



AB KLAIPĖDOS NAFTA

# UNAUDITED FINANCIAL RESULTS OF KN GROUP FOR 2020 Q1

## BRIDGING ENERGY MARKETS

- 
- **SHIFT IN MISSION AND VISION**
  - **STRATEGY 2020 – 2030**
  - **COVID -19 IMPACT**
  - **2020 Q1 HIGHLIGHTS**
  - **FINANCIAL RESULTS**
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# BRIDGING ENERGY MARKETS

## MISSION

KN ensures safe, reliable and efficient access to global energy markets by sustainable development, investment and operation of multi-functional liquid energy terminals worldwide. Our aim is to assist our customers in cleaner energy transition and to maintain their competitiveness.

## VISION

Top LNG terminal operator world-wide and most competitive oil and refined products handling hub in the Baltic region.



## Main business lines by 2030

Crude and refined  
products  
handling services

Klaipėda LNG hub:  
Klaipėda LNG  
terminal and LNG  
reloading station

International  
LNG projects



Crude and refined  
products  
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### BY 2030 WE AIM TO:

1. Handle any oil product without limitation to transshipment mode, provide smart throughput, storage, and blending services;
2. Be fully capable of working with products that go beyond the range of traditional oil or petroleum products;
3. Invest in sustainable and more efficient technologies and processes to reduce emissions from our activities.

### OBJECTIVES:

1. Sustain and increase volumes and profitability of oil terminals under consideration of changes to the market structure;
2. Enter market for transshipment of petrochemicals and other new products;
3. Ensure environmentally sustainable and secure activities of KN oil infrastructure.

### BY 2030 WE AIM TO:

1. Assure the region's access to the global LNG market at least till 2044 and benefit for Lithuanian consumers through commercial activities;
2. Assure highest quality bunkering and truck loading services, contribute to innovation development through the LNG cluster.

### OBJECTIVES:

1. Ownership of FSRU, full O&M;
2. Implemented long term LNG import solution;
3. >30 % FSRU revenues from international counterparties;
4. Provision of quality LNG services under the sustainable business model.

### BY 2030 WE AIM TO:

1. See the net profit from international LNG projects higher than from oil products transshipment services, which is the largest portion today;
2. Become the preferred partner for new LNG import terminal projects globally;
3. Be within the top three leading floating LNG import terminal companies.

### OBJECTIVES:

1. Operator of at least 5 LNG terminals by 2030;
2. Shareholder in at least 4 LNG terminals by 2030.

Learn more about KN strategy at: [2030.kn.lt/en/](https://2030.kn.lt/en/)



## COVID – 19 Impact

### MEASURES TAKEN:

- Company has introduced several major precautionary and organizational measures to ensure safety of Group's and Company's employees and continuity of business operations.
- Company has switched to work in remote mode and only employees that are essential and physically needed to operate the terminals are working on-site.
- "Covid-19" effect started from the last third of February 2020 and with situation deterioration started global sell-off across all international exchanges including the Baltic Nasdaq OMX exchange. KN share lost the least in its value compared to the key indexes.
- Company is monitoring the situation and maintains close communication with major clients, suppliers and partners on regular basis. As at this date there are no concerns and no indications that could cause doubts about their possibilities to fulfill contractual obligations.
- The management expects that with measures taken the Group and the Company will be able to continue its operations and achieve business goals defined in the long-term strategy.

## 2020 Q1 HIGHLIGHTS

**February 03, 2020**

KN signed an O&M Services Agreement for the provision of operations and maintenance services in connection with GNA's liquefied natural gas terminal, located at the Port of Açú in the state of Rio de Janeiro.

**February 13, 2020**

Supervisory Board of AB Klaipėdos nafta has approved corporate strategy of the KN until 2030.

**March 08, 2020**

A liquefied natural gas (LNG) powered vessel was successfully bunkered for the first time in the port of Klaipėda. During this operation, the fuel tank of the cement carrier MV Greenland was filled with gas at the Malkos Bay Terminal.

**March 09, 2020**

KN has concluded the Loan Agreement with the Nordic Investment Bank regarding granting a loan of up to EUR 160 mln with the purpose to finance an acquisition of the floating liquefied natural gas storage unit

**March 17, 2020**

The Operation and Maintenance Services Agreement for the LNG terminal in Brazil has entered into force.

**March 30, 2020**

FSRU Independence was moved from the usual location of the terminal as the Port of Klaipėda was carrying out cleaning of the port waters. This operation was successfully done twice before. FSRU renewed its operations on April 6th, 2020.

**April 01, 2020**

The Polish oil and gas company PGNiG commences commercial operations at the KN-operated Klaipėda liquefied natural gas (LNG) reloading station. The capacities of the station, which will allow more efficient entry into the small-scale regional LNG market, is reserved for a strategic partner for five years.

**April 28, 2020**

Annual General Meeting of Shareholders has approved the audited Financial Statements of the Group and the Company for the year 2019 as well as approved to distribute Company's net profit of 2019 and allocate dividends of EUR 0.02 per share.



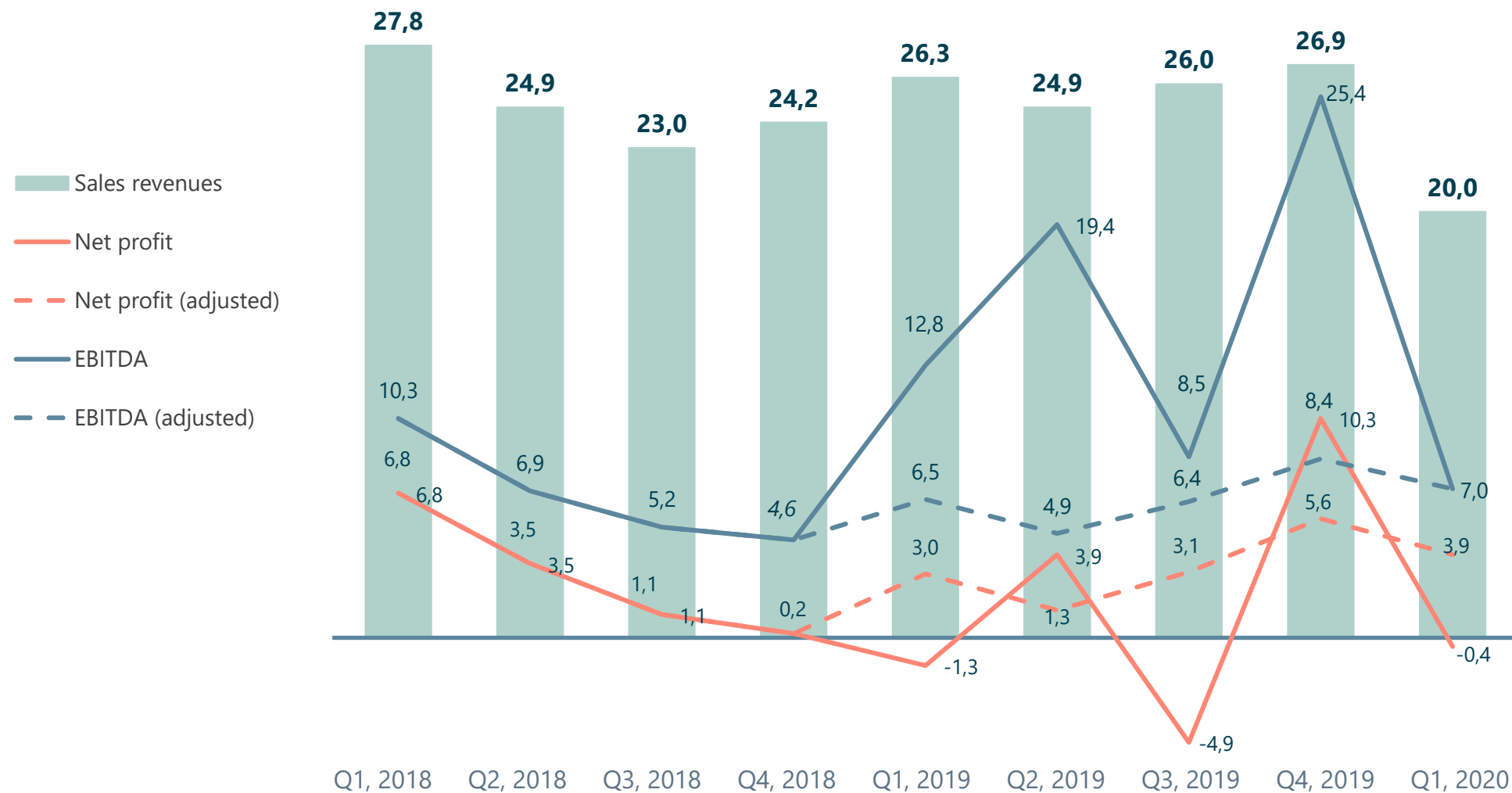


# FINANCIAL RESULTS



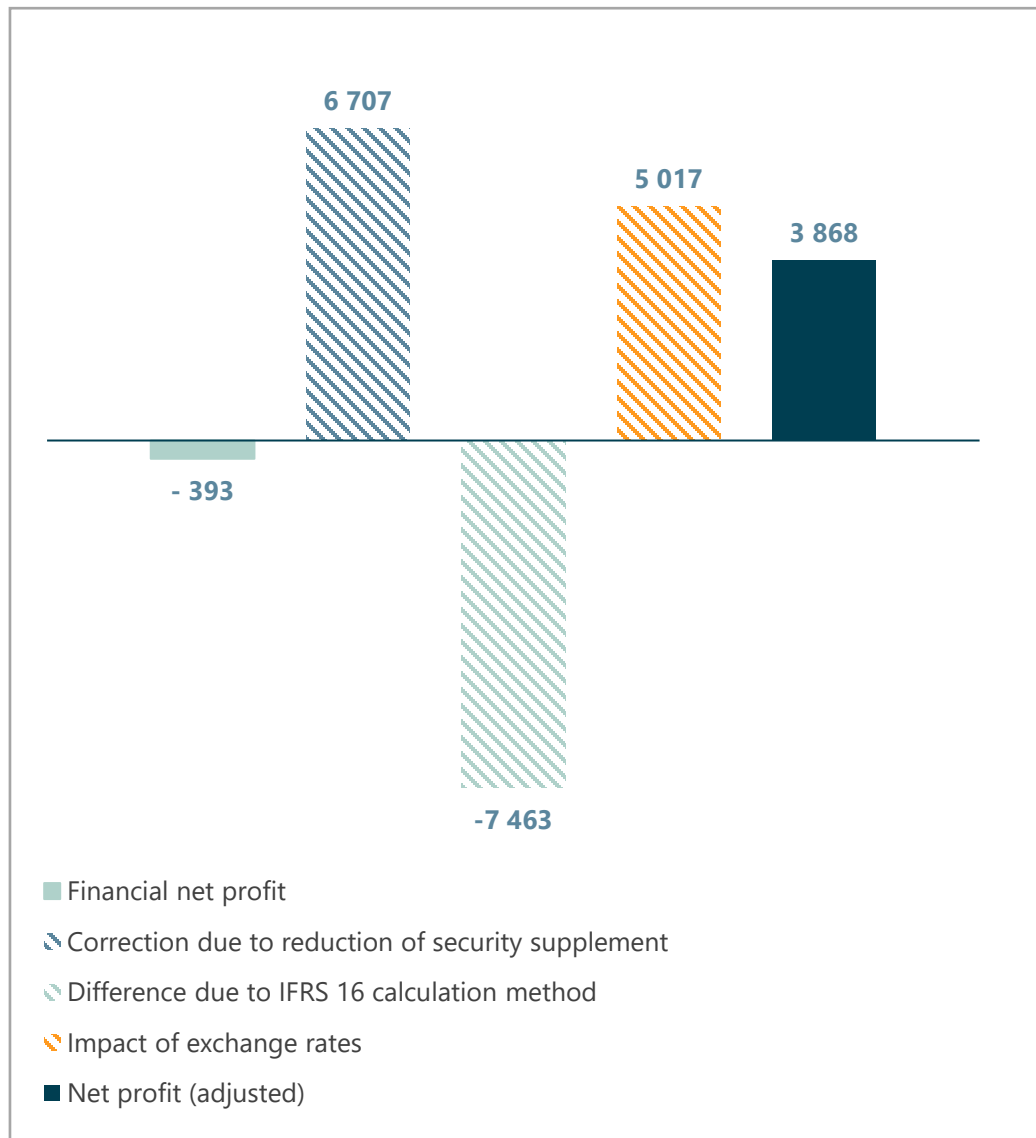


## FINANCIAL HIGHLIGHTS (UNAUDITED) FOR 2020 Q1, MEUR





## IMPACT OF IFRS 16 AND LNG SECURITY SUPPLEMENT REDUCTION ON RESULTS OF 2020 Q1, tEUR



### IMPACT OF IFRS 16 AND LNG SECURITY SUPPLEMENT REDUCTION 2020 Q1

Financial net profit (loss), tEUR	(393)
Adjustment due to reduction of LNG security supplement	6 707
Difference due to IFRS 16 calculation method	(7 463)
Impact of exchange rates due to IFRS 16	5 017
Net profit (loss), adjusted, tEUR	3 868

**Together with the financial results the Group provides adjusted profit in order to present business results.**

**The main differences between financial net profit and net profit adjusted are:**

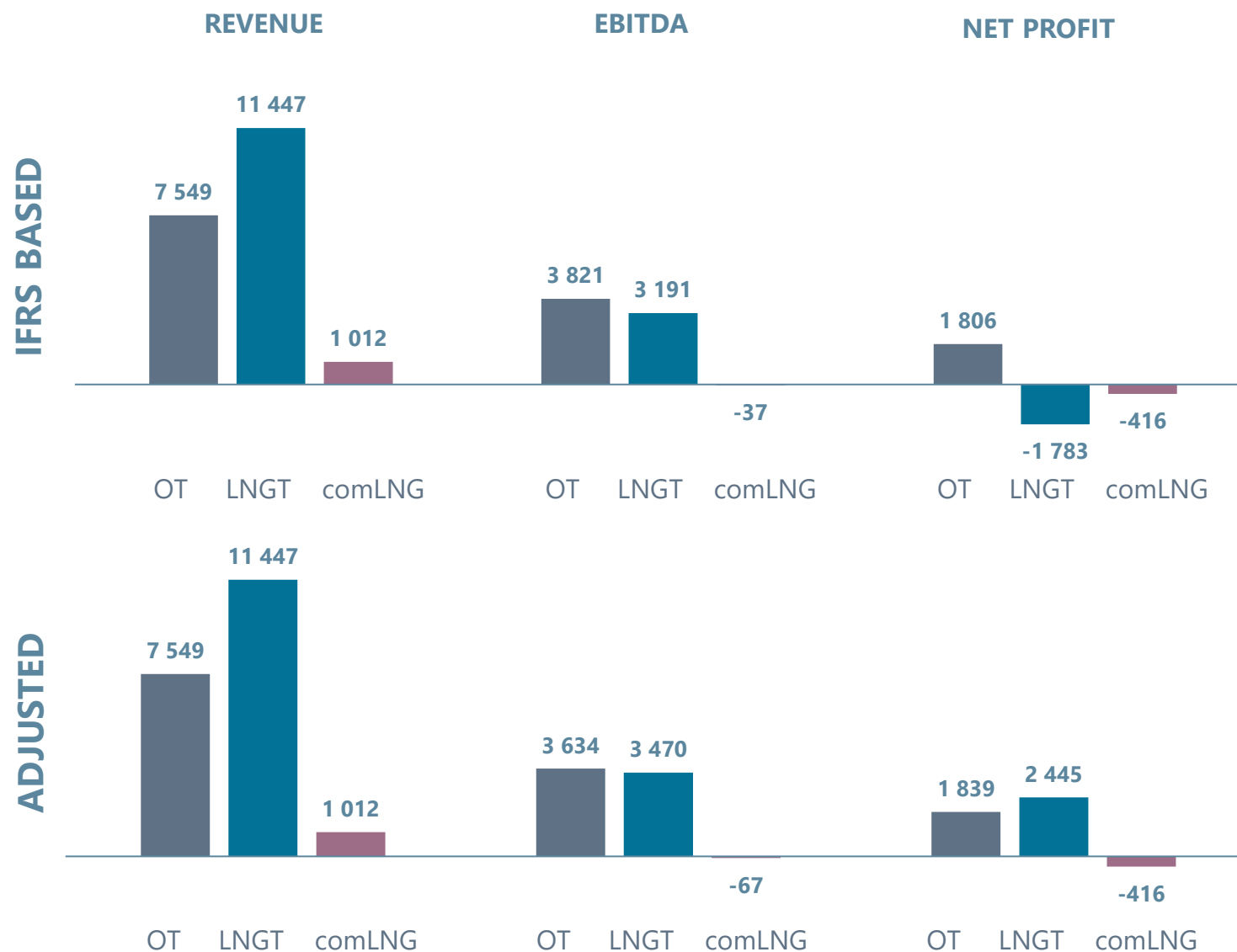
- impact of IFRS 16.
- unrealized exchange rates loss, arising from finance lease obligations under requirements of IFRS 16.
- impact of LNG security supplement reduction from 1 Jan 2020.

### **LNG security supplement reduction:**

- On 19th September 2019 European Commission has approved state aid consent regarding LNG security supplement reduction. On 20th December 2019 a loan agreement with NIB has been signed for the LNG security supplement reduction.
- LNG security supplement reduction comprise 26.8 MEUR for 2020, as a result for Q1 2020 it has been reduced in 6.7 MEUR for LNG consumers and is financed by the respective loan amount from NIB.



# FINANCIAL HIGHLIGHTS (UNAUDITED) FOR 2020 Q1, MEUR



## SEGMENTS EXPLANATION:

### ■ Oil Terminals (OT) – include:

- Klaipėda Oil Terminal and
- Subačius Oil Terminal

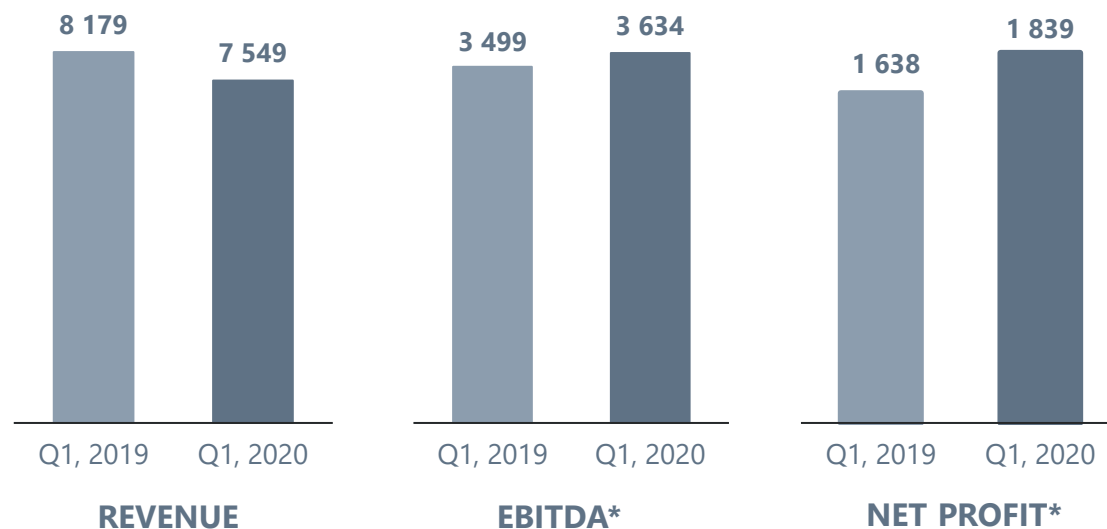
### ■ Regulated LNG activities (LNGT):

- Klaipėda LNG Terminal

### ■ Commercial LNG activities (comLNG):

- small-scale LNG reloading station in Klaipėda
- operation of LNG terminal in Açu port in Brazil and
- Business development projects.





\* ADJUSTED

## BUSINESS FACTORS:

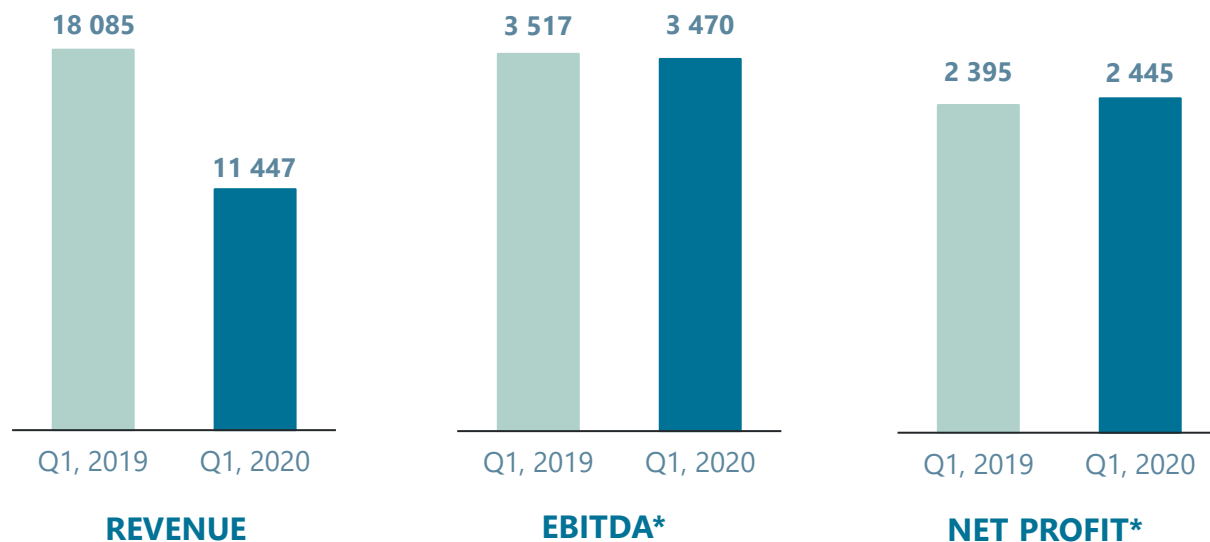
1Q of 2020 was full of obstacles which put some pressure on KN's oil business segment. Some of them were predictable, some not.

Predictable ones:

- Starting 1st of Jan 2020 International Maritime Organization released new restrictions on allowed sulfur quantities in fuels which caused slow-down of fuel oil flows worldwide and this played negatively on KN oil business results.

Unpredictable ones:

- Due to warm winter season, demand of diesel fuel, heating oil and similar fuels decreased, hence inventories have increased and caused lower refining margins. As a consequence, production capacities have been decreased in regions' refineries.
- Lock-down of crude supply from Russia to Belarus in 1Q caused decrease of petroleum products export from Belarus via KN terminal.
- COVID 19 caused drop of oil demand and respectively worsening of refining margins.
- Decrease of petroleum products export was partially substituted by income from crude oil import to Belarus via KN.

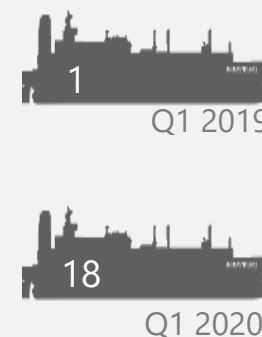


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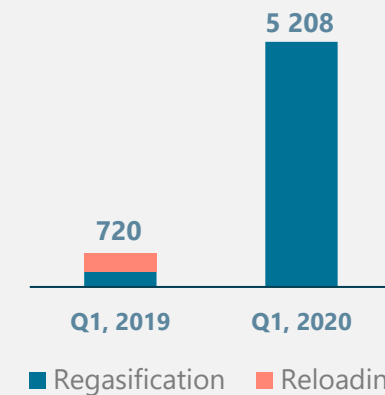
## BUSINESS FACTORS:

- Period of high LNG Terminal utilization continues. Key reason – LNG pushes out the pipeline gas due to the better pricing.
- The LNG prices have fallen to a record low with TTF index reaching less than 6 Eur/MWh on a spot market. It has dropped by 23 Eur/MWh from above 29 Eur/MWh, when it reached peak in September 2018.
- A favourable situation in regards to the pricing is foreseen until the end of the year due to oversupply of LNG and higher level of fill of gas storages in Europe for summer 2020.

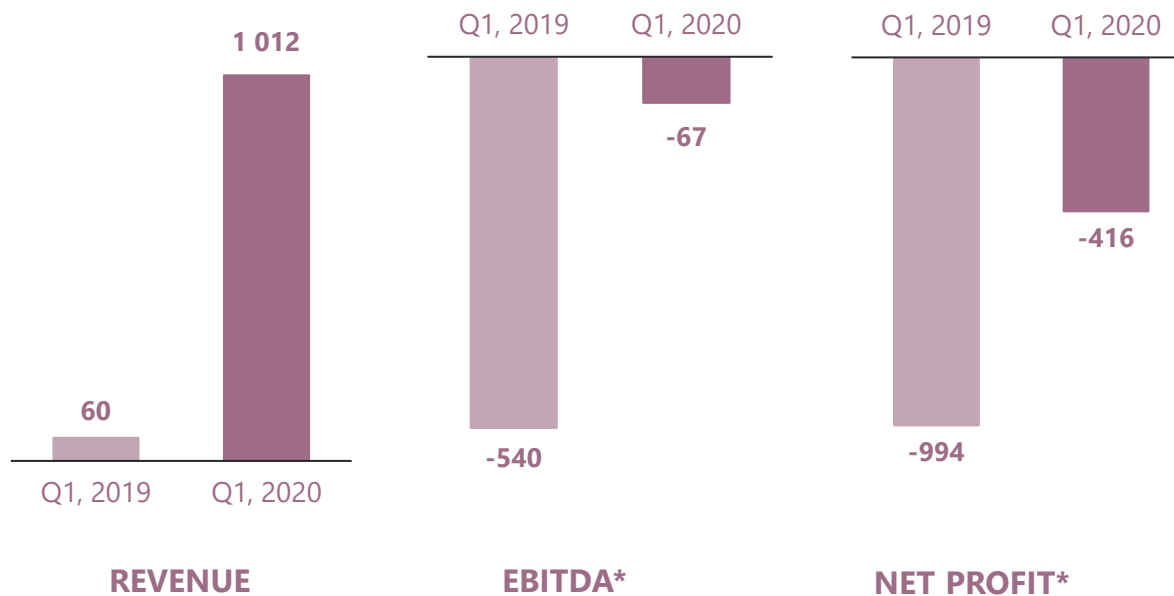
## LNG TANKERS ACCEPTED



## REGASIFICATION AND RELOADING IN REGULATED LNG TERMINAL, TMWH







\* ADJUSTED

## BUSINESS FACTORS:

- Commercial LNG activities include:
  - small-scale LNG reloading station in Klaipėda,
  - operation of LNG terminal in Açu port, and
  - Business Development Projects.
- KN together with its subsidiary KN Açu Serviços de Terminal de GNL Ltda. signed an Operation and Maintenance Services Agreement with UTE GNA I Geração de Energia S.A. for the provision of operations and maintenance services in connection with GNA's LNG terminal, located at the Port of Açu in Brazil.
- Klaipėda LNG reloading station truck loading services comparing Q1, 2019 with Q1, 2020 increased by 35%. This was mainly affected by the increasing market and favorable prices of LNG.
- A favorable sign of LNG bunkering market development was the first LNG bunkering operation performed in Klaipėda port on the 8th of March. The ISO container used for bunkering was loaded in the LNG reloading station. The number of LNG powered vessels that come to Klaipėda port is constantly increasing.

## Q1 FINANCIAL FIGURES

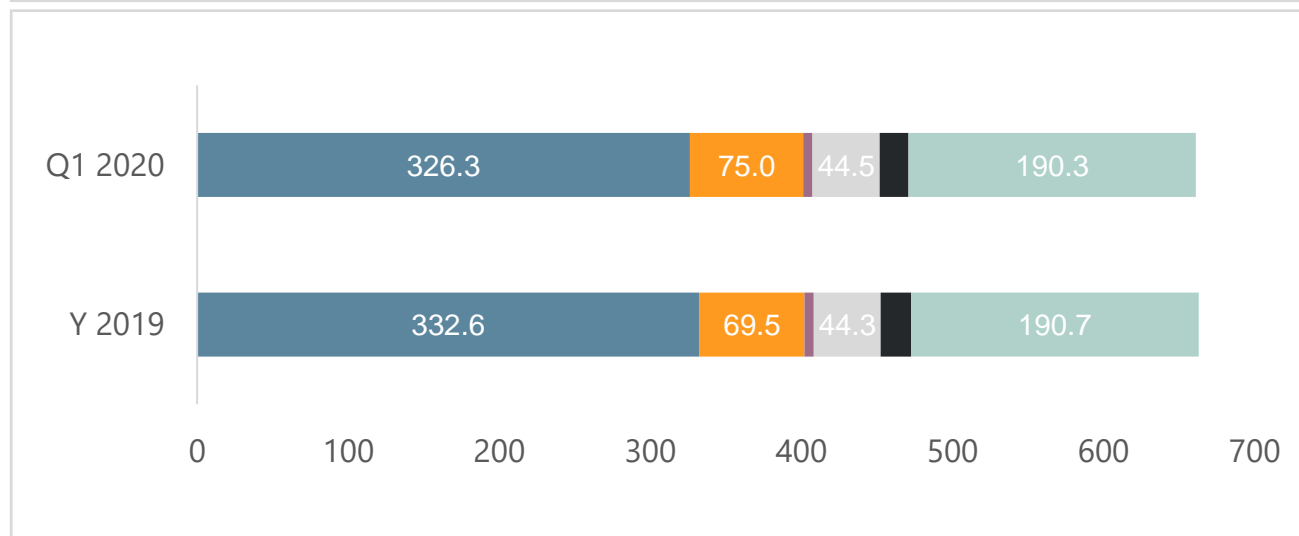
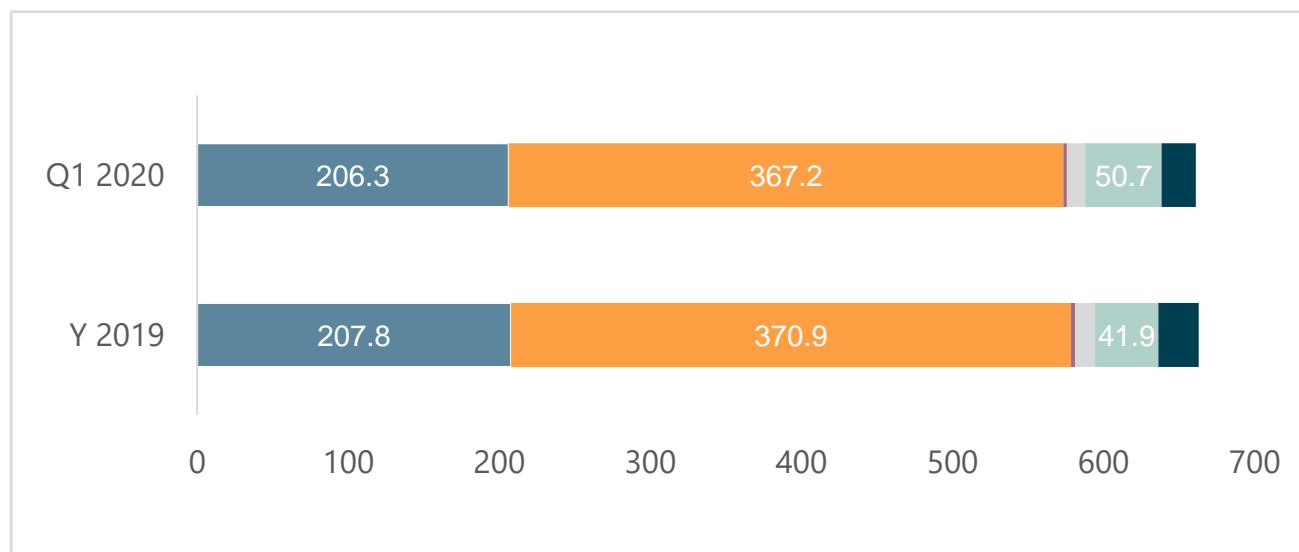
MEUR	Q1, 2020 ( <i>adjusted</i> )	Q1, 2019 ( <i>adjusted</i> )	Change, MEUR	Change, %
Sales Revenues	20.0	26.3	-6.3	-24.0%
Gross profit	7.4	5.0	2.4	48.0%
EBITDA	7.0	6.5	0.5	7.7%
Profit before taxation (EBIT)	4.1	3.0	1.1	36.7%
Net profit	3.9	3.0	0.9	30.0%
Gross profit margin	37.0%	19.0%	-	18.0 p.p.
EBITA margin	35.2%	24.6%	-	10.6 p.p.
Net profit margin	19.3%	11.5%	-	7.8 p.p.
Return on equity (ROE)*	7.2%	6.7%	-	0.5 p.p.
Return on assets (ROA)*	2.1%	1.7%	-	0.4 p.p.
Price-Earnings Ratio (P/E)	10.3	10.3	0.0	0.0 %
Profit per share (EPS), EUR/share	0.01	0.008	0.002	25.0%
Number of owned shares (units)	380 952 393	380 952 393	0.0	0.0%

\* 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.



ASSETS			
MEUR	31-03-2020	31-12-2019	
PPE	206.3	207.8	
Right to lease property	367.2	370.9	
Other non-current assets	2.4	2.6	
Trade receivables	13.3	13.2	
Cash and cash equivalents	50.7	41.9	
Other current assets	21.4	26.9	
<b>TOTAL</b>	<b>661.3</b>	<b>663.3</b>	

LIABILITIES & EQUITY			
MEUR	31-03-2020	31-12-2019	
Non-current lease liabilities	326.3	332.6	
Loans	75.0	69.5	
Other non-current liabilities	6.1	6.2	
Current lease liabilities	44.5	44.3	
Other current liabilities	19.1	20.0	
Equity	190.3	190.7	
<b>TOTAL</b>	<b>661.3</b>	<b>663.3</b>	



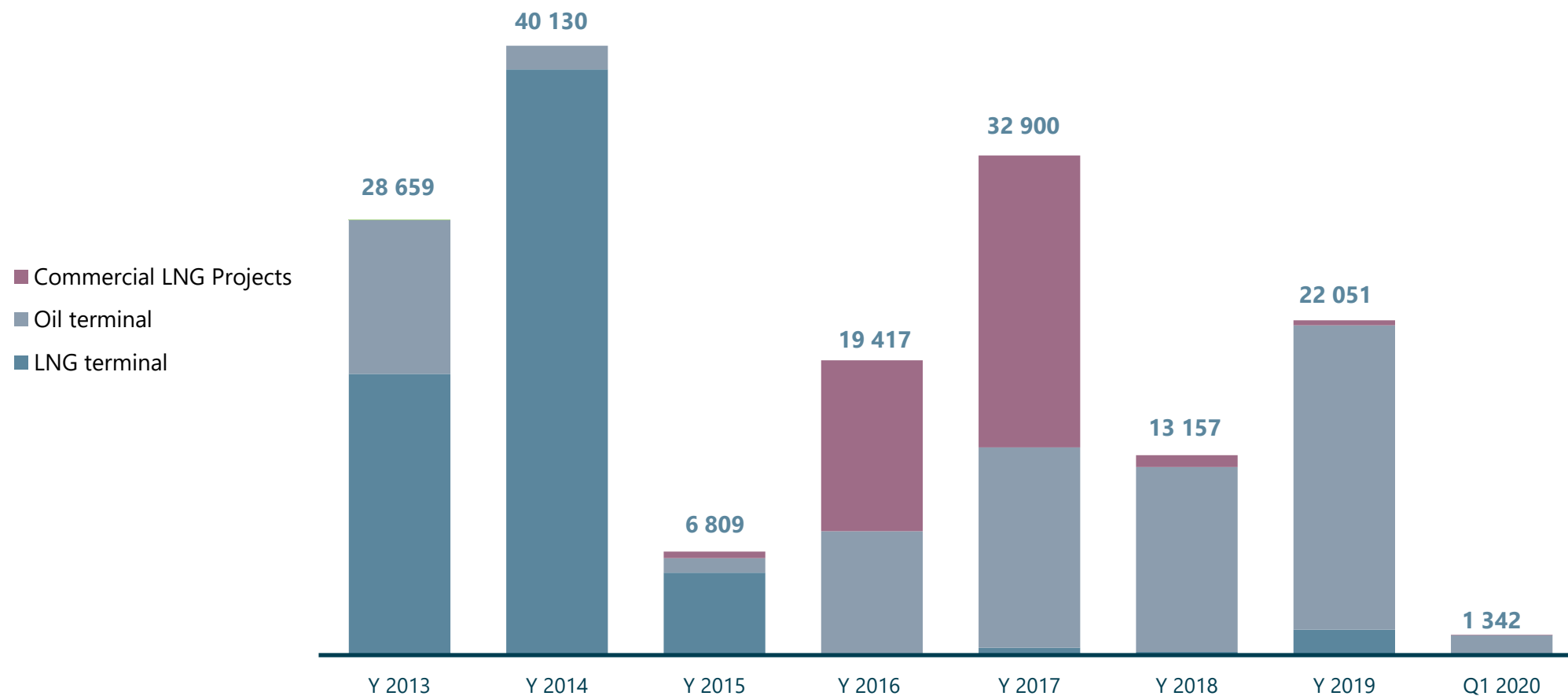




# INVESTMENTS OVERVIEW



## INVESTMENTS OF THE COMPANY, MEUR







# THANK YOU

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