



AB KLAIPĖDOS NAFTA

# UNAUDITED FINANCIAL RESULTS OF KN GROUP FOR 2020

*January 29, 2021*



**DARIUS ŠILENSKIS**  
CHIEF EXECUTIVE OFFICER



**JONAS LENKŠAS**  
CHIEF FINANCIAL OFFICER



SHIFT IN MISSION AND VISION



COVID-19 IMPACT



2020 Q4 HIGHLIGHTS



FINANCIAL RESULTS



INVESTMENTS OVERVIEW





# BRIDGING ENERGY MARKETS

## MISSION

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

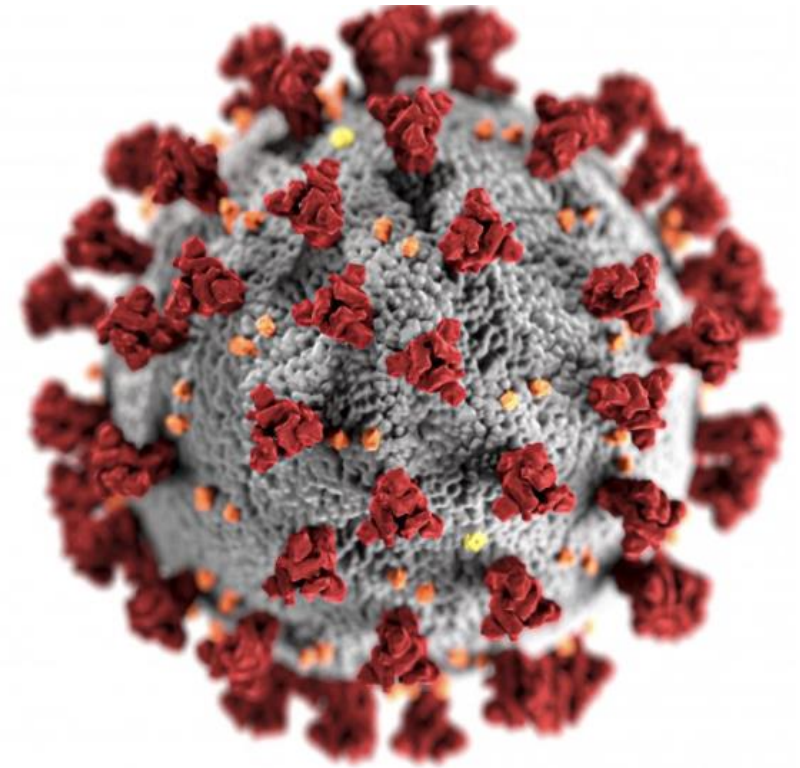
## VISION

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Top LNG terminals operator worldwide and the most competitive oil and refined products handling hub in the Baltic region.

## Covid-19 impact management measures taken:

- As of today, KN has managed to ensure business continuity and mitigate major COVID-19 related risks. All KN terminals are fully operational and from KN perspective all contractual commitments against the clients across the markets the company operates have been ensured.
- The Company applies various preventive measures to ensure safety of Group's and Company's employees and continuity of business operations. The employees of the Company, whose work specifics allow, work remotely. For the employees, who cannot work remotely, health safety measures are provided and health safety related practices in the terminals of the Company are implemented. All measures are being reviewed on a weekly basis.
- With further uncertainty surrounding COVID-19 and respective economic impact globally, safety of KN personnel, efficiency and sustainability of KN terminals operations and prudent international projects development in line with KN Strategy 2030 remain the core items of the Company's continuity and risk mitigation plan.
- The Company notices the COVID-19 impact on decreasing demand on global and regional scale and respectively on a lower transshipment volume through the Company's terminals in 2020 and correspondingly the impact in 2021 is also anticipated.
- Considering the high liquidity of the Group and the Company, the preventive measures taken, activated business continuity and risks mitigation plan, from a cash flows point of view the Group and the Company are in a secure position to continue their business operations in this unfavorable situation.



### NOVEMBER 20

Žaneta Kovaliova was elected as a member of the Supervisory Council of AB Klaipėdos nafta on November 20th and elected as a member of Audit Committee on December 8th.

### NOVEMBER 30

The Ministry of Energy and 19 organizations, including KN, have signed an agreement on the establishment of a hydrogen platform in Lithuania. The signatories have agreed to cooperate in the creation and development of hydrogen technologies, which will be crucial for achieving national and European energy and climate targets.

### DECEMBER 15

BNK (UK) Limited informed KN about the temporary suspension of oil products sales through Klaipėda. Cargo, albeit to a lesser extent, is currently being sent to Klaipėda and reloaded at the KN oil terminal for further export.

### NOVEMBER 20

The decision of the European Commission has been announced, which will allow the guarantee provided by the Republic of Lithuania to secure the Company's financial obligations for the acquisition of a floating LNG carrier.

### NOVEMBER 23

Lithuanian National Energy Regulatory Council (NERC) has approved new tariffs for LNG services provided by KN for 2021.

### DECEMBER 7

KN has concluded an agreement with UAB Elektrėnų energetikos remontas on the reconstruction and adaptation of two storage tanks for bitumen loading.

### JANUARY 4

The new calendar year in Klaipėda Liquefied Natural Gas (LNG) terminal began by exceeding 200 LNG operations, counting from the beginning of the LNG terminal operation.



**November.** KN and Klaipėda ID signed a cooperation agreement on cooperation and equal partnership, improving the investment environment in Klaipėda through the promotion of business and scientific cooperation.



**Dec 7.** A virtual meeting was held with representatives of the residential communities located near the Klaipėda oil terminal. The progress of KN Environmental Plan was presented during the meeting.



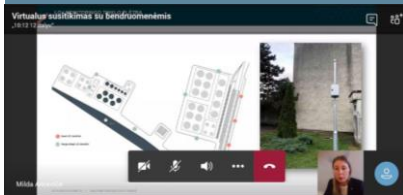
**Dec 18.** DNV GL confirmed that the KN Quality, Environmental Protection, Occupational Health and Safety Management Systems meet the requirements of the international standards ISO 9001: 2015, ISO 14001: 2015 and ISO 45001: 2018.



**December.** During festive period KN initiated internal kindness project called "Įžiebtime šypsenas" and fulfilled the wishes of 54 lonely, elderly people living in poverty.



**Jan 21.** KN introduced an updated Code of Conduct, which sets out the most important standards of conduct and decision-making in the company.

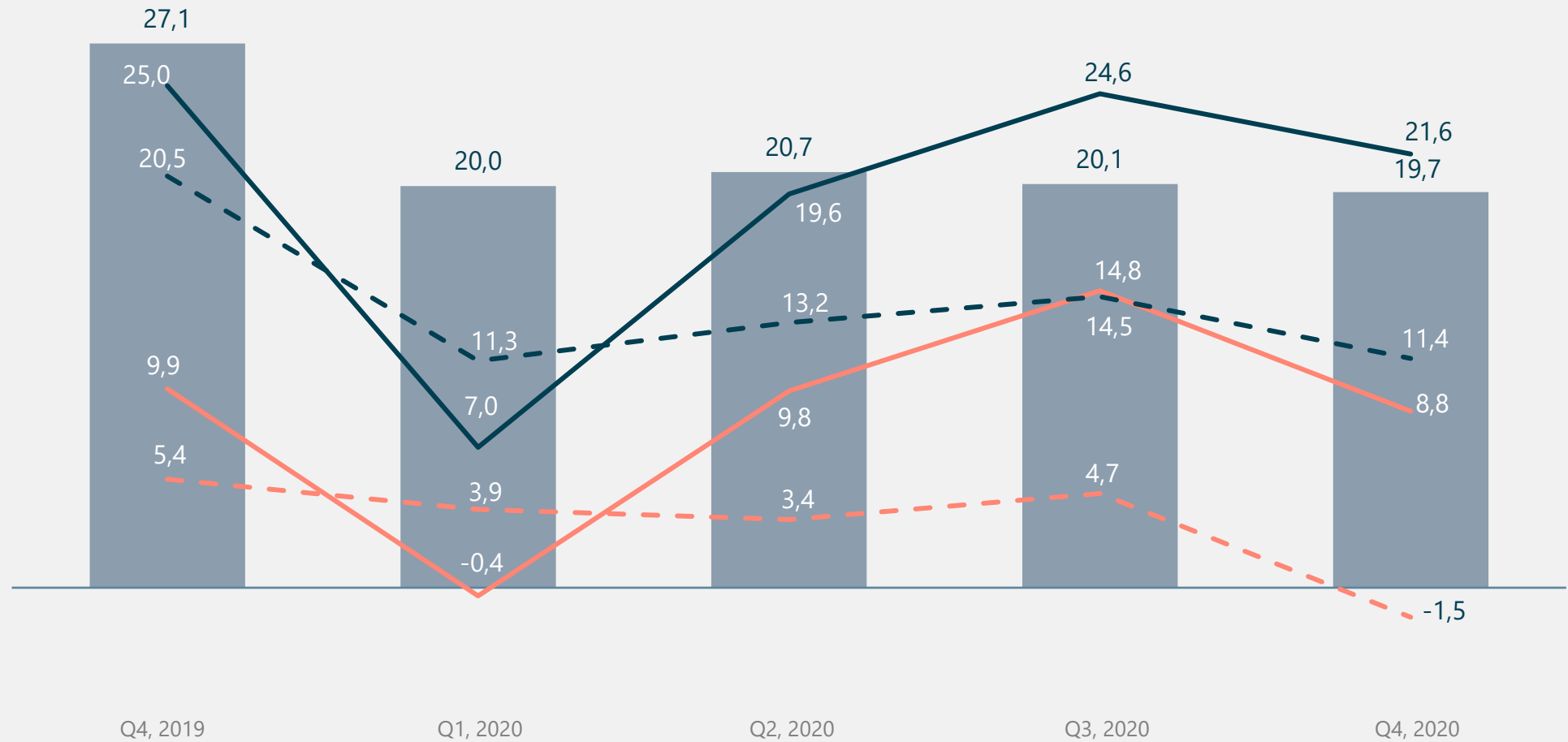


# FINANCIAL RESULTS



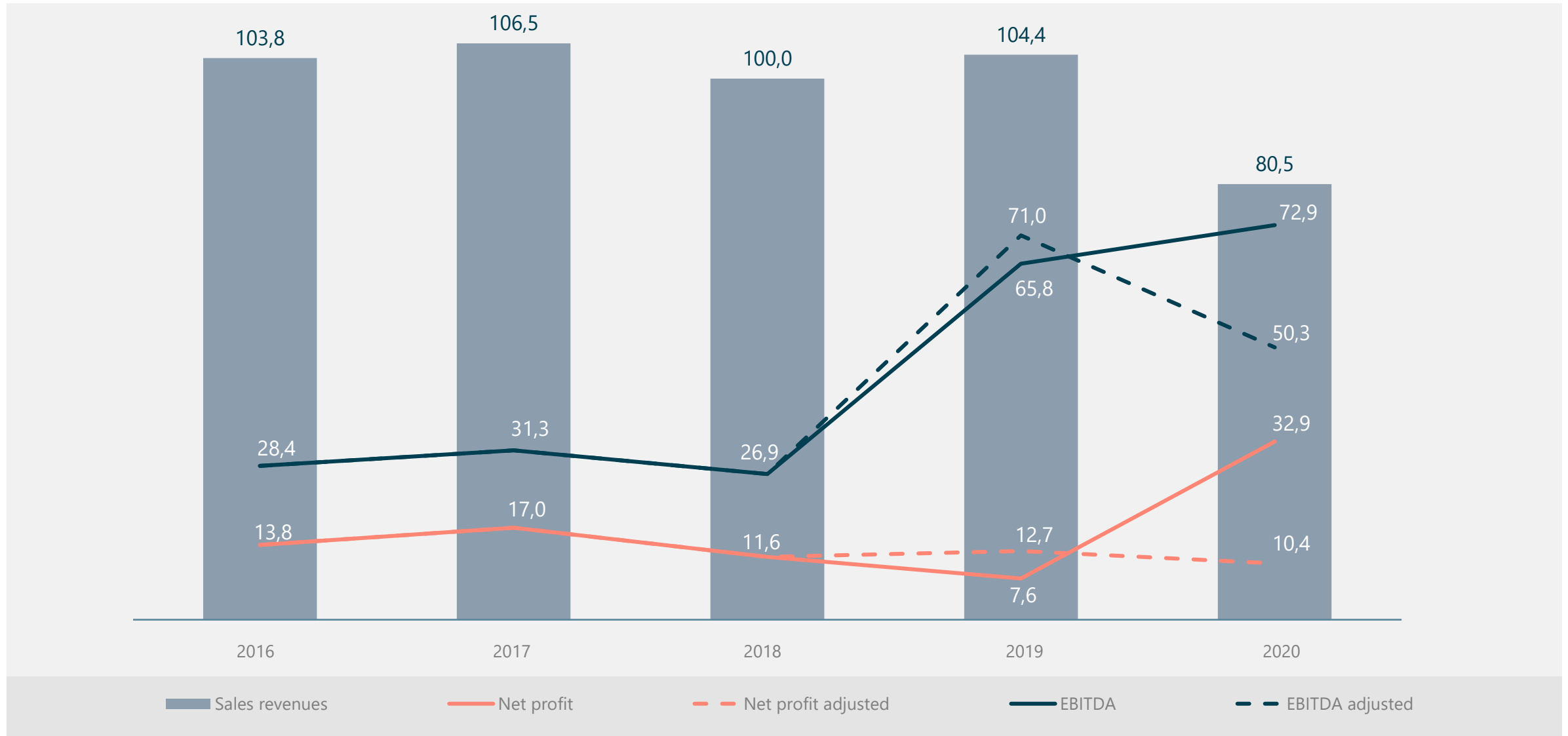


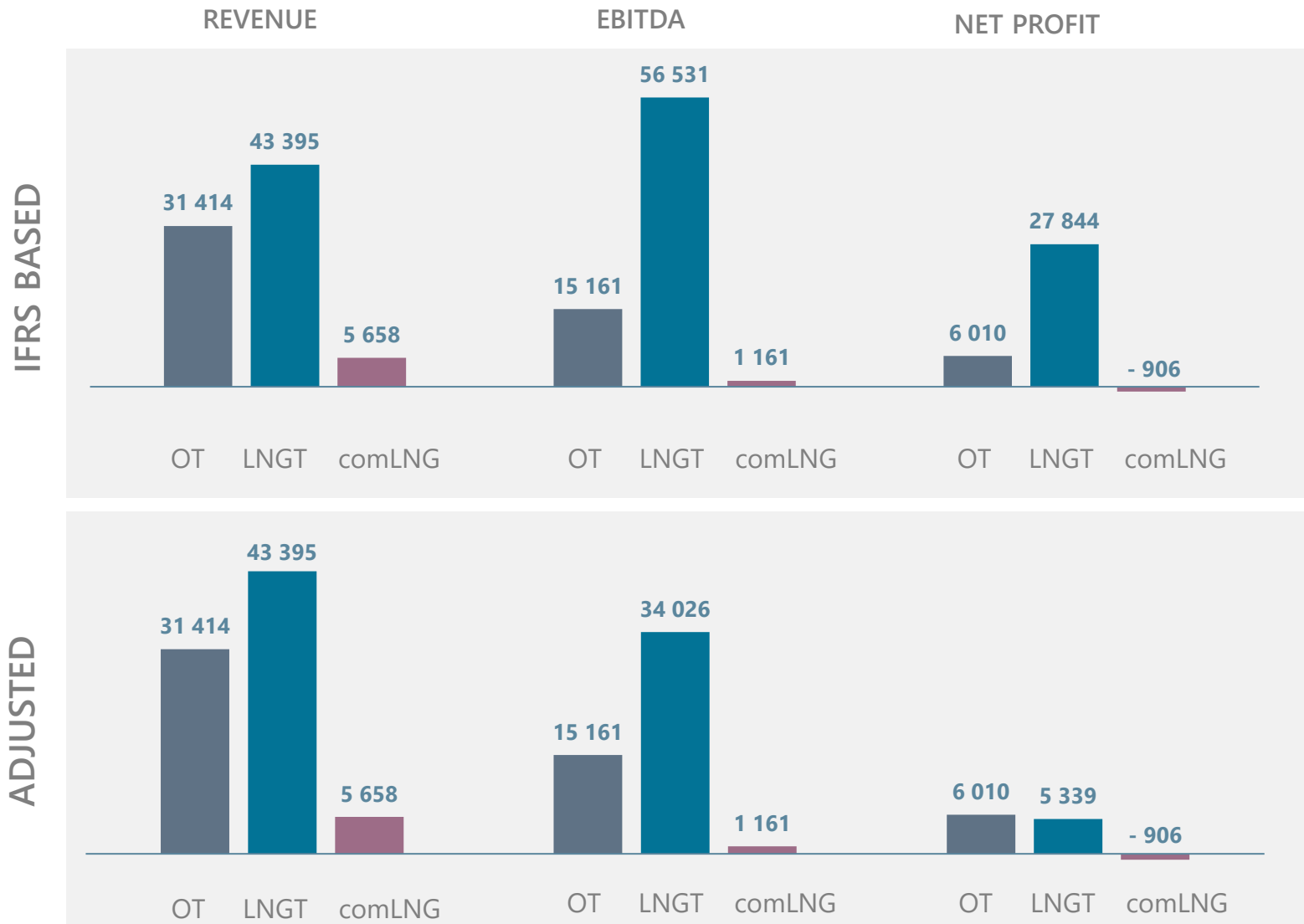
# FINANCIAL HIGHLIGHTS (UNAUDITED) FOR 2020 Q4, MEUR



Sales revenues
  Net profit
  Net profit adjusted
  EBITDA
  EBITDA adjusted

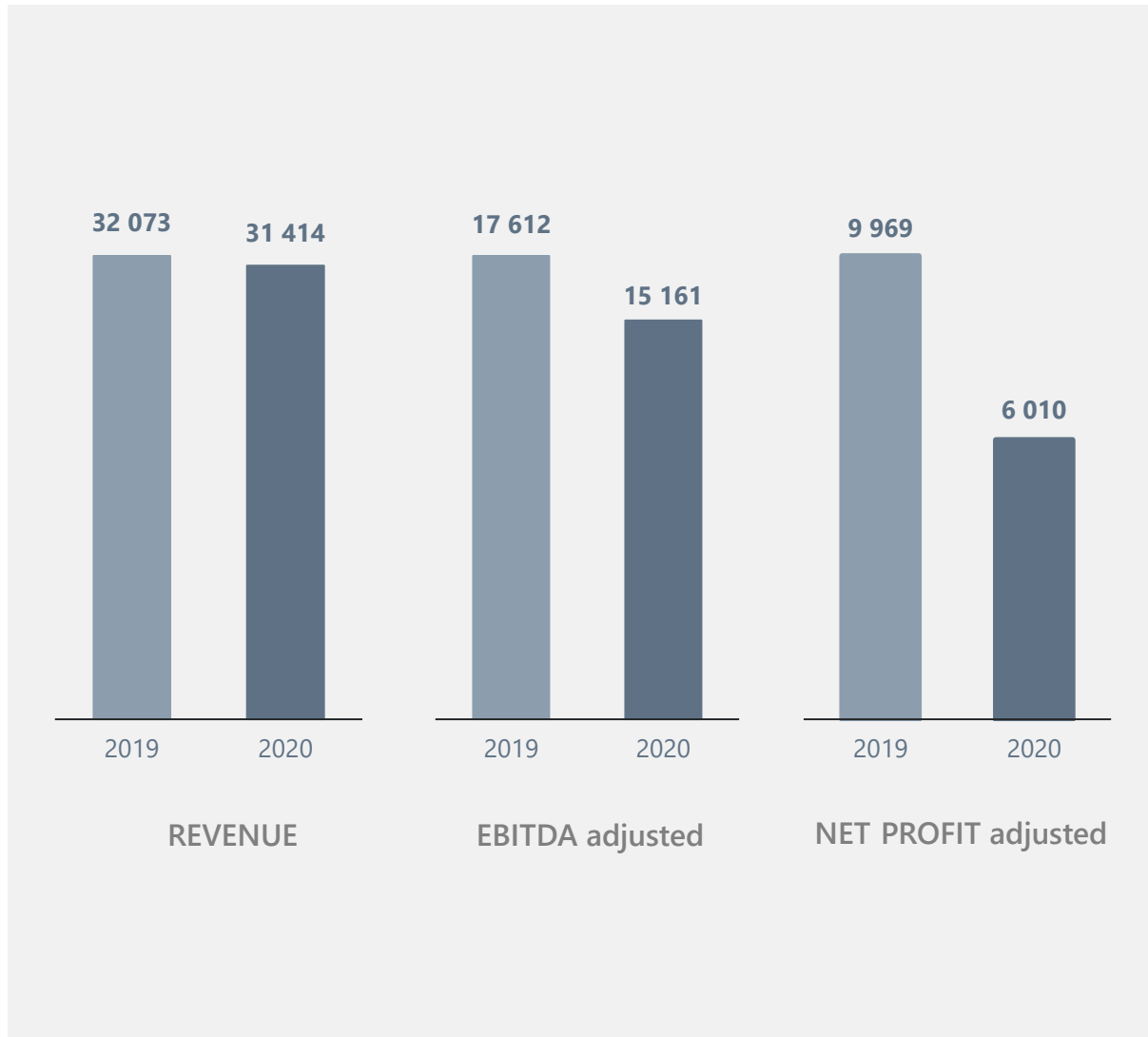
# FINANCIAL HIGHLIGHTS (UNAUDITED) FOR 12 MONTHS OF 2020, MEUR





## 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 and consultations.



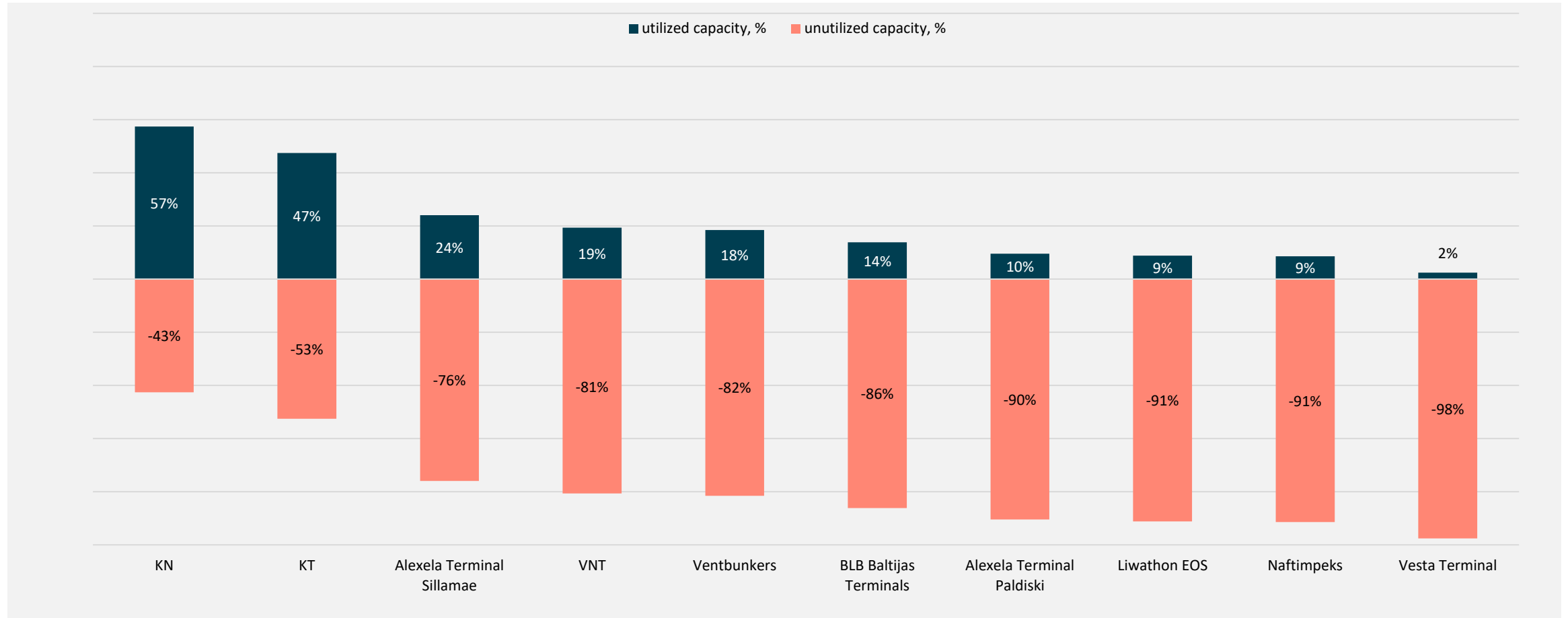
### BUSINESS FACTORS:

Year 2020 was full of challenges which put significant pressure on oil products' demand in general and KN's oil business operations and results as well. The factors that had the greatest impact in Q4 of 2020 were:

- The second wave of COVID-19 in the autumn led to new travel restrictions in European countries, leading to a 10-35% drop in demand for light petroleum products (depending on the country) compared to Q3. EU stocks have reached record high levels over the past 30 years.
- During autumn of 2020 more than usual European refineries closed for repairs, and several of them closed-down refineries altogether switching to biofuel production or storage services for oil products.
- European refineries were operating at a minimum profitability during the last quarter of 2020 and their capacity utilization in October amounted to about 69% (or 10% less compared to the same month a year ago) and remained at almost the minimum level of technological capacity. Due to ongoing quarantine restrictions in European countries, this figure is unlikely to rise in 2021. This will continue to affect the volume of oil products handled during Q1 of 2021 as well.
- KN's client BNK (UK) Limited has informed about the temporary suspension of trade of oil products with the transshipment through the port of Klaipeda. Oil products which have been contracted before are continued to be loaded at KN.
- KN has extended cooperation agreements in the field of biofuel handling during 2021.
- KN has signed contracts for the transshipment of bitumen, which is planned to start in the second part of summer 2021.

# TRANSSHIPMENT CAPACITIES UTILIZATION IN BALTIC STATES OIL TERMINALS (1-11 OF 2020), %

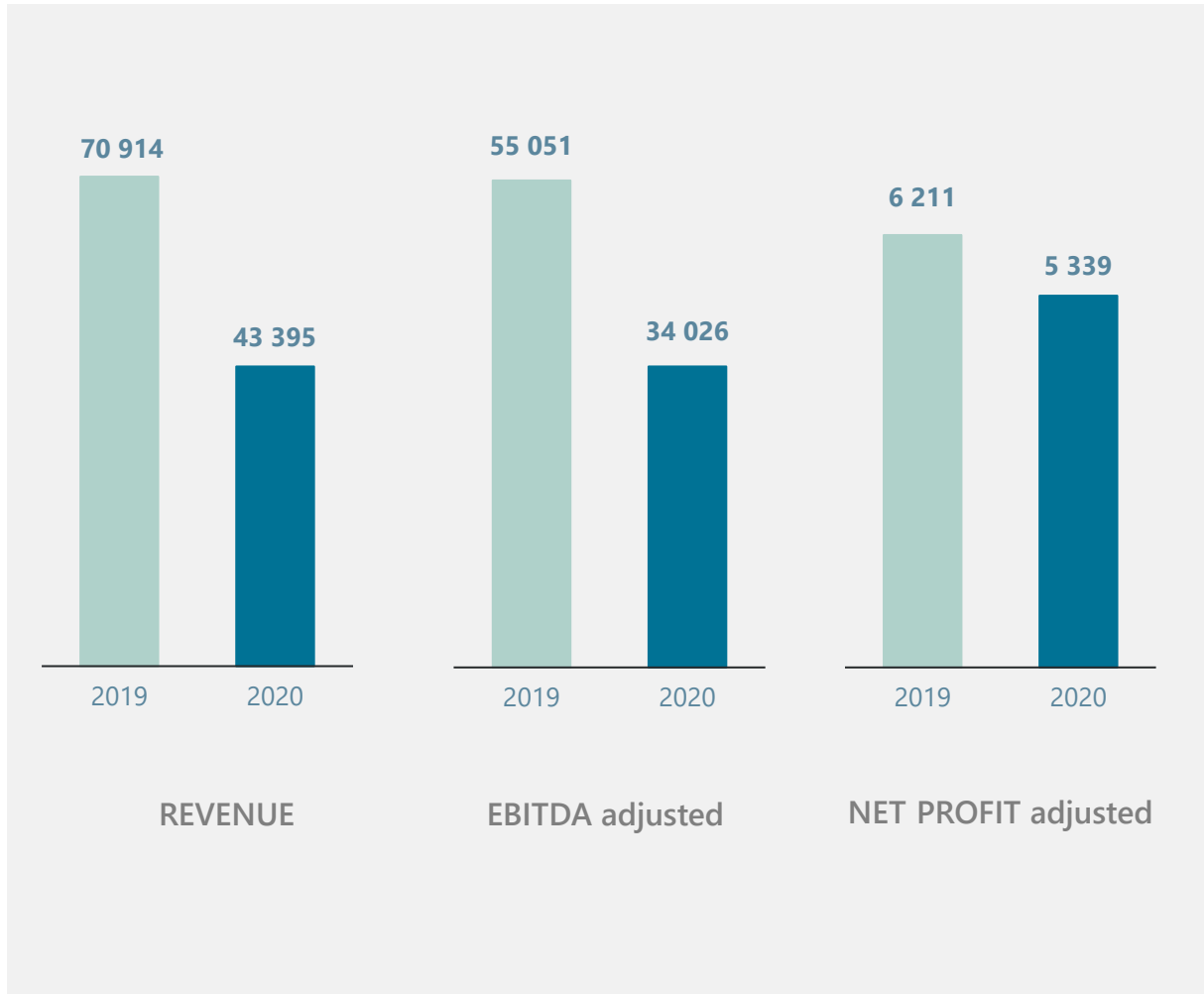
OIL MARKET OVERVIEW



Based on KN and Argus Neftetransport newsletter data

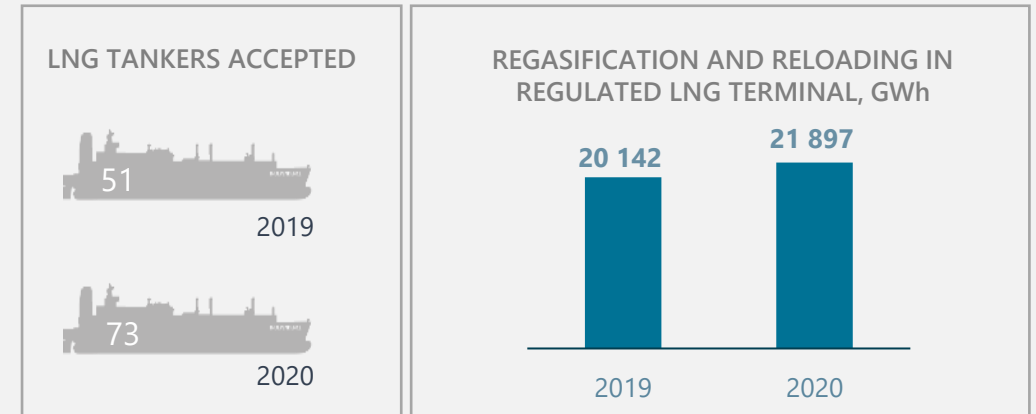
# FINANCIAL HIGHLIGHTS FOR 12 MONTHS OF 2020, TEUR

## REGULATED LNG ACTIVITIES



### BUSINESS FACTORS:

- LNG security supplement reduction impact – 26,8 MEUR for 2020.
- Due to attractive LNG price, in 2020, the utilization of LNG terminal in Klaipeda was 49% (66% of natural gas in Lithuania was imported via LNG terminal).
- In 2020, natural gas exports from Lithuania to other Baltic countries and Finland reached 7,9 TWh (volumes increased by +52% in comparison to exports in 2019). The growth of exports can be related to the new natural gas transmission pipeline between Finland and Estonia which has been operational since the start of 2020.
- In 2020, LNG terminal in Klaipeda had 6 users (vs 5 users in 2019); 4 users were from Lithuania and 2 users were from Estonia.
- In 2020, the average Dutch TTF Natural Gas Index was equal to 9,4 EUR/MWh in comparison to 15,5 EUR/MWh in 2019 (source: ICE).



# KLAIPEDA LNG HUB

KLAIPEDA LNG TERMINAL EFFICIENCY – HIGHEST IN HISTORY

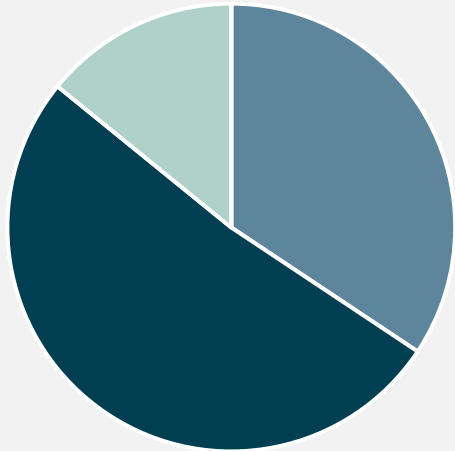
The average capacity utilization of the **Klaipėda LNG terminal** correlates with the average capacity utilization of **European LNG terminals**.

The level of utilization is influenced by **global LNG market prices**: market participants import LNG when their price is more attractive than the pipe alternative.

The **utilization rate** of Klaipėda LNG terminal has grown by **149 %** during the last two years.

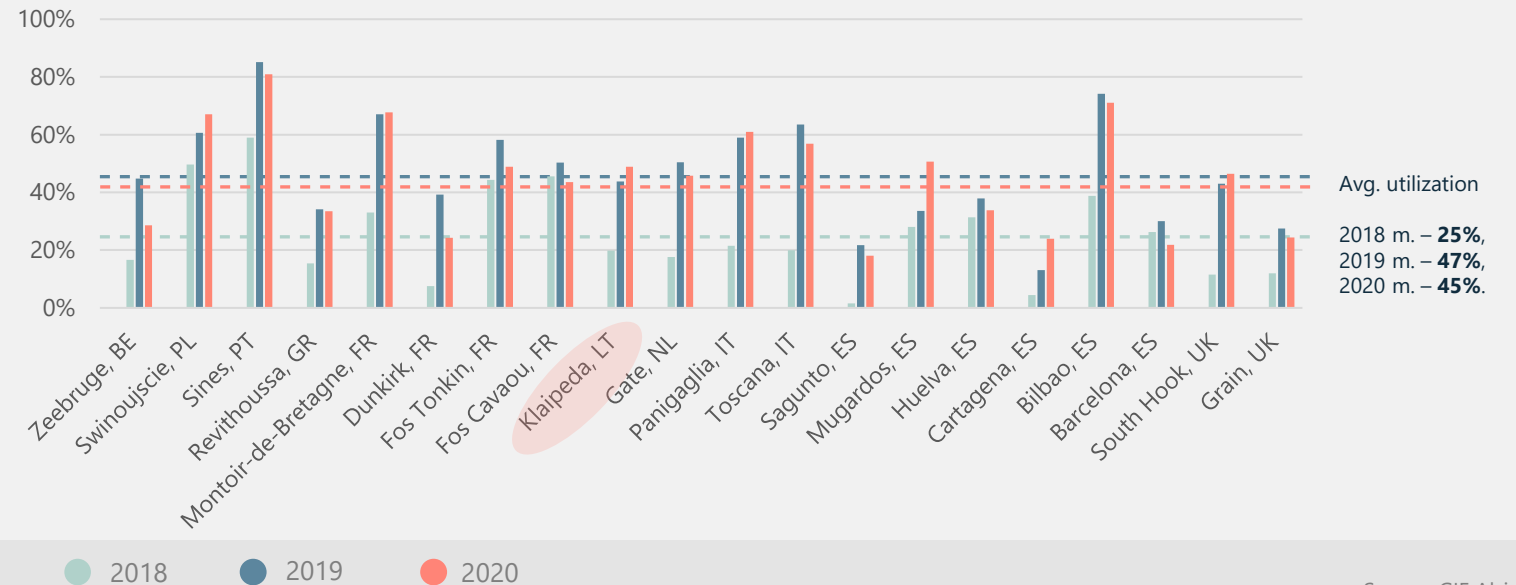


DELIVERED CARGO BY ORIGIN 2020, %



● Norway ● USA ● Russia

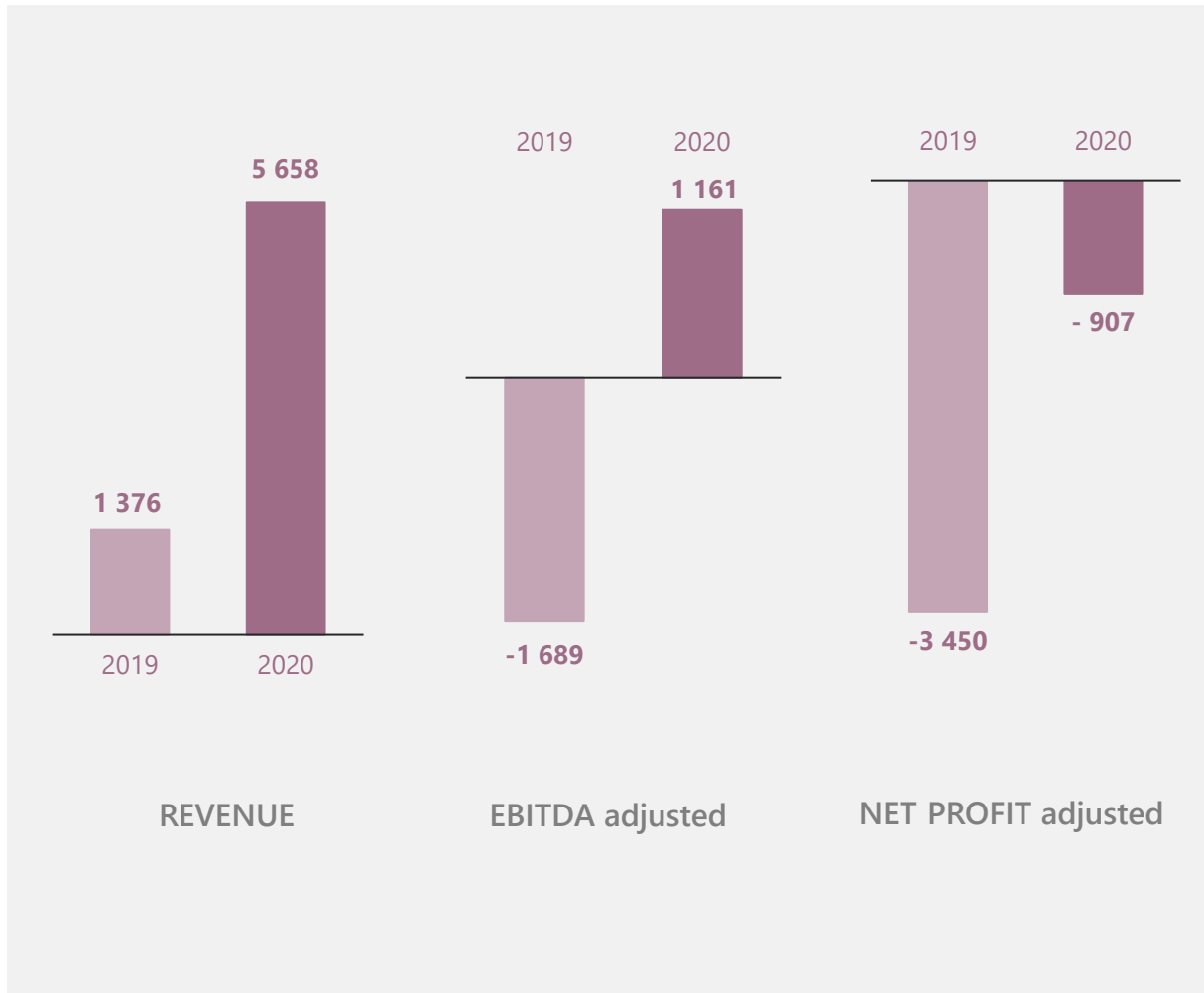
CAPACITY UTILIZATION OF EUROPEAN LNG IMPORT TERMINALS, %



Source: GIE Alsi

# FINANCIAL HIGHLIGHTS FOR 12 MONTHS OF 2020, TEUR

## COMMERCIAL LNG ACTIVITIES



### BUSINESS FACTORS:

- KN, together with its subsidiary KN Açu Serviços de Terminal de GNL Ltda., provide services to UTE GNA I Geração de Energia S.A. in accordance to the Operation and Maintenance Services Agreement.
- For more than half a year (starting from 1st of April, 2020), the LNG reloading station has been successfully utilized by the Polish state-owned gas company PGNiG. KN and PGNiG signed a five-year agreement regarding the use of the LNG reloading station at the end of 2019.
- KN follows public and private floating LNG terminal tenders globally and currently assesses business development opportunities in Europe, South East Asia and South America.

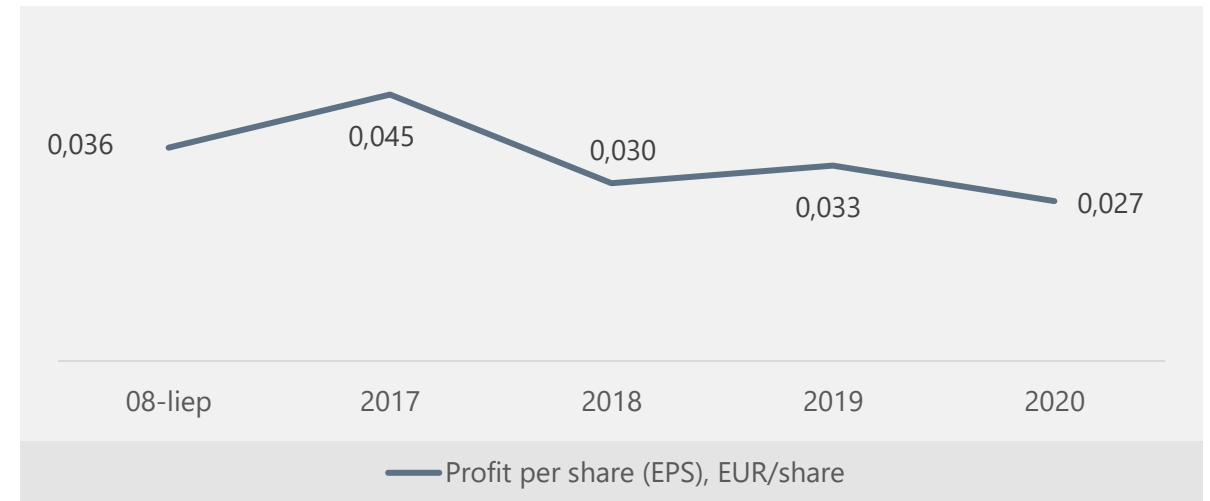
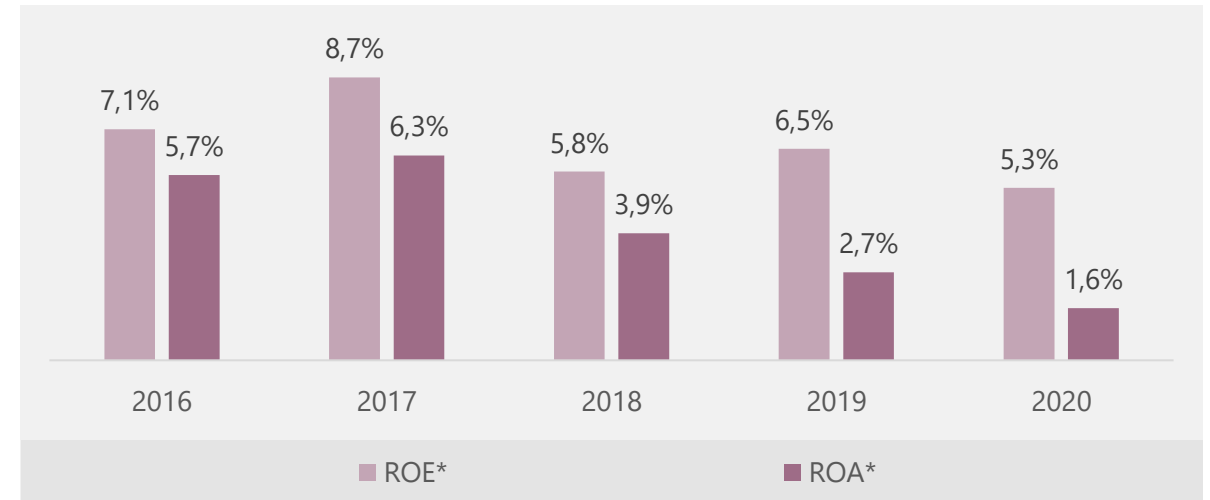
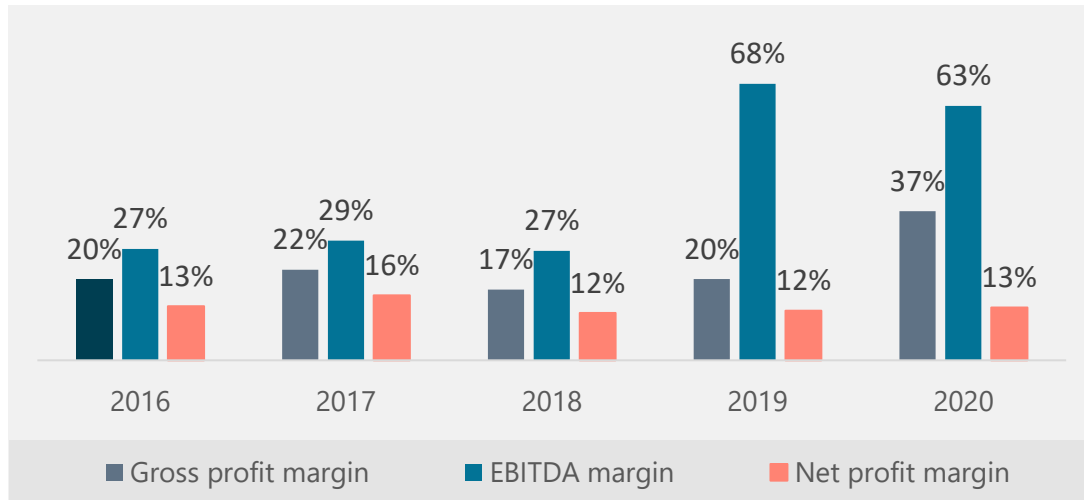
### Commercial LNG activities include:

- small-scale LNG reloading station in Klaipėda,
- operation of LNG terminal in Açu port, and
- Business Development Projects and other LNG Consultancy Services.



# FINANCIAL FIGURES FOR 12 MONTHS OF 2020

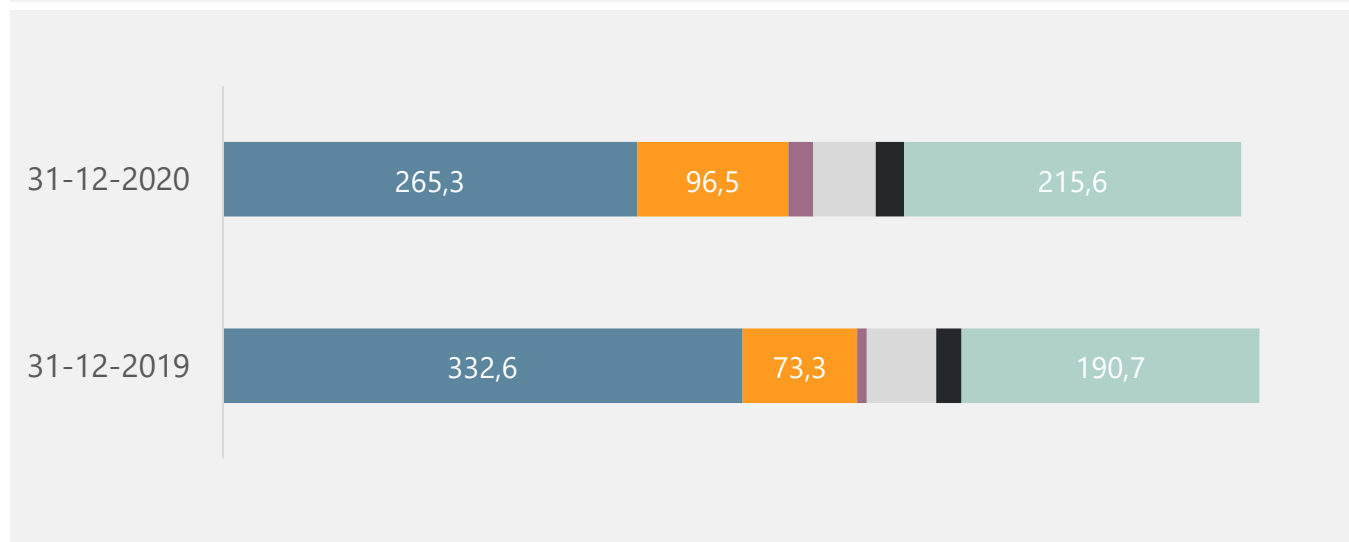
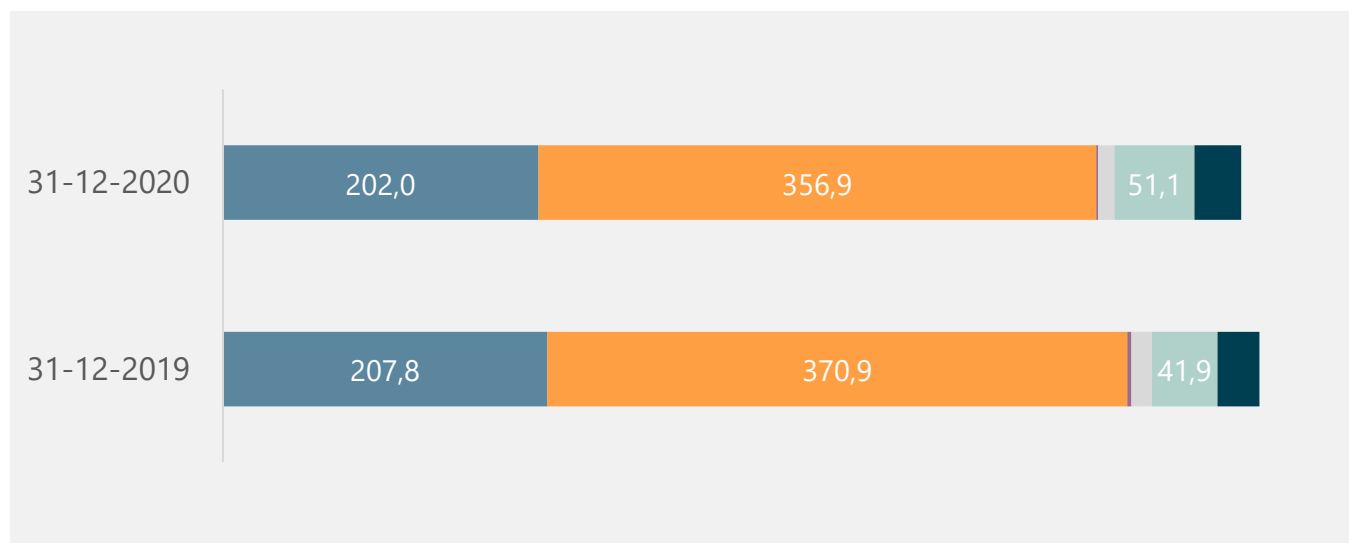
ALL RATIOS ARE CALCULATED BASED ON ADJUSTED FIGURES



\* 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.

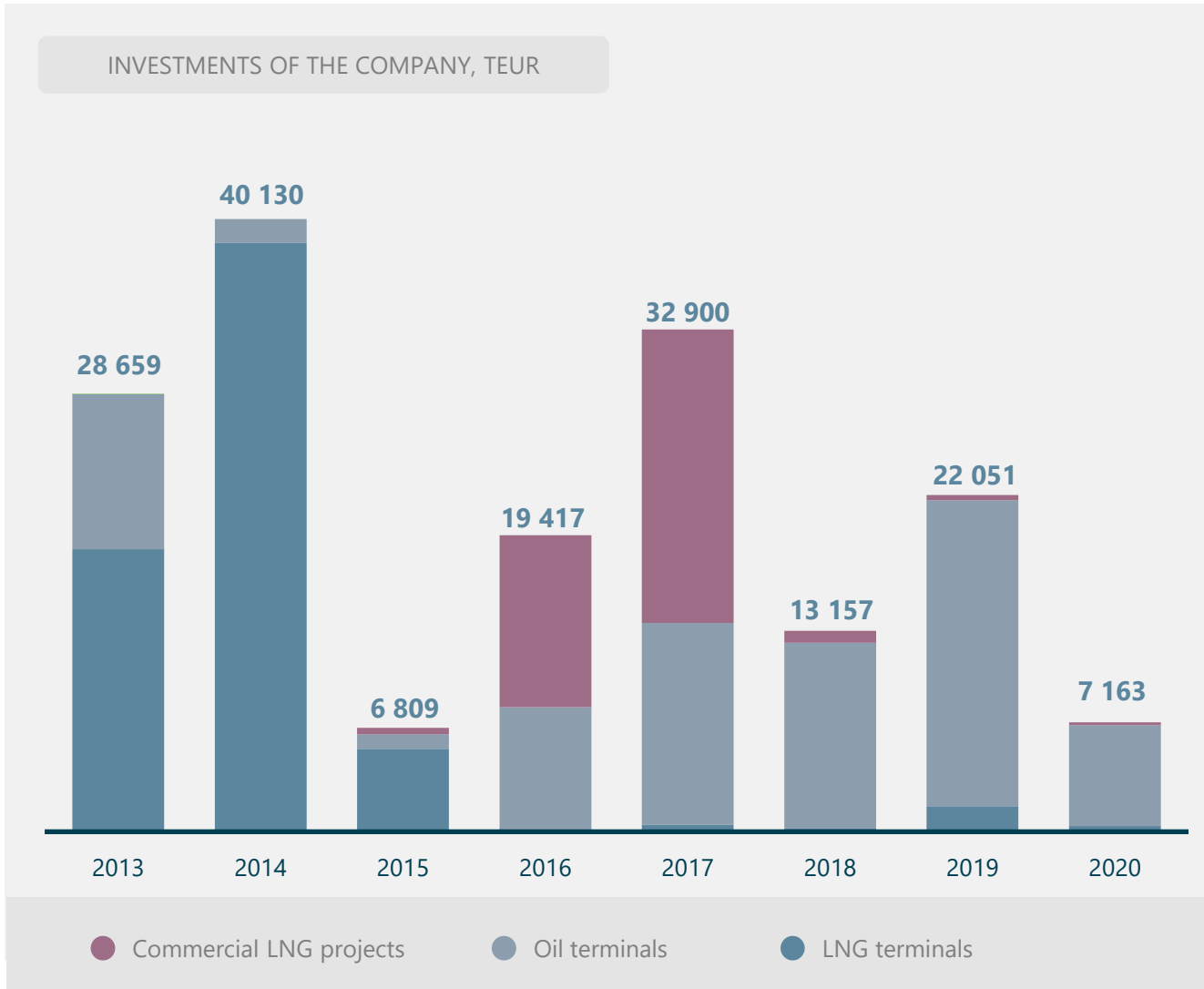
ASSETS			
MEUR	31-12-2020	31-12-2019	
PPE	202,0	207,8	
Right to lease property	356,9	370,9	
Other non-current assets	1,1	2,6	
Trade receivables	10,6	13,2	
Cash and cash equivalents	51,1	41,9	
Other current assets	29,9	26,9	
<b>TOTAL</b>	<b>651,6</b>	<b>663,3</b>	

LIABILITIES & EQUITY			
MEUR	31-12-2020	31-12-2019	
Non-current lease liabilities	265,3	332,6	
Loans (non-current + current)	96,5	73,3	
Other non-current liabilities	15,8	6,2	
Current lease liabilities	40,2	44,3	
Other current liabilities	18,2	16,2	
Equity	215,6	190,7	
<b>TOTAL</b>	<b>651,6</b>	<b>663,3</b>	



# INVESTMENTS OVERVIEW





## RECONSTRUCTION OF BERTHS. PHASE I. CONSTRUCTION OF NEW BERTH. INSTALLATION OF THE SUPRASTRUCTURE

Construction works are underway, installation of berth load-bearing structures and engineering networks, technological pipelines



## EXPANSION OF KLAIPĖDA OIL TERMINAL TANKS PARK

Construction work is completed, final equipment tests and adjustments are underway.

# ADDITIONAL INFORMATION



## INFORMATION ABOUT OIL PRODUCT TRANSSHIPMENT FROM BELARUS

Since 2016, KN has a contract with BNK (UK) Limited for the transshipment of light and heavy oil products from Belarus oil refineries. This company is an affiliate of the leading exporter of Belarusian oil products – ZAT Belaruskaja neftenaja kompanija.

In December 2020, KN was informed by BNK (UK) Limited about the temporary suspension of oil products sales through Klaipėda. In the future tenders announced by BNK Klaipėda will not be indicated as their sales point. All contracts between BNK and the Company remain in force.

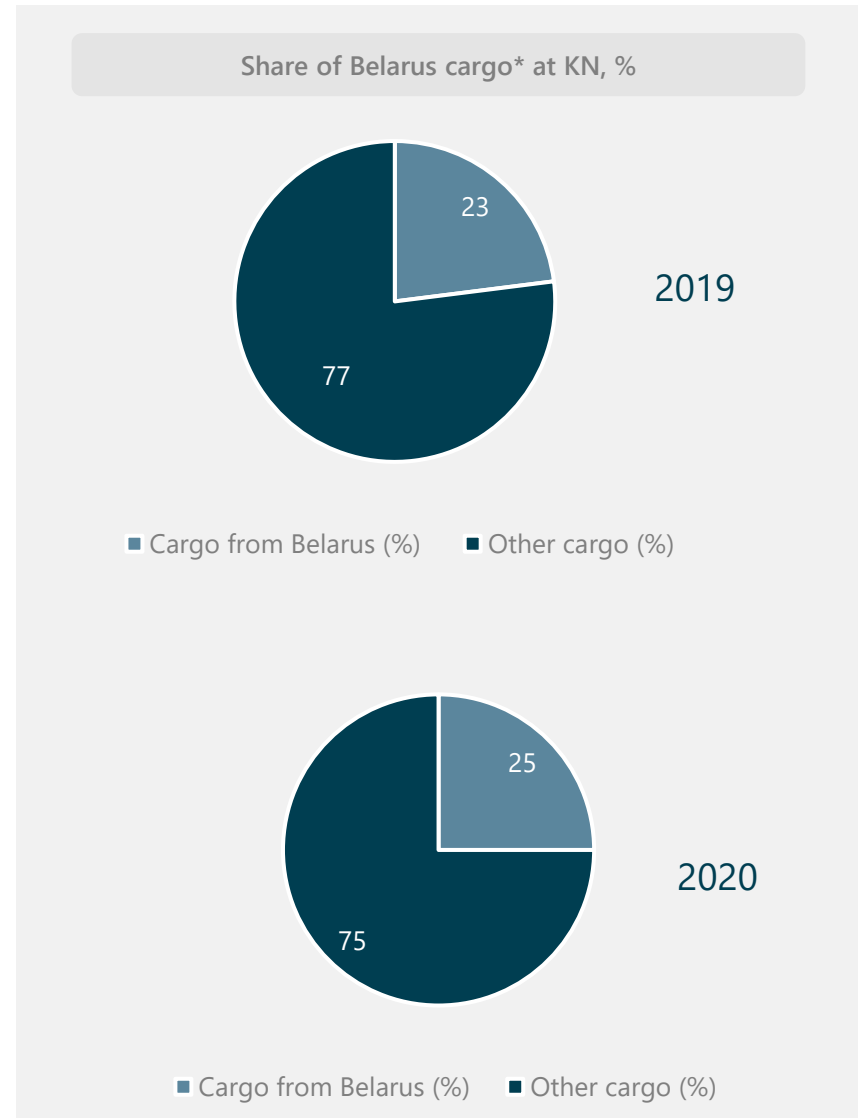
In the tenders announced in January by Belaruskaja neftenaja kompanija Klaipėda port is not named among other alternatives as a route for oil product transshipment. Moreover, the annual tender for the sale of heavy fuel oil products at the Mozyr refinery is no longer organized by the exporter BNK (UK) Limited, but by the competing Belarusian company Novaya Neftyanaya Kompaniya. The latter company is organizing more and more tenders of oil refineries in Belarus. Currently, no transshipment of oil cargoes from Belarus are nominated through KN oil terminals in February or later periods.

In KN management opinion, it can be assumed that oil products from Belarus will not be transhipped through KN oil terminal in Klaipėda and accordingly the company follows such assumptions for planning 2021.

In order to balance the foreseen loss of cargoes, the company will:

- Cancel or postpone for future the planned investment projects (f. e. railway trestle), which currently do not correspond to changing market context and which are not essential for business continuity.
- Initiate new efficiency initiatives internally, focus on cost reduction.
- Explore new business opportunities and develop new services for the clients, focus on further diversification of products and services.

From KN management perspective, strategic assumptions of the company remain relevant. The company will focus further on the business directions, established in the long-term strategy – first of all, development of LNG terminal projects worldwide.





# Q & A

- 1 How big share of Belarussian client in sales revenue of the Company's oil terminals for the 2020 year?
- 2 Will Belarussian oil products be further exported via Klaipėda?
- 3 Please comment on whether the long-term assets of AB Klaipėdos Nafta are currently making a sufficient return on your investment compared with other European and global companies in this sector. Maybe you are planning any changes due to the ROI of the long-term assets?
- 4 Most recently AB Klaipėdos Nafta concluded an agreement on the reconstruction and adaptation of two storage tanks for bitumen loading. What are other investment projects planned by the company that aim at increasing the efficiency of the oil terminal?
- 5 Is AB Klaipėdos Nafta planning to build the pipeline from Mažeikiai to Klaipėda?
- 6 Is AB Klaipėdos Nafta aiming at widening its LNG bunkering services in 3-5 years?
- 7 What are the predictions of the LNG terminal utilization rate for next 3-5 years?
- 8 How is going with a project in Cyprus ?





## AB KLAIPĖDOS NAFTA

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

Tel. +370 46 391772  
E-mail: [media@kn.lt](mailto:media@kn.lt)  
[www.kn.lt](http://www.kn.lt)

**THANK YOU FOR  
YOUR ATTENTION**