRADING IN KNF1L SHARES ON NASDAQ VILNIUS STOCK EXCHANGE IN H1 2019

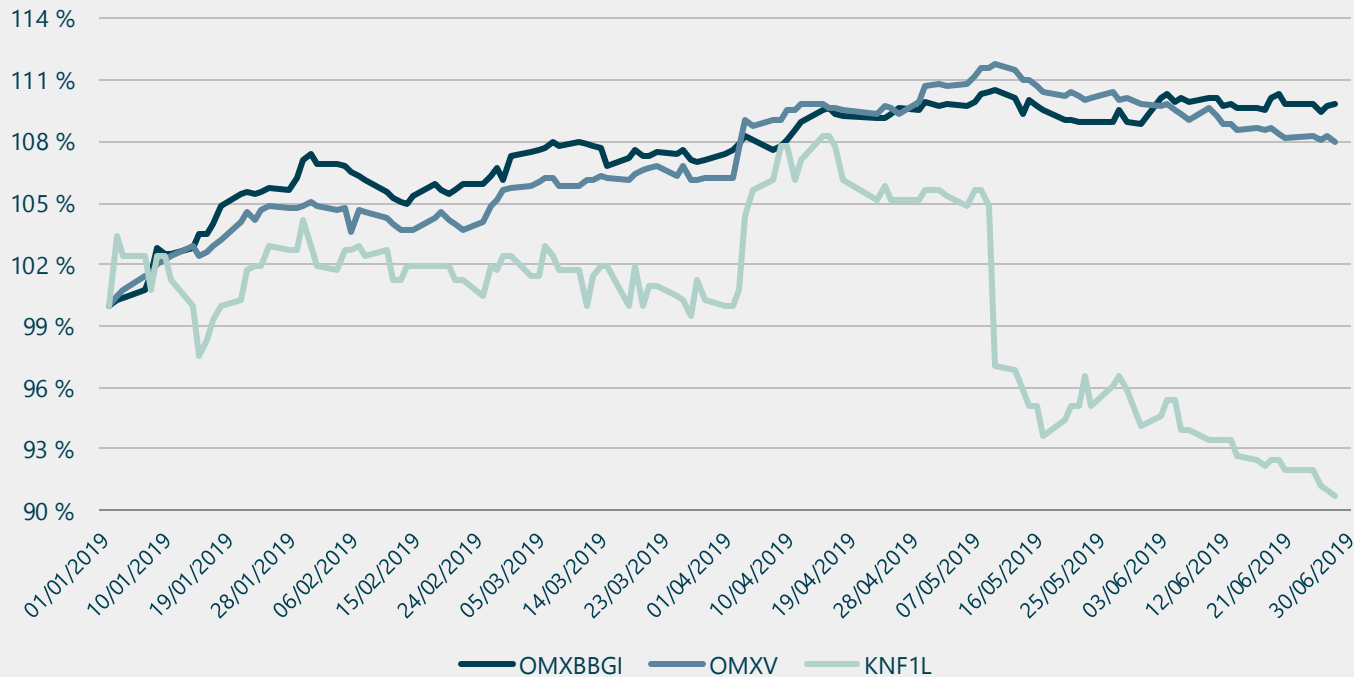
Trading in KNF1L shares on Nasdaq Vilnius stock exchange in H1 2019





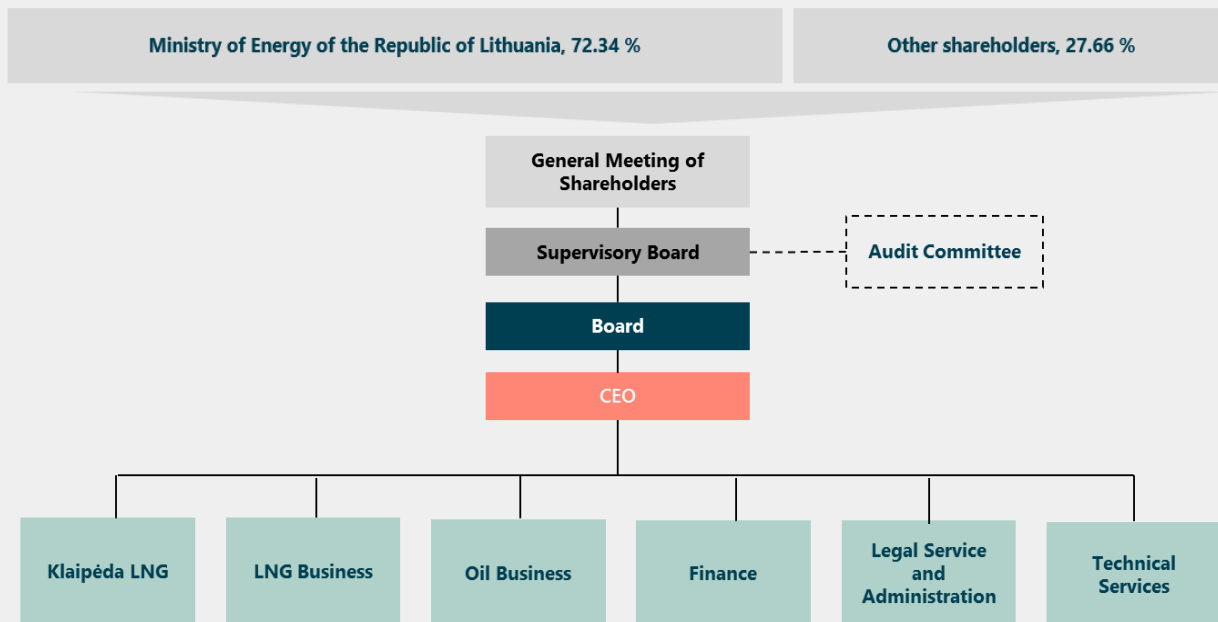
KNF1L SHARE PRICE, NASDAQ VILNIUS AND BALTIC BENCHMARK GI INDEXES COMPARISON IN H1 2019

KNF1L share price comparison with OMX Vilnius and OMX Baltic Benchmark GI in H1 2019





ORGANIZATIONAL STRUCTURE



Audit committee members: Andrius Varanavičius, Laura Garbenčiūtė-Bakienė and Žana Kraučenkienė.

Supervisory Board members: Tomas Lukoševičius, Eimantas Kiudulas and Andrius Varanavičius.

Board members: Dainius Bražiūnas, Mantas Bartuška, Giedrius Dusevičius, Bjarke Pålsson ir Ian Bradshaw (appointed as at 2 January 2019 m.).



MANAGEMENT OF THE COMPANY



Mindaugas Jusius

Chief Executive Officer (till 26 July 2019)

Jonas Lenkšas
Chief Financial Officer



Darius Šilenskis

Oil Business Director (acting CEO since 27 July 2019)



Rytis Valūnas
*Chief Administrative Officer and
General Counsel*



Genadijus Andrejevas
Technical Director



Tadas Matulionis
LNG Business Development Director



Arūnas Molis

Klaipėda LNG Director (since 2 January 2019)





THANK YOU

AB Klaipėdos nafta

Registered address - Burių str. 19,
LT-91003; Klaipėda
Lithuania

Tel. +370 46 391772

e-mail media@kn.lt

www.kn.lt